BT Group

A better BT for all of us

BT Group plc
Annual Report 2025

Now is the time to create the BT our customers, our colleagues, our owners, and the country needs.

We'll achieve this through our refreshed strategy. Read more on page 20

Most satisfied and loyal customers

>50%

More than half of all UK homes and business now have access to faster and more reliable broadband thanks to Openreach's investment in full fibre

24.8–29.5

Group NPS (FY24 vs FY25)

Online annual review

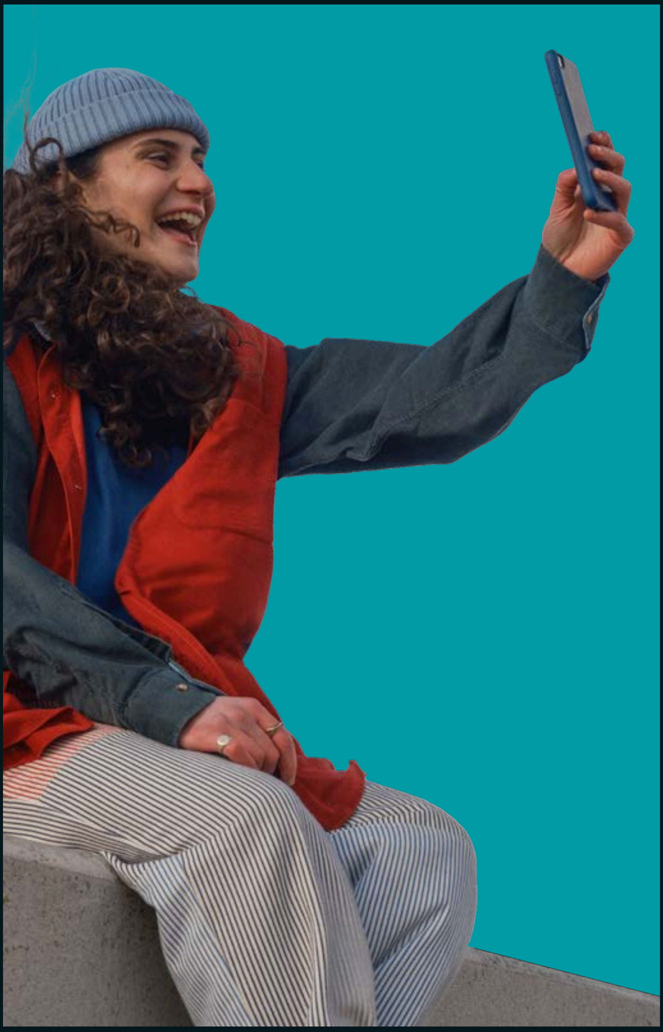
To explore how we are creating a better BT for all of us, visit our online review.

bt.com/annualreview

Most engaged and empowered colleagues

82%

Based on our latest 'Your Say' survey, 82% of colleagues feel positive about developing new ways to serve customers and being empowered to make decisions. That's 8% above the UK benchmark.



Positively impacting the whole country

We connect people, businesses and society and make a significant economic contribution to the UK. Last year we added more than £22.8bn.

£22.8bn

Increased dividend for our owners

8.16 pence per share

For 180 years, we've brought progress. Moving the nation forwards by engineering and pioneering the extraordinary.

We're not just the backbone of the UK, we're the beating heart. Always keeping people connected, safely and securely. But today, we're facing a new set of challenges. The world is louder. Faster. Less certain. More complex, more demanding, than ever before.

Contents

The Board approved this **Strategic report** on 22 May 2025.
The Chairman signed it on their behalf.

Adam Crozier
Chairman
22 May 2025

You can find our **cautionary statement on forward-looking statements** on page 231.

Pages 2 to 72 are the **Strategic report**. It includes our business model, progress against our current strategic framework, our refreshed strategy, our key performance indicators, group performance and our principal risks and uncertainties.

You can find our **Corporate governance report** on pages 73 to 128. It includes the Report on directors' remuneration and the Directors' report.

When we say 'BT Group' and 'the group' in this document we mean BT Group plc – made up of our subsidiaries, customer-facing units and internal corporate units. When we say 'FY25' we mean the financial year that ended on 31 March 2025, and we use the same approach for any other years.

How we've done

Revenue

£20.4bn (2)%

(FY24: £20.8bn)

Profit before tax

£1.3bn 12%

(FY24: £1.2bn)

Adjusted[a] EBITDA

£8.2bn 1%

(FY24: £8.1bn)

Cash flow from operating activities

£7.0bn 17%

(FY24: £6.0bn)

Normalised free cash flow[b]

£1.6bn 25%

(FY24: £1.3bn)

Basic earnings per share

10.8p 24%

(FY24: 8.7p)

Capital expenditure

£4.9bn —%

(FY24: £4.9bn)

Look out for these throughout the report

- Reference to another page in the report
- Reference to further reading online

a Adjusted EBITDA is group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures. See page 230.
b We define normalised free cash flow on page 230.

A message from our Chairman

A year of continued progress

> "Over the past year we've been focused on transforming at pace to deliver exceptional customer experience and improved shareholder value. We've made significant progress, with a refreshed corporate strategy, key executive appointments, and changes to the structure of the business.

Adam Crozier
Chairman

We've set a solid foundation to enable future success, and we're already seeing the early benefits, reflected in our improved share price over the past 12 months.

Allison's first year at the helm

This Annual Report marks the first full year with Allison in post as Chief Executive. Over the past 12 months, the executive leadership team has been accelerating the transformation of the business so that we're better able to serve our customers, while focusing BT on our core operation: providing leading connectivity in the UK.

Our emphasis on putting customers at the heart of our decision making has already started to yield positive results, with improved customer satisfaction scores across the business. The same people-led approach internally has also been key to building employee engagement, which has been instrumental in navigating the challenges of the past year. Our leadership is steering us towards a bright future, and I have full confidence in the Executive Committee's vision and execution.

FY25 investment and dividend

BT is currently the largest investor in UK infrastructure of any company listed on the FTSE 100. In the last five years, our cumulative capex investment has been £24.3bn against a backdrop of investment in UK infrastructure slowing or falling behind schedule. The connectivity our next-generation networks provide will play a critical role in strengthening our customer base and long-term financial health, while also underpinning economic growth and wider societal benefits.

We've re-confirmed our financial targets for the coming years, as we move towards our free cashflow targets of £2bn in FY27 and £3bn in FY30. This gives us confidence to maintain a progressive dividend policy, and we raised our dividend for FY25 by 2% to 8.16 pence per share, reflecting our commitment to delivering value to our shareholders, while continuing to invest in the future growth of the company.

Societal benefits

It's our mission to connect for good and make a positive impact on society. This year, we launched our first climate transition plan which outlined our future ambitions:

- Aiming to achieve net zero carbon emissions in our operations by 2031 and for the full value chain by March 2041
- Transitioning the majority of our vehicles to electric or zero-emission by March 2031
- Sending zero waste to landfill by 2030
- Reducing our networks' energy consumption annually
- Building towards a circular BT Group by 2030 and a circular tech and telco ecosystem by 2040

As well as benefitting the communities we serve, these efforts enhance our own long-term resilience, ensuring we have the strategy and capacity to navigate the uncertainties of climate change. By setting clear targets and tracking our progress, we're holding ourselves accountable and demonstrating our position as a climate leader. Our work towards these ambitions is already well underway too – as evidenced by BT Group making the UK's largest ever commercial Electric Vehicle fleet order earlier this year.

In addition to our environmental initiatives, we're also focused on creating wider social value. Our inclusion programmes aim to bridge the digital divide and ensure that everyone can reap the benefits of next-generation networks – from access to education, health and government services, through to connectivity that enables businesses to work more quickly and flexibly, boosting productivity and growth. We're also committed to ensuring these benefits are realised safely and securely, as we all face a growing range of online threats.

Stakeholder relations

Like all organisations, we're navigating an increasingly complex geopolitical and trading environment – making our wider stakeholder relationships more important than ever. Our engagement with the government and regulatory bodies has been instrumental in shaping policies that support the growth and development of our business and the telecommunications sector.

In the UK, while we were impacted by changes announced in the 2024 Autumn Budget, we have engaged strongly with the UK Government since their election last year. Fundamentally, we share their ambition to drive economic growth for the UK, and our ongoing investments in digital infrastructure will be crucial to achieving this goal.

Our relationship with Ofcom remains a key priority, and we welcomed their Telecoms Access Review update this year, which focuses on providing the long-term certainty and predictability needed for major investors such as BT Group. We also led the industry in switching from 'CPI+' to 'pounds and pence' consumer price increases before regulatory intervention, giving customers greater clarity on their billing after high inflationary pressures in recent years.

Our collaboration with stakeholders extends beyond government and regulators. We've continued to engage openly with our customers, employees, suppliers, and communities to understand their needs and expectations, building trust and strengthening relationships with the wide range of stakeholders who are critical to our future success.

Governance and Board changes

The past year saw several important changes to our Board, including Tushar Morzaria and Rima Qureshi joining as Independent Non-Executive Directors in May 2024 and March 2025 respectively and Sir Alex Chisholm being appointed as our dedicated Non-Executive Director for Ofcom engagement in September 2024. Isabel Hudson stepped down from the Board in July 2024.

These appointments bring a wealth of experience and expertise to our Board, enhancing our governance and strategic oversight. Tushar's financial acumen, Alex's regulatory insights, and Rima's global perspective and telecoms experience will be invaluable as we navigate a rapidly evolving external outlook.

Diversity and inclusion are core values at BT Group, and we're committed to fostering a culture where everyone feels valued and respected. Our Board's diversity reflects our broader commitment to creating an inclusive workplace that leverages the unique perspectives and talents of all our employees.

Looking forward

There remains a great deal to be done to truly transform BT Group, but we've made significant progress over the past year. I would like to thank my fellow Board members, our executive leadership team, and most of all our people for their drive and commitment to delivering this.

The foundations we've built position us well for the future. I'm more confident than ever that the changes we're making are bringing clear rewards today and will deliver long-term benefits for our customers, our shareholders, and UK society as a whole.

Adam Crozier
Chairman
22 May 2025

A message from our Chief Executive

A better BT for all of us

"

During the past year we've been fully focused on accelerating BT's modernisation and transformation, as we become a BT that's better for all of us: for our people, our customers, the country and our owners.

Allison Kirkby
Chief Executive

We've increased the build pace of the nation's digital backbone; sharpened our focus on providing the UK's most trusted connectivity; and we are continuing to address our legacy and complexity by simplifying and digitalising our products, and the way we work. When we get this right, we will deliver for all our stakeholders.

BT's contribution to the UK cannot be overstated. Our latest Economic Impact Report shows our gross value add to the economy during FY24 was £22.8bn[a] and the estimated boost to the UK's productivity from our full fibre network is now expected to reach £72bn by 2030[b]. Put simply: BT is central to the UK's future prosperity.

This is a huge responsibility for all of us here. But it's also what makes this job, and BT, so important and so special.

Progress in the year

In FY25 we delivered strong progress against our strategic priorities, hitting record full fibre build and connect highs, and seeing EE awarded the best mobile network for a record 11th year running, recognising EE's clear leadership in 5G. This continued progress in digital infrastructure contributed to improved customer satisfaction scores across each of our brands and business segments.

Although revenue declined year-on-year, driven mainly by international sales and handsets, we made a strong start on our latest transformation initiatives – achieving more than £900m of annualised savings one year into our five-year programme to remove £3bn. Combined with disciplined cost control and a step-up in focus and transformation, we grew both EBITDA and normalised free cash flow, despite the lower revenues. This allowed us to sustain peak levels of investment and increase our dividend for FY25 by 2% to 8.16 pence per share.

The continued delivery against our strategic priorities keeps us on track to reach 30 million premises with full fibre, and 30 million retail customers with our full range of connectivity products and solutions, by the end of the decade. And we are now only one year away from our inflection to £2bn of normalised free cash flow, our target for FY27, and remain on track to deliver £3bn by the end of the decade.

I'm pleased with the scale of progress we've made this past year, and I'm excited about what's to come. But there's much more to do, and I remain impatient to push on harder and faster.

a bt.com/economic-impact
b Full Fibre impact | Openreach

Refreshed strategy – A better BT for all of us

Last year, I said that BT's strategy was delivering but the world around us is moving at pace. That's why we've set out a refreshed and more focused strategy for long-term growth, so that by 2030 we will be recognised as the trusted force keeping the UK connected. Guided by our purpose to connect for good, we will achieve this by focusing on three things:

Why we're here

We connect for good

Who we'll become

The UK's most trusted connector

How we'll succeed

Build

Connect

Accelerate

A message from our Chief Executive continued

BT is currently the largest investor in UK infrastructure of any company listed on the FTSE 100.

Build

Building the best, most trusted digital networks

Since the beginning of this decade, and soon after I joined the BT Board, we have been getting on with building the country's next-generation networks – its digital backbone – faster, further and more efficiently than anyone else. Our aim is to have the lowest cost to build, the lowest cost to connect, the highest penetration and the lowest cost of capital.

In 2018, we did not have a full fibre network. Today, it reaches more than 18m homes and businesses across the country, of which we've connected 6.5m, or 36%, and counting.

Enabled by the "fair bet" struck with our regulator, the investments we're making mean that in the coming years our shareholders will be the owners of one of Europe's best, at-scale, fibre platforms. One that's set up to generate significant value over the decades to come and underpin both the country's development and its economic future.

We know that the more full fibre we build, the more customers choose to connect. So, we've decided to increase our build rate in FY26 by 20%, with an aim to reach up to 5m premises while continuing to grow our connection rate by migrating our CPs (Communication Providers) and their customers over to the Openreach fibre platform. This comes as we accelerate towards our goal of reaching 25m by the end of next year.

Our mobile network build has been equally impressive. We expanded our 5G network by 10% during the year, now covering more than 85% of the population, and in just eight months since switching it on, we're offering the full benefits of 5G Standalone to 50 UK towns and cities, reaching more than 40% of the population. These benefits include uninterrupted outdoor coverage, seamless in-crowd connectivity and better gaming and video streaming performance. Our 5G customer base in Business and Consumer grew by 15% to 13.2m during the year.

At the heart of the Government's growth agenda sits the economic prosperity that our fixed and mobile networks will enable. In our many interactions with Ministers and officials, it has been very encouraging to hear that they recognise the degree to which our agendas align. And, as Adam mentions in his letter, we welcomed the overall tone of stability and predictability in Ofcom's Telecoms Access Review launched this year.

As the operator of the country's most trusted and resilient networks, we will continue to work constructively with Government and Ofcom to protect the returns our planned investments always intended – and make them work even harder for our customers and owners, society and the economy.

Connect

Connecting customers so they thrive, as we grow, in a digital world

We are custodians of some of the country's most iconic brands: BT, EE, Plusnet and Openreach. Each has a deep connection with customers and the communities where they live and work.

During the year, we upgraded 28 of our biggest retail stores and we concluded the UK's biggest workplace transformation project, all designed to improve our customer and employee experience. BT's Better Workplace programme has seen us reduce our office estate from around 300 locations of variable quality to 30 modern and energising workplaces, with the final new hubs opening in Sheffield, Dundee and Manchester.

We were proud to broaden our Emergency Services Network contract with The Home Office for a further seven years, and at the end of the year we saw excellent contract wins including Defra which will benefit and impact our financial results in the future.

In our Consumer division, EE launched the world's first Wi-Fi 7-enabled routers (Smart Hub Pro), giving customers access to ultra-reliable multi-gigabit Wi-Fi throughout the home, and strengthening our standing among gamers – some of the most demanding broadband customers. Building on this, in the final quarter of the year we returned our Consumer broadband customer base to growth for the first time in three years.

In Business, the launch of 5G Standalone has meant that we can provide customers with a dedicated and protected 'slice' of the network for assured performance. We're exploring this for things like live on-site news broadcasting and critical communications at big outdoor gatherings such as marathons and festivals. We've already seen the impact on small businesses at busy events, enabling them to take superfast and reliable card and phone payments from the crowds of visitors.

For UK customers with global operations, we launched our network-as-a-service platform, Global Fabric. This world-first allows major organisations to make changes to their connectivity at lightning speed, providing people, devices and AI platforms with flexible connectivity to apps and data hosted across multiple cloud providers.

These are just some of the ways that we're bringing innovations to market so our customers can enjoy the very best of digital technology, powered by BT's networks.

The combination of our loved brands; simpler, upgraded products and services; and our partnerships with the world's best technology providers, has enabled us to stabilise our consumer base this year and increase the number of customers buying multiple services from us. These are important foundations for us to return to sustained customer and revenue growth in the coming years.

1.2m

Customers migrated off our legacy public switched telephone network

Accelerate

Accelerating our modernisation to restore leadership in everything we do

BT needs to radically simplify and digitalise to enable a major uplift in customer experience and productivity.

In-line with our sharpened focus on UK connectivity, we made a number of non-core divestments, signing two deals in Ireland to sell our data centres and our domestic enterprise and wholesale businesses, and agreeing the sale of our remaining domestic operations in Italy.

In addition, the separation of our UK and international B2B operations is well underway. On international, we now have a dedicated team laser-focused on business transformation, completing the roll out of Global Fabric, portfolio simplification and cost optimisation – while remaining open to all options, including partnerships. In the UK, our dedicated B2B team is leading a turnaround and return to growth.

Transforming and simplifying our core UK operations has also continued at pace. We're migrating customers from legacy, high-cost fragmented networks and products to low-touch, automated software-driven services, powered by data and AI.

During the year we migrated 1.2m customers off our legacy public switched telephone network (PSTN), with 1,200 of our people across the UK engaged in targeted outreach to support our more vulnerable and elderly customers through this upgrade. We also made good progress on simplifying our product portfolio, while simultaneously re-engineering our internal processes.

Our momentum on simplification and digitalisation keeps us on track to reduce our workforce to between 75,000 and 90,000 by the end of the decade. This, and the other efficiencies we're driving will allow us to expand margins by growing EBITDA faster than revenue over the medium-term.

The improvements we're making in our business, and the network investments we're making in the UK, are bringing huge benefits for our customers across the nation. We care deeply about ensuring these benefits are available to everyone – but we know that where we connect, we must also protect.

At BT, digital inclusion starts with digital safety. That means tackling the online threats and risks our customers face 24/7. This includes everything we do on cyber security: from blocking tens of millions of fraud, spam and nuisance calls and texts, to stopping two million potential cyber-attacks every day, and staying ahead of increasingly sophisticated cyber threats using leading-edge technologies like quantum.

We're also enabling parents to make the best choices for children entering the digital world. We were the first to take a stance, offering clear guidance on smartphone usage for under-16-year-olds, helping ensure they are connected safely and responsibly.

BT's transformation includes our commitment to sustainability and ensuring we play our part in reducing the impact of climate change, and Adam's already mentioned the key elements of our climate transition plan. This year alone, we reduced energy usage in our networks by 4%.

Our people

BT's incredible people are key to the success and progress we've made this year. I would like to thank every one of them for their ongoing commitment, passion and pride in what we do.

As we strive to achieve our ambition to be the UK's most trusted connector of people, business and society, we are using this as a catalyst to refresh our culture, with customers and collaboration at its heart.

At the same time, the scale of BT's modernisation agenda means it is essential we have the right management team in place to lead the business and drive growth.

During the year I made three important hires to my leadership team. Tom Meakin joined us in the newly created role of Chief Strategy & Change Officer; Claire Gillies is the new CEO of our Consumer division; and Jon James is now the CEO of our UK-focused Business division. Since the year end, Alison Wilcox has joined BT as our Chief People & Culture Officer, and Peter Leukert will join us in September as our new Chief Digital Officer. These leaders each bring experience and skills complementary to my own and to our strategy, and I am excited about the team spirit we are developing as together we build a better BT.

Confidence in our future

BT is the leading investor in the UK's networks; nobody else comes close. We're building the best full fibre and mobile networks offering customers the best connectivity, and we are accelerating our transformation and modernisation.

These next-generation infrastructure and technology assets, combined with our iconic brands and passionate people, are what set us apart from others and give me total confidence in our future as we become a better BT for all of us – our people, our customers, the country and our owners.

Allison Kirkby
Chief Executive
22 May 2025

Executive Committee

The Executive Committee is chaired by the Chief Executive. So that there is a single point of accountability, the Chief Executive (or a delegate) takes all the decisions.

The *Executive Committee* provides input and recommendations to help the Chief Executive:
- develop the group strategy and budget for Board approval
- execute the strategy once the Board approves it
- assure the Board on overall performance and how we're managing risks.

Allison Kirkby
Chief Executive

Appointed:
Chief Executive February 2024.
Appointed to the Board March 2019

From May 2020 until becoming BT Group Chief Executive, Allison was President & CEO of Telia Company. She was previously President & Group CEO of TDC Group until October 2019, and President & Group CEO of Tele2 AB from 2015 to 2018, having been Tele2 AB's Group CFO from 2014.

Simon Lowth
Chief Financial Officer

Appointed:
July 2016

Simon was CFO of BG Group before the takeover by Royal Dutch Shell in February 2016. Before that he was CFO of AstraZeneca, and Finance Director and Executive Director of ScottishPower. Simon was also previously a Director of McKinsey & Company.

Sabine Chalmers
General Counsel, Company Secretary and Director Regulatory Affairs

Appointed:
General Counsel April 2018.
Appointed Director Regulatory Affairs and Company Secretary in May and September 2021 respectively

Before joining BT Group, Sabine was Chief Legal and Corporate Affairs Officer and Company Secretary of Anheuser-Busch InBev for 12 years. She also held various legal leadership roles at Diageo. Sabine is qualified to practise law in England and Wales and New York State. She is also a member of the Court of Directors of the Bank of England.

Claire Gillies
CEO, Consumer

Appointed:
April 2025

Claire joined BT Group from Bell Canada, the largest communications company in Canada. There, she held a variety of senior leadership roles driving industry-leading results. Most recently Claire was the President of Bell's Consumer Division, and before that the President of Wireless. Earlier in her career, Claire was the President of The Source, Canada's largest consumer electronics retailer. She is also the Vice Chair of Kids Help Phone, a youth mental health charity and a Fellow of the International Women's Forum.

Jon James

CEO, Business

Appointed:
April 2025

Before joining BT Group to lead UK Business, Jon was the CEO of the leading Danish telecoms provider, Nuuday, where he led its comprehensive operational and technology transformation, driving a return to growth. In his 30-year career in the telecoms, media and technology sector, Jon has led a series of successful, large-scale transformations; he has been CEO of Tele2 in the Netherlands, Chief Operating Officer at Swedish cable operator Com Hem and was one of the senior leaders driving the creation and transformation of Virgin Media in the UK.

Tom Meakin

Chief Strategy & Change Officer

Appointed:
November 2024

Tom is responsible for BT Group's strategy and transformation, and also leads the teams in mergers and acquisitions, partnerships and innovation. Before joining BT Group, Tom was a Senior Partner at McKinsey & Company where he led the firm's Consumer Technology & Media industry practice globally. Between 2015 and 2017 he was COO at freenetTV, a German PayTV operator owned by TPG Capital.

Howard Watson

Chief Security and Networks Officer

Appointed:
Chief Technology and Information Officer February 2016 and became Chief Technology Officer March 2021. Appointed Chief Security and Networks Officer September 2022

Howard's expanded role puts security at the core of our business. He was formerly Chief Architect and Managing Director, global IT systems and led the technical teams behind the 2013 BT Sport launch. Howard joined BT Group in 2011 and has 40 years of telecoms experience. This includes time at Telewest Communications (now Virgin Media) and Cartesian, a telecommunications consultancy and software company.

Athalie Williams

Chief People & Culture Officer

Appointed:
December 2022

Before joining BT Group, Athalie was Chief People Officer for BHP, the world's largest mining and resources company. She led BHP's organisation, people and culture transformation agenda and shaped their industry-leading inclusion and diversity agenda. Before that Athalie was General Manager, Cultural Transformation for National Australia Bank. She also spent 14 years leading complex business transformation and change programmes in Australia and Asia as a consultant with Accenture (formerly Andersen Consulting).

Clive Selley (Invitee)

CEO Openreach

Appointed:
February 2016

Clive was formerly CEO, Technology, Service & Operations, CEO Innovate & Design and before that President, Global Services Portfolio & Service Design. Under the provisions of the Commitments, Openreach's CEO cannot be a member of the *Executive Committee*. Clive attends *Executive Committee* meetings as appropriate

Key changes for the year

The following changes to the *Executive Committee* took place during the year:

– Tom Meakin joined as Chief Strategy & Change Officer
– Stephen Lewis stood down as Corporate Affairs Director on leaving BT Group
– Harmeen Mehta stood down as Chief Digital and Innovation Officer on leaving BT Group.

The following changes to the *Executive Committee* have also been announced:

– Marc Allera stood down as CEO, EE and Consumer on 31 March 2025
– Claire Gillies joined as CEO, Consumer on 1 April 2025
– Bas Burger ceased as CEO, Business on 31 March 2025 to dedicate his time to the optimisation of our international business segment
– Jon James joined as CEO, Business on 1 April 2025.

Our business model

Our ambition

To be the UK's most trusted connector

BT Group is a trusted connector of people, business and society in the UK. We build and run the country's largest fixed and best mobile networks. We connect for good.

We operate in both wholesale and retail markets, serving individuals and households, private businesses of all sizes, public sector organisations and other Communications Providers (CPs).

We design, build, market, sell and support network access, connectivity and related products. We enable today's digital world, with our fixed, mobile and converged connectivity solutions – broadband, mobile, TV, networking, security and IT services. We also offer handsets, network equipment, gaming and insurance to help our customers connect, game, work, learn and live better.

We're continuously investing to maintain and enhance our fixed and mobile networks, improve customer service and develop new connectivity products. More than 650 CPs – including our own Consumer and Business units – buy regulated wholesale access to Openreach's fixed access network infrastructure on multi-year contracts. CPs also buy various connectivity solutions from our Business unit – on contracts from one month to 5+ years.

We know that doing our best for our customers generates returns for our owners. We also create value for lots of other stakeholders like our colleagues, the country, and our suppliers and partners.

Our customers

We give customers what they need through outstanding connectivity and curated solutions – working closely with partners.

- We help individuals and households do more. Mobile, broadband, landline and entertainment services support them at home, at work and on-the-go. Our propositions are flexible. Customers can choose between pay-as-you-go, pay monthly, or flex pay, with contracts typically lasting 1 to 36 months.
- We provide private and public sector businesses with connectivity, networking, cyber security, collaboration tools, cloud connectivity and cloud services.
- Contracts for small and medium-sized businesses typically range from 24 to 60 months. We offer managed solutions to larger businesses and public sector customers on multi-year contracts so they can protect, operate and expand their organisations while driving their digital transformations.

Our three customer-facing units (CFUs) focus on different segments – each with unique needs. They aim to provide outstanding customer experiences through tailored solutions which generate revenue and build long-term trust.

How we're organised

- BT Group consists of customer-facing (CFUs), technology (TUs), and corporate (CUs) units.
- We're integrated. We share resources across our networks, technologies, colleagues and brands to deliver the best results for customers, stakeholders and shareholders.
- To stay in line with UK regulations and our commitments, Openreach operates independently.

Consumer

- Serves individuals and households across the entire UK market with connectivity products and other targeted services.
- Provides 8.2 million broadband and 15.6 million mobile connections to customers.
- Reaches 13.4 million UK households – that is nearly half of all UK households.

Business

- Serves businesses of all sizes, other CPs and public sector organisations with connectivity and other solutions like security.
- Supports more than 1 million private and public sector organisations and over 1,400 wholesale customers in the UK.

Openreach

- Independently manages BT Group's fixed access network, connecting millions of UK homes, businesses, public sites and mobile towers.
- Leads in the build of the UK's next-generation full fibre network, with more than 18 million homes and businesses passed by the end of March 2025.

Technology units (TUs)

- Our TUs build, run and maintain our networks, platforms and digital assets – apart from the fixed infrastructure which Openreach runs and commercialises.
- They help modernise our business through continuous innovation and research and development (R&D), keeping us secure and at the cutting edge of the right technologies. They help us to be more agile and efficient and deliver better outcomes for customers.

Our two TUs are:

- Digital: Takes care of our IT and digital platforms – making sure our products and services are running on efficient, future-proof technology.
- Networks: Designs, builds, runs and protects our mobile, core and global networks – so we can become the UK's most trusted connector of people, business and society.

Corporate units (CUs)

- Our CUs operate at Group level, setting direction and governance frameworks and aligning our activities.
- They make us more efficient through centralised platforms, capabilities and shared services.

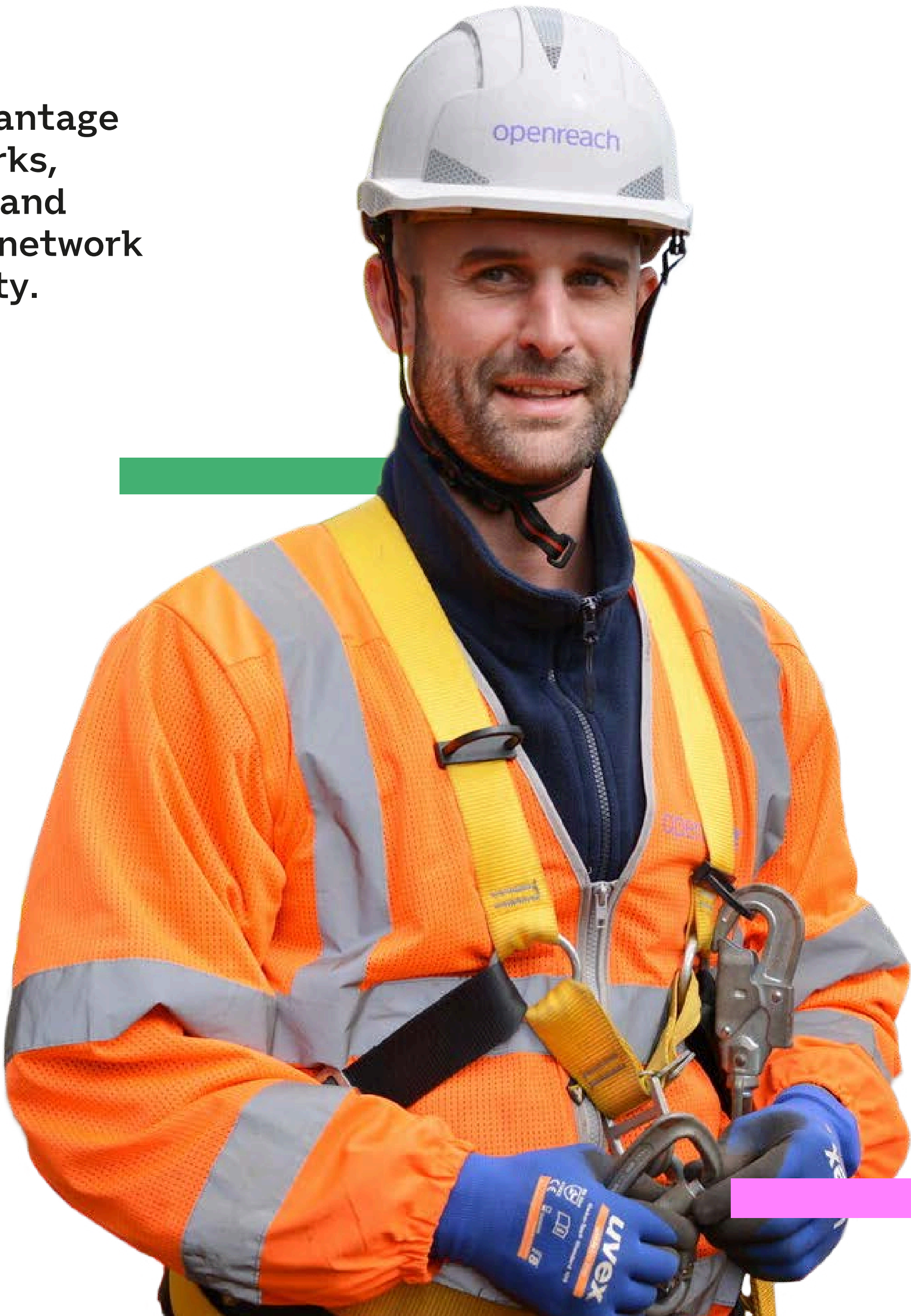
Our five CUs are:

- Finance and Business Services.
- Strategy and Change.
- Human Resources.
- Legal, Regulatory Affairs, Compliance and Company Secretarial.
- Corporate Affairs and Brand.

Our business model continued

Our sources of competitive advantage

We get competitive advantage from our assets – networks, customers and brands – and from our capabilities – network engineering and security.



Leading networks at scale

- We build, own and run the UK's largest fixed and best mobile networks – covering both rural and urban areas.
- Today we're aiming to build the broadest, highest quality fibre network in the UK. We have the fastest build rate in Europe, now passing more than 18 million premises with full fibre.
- We're expanding our mobile network. Our strong spectrum holdings and access to base station infrastructure allow us to deliver 4G coverage to 99.7% of the population. Our 5G network reaches 85% of the population – with 5G standalone coverage of 43%.

Large customer base

- We have more than 30 million Consumer and Business retail connections across our three brands. That's 47% of UK households and over 1 million UK organisations. Our fibre take-up of 36% leads the market. And our large retail customer base supports cross selling, attracts the best partners and drives economies of scale.
- Openreach connects around 21.6 million physical lines for more than 650 CPs, with 41 of them buying full fibre from us.
- Our scale makes us an attractive partner, which helps us bring more solutions to customers.

Well-established and trusted brands

- Through our three retail brands – BT, EE and Plusnet – we've built and maintained millions of diverse customer relationships across the whole market. BT is our flagship brand for business and public sector clients in the UK and globally. EE is our leading consumer brand, offering a big range of converged connectivity products and services. We also serve households with broadband products from BT and Plusnet.
- Trusted relationships across our brands help us to understand and meet customers' current and future needs so that they stay happy and loyal to us.

Network engineering expertise

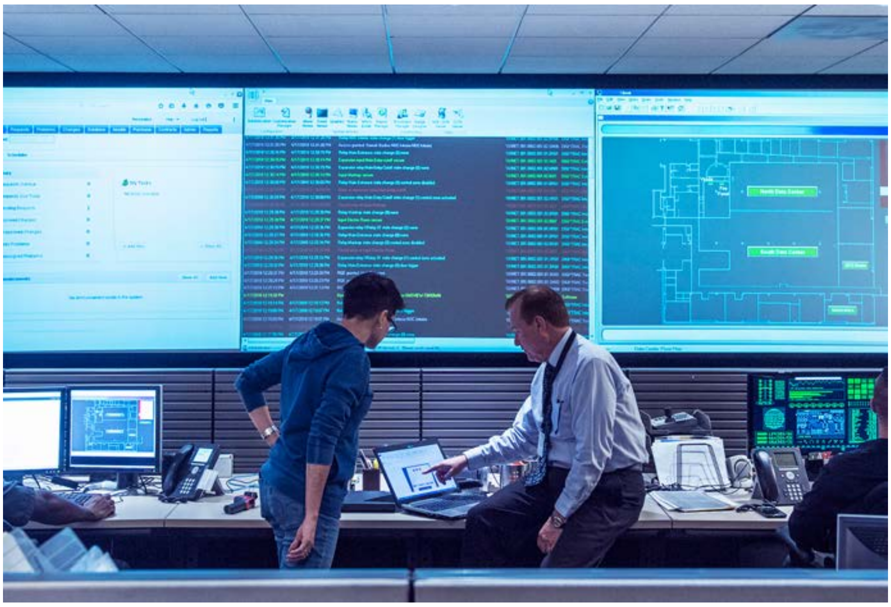
- Openreach gives us industry-leading network design, build and operate skills.
- A team of 11,000 Openreach network engineers are building high quality full fibre across the UK at a market-leading speed.
- This experience and expertise helps us build networks faster than anyone else, as we aim to build the highest quality full fibre at a low unit cost.

>30m

Consumer and Business retail connections across our three brands

47%

of UK households connected across our three retail brands



Security capabilities

- Our deep security expertise sets us apart from our competitors.
- We constantly monitor the cyber threat landscape to understand and mitigate the biggest threats, finding over 2,000 potential cyber attacks every second. Our goal is to have the highest levels of security embedded in our networks and services.
- We have a world-class research facility with dedicated researchers, always staying ahead of the latest advances and emerging security challenges.
- We focus on our people – our human firewall – through education, engagement, awareness campaigns, and phishing resilience to foster a security culture.

Trends shaping our industry and business

Our markets are affected by technology, regulation, customer and competitor trends. Understanding them helps us seize opportunities as they happen and act quickly to mitigate risks to our business.

Technology

The world is speeding towards a digital future, enabled by smarter, more powerful connectivity, computing and data-driven autonomous systems. This brings exciting opportunities for innovation and growth in our industry and beyond.

Enabling this digital future requires ongoing investment in cutting edge, capital-intensive communications technology to make sure networks can support the latest innovations.

AI continues to enhance efficiency, productivity and customer experience. We use it to do things like optimise our network performance, predict maintenance needs and improve customer service – while cutting costs.

Regulation

We operate in a highly regulated environment which guides our investment, partnerships and pricing.

Communications network regulations – including rules on providing wholesale access, coverage and availability obligations and resilience needs – mean we must keep innovating and maintaining the highest quality and security standards for customers.

As technology evolves, so do laws for safeguarding customers. We continue investing in online user protection and improving digital skills. We're also carefully moving customers off our legacy networks while making sure the vulnerable ones stay connected.

Customers

Data generation and consumption keeps rising, needing ever-higher network capacity. We invest to keep customers happily connected.

Consumers are keeping their devices for longer and choosing SIMO (SIM only) deals more. They want value for money, good coverage, reliable connections and protection from misleading information and other security threats. These evolving needs give us clear direction.

Businesses are more selective with what they spend and which contracts they renew. They want higher-quality care, and managed services – with security as a top priority.

Competition

As technology evolves, entry barriers lower and new competitors emerge. Competitors range from MNOs (Mobile Network Operators), MVNOs (Mobile Virtual Network Operators) and Altnets to larger tech companies like Google.

Our markets are highly competitive, which puts pressure on pricing. Price pressure impacts the returns we are able to get on our investment (ROIs). This is an industry-wide dynamic and informs our strategy.

As our set of competitors evolves and new challenges emerge, we need to make sure customers are still happy with us. We do that by continuing to give them high-quality products and the levels of service they expect.

Our strategic framework

Our current strategy

We refreshed our long-term strategy this year, sharpening our focus to deliver for all our stakeholders (see page 34). So this report will be the last tracking progress against our three pillars in our current strategy, as we move to our new strategic pillars in our refreshed strategy. We've categorised and measured them in line with our current strategic priorities and KPIs.

Purpose

Why we exist

We connect for good
This drives everything we do. We help people, businesses and governments to harness technology to connect, improve lives and unlock potential without limits. We believe in the power of connections – in personal lives, at work and increasingly between machines and devices.

Ambition

Who we want to become

The world's most trusted connector of people, devices, and machines by 2030
We connect millions of customers across the globe to what they need – as a trusted partner helping them thrive in the digital world.

Households rely on us to stay connected with loved ones. Businesses and governments partner with us to deliver for their stakeholders.

As technology keeps evolving, we want to keep doing more to prove our dependability and build our customers' trust.

Values

Helping guide us

Personal, simple, brilliant
Our values guide us to fulfil our purpose and achieve our ambition. They inform our culture – the collective spirit we all tune into. They're more than just what we do.

They reflect both who we are and who we aspire to be. They help us be a positive influence, win stakeholders' trust and keep us accountable to society by setting high standards for our business.

Our values guide all our decisions, at every level. They define how we work every day. They show us the right thing to do.

Our current strategic pillars

Pillar 1: Build the strongest foundations

We're investing in the best converged network. We're becoming a simpler, more efficient, and dynamic company. We're building a culture where people can be their best.

Pillar 2: Create standout customer experiences

We're delivering outstanding service and experiences to our customers. We're creating smarter solutions based on the latest converged, intelligent connectivity services. We're building value through commercial excellence.

Pillar 3: Lead the way to a bright, sustainable future

We're setting up our corporate portfolio for growth. We're creating a more responsible, sustainable and inclusive business. We're building trusted relationships with our stakeholders.

Progress against our strategic pillars

Pillar 1: Build the strongest foundations

Our top priority is still to build the best, most trusted digital networks. They connect people, households and business across the UK. So, we take advantage of the latest technology to make sure our networks stay strong and reliable for everyone.

The best converged network

We've kept up progress in building the UK's largest full fibre broadband network and widest and most reliable mobile network.

We've made good progress towards deploying the UK's largest full fibre network and nationwide 5G standalone – we were also one of the first major communications providers in the country to introduce Wi-Fi 7.

Taking advantage of all our connectivity assets – like our five million public wi-fi hotspots – we're making sure individuals and businesses can always stay connected whether at home, at work or on-the-go.

Market leader in full fibre:

- We're progressing with our c. £15bn full fibre investment, powered by an Openreach workforce of more than 22,000 engineers. Their skills and dedication help us improve our networks for better connectivity and solutions that exceed customers' expectations.
- The more we build, the faster we get. This year we built full fibre broadband to more than four million premises – a new record of 1.1 million a quarter. Our new network now reaches over half of all UK homes and businesses and we're on track to hit 25 million premises by December 2026.
- Our network spans over cities and rural areas. This year we built full fibre to 973,000 homes in harder-to-reach areas, now covering a total of 4.9 million homes and businesses.
- We believe we have the UK's highest full fibre take-up rate – at 36%. Our net full fibre connections grew to 1.8 million customers connected this year, growing on average from 30,000 a week last year to 35,000 a week. And today we have more than 6.5 million premises connected.
- Responding to customer demand, we launched our fastest FTTP speed tier yet with customers on this package getting an average speed of 1.6Gbps. The average FTTP speed used was 300Mbps.
- In line with regulation, we gave Altnets access to our ducts and poles – known as Physical Infrastructure Access (PIA). More than 150 CPs are able to use our PIA product and we've provided more than 1.2 million lead-ins for Altnets to connect their customers.

Market leader in mobile and 5G:

- By the end of FY25, our 5G network covered 47% of the UK's geography and 85% of the population. We continued expanding our mobile network. We're on track to hit 90% 5G population coverage by 2027 – a year ahead of previous projections – as we work to keep our promise of connecting the whole country.
- There were 13.2 million 5G devices on EE's network at the end of this financial year – up from 11.4 million last year.
- We've grown our 5G standalone network too. This year we expanded access from 7 to 62 devices, including the latest from Apple and Samsung, and we've enabled access to 50 towns and cities.
- We're still providing connectivity on the move, with 51 London Underground stations now having mobile signal.
- We've maintained our status as the UK's #1 mobile network through independent surveys from RootMetrics and Umlaut.
- In the 2024 Connected Nations report, Ofcom noted that our 5G network had the most coverage, earning their Very High Confidence rating.

A simpler, more efficient and dynamic BT Group:

- We've modernised and future-proofed our organisation, simplifying products, platforms and portfolio.
- We switched off 17,281 legacy network elements this year, saving 23.82GWh of power consumption and £5.93m of annual costs.
- We've reached the 'stop sell' point at 852 exchanges which means we've stopped selling copper services where full fibre is available, covering more than 8.1 million homes and businesses and accelerating the UK's transition to the network of the future.
- We made progress on our transformation goals – delivering £913m of annual cost savings – 34% above our FY25 target of £681m.

Clearer focus and simplified operating model:

- We've focused our attention on the UK market where we have the strongest chance to win.
- We've brought together our Small and Medium Businesses (SMB) and Corporate and Public Sector (CPS) units into one Sales and Commercial organisation.

Simplified and modernised products and IT:

- We've shrunk our product portfolio by 35%.
- We've cut the number of connections we have on legacy networks by 36% since the start of the year, supporting customers through the switch.
- We've further simplified our IT estate and retired 43% of business applications, removing complexity for our customers and colleagues.

4.9m

Our full fibre network covers 4.9 million homes and businesses in harder-to-reach areas

23.82GWh

of power consumption saved and £5.93m of annualised cost

1.8m

Our net full fibre connections grew to 1.8 million customers connected this year

35%

Simplified product portfolio by 35%

Building future AI foundations:

- We have more than 50 internally developed AI solutions 'in production', 90 AI-enhanced third-party applications deployed across our digital estate, more than 48,000 employees actively using AI productivity tools.
- We've rolled out AI Ops. Which enables technology to 'self-heal' when problems crop up. This year it fixed an average of 2,900 incidents across our Digital estate (c. 23% of the total), reducing human effort to fix outages and downtime for customers.

Improving customer experience:

- We've streamlined customer ordering systems by giving our teams more of the information they need to deliver excellent service.
- Use of our Gen-AI enabled EE virtual assistant Aimee has made it easier for customers to prepare for international travel, halving the need for online support. Aimee now handles up to 60,000 customer conversations per week, freeing time for guides to focus on more complex issues.
- 'Service Now' (a third-party cloud-based workflow automation platform) now supports more than 25,419 Business customers, giving then a better, more streamlined BT experience.
- We've migrated around 98% of our sales teams onto the new instance of Salesforce, a much more modern customer relationship management (CRM) platform, centralising our customer data and streamlining sales processes.
- We've given colleagues digital tools to improve our customers' experience.

A culture where people can be their best

We're continuing to work towards becoming a brilliant place to work. We've made progress this year, but there is still more to do.

Skills and organisational development

The work landscape has changed. Giving colleagues new skills doesn't just benefit them: it's also crucial to our success. This year:

- We've trained 2,500 colleagues on the fundamentals of AI, cloud and digital transformation.
- Specifically, we've trained 1,500 more people in AI Ops, increasing automated problem fixing by 30%.
- We've built learning pathways in our software engineering and data and AI professions, serving more than 5,750 colleagues across the group.
- We've helped 3,995 Digital colleagues (c. 90% of our BT staff in the unit) complete 30,000 hours of learning from April to December. The training was on cloud computing, Microservices/Service Oriented Architecture, AI, agility and leadership. More than 100 colleagues are now certified on Amazon Web Services and Google Cloud Platform.
- Building on the success of last year, we ran a second cohort of our mini-MBA style leadership programme. More than 540 senior managers and leaders graduated from the 2024 programme which helped them boost their leadership skills, accelerate culture shifts and build stronger professional networks.

Inclusion and wellbeing

Building inclusion into our strategy, and reflecting the diversity of customers in our workforce, will drive our productivity, innovation, and growth. This year:

- We were shortlisted for a UK Excellence Award for our work on gender diversity in Networks.
- We were highly commended in the Business Culture Awards for our 'Seeing things differently' initiative. It's an innovative approach to hone leadership behaviours – combining a mini-TV series, reflection workbook and interactive bot to nudge action.
- We've continued championing under-represented groups through our strong People Networks communities and the Black Apprentice Network.
- We've used data and surveys to identify where colleagues from under-represented groups experienced barriers and non-inclusive behaviours.
- We've removed barriers and made it easier for our people managers to lead their teams inclusively (see page 22 for more details).
- We introduced a new family leave policy giving all parents welcoming a new child the same amount of paid time off.

Our colleagues should feel they can thrive here. When they're at their best, so are we. This year:

- We've kept our colleague engagement score above the UK benchmark – following our March 2025 'Your Say' survey it rose one point to 76% from last year's.
- We gave junior frontline colleagues a minimum pay rise of 3% – with the lowest paid getting up to 6.7% which came into effect from 1 April 2025.
- We reached the final year of our Better Workplace programme. As of March 2025, more than 30,000 colleagues were in new locations and we'd quit more than 800 sites.
- We opened new buildings in Dundee, Manchester and Sheffield – and a new Openreach HQ in London.

2,500

We've trained 2,500 colleagues on the fundamentals of AI, cloud and digital transformation

30,000

We've helped 3,995 Digital colleagues (c. 90% of the unit) complete 30,000 hours of learning from April to December

Progress against our strategic pillars continued

Pillar 2: Create standout customer experiences

Outstanding service and experience

- By focusing on improving our customers' experience, we've made good progress on all our customer satisfaction metrics:
  - BT Group Net Promoter Score (NPS) of 29.5 rose by 4.7pts year on year. This shows that our commitment to developing brands customers can rely on to make their lives and outcomes better is working.
  - Openreach's NPS rose from 47.7 to 58.9 for volume products and from 54.4 to 67.5 for Ethernet and optical services.
  - Openreach also held its 'Excellent' Trustpilot rating of 4.6, reflecting its focus on exceptional service quality.
  - Ofcom complaints per 100,000 are at two for EE mobile, five for Plusnet broadband and 10 for BT broadband with EE broadband at 12.
- We've prioritised protecting our critical systems and networks and the data and information in them. Web-connected devices are scanned over 1,000 times a day by known malicious sources, which is why it's so important to have robust and regularly reviewed security measures in place.
- We've monitored external cyber threats that could affect our business or customers. This year we found more than 2,000 potential cyber-attack signals a second (up from 500 a second a year ago) – due to our rising attack numbers and improvements in our monitoring.
- We've continued to focus on our people – our human firewall – as our first line of defence.

Smarter, differentiated solutions and outcomes:

We kept improving our portfolio this year. The changes will make sure we keep delivering reliable, converged and intelligent connectivity solutions. So customers get standout digital experiences at home, on the move and at work.

Consumer customers

We're driving convergence and helping customers to do more:

- We've expanded our 5G standalone mobile network to reach 50 major UK towns and cities. Customers get near uninterrupted outdoor coverage, better gaming and video streaming – and the fastest speeds on any network.
- We introduced Wi-Fi 7, giving customers gigabit wi-fi at home to support tomorrow's higher-bandwidth activities.
- We've broadened our EE TV service and partnerships to give customers extra value.
- We're expanding digital identification for our customers. EE ID gives them easy and convenient access to a wide range of products and services, in one place.
- Our Game Store keeps growing. And because of our partnerships customers get exclusive offers like new gaming bundles and in-game content.
- We launched Scam Guard, offering customers three powerful ways to protect themselves from nuisance calls, dark web hackers and phishing scams.

Business customers

We've strengthened our product and service portfolio to meet our Business customers' evolving needs:

- We introduced the managed Fortinet SD-WAN service in the UK, enhanced with Fortinet's SSE for better network oversight, threat detection and data protection.
- After becoming the first global provider to launch a Managed Security Service Edge (SSE) with Zscaler's cloud platform, we enhanced this partnership by also providing proactive support and offering top-tier security.
- We launched Business Broadband Pro Tier. It includes hybrid backup, complete wi-fi, wi-fi security controls and premium customer service.
- We've reimagined BTNet for SMBs. It offers a dedicated internet line with a 100% service availability target – alongside guarantees for service delivery and network performance.
- We also cemented our eSIM-first approach with the Seamless Download Device available for SMB customers.
- We launched Global Fabric, our network-as-a-Service platform. Our first customer went live in February 2025.
- Wholesale launched optical 400Gbps it offers higher speeds for ultra-fast, high-bandwidth connections to UK Data Centres and HQs.
- We launched next generation Call Center as a Service (CCaaS) products in our Global channel, integrated with existing meetings and calling solutions.

Pillar 3: Lead the way to a bright sustainable future

A portfolio positioned for growth:

This year, to sharpen our focus and prepare for growth, we kept simplifying our portfolio and announced our intention to focus on the UK market. We're continuing to optimise our international operations and explore options for the unit.

Incubating new tech-driven growth engines

We're still investing in future areas that play to our strengths. We've worked to bring new technologies to market first, giving customers smarter and better outcomes:

- We were first to deploy 5G Standalone network slicing for business use, helping them avoid network congestion and boost connectivity speeds in their busiest periods when they need it most.
- We were awarded the contract to support the CoSTAR national lab with our Private 5G, which supports virtual production R&D technologies in film, TV and live events.
- Our Narrowband IoT network covers 97% of the UK population. It connects low-data assets like streetlights and water sensors, paving the way for sustainable smart city development.
- We evolved our world-first Quantum Key Distribution (QKD) metro network in London.
- We won a bid for Innovate UK funding to lead a quantum assurance programme. It will build concrete assurance processes for QKD solutions – with the aim of ultimate use in the network.
- This year we incurred £790m on R&D. We also filed 81 patent applications – bringing our portfolio to 5,519.

A responsible, inclusive, sustainable business

Our Manifesto details our plan to grow faster through responsible, inclusive and sustainable technology. This year:

- We're working to create a more digitally inclusive society through initiatives with businesses, young people, older people, and people with disabilities. We've reached 23.3 million people with help on digital skills since FY15.
- We made big sustainability strides through innovative ideas and product launches, embedding responsible tech principles in our product design.
- Openreach kept operating efficiently and responsibly, whilst transitioning the UK from copper to fibre.
- We've published our first Climate Transition Plan.
- We've cut our own carbon emissions and helped our customers and suppliers to do the same, whilst cutting our own energy consumption.

23.3m

We've reached 23.3 million people with help on digital skills since FY15

1,000

young people participated in our Work Ready days, improving skills and confidence

5,600 tonnes

of copper have been recycled

52%

We've cut our operational carbon emissions by 52% since FY17

Our refreshed strategy

Our strategy explains our ambitions and how we will deliver for our stakeholders. Our ambitions are bold and stretching. In FY25 we refreshed our strategy and are already making progress.

In response to heightened competition and challenging market dynamics, we have refreshed our strategy to provide greater clarity to our customers, colleagues, the country and our owners. We are sharpening our focus on becoming the UK's most trusted connector of people, business and society. While our purpose remains the same, we have sharpened our ambition to emphasise the importance of business customers and the role we play for the UK overall. We are now clearer on our long-term strategic direction, including where we'll play and how we'll succeed in our markets.

Why we're here

This drives everything we do. We help people, business and society to harness technology to connect, improve lives and unlock potential without limits. We believe in the power of connection.

We connect for good

Who we'll become

To do this, we'll keep putting customers at the heart and centre of everything we do. We aim to be trusted for tomorrow, not just today. We want customers and stakeholders to rely on us to prepare for what will be important to them in the years and decades to come.

The UK's most trusted connector

Where we'll play

We are focused on building resilient networks that connect everyone in the UK, and we're always thinking ahead to meet future requirements.

Infrastructure

We're building infrastructure everywhere: We've made great strides in focusing our efforts on developing the UK's leading full fibre broadband and most reliable mobile network, including nationwide 5G standalone deployment. We've already connected over half of all UK homes and businesses with full fibre and aim to reach 25 million by December 2026. By the end of FY25, our 5G network covered 85% of the UK's population.

Connectivity

We're providing connectivity for everyone: Our full fibre network connects homes and businesses nationwide, boasting the highest take-up rates in the UK with 6.5 million connections. EE has one of the leading mobile market shares of connections at 15.6 million, and by FY25, over 13 million devices were on EE's 5G network. We now have over 5 million Wi-Fi hotspots keeping people connected when they need it most.

Solutions

We're creating solutions for a connected world: We're always innovating with new products that leverage the latest technologies and build on our strengths in connectivity to meet our customers' evolving needs. Our products in new markets support connectivity, for example gaming, insurance, security, and electronics from EE. In Business, we enhanced business security with proactive operations support and introduced Fortinet in the UK to improve network security, detect threats, and protect data.

How we'll succeed

We are focused on providing the best experience for our customers through superior network performance and modernisation of our operations.

Build

Connect

Accelerate

How we'll behave

Our values guide us to fulfil our purpose and achieve our ambition. They inform our culture – the collective spirit we all tune into.

We are in the process of refining our values of 'Personal, Simple, Brilliant' to ensure that they support the delivery of our refreshed strategy and we are engaging the whole organisation to ensure they're the right ones to guide us into the future, so they may change.

We're building the best, most trusted digital networks.

We're committed and focused on deploying the best FTTP everywhere in the UK with superior network performance and resilience. Our FTTP network has passed millions of homes and businesses at a relatively low cost per premises, with Openreach Net Promoter Score (NPS) closing the year at record levels for both Copper/Fibre Access (including FTTP) and Ethernet products.

We're focused on creating the most resilient mobile network in the country and have proudly maintained our position as the UK's #1 mobile network based on independent surveys from RootMetrics and Umlaut. This year, leveraging our 5G standalone network, we pioneered network slicing for businesses, helping them to avoid network congestion and enjoy fast connectivity speeds when they needed it most.

Our networks and assets combine to form a converged network, with broadband, mobile and wi-fi working seamlessly together. As a thought leader in network technologies, we are preparing for the future by linking new technology opportunities with customers' future needs and being a trusted partner to the government.

We're connecting customers so they thrive, as we grow, in a digital world.

Our brands are loved and trusted by all our stakeholders and customers to improve their lives and outcomes. We are improving our customer satisfaction metrics, with BT Group's Net Promoter Score rising by 4.7 points year on year.

We offer the best connectivity products for life and work, catering to all market segments. By combining fixed and mobile propositions, we're driving convergence to create the largest, most loyal set of customers in the UK. This year, we continued to grow our convergence base in EE, offering converged solutions for home, work and on the go.

We're accelerating our modernisation to restore leadership in everything we do.

We're reshaping BT Group into a smaller, simpler and more collaborative company with a customer-first culture. We're stepping up customer-centricity and executional excellence and developing new skills to keep us competitive in the future.

We're radically simplifying our portfolio, products and platforms, focusing on the UK market. We have switched off 17,281 legacy network elements, saving 23.82 GWh of power consumption and £5.93m of annual costs.

We're building trust through our focus on digital inclusion and sustainability, replacing the BT Group Manifesto (our responsible business plan) with a more integrated approach to delivering impact.

Our people

A workforce that evolves with our business

This year has been challenging for our colleagues. Our people have seen a lot of changes in the shape and size of our group. We continue to invest in our people to make sure that they have the skills and capabilities they need to evolve with and beyond our business.

This year we hired around 11,000 people. Roughly 7,200 were in the UK, including around 650 apprentices and 130 graduates.

Around 17,800 colleagues left BT Group – around 11,100 through natural attrition and 6,700 through paid leaver programmes.

Building a modern workforce

Our workforce size and shape has become leaner as we work on modernising for a digital future.

The way we work is changing. How we work and deliver together is changing – as is how we learn and grow.

New opportunities for older UK colleagues

EE has partnered with Reed and advocacy group 55 Redefined to explore new opportunities at EE for older people returning to careers.

Our teams' age range should reflect our customers'. So we've launched a scheme to welcome older career starters (or restarters) and give them extra support.

The scheme includes skills and training days to give job candidates a taste of selling to and serving customers – with guaranteed interviews for those who attend both days.

It's boosted the number of older people applying to work in EE's UK contact centres and stores.

We've complemented the scheme with parenting rooms, games zones and wellbeing facilities in new buildings.

And just like our apprentice programme, our reskilling scheme for older people is getting excellent engagement, performance and retention results. At the 2024 TIARA Talent Acquisition Awards it won European Gold.

More inclusive leadership

Building a psychologically safe and inclusive culture starts with our leaders.

This year we continued the 10-month learning programme for senior leaders to build more inclusive leadership practices, with 157 enrolled on this year's programme. 88% of our Senior Leaders, totalling 485 people, have been through this programme.

It focuses on creating an inclusive and psychologically safe atmosphere, building a sense of belonging and learning how to have conversations about inclusion.

It's also helping build better habits and accountability – with tools for leaders to apply what they've learned with their teams.

Apprenticeships in EE

We want to invest in the younger 'digital generation' – to build skills for the future and help social mobility and inclusion.

We focus this on both new joiners and emerging talent.

We're also continuing to invest in the communities we're based in and serve – increasing our positive social impact through initiatives like entry level apprenticeships for young people.

BT Group is the second biggest recruiter of UK apprentices (second only to the Armed Forces). We're ranked 20th in the RateMyApprenticeship Top 100 employers list (up 56 places on FY24).

And this year, we're on track to hire more than 500 Level 2 Customer Service Apprentices into EE Contact Centres.

Our apprentice programme cohort is gender balanced with 10% disability representation and 16% ethnicity representation. When benchmarked against the rest of BT Group, this cohort score more positively in Your Say surveys both on engagement (85%) and inclusion (89%). These excellent results are down to the investments we've made in our leaders and our partnership with apprenticeship provider Babington.

Our programme combines connecting to communities with building our future skills and capabilities.

Inclusion and belonging in India

In India we've focused on creating a more inclusive workplace to close the gap between the number of men and women leaving the business.

Over the last 12 months we've introduced a lot of flexible work options like hybrid working, flexible public holidays, part time work, core working hours, support for returning mothers, sabbaticals, carer leave and workplace adjustments.

On top of that we've created a psychologically safe workplace and culture where everyone feels able to speak up if they face workplace harassment – including sexual harassment.

We've been able to close the gap between men and women leaving to just 0.4%. Which has boosted female representation to 32.7%.

Connected culture

We care about the places we do business in, and the impact we have on the wider community.

We are dedicated to fostering an inclusive connected culture that offers opportunities for everyone.

We recognise that we have made great strides on minority representation and our pay gaps, but we recognise that there is still more to for us to do to overcome this challenge to achieve a fully connected culture.

Three together, two wherever

Our hybrid working approach 'three together, two wherever' became a policy on 1 January 2025.

We believe working in the same place together is better for our overall performance. It's also better for engagement, coaching and development and fostering a better sense of team belonging.

Our data supports this, showing that colleagues who come together find getting things done more straightforward and feel more included and engaged when there are organisational changes.

But on the flip side we must make sure not being in the office isn't a barrier to collaboration.

Apprenticeship for UK businesses

In September 2024 we launched the 'BT Group Apprenticeship Levy Fund' with our partner Babington. The fund supports SMEs, charities and public sector organisations in England through access to £4m in apprenticeship funding over an initial four-year period.

So far we've supported 43 businesses with 51 apprentices – worth £457,000. And more applications are in process.

Unifying our payroll

This year, we implemented a unified SAP payroll platform. It replaced multiple payroll systems (including one that had run for 27 years) and five legacy applications that managed a roughly £4.2bn annual payroll.

We brought around 102,000 records from different systems into a single system without any major hitches.

We now have one unified and coherent HR and payroll system for the UK – an exemplar for our efforts to make BT Group work more simply and efficiently.

EE Live Community challenge

This year's EE Live Community challenge brought colleagues together as 'super-teams' in different locations – from corporate office to retail region or contact centre sites – to help boost our impact in local communities.

The focus is on giving time between April and September, pledging support for local community causes personal to EE people.

Over the five months, 49 teams gave four calendar years' worth of volunteering time (over 35,000 hours) to support digital skills, clean up the environment and tackle loneliness and social mobility.

EE Live Community challenge-

Merthyr Tydfil continues to invest in its community and provide opportunities through apprenticeships.

Merthyr is a socially deprived area. So our contact centre colleagues have connected with local youth centres, charities, police and the local authority to tackle issues and barriers together.

As a result, several young people from the area have gained GCSE qualifications and joined our Level 2 apprenticeship cohorts.

Other activities in Merthyr include:

- **an EE employee choir who've performed both inside and outside the company.**
- **Park run organised for young people near EE's Merthyr office to help link wellbeing and exercise. Staff and apprentices volunteer to chaperone and support the route.**
- **Homework club – a safe place with wi-fi for young people to come and do their homework and get a hot meal.**
- **Work experience for those with Special Education Needs (SEN) – getting young people with SEN or neurodivergence into the contact centre to experience the working environment.**

Our people continued

Inclusion and wellbeing

Our Manifesto laid out our aspirations for our workforce to better reflect the customers and communities we serve.

We list our 2025 manifesto goals for gender, ethnic minority and disability balance at various levels of the organisation in the table opposite – against progress made in FY25.

Our overall UK declaration rates are up from 81% to 82%. More colleagues now feel comfortable declaring their personal information, giving us better demographic data to tackle areas of opportunity.

We collect diversity data for protected characteristics (in line with UK employment law) and special category data (in line with GDPR and other local laws). Our colleagues do this voluntarily – direct into our HR system.

We store, use and report on data in line with local laws and our advertised employee privacy notices. Due to local restrictions on recording and reporting ethnicity and disability, the information opposite is UK only.

While we've made progress on some goals notably on all colleagues ethnicity, and disability representation among senior leaders, we need to work harder to make BT Group inclusive for everyone.
To achieve this we are focusing on key areas that matter most:

- We're encouraging more inclusive workplaces through understanding barriers and acting to make sure all our people feel included and can fulfil their potential.
- We're making the way we design jobs and run our workplace more inclusive.
- We're underpinning that with an unwavering focus on inclusive leadership.
- We're committed to having a wider range of digital skills to make us more productive and innovative. Which will will help us and the whole UK grow. (See our manifesto on pages 28 to 33.)
- And we're still making sure our early careers talent represents the communities we serve – through partnerships with organisations such as the Black Apprentice Network.

Our Chief Executive Allison Kirkby opened the Black Apprentice event in December 2024. Our apprentice representation figures keep improving. They're higher than BT Group and 2025 ambition figures in all demographics.

We work with our active and award-winning People Networks. These colleague-led groups inform our priorities and raise awareness and advocate for change inside and outside BT Group.

BT Group (excluding Openreach)

	31 March 2025	31 March 2024	2025 Goals
Men	**65%**	65%	
Women	**35%**	35%	46%
Ethnic minority[a]	**19%**	16%	16%
Disabled[a]	**10%**	9%	14%

Openreach

	31 March 2025	31 March 2024	2025 Goals
Men	**90%**	90%	
Women	**10%**	10%	12%
Ethnic minority[a]	**9%**	9%	10%
Disabled[a]	**6%**	6%	6%

BT Group

	31 March 2025	31 March 2024	2025 Goals
Men	**73%**	74%	
Women	**27%**	26%	32%
Ethnic minority[a]	**15%**	13%	13%
Disabled[a]	**8%**	8%	10%

Board

	31 March 2025	31 March 2024	2025 Goals
Men	**58%**	50%	
Women	**42%**	50%	33%
Ethnic minority[a]	**4 members**	2 members	2 members
Disabled[a]	**1 member**	1 member	

Executive Committee[b]

	31 March 2025	31 March 2024	2025 Goals
Men	**67%**	60%	
Women	**33%**	40%	33%
Ethnic minority[a]	**1 member**	2 members	2 members
Disabled[a]	**1 member**	1 member	

Senior leadership team[b & c]

	31 March 2025	31 March 2024	2025 Goals
Men	**62%**	74%	
Women	**38%**	26%	41%
Ethnic minority[a]	**11%**	11%	15%
Black/black heritage[a]	**1%**		5%
Disability[a]	**18%**	14%	10%

Senior management team[c]

	31 March 2025	31 March 2024	2025 Goals
Men	**65%**	65%	
Women	**35%**	35%	41%
Ethnic minority[a]	**10%**	9%	15%
Black/black heritage[a]	**3%**	3%	5%
Disability[a]	**14%**	14%	10%

a UK population only.
b For the purpose of the UK Corporate Governance Code 2018, our leadership comprises the *Executive Committee* (excluding Executive Directors on the Board but including the CEO, Openreach) and all *Executive Committee* direct reports (excluding admin roles). This totals 32 women (41%) and 47 men (59%).
c For the purposes of the Companies Act 2006, our senior management comprises those employees responsible for planning, directing and controlling the activities of the group, or a strategically important part of it (members of our senior leadership and senior management teams, and directors of the group's subsidiaries but excluding directors on the Board). This totals 251 women (38%) and 416 men (62%). Numbers presented include 104 subsidiary directors (75 men and 29 women) who are not otherwise members of our leadership or senior management teams.

Pay gap reporting

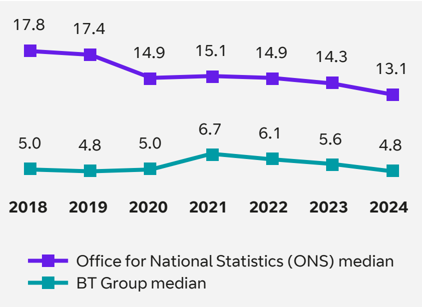
Gender

This is the eighth year we've reported our UK gender pay gap.

It's broadly the same as last year.

We continue to track lower than the national average gender pay gaps:
– Our median gender pay gap narrowed slightly to 4.8% (-0.8%).
– Our mean gender pay gap narrowed slightly to 2.6% (-1.4%).

Median pay gap %



– Our gender gap is still lower than the UK average of 13.1% (median) and 13.8% (mean).
– We've improved representation of women in the upper middle pay quarter, and kept a proportionate representation in the upper quarter. This is from more women moving into senior roles.
– Our mean gender bonus gap widened to 12% (+8.8%).
– Our median gender bonus gap widened to 14.3% (+5.6%).
– We see more volatility in our bonus gap because it's more prone to being influenced by headcount changes, and the nature of variable and performance-based pay.
– These changes were driven in part by movement in the gaps in Openreach (changes in senior levels, and the end of a temporary bonus incentive) and Plusnet (changes in total headcount, and their relatively low population).

You can read our full statement – including all the entities in scope at bt.com/genderpaygap

Ethnicity

This is the fifth year we've reported our ethnicity pay gap (which is not a legal requirement).

Ethnicity pay gap %

	2024		2023	
	Mean	Median	Mean	Median
Ethnic minority	**0.5%**	**(0.1)%**	**(0.8)%**	**(1.8)%**
Asian	(2.2)%	(2.2)%	(3.4)%	(2.9)%
Black	8.2%	2.1%	5.1%	(0.9)%
Multi-ethnic	(1.1)%	2.4%	0.1%	4.0%
Other ethnic	(3.9)%	(6.2)%	(3.7)%	(8.7)%

Ethnicity bonus gap %

	2024		2023	
	Mean	Median	Mean	Median
Ethnic minority	**17.1%**	**6.1%**	**7.4%**	**4.2%**
Asian	11.4%	5.2%	4.2%	2.5%
Black	42.5%	14.3%	41.4%	11.9%
Multi-ethnic	2.1%	0%	(27.7)%	2.3%
Other ethnic	2.7%	3.3%	(6.0)%	(3.5)%

Ethnic diversity is voluntarily disclosed. In 2024, 79% of UK colleagues were happy to share their information.

Aggregated ethnicity pay gap analyses can often mask wider issues that people of different ethnicities face at work – and in society. So each year we look at our data carefully to get a nuanced picture.

The overall pay gaps for ethnic minority groups in 2024 have stayed low, with an overall median pay gap of -0.1% and a mean of 0.5%. But they vary by ethnic group:
– The Black/African/Caribbean/Black British group still shows a bigger mean pay gap than the others. This widened by 3.1% in 2024.
– Similarly, the Other ethnic group shows a larger median pay gap than the others. The gap narrowed slightly this year.
– For Asian and Other ethnic colleagues, the pay gaps versus white colleagues continue to be negative (in favour of each).

Disability

This is the second year we've voluntarily reported our disability pay gap (which is not a legal requirement).

We do it as part of our drive for equal opportunity across all characteristics.

Disability is voluntarily disclosed. In April 2024, 74% of UK colleagues were happy to share their information. We want to improve this rate to get more insight into our disability pay gap.

	2024		2023	
	Mean	Median	Mean	Median
Pay	0.5%	(0.3)%	0.7%	0.0%
Bonus	(8.0)%	1.2%	(6.5)%	(0.2)%

– At BT Group level, mean and median pay gaps are low – with a small mean gap of 0.5% and a -0.3% median gap.
– The overall mean bonus gap negative show that disabled employees are getting slightly higher bonus amounts. This year our median bonus gap widened slightly to1.2% in favour of non-disabled colleagues.
– Our reported disability representation for senior leaders is the best in the FTSE 100 (FY23/24) at 14%. This is 4% above our FY25 ambition of 10%. We've focused on creating an environment where everyone feels safe declaring their disability. (The average disability representation rate for FTSE 100 companies is around 3.2%.)

We know that workplace adjustments are crucial to allow disabled and neurodiverse colleagues to perform to their best and we are committed to putting them in place for everyone who needs them. In 2023 we launched our new workplace adjustments process and disability and neurodiversity hub to make it simple for our colleagues and people managers to understand adjustments and implement them quickly. In FY25 1,559 colleagues engaged with the workplace adjustment process to make sure they had the right adjustments to enable them to succeed at BT Group. We have rolled out Copilot for colleagues who can benefit from this as a workplace adjustment. We've also reviewed and improved our Recruitment and Onboarding processes to make sure any adjustments needed can be discussed and put in place as early as possible.

You can find more examples of BT Group's initiatives to improve representation (as well as pay quartile analysis, bonus information and entity breakdowns) in our ESG Addendum at bt.com/esgaddendum

Our people continued

Launching Online GP and Women's Health

This year we've boosted our health support for colleagues and their immediate families. They now have access to an online GP, second opinions and online fitness, nutrition and health checks.

Over 17,000 people have registered. So far there have been more than 5,000 online GP appointments. Colleagues have described the new service as "life changing".

We're now also providing a women's specialist health service.

Run by Bupa for a small fee, it includes tailored period plans with comprehensive care and support with difficult period symptoms, targeted cancer screenings including breast and cervical health and a 12-month menopause support programme with extra help for complex issues.

By end of November 2024, 17 colleagues had used the period support plan, 46 the menopause support plan, and 10 the targeted cancer screenings.

The benefits changes we're making are helping support colleagues at every moment that matters to them.

£458,000

Introduction of My Discounts – new discount scheme for colleagues. Almost £458,000 worth of savings for colleagues in the first full year of the scheme.

Carer's leave

From 1 October 2024, UK colleagues with a caring responsibility got access to up to two weeks, paid leave – a big change from the previous one week unpaid.

Recognising this change, Carers UK awarded us Carers Confident Ambassador status. We're one of only nine UK organisations to hold this prestigious level.

Since the change, 805 colleagues have taken carer's leave, getting vital support when they need it.

Find out more at bt.com/carers-leave

Family leave

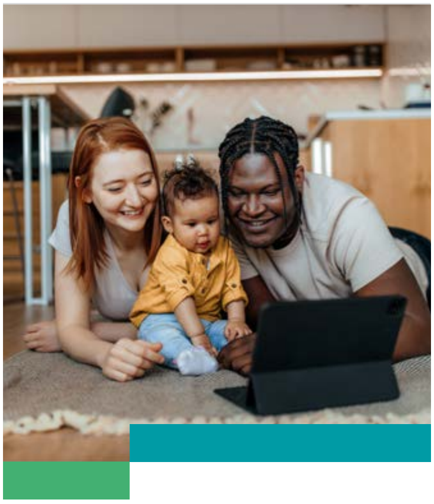
From 1 January 2025, all parents welcoming a new child are eligible for our new Family Leave policy.

They get 18 weeks at full pay, eight weeks at half pay and 26 weeks statutory pay.

Family leave is for all parents, regardless of gender or family make-up. It's an example of built-in inclusivity, and our long-term systematic approach to achieving gender equality at BT.

So far, 147 colleagues have taken our new family leave and 602 more have requested it.

568 colleagues who would have had just two weeks, paternity leave before have taken more under the new policy.



Occupational health and wellbeing

This year we launched a new 24/7 global wellbeing portal for colleagues.

It provides validated content on health, relationships, money and work. It also gives access to services like online GP, menopause support, cancer checks, mental health, physiotherapy and wellbeing programmes.

- Occupational health and wellbeing absences (for UK colleagues) from sickness have dropped to an average of 3.52% calendar days lost per colleague – down from 3.66% last year.
- When colleagues need extra help getting back to work, our fully funded rehabilitation programme for musculoskeletal and mental health services returns 97% of them to full duties.
- We've completed our first year noise health surveillance – screening more than 2,000 poling and civil engineers. Along with our Hand-Arm Vibration Syndrome health surveillance programme, we think it shows our dedication to our people's health and safety.
- Our Covid recovery programme is still praised as high quality, regarded as innovative and evidence-based. We were asked to showcase it at the Workplace Health conference run by the At Work Partnership in November 2024.

Accelerate capabilities

Our people aim high inspired by leaders who are role models for our leadership standards.

We attract and keep the best people. They contribute to our success by learning, growing, and choosing the right role at the right time.

This means we get people with the skills we need for today and the future.

As our business evolves, so do the capabilities we need. We've made changes to our workforce and our leadership team in the year ensuring we have these capabilities.

Products built together

We want our brands to be more digitally focused to make it less complicated for us to create brilliant customer experiences.

We've made Consumer and Business fully accountable for their end-to-end customer experience.

To support them, we've moved colleagues from Digital to front-line Consumer and Business units closer to customers.

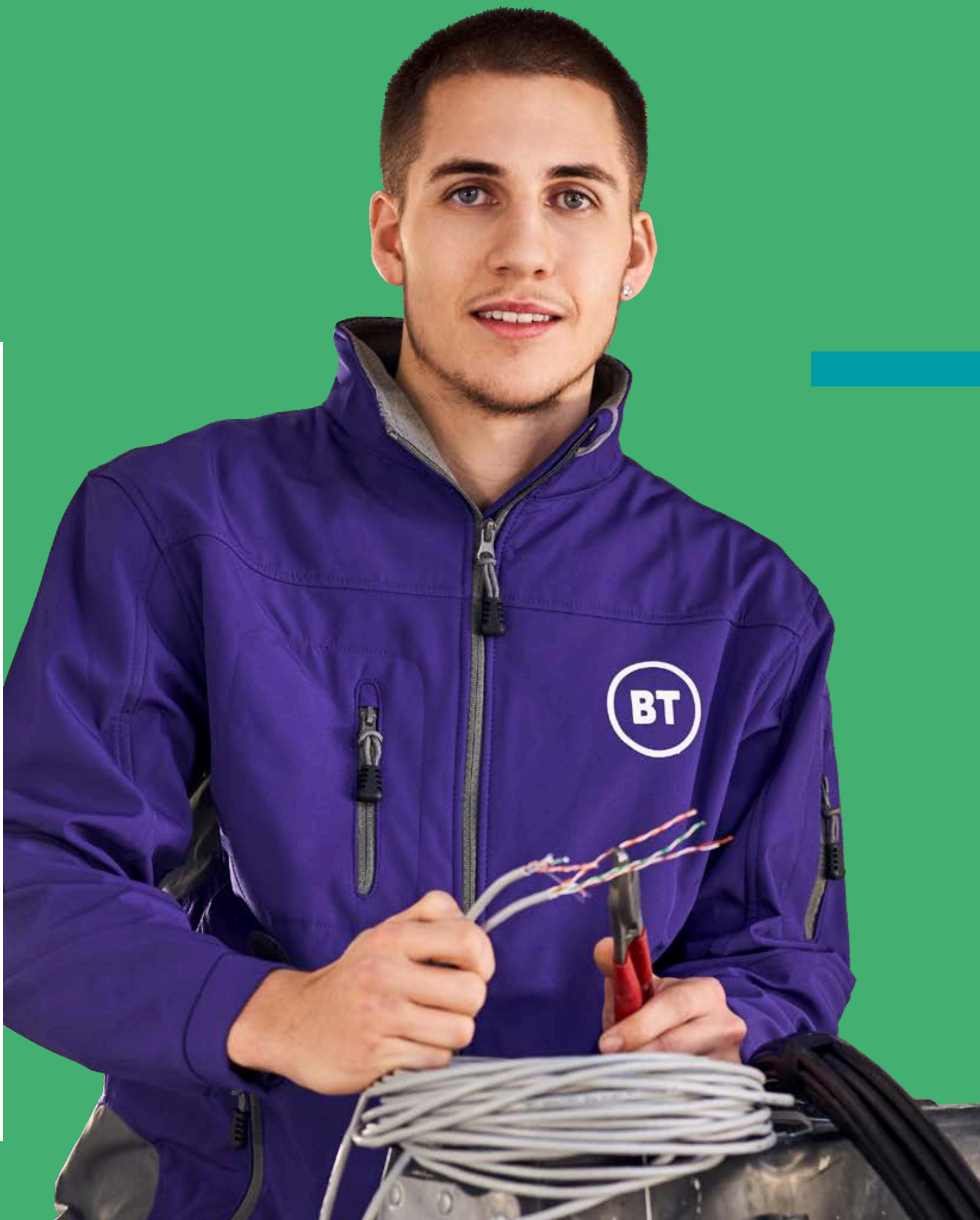
Over the next 12 months we'll be mobilising additional teams to help drive our broader digital transformation.

Unlocking inspiring futures

780

apprentices and graduates hired

We're helping thousands of talented young people secure their future, with apprenticeships across a range of roles. The skills they gain will change their lives and the lives of others.



We're levelling the field

At BT Group, our innovation and impact go beyond what most people can imagine. We've shaped the past, we make the present possible, and we're creating a future our people can believe in.

We're on a mission to level the playing field and offer career advice and opportunities for those who need it most.

This year, we've engaged with 192 schools and colleges, reaching around 180,000 students from some of the most disadvantaged areas across the UK, and we're going to continue to build.

We offer a huge range of opportunities for school-leavers and graduates, as well as people looking for a change of career direction. So, join a world-leading tech company that's changing life as we know it. Learn from the best, unlock your potential, and launch a ground-breaking career of your own.

Find out more at bt.com/earlycareers

Our Manifesto

Launched in 2021, our BT Group Manifesto has supported growth through responsible, inclusive and sustainable technology. We report here on the progress made on our Manifesto ambitions over the last 12 months. Moving forward, we'll be stepping up our focus on digital inclusion and sustainability, replacing the Manifesto and fully integrating these priorities into the refreshed Group strategy – helping us to achieve our ambition: to become the UK's most trusted connector of people, business and society.

Responsible

New tech must earn people's trust and transform lives for the better.

So we'll:
- invest in new growth tech to help us live and work better
- apply responsible tech principles across our value chain
- partner to build a responsible tech ecosystem that builds trust and drives growth.

Inclusive

The future of tech must be diverse and inclusive for everyone to benefit.

So we'll:
- build a representative workforce through our inclusion and wellbeing goals
- pass 6.2m rural premises with full fibre by the end of 2026 (as part of our 25m build ambition)
- expand our 4G and 5G UK mobile networks, including in rural locations
- help 25m people with digital skills by the end of March 2026.

Sustainable

Tech must accelerate our journey to net zero emissions and a circular economy.

So we'll:
- aim to be a net zero business by the end of FY31, and net zero on all Scope 3 emissions by FY41
- build towards a circular BT Group by 2030, and a circular tech and telco ecosystem by 2040, while protecting nature and biodiversity.

We contribute to the UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
4 QUALITY EDUCATION
5 GENDER EQUALITY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Responsible

New tech must earn people's trust and transform lives for the better.

We apply our responsible tech principles across our value chain. They help us consider how to minimise harm and benefit people every time we develop, buy, use or sell tech.

They're grounded in the UN Guiding Principles on Business and Human Rights, and form part of our approach to risk management.

Our responsible tech principles are:
For Good: We design and deliver tech to empower people and improve their lives.
Accountable: We're accountable for our actions and take care to avoid, and protect against, tech misuse.
Fair: We work hard to make sure everyone is treated fairly and with respect.
Open: We listen, collaborate and are transparent about our actions.

Developing new tech

We apply the principles right from the start when we design and develop new tech. This year we:
– completed a human rights impact assessment of drone technology to help us identify, understand and assess its risks.
– developed a playbook for our people to embed responsible tech principles into their designs – to build trust, drive growth and enable responsible innovation.

Buying tech

Our procurement company, BT Sourced, has responsibility and sustainability criteria set into its processes. This gives our buyers clarity on supplier risks and opportunities. This year we:
– continued due diligence on our direct Tier 1 manufacturing supply chain.

Find out more at bt.com/modernslavery

– expanded our 'worker's voice' survey to four new supplier factories to better understand the experience of those working in our supply chain. We'll use the feedback to fix problems and make improvements.

Using tech

We want to make sure our products and services are used for good. So we focus on protecting privacy and free expression and preventing online harms. This year we:
– developed AI guidance for our people to help them manage AI risks and stay in line with regulation.
– refreshed our Consumer Data Principles to make sure we manage consumer data in line with our responsible tech principles.
– ran a workshop on content controls to find potential risks and impacts to users, creating guidance for our people to adopt when designing products.

Selling tech

We sell to customers around the world. This year we continued sales due diligence in Business. This helps us assess any potential human rights risks through the life of a customer's contract.

The 2024 Global Child Forum Benchmark Report looked at our policies, approach and commitment to children's rights. It rated us as a top-performing company in Europe, and in the global telecoms sector.

Partnerships

Collaboration was key to this year's progress – creating a responsible tech ecosystem to drive trust and growth. This year we:
– joined the UN B-Tech project and continued our role in the BSR Human Rights Working Group – to help us implement the UN Guiding Principles on Business and Human Rights.
– participated in the UN Global Compact Climate and Human Rights Working Group – to help us tackle climate change effects on human rights and promote due diligence for a low carbon transition
– attended the BSR Tech Against Trafficking Summit to understand how to use tech to fight human trafficking – focusing on supply chain data, using AI and stopping tech-facilitated trafficking.

Our Manifesto continued

Inclusive

The future of tech must be diverse and inclusive for everyone to benefit.

Embracing inclusion and wellbeing is core to our people strategy and our growth. We want to champion digital inclusion too.

We're connecting the UK through our digital infrastructure, maximising everyone's chances to be online and benefit from the digital world. You can read more on our progress on building full fibre, 4G and 5G on page 16.

We continue to support low-income families and vulnerable groups who face ongoing cost of living challenges. We're still market leader for low-cost social tariffs – giving over 900,000 customers affordable fibre broadband and calls.

Our digital skills training helps more people benefit from being online – particularly more vulnerable groups like children and the over 65s.

Help with digital skills

This year we helped a further 280,000 UK people and businesses improve their digital skills. Since FY15, we've helped a total of 23.3 million people, as part of our ambition to reach 25m by the end of FY26.

Employability and digital skills for young people

We want to help young people prepare for their future and inspire them to work in tech, digital and data.

This year, more than 1,000 young people have benefited from our Work Ready days at our UK workplaces, or schools. These days improve their understanding, self-confidence and digital skills. 92 of our colleagues gave over 800 volunteering hours to help deliver these events.

We're developing Work Ready content for teachers, including free, curriculum linked lesson plans. This will help students improve their work ready digital skills through practical, project-based modules, and boost teachers' industry knowledge when giving careers advice.

We continue to support the National Cyber Security Centre's CyberFirst programme. It aims to inspire more young people (especially girls) to have a career in cyber and tech.

We give support through sponsorship, summer placement bursary funding, through around 150 volunteers who were available to help with events and activities.

Online safety for children and families

We're helping to promote safe and responsible tech use among young people and protect them online. This year we:
– launched age-appropriate guidance on smartphone use for kids and teens, to protect children and help families navigate online risks and harms
– became the first UK telco to recommend that under 11s use limited capability devices
– made it simpler to set parental controls on the MyEE app by combining broadband and mobile account controls
– enhanced PhoneSmart, our online learning platform – adding safety guidelines for parents on issues, like AI and recognising deepfakes. PhoneSmart has now reached over 10,400 learners, with around 3,800 licences issued to those who've completed all modules
– delivered more than 3,300 training hours in schools on online safety through 'We Are Futures' and the National Schools Partnership
– launched child-friendly devices – the IMO Dash+ phone and Xplora X6 Play smartwatch.

Senior skills

Around 4.7m people aged 65+ don't have the basic skills needed to use the internet successfully[a]. Last year, with partner AbilityNet, we supported over 3,000 older people to develop their digital skills, improve their confidence and help them to stay safe online.

We're now building on that success, by expanding our programme and reach to a further 7,000 people – increasing our scope to also include adults with disabilities. This year, we've supported over 5,000 learners through one-to-one learning, repeated small group sessions and webinars.

We've also recruited some celebrity help to shine a light on the issue of online safety:
– Sir Geoff Hurst joined a walking football group at Bristol City FC for an online safety session we held with AbilityNet.
– broadcaster Moira Stuart joined senior learners on a coach trip to Blenheim Palace, where they had bitesize digital skills sessions on scam awareness and how to use wi-fi and QR codes (run by AbilityNet and supported by BT Group volunteers).
– and actress Linda Robson attended a small group training session and AbilityNet webinar to encourage others to get involved.

Building confidence and scam awareness

Before sessions with an AbilityNet trainer, Mimi said: "If I received a text, I was afraid to touch it because I thought it might be a scam." She now feels confident enough to use a banking app to manage her finances.

Find out more at bt.com/seniorskills

Supporting small and medium-sized businesses

Our free digital skills programme helps businesses unlock their potential. This year we reached over 260,000 more business owners and their people. We gave them:
– help on everything from digital marketing to sustainability with a UK wide tour, webinar and 'netwalk' events (with Small Business Britain).
– one-to-one mentoring from our experts (with Digital Boost).
– practical tips and advice from successful entrepreneurs through our video series, on things like search engine optimisation, boosting productivity with AI and social media.

India skills partnership

Over six years, BT Group (working with the British Asian Trust) has empowered more than 1.2m young people across India with digital and work readiness skills.

Our programmes have also reached 2.2m parents, teachers and community members – advancing digital inclusion, and addressing the gender gap in education to boost long-term employability. This year we helped more than 101,000 girls through our digital skills programmes.

a Offline and Overlooked: Digital exclusion and its impact on older people (ageuk.org.uk).

Sustainable

Tech must accelerate our journey to net zero emissions and a circular economy.

We've led on climate action for more than three decades. We've been 'A' rated on climate by CDP for the past nine years.

But as the climate crisis worsens, we all need to speed up the switch to a low carbon economy.

This year we published our first Climate Transition Plan (bt.com/climatetransitionplan). It sets out in detail the objectives, strategy and governance needed to help us decarbonise our business, manage climate-related risks and support economy-wide transformation to net zero. We also continue to publish our Carbon Reduction Plan each year.

We're aiming to be net zero in our operations by the end of March 2031 – and for our full value chain by the end of March 2041. This year our Scope 1 and 2 target was updated from intensity based to absolute in line with the Science Based Target initiative (SBTi)'s net zero standard. All our near term and net zero goals were approved by SBTi this year.

Reducing carbon emissions in our operations

We've cut our operational carbon emissions by 52% since FY17. This is against our updated aim, to deliver a 90% cut by the end of March 2031 (compared to FY17 levels) – reflecting stronger ambition and aligning to a 1.5°C pathway.

We've cut our global energy consumption by around 100 GWh this year – a 4% drop on FY24. This was mainly due to continuing to rationalise and modernise our buildings and networks, and lower fuel use in our fleet.

Buying renewable energy

This year we changed our approach to renewable energy procurement and reporting.This was because of concerns on transparency, lack of environmental benefits and pricing volatility around Renewable Energy Certificates (RECs). We highlight these in a report we commissioned with Cornwall Insight[a].

We support renewable power supply through our energy procurement. That includes long-term power purchase agreements (PPAs), which met 31% of our UK electricity demand this year. But due to the evidence highlighted in our report, we're scaling back on buying RECs to those only sourced directly from our PPAs or renewable supply contracts.

And to more accurately reflect the real-world emissions from our electricity consumption, we're using the location-based methodology[b] as the basis for our updated operational carbon reduction target.

This reflects the average emissions intensity of grids from where energy is consumed and doesn't account for RECs.

This means we're moving away from our previous approach of reporting the percentage of electricity that came from renewable sources. It'll help us be more transparent and focus on the activities that most effectively support our own decarbonisation. That's things like electrifying our vehicle fleet, decarbonising our estate and building more energy-efficient networks.

Switching our fleet to electric

We have over 30,000 vehicles operating across our business. After emissions from consumed electricity, our fleet is our second biggest source of operational emissions (Scopes 1 and 2).

We're working hard and investing to convert the majority of this fleet to electric or zero-emission vehicles by the end of FY31 – where that's the best technical or economic solution. And where zero-emission vehicles aren't viable, we're pursuing other ultra-low emission options.

This year, we continued to roll out electric vehicles (EVs), increasing the total to over 5,500, which now represents 18% of our total fleet.

We also ordered 3,500 new EVs, the largest ever UK commercial EV fleet order. By 2026, when they're all delivered, we'll have nearly 8,000 – one of the UK's largest EV fleets.

'A' rated

'A' rated on climate for the 9th year running by CDP

52%

We've cut our operational carbon emissions by 52% since FY17

Net Zero

We're aiming to be net zero across our full value chain by the end of March 2041

5,500+

In total we have more than 5,500 EVs in our fleet

> **We announced the UK's largest ever commercial Electric Vehicle (EV) fleet order of around 3,500 new EVs. That'll boost our EV numbers to nearly 8,000 by 2026, and help reduce our future fleet emissions.**

a Reviewing the future of REGOs for Corporates' Insight report, based on independent research carried out by Cornwall Insight, commissioned by BT Group
b As defined by the GHG Protocol Scope 2 Guidance and Corporate Standard – see Our Methodology at bt.com/esgaddendum

Our Manifesto continued

Solar shines bright in Tyneside

Over 1,200 solar panels were installed on EE Tyneside contact centre, generating 470MWh annually.

The 549kW system will generate enough electricity for 23% of the site's total demand, helping avoid over 97,000kg of CO_2e emissions.

Decarbonising our buildings

Our Better Workplace Programme is consolidating hundreds of BT Group buildings to around 30.

Our new-build central office hubs are being constructed with the aim of meeting the BREEAM-Excellent rating, which needs strong environmental credentials. This year, we opened Sheffield Endeavour, Dundee Greenmarket and Manchester New Bailey offices, which are all gas-free.

Across our wider UK buildings estate, we're closing some sites, and we're also replacing gas-fuelled heating systems with electric heating, and exploring the use of solar and air-source heat pumps.

The combination of all these actions has helped cut our gas consumption by 13 GWh, equal to over 2,400 tonnes of CO_2e.

Building energy-efficient networks

Improving our networks' energy efficiency – which account for over 85% of our total energy consumption – is one of our biggest priorities.

We're building more energy-efficient fixed and mobile networks, while switching off our old ones. As well as saving energy, full fibre networks can better absorb the effects of physical climate change risks, like flooding and higher temperatures. That means fewer faults and engineering visits.

In rural Shropshire we've switched on our first self-powered mobile site, driven by solar and wind. All its power comes from renewable energy sources, giving reliable and sustainable 4G and 5G to EE customers living and working in the area.

We also rolled out energy-saving cell-sleep technology across EE mobile sites nationally. This should save up to 4.5 GWh per year – alongside us switching off our old energy-intensive 3G network, which saved over 60 GWh last year.

Cutting carbon emissions across our value chain

Our Scope 3 carbon emissions account for 81% of our total emissions. They come mainly from purchased goods in our supply chain and from customers using our products and services.

Since FY17, we've cut our Scope 3 net emissions by 30%, to 2.9 ktonnes of CO_2e this year, a drop of around 9% on FY24.

Helping suppliers cut carbon

We've cut supply chain emissions by 25% since FY17. We're aiming for a 42% cut by the end of March 2031.

We'll keep working with suppliers on cutting carbon, including encouraging more of them to report to CDP to improve emissions visibility and action. Today, suppliers representing more than 65% of our supply chain emissions are reporting to CDP.

We continue to collaborate with major Openreach partners through a supplier engagement programme, supporting them via workshops and webinars to promote carbon emissions reporting and ways to reduce their own emissions.

First self-powered mobile site goes live

Located in rural Shropshire, the site gets most of its energy through on-site solar panels and wind turbines.

100%

of the site's power requirements will be delivered by renewable energy sources, providing reliable and sustainable EE network coverage to the area

Working with the University of Reading, we supported 'Show Your Stripes' day by lighting up the BT Tower with warming stripes – raising awareness of the need for urgent action on climate change.

25%

We've cut supply chain emissions by 25% since FY17

Cutting customers' carbon

There's huge potential for the use of our networks, products and services to enable customers to cut their emissions – for example, through improving our products' energy efficiency and through customers' use of technologies, like full fibre broadband, mobile solutions and cloud computing.

We've switched from our previous timebound target. Instead we'll now report on our products' cumulative enablement impact, as we continue to help customers and society reach net zero. Overall we've helped customers avoid more than 5.5m tonnes of carbon since FY22.

This year, we've expanded our Carbon Network Dashboard to give business customers a better view of electricity consumption and carbon emissions. We've also added extra business-to-business solutions to our carbon enablement methodology.

Circularity

Developing a circular economy is vital for achieving a net zero world. Around 70% of global greenhouse gas emissions come from material use and handling[a]. We want to be a circular business by 2030 and build toward a circular tech ecosystem by 2040.

Operational waste – our networks and estate

We want to put zero waste into landfill by 2030. That means increasing the number of things we reuse and recycle, while minimising waste where possible.

We generated over 164 ktonnes of operational waste globally this year – significantly more than last year, due to more site clearances and civil spoils from our fibre build programme. Our UK and global recycling, reuse and recovery rates are at 97%.

We continued recovering old or end-of-life network kit to reuse or recycle. This year, we recovered 1,750 tonnes and reused 1,548 items back into our network.

As more customers switch to full fibre, we're extracting more old copper cable. This year we recycled over 5,600 tonnes of the metal –vital for the green transition – back into the global supply chain.

Our products and services

This year, we collected over 3.1 million devices from consumers and businesses through our returns and take back processes.

Mobile devices: Through our consumer and business trade-in services, we collected nearly 140,000 mobile devices. 95% of them went for reuse and a second life. The rest we recycled responsibly. Our mobile devices take-back rate is 4.8%. We want to increase this to at least 20% by 2030.

We've launched the sale of refurbished Apple and Samsung smartphones. And to extend the lives of our customers' devices, our EE repair service (approved by Apple, Samsung and Google) fixed 57,000 devices this year.

Customer Premises Equipment (CPE): Our 2024 return rate was 66%, with over 2.9m hubs and set-top boxes returned. We refurbished and reused 50% of them and recycled the rest. We've also redesigned our Smart Hub 2 and Wi-Fi disc packaging, cutting total material usage by 43% and saving 117 tonnes of CO_2e.

BT Business launched Device Lifecycle Management. The fully managed mobile solution monitors each stage of a device's lifecycle – which helps extend their lifespan through repair and reuse and encourages trading-in and recycling.

Climate action advocacy

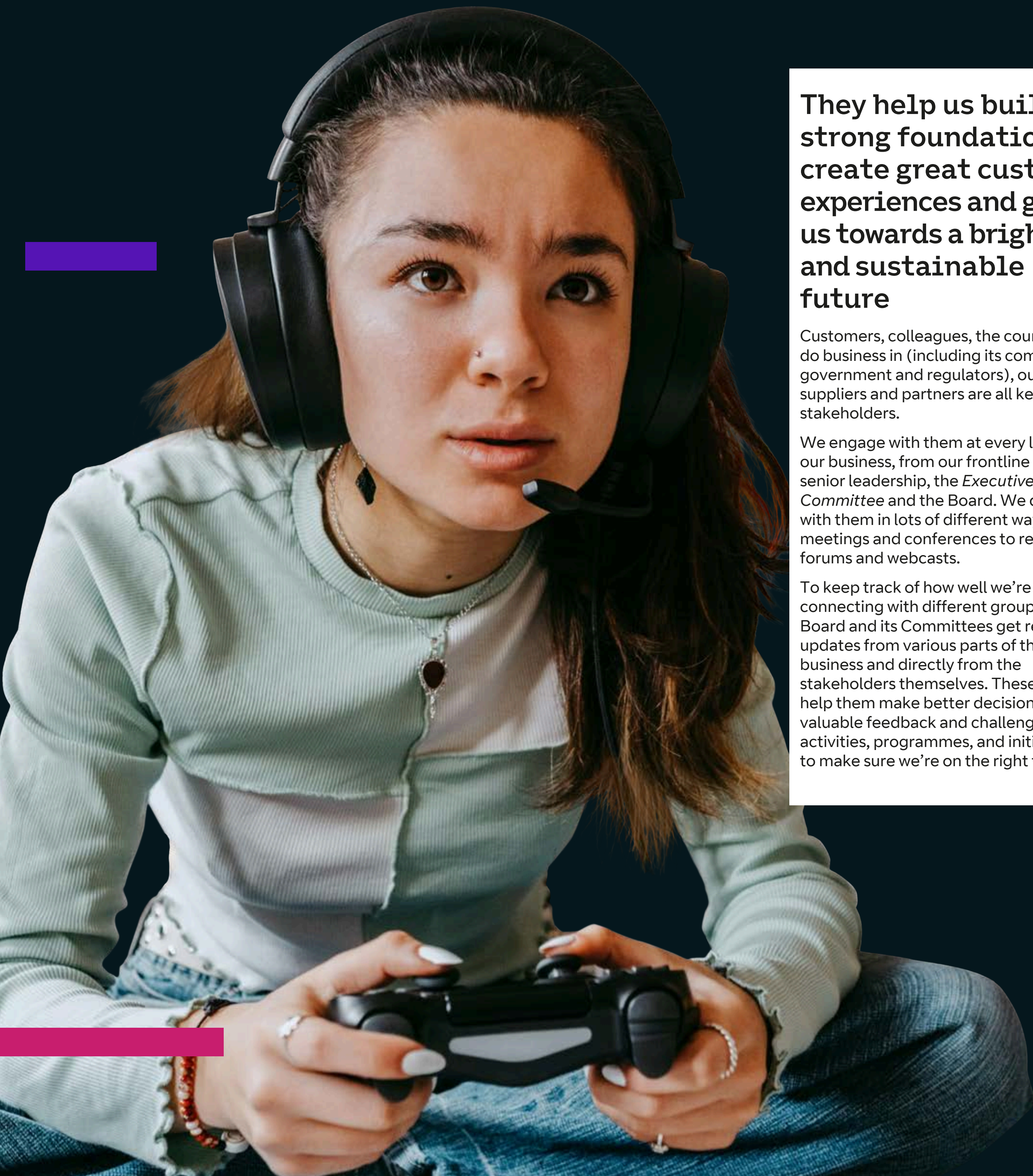
We believe every business should commit to science-based climate policies that aim to limit global warming to 1.5°C, in line with the Paris Agreement. We play our part, through direct engagement on key policies, and through third party association memberships.

This year, we've worked with Climate Group on pressing for renewable energy reforms and Government support on the EV transition. We supported a public letter, urging the UK Government to reassert its climate leadership. They subsequently announced a new UK climate target to cut emissions by 81% by 2035. We've also worked with industry peers through the Joint Alliance for CSR, and we were made chair of the International Chamber of Commerce UK sustainability committee.

a Taken from the Circle Economy – The Circularity Gap Report 2022 https://www.circularity-gap.world/2022

Our stakeholders

Delivering for all of our stakeholders



They help us build strong foundations, create great customer experiences and guide us towards a bright and sustainable future

Customers, colleagues, the country we do business in (including its communities, government and regulators), our owners, suppliers and partners are all key stakeholders.

We engage with them at every level of our business, from our frontline teams to senior leadership, the *Executive Committee* and the Board. We do it with them in lots of different ways – from meetings and conferences to reviews, forums and webcasts.

To keep track of how well we're connecting with different groups, the Board and its Committees get regular updates from various parts of the business and directly from the stakeholders themselves. These insights help them make better decisions, provide valuable feedback and challenge activities, programmes, and initiatives to make sure we're on the right track.

Customers

Our large, broad customer base spans individuals, households, multinational corporations and government entities.

We want to help customers live and work better. That starts with them having outstanding experiences with us. To do that we must understand their unique needs.

Personally engaging with customers is essential to understanding what they need today and tomorrow. By transforming and creating outstanding customer experiences, we aim to build trust and loyalty.

Our customers want us to:

- give them connectivity that works everywhere that they need it to, balancing value for money with measures of network quality like, speed, data and coverage
- give them quality, seamless and personalised customer experiences
- protect them wherever they go, keeping their data safe and safeguarding their families and customers from threats, with enhanced security.

EE brings 5G standalone to Wembley Stadium in UK-first as rollout roars on

Wembley Stadium Connected by EE became the UK's first sports venue to have a bespoke and permanent 5G standalone network. Giving EE customers attending the biggest stadium events of 2025 access to the UK's newest and best 5G network for faster mobile internet speeds and reliable connectivity.

Read more bt.com/wembley-5gstandalone

How we engage with customers:

- Colleagues in service, sales and contact centres talk to customers regularly to keep up to date with what they need and help them stay connected.
- Using research techniques and internal and external data, our insights team aims to get a deep understanding of customers' needs.
- Our CFUs, *Executive Committee* and the Board regularly review metrics like NPS to monitor customers' experiences and loyalty to our brands.
- The Chief Executive, *Executive Committee* and senior leaders also regularly review and discuss customer complaints.
- Our Customer Fairness Panel, Customer Inclusion Panel, Security Advisory Board and Customer Advisory Board have direct conversations with customers to help us better understand their experiences.
- Openreach makes sure every communications provider gets equal access to our fixed network by engaging them through a transparent and compliant consultation process.

Highlights this year:

- We've simplified our contract communication and charges by expressing changes in pounds and pence instead of percentages, making it clearer for customers.
- We visited every UK region to raise awareness and to make sure all customers understand the simple steps needed to switch to Digital Voice.
- In Consumer we've continued to use EE to offer converged propositions to support customers at home, at work and on the go.
- We gave guidance on children's digital wellbeing, discouraging parents from giving primary school-aged children their own smartphones.
- For our business customers we ran market leading security events. One event – 'Secure Tomorrow' – hosted more than 800 business customers and partners, discussing topics like emerging tech, workforce, regulation, and transformation.

Protecting meaningful connections

We're here to help keep everyone safe with the tools, knowledge, and support they need to protect their families, while enjoying the benefits of the digital age. Together, we can make sure every connection is a safe one.

1.3m

customers actively protected with Scam Guard

Providing peace of mind

Scam Guard was unveiled in July 2024 as a UK first scam fighting service, providing customers with robust protection against scams and online threats. Scam Guard offers three powerful ways to fight fraud. A network level defence to protect your calls, data and online activity, with features including spam and scam call labelling, dark web monitoring, providing monthly reports and breach alerts and access to three months of free Cyber Security Duo, covering identity and device protection.

Read more https://ee.co.uk/security/scam-guard

Connectivity built for you, that works for you

11 years

We've been named the UK's best mobile network for a record-breaking 11 years in a row, based on independent testing by RootMetrics[a]. But what does that mean for our customers? Put simply, they stay connected to their life the way they want.

Delivering fast 5G speeds

We're rolling-out 5G Standalone (5G SA) at pace – already available to over 28 million people – bringing even better performance and reliability to customers across the UK.

5G SA also brings with it exciting new capabilities, like network slicing, which we showcased at Belfast Christmas Market to support faster and more resilient mobile payments at Lavery's Beer Tent (thanks to dedicated quality of service).

And we've continued to boost coverage and capacity in the busiest of locations. With 85 new indoor systems and over 1,000 small cell deployments, we've enhanced connectivity in numerous town centres, stadiums, travel hubs, and shopping centres up and down the country.

Over 28m

people across the UK with access to our 5G standalone network

a All claims based on the RootMetrics® UK RootScore® Report: H2 2024. Tested at locations across the UK with the best commercially available smartphones on 4 national mobile networks across all available network types. Your experiences may vary. The RootMetrics award is not an endorsement of EE. Visit ee.co.uk/claims for more details.

Colleagues

To build a culture where colleagues can thrive and contribute to our purpose, ambition and success, they need to be engaged.

That means providing supportive work environments, flexible and agile working options and top-quality training and career development. And it means rewarding performance with fair, competitive pay and benefits.

How we engage with colleagues:

- Our Board gets regular updates from the Chief Executive and Chief People & Culture Officer. Topics range from people strategy initiatives to culture and overall sentiment in the organisation.
- This year the Board used our Designated Non-Executive Director for Workforce Engagement to effectively connect with our workforce (under the UK Corporate Governance Code 2018).
- We've run four quarterly 'Your Say' employee engagement surveys this year. They give around 10,000 people managers actionable insights on what their teams are experiencing, thinking and feeling over time. Survey participation has stayed high at 76% (March 2025).

Highlights this year:

- Despite the big levels of change and transformation, colleague engagement has stayed strong at 76% – above the 70% UK benchmark.
- Our commitment to customer satisfaction remains strong as our 'Delivering for the Customer' metric kept its strong score of 82% (over the year). Colleagues feel equally positive about being "encouraged to develop new ways to serve customers" and "empowered to make decisions to best serve customers" at 82%. This sentiment matches the global high-performing benchmark – and 8% above the 74% UK benchmark.
- We've focused on leadership, simplifying processes, and inclusion and wellbeing. But these aren't yet reflected in colleague sentiment.
- We began to shape how we work together for our customers. The Big Conversation is the start of this journey to leverage the best bits of our culture to get better outcomes for our customers.

A historic and unique relationship

We're one of the largest private sector employers of both serving reservists and ex-armed forces personnel in the country, with thousands of ex-military colleagues working across our business.

These colleagues bring a unique set of skills and experience, which makes them the ideal people to be part of our team.

81 Signal Squadron is a specialist Army Reserve Squadron working closely with a regular Army unit, 241 Signal Squadron.

BT Group employees make up around 60% of the Squadron, with the majority from within Openreach, with their CEO, Clive Selley, an Honorary Colonel. Their purpose is to install fixed telecommunications and data infrastructure across the globe, in support of the Army.

> "I'm lucky to have a job which suits my skills and mindset. I also feel incredibly lucky to get volunteer days which I use to raise money for military charities."
>
> **Peter**
> Openreach Engineer

Our stakeholders continued

Country

We make a big economic contribution to UK society by connecting it. Trust is essential. Without it, we wouldn't be able to grow and fulfil our purpose of connecting for good. Different groups have different expectations but we all share the same goal – to make a positive impact on society.

Communities

The communities we serve want us to:
- keep them protected through reliable and secure connections
- help them to understand and navigate the increasingly digital world
- keep providing direct and indirect employment
- do business ethically, responsibly and sustainably.

How we engage with communities:

- Community members rely on our products and services for their daily lives and work.
- We support them through our stores, contact centres, digital channels and home visits for installation and maintenance.
- We offer digital skills training to millions of UK people, to help everyone – whatever age or background – build the skills they need for a more connected world.
- We run roadshows across the UK to help customers understand the switch from legacy copper-based services to Digital Voice.
- We use customer surveys and reputation tracking to understand how we're doing and inform future focus areas and goals.
- The *Responsible Business Committee* oversees our societal programme – tracking feedback and performance through a dashboard discussed at each meeting.

Highlights this year:

- Our full fibre network now reaches 4.9 million homes and businesses in harder-to-reach areas, against our aim to reach 6.2 million by December 2026. Over 18 million homes and businesses have been passed with full-fibre so far.
- We're expanding 4G coverage in rural areas through the Shared Rural Network initiative, while also growing our 5G network to 90% of the UK by 2027.
- We support over 900,000 low income and vulnerable customers with social tariffs and discounted products.
- We spend £9.6bn each year with UK suppliers. Our combined activities support 212,000 jobs directly or indirectly. We contribute £1 in every £100 of UK Gross Value-Added and support 1 in every 100 workers in the UK[a].
- We're one of the UK's biggest private sector apprenticeship employers – we've hired more than 3,000 apprentices and graduates over the past five years.
- We support communities to develop digital skills to help them thrive in a digital world. This year, we helped 280,000 more people, bringing the total to 23.3 million since FY15 (read more on page 30).
- Our people volunteered nearly 150,000 hours of their time to help our charity partners and communities – sharing skills and expertise through mentoring and digital skills training programmes.
- Colleagues donated over £1.2 million to more than 1,000 charities through payroll giving. We received the Payroll Giving Platinum Award quality mark from the Government.
- Our people's fundraising and donations raised over £173,000 for our charity partner HomeStart UK, helping families facing social exclusion.
- We fund UNICEF's 'Digital Learning Passport' tech platform, which enables online and offline access to quality educational resources for young people.

a The Economic Impact of BT Group plc in the UK – 2025 edition (bt.com/economic-impact)

Government

- Our relationship with government bodies underpins our three strategic pillars and helps us contribute to policies and initiatives that promote the best results for stakeholders.
- Based on a report commissioned last year, we added more than £22.8bn to the UK economy, supporting critical services and working with more than 1,400 public sector customers.
- Our public policy work with Government covers everything from infrastructure investment to national security, from promoting digital skills and inclusion to wider economic and industrial policy.
- Our networks support vital public services like welfare, tax, health, social care, police and defence – while protecting citizens' personal data.

The Government wants us to:

- keep investing in our network infrastructure
- provide the fastest, most reliable and secure connection possible, to the widest possible range of communities
- invest in the best products and services, at fair prices, with high levels of customer service
- support vulnerable customers through tough economic times.

How we engage with the Government – and highlights this year:

- Our policy and public affairs team manages our relationships with Government and other politicians.
- Under the Communications Act 2003, the Government can ask us (and others) to run or restore services during disasters. The Civil Contingencies Act 2004 also says that they can impose obligations on us (and others) in emergencies, or in connection with civil contingency planning.
- We keep an open dialogue with Government through our Chairman, Chief Executive and senior leaders – as well as through consultation responses and cross-industry initiatives. Through those conversations we build support for policies that will deliver good results for the UK and our shareholders.
- The Board receives updates on discussions with Government through updates from the Chairman, Chief Executive and *Executive Committee* members.
- In 2024 we engaged with senior representatives and politicians from all major political parties in the run up to the General Election. And since the election we've sought to build a constructive partnership with the new Government.
- This year, we contributed to Government initiatives on industrial strategy, technology development and adoption, mobile markets, planning, business rates, smart data, AI opportunities, cybersecurity, international trade, economic security, fraud and copyright.
- We also worked with officials and regulators to agree new protocols for moving customers off our old networks.
- We gave insights to Government to help it formulate its Statement of Strategic Priorities for Ofcom. We also gave input and evidence to parliamentarians on legislation like the Data (Use and Access) Bill and the Employment Rights Bill.

Regulators

Regulation is essential for protecting consumers and promoting fair competition. Our main relationship is with Ofcom, the regulator of UK communications and TV services. We also work with other bodies like the Financial Conduct Authority, Competition and Markets Authority, and the Information Commissioner's Office.

Our regulators want us to:

- invest and innovate in UK digital infrastructure
- keep the UK's digital infrastructure and critical services secure and reliable
- be fair and transparent with customers
- compete fairly in our markets.

How we engage with regulators:

- We have open and constructive dialogue via our Board, Chief Executive, *Executive Committee* and senior leaders. These discussions focus on how regulation can support investment in top-notch digital infrastructure while making sure the market works for consumers.
- As part of our day-to-day operations, we regularly interact with Ofcom and other regulators through industry consultations and information requests to make sure they understand the impact of proposed changes.

Fast, safe, mission-critical

88 years

Since 1937, BT has handled incoming 999 calls – now at more than 37 million each year. As well as connecting national and local government, today BT works with more than 200 NHS trusts, 44 police forces and 38 fire services.

Unrivalled experience delivering the UK’s critical connectivity infrastructure

This year we signed a new £1.29bn contract with the Home Office to provide mobile services for the Government’s Emergency Services Network (ESN) over the next seven years.

ESN is a national critical communications system that enables fast, safe and secure mission-critical voice, video and data across the 4G network. It gives first responders immediate access to life-saving data, images and information in live situations and emergencies on the frontline.

Read more about our Emergency Services Network at bt.com/esn

Our **stakeholders** continued

Owners

Our equity investors include large financial institutions, who hold the majority of shares, as well as around 584,000 individual shareholders.

Our owners want us to:

- deliver a return on their investment through dividends and capital growth
- execute brilliantly against our guidance and long-term strategy.

How we engage with our owners – and highlights this year:

- Shareholders engage with us through our investor relations activities, Annual Report, financial results and Annual General Meeting (AGM) – as well as through other documents and briefings.
- The AGM connects our Board with shareholders. In 2024 we held our AGM in Manchester with all resolutions passed and the results published on bt.com/agm. We will publish our 2025 AGM arrangements in the Notice of Meeting (see page 128).
- Individual shareholders interact with the Company Secretary (or their delegate) and with our share registrar Equiniti.
- Our Investor Relations team engages with institutional and debt investors through one-to-one conversations, roadshows, group meetings, conferences and industry events.
- The Chairman, certain Non-Executive Directors, Chief Executive, Chief Financial Officer, other executives and our investor relations team had 230 investor meetings this year. Topics included:
  - our strategy and competitive position in key markets
  - our financial and operational performance (particularly around inflation, energy and pay costs, in-contract pricing and cash flow profile to the end of the decade)
  - capital investment (including FTTP and 5G)
  - our capital allocation policy
  - changes at the top of the shareholder register
  - prospective governmental and regulatory policy decisions
  - our pension fund valuation.
- The Board receives regular reports on top shareholders, movements in the share register, share price performance and engagement with investors and analysts. It discusses and considers issues together with management as part of its decision making.

We have an investment-grade credit rating based on the strength of our balance sheet, our scale and competitive market position.

Suppliers and Partners

Strong relationships with suppliers and partners are crucial to our success. They enable us to provide solutions and offers to deliver exceptional customer experiences.

Our suppliers and partners want us to:

- pay them according to our agreed terms
- work with them to optimise their supply chains and support cash flow management
- operate ethically and transparently.

How we engage with suppliers and partners:

- We need to know who we're doing business with and who's acting on our behalf.
- We pick suppliers who agree to endorse our policies and standards – making sure we collectively act ethically and responsibly.
- We do due diligence before signing contracts on risks like financial health, anti-bribery and corruption, business continuity, human rights, environmental impacts, cyber security, data privacy and health and safety.
- We make sure we have strong contracts with suppliers to keep standards high, deliver on time to our customers, and follow our responsible and ethical supply chain standards.
- We regularly audit our high-risk suppliers – focusing on governance, human rights and environmental impacts – and work with them to address findings.

Based in Dublin and established in early 2021, BT Sourced is our procurement arm. It focuses on creating more digital and sustainable procurement through cutting-edge technologies like AI and robotics.

BT Sourced boosts our efficiency and productivity. It also fosters better collaboration with suppliers and partners – which delivers better value for us, our customers and the wider community.

BT Sourced highlights this year:

- We grew our partnership with start-up Nnamu – using its game theory AI-based agent to recommend negotiation strategies and negotiate autonomously. This is saving us time and money.
- Our in-house negotiation analytics team explored AI techniques and added new tools. Our Supplier 360 dashboard now uses machine learning and AI to analyse data and model our supply base, providing insights into supplier relationships, saving money and identifying potential supply chain risks.
- We improved support for small and micro-sized suppliers by launching a tailored Collaborative Cash Flow Optimisation (C2FO) solution, with competitive funding rates. To make it more accessible for international suppliers, we've begun offering payments in US$. More than 1,300 suppliers have signed up. And in 2024 we facilitated more than £1.2bn early payments.
- BT Group won awards for Best Use of Technology for a working capital project in the Working Capital Forum and Best Working Capital Programme from the Supply Chain Finance Community.
- We supported Scope 3 and circular economy targets through sourcing strategies for things like network kit, property, consumer devices and fleet. Read more at bt.com/esgaddendum
- Our new Supplier Environmental Standard sets clear expectations for suppliers on waste and chemicals, climate change, circular economy, energy consumption and mineral sourcing.
- PRISM's macro risk intelligence is helping us quickly address emerging risks, make better-informed decisions, and develop category strategies based on risk analysis. You can read more on our risk focus on page 54.
- We launched the Procurement Academy to improve our people's supply chain optimisation and procurement skills – driving innovation and improving supplier relationships and decision-making.

Regulatory update

We believe the current regulatory approach is effective, delivering a competitive market and positive outcomes for customers. Ofcom closely monitors activities as part of their ongoing review of the regulatory framework for 2026-31.

In May, we revised our timetable for switching customers to digital phone services. We did that to prioritise protecting vulnerable people and those with extra needs – like telecare users. We formed the Telecare Action Board last year and through that have recently supported the Government with guidance to local authorities. Our top priority is making sure we switch all our customers safely.

Over the past year, Ofcom concluded their investigations into contract information and emergency call handling – this resulted in fines of £2.8m and £17.5m respectively. We take complying with regulations seriously. So we've accepted Ofcom's findings and have worked hard to implement strong solutions and processes to meet their expectations.

Earlier this year, we announced a new 'pounds and pence' price rise model to be more transparent with customers, in line with Ofcom's ban on inflation-linked mid-contract price rises.

We welcome Ofcom's December 2024 update on their Telecommunications (Security) Act Monitoring programme. The report which highlighted "good or improving governance practices" in this area. Our focus is still on making our networks secure and resilient – and we continue to work with all parties to do that.

Following our successful 3G network closure, we've outlined how we'll be switching off our 2G network later this decade. That includes expanding our 4G and 5G networks' reach and working closely with industry bodies, charities and Ofcom to raise awareness.

We were pleased to collaborate with industry on the launch of 'One Touch Switching' in September 2024. It gives customers a much simpler mechanism for switching providers.

We are engaging with Ofcom on its Telecoms Access Review consultation published on 20 March 2025.

Providing peace of mind

We know that there are a number of barriers stopping people from getting online. Alongside our work on social tariffs, we're working with Government to explore innovative solutions to expand access to public wi-fi. And we've partnered with leading charities to offer support where it is needed most, including offering devices, data and skills support to hundreds of disabled adults.

23.3m

We've reached 23.3 million people with help on digital skills since FY15

Read more about our digital skills programme here: bt.com/responsiblebusiness

Ensuring access for all

We're leading the market in providing social tariffs and discounted products to support low income and vulnerable customers to get and stay online, helping to address digital exclusion.

900k

customers supported

Non-financial and sustainability information statement

In this section we present information on how we're complying with the non-financial reporting requirements in Sections 414CA and 414CB of the Companies Act 2006.

Environment

See pages 19, 31 to 33, 45, 62 to 71, 84 and 96.

Policies
Our Health, Safety and Environment Group Policy explains how we're protecting the environment and building a more sustainable future.

Our main priorities are cutting carbon emissions (our biggest environmental impact) and being more energy efficient.

It also sets out our commitment to partnering with stakeholders. And it's supported by our environmental strategy and goals of becoming a net zero and circular business.

Every year we report on how we're doing in our operations and wider value chain. You can read more on pages 31 to 33.

Due diligence
The Group Health, Safety & Environment (HSE) Sub-Committee monitors and manages our environment strategy and risks, acting on the *Executive Committee's* behalf.

The *Responsible Business Committee* oversees progress against our environmental goals. We review and update our policies every year.

Results
You can read more on our plans and performance – including progress on net zero – on pages 31 to 33 and at bt.com/esgaddendum

Risks
We consider environmental and climate-related risks across our whole business. That includes health, safety and environment, and operational resilience and how we manage stakeholders and suppliers. There's more on our group risk categories on pages 56 to 61.

We're mitigating our environmental impact and key physical climate risks in lots of ways.

You can read more on pages 31 to 33 and in our Task Force on Climate-related Financial Disclosures statement on pages 62 to 71.

Colleagues

See pages 22 to 27, 34, 37 and 84.

Policies
Our people's wellbeing will always be at the heart of our business.

It's in our code: We always put wellbeing and safety first. It's also written into our HSE Group Policy.

Our strategy is to build a fulfilled, safe, happy and healthy team – in a culture where everyone can thrive. We do this through wellbeing programmes to boost colleagues' performance, resilience, happiness and engagement.

International standard ISO 45003 'Psychological health and safety at work' says that psychosocial risk management must be addressed at all levels and functions – especially top management.

We agree with the concepts raised in the standard. We apply them to help prevent work-related injuries or ill health in colleagues and to promote positive wellbeing at work.

Our inclusion and wellbeing strategy is programmatic and evidence-based.

It helps us understand and remove bias and other cognitive barriers from policies, processes, systems and decision making.

And it supports our aim to build the strongest foundations by helping us apply an inclusion lens to everything we do – and by promoting a healthy culture.

Due diligence
We plan against three goals – Promote, Support and Restore.

From these we create focused interventions and campaigns. They champion wellbeing and make sure our people can access wellbeing support and services.

We also work with stakeholders across the business to make sure our wellbeing approach is consistent, integrated and part of our culture.

We review policies every year, updating them when needed. And we coordinate health and safety through our Group HSE Sub-Committee and with our unions through the Good Work Forum.

Our well-established governance processes make sure we integrate Inclusion and Wellbeing into decisions and policy development. We update the *Executive Committee* regularly on our strategy's relevance and effectiveness – and on progress against our inclusion and wellbeing goals.

Our People Networks raise members' concerns and are sponsored by *Executive Committee* members or by the CEO, Openreach.

Engaging with our broader population also helped shape and influence our Inclusion and Wellbeing plans. You can read more about other ways we engage with colleagues on page 37.

Results
There are details of what we've done to apply our policy on page 26.

You'll find information on absence rates and other wellbeing metrics at bt.com/esgaddendum

Our strategy creates a culture that embraces inclusion and embeds it into our decisions.

There are details of how we've supported our strategy this year – together with the latest inclusion statistics – on page 37.

Risks
We reflect wellbeing risks as part of the People and HSE group risk categories on page 60. And we reflect Inclusion and Diverse Representation risks in the People group risk category on page 60.

Social and community

See pages 28 to 33, 38, 59 and 84.

Policies
Our Manifesto is rooted in our purpose. It's supported by commitments on three themes – responsible, inclusive and sustainable.

It recognises we'll only succeed if we help solve some of the problems faced by the societies and customers we serve. In particular, our commitment to giving people help with digital skills will benefit wider society.

Our 'BT Group charity approach' explains how we partner with charities and support our people's volunteering work.

Due diligence
The *Responsible Business Committee*:

– oversees our Manifesto commitments and progress
– reviews our strategy and progress on societal programmes and goals
– monitors progress against our ambition to reach 25m UK people with help to improve their digital skills by the end of FY26.

Results
We report on how we invest in communities on page 38.

You can read more on our Manifesto and what we've achieved this year on pages 28 to 33. That includes our progress with helping people improve their digital skills.

Risks
We consider digital inclusion risks as part of our group risk framework – the *Responsible Business Committee* reviews these risks.

Human rights

See page 29

Policies
Our Human Rights Policy explains how we respect and champion human rights in our business – and through our relationships with others. It's supported by our responsible tech principles. Our Manifesto reinforces these principles and our respect for human rights.

Due diligence
We have processes to identify and tackle potential and actual human rights impacts across our business. They include checking we're applying responsible tech principles when we develop, buy, sell and use tech.

Our Group Corporate Affairs Director oversees our responsible tech and human rights approach with delegated authority from the Chief Executive Officer for decisions about human rights risks.

Day to day, our Responsible Tech and Human Rights team works on integrating the United Nations Guiding Principles for Business and Human Rights into our business – updating the *Responsible Business Committee* regularly.

Respecting human rights is part of mandatory annual training for all colleagues.

We identify, measure and tackle human rights impacts through our Speak Up whistleblowing service and through risk assessments and on-site audits.

Results
We were rated as one of Europe's top performing companies in the 2024 Global Child Forum Benchmark Report that focuses on children's rights. We've also made good progress on our human rights partnering and advocacy.

We report on this – and on our responsible tech principles – on page 29.

Risks
We consider human rights risks within our Supply Management group risk category on page 61, and as part of our wider group risk framework.

Anti-bribery and corruption

Policies
Being trusted: our code sets out promises including zero tolerance of bribery and corruption. It's supported by specific standards on Anti-Bribery and Corruption (ABC), gifts and hospitality, conflicts of interest and high risk third parties.

It describes how we expect everyone who works here – or on our behalf – to do business.

It also covers extra policy areas like human rights, and equality and diversity. And it provides a framework for our ambition to become the most trusted connector of people, business and society.

Through our commitment to doing the right thing, it shows that stakeholders can depend on us.

Due diligence
We do due diligence on third parties, hire external providers to assess higher risk areas, and use an integrity risk dashboard to identify potential focus areas.

We take a risk-based approach to third-party due diligence. We also have enhanced approval, due diligence and monitoring processes in place for higher risk third parties.

Results
All colleagues undertake mandatory training on our code. Our senior leaders also publish communications that reinforce our code and policies.

Two of our quarterly colleague engagement surveys include questions on ethical perception, with results shared with senior management.

Speak Up, our whistleblowing service, lets anyone who works for (or with) us to report anything that goes against our code confidentially. That includes bribery, corruption, human rights violations, bullying or harassment. It had 840 reports this year.

Risks
We consider ABC and ethical conduct risks within the Legal Compliance group risk category – where risks apply across our operations generally.

You can read more on page 58.

Our key performance indicators (KPIs)

Financial

Year ended 31 March

Changes to our KPIs
We continued to monitor and evolve our KPIs to make sure they're the best measures against our strategy. During FY25 we've worked on refreshing our strategy, as part of this we have updated our KPIs from FY26 onwards to more accurately reflect our strategic priorities.

As part of the strategy refresh we have included adjusted UK Service Revenue as a new KPI from FY25.

Reported revenue
(£m)

FY25	20,358
FY24	20,797
FY23	20,681
FY22	20,850
FY21	21,331

Definition
This is our revenue as reported in our income statement.

Performance
Reported revenue was £20,358m (FY24: £20,797m). The decrease was driven by continued challenging non-UK trading conditions in our Global and portfolio channels and weaker handset trading in Consumer, offset by the impact of FTTP growth in Openreach and price increases.

You can read more details about CFU performance on pages 51 to 52.

Link to strategy 1,2,3

Adjusted UK Service Revenue
(£m)

FY25	15,582
FY24	15,727

Definition
Adjusted UK Service revenue comprises all UK revenue less UK equipment revenue. Some revenue from equipment is included within adjusted UK service revenue where this is sold as part of a managed services contract or where that equipment cannot be practicably separated from the underlying service. Adjusted UK service revenue excludes revenues from our Global channel and international elements of our Portfolio channel within our Business segment, as they are international in nature.

Performance
Adjusted UK Service Revenue for the year was £15,582m (FY24: £15,727m). This is down 1% as growth in Openreach was more than offset by a decline in Business, as a result of lower legacy revenues.

Link to strategy 1,2,3

Adjusted[a] EBITDA
(£m)

FY25	8,209
FY24	8,100
FY23	7,928
FY22	7,577
FY21	7,415

Definition
This measures our earnings before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

Performance
Adjusted EBITDA was £8,209m (FY24: £8,100m). The increase was primarily due to strong cost transformation which more than offset declines in revenues.

You can read more on page 46.

Link to strategy 1,2,3

Normalised free cash flow[b]
(£m)

FY25	1,598
FY24	1,280
FY23	1,328
FY22	1,392
FY21	1,459

Definition
This measures free cash flow (net cash inflow from operating activities after capital expenditure) after adjusting for a number of measures, the largest being net interest paid, payments of lease liabilities, pension deficit payments, specific items and net cash flows related to the sale of contracts assets. For a full definition refer to page 230.

Performance
We generated £1,598m of normalised free cash flow (FY24: £1,280m). This was up 25% from last year driven by favourable working capital timing and higher EBITDA.

You can find a reconciliation of our working capital programmes in Additional information on page 230.

Link to strategy 1,2,3

Reported capital expenditure
(£m)

FY25	4,857
FY24	4,880
FY23	5,056
FY22	5,286
FY21	4,216

Definition
This measures additions to property, plant and equipment and intangible assets during the year. See note 4 to the consolidated **financial statements** for a reconciliation to the measures reported the group accounts.

Performance
Reported capital expenditure was £4,857m (FY24: £4,880m). This is broadly in line with prior year, with higher FTTP build and provision volumes in Openreach, some preparation for an acceleration in our build, and higher customer premises equipment in Consumer, being offset by lower build and provision unit costs.

Link to strategy 1,2,3

Return on capital employed (ROCE)
(%)

FY25	8.7%
FY24	8.5%
FY23	8.3%
FY22	8.7%
FY21	8.6%

Definition
ROCE is adjusted earnings before interest and tax as a percentage of equity, debt and debt-like liabilities excluding balances associated with tax and management of financial risk. For a full definition and a reconciliation to the nearest IFRS measure see page 229.

Performance
ROCE for the year was 8.7% (FY24: 8.5%). This is primarily due to slightly higher adjusted earnings offset by increased capital employed which reflects higher debt to fund our fibre build programme.

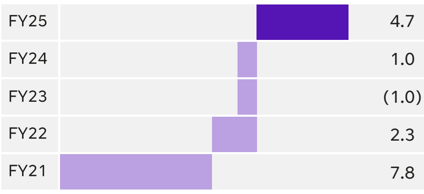
Link to strategy 1,2,3

Operational

At 31 March

We use eleven KPIs – five operational and six financial. We reconcile the financial measures to the closest IFRS measure on pages 228 to 230.

BT Group Net Promoter Score (NPS) R
(point increase/(decrease))

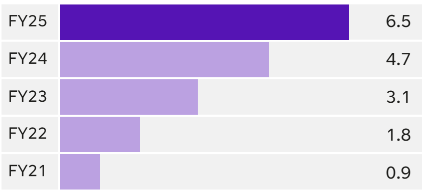


Definition
This tracks changes in our customers' perceptions of BT Group since we launched the measure in April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units. BT Group NPS measures the net promoter score in our retail business[c] and net satisfaction in our wholesale business.

Performance
We continue to focus on creating standout customer experiences with performance up almost five points in FY25. You can read more about these and our approach to customer experience on page 18.

Link to strategy 2

Total Openreach FTTP connections
(m)

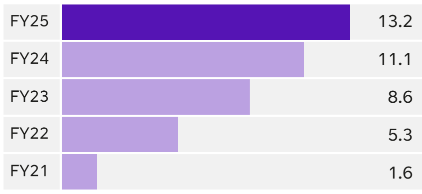


Definition
This tracks how many premises are connected to Openreach's full fibre (FTTP) network.

Performance
6.5m (FY24: 4.7m) premises are now connected to Openreach's FTTP network. Openreach's full fibre footprint reaches more than 18 million homes and businesses and we're on track to get to 25 million premises by the end of 2026. You can read more about the full fibre rollout on page 16.

Link to strategy 1

Total 5G connections
(m)

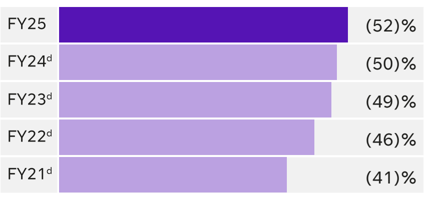


Definition
This measures the number of BT retail connections to the 5G network.

Performance
13.2m BT retail connections to our 5G network. We continue to expand our 5G network which now covers 85% of the UK population. You can read more on our 5G coverage and rollout on page 16.

Link to strategy 1

Percentage reduction in operational carbon emissions

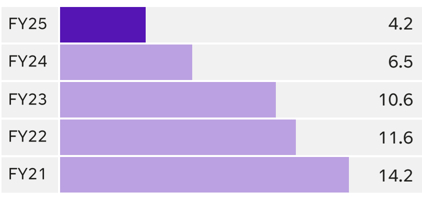


Definition
This measures performance against our ambition to cut carbon emissions by 90% by the end of March 2031 compared to FY17 levels[d]. It's based on an absolute reduction in tonnes of CO_2e (carbon dioxide equivalent) in operational emissions (Scopes 1 and 2 greenhouse gas emissions). This replaces our previous carbon intensity goal, reflecting stronger ambition and alignment to a 1.5°c pathway.

Performance
This year, we achieved a 52% reduction from our baseline year (FY17) (FY24: 50%[d]). You can find out more information on what we're doing to tackle environmental challenges and our journey towards net zero emissions on pages 31 to 33.

Link to strategy 3

Units on legacy networks
(m)



Definition
This tracks customer migrations from legacy to strategic network platforms, which enables our legacy platforms to be decommissioned. A 'unit' is a circuit within, or a connection to our network.

Performance
We have reduced our number of legacy connections in our network by nearly three quarters by migrating customers to Digital Voice, 4/5G and Fibre broadband.

Link to strategy 2,3

Link to strategy
Each KPI measures how we're doing against at least one of our strategic pillars. You can read more about these, and our progress against them, from page 15.

1_Build the strongest foundations

2_Create standout customer experiences

3_Lead the way to a bright, sustainable future

R Link to directors' remuneration
The annual bonus and long-term incentive plans that comprise our directors' remuneration are each linked to certain KPIs. See the **Report on directors' remuneration** on pages 98 to 122.

a Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 230.
b Normalised free cash flow as defined on page 230.
c Includes our Consumer brands as well as Business unit excluding Wholesale.
d Restated from percentages presented in the FY24 Annual Report due to a change in the KPI definition. Our previous KPI, an 87% reduction in carbon emissions intensity by FY31, has been replaced with this operational carbon emissions reduction KPI, also described on page 31.

Group performance

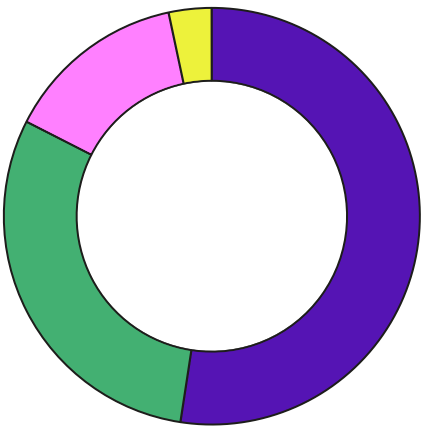
Alternative performance measures

We assess the performance of the group using various alternative performance measures. As these are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the most directly comparable financial measure or measures calculated and presented under IFRS on pages 228 to 230. The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Simon Lowth
Chief Financial Officer
22 May 2025

FY25 Capital expenditure[d]

£4,857m



- Network investment £2,546m
- Customer driven investment £1,461m
- System and IT £688m
- Non-network investment £162m

Revenue £m

£20,358m (2)%

Adjusted[a] EBITDA £m

£8,209m 1%

Profit before tax £m

£1,334m 12%

Operating cash flow £m

£6,989m 17%

Normalised free cash flow[b] £m

£1,598m 25%

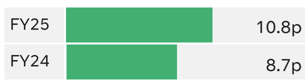
Net debt[c] £m

£19,816m 2%

Earnings per share pence

Adjusted EPS

Reported EPS



Performance

Revenue was down 2%. We delivered growth in both adjusted[a] EBITDA and normalised free cash flow[b], driven by a focus on transformation and strong cost control. Capital expenditure was broadly in line with FY24.

Reported revenue was £20,358m, which was down 2% mainly due to continued challenging trading conditions in our Global and non-UK Portfolio channels and weaker handset trading in Consumer. These factors offset the benefit of FTTP growth in Openreach and price increases in each CFU.

Adjusted[f] UK Service revenue was £15.6bn, down 1% as growth in Openreach was more than offset by a decline in Business and Consumer largely due to legacy voice declines.

Adjusted[a] EBITDA of £8,209m was up 1%, driven by strong cost transformation.

Reported profit before tax of £1,334m was up 12%, primarily due to goodwill impairment in the prior year, this was offset by higher restructuring charges, adjustments to balances related to our Sports JV and net finance expense in FY25.

Capital expenditure[d] of £4,857m, was broadly in line with prior year, with higher FTTP build and provision volumes in Openreach, some preparation for an acceleration in our build, and higher customer premises equipment in Consumer, being offset by lower build and provision unit costs.

Normalised free cash flow[b] was £1,598m, up 25% driven by favourable working capital timing and higher EBITDA.

Financial outlook

We remain well positioned to deliver a strong increase in cash flow and value through delivery of our focused strategy. Our outlook is underpinned by confidence in our unrivalled assets, leading network position, strong brands, ever-improving customer experience and continued focus on transformation.

In FY26 we expect adjusted[f] group revenue of c. £20bn and adjusted UK service revenue[e] of between £15.3bn and 15.6bn, with adjusted[a] EBITDA between £8.2bn and £8.3bn. Capital expenditure excluding spectrum is expected to be around £5.0bn as we accelerate our FTTP build, offset by c. £100m of forward copper sales, with normalised free cash flow around £1.5bn.

From FY27 to FY30, we expect sustained adjusted[f] group revenue and adjusted UK service revenue[e] growth as legacy voice drags abate, and EBITDA growth ahead of revenue enhanced by cost transformation. Capital expenditure[d] will reduce by more than £1bn from the FY26 level. We expect to deliver c. £2.0bn in normalised free cash flow[b] in FY27 and c. £3.0bn by the end of the decade.

	FY26 outlook	End of decade
Adjusted[f] group revenue	c. £20bn	Sustained growth from FY27
Adjusted UK service revenue[e]	£15.3-£15.6bn	Sustained growth from FY27
Adjusted[a] EBITDA	£8.2-£8.3bn	Consistent and predictable growth ahead of revenue enhanced by cost transformation
Capital expenditure[d]	c. £5.0bn	Reduces by >£1bn from FY26 level
Normalised free cash flow[b]	c. £1.5bn	c. £2.0bn in FY27 c. £3.0bn by end of decade

Dividend

We have declared a final dividend of 5.76 pence per share (pps) (FY24: 5.69pps), bringing the full year dividend to 8.16pps (FY24: 8.00pps).

We reconfirm our progressive dividend policy which is to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium-term earnings expectations and the level of business reinvestment.

The Board expects to continue with this policy for future years, and to declare two dividends per year with the interim dividend being fixed at 30% of the prior year's full year dividend.

Summarised income statement

Year ended 31 March	**2025 £m**	2024 £m
Revenue	**20,358**	**20,797**
Operating costs[g]	(12,888)	(13,185)
Depreciation and amortisation	(4,978)	(5,398)
Operating profit	**2,492**	**2,214**
Net finance expense	(1,150)	(1,007)
Share of post tax profit/(loss) of associates and ventures	(8)	(21)
Profit before tax	**1,334**	**1,186**
Tax	(280)	(331)
Profit for the period	**1,054**	**855**

Revenue

Reported revenue was £20,358m, down 2% mainly due to continued challenging trading conditions in our Global and non-UK Portfolio channels and weaker handset trading in Consumer. These factors offset the benefit of FTTP growth in Openreach and price increases in each CFU.

You can find details of adjusted revenue by CFU on pages 51 to 52.

Note 5 to the consolidated **financial statements** shows a full breakdown of revenue by all our major product and service categories.

Operating costs

Reported operating costs (including depreciation and amortisation) were £17,866m, down 4% year on year due to cost transformation and the prior year goodwill impairment, which were partly offset by cost inflation and specific costs including impairment of disposal groups, restructuring charges and adjustments to balances related to our Sports JV.

Note 6 to the consolidated **financial statements** shows a detailed breakdown of our operating costs.

Adjusted EBITDA

Adjusted[a] EBITDA of £8,209m was up 1%, driven by strong cost transformation, which more than offset lower revenue.

You can find details of adjusted EBITDA by CFU on pages 51 to 52.

a Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post-tax profits or losses of associates and joint ventures, as explained on page 230.
b Normalised free cash flow as defined on page 230.
c Net debt as defined on page 228.
d Additions to property, plant and equipment and intangible assets in the period. See note 4 to the consolidated **financial statements** for a reconciliation.
e As defined on page 229.
f Adjusted measures exclude specific items, as explained on page 228.
g Excluding depreciation and amortisation.

Group performance continued

Profit before tax

Reported profit before tax of £1,334m was up 12%, primarily due to goodwill impairment in the prior year, offset by higher restructuring charges, adjustments to balances related to our Sports JV and net finance expense in FY25.

Specific items

As we explain on page 228, we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence. We call these specific items. Specific items are used to derive the adjusted results as presented in the consolidated income statement. Adjusted results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the group.

Specific items resulted in a net charge after tax of £781m (FY24: £963m). The main components were restructuring charges of £448m (FY24: £388m), interest expense on retirement benefit obligation of £197m (FY24: £121m), Sports JV-related items £119m and impairment loss on remeasurement of the disposal groups of £116m; partly offset by a tax credit on specific items of £200m (FY24:£145m). Specific operating costs were £772m (FY24: £949m).

Note 9 to the consolidated **financial statements** shows the full details of all revenues and costs that we have treated as specific items.

Taxation

The effective tax rate on reported profit was 21.0% (FY24: 27.9.%) which is lower than the UK corporation tax rate of 25% primarily due to the UK patent box tax regime. The rate was higher in the prior period due to a non-deductible goodwill impairment.

The effective tax rate on adjusted[a] profit was 20.7% (FY24: 20.7%) for the same reasons.

A net corporation tax refund of £35m (FY24: £59m payment) comprised overseas tax payments of £60m offset by a UK tax refund of £95m following the closure of prior period tax returns.

We expect a large proportion of our capital expenditure to be eligible for full expensing which will eliminate our current year UK tax liability.

The charge for the period comprises deferred tax in the UK and current and deferred tax overseas.

Earnings per share

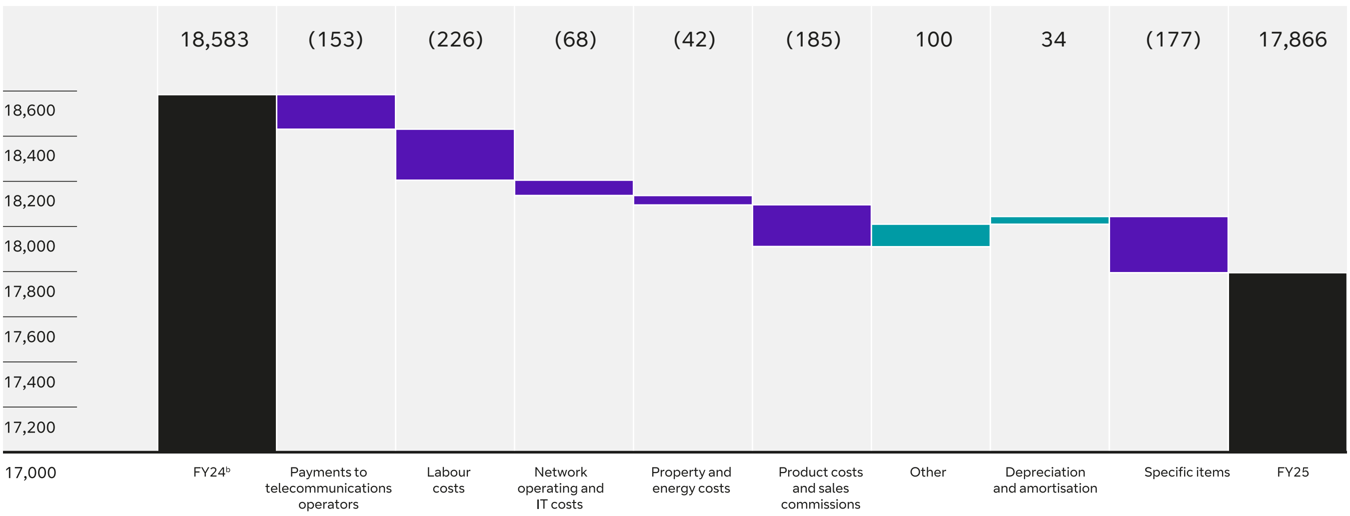
Reported earnings per share was 10.8p, up 24%, while adjusted[a] earnings per share was 18.8p, up 2%.

Capital expenditure

Capital expenditure of £4,857m (FY24: £4,880m), was broadly in line with prior year, with higher FTTP build and provision volumes in Openreach, some preparation for an acceleration in our build, and higher customer premises equipment in Consumer, being offset by lower build and provision unit costs.

Cash capital expenditure is in line with prior year at £4,937m, with the difference to reported capital expenditure primarily representing the timing of government grant funding repayments.

Operating costs
Year ended 31 March (£m)



a Adjusted measures exclude specific items, as explained on page 228.
b Comparative FY24 figures are restated. See note 6 to the consolidated **financial statements** for details.

Pensions

The IAS 19 deficit has decreased to £4.1bn at 31 March 2025, net of tax £3.2bn (FY24: £4.8bn, net of tax £3.8bn), primarily due to scheduled contributions over the period.

The 2023 BT Pension Scheme funding valuation included a future funding commitment for BT to provide additional deficit contributions should the funding deficit be more than £1bn behind plan at two consecutive semi-annual assessment dates. At the 31 December 2024 assessment date, the funding position was within this limit.

The movements in the deficit for the group's defined benefit plans are shown below.

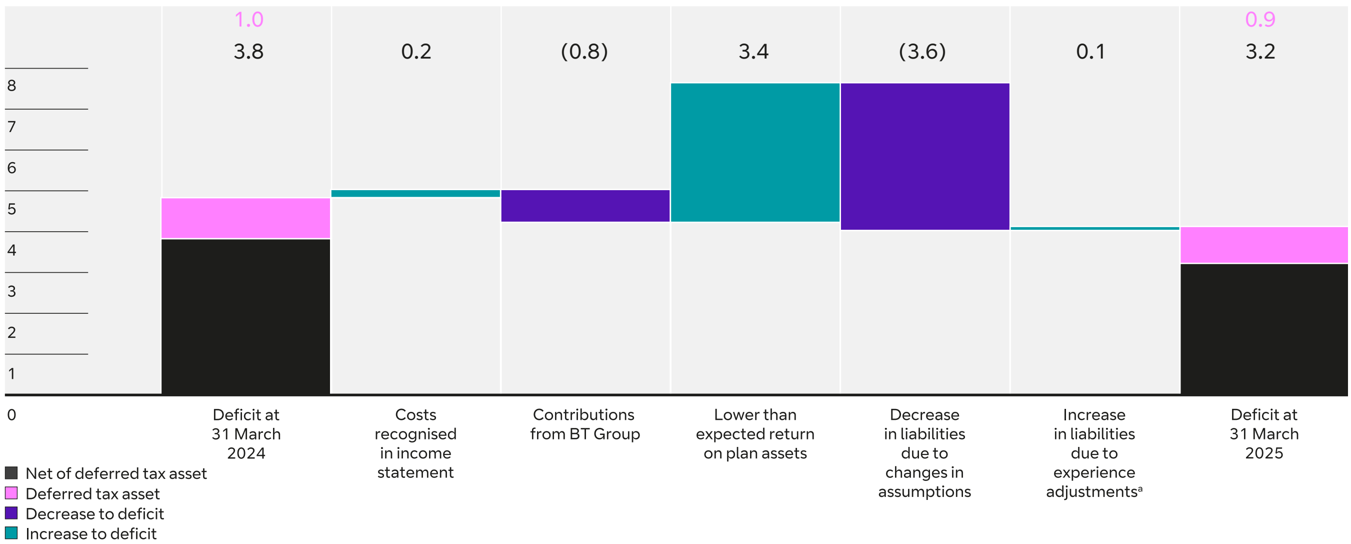
Assets and liabilities classified as held for sale

During the year we announced our intention to explore options to optimise our global business. At 31 March 2025 we have five disposal groups held for sale. These include our datacentre business in Ireland, our Irish wholesale and enterprise business, and our domestic operations in Italy. The disposals are all expected to be completed in FY26 subject to competition and regulatory approvals.

Summarised balance sheet

Year ended 31 March	2025 £m	2024 £m
Intangible assets	12,433	12,920
Property, plant and equipment	23,380	22,562
Right-of-use assets	3,328	3,642
Derivative financial instruments	1,034	1,070
Joint ventures and associates	252	307
Preference shares in joint ventures	395	533
Cash and cash equivalents	216	414
Investments	2,648	2,395
Trade and other receivables	3,764	4,206
Contract assets	1,500	1,740
Deferred tax assets	959	1,048
Assets classified as held for sale	245	—
Other current and non-current assets	828	902
Total assets	**50,982**	**51,739**
Loans and other borrowings	18,762	18,526
Derivative financial instruments	497	539
Trade and other payables	6,231	6,964
Contract liabilities	1,156	1,081
Lease liabilities	4,571	4,955
Provisions	640	649
Retirement benefit obligations	4,230	4,882
Deferred tax liabilities	1,717	1,533
Liabilities classified as held for sale	188	—
Other current and non-current liabilities	82	92
Total liabilities	**38,074**	**39,221**
Total equity	**12,908**	**12,518**

Movements in the deficit for BT Group's defined benefit plans
(£bn)



a Primarily reflects the impact on the liabilities of actual inflation being higher than assumed at the prior reporting date, which has been broadly offset by increases to inflation-linked assets from higher inflation.

Group performance continued

Cash flow

The net cash inflow from operating activities was £6,989m, up 17%.

Normalised free cash flow[a] was £1,598m, up 25% driven by a lower working capital outflow and higher EBITDA.

A reconciliation of our working capital programmes is shown in Additional Information on page 230.

You can also see a reconciliation to normalised free cash flow[a] from net cash inflow from operating activities (the most directly comparable IFRS measure) on page 230.

The net cash cost of specific items adjusted from normalised free cash flow[a] was £498m (FY24: £439m), primarily relating to restructuring payments.

Net debt[b] and financial debt

Net debt[b] (which includes lease liabilities) was £19.8bn (31 March 2024: £19.5bn), increasing mainly due to our scheduled pension scheme contributions of £0.8bn partly offset by free cash flow.

Net financial debt (which excludes lease liabilities) at 31 March 2025 was £15.2bn (31 March 2024: £14.5bn).

BT Group holds cash and current investment balances of £2.8bn, the current portion of loans and other borrowings is £2.1bn.

Our £2.1bn undrawn committed borrowing facility, which matures no earlier than January 2030 with the option to extend for two further years, remains undrawn at 31 March 2025.

We remain committed to our credit rating target of BBB+/Baa1 and minimum rating of BBB/Baa2.

During FY25 all of the major agencies confirmed their ratings at BBB or equivalent with stable outlook.

Contractual obligations and commitments

Our principal undiscounted contractual financial obligations as at 31 March 2025 are as follows:

- Loans and other borrowings of £18,189m (FY24: £17,728m)
- Lease liabilities of £5,179m (FY24: £5,591m)
- Pension deficit obligations of £5,120m (FY24: £5,942m)
- Capital commitments of £985m (FY24: £1,049m)
- Device purchase commitments of £198m (FY23: £171m).

We have unused committed borrowing facilities totalling £2.1bn. We expect that these resources, combined with the future cash we generate, will allow us to settle our obligations as they fall due.

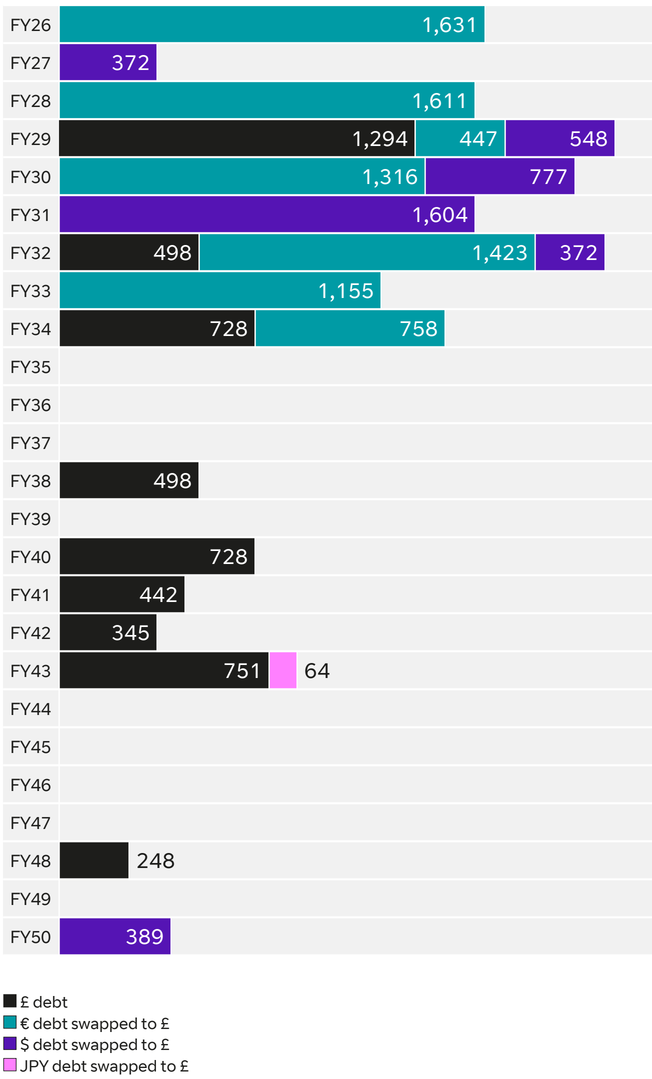
Notes 15, 19, 26 and 31 to the consolidated **financial statements** give further information on these items.

Debt maturity

The graph below shows the maturity profile of our term debt. Currency denominated balances are translated to sterling at swapped rates where hedged.

Note 26 to the consolidated **financial statements** gives more information on our debt arrangements.

Debt maturity profile
(£m)



Share buyback

We spent £79m (FY24: £133m) on our share buyback programme. We received proceeds of £6m (FY24: £57m) from colleagues exercising their share options.

a Normalised free cash flow as defined on page 230.
b Loans and other borrowings and lease liabilities (both current and non-current), less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Currency denominated balances within net debt are translated to sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. Amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper held within loans and borrowings are also excluded. Please refer to note 26 of the consolidated **financial statements** for reconciliation from nearest IFRS measure.

Our customer-facing units

BT Group consists of customer-facing units (CFUs), technology units, and corporate units, as described on page 11.

We have three CFUs – Consumer, Business and Openreach.

Consumer

Revenue[a]
£9,695m (1)%

EBITDA[b]
£2,644m (1)%

Year ended 31 March	2025 £m	2024 £m	Change £m	Change %
Revenue[a]	9,695	9,833	(138)	(1)
Of which UK service revenue[c]	7,888	7,916	(28)	—
Adjusted[a] operating costs	7,051	7,161	(110)	(2)
EBITDA[b]	2,644	2,672	(28)	(1)
Depreciation and amortisation[a]	1,832	1,738	94	5
Operating profit[a]	812	934	(122)	(13)
Capital expenditure	1,207	1,175	32	3
Normalised free cash flow[d]	1,025	1,023	2	—

Revenue[a] declined 1% primarily driven by lower mobile handset trading volumes. UK service revenue[c] marginally declined 0.4% for the year, as the expected challenging pricing comparator and increased competitor pricing pressures in postpaid mobile and broadband were partially offset by higher FTTP mix in broadband.

EBITDA[b] was down 1% due to revenue flow through and higher input costs including National Living Wage. This was partially offset by continued strong cost control and one-offs in the mid tens of millions comprising other operating income and reimbursement of legal fees.

Depreciation and amortisation[a] was up, driven by higher network, digital and customer equipment investment as we transition more customers to fibre.

Capital expenditure was higher due to increased investment in customer premises equipment, including the launch of Wi-Fi 7.

Normalised free cash flow[d] was up driven by favourable working capital timing, partly offset by higher capital expenditure and lower EBITDA.

a Adjusted measures exclude specific items, as explained on page 228.
b Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 230.
c As defined on page 229.
d Normalised free cash flow, as defined on page 230.

Group performance continued

Business

Revenue[a] **£7,842m** (4)%

EBITDA[b] **£1,536m** (6)%

Year ended 31 March	**2025 £m**	2024 £m	Change £m	%
Revenue[a]	7,842	8,128	(286)	(4)
Of which UK service revenue[c]	4,861	4,937	(76)	(2)
Adjusted[a] operating costs	6,306	6,498	(192)	(3)
EBITDA[b]	1,536	1,630	(94)	(6)
Depreciation and amortisation[a]	961	984	(23)	(2)
Operating profit[a]	575	646	(71)	(11)
Capital expenditure	722	775	(53)	(7)
Normalised free cash flow[d]	506	431	75	17

Revenue[a] decline of 4% was driven principally by international trading in Global and Portfolio channels and foreign exchange.

UK service revenue[c] declined by 2% driven mainly by migration off legacy voice products which are end of service in 2027 and from UK Portfolio declines, offset by an easier comparator following last year's revenue adjustment[e].

EBITDA[b] was down 6% driven by flow through of revenue from higher margin legacy products and managed contracts partly offset by tight cost management and ongoing modernisation activity.

Depreciation and amortisation[a] was down 2% driven by reduced capex spend.

Capital expenditure was down 7% due to lower customer projects in our Corporate and Public Sector channel.

Normalised free cash flow[d] was up 17% driven by lower capital expenditure and beneficial working capital timing, partially offset by lower EBITDA.

Openreach

Revenue[a] **£6,156m** 1%

EBITDA[b] **£4,029m** 5%

Year ended 31 March	**2025 £m**	2024 £m	Change £m	%
Revenue[a]	6,156	6,077	79	1
Of which UK service revenue[c]	6,156	6,077	79	1
Adjusted[a] operating costs	2,127	2,250	(123)	(5)
EBITDA[b]	4,029	3,827	202	5
Depreciation and amortisation[a]	2,032	2,052	(20)	(1)
Operating profit[a]	1,997	1,775	222	13
Capital expenditure	2,838	2,845	(7)	—
Normalised free cash flow[d]	839	590	249	42

Revenue[a,c] growth of 1% was driven by CPI linked price increases, improving mix of FTTP in the broadband base and growth in the Ethernet base, partially offset by declines in the base of broadband and voice only lines.

EBITDA[b] growth of 5% was driven by continued cost transformation including the benefit of lower fault rates and lower total labour resource, revenue flow through, and lower energy costs, partially offset by pay inflation.

Depreciation and amortisation[a] was broadly flat year on year, with the growth in fibre depreciation being offset by a one-off impairment relating to the copper network in the prior year.

Capital expenditure was broadly flat year on year with higher FTTP build and provision volumes being offset by lower build and provision unit costs and lower copper investment.

Normalised free cash flow[d] growth was up 42% primarily driven by higher EBITDA and the timing of working capital.

a Adjusted measures exclude specific items, as explained on page 228.
b Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 230.
c As defined on page 229.
d Normalised free cash flow, as defined on page 230.
e See note 5, estimate of customer refunds key accounting estimate.

A message from the Chair of Openreach

Spurred by supportive public policies, this year we again delivered a strong set of outcomes for stakeholders at the heart of a thriving, competitive sector.

Our mission's always been clear: build the best network, with the highest quality of service and make sure everyone can be connected.

As the UK's largest wholesale network provider, we're still investing and accelerating our rollout. From rural villages to city centres, we've now built full fibre broadband to more than 18m homes and businesses and we're on track to reach 25m by the end of 2026.

And we're increasingly confident we can reach 30 million premises this decade (as long as the investment conditions stay stable).

In a highly competitive market, we're proud that Communications Providers (CPs) choose us. Six million of their end customers are on our new platform – and record numbers of orders are being placed.

It's no small feat that we've managed to generate strong demand while cutting costs and giving great service to customers.

'Excellent' service

What customers say about our service matters most. So we're delighted to have an 'Excellent' Trustpilot rating of 4.6 – based on more than 172,000 customer reviews. And 82% of them give us 5 out of 5.

At the same time, our Net Promoter Score – given by copper and full fibre wholesale customers – hit an all-time high. Plus we're still meeting the Quality-of-Service standards Ofcom set us for our broadband and Ethernet portfolio.

Lots of initiatives are driving these results – including improvements to how we engage with customers. We're giving them more flexibility to book appointments and using AI to streamline how we manage complex issues.

Of course we can still improve our operations, and we're continuing to develop new solutions which deliver an ever-higher level of service.

Unmatched build and adoption

But our biggest service innovation is upgrading people to full fibre.

That's why we've focused so relentlessly on the pace, quality and efficiency of our upgrade programme.

This year, we reached another 4.3 million UK homes and businesses – a build rate we believe is unmatched in Europe. It means we can now serve well over half of the UK's premises.

We also connected 1.8m more full fibre premises this year, meaning more than 36% of our total footprint is already getting fibre's benefits.

We did all this while cutting costs and keeping our promise on rural upgrades. In fact, we're reaching hundreds of thousands of the UK's hardest to reach homes – both commercially and in partnership with governments – while sticking to the lower end of our £250-£350 per premises[a] commitment.

Prioritising people

The year hasn't been without its challenges. Lots of Openreach teams and people are facing a major shift in the make up of our business.

We've always been honest that the switch to full fibre will need fewer people to deliver a higher quality of service. And today we're well on the way to becoming leaner.

As you'd expect, we're supporting colleagues through careful, considerate planning – exploring every possible opportunity to retrain them for their next career step.

We're also continuing to make our business more 'open to everyone'.

Representing and supporting minority groups, our people networks go from strength to strength with more than 9,600 members. And they're still a crucial forum for colleagues to challenge and improve our culture.

Staying safe and sustainable

We've also made progress creating a culture which prioritises safety – for colleagues, partners and the public.

We had a really strong year on health and safety. We saw a drop in lost time injuries and trained more than 99% of our engineers in enhanced manual handling techniques. We're proud to have achieved ISO45001 (Occupational Safety and Health) and ISO55001 (Asset) certifications. We invested in new tools for managers to support their team's wellbeing and concluded our 'Hearts and Minds' programme – which instilled better safety thinking and behaviour into colleagues. Meanwhile sustainability is increasingly at the heart of our operation.

We've set clear goals to lower our carbon footprint, cut waste and make less of an impact on nature. And we've made strides on all fronts.

We're switching our fleet to zero emissions at pace, with 4,500 electric vehicles now on the road. We've recycled 5,600 tonnes of copper through our extraction programme. And the RSPB are helping us lessen disruption to habitats whenever and wherever we build.

We know we have an effect on the environment but we're determined to minimise it.

The big digital shift

The deadline for BT Group to retire the analogue PSTN is getting closer. As it nears, the old network's reliability keeps dropping so the urgency of migrating customers keeps growing.

We're committed to doing that safely and smoothly. So it's important we're acting alongside industry and Government to protect vulnerable customers, with initiatives like our new 'Prove Telecare' product.

The complex task of cutting the number of exchanges we operate from also continues. And we're working closely with our wholesale customers to simplify our networks and support their migration plans.

A platform for prosperity

Our market has reached a critical point in its maturity. Ofcom's Telecoms Access Review (TAR) will set the rules for another five years (from 1 April 2026) and has a big bearing on our business.

It's also no secret that the UK economy needs to become more productive, and we know we can help with that.

Full fibre is a platform for prosperity. It creates jobs, boosts productivity and is better for the environment. But a lot more investment is needed to realise the benefits across the UK.

That's why it's vital that regulation and policies keep promoting the stable and competitive environment we've had over the last few years.

Progress isn't possible without strong collaboration across the industry or our people's unparalleled efforts. So I'd like to thank everyone at Openreach who's striving every day to build the best possible network for the UK.

Mike McTighe
Chair, Openreach
22 May 2025

a For our commercial build programme only. Excludes new sites.

Risk management

We want to be smart with risk, making informed decisions to stay resilient, progressive and trusted. Our risk management framework helps us do that.

An ever-changing risk landscape

We face a lot of external risks. They include competition, changing market dynamics, political and economic uncertainty, geo-political escalations and increasing cyber security threats.

We also need to positively engage with the UK Government and Ofcom to make sure regulations allow investors a healthy and fair return on their investments.

Navigating these uncertainties – while simultaneously undergoing a major modernisation programme – is fundamental if we want to achieve our strategic priorities.

That's where our risk management framework comes in.

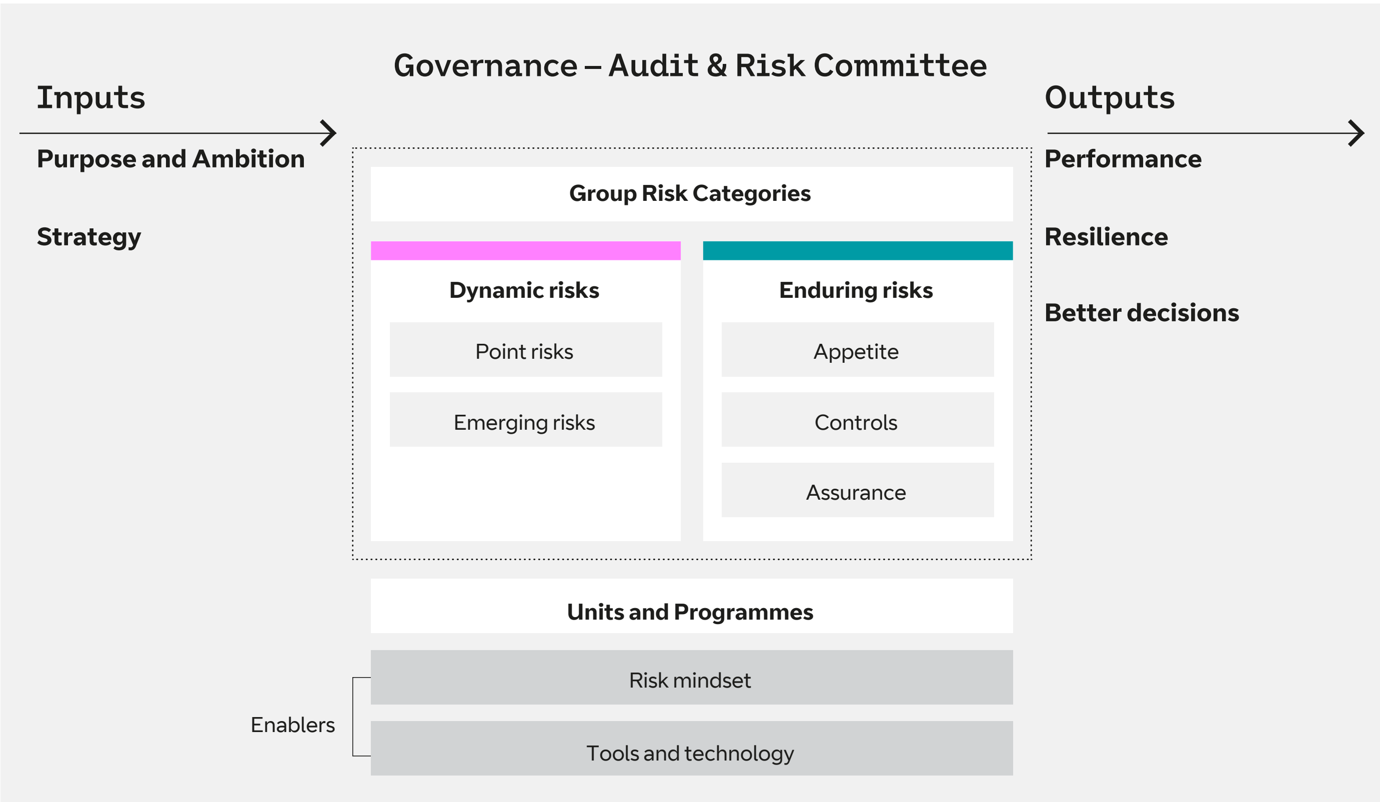
Supporting quality decision-making

Our risk management framework gives us the processes and structure we need to manage and oversee risk consistently and effectively.

The output supports quality decision-making against our expressed risk appetite. It monitors our exposures and gives vital early warning signs if something's about to go wrong.

The diagram below sets out the different components of our framework.

Our leaders promote a mindset of being smart with risk when making decisions. Our code sets expected behaviours for all our colleagues. Ongoing training and formally defined risk management roles also help weave risk awareness into our culture.



How we manage risks

We divide our risk landscape into Group Risk Categories (GRCs). Each one has an *Executive Committee* sponsor accountable for applying the framework to that category.

Within each GRC we distinguish between enduring and dynamic risks.

Enduring risks need consistent, long-term structures to manage them – a clear risk appetite position, controls and assurance.

These structures then free us up to think about dynamic risks that need focused and timely responses: How big are they? Who do they impact? What do we need to do about them?

Dynamic risks are either:
1. Point: Risks potentially materially significant to us at a particular point in time that we can't manage within our existing control framework and which need focused attention.
2. Emerging: New and/or often longer-term risks with the potential to be materially significant that we can't fully define today.

You'll find the current status of the enduring and dynamic risks across our top 12 GRCs in the 'Our principal risks and uncertainties' section (see page 56) .

Our risk mindset

A risk management framework is only as good as how people embody it.

We expect our leaders to have good risk mindset characteristics – curiosity, accountability – to provide psychological safety, and to use our risk management framework when they make decisions. We underpin this with regular risk discussions in leadership teams and at key decision points.

We also train everyone involved in making our framework a success, so they have a deep understanding of the expectations and benefits risk management brings.

Our risk governance

The Board is responsible for risk management. The *Audit and Risk Committee* oversees and monitors our risk management and internal control system effectiveness on the Board's behalf.

Twice a year, the Board gets a summary of how we're managing key risks across all GRCs and units. The *Audit and Risk Committee* also holds discussions with *Executive Committee* members to dive deeper into specific GRCs through the year.

There are oversight bodies at unit and group level – where key risk information is reported regularly.

Enhancing our risk management framework

As our business evolves and the risk landscape changes, we keep adapting and strengthening our risk management approach.

This year we focused on 'being smart with risk' – making it an integral part of strategic considerations, decision making, managing change and day-to-day operational activities. That included embedding a consistent approach to thinking about risk in investment decisions and business performance reviews.

We also continued enhancing our key control framework. That includes establishing 'Material Key Controls' aligned to the forthcoming UK Corporate Governance Code changes – to help leaders and oversight bodies focus on the controls that underpin the biggest risks.

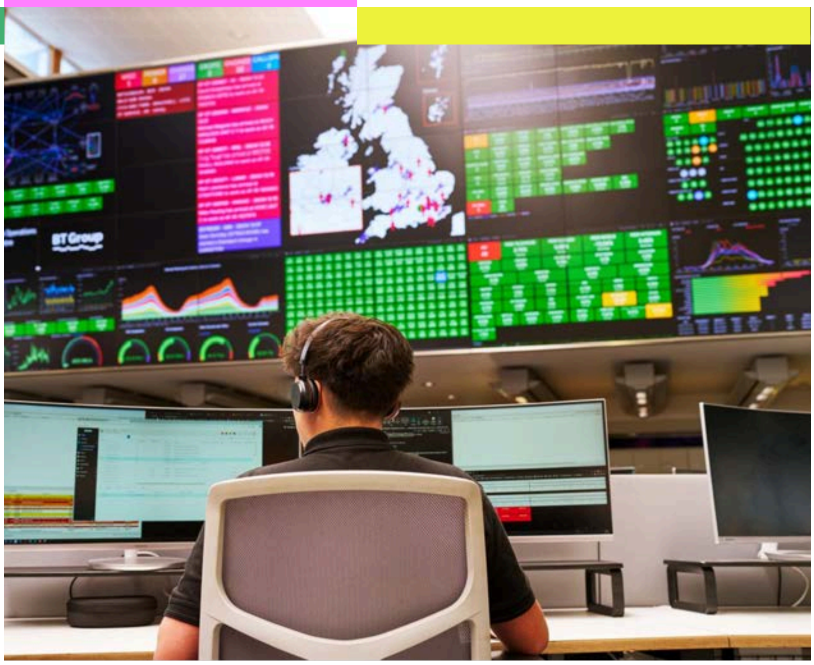
These Material Key Controls will be the main focus of an integrated assurance plan. This will involve second line assurance teams and Internal Audit assessing the design and operational effectiveness of our defined control activities – underpinned with self assessment.

Cyber threats

We regularly test our ability to detect and respond to significant cyber attacks, across all levels of the organisation.

2

Number of exercises we ran across the year with the *Executive Committee* to test our preparedness.



Our principal risks and uncertainties

The risks set out in the following pages align with our enduring Group Risk Categories (GRCs). Each GRC contains enduring risks, as well as examples of current point and emerging risks.

Strategic

Strategy, technology and competition

Sponsor: Chief Strategy and Change Officer

Enduring risks this category covers
To deliver value to our stakeholders and achieve our strategy, we must carefully manage risks around economic uncertainty, intensifying competition and rapidly changing customer and technology trends.

Equally, to stay competitive and create long-term sustainable value, we must manage risks around designing and effectively implementing the right strategy – and incorporating it into our business plans.

Our risk appetite
Our risk appetite sets our tolerance for managing the internal risks associated with this category. We measure and track it through metrics on strategy execution. We also qualitatively assess whether our strategy is clear, whether our analysis is robust and whether our business and financial plans align with our strategy. Doing this helps us make strong strategic choices and implement them well.

Examples of dynamic risks
Point risks:
- Slower-than-planned progress on delivering top priorities could limit our ability to cut costs, offer value to customers and compete effectively.
- Macroeconomic environmental factors like high inflation, progressively higher business taxes, high interest rates and lower customer confidence might lower demand for premium connectivity, increase customers' price sensitivity and drive up costs.
- Continued pricing pressure, and failing to find growth opportunities with innovative, customer centric new products and services might affect our market share.
- Increasing competitive intensity in our core markets may reduce our market share.

Emerging risk:
- Failure to harness potential from artificial intelligence and quantum technologies to generate greater commercial opportunities and efficiencies.

Examples of what we do to manage these risks
- We research, analyse and monitor economic, customer, competitor and technology trends to inform our strategy.
- The *Executive Committee* and Board regularly review performance against our strategic priorities and goals – and discuss key strategic topics through the year.
- The *Executive Committee* and Board review and approve our budgets to make sure they're in line with strategic priorities.
- The BT Investment Sub-Committee checks that our investments align with our strategy.

Transformation delivery

Sponsor: Chief Strategy and Change Officer

Enduring risks this category covers
We're speeding up our transformation to make us simpler, more efficient and dynamic. This includes building brilliant sales and service journeys to connect customers to future products on modern IT and then retiring old infrastructure. This will improve customer and colleague experience and save money.

To succeed, we have to manage risks around transformation delivery and whether we'll realise the associated benefits. Not managing these risks could make us less efficient, damaging our financial performance, and customer experience.

Our risk appetite
We've defined the risk level we'll tolerate for transforming our products, customer journeys and technology. We track specific metrics to check we're achieving genuine, sustainable transformation outcomes and not just cutting costs.

Delivering within our risk appetite will give us competitive advantage, enable faster delivery, improve customer experience and make sure our costs benchmark well with peers.

Examples of dynamic risks
Point risks:
- Moving customers off old networks too slowly could impact infrastructure closure timelines and increase cost.
- The scale and complexity of our transformational activities across different parts of the group could dilute our efforts and limit efficiency gains.
- Day-to-day operations and business pressures might hinder our ability to deliver sustainable transformation.

Emerging risk:
- Failing to hire and keep the talent we need to drive transformation might affect our ability to execute our strategy.

Examples of what we do to manage these risks
- We regularly review transformation performance at *Executive Committee* meetings – managing dependencies, making informed decisions and removing blocks.
- We have strong governance, with senior leaders owning specific operational and financial outcomes.
- Through programme assurance, we continually improve processes to make sure we plan and execute our transformation properly, in line with our wider strategy and financial planning.
- We invest in our people so we have the right skills and culture needed to deliver transformation.

Financial

Financing

Sponsor: Chief Financial Officer

Enduring risks this category covers
We carefully manage risks which might result in us not being able to meet our payment commitments. They could come from not generating enough cash, being unable to refinance existing debt or paying increased pension scheme contributions.

We also manage risks around defining and executing the right insurance strategy.

Our risk appetite
We fund our business based on the performance forecasts in our medium-term plans.

We rely on debt capital markets being open to investment grade borrowers. We set our minimum credit rating at BBB. We invest cash resources to preserve capital, not generate returns.

We have an agreed plan to cut investment risk in the BT Pension Scheme by 2034 and also plan to reduce longevity risk.

Examples of dynamic risks
Point risk:
- An uncertain macroeconomic or geopolitical environment could raise the cost (or lower the availability) of new long-term debt – or trigger extra deficit contributions to the BT Pension Scheme before the 2026 valuation.

Examples of what we do to manage these risks
- We review our forecast and actual business performance regularly.
- We have formal treasury risk management processes, Board oversight, delegated approvals and lender relationship management.
- We review our pension schemes' funding positions and investment performance and agree funding valuations.
- We have insurance cover to mitigate exposure to potential risks.

Financial control

Sponsor: Chief Financial Officer

Enduring risks this category covers
This category covers financial controls, fraud and Environmental, Social, and Governance (ESG) reporting. Our financial controls help us prevent fraud and report accurately. If these failed we could lose money or materially misrepresent our financial position.

We might fail to apply the correct accounting principles and treatment, or pay our taxes. That could lead to financial misstatement, fines, legal disputes and reputational damage.

Our risk appetite
We want our overall financial control framework to be effective so that there's a less-than-remote chance of material financial misstatement in our reported numbers.

We've defined the proportion of our financial controls that should be preventative rather than detective, and automated rather than manual.

We take a risk-based approach to monitoring compliance – combining sample testing and financial data analytics.

Examples of dynamic risks
Point risks:
- Not delivering our transformation could affect our control performance, efficiency and effectiveness.
- Complex, old sales systems might consistently fail to deliver the outcomes we expect.

Emerging risks:
- ESG reporting requirements are growing fast. If we dont adapt quickly, we might fail to deliver our reporting obligations.
- Malicious actors might exploit AI and machine learning technologies to commit fraud.

Examples of what we do to manage these risks
- We have financial and operational controls for planning and budgetary discipline, efficient and accurate reporting and to prevent fraud.
- We continually enhance processes, systems and our operating model to improve and automate accounting, financial reporting and fraud controls.
- We proactively identify, manage, investigate and report on potentially fraudulent activities.
- We periodically give fraud training to colleagues that need it.
- Our tax risk management framework helps us manage tax-related risks.
- Independent professional services organisations review and test our preparedness for new and changing legislation.

Our principal risks and uncertainties continued

Compliance

Legal & regulatory and Financial Services compliance

Sponsor: General Counsel, Company Secretary and Director Regulatory Affairs
Sponsor: CEO, Consumer (Financial Services only)

Enduring risks this category covers
We focus on communications regulation, competition law, anti-bribery and corruption measures, international trade controls, financial services compliance and corporate governance responsibilities. Other relevant laws and regulations are covered in other GRCs.

Our risk appetite
We're committed to a strong compliance culture.

We also want to take advantage of commercial opportunities while making informed, evidence-based, justifiable decisions on complying with applicable laws and regulations.

Regulatory obligations guide our decisions. They include protecting our customers and network, while taking into account the needs of our business and key stakeholders. We prioritise sustaining long-term predictable and stable regulation that supports investment and returns.

Examples of dynamic risks
Point risks:
- We might fail to deliver the switch to digital voice in line with regulatory obligations or expectations.
- We could face complexities following regulations on customer communications and One Touch Switching.

Emerging risks:
- Outcomes from Ofcom's next Telecoms Access Review may cause uncertainty on fibre regulation.
- There could be new laws and regulations, changes to existing ones, or trade sanctions responding to geopolitical dynamics or concerns in a particular area of law.

Examples of what we do to manage these risks
- We understand customers' experiences – like when they're vulnerable or when we're switching their network.
- We have processes in place to make sure customers get the right outcomes.
- We proactively engage with regulators and give them accurate information on time.
- Our policies and processes help colleagues comply with our obligations under the UK Listing Rules and other corporate governance and reporting requirements.
- Our code fosters a culture of high standards and encourages everyone to speak up about issues.
- We assess risks and provide legal and compliance advice for strategic projects, new business, or operations.
- We check our financial services products and promotions are compliant before we launch them, and every year afterwards.
- We continue to invest in and improve organisational maturity to meet the Financial Conduct Authority's (FCA) Consumer Duty regulation.
- Our compliance programme offers guidance and training, and tests our regulatory controls.

Data and AI

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers
We must follow today's global data and AI regulations while anticipating and preparing for tomorrow's. That means actively managing risks like privacy, data architecture, processing and retention.

Our data and AI strategy aims to deliver value and efficiency – while giving us a framework to manage risks on complying with data and AI governance and regulation.

Not following data protection laws or regulations – or approaching AI irresponsibly – could damage our reputation and stakeholder trust, harm colleagues, customers or suppliers and/or lead to litigation, fines and penalties.

Our risk appetite
We want to use data and AI ethically to grow our business, while following global regulations and contractual clauses.

We aim to protect BT Group, colleagues, customers, partners and suppliers from breaches of data protection laws and regulations. We also want to harness our data to support and drive our objectives and realise opportunities.

We can only achieve these aims with the right data ethics, governance, security, protection, responsible technology and compliance systems, and processes. To achieve our data goals we must interpret global data protection laws, regulations and standards correctly.

Examples of dynamic risks
Point risks:
- Using AI inappropriately could mean we breach AI and data regulations, potentially compromise sensitive information or violate banned uses.
- New EU cyber security legislation for the telecommunications industry may be hard to implement.

Emerging risk:
- The UK's new data use and access regulations may affect our operations but also offer opportunities.

Examples of what we do to manage these risks
- We continuously run and improve our data governance programme to tackle existing and future regulatory risks.
- We review how we use personal data across the business to make sure we follow our own data protection standards.
- We run data and AI impact assessments on all relevant changes.
- We horizon-scan for evolving regulations, sector developments and new technologies that could affect our data risks, controls and processes.
- We provide data protection and handling training and tools to help colleagues make more risk aware day-to-day decisions.
- We have a defined, responsible approach when buying, selling and developing AI.

Operational

Operational resilience

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers
We want to deliver best-in-class performance for our customers, across our fixed and mobile networks and IT. That means being operationally resilient and managing any risk that could disrupt our services.

Service disruptions could be caused by external events, like bad weather, as well as poorly maintained assets.

Some might depend on suppliers' and partners' reliability – making it important to carefully manage the risks.

Our risk appetite
We aim to deliver market-leading services to our customers, underpinned by best-in-class network performance across fixed, mobile and IT.

We make decisions on deploying resources based on maximising service and customer experience, while aligning with our strategy.

Examples of dynamic risks
Point risks:
- Increasingly severe and frequent bad weather could damage our infrastructure.
- If we don't protect our buildings intruders might break in, interrupting our services.
- Damage to our subsea cables could disrupt our services.
- A third-party service failing might cause incidents – and frustrate customers.

Emerging risk:
- Continued geopolitical tensions could disrupt our services.

Examples of what we do to manage these risks
- We construct our infrastructure with built-in resilience.
- Our standardised processes keep our assets resilient across their lifecycle.
- We respond quickly to incidents. We lessen their impact through geographically dispersed response teams and by giving customers regular updates.
- We complete regular business impact assessments that feed into tested, up-to-date business continuity and restoration plans.
- We make sure our operational estate has enough physical security to keep services running.
- We proactively monitor and track external events that could affect service or performance – so we can respond effectively.

Cyber security

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers
A cyber- attack (external or internal) could disrupt customers and the country – and compromise data. We manage security risks that might lead to our assets or services losing their confidentiality, integrity or availability. These include applicable regulatory or contractual obligations.

A poorly managed cyber security event might cost us money, damage our reputation and affect our market share. The regulator might also impose fines or penalties.

Our risk appetite
We want to protect BT Group, colleagues and customers from harm and financial loss around our technical infrastructure or how we use technology.

Cyber risk is inherent to our business. We could suffer significant reputational damage from a major cyber security event. But we know we can't eradicate all cyber risks.

Cyber security events could be deliberate or accidental and come from inside or out. So we adapt our security position and controls accordingly to detect and respond to evolving threats.

We prioritise protecting our critical systems and network and the data and information in them.

Examples of dynamic risks
Point risks:
- State-sponsored cyber- attacks could target critical national infrastructure and lead to service disruption, data loss, regulatory action and reputational damage.
- Being exposed to suppliers with security vulnerabilities might lead to data loss, interrupted services or reputational damage.
- Malicious actors could use malware to penetrate our existing security controls, including legacy assets, – disrupting customers' services.

Emerging risk:
- AI and machine learning advances might create opportunities to harm us and our customers.

Examples of what we do to manage these risks
- Our security standards, tools and processes to protect our applications, systems and networks.
- We monitor external threats and gather intelligence on evolving cyber techniques, tactics and capabilities.
- We engage with the National Cyber Security Centre and industry partners to better understand our threat landscape.
- We run communications, engagement and training for our colleagues.
- We keep investing in cyber defences and security tools, shifting to automation where appropriate.

Our principal risks and uncertainties continued

Operational

People

Sponsor: Chief People & Culture Officer

Enduring risks this category covers
Our colleagues are key to delivering our ambition. Our people strategy is to create a culture where everyone can perform and be their best.

That means us managing risks around our talent management lifecycle, skills and capabilities, engagement, culture, wellbeing and inclusion.

Our risk appetite
Our highest priority is making sure colleagues can work and perform at their best and we're open to taking risks to do the right thing culturally and commercially.

We'll actively avoid risks that compromise our people's health, safety and wellbeing.

We're also committed to taking risks that drive innovation and growth – while following employment legislation and maintaining our reputation as a leading employer.

Examples of dynamic risks
Point risks:
- A resource gap caused by big supply-and-demand shifts in strategic skills might affect business results.
- Failing to drive an inclusive culture could stop us achieving our business performance objectives.
- Inconsistent behaviours could limit high-performance culture or slow the pace of change, affecting business results and productivity.

Emerging risk:
- Changes in working patterns, or extra financial uncertainty, could negatively affect colleagues' mental health and performance.

Examples of what we do to manage these risks
- Our consistent performance management and talent review processes include goals shared through clear organisational structures, roles and job descriptions.
- We continually assess skills and capabilities and invest in group-wide workforce and succession planning.
- We provide training and development for specific roles, as well as for the future skills we need.
- Our inclusion strategy involves family and carer's leave, flexible working, improving inclusive leadership and providing accessible workplaces and systems for our people (more on pages 24 to 26).
- We monitor – and work to improve – employee engagement and have close relationships with formal representative groups and unions.
- We clearly document and communicate the behaviours we expect from our people through our code, values and leadership expectations.

Health, safety and environment

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers
We have diverse operations and working environments in various locations. Some of them pose risks to health, safety and the environment (HSE).

We must make sure colleagues and partners are safe and healthy and can perform at their best while managing risk effectively.

We're committed to maintaining and continually improving the right HSE management systems. They make sure our business is safe and compliant, while protecting the environment and those who we might affect.

Our risk appetite
We want to keep colleagues, contractors, suppliers, customers, visitors and members of the public healthy, safe and well.

We're also committed to environment and energy management – especially cutting pollution and carbon emissions.

We apply proactive risk management to identify and control big HSE risks across the business and mitigate them to the lowest possible level.

Our legal, regulatory and other requirements are our minimum obligations. But we want to go beyond that – aiming for zero avoidable harm, optimum physical and mental health and zero pollution.

Examples of dynamic risks
Point risks:
- Failing to effectively manage and control asbestos could lead to serious harm to health, legal non-compliance and reputational damage.
- Heightened risks from the extra civil and construction work supporting the full fibre rollout may lead to harm to colleagues, increased regulatory scrutiny, legal claims and reputational damage.
- Maintaining an ageing buildings estate – especially during our fibre and digital upgrade – could pose increased health and safety risks.

Examples of what we do to manage these risks
- Our group policy is underpinned by our standards and key controls and the HSE framework is reflected in our code.
- We train colleagues to make sure they're clear on their responsibilities and are competent to do their jobs.
- We make sure colleagues and their representatives participate in (and are consulted on) HSE matters.
- We act as a leader with our contractors, helping them improve their own HSE performance.
- We allocate resources to develop, maintain and continually improve our HSE management system.

Major customer contracts

Sponsor: Chief Executive, BT Group*

Enduring risks this category covers
In a dynamic, highly competitive environment, we want to win and keep major private and public sector contracts.

We do that while navigating customer relationships and risk in complex agreements – delivering highly sensitive, critical or essential services globally.

Customer contractual terms can be onerous and challenging to meet, leading to delays, penalties and disputes. Delivery or service failures against obligations and commitments could damage our brand and reputation, particularly for critical infrastructure contracts or security and data protection services.

Not managing contract delivery, migrations, renewals, exits or disputes could erode profit margins and affect future customer relationships.

Our risk appetite
We want a diverse mix of major contracts to help our business grow. To do that, we must build market share, target the right customers, sign good commercial and legal agreements and deliver services successfully.

As markets change, we need to proactively adjust our portfolio of services, countries and customers. This helps us avoid concentration risk, unattractive or uncompetitive products and services, stagnation and legacy dependency.

We know that involves taking on higher risk in some areas – for example, complex customer agreements with obligations not fully covered by our standard portfolio, customised terms and conditions and/or delivery processes. We must manage this in bids and contract lifecycles to minimise the overall impact.

Examples of dynamic risks
Point risks:
- Failing to deliver on bespoke customer data requirements could lead to potential breaches, fines and reputational harm.
- Delays deploying key products might create risks around fulfilling existing contractual commitments – and might hamper our ability to deliver our business strategy.

Emerging risk:
- AI's increasing prominence may affect our ability to deliver on our customer promises.

Examples of what we do to manage these risks
- Our clear governance framework helps us assess new business opportunities, manage bids and monitor in-life contract risks.
- We make sure we manage external partners properly when they deliver services to our customers.
- We regularly monitor the performance of customer contracts.
- We support frontline contract managers with contract and obligation management tools.

*Excluding Openreach, which has separate GRC sponsorship and management.

Supply Management

Sponsor: Chief Financial Officer

Enduring risks this category covers
We have lots of suppliers. Successfully selecting, bringing on board and managing them is essential for us to deliver quality products and services.

We must make decisions about suppliers on concentration, capability, resilience, security, sustainability, cost and broader issues that could affect our business and reputation.

Our risk appetite
Our appetite guides buying decisions. We recognise the inherent risks of sole or dual sourcing. But we often need to do it for products or services which we depend on to meet our business goals (and where alternatives aren't economically viable).

To get the best commercial rates and operational resilience we continuously engage with and challenge suppliers on price, without introducing service and/or delivery risk.

Governance is a prerequisite for effective supplier management. So, we have a low appetite for dealing with suppliers outside of our defined policy or processes.

We have to make sure third parties don't expose our brands to damage. That means avoiding – or stopping working with – any that don't meet our standards on key areas like human rights.

Examples of dynamic risks
Point risk:
- Geopolitical instability and conflicts pose various risks to our supply chain – including the potential for increased tariff and trade restrictions that could raise prices and reduce availability.

Emerging risk:
- A more demanding regulatory landscape on things like ESG reporting, supplier use of AI and payment terms could create compliance challenges.

Examples of what we do to manage these risks
- Our sourcing strategy uses different approaches to managing risk by category. That includes standard terms and conditions and controls so we can make good buying decisions.
- We have comprehensive supplier due diligence, contract management and on-boarding processes and we're reviewing and improving our in-life assessment process.
- We have strong supplier risk management, performance, renewal and termination processes.
- We do demand planning and forecasting, stock counts and inventory management so supplies are always available.
- We get assurance that the goods and services we buy are made, delivered and disposed of responsibly. That includes monitoring energy use, labour standards and environmental, social and governance impacts.

Task Force on Climate-related Financial Disclosures

We assess and report on how we manage climate-related risks and opportunities. We detail here how we're complying with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations – our 'TCFD disclosure'.

– Under UK Listing Rule LR 6.6.6(8) as a premium listed company we have to explain how we're complying (or not) with the TCFD framework. We also have to comply with the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.
– We believe the following climate-related financial disclosures are consistent with the TCFD framework and comply with UK Listing Rule 6.6.6(8) and Companies Act – summarised in Table 1: TCFD Compliance Summary.
– We've integrated climate-related disclosures throughout this report. So in some areas we've cross-referenced to another section with the relevant information.
– We'll continue to monitor new disclosure requirements, such as the International Sustainability Standards Board (ISSB) standards – IFRS S1 General requirements and IFRS S2 Climate-related disclosures – and update our disclosures where needed.
– The information in this TCFD section has been reviewed to a high level of assurance against AccountAbility's AA1000AS v3 assurance standard.

Flood response training
Our Emergency Response Team conducted five exercises this year, to revise and test our flood response skills and capabilities

5

exercises this year

Table 1: TCFD Compliance Summary

	TCFD Recommendation	Compliance Status	Section Reference
Governance			
1	**Board's oversight of climate-related risks and opportunities**	Full	**TCFD section:** Our climate change governance – Board oversight on climate change (page 64) **Corporate governance report:** Our governance framework (page 75) and climate governance (pages 96 to 97)
2	**Management's role in assessing and managing climate-related risks and opportunities**	Full	**TCFD section:** Our climate change governance – Management's roles and responsibilities (page 64) **Corporate governance report:** Our governance framework (page 75) and climate governance (pages 96 to 97)
Strategy			
3	**Climate-related risks and opportunities (short, medium, long term)**	Full	**TCFD section:** Climate change strategy – Planning climate risks and opportunities across different time horizons, Our principal climate-related risks and opportunities (page 65)
4	**Impact of climate-related risks and opportunities on the business, strategy, and financial planning**	Full	**TCFD section:** Climate change strategy – Responding to risks and opportunities in our strategy and decision making (pages 66 to 67) **Strategic report:** Our Manifesto – Sustainable (pages 31 to 33)
5	**Resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or lower scenario**	Full	**TCFD section:** Climate change strategy – Climate resilience (pages 67 to 68)
Risk management			
6	**Processes for identifying and assessing climate-related risks**	Full	**TCFD section:** How we manage climate risks (page 69) **Strategic report:** Risk management framework and Our principal risks and uncertainties (pages 54 to 61)
7	**Processes for managing climate-related risks**	Full	**TCFD section:** How we manage climate risks (page 69) **Strategic report:** Risk management framework and Our principal risks and uncertainties (pages 54 to 61)
8	**Identifying, assessing, and managing climate-related risks, and integration into overall risk management**	Full	**TCFD section:** How we manage climate risks (page 69) **Strategic report:** Risk management framework and Our principal risks and uncertainties (pages 54 to 61)
Metrics and targets			
9	**Metrics to assess climate-related risks and opportunities in line with strategy and risk management processes**	Full	**TCFD section:** Our climate metrics and targets – Measuring and monitoring climate risks and opportunities (page 70)
10	**Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks**	Full	**TCFD section:** Our climate metrics and targets – Measuring and monitoring climate risks and opportunities (page 70) **Strategic report:** ESG Addendum at bt.com/esgaddendum
11	**Targets used to manage climate-related risks and opportunities, and performance against targets**	Full	**TCFD section:** Our climate metrics and targets – Measuring and monitoring climate risks and opportunities (page 70), Our worldwide energy use and greenhouse gas emissions (page 71) **Strategic report:** Our Manifesto – Sustainable (pages 31 to 33) and ESG Addendum at bt.com/esgaddendum

Our climate change governance

We have internal governance bodies and processes to help us identify and manage climate-related risks and opportunities.

Board oversight on climate change

The Board

The Board is responsible for how we identify and manage climate-related risks. Matters reserved to the Board include items of big strategic importance – things that directly impact the group's funding position, reputation, integrity or ethical standards.

Responsible Business Committee

Oversees our climate change strategy, programme and goals. It meets at least three times a year to monitor progress on our long-term responsible business goals – including climate change. It also reviews progress on sustainability goals including those forming part of the Restricted Share Plan underpin, and makes recommendations to the *Remuneration Committee*. The Committee Chair reports to the Board after each meeting.

Responsible Business Committee Chair's report on pages 96 to 97

Audit & Risk Committee

Monitors and assesses our risk management and internal control systems' effectiveness on the Board's behalf. That includes climate change risks which span a number of different Group Risk Categories (GRCs). The Committee Chair reports to the Board after each meeting. You can read more about our GRCs on pages 56 to 61.

Audit & Risk Committee Chair's report on pages 91 to 95

Remuneration Committee

Agrees the remuneration framework for the Chairman, Executive Directors, and certain senior executives. It also monitors remuneration practices and policies for the wider workforce. A sustainability underpin applies to the Restricted Share Plan for Executive Directors and *Executive Committee* members. The Committee Chair reports to the Board after each meeting.

Remuneration Committee Chair's letter on pages 98 to 100

Management's roles and responsibilities

Chief Executive

The Chief Executive is responsible for our environmental policy and performance. That includes climate-related issues. The Chief Executive approves our targets – including those on net zero and circularity.

Group Health, Safety & Environment Sub-Committee

Our Group Health, Safety & Environment (GHSE) Sub-Committee meets quarterly and manages a range of risk and compliance issues – including climate change – on the *Executive Committee's* behalf. It's chaired by our Chief Security and Networks Officer – an *Executive Committee* member – and made up of senior leaders from across the business. It reports to the *Executive Committee* on performance and progress on our HSE strategy at least every six-months and makes recommendations or reports to the Board as needed.

Executive Committee

The *Executive Committee* sets our operational strategy on climate change and sustainability. It also monitors associated progress, performance and risks – supported by our responsible business team.

Climate change strategy

Planning climate risks and opportunities across different time horizons

We think about climate risks and opportunities over the short, medium and long term. Those timeframes consider our risk management framework, financial planning processes, external legal and regulatory changes and the longer-term nature of physical climate changes.

Short term (0-3 years)
This timeframe considers things that might expose us to risk over the next three years, in line with our risk management framework.

Medium term (3-5 years)
This timeframe aligns to our financial planning process, which uses a five-year horizon.

Long term (5-20+ years)
This timeframe matches our investment timeframes for strategic assets like networks that we plan over longer periods – sometimes up to 20 years. It also influences our strategy, targets and plans for responding to climate change's bigger risks and transitional implications. Our scenario analysis considers risks in 2050 and beyond, and our long-term climate targets extend to FY41.

Our principal climate-related risks and opportunities

Our principal climate-related risks and opportunities are presented in Table 2 below. We identify and assess them using our risk management framework and climate scenario analysis. You can see their relative financial impact in different climate scenarios on page 68.

Table 2: Our principal climate-related risks and opportunities

Risk / Opportunity	Type	Time horizon[a]	Current effects	Anticipated effects
Risk: Extreme weather affects our networks (e.g. flooding, high temperatures, high winds)	Physical	Long	Extreme weather across our networks can lead to power outages, damage to equipment, and ultimately service interruption for our customers.	Increasingly severe and frequent extreme weather could mean higher maintenance and repair costs and customer compensation for network disruption.
Risk: Extreme weather affects our supply chain (e.g. flooding, storms, extreme heat, drought)	Physical	Long	Extreme weather affecting the supply chain can lead to delays in getting goods.	We expect delays to worsen, meaning higher mitigation costs. Running out of supplies could lose us revenue if we can't serve customers. If extreme weather limits the supply of key tech materials and components it could affect overall availability and price.
Risk: Carbon prices increase the cost of purchased goods	Transition	Medium	Some countries have introduced carbon pricing schemes. These might make some goods we buy more expensive.	As more countries bring in carbon pricing and taxation, and costs rise, suppliers might pass on those extra costs to us.
Risk and opportunity: Customers' changing expectations on sustainability	Transition	Short	Business customers expect more on sustainability and climate action and are putting that into bids and contracts.	More business customers will include sustainability commitments and performance in bids. If we lag behind peers on decarbonisation, we could win fewer bids and lose revenue. If we keep pushing our climate transition plan and hit our net zero targets, we could stand out from peers and win customers.
Risk and opportunity: Lenders' and shareholders' changing expectations on sustainability	Transition	Short	Investors and lenders ask us about our sustainability plans and performance – and can factor them into investment and lending decisions.	Investors and lenders will focus more on net zero. If we lag behind peers on decarbonisation, we might not be able to attract capital (or it could come with a higher risk premium). Worst case, poor sustainability performance could lead to investors pulling out. If we keep pushing our climate transition plan and hit our net zero targets, we could stand out from peers and attract capital at a lower risk premium. Our debt interest rate could also change – depending on macroeconomic changes in investment, climate policy and climate change damage.
Risk and opportunity: Electricity prices fluctuate due to climate policies	Transition	Medium	Electricity prices fluctuate from a wide range of macroeconomic factors, including climate policies. These changes can lead to higher or lower energy costs than we anticipate.	Both implementing and not implementing climate policies will affect energy costs. Increasing national investment in renewable energy, storage, transmission and distribution networks and carbon pricing could all affect costs. This may raise energy prices in the short term, but we'd expect costs to fall as renewable energy capacity and storage grows.
Opportunity: Our networks get more energy efficient	Transition	Short	We continually improve our networks' energy consumption, which cuts energy costs.	Ongoing work to lower our energy consumption – like shutting down old, inefficient networks – will keep cutting our energy costs.
Opportunity: Growing revenue from products and services that support net zero	Transition	Medium	We make money from products and services that help customers to achieve net zero – like carbon network dashboards, telematics and security services for energy customers.	Demand for these products and services will rise – especially in a net zero scenario. This will boost our revenues.

a The time horizon where impact is potentially the greatest.

Task Force on Climate-related Financial Disclosures continued

Responding to risks and opportunities in our strategy and decision-making

Responding to physical risks

Our exposure to physical risks changes over time. Rolling out full fibre and closing old networks will mean fewer network sites – cutting our exposure to physical climate change risks. But it does mean more services going through fewer operational sites.

Full fibre is also more 'passive' – with no electronics between exchanges and connected properties. This further mitigates the risk of flooding, or extreme heat or weather, damaging our equipment.

Our insurance policies cover claims on asset loss and damage which also cuts the potential financial impact of climate and weather events.

Building our networks

Where and how we build networks matters for reducing potential disruption from extreme weather.

It starts with rigorously testing our network equipment. Openreach's facility at Four Acre in Adastral Park is a high-tech field laboratory where engineers test and develop new communications technologies and innovations.

They test hardware components like cables and poles to withstand various environmental conditions. We use the insights we get to set standards and product specs to reflect the changing conditions we operate in.

Openreach collaborates with the Environment Agency to manage and mitigate flooding and coastal erosion risks. For example, Openreach is working with the Environment Agency to support digital connectivity and the relocation of critical network infrastructure, and to improve resilience against flood risk in the River Thames Scheme.

Investing in network climate adaptation

We analyse different climate change scenarios to assess flood risks to fixed assets like our exchanges. It helps us decide where to put in measures like installing or upgrading flood detection, or sump pumps and bulkheads to respond faster to flooding, or lower its impact.

We review and improve our tools to assess the flood risk of our assets in the medium and long term. This will help us make informed decisions about future strategic locations while making sure we're prepared to protect assets that are still important, even if they're not part of the long term plan.

We're doing a proof of concept to use drones for detailed flood analysis at around 30 of our highest-risk sites. This will help customise our flood mitigation and prevention plans.

We've given cooling upgrades to core network and mobile sites so they can operate effectively in up to 45°C external temperatures. This year we invested more than £8m in these upgrades – completing all our core metronode sites.

We've also upgraded our strategic data centres and we're upgrading cooling plants at mobile core sites. In local exchanges, we're installing and upgrading cooling plants with adiabatic units. These use fresh air and the cooling effect of water evaporation – helping us rely less on refrigerant gases. This year we've invested over £9m on adiabatic cooling systems upgrades for local exchanges.

To cut our cooling energy costs, we monitor the base temperature in sites across our network to minimise cooling requirements whilst maintaining optimal temperatures for our equipment.

Our business continuity processes

We continually scan the horizon for early warnings of potential weather-related risks – so we can prepare and launch defences. In extreme weather, our processes prioritise minimising service disruption for customers.

Power outages can come from lots of different things and can affect all our different sites. So we have power backup at many of them.

We have diesel generators as backup power at most of our fixed network sites, including our strategic ones. In our mobile network, some Radio Access Network sites have generator or battery backup, and we deploy mobile diesel generators when there are power outages. We also have battery backup in our cabinets.

Our Emergency Response Team proactively and reactively deals with threats to our UK fixed and mobile networks.

They try to proactively protect at-risk critical assets – and if that fails get service back as quickly as possible. They also aim to help affected communities with emergency communications facilities until we resume normal service.

Openreach field engineers work around the clock, in all kinds of weather, across the length and breadth of the UK, to make sure we deal with service interruptions as quickly as possible.

We use drones and remote control vehicles to inspect and repair network infrastructure. Our Storm Response Unit learns from previous responses – developing processes to respond more quickly and safely to extreme weather.

Managing supply chain disruption

Our supply management risk processes include comprehensive due diligence on suppliers, supply chain diversity, and demand planning and forecasting.

Managing our transition risks and opportunities

Tackling energy and emissions across our value chain

Cutting value chain emissions and hitting our net zero targets should mitigate our transition risks. This year we published our first climate transition plan. It sets out the objectives, strategy and governance we need to decarbonise our business, manage climate- related risks and support economy-wide transformation.

You can read more at bt.com/climatetransitionplan

Consuming less energy is vital for us to cut costs and emissions. But we're exposed to fluctuating energy prices which we must manage. Our target is for UK (excluding Northern Ireland) energy demand to be at least 80% hedged a quarter before the start of the next financial year – and 50% hedged for the following financial year.

In each financial year, we review our Power Purchase and virtual Power Purchase Agreement portfolios and explore 5-10 year contract opportunities. We complement that by monitoring markets and forward purchasing electricity when the time is right.

Engaging with stakeholders

We must keep meeting our shareholders' sustainability expectations. So our investor relations team talk with them regularly – including discussions on our ESG performance – and incorporate their feedback into our strategy.

We check customers' preferences. We reflect this in how we engage with them and how we talk about our climate progress in customer communications and bids.

Products and services for a net zero world

We continue developing solutions to help customers cut their emissions. Several of our products reduce travel, lower energy use and cut material and manufacturing needs. You can read more on page 33.

The impact of climate-related risks and opportunities on our financial planning

Our medium term plan considers both capital and operating expenditure over a rolling five-year timeframe. Our plan includes investing in transforming our buildings estate, making our network more resilient and switching to a low carbon fleet. This helps us lessen the potential impact of bigger risks affecting our business – and supports our sustainability goals. We also include projected revenue from solutions that help customers cut carbon emissions in our medium term plan.

Climate resilience

Our scenario analysis process

Scenario analysis is a valuable tool to help us assess the possible range of impacts we could face from climate change and climate policies.

Our analysis from last year is still relevant in FY25. This year we've refreshed the analysis for one risk and one opportunity. We've done that by doing deeper analysis of the physical risks associated with the supply chain of our own-brand products, and by including more products and services that help customers cut emissions. We've also split out the impact of energy pricing and energy efficiency.

The table below shows the different climate-related scenarios we've considered in our scenario analysis. We've based our scenarios on the Shared Socioeconomic Pathways (SSPs) from the Intergovernmental Panel on Climate Change (IPCC)[a], Network for Greening the Financial System (NGFS) and International Energy Agency (IEA), among other sources[b].

For physical risks, we modelled financial effects on UK and global sites, considering our most critical network building assets like exchanges and data centres. We didn't include mobile phone masts, telephone cabinets or cable infrastructure. We also didn't include climate change's secondary effects – like forced migration or geopolitical tensions.

To judge our supply chain physical risks, we looked at 28 critical suppliers alongside country-level climate data from their main countries of operation. And this year, we also assessed physical risks around our own brand suppliers – using the location of key manufacturing and logistics sites.

Table 3: BT Group's Climate Scenarios

Transition scenarios			Physical scenarios		
Name	**Description**	**Temperature (°C warming by 2100 above pre-industrial levels)**	**Name**	**Description**	**Temperature (°C warming by 2100 above preindustrial levels)**
Current policies (CP)	**High emissions** Emissions keep rising as no extra climate policies are implemented from today.	3	SSP5-8.5	**High emissions** Emissions keep rising at current rates with no policy changes.	4.4
Delayed transition (DT)	**Low emissions** Emissions keep rising until 2030. After 2030, climate policies are put in place and are scaled rapidly to hit net zero by 2050.	1.6	SSP2-4.5	**Intermediate emissions** Emissions peak around 2060 and then fall	2.7
Net zero (NZ)	**Low emissions** Climate policies are implemented from today and become more stringent over time, allowing society to hit net zero by 2050.	1.5	SSP1-2.6	**Low emissions** Emissions half by 2050, achieving net zero around 2075.	1.8

a We derived projections from the World Climate Research Programme's Coupled Model Intercomparison Project (version 5 and 6/ CMIP5 and 6) and the Coordinated Regional Climate Downscaling Experiment. Other data sets include high precision flood data and country-level climate data from the NGFS.

b We modelled transition risks and opportunities using data from NGFS phase 4. Carbon prices are derived from equivalent scenarios from the IEA, to represent an explicit carbon tax.

Task Force on Climate-related Financial Disclosures continued

For some transition risks and opportunities, we present the financial impacts of different actions we could take – to show worst and best case scenarios.

We've presented the final outputs in annualised nominal terms. We haven't applied social discount factors to avoid double counting with our financial models. We categorised the financial effects using our risk management framework, and treated each risk and opportunity as mutually exclusive events.

The results of our analysis

We think our strategy is resilient to climate risks. It's also well positioned for climate opportunities in the modelled scenarios. The table below shows the assessed impact of climate risks and opportunities for the different scenarios we considered.

In high emissions scenarios (CP and SSP5-8.5), physical risks have a greater impact than transition risks. That's because they're driven by more frequent and severe weather (particularly in the longer term).

There are also opportunities linked to the low-carbon transition – like developing solutions to help customers cut emissions and support net zero, and cutting energy costs through efficiency measures. DT scenario trends are similar to NZ – but with the impact on the business happening sooner under NZ.

We're not materially affected by climate risks today. But the magnitude of climate risks and opportunities will change over time. So we'll closely and continually monitor risks and opportunities – widening our assessment where needed. We're acting to lower risk, with an emphasis on long-term resilience.

Table 4: Summary of our scenario analysis results

Risk / Opportunity	BT Group scenario	Financial impact modelled	Climate scenario	2030	2040	2050
Risk: Extreme weather affects our networks (e.g. flooding, high temperatures, high winds)	N/A	– Higher costs to repair damaged assets – Lower revenue from network disruption – Higher energy costs from extra cooling	SSP5-8.5	Moderate (risk)	Moderate (risk)	Moderate (risk)
			SSP2-4.5	Moderate (risk)	Moderate (risk)	Moderate (risk)
			SSP1-2.6	Moderate (risk)	Moderate (risk)	Moderate (risk)
Risk: Extreme weather affects our supply chain (e.g. flooding, storms, extreme heat, drought)	N/A	– Pass through costs from suppliers dealing with physical hazards	SSP5-8.5	Low (risk)	Moderate (risk)	Moderate (risk)
			SSP2-4.5	Low (risk)	Moderate (risk)	Moderate (risk)
			SSP1-2.6	Low (risk)	Moderate (risk)	Moderate (risk)
Risk: Carbon prices raise the cost of purchased goods	Our emissions decline slowly, following a current policies scenario	– Pass through costs from suppliers paying a carbon price – Higher costs on our direct emissions	CP	Low (risk)	Low (risk)	Low (risk)
			DT	Moderate (risk)	Moderate (risk)	Moderate (risk)
			NZ	Moderate (risk)	Moderate (risk)	Moderate (risk)
	We hit our net zero targets		CP	Limited	Limited	Limited
			DT	Low (risk)	Low (risk)	Low (risk)
			NZ	Low (risk)	Low (risk)	Low (risk)
Risk and opportunity: Customers' changing expectations on sustainability	Our emissions decline slowly, following a current policies scenario	– Lower revenue from customer churn	CP	Limited	Limited	Limited
			DT	Limited	Moderate (risk)	High (risk)
			NZ	Moderate (risk)	High (risk)	High (risk)
	We hit our net zero targets	– Higher revenue from our improved reputation on climate change	CP	Low (opportunity)	Moderate (opportunity)	Moderate (opportunity)
			DT	Low (opportunity)	Limited	Limited
			NZ	Limited	Limited	Limited
Risk and opportunity: Lenders' and shareholders' changing expectations on sustainability	Our emissions decline slowly, following a current policies scenario	– Higher or lower cost of capital	CP	Limited	Limited	Limited
			DT	Moderate (risk)	Moderate (risk)	Moderate (risk)
			NZ	Moderate (risk)	Moderate (risk)	Moderate (risk)
	We hit our net zero targets		CP	Moderate (opportunity)	Moderate (opportunity)	Moderate (opportunity)
			DT	Low (risk)	Limited	Low (risk)
			NZ	Moderate (risk)	Moderate (risk)	Moderate (risk)
Risk and opportunity: Electricity prices fluctuate due to climate policies	We roll out our current energy efficiency plans	– Higher or lower electricity costs compared to expected prices	CP	Moderate (risk)	Moderate (risk)	Low (risk)
			DT	Moderate (risk)	Moderate (risk)	Low (opportunity)
			NZ	Low (risk)	Moderate (opportunity)	Moderate (opportunity)
Opportunity: Our networks get more energy efficient	We roll out our current energy efficiency plans	– Lower electricity costs compared to not having implemented energy efficiency measures	CP	Moderate (opportunity)	Moderate (opportunity)	Moderate (opportunity)
			DT	Moderate (opportunity)	Moderate (opportunity)	Moderate (opportunity)
			NZ	Moderate (opportunity)	Moderate (opportunity)	Moderate (opportunity)
Opportunity: Growing revenue from products and services that support net zero	We roll out our current plans to grow revenue for these products	– Higher revenue from more demand	CP	Low (opportunity)	Low (opportunity)	Low (opportunity)
			DT	Low (opportunity)	Low (opportunity)	Low (opportunity)
			NZ	Low (opportunity)	Low (opportunity)	Low (opportunity)

Relative financial impact key

Risk	**Limited**	**Low**	**Moderate**	**High**	**Very high**
Opportunity	**Limited**	**Low**	**Moderate**	**High**	**Very high**
Financial impact	< £5m	£5m–£50m	£50m–£250m	£250m–£1bn	>£1bn

How we manage climate risks

A structured and consistent approach to risk management

We identify, assess, manage and monitor climate-related risks through our risk management framework.

We consider three types of risk:
1. **Enduring –** risks that won't change much over time.
2. **Point –** dynamic risks materially significant to us at a point in time.
3. **Emerging –** uncertainties that might emerge over longer timeframes or whose causes and effects we can't fully define currently.

We could face climate-related risks in all these. We track these and report to the *Audit & Risk Committee, Executive Committee* and *Responsible Business Committee.*

You can read more about our GRCs on pages 56 to 61.

Identifying and assessing risks

We identify climate-related risks across our GRCs – including operational resilience, supply management, and health, safety and environment.

We identify these risks through bottom-up and top-down discussions in our units – and across the whole group. That includes existing and emerging sustainability regulations like the upcoming reporting requirements of the EU's Corporate Sustainability Reporting Directive.

We judge point risks based on their potential impact and how likely they are to happen in the next three years. We assess emerging risks based on their potential impact, the timeframe over which they could happen (which could be beyond point risks' three-year horizon) and how prepared we are.

We work out the impact quantitatively and qualitatively using financial, operational and customer, legal and compliance, reputational and health and safety impacts. This helps us decide the relative weight of each risk.

Managing and reporting on risks

Once we've identified and assessed risks we give them an owner, depending on their priority. They decide how to manage and report on these risks – through things like assigning controls, monitoring, and implementing action plans and contingencies.

Owners regularly check their action plans by monitoring risk trends and tracking relevant metrics. This helps them understand future changes that might be needed – like taking new actions, escalating issues or updating processes.

We also have a climate change risk hub. It brings together people from different teams in a forum to discuss developments and agree actions.

The hub discusses key climate-related risks that might be less certain, longer- term or that span several parts of the business.

Task Force on Climate-related Financial Disclosures continued

Our climate metrics and targets

Measuring and monitoring climate risks and opportunities

In line with our risk management processes and strategy, we track lots of metrics to measure and manage the climate-related risks and opportunities in Table 5 below. We'll keep reviewing them in line with potential regulatory changes and guidance.

We have a sustainability underpin for awards under our Restricted Share Plan for Executive Directors. That means we must have made enough progress on our sustainability commitments for us to make any awards. You can read more on page 100.

Table 5: Climate-related risk and opportunity metrics, targets, and performance

Metric	Risk / Opp	Target	FY25 performance
Strategic networks disruption (%)[a]	**Risk:** Extreme weather affecting our networks (e.g. flooding, high temperatures, high winds)	Network downtime limited to 0.01%	<0.01%
Scope 1, 2 and 3 emissions (tCO_2e)[b]	**Risk and opportunity:** Customers have changing expectations on sustainability **Risk and opportunity:** Lenders and shareholders have changing expectations on sustainability **Risk:** Carbon prices raise the cost of purchased goods	By FY31, to be a net zero carbon emissions business (90% reduction in Scopes 1 and 2 (location-based) vs FY17) By FY31, to reduce our supply chain carbon emissions by 42%, compared to FY17 levels (Scope 3 categories 1 – 8) By FY41, be net zero across our full value chain by end of March 2041, achieving a 90% reduction in absolute Scopes 1, 2 and 3 emissions, and commit to neutralising any residual emissions	649,572 (-52% vs FY17) 2,424,672 (-25% vs FY17) 3,503,108 (-35% vs FY17)
Cumulative emissions avoided by customers (tCO_2e)[c]	**Opportunity:** Growing revenue from products and services that support net zero	N/A	1.7m (5.5m since FY22)
Networks' energy consumption (GWh)[d]	**Opportunity:** Increasing energy efficiency of our networks	Reduce our net networks' energy consumption annually	1,608 (-4% vs FY24)
% hedged energy costs	**Risk and opportunity:** Electricity costs fluctuate due to climate policy	Have energy demand at least 80% hedged one quarter before the start of the next financial year, and 50% hedged for the following financial year	81% hedged one quarter before FY26 70% hedged for FY27
% UK electricity consumption covered by Power Purchase Agreements (PPAs)	**Risk and opportunity:** Electricity costs fluctuate due to climate policy	N/A	31%

a Describes overall service disruption to our UK strategic networks, excluding legacy networks.
b We have updated our carbon reduction targets to use a location-based approach to Scope 2 emissions, and we moved to an absolute target from an intensity-based target for our Scope 1 and 2 emissions. You can read more about this on page 33.
c We have switched from our previous timebound target. You can read more about this on page 31.
d Refers to our UK on-site electricity consumption, which excludes consumption from MBNL and tenants.

Our worldwide energy use and greenhouse gas emissions[a]

The table below shows Scope 1, 2 and 3 greenhouse gas emissions and our performance against our reduction targets. We report in line with the Greenhouse Gas Protocol (ghgprotocol.org).

	FY23				FY24				**FY25**			
	UK		Non-UK		UK		Non-UK		**UK**		**Non-UK**	
	Energy GWh	CO_2e[b] Tonnes	Energy GWh	CO_2e Tonnes	Energy GWh	CO_2e Tonnes	Energy GWh	CO_2e Tonnes	**Energy GWh**	**CO_2e Tonnes**	**Energy GWh**	**CO_2e Tonnes**
Scope 1[c] (direct emissions)												
Gas and Oil – heating	141	26,259	1	270	120	22,519	2	288	106	19,974	3	606
Gas and Oil – generators[d]	32	7,264	0.03	7	16	3,596	0.03	7	29	6,618	0.2	44
Fugitive emissions – refrigerants		522		268		456		1,110		962		1,110
Commercial fleet (converted from litres fuel)	588	141,884	0.06	673	531	126,884	0.06	621	464	109,943	3	602
Commercial travel (converted from mileage/cost/litres fuel)	15	4,018	11	2,720	9	2,555	14	3,300	15	3,533	14	3,206
Total Scope 1	**776**	**179,947**	**12**	**3,938**	**676**	**156,010**	**16**	**5,326**	**614**	**141,030**	**20**	**5,568**
Scope 2[e] (electricity incl nuclear and CHP[f])												
Total consumption (LBM[g])	**2,283**	**441,713**	**198**	**56,121**	**2,213**	**458,247**	**198**	**60,770**	**2,123**	**443,863**	**182**	**59,111**
MBM[h] renewable consumption CO_2e adjustments												
General consumption	2,280	(440,976)	198	(56,043)	2,205	(456,508)	198	(60,765)				
Commercial fleet EV[i] consumption	3	(634)	–	–	8	(1,645)	–	–		See footnote (j)		
Company car EV consumption	0.4	(103)	0.1	(20)	0.5	(94)	–	–				
Total scope 2 CO_2e MBM[h]		**–**		**58**		**–**		**5**		**304,473**		**38,867**
Total scopes 1 & 2 (LBM)[k]		**621,660**		**60,059**		**614,257**		**66,096**		**584,893**		**64,679**
	3,059		**210**		**2,889**		**214**		**2,737**		**202**	
Total scopes 1 & 2 (MBM)		179,947		3,996		156,010		5,331		445,503		44,435
Scope 3[l]: Worldwide emissions CO_2e Tonnes		**3,360,519**				**3,132,656**				**2,853,536**		
TARGETS[m]												
SBTi Scope 1 & 2 worldwide emissions tonnes CO_2e (LBM) (Baseline 1,348,927)		681,719				680,353				649,572		Target 31 March 2031
% Change from baseline year FY17		(49)%				(50)%				(52)%		(90)%
Intensity metric Scope 1 & 2 worldwide emissions tonnes CO_2e (LBM) per £m adjusted Revenue (Baseline 56.06)[n]		32.98				32.65				31.89		
% Change from baseline year FY17		(41)%				(42)%				(43)%		
SBTI Supply chain emissions GHG Scope 3 Upstream + Operational (GHG Catg 1-8) kt (Baseline 3,217 kt)		2,727				2,557				2,425		Target 31 March 2031
% Change from baseline year FY17		(15)%				(21)%				(25)%		(42)%

N/A: Not available or not applicable. Due to rounding some totals may not visually summate.

- **a** Data presented has been reviewed to a high level of assurance by LRQA Group Limited in accordance with the principles of Accountability's AA1000AS v3 assurance standard. We restate historical years' data to replace estimates with actual figures and/or when we think subsequent information is materially significant as determined during audit (typically variances greater than one percentage point at category level).
- **b** CO_2e: Carbon Dioxide equivalent emissions
- **c** Scope 1: Direct emissions from our own operations (e.g. fleet/heating fuel combustion).
- **d** For Gas & Oil based on GWh equivalent input value before combustion and gross calorific value
- **e** Scope 2: Indirect emissions from the generation of our consumed energy (mainly electricity) (Excludes 3rd party consumption)
- **f** CHP – Combined heat and power
- **g** LBM: location-based method for Scope 2 emissions accounting – as defined in the Scope 2 Guidance amendment to the Corporate Standard (ghgprotocol.org).
- **h** MBM: market-based method for Scope 2 emissions accounting – as defined in the Scope 2 Guidance amendment to the Corporate Standard (ghgprotocol.org).
- **i** EV – Electric vehicle
- **j** From FY25 our renewable electricity strategy has changed: unbundled renewable energy attribute certificates (REAC's) are no longer purchased to achieve 100% renewable electricity. Our MBM renewable declarations are now only from PPA's and contractual agreements.
- **k** The emissions reduction target and emissions intensity is now based on the GHG Location based method of reporting (LBM). Consequently, a new Scope 1 and Scope 2 LBM line has been added and previous years' numbers have been restated.
- **l** Scope 3: Including supply chain, customer use of our products, and other indirect emissions (such as employee commuting).
- **m** We have updated our emissions reduction targets which have been approved by the SBTi. You can read more on page 31.
- **n** The carbon emissions intensity is now based on Scope 1 and Scope 2 LBM emissions against adjusted revenue. Previous carbon emissions intensity was based on Scope 1 and Scope 2 MBM against gross value added. Previous years' numbers are restated due to this change.

You'll find more information and data in our Manifesto section on pages 31 to 33 and the ESG Addendum (bt.com/esgaddendum)

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects and viability of the group.

The assessment has been based on the Company's strategy, balance sheet and financing position, including our £2.1bn undrawn committed borrowing facility which matures no earlier than January 2030 with the option to extend for two further years, and the potential impact of 'Our principal risks and uncertainties' (pages 56 to 61).

The Board has chosen to conduct its review for a period of five years to 31 March 2030. The Board believe that this is an appropriate timeframe as it aligns with the primary focus of our business and financial planning.

The assessment of viability is based on our medium term plan which forecasts the group's profitability, cash flows and funding requirements, and is approved by the Board at the end of each year. The medium term plan is built from bottom-up business plans and financial forecasts of each of our Customer Facing Units (CFUs) and our Corporate Units (CUs) based on some central macroeconomic assumptions such as inflation and exchange rates. This is then supplemented by items managed at a group level. The macroeconomic assumptions are informed by independent third-party forecasts. The performance of the group, our CFUs and our CUs against these forecasts is monitored monthly and this is supplemented each quarter through a series of quarterly business reviews of each unit conducted by the Chief Executive and Chief Financial Officer.

Beyond our medium term planning horizon, the group also makes investments that have business cases covering a longer time period, such as our network investments. Significant capital expenditure investment cases are approved by the Chief Executive and, where appropriate, the Board, after taking into account longer-term risks and opportunities such as the economy, technology and regulation.

Approach

Our medium term plan has been stress tested in a series of individual severe but plausible downside scenarios, each aligned to our group risk categories as set out on pages 56 to 61. This was followed by stress testing our forecasts against a combined scenario of correlated risks using a stochastic model. Finally, we then identified several mitigations that could realistically be taken by the business to avoid or reduce the impact of the underlying risk.

Scenarios included in our combined severe but plausible stress test

Our hypothetical scenario included competition and performance-related risks to delivering our strategy, as well as number of external events that would create significant financial losses for the group:

- Internal challenges in delivering critical technology-enabled transformation causes delays to digital channels and journeys, as well as defects which generate significant demand into service. This also causes delays to our replanned network closure dates and the launch of new products, resulting in increased operating costs and customer attrition.
- Competitive pressures from alternative FTTP network providers intensify, with a combination of market consolidation, aggressive pricing and soft broadband market conditions impacting the return on our FTTP investment.
- Continued cost of living challenges and increased low cost options for consumers also drive continued discounts of our core/converged offers.
- Against the backdrop of geo-political uncertainty, a state-sponsored threat actor carries out a successful cyber attack, obtaining data that includes customer information.
- To further compound matters, we fail to defend successfully the high value litigation claims brought against the group.

These events collectively lead to adverse customer experiences, reputational damage, reduced investor confidence, and significant financial losses for the group.

As a summation of the full impact of each of the individual scenarios in this stress test would be an extremely unlikely outcome we used a stochastic model to develop a more realistic severe but plausible combined scenario. We applied an 80th percentile confidence interval which allows for a stress test of the medium term plan with a plausible but still severe combination of events, without assuming the worst impact happens across all scenarios at the same time.

Results

Applying our severe but plausible combined scenario with related mitigations indicates that BT would experience a liquidity shortage commencing in the third year. However, there are further mitigations, including planned debt issuance, that could be applied to eliminate this liquidity shortage. We would need to adopt around a third of the mitigations we have identified to maintain positive cash flow over the full five-year period of the assessment.

The mitigations directly in our control primarily revolve around reducing operating and capital expenditure cash outflow from the group, which are sufficient to mitigate the full impact of our combined severe but plausible stress test. In addition, there are also several mitigations which are outside of our control that could be used by the group, like raising debt. The Board believe that it is reasonable to expect that it could continue to access debt capital markets to refinance a portion of our outstanding debt as it falls due. If access to debt markets wasn't available, then equity capital markets would be considered as an alternative to raise funds.

Based on the results of this analysis, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

The directors also considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements, as set out in the '**Report of directors**' on page 124 and '**Basis of preparation**' on page 148.

Corporate governance report

We're committed to delivering on our ultimate ambition to be the UK's most trusted connector of people, business and society. We're focused on growing sustainable value for all our stakeholders and the communities we operate in, through effective Board leadership, strong corporate governance and a clear understanding of the broader telecommunications market.

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

In respect of the year ended 31 March 2025, BT Group plc was subject to the Code published by the Financial Reporting Council (FRC) in July 2018 (available at frc.org.uk). The Board confirms that BT Group has applied all the principles and complied with or explained all the provisions of the Code throughout the year as seen below.

The Board and Committee have continued their education and preparations for the key changes in the updated Code, published in January 2024, which applies to financial years beginning on or after 1 January 2025.

1. Board leadership and company purpose

A:	Leadership, long-term sustainable success, generating value for shareholders and contributing to wider society	15-21, 28-33, 62-71, 96-97
B:	Purpose, values, strategy and culture	74, 80-85, 93, 96-97
C:	Resources and prudent and effective controls	44-45, 54-55, 81, 85, 94, 96-97
D:	Effective engagement with stakeholders	34-40, 82-83, 96-97
E:	Workforce policies and practices	17, 22-27, 42-43, 80, 82-83, 93, 120

2. Division of responsibilities

F:	Leadership of the Chairman	74, 76, 80
G:	Board composition and clear division of responsibilities	8-9, 75-80, 86
H:	Role and time commitment of Non-Executive Directors	76-80, 89, 119
I:	Policies, processes, information, time and resources, and support of the Company Secretary	75, 79-80, 88-90

3. Composition, succession and evaluation

J:	Board appointment process and effective succession planning	75-90
K:	Board and Committee skills, experience and knowledge	76-79, 88-90
L:	Annual Board and individual director evaluation	86, 90

4. Audit, risk and internal control

M:	Independence and effectiveness of internal and external audit functions	91-95
N:	Fair, balanced and understandable assessment of company's position and prospects	81, 93, 123
O:	Procedures to manage risk, oversee internal control framework and determine the nature and extent of principal risks	54-55, 91-95, 125

5. Remuneration

P:	Remuneration policies and practices	102
Q:	Procedure for developing policy on executive, director and senior management remuneration	98-122
R:	Independent judgement and discretion in remuneration outcomes	99, 113

Contents

Chairman's governance letter

The Board remains focused on ensuring it governs the group effectively, making careful decisions to generate long-term value for our stakeholders. We are cognisant of the updated Code and are well placed to ensure our governance practices across the group are strengthened in line with this and evolving best practice.

The Board prioritises effective corporate governance across the group. Promoting fairness, openness and transparency in its responsibilities to stakeholders and generating long-term, sustainable success has been, and will remain, the Board's primary objective.

This Corporate governance report sets out the Board's approach to ensure effective governance and how this supports our strategy and decision making, ensuring the interests of our stakeholders and our continued contribution to society are at the forefront of our minds.

The Board and Committees have continued their education and preparations for the key changes in the updated Code, published in January 2024. Preparations are underway for reporting against the updated Code in FY26.

Board and Committee changes

- As mentioned in last year's report, Tushar Morzaria joined the Board as an Independent Non-Executive Director with effect from 7 May 2024 and Isabel Hudson stepped down from the Board at the conclusion of the 2024 AGM.
- We appointed Sir Alex Chisholm to the Board as an Independent Non-Executive Director and our Designated Non-Executive Director for Ofcom Engagement with effect from 16 September 2024. Alex brings a wealth of regulatory, government and business expertise gained over 30 years.
- We also appointed Rima Qureshi to the Board as an Independent Non-Executive Director with effect from 2 March 2025. Rima brings extensive operational, strategic and telecommunications industry experience to the Board.

These appointments have added significant breadth of experience to the Board, allowed us to increase our focus on complementing the existing skills on the Board and ensure continued diversity of expertise and viewpoints.

Following the Government's approval under the National Security and Investment Act of Bharti Global's acquisition of a 24.5% stake in BT Group, and to satisfy the Government's national security order, we have established the *National Security Committee* as a sub-committee of the *National Security and Investigatory Powers Committee*.

Board and Committee evaluation

Lintstock Limited undertook our externally facilitated Board and Committee evaluation this year. As I reported last year, given the changing composition of the Board (including a new Chief Executive) we did not feel FY24 was the right time for the once in three year external evaluation. Further details about the FY25 evaluation process and the proposed areas of focus for FY26 can be found on page 86.

Our colleagues

Continued engagement with our colleagues is vital to help us build a culture where people can be their best. Throughout the year, Maggie Chan Jones as our Designated Non-Executive Director for Workforce Engagement, has undertaken a comprehensive nationwide programme of colleague engagement activities. Maggie has shared her experiences with the Board, bringing the colleague voice into the boardroom and in turn contributing to the Board's decision making process. Further detail on Maggie's engagement with colleagues can be found on pages 82 to 83.

Inclusion and wellbeing

We remain committed to inclusive thinking across the business and externally. This year, we have continued to make progress against our goals in gender, ethnicity and disability representation among senior leaders, with continued gains against our ambitions. For more information on our progress in this area, see pages 24 and 25.

During the year, the Board reviewed its Diversity and Inclusion Policy to ensure it remained aligned with the Code and UK Listing Rules requirements. As at 31 March 2025, the Board comprised five female directors, four directors from an ethnic minority background and one director who has a disability.

We continue to meet the UK Listing Rules requirement to have female representation in at least one of the four senior Board positions, with Allison Kirkby as our Chief Executive and Dame Ruth Cairnie as our Senior Independent Director.

I would like to thank all of our BT Group colleagues for their continued efforts in helping us deliver on our purpose and I look forward to working with my fellow directors over the coming year.

Adam Crozier
Chairman
22 May 2025

Our governance framework

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

Board leadership and company purpose on pages 80 to 83

Audit & Risk Committee
Oversees, assesses and reviews our financial and narrative reporting, internal controls and risk management. It also oversees BT Group's compliance with the Commitments we made as part of the 2017 Digital Communications Review (DCR) with Ofcom and the Governance Protocol.

Audit & Risk Committee Chair's report on pages 91 to 95

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

Nominations Committee Chair's report on pages 88 to 90

Remuneration Committee
Agrees the remuneration framework for the Chairman, Executive Directors and certain senior executives and monitors remuneration practices and policies for the wider workforce.

Remuneration Committee Chair's letter, Directors' Remuneration Policy and Report on directors' remuneration on pages 98 to 122

Responsible Business Committee
Agrees the responsible business strategy, including its implementation and progress on its ambitions, and monitors adherence to consumer fairness principles.

Responsible Business Committee Chair's report on pages 96 to 97

National Security and Investigatory Powers Committee | National Security Committee
The *National Security and Investigatory Powers Committee* oversees our role in the use of official investigatory powers and our wider activities that touch UK national security interests. Under the Government's national security order, the *National Security Committee* has been established as a sub-committee.
See page 74

Chief Executive
Responsible for running the business and setting and executing our group strategy.

BT Investment Sub-Committee
Provides input and recommendations that support the Chief Executive's decision making on investment cases and budgets.

Executive Committee
Assists the Chief Executive in developing and executing our group strategy and budget, and monitors overall performance and how we're managing risks.

Disclosure Sub-Committee
Ensures BT Group meets its disclosure obligations and reviews and approves regulatory and other announcements before publication.

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

Each Committee Chair formally reports to the Board following meetings and makes any recommendation to the Board in line with that Committee's terms of reference. Papers and minutes are circulated to all Board and Committee members as appropriate, other than to those with a potential conflict of interest. Raphael Kübler, Deutsche Telekom's nominated director, owes a fiduciary duty to both BT Group and Deutsche Telekom and Rima Qureshi is subject to an information sharing protocol between BT Group and Verizon. The *Conflicted Matters Committee* reviews all papers ahead of sharing with them to identify potential or actual conflicts of interest, see page 125.

Board of directors
and division of responsibilities

Membership key

- C Committee Chair
- Audit & Risk Committee
- Executive Committee
- National Security and Investigatory Powers Committee
- Nominations Committee
- Remuneration Committee
- Responsible Business Committee

Our directors share collective responsibility for the activities of the Board. There is a clear division of responsibilities between the Chairman and the Chief Executive as required under the Code. The responsibilities of the Chairman, Chief Executive, Chief Financial Officer and Senior Independent Director and other key roles within BT Group, along with the matters reserved to the Board, are set out on our website at

bt.com/governance

Adam Crozier
Chairman

Appointed Chairman December 2021 and to the Board and as Chairman designate November 2021

Experience
Adam was previously Chairman of ASOS, Stage Entertainment BV and Vue International Cinema Group, and a Non-Executive Director of Sony Corporation. He has over 20 years' experience as a CEO across four different industries, most recently as the CEO of ITV from 2010 to 2017. Prior to ITV, Adam was CEO of Royal Mail from 2003 to 2010. Before that he was CEO of the Football Association from 2000 to 2002 and Joint CEO of Saatchi & Saatchi from 1995 to 2000.

Relevant skills and contribution to the Board
Significant experience in leading public company boards, developing teams and managing stakeholders and brings a strong transformational and operational track record in large-scale executive roles. He has also built a strong track record in turning around troubled organisations and in building and leading successful management teams.

External appointments
Chairman of Whitbread and Kantar Group.

Allison Kirkby
Chief Executive

Appointed Chief Executive February 2024 and to the Board March 2019

Experience
From May 2020 until being appointed Chief Executive of BT Group, Allison was President & CEO of Telia Company, the leading telecoms provider to the Nordic and Baltic regions. Allison was previously President & Group CEO of TDC Group until October 2019, and President & Group CEO of Tele2 AB from 2015 to 2018, having been Tele2 AB's Group CFO from 2014. She was chair of the Audit Committee and a Non-Executive Director of Greggs until May 2019 and a Non-Executive Director and member of the Audit Committee of Brookfield Asset Management until March 2025. She has also held financial and operational roles within 21st Century Fox, Virgin Media, Procter & Gamble and Guinness.

Relevant skills and contribution to the Board
Valuable and recent experience in the international telecoms and media sector, combined with significant experience in driving business transformation, improving performance, customer service and shareholder value.

External appointments
Member of the GSMA Board, adviser to the UK Government's Board of Trade and a senior advisor to Brookfield Asset Management.

Simon Lowth
Chief Financial Officer

Appointed Chief Financial Officer and to the Board July 2016

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

Relevant skills and contribution to the Board
A strong background in finance, accounting, risk, corporate strategy and mergers and acquisitions. Simon has experience and a track record of implementing cost transformation and performance improvement programmes.

External appointments
Non-Executive Director and member of the Audit and Nomination & Governance Committees of Smith & Nephew.

Dame Ruth Cairnie C
Senior Independent Non-Executive Director

Appointed to the Board
April 2023

Experience
Ruth has a wealth of experience gained from a 37-year international career at Royal Dutch Shell holding senior functional and line roles, including having responsibility for group strategy and planning. She was a Non-Executive Director of Associated British Foods from 2014 to 2023 and Senior Independent Director and Remuneration Committee Chair from 2018. She was a Non-Executive Director of Rolls-Royce from 2014 to 2019 and Remuneration Committee Chair from 2016, a Non-Executive Director of ContourGlobal from 2018 to 2019 and Non-Executive Director and Remuneration Committee Chair at Keller Group from 2010 to 2017.

Relevant skills and contribution to the Board
Ruth has extensive experience gained from a broad range of executive and non-executive roles at leading industrial companies, both in the UK and internationally. She also has experience advising government departments on strategic development and capability building.

External appointments
Chair of Babcock International Group and Director of the Confederation of British Industry and Serendipity Capital Holdings Limited. She is also a trustee of the White Ensign Association.

Maggie Chan Jones
Independent Non-Executive Director and Designated Non-Executive Director for Workforce Engagement

Appointed to the Board
March 2023

Experience
Maggie has over 20 years of experience at some of the world's largest technology companies including Microsoft and SAP, where she was SAP's first female Chief Marketing Officer. Named one of the "Most Influential CMOs" in the world by Forbes, she later founded and led Tenshey as Chief Executive from 2017 to 2024, advancing women and underrepresented talent into leadership roles.

Relevant skills and contribution to the Board
Deep international marketing and brand experience. Maggie is a recognised executive in business transformation, ESG and as an industry thought-leader in the marketing and technology sector.

External appointments
Non-Executive Director of Sage Group and the United States Tennis Association (non-profit). She is also a Non-Executive advisor to Ontinue AG.

Sir Alex Chisholm
Independent Non-Executive Director and Designated Non-Executive Director for Ofcom Engagement

Appointed to the Board
September 2024

Experience
Alex has a wealth of regulatory, government and business expertise gained over 30 years. From 2020 to 2024, Alex was Chief Operating Officer for the UK Civil Service and Permanent Secretary in the Cabinet Office. Prior to this, he was Permanent Secretary of the Department for Business, Energy and Industrial Strategy (BEIS), Chief Executive of the Competition and Markets Authority and Chairperson of the Commission for Communications Regulation (Ireland). In the earlier part of his career, he held a number of other non-government roles in the media, technology, ecommerce and retail sectors.

Relevant skills and contribution to the Board
Extensive operational, regulatory and industry experience gained over 30 years.

External appointments
Non-Executive Chair of EDF Energy and a senior advisor to Boston Consulting Group.

Steven Guggenheimer
Independent Non-Executive Director

Appointed to the Board
October 2022

Experience
Steven has more than 30 years of experience as a leader in the technology industry including a 27-year career at Microsoft. At Microsoft, Steven held a variety of senior roles spending more than half of his tenure as a Corporate Vice President leading the OEM, Developer/ISV, and AI Solutions organisations. Prior to joining Microsoft, Steven worked at Spectra-Physics Lasers.

Relevant skills and contribution to the Board
Accomplished technology executive with a strong track record of advising businesses on digital transformation and extensive insight into technologies ranging from AI to cloud computing.

External appointments
Non-Executive Director of HSBC Holdings, Forrit and Leupold & Stevens. He is also an advisor to Tensility Venture Partners.

Board of directors and division of responsibilities continued

Membership key

- C Committee Chair
- Audit & Risk Committee
- Executive Committee
- National Security and Investigatory Powers Committee
- Nominations Committee
- Remuneration Committee
- Responsible Business Committee

Matthew Key
Independent Non-Executive Director

Appointed to the Board
October 2018

Experience
Matthew held various positions at Telefónica from 2007 to 2014 including as Chairman and CEO of Telefónica Europe and Chairman and CEO of Telefónica Digital. From 2002 to 2004 he was the CFO, Strategy and Regulation Director of O2 UK before becoming CEO in 2004. Matthew previously served as Finance Director at Vodafone UK and Chairman of Tesco Mobile. He has previously held positions at companies including Kingfisher, Coca-Cola and Schweppes Beverages, Grand Metropolitan and Dallaglio RugbyWorks. He was also a Non-Executive Director and Chair of the Audit Committee of Burberry from 2013 to 2023.

Relevant skills and contribution to the Board
Strong strategic skills and a wealth of experience in finance and the telecoms sector. Matthew is also a director of the joint venture between BT Group and Warner Bros. Discovery.

External appointments
None.

Raphael Kübler
Non-Independent, Non-Executive Director

Appointed to the Board
January 2024

Experience
Raphael is the Chief Operating Officer of Deutsche Telekom AG. Prior to this he held the position of Senior Vice President Controlling at Deutsche Telekom AG and Chief Finance Officer of T-Mobile Deutschland GmbH. Raphael has also been a director of T-Mobile USA, since April 2013 and served on other boards of listed companies, including Ströer SE & Co. KGaA, Hellenic Telecommunications Organisation and SES Global S.A.

Relevant skills and contribution to the Board
Extensive experience in the telecommunications industry, including strategic transformation projects and mergers and acquisitions.

External appointments
Director of T-Mobile USA.

Tushar Morzaria
Independent Non-Executive Director

Appointed to the Board
May 2024

Experience
Tushar is a chartered accountant with over 25 years of strategic financial management experience. He is currently a Non-Executive Director and Chair of the Audit Committee of BP and Legal & General Group. From 2013 to 2022, Tushar was Group Finance Director of Barclays. Prior to this, he held various senior finance roles at JP Morgan Chase & Co, including Chief Financial Officer of its Corporate & Investment Bank.

Relevant skills and contribution to the Board
A wealth of strategic financial management experience gained over 25 years. During this time, Tushar has overseen transformation programmes and strengthened risk and control frameworks.

External appointments
Non-Executive Director and Chair of the Audit Committee of BP and Legal & General Group.

Rima Qureshi
Independent Non-Executive Director

Appointed to the Board March 2025

Experience
Rima has a wealth of operational, strategic and telecommunications industry experience. She is currently Non-Executive Director of MasterCard and Loblaw Companies Limited. From 2017 to 2024, Rima was Chief Strategy Officer & Executive Vice President of Verizon Communications. Prior to that she gained extensive experience at Ericsson, with a career spanning over 20 years, including in the latter years as President & Chief Executive of Ericsson North America. Rima was also previously Deputy Chair of GSMA between 2020 and 2022 and board member between 2017 and 2024, a Non-Executive Director of Great West Life and Wolters Kluwer, a Non-Executive Director of the Verizon Foundation between 2017 and 2024, and a Member of the Faculty Advisory Board at McGill University between 2018 and 2024.

Relevant skills and contribution to the Board
Extensive operational, strategic and telecommunications industry expertise gained over 30 years.

External appointments
Non-Executive Director of MasterCard and Loblaw Companies Limited.

Sara Weller C
Independent Non-Executive Director

Appointed to the Board July 2020

Experience
Sara's previous roles include Managing Director of Argos and Deputy Managing Director of J. Sainsbury plc, serving on its board between 2002 and 2004. Sara was a Non-Executive Director of Virgin Money UK and Clydesdale Bank (a subsidiary of the Virgin Money Group) until October 2024, Lloyds Banking Group until May 2021 and United Utilities Group until July 2020. She was also the lead Non-Executive at the Department for Work and Pensions 2017 to 2020, Lead Non-Executive at the Department of Communities and Local Government 2010 to 2015 and on the Council of Cambridge University from January 2015 to December 2019. Sara is the co-founder of ActionAble, a cross-sector movement driving towards increased disability inclusion in workplaces across the UK.

Relevant skills and contribution to the Board
A broad market perspective coming from a background in retail, banking, utilities and consumer goods, as well as strong executive and non-executive board experience in regulated sector plcs and central Government and charitable organisations.

External appointments
Chair of The Money and Pensions Service.

Sabine Chalmers
General Counsel, Company Secretary & Director Regulatory Affairs

Sabine joined BT Group in April 2018 as General Counsel and was appointed as Company Secretary in September 2021.

See page 9 for Sabine's full biography.

Board leadership and company purpose

Role of the Board

The Board is responsible for establishing the group's purpose, values, strategy and culture, by setting the tone from the top. Further details on our purpose, ambition, values and strategy can be found on pages 15 to 21.

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

A number of key decisions and matters are reserved to the Board and are not delegated to any of the Committees, the Chief Executive or management.

These are set out in the matters reserved to the Board and are available on our website at **bt.com/governance**

Monitoring culture

BT Group's three core values – personal, simple and brilliant – guide us towards fulfilling our ultimate purpose – we connect for good. They inform our culture as they reflect who we are and who we aspire to be.

The Board monitors indicators of our culture through:
- discussions with the Chief Executive
- reports to the *Audit & Risk Committee* on any concerns raised through our Speak Up whistleblowing service, see page 93
- themes and insights from our quarterly Your Say colleague engagement surveys
- all-colleague "Join Allison" live Q&A sessions
- direct feedback and insights from colleagues via regular colleague engagement sessions held with Maggie Chan Jones, the Designated Non-Executive Director for Workforce Engagement
- breakfasts with colleagues from across the business
- visits to key sites to meet our colleagues.

We believe that these indicators remain effective in providing the Board with useful insights into colleague sentiment and the wider culture across the organisation. More information on how the Board is kept informed of colleague perspectives and our culture can be found on pages 82 to 83 and in the **Strategic report** on page 37.

Meetings and attendance

	Meetings attended
Adam Crozier (Chairman)	8/8
Allison Kirkby	8/8
Simon Lowth	8/8
Ruth Cairnie	8/8
Maggie Chan Jones	8/8
Alex Chisholm[a]	5/5
Steven Guggenheimer	8/8
Isabel Hudson[b]	2/2
Matthew Key	8/8
Raphael Kübler	8/8
Tushar Morzaria[c]	5/7
Rima Qureshi[d]	0/0
Sara Weller[e]	7/8

a Alex joined the Board on 16 September 2024.
b Isabel stepped down from the Board at the conclusion of the AGM on 11 July 2024.
c Tushar joined the Board on 7 May 2024 and sent his apologies for the September and December meetings due to pre-existing commitments.
d Rima joined the Board on 2 March 2025. There were no Board meetings between Rima's appointment date and the year end.
e Sara sent her apologies for the September meeting due to a pre-existing commitment.

During the year, we held eight scheduled Board meetings including a dedicated strategy day, and the Chairman also held a private session with the Non-Executive Directors. The Company Secretary is Secretary to the Board, and she, or her delegate, attends all meetings and provides advice, guidance and support as required. Each member of the Board, individually and collectively, has access to the Company Secretary and can obtain independent professional advice if needed.

Board and Committee members are provided with papers and the required actions in advance of each meeting via a secure electronic portal. Directors are expected to attend Board and relevant Committee meetings of which they are a member, unless prevented by prior commitments, illness or a conflict of interest. If a director is unable to attend a meeting, they usually give their comments to the Chairman or the Committee Chair in advance for consideration at the meeting.

Section 172 statement and stakeholders

Our Section 172 statement is set out on pages 84 to 85 and demonstrates our directors' consideration of the matters in section 172 of the Companies Act 2006 (2006 Act) in performing their duties, and how they have had regard to colleagues' interests and the need to foster business relationships with suppliers, customers and others, together with a summary including the Board's principal decisions.

See pages 82 to 83 for details on the Board's engagement with our colleagues and the **Strategic report** on pages 34 to 40 for additional details of how we engage with our key stakeholders.

Board focus in FY25

The Board meets regularly and is focused on using its time effectively and efficiently to oversee the delivery of the group's strategic objectives and to ensure the long-term sustainable success of BT Group.

Group strategy

During the year, the Board:

Approved and considered strategic initiatives and items of significant strategic importance in line with the matters reserved to the Board, including:

- a group strategy refresh, leading to a more focused strategy that will deliver for all our stakeholders (see page 20)
- our intention to become a UK-focused organisation whilst optimising our global business (see page 85)
- the group's brand strategy for FY26 and beyond
- the ongoing contract with the Home Office to provide mobile services for the Government's Emergency Services Network (see page 85)
- maintaining the pace of FTTP build towards the target of 25 million premises by the end of next year against the challenging economic climate.

Held a full-day strategy meeting where it considered with management:

- the market and an assessment of progress against our priorities by CFU
- the group's strategy and long-term growth opportunities
- strategic priorities and how these are built into the group's medium-term plan
- key challenges and risks to delivering our priorities and plans to address or mitigate these
- the macroeconomic and microeconomic environment and how the group should respond.

Received and discussed the Chief Executive's report at each meeting, which focused on:

- the group's overall performance and operations
- progress against our strategic pillars and priorities
- the competitive and regulatory environment that the group operates in
- engagement with, and the views of, our stakeholders including our investors, our colleagues, Ofcom and Government
- key business operations including matters which are important to the group's reputation, as well as colleague, customer, supplier and community considerations.

During the year, the Board also considered, discussed and agreed not to proceed with certain proposed initiatives that were determined not to be strategically important or beneficial to the group.

Performance and execution of strategy

During the year, the Board discussed, reviewed and, as appropriate, approved:

- the **financial statements** at full and half year and trading updates at each quarter, including any external guidance. It also discussed the feedback from investor meetings, including that received after the publication of each set of financial results. At each meeting, the Board reviewed the current financial and trading performance for the period against budget and consensus, and the full year outlook for each unit and the group as a whole
- the **going concern** and **viability statements** and the group's tax strategy
- reports, on a monthly basis, outlining share register movement, our share price performance relative to the market, investor relations activities and engagement with shareholders
- the medium term plan, having considered the main opportunities and challenges, our strategic priorities and KPIs
- the group's financing strategy, having considered different options for raising finance and managing cash flow
- the delivery of the group's transformation programmes against our objectives to drive efficiencies, opportunities and continued cost reduction across the group
- customer experience for each CFU including individual brand and customer segment NPS, in particular the progress against our related ambitions. As part of this, the Board was updated on the initiatives and customer insights used to drive improvement for our customers. Further details on customer experience can be found on page 18
- any regulatory or competition investigations and significant litigation, including our response and the stakeholder and reputational impact of these.

Risks, controls and governance

During the year, the Board discussed:

- the group risk management framework, with in-depth discussions on certain Group Risk Categories (GRCs), including the point and emerging risks and uncertainties facing the group and our risk appetite for each (see pages 54 to 61). The Board also received regular updates from the Chair of the *Audit & Risk Committee*, which undertakes detailed reviews of the group's systems of risk management and internal controls, including the effectiveness of the controls, mitigation activities and any areas for improvement in preparation for the updated Code (see page 94) as well as GRCs not discussed by the Board
- the progress of transformation programmes
- the Annual Report, which was subsequently approved on the recommendation of the *Audit & Risk Committee* (see page 93), that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to accurately assess the group's position and performance, business model and strategy
- the ransomware governance framework (see page 85)
- the themes and actions agreed as a result of this year's Board and Committee evaluation (see page 86).

People and culture

During the year, the Board discussed:

- our ambition to build and embed a culture where people can be their best and make BT Group a brilliant place to work
- the progress and delivery against our people and cultural strategy, ambitions and related goals
- skills and organisational development
- inclusion and wellbeing
- colleague engagement (see pages 82 to 83)
- the appointment of new Non-Executive Directors (see page 88).

Each of the Committee Chairs also reported back to the Board on the relevant areas that are important indicators of the group's culture.

Board leadership and company purpose continued

Colleague engagement

Following the disbanding of the *Colleague Board* in FY24, Maggie Chan Jones was appointed as our Designated Non-Executive Director for Workforce Engagement. Maggie has since undertaken a comprehensive nationwide programme of colleague engagement activities, with the purpose of listening to and understanding our colleagues' views, feedback and perspectives on key matters impacting them. Maggie then brings the colleague voice into the boardroom, ensuring that it's fed into the Board's decision-making process.

During the year, Maggie received quarterly reports collated by the People, Ethics & Compliance team, which utilised a variety of data sources on colleague sentiment across the group. The reports highlighted the hot topics and key insights gathered across the quarterly Your Say colleague engagement survey results, internal communications insights reports and inclusion and wellbeing data. These reports also included data on our Speak Up whistleblowing service, volume of calls, time taken to complete investigations and highlighted any areas of concern.

Maggie engaged directly with a number of colleagues through in-person and virtual meetings during which colleagues were encouraged to share personal views and experiences, which provided Maggie with a varied range of opinions and insights from across the group. Colleagues were invited from a diverse cross section of the business, including senior talent, graduates and apprentices and the CFU HR directors. In addition, Maggie held targeted deep-dive sessions on Speak Up and our Code of Conduct, remuneration and operational excellence and talent. She also met with representatives from our People Networks, including the Pride Network, Neurodiversity Network and the Faith Networks, and a group of senior women to understand the progress made and ongoing challenges faced in relation to inclusion and wellbeing across the business.

In January 2025, Maggie visited Adastral Park along with Ruth Cairnie, Alex Chisholm and Steven Guggenheimer. The visit focused on network technology innovations, security and AI and they met with a number of colleagues throughout the day. See page 87 for more information.

In February 2025, Maggie and Alex visited our Tyneside contact centre to experience the customer-facing frontline part of the business in operation and witness the experience of both our colleagues and our customers in action. They met with a group of colleagues informally and discussed culture and challenges in the organisation and joined a leader forum with c.30 colleagues to discuss areas of focus. Having previously visited this contact centre in February 2024, the visit offered Maggie invaluable insight into the developments made over the year and the areas of future focus.

Through these engagement activities, Maggie receives detailed insight into colleague sentiment across the group and updates the Board on her activities and findings. This provides the Board with a more comprehensive view of colleague sentiment, contributing to their decision-making process.

Key themes arising from Maggie's engagement sessions in FY25 included:

– **Career progression, opportunities and talent retention:** colleagues in the earlier stages of their career welcomed the career opportunities made available to them across the group, and those in more senior roles discussed the issue of talent retention when undergoing business transformation.
– **Culture and engagement:** colleagues discussed engagement across the group, and where improvements and best practice lessons could be implemented. The culture of the group, and its impact on colleagues, was discussed throughout the sessions.
– **Mentoring, support and inclusive behaviours:** colleagues highlighted the importance of receiving mentoring and support throughout different stages of their career, especially for those in more junior roles who benefit from the mentoring delivered by those in more senior roles. Inclusive behaviours were discussed, particularly with the People Networks representatives, which provided insight into talent development across a diverse range of colleagues.

Following engagement sessions, feedback forms were sent to a selection of attendees who provided positive feedback, welcoming the opportunity to meet with a member of the Board and provide their insight into the day-to-day operations of the group.

Engagement activities throughout FY25

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Colleague engagement sessions with Maggie		■	■			■		■			■	
Feedback provided to the Board				■		■		■	■	■		
Breakfasts with colleagues		■		■		■				■		
Non-Executive Director visits							■		■	■	■	
"Join Allison" live Q&A sessions	■		■				■		■		■	
Your Say colleague engagement surveys			■			■		■			■	

The informal breakfasts with a selection of the Board and a group of colleagues provided the opportunity to engage directly and for our colleagues to provide feedback on key matters. One of the sessions was dedicated to the 'building products together' project which focused on the work completed, lessons learned and plans for the future.

The Non-Executive Directors visited a number of locations throughout the year, including Adastral Park, Tyneside contact centre, an Openreach site and our flagship EE store (see page 87).

Allison held "Join Allison" live Q&A sessions throughout the year giving colleagues the opportunity to hear about business developments and ask questions. Questions could either be pre-submitted with the most popular ones as voted by colleagues answered during the session, or submitted live. These sessions were hosted by a range of colleagues, including a contact centre manager, an apprentice and a learning manager, in multiple locations including Manchester, Bishops Stortford and Gurugram, India.

The results, insights and actions of the quarterly Your Say colleague engagement surveys were discussed at the *Executive Committee* and the Board throughout the year.

In FY26, Maggie will continue to receive quarterly data driven reports and will conduct more group engagement sessions. Maggie also plans to visit an EE store and meet with diverse groups of colleagues in key locations. We will continue to review our colleague engagement mechanism throughout the year.

"

My first year as the Designated Non-Executive Director for Workforce Engagement has been very valuable and insightful. I use both the data available on colleague sentiment as well as the feedback provided in the group engagement sessions to bring the colleague voice into the boardroom. I would like to thank all the colleagues who have taken the time to engage and raise thought-provoking topics throughout the year, and I look forward to meeting more colleagues in the coming year.

Maggie Chan Jones
Independent Non-Executive Director and Designated Non-Executive Director for Workforce Engagement

Section 172 statement

In their discussions and decisions during FY25, the directors of BT Group plc have acted in the way that they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole, having regard to stakeholders and the matters set out in sub-sections 172(1)(a)–(f) of the 2006 Act.

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

The likely consequence of any decision in the long-term:

- The directors recognise that the decisions they make today will affect the group's long-term success. During the year, the Board had particular regard to this in its discussions on group strategy (see page 81). Our purpose and strategy demonstrate how we realise our ambition and grow value for all our stakeholders. This in turn guides the Board's decisions, specifically the balance between short and long-term investments. Our purpose remains the same, however this year we have sharpened our ambition and refreshed our strategy to provide greater clarity to all of our stakeholders on where we'll play and how we'll win in our markets. More information on our strategy can be found on pages 15 to 21.

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

- The *Responsible Business Committee* has continued to oversee the progress of our Manifesto. This aims to accelerate growth through technology that is responsible, inclusive and sustainable, ensuring the group can continue to build trust and create value for its stakeholders. The Committee also monitors the progress of our responsible business strategy and sustainability goals. During the year, the Committee reviewed and approved the publication of the group's first Climate Transition Plan (see page 31).
- Information as to how we have addressed the recommendation of the TCFD framework can be found on pages 62 to 71.

The desirability of maintaining a reputation for high standards of business conduct:

- The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of the group. Our colleagues are central to us achieving this ambition and we're focused on building a culture where our colleagues can be their best. During the year, the Board considered the group's culture in its decision making and discussions (see page 81).
- The *Audit & Risk Committee* also considered regular reports from the General Counsel People, Ethics & Compliance on our ethics and compliance policies and programmes and reports on issues raised through our Speak Up whistleblowing service (see page 93).

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

- The Board and its Committees understand the strategic importance of stakeholders to our business. When making decisions, the directors have regard to the interests of colleagues, and the need to foster business relationships with other key stakeholders. We acknowledge that not every decision we make will necessarily result in a positive outcome for all our stakeholders, so the Board must balance competing interests in reaching its decisions.
- While the Board engages directly with stakeholders on some issues, the size and distribution of BT Group and our stakeholder groups means that stakeholder engagement often happens below Board level. However, the Board considers information from across the group to help it understand how our operations affect our stakeholders' interests and views. More details on how we engage with key stakeholders (including customers and suppliers) can be found on pages 34 to 40.
- Our colleagues are key to our success, and they are considered as part of the Board's discussions and decision making as well as in the regular updates from the Designated Non-Executive Director for Workforce Engagement. More information on the Board's engagement with colleagues can be found on pages 82 to 83 and other colleague engagement channels are set out on page 37.

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

- During FY25, the Chairman, certain Non- Executive Directors, Chief Executive, Chief Financial Officer, other executives and our investor relations team held 230 meetings with investors (see page 40 for more detail on our engagement with shareholders). These meetings gave investors the opportunity to discuss views on all matters including:
  - our strategy and competitive position in key markets
  - our financial and operational performance (particularly around inflation, energy and pay costs, in-contract pricing and cash flow profile to the end of the decade)
  - capital investment (including FTTP and 5G)
  - our capital allocation policy
  - changes at the top of the shareholder register
  - prospective governmental and regulatory policy decisions
  - the BT Pension Scheme valuation.
- The Board is mindful of having three significant shareholders but considers all its shareholders in its decision-making process.

Decisions made during the year

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

Decision	What happened
Sharpening our focus on the UK	During the year, the Board revisited the strategic geographical focus of the group and considered the impact of realigning our strategy in order to become a more UK-focused company where we have a strong competitive advantage. This included making clearer our long-term strategic direction and re-defining where we'll play and how we'll win in our markets. The Board recognised that whilst the global business sits outside this strategy, it shows strong commercial opportunity as we roll out Global Fabric, our next-generation network-as-a-service proposition. The Board considered the importance of creating a clear separation of our UK and global business on a leadership level, resulting in the appointment of Jon James as CEO of our Business CFU with effect from 1 April 2025. Bas Burger will dedicate his time to the optimisation of the international business segment.
Emergency Services Network	In November 2024, we announced the signing of a new £1.29bn contract with the Home Office to provide mobile services for the Government's Emergency Services Network (ESN) over the next seven years. The previous ESN contract had been in place with EE since 2015. Under the new contract we'll continue to build, maintain and develop critical mobile coverage and capabilities for the ESN. The new contract will also see us take management responsibility and provide coverage services for the Air-to-Ground network, Extended Area Services sites, national indoor coverage enhancements and specific road and rail tunnels. The Board considered the mobile services ESN contract and other associated contracts with the programme that were available to bid for during its July and November 2024 meetings. With regards to the provision of non-core services such as software infrastructure, the Board concluded that these elements of the wider programme were likely to create more risk than the renewal and expansion of the existing contract. The Board were satisfied that the proposed approach ensured that the risks and rewards of this continuation and growth of core services were balanced, and consequently the mobile services element of the wider ESN programme was carried forward to signature in December 2024.
Ransomware governance	In January 2025, following a two-part cyber security simulation exercise, the Board considered the need to update our governance framework, and how the group should respond to ransomware attacks. The Board considered that ransomware attacks are of a time critical nature, and the risks and implications associated would be very nuanced. The discussion balanced the decision-making required by the Board following an attack coupled with the timing and notification of legal requirements and any Government and regulatory expectations.

Board composition, succession and evaluation

FY25 Board and Committee evaluation

In line with the Code, a formal and rigorous evaluation of the Board, Committees, Chairman and individual directors is undertaken annually. This evaluation considers performance, composition, diversity and how effectively our Board works together.

The last external evaluation was completed in FY21, and in FY24 we decided that given the changing composition of the Board (including a new Chief Executive) it was not the right time for a full form external evaluation to take place. Lintstock Limited (Lintstock) were engaged on a multi-year basis and so we undertook a questionnaire-based evaluation of the Board and its Committees in FY24, and in FY25 Lintstock facilitated a thorough external evaluation. Lintstock is an accredited Board Performance Reviewer of the Chartered Governance Institute, with no other links to the group or individual directors. The Chartered Governance Institute's Principles of good practice for listed companies using external board reviewers were followed in relation to this year's external evaluation.

The FY25 external evaluation included:

1. In November 2024, questionnaires were circulated to the Board and *Executive Committee* and the CEO, Openreach. These were tailored to the relevant Committees for each Non-Executive Director and the *Executive Committee* members and the CEO, Openreach were asked to provide their perspective on the effectiveness of their relationship with the Board. The questionnaires were prepared by Lintstock in line with best practice and covered a range of areas, notably composition, performance and areas of oversight. Focus was also given to core areas of governance, the Board's decision-making processes and how well it considers stakeholders as part of its discussions.

2. In December 2024, Lintstock held individual interview style meetings with each of the directors to discuss their responses to the questionnaires and to gain further insight.

3. In January 2025, Lintstock prepared reports for the Board and each of its Committees outlining the outcome of the evaluation, collating the responses to the questionnaires, and the insight provided during the interviews. The reports included a number of key observations and suggested priorities for FY26. These reports were compiled carefully to ensure the anonymity of respondents and were initially shared with the Chairman, who held a follow-up meeting with Lintstock to further understand key feedback and outcomes. The Board subsequently discussed the Board evaluation report in January 2025, and each of the Committee Chairs were provided with their respective Committees' reports for discussion at the April 2025 meetings.

4. In January 2025, the Senior Independent Director led a discussion with the other Non-Executive Directors and Company Secretary, without the Chairman present, to obtain their feedback and views of the Chairman's performance throughout the year. The outcomes and recommendations were subsequently fed back to the Chairman.

5. Following discussions at the January and April 2025 Board and Committee meetings, the Board concluded on three key areas of focus for FY26, as set out below.

Key areas of focus for FY26	Agreed actions/actions in progress
Performance edge	– Enhance the clarity of the responsibilities of the Committees to improve performance in key focus areas. – Improve engagement and collaboration between directors, outside of the formal Board meeting cycle. – Offer additional site visit opportunities to Non-Executive Directors, either individually or as part of small groups.
Supporting the Executive Committee	– Support the Chief Executive in embedding and developing the new and existing *Executive Committee* members in their roles within the group.
Opportunities to improve support	– Collaborate with the Chairman, Chief Executive and Company Secretary at an early stage to forward plan Board meeting agendas, focusing on scheduling of key strategic topics as appropriate. – Enhance regular information sharing and communications between management and the Board, outside of the formal Board meeting cycle.

Board induction

On appointment, new directors undertake a comprehensive induction programme designed to give them a thorough overview and understanding of the business.

Inductions are tailored for each new director, taking into account their previous experience, responsibilities and, for each Non-Executive Director, the specific responsibilities relevant to their appointment. The programme includes one-to-one meetings with the other members of the Board and meetings with members of the *Executive Committee* and the CEO, Openreach and senior management team.

New directors also receive induction materials including information on our strategy and KPIs, our recent financial performance, our governance framework, director responsibilities, the Commitments, the regulatory framework in which we operate, risk management and internal control systems and the policies supporting our business practices.

New directors are encouraged to visit our different hubs, contact centres and EE stores to get a sense of what we do on a customer-facing level as well as spending a day with the CEO, Openreach and Openreach engineers to experience the more technical aspects of the group.

Following feedback from the FY24 Board and Committee evaluation we arranged for some of our Non-Executive Directors to visit sites such as Adastral Park and our contact centre in Tyneside. As part of their continued induction, additional sessions were organised for some of the Non-Executive Directors.

Tushar Morzaria and Alex Chisholm's induction

Tushar and Alex joined the Board on 7 May and 16 September 2024 respectively as Independent Non-Executive Directors. Tushar is a member of the *Audit & Risk*, *Nominations* and *Remuneration Committees*. Alex is our Designated Non-Executive Director for Ofcom Engagement, and a member of the *Audit & Risk, Nominations* and *Responsible Business Committees*.

Tushar and Alex received their induction pack and during their first few months on the Board, had induction sessions covering the following areas:

- Group strategy
- Consumer
- Business
- Openreach
- Security & Networks
- Digital, Data & AI
- Governance
- HR and our colleagues
- Regulatory context
- Corporate Affairs
- Investor relations, financial processes, funding and risk management.

In relation to his role as Designated Non-Executive Director for Ofcom Engagement, additional areas of focus for Alex's induction included sessions with the BT Group Regulatory and Openreach senior leadership teams to bring him up to speed on the regulatory landscape, the Commitments and pertinent issues facing the organisation. This role was created after the *BT Compliance Committee* was disbanded with effect from 1 April 2024 and quarterly meetings have been scheduled between BT Group and Ofcom to foster a stronger relationship and to facilitate robust discussion at the *Audit & Risk Committee* and *Responsible Business Committee* meetings.

The induction programme also included Openreach field visits led by the CEO, Openreach and Openreach engineers. The visits provided Tushar, Alex and Raphael Kübler with a deeper insight into our fibre rollout, the culture at Openreach and the experiences of some of our colleagues.

In December 2024, Alex visited our flagship EE store in London, which provided him with a broader insight into customer journeys and experiences, and the work of some of our frontline colleagues.

In February 2025, Alex joined Maggie on a visit to our Tyneside contact centre. Both had input on the agenda to ensure the visit fulfilled their requirements. They met with a range of colleagues and benefitted from seeing our strategic plans for the customer-facing frontline part of the business come to life. Further detail can be found in the colleague engagement section on pages 82 to 83.

Rima Qureshi joined the Board on 2 March 2025. Her induction programme will be reported on in next year's Annual Report.

Adastral Park visit

In January 2025, Alex, Maggie, Ruth and Steven Guggenheimer visited Adastral Park, our hub for research and development. They visited a Networks Operations Centre, a Network Cloud Data Centre, Openreach and Data/AI labs and went on an innovation showcase tour. They met colleagues working in a variety of research and development roles, and had the opportunity to discuss the technical innovation driving the business forward.

"

The Board induction process has been very professional and timely, using a good mix of written materials, in person briefings and site visits to get me up to speed and engaged across the business.

Alex Chisholm
Independent Non-Executive Director and Designated Non-Executive Director for Ofcom Engagement

Board composition, succession and evaluation continued
Nominations Committee Chair's report

This year, we've recruited new Non-Executive Directors, including our Designated Non-Executive Director for Ofcom Engagement. I look forward to working with our newest Board members as we drive our long-term strategy to become the UK's most trusted connector for all our stakeholders.

Adam Crozier
Chair of the Nominations Committee
22 May 2025

Committee role

The Committee is responsible on behalf of the Board for reviewing:
- the structure, size and composition of the Board and its Committees to ensure an appropriate balance of skills, experience, diversity, independence and knowledge
- succession planning for the Board and recommending the appointment of Executive and Non-Executive Directors and the Chairman
- succession planning and performance of the Executive Committee.

The Committee's key responsibilities are set out in its terms of reference available at **bt.com/governance**

Committee membership and attendance

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

The Chief Executive and Chief People & Culture Officer attend meetings as invitees, where appropriate. Committee members and attendees do not attend discussions where any conflict exists.

During the year, the Committee held four scheduled meetings and three ad hoc meetings. After each meeting, I report back to the Board on the Committee's activities, the main matters discussed and highlight any matters of particular relevance.

Meetings attended

Adam Crozier (Chair)	4/4	Matthew Key	4/4
Ruth Cairnie	4/4	Raphael Kübler[c]	3/4
Maggie Chan Jones	4/4	Tushar Morzaria[d]	1/3
Alex Chisholm[a]	2/2	Rima Qureshi[e]	0/0
Steven Guggenheimer	4/4	Sara Weller	4/4
Isabel Hudson[b]	1/1		

a Alex joined the Board and this Committee on 16 September 2024.
b Isabel stepped down from the Board and this Committee at the conclusion of the AGM on 11 July 2024.
c Raphael sent his apologies for the September meeting due to a pre-existing commitment.
d Tushar joined the Board and this Committee on 7 May 2024 and sent his apologies for the September and December meetings due to pre-existing commitments.
e Rima joined the Board and this Committee on 2 March 2025. There were no Committee meetings between Rima's appointment date and the year end.

Details on the FY25 Board and Committee evaluation can be found on page 86

Non-Executive Director appointments

The Committee spent considerable time during FY25 regularly reviewing and updating the Board and Committee succession plans to ensure that Board and Committee members have the required skills and experience to support future progress. Russell Reynolds Associates (Russell Reynolds), an independent external search consultant, who has no other connection to BT Group, and who is a signatory of the Voluntary Code of Conduct for Executive Search Firms, was engaged to assist with the search for new Non-Executive Directors.

The Committee recognised that given the changes to the Board over the last few years and the refreshed group strategy, the searches were predominantly for candidates with regulatory, business and telco expertise. As in all searches, diversity continued to be a key consideration. Russell Reynolds was tasked with enabling us to make appointments that meet the aims and goals of our Board Diversity and Inclusion Policy, related goals and succession planning. Russell Reynolds prepared a longlist of candidates which comprised a diverse range of candidates, including women and those from ethnic minority backgrounds.

The Committee agreed a shortlist of candidates who were formally approached by Russell Reynolds. Further to a comprehensive assessment and interview process which included meeting a selection of the Non-Executive Directors, feedback was discussed by the Committee at each stage to review candidates based on the criteria and brief.

The Committee identified Alex Chisholm as an accomplished civil servant, with a wealth of regulatory, government and business expertise that would bring invaluable perspective to the Board and support compliance with the Commitments. On the Committee's recommendation, the Board approved Alex's appointment as an Independent Non-Executive Director and our Designated Non-Executive Director for Ofcom Engagement and as a member of the *Audit & Risk*, *Nominations* and *Responsible Business Committees* with effect from 16 September 2024. Given Alex's previous role in the Cabinet Office, the necessary approval was sought from the Government's Advisory Committee on Business Appointments which set a number of conditions which seek to protect the integrity of the Government. The Committee considered and accepted these conditions.

The Committee further identified Rima Qureshi, who holds extensive operational, strategic and telecommunications industry expertise gained from her time at both Verizon Communications and Ericsson. On the Committee's recommendation, the Board approved Rima's appointment as an Independent Non-Executive Director and as a member of the *Audit & Risk*, *Nominations* and *Responsible Business Committees* with effect from 2 March 2025. It was recognised that Rima's previous executive role at Verizon could lead to a potential conflict of interest with her role at BT Group and therefore an information sharing protocol has been put in place between Verizon and BT Group to manage such conflicts.

The Committee is confident that Alex and Rima will add a significant breadth of experience and diversity of expertise and thought to the Board, and both will be key in supporting BT Group's broad agenda of strategic priorities.

Executive Committee succession planning and talent

Throughout the year, the Committee reviewed:

- The performance and succession planning of *Executive Committee* members. The Committee discussed with the Chief Executive a suitable candidate for the Chief Strategy & Change Officer role. Given the shift in the group's strategy and key priorities, the Committee considered the impact of the different options on the organisation and its stakeholders, and which candidate would best support this. The Committee approved the appointment of Tom Meakin as the Chief Strategy & Change Officer with effect from 1 November 2024, noting the strong work he had already done in his interim capacity. The Committee also discussed the succession of the CEO, Consumer and CEO, Business roles. After an extensive search and comprehensive assessment, the Committee approved the appointment of Claire Gillies as CEO, Consumer and Jon James as CEO, Business both with effect from 1 April 2025. The Committee continues to focus on broader *Executive Committee* succession planning, including oversight of the talent pipeline with a focus on diversity.
- Key talent at the senior leadership level. The Committee reflected on the importance of identifying critical roles and building stronger and broader diversity of experience, gender and ethnicity, as well as commercial, technology and transformation capabilities, both through potential external candidates and through our internal talent pipeline.
- External appointments of *Executive Committee* members, in line with our policy on external interests for *Executive Committee* members (including Executive Directors) and the CEO, Openreach. Under this policy, proposed external directorships and other significant external interests must not:
  - be to an organisation that is a BT Group competitor/major supplier to BT Group
  - create a conflict of interest for the individual with their role at BT Group
  - involve significant amounts of BT Group working hours
  - impede the ability of the individual to perform their BT Group role
  - involve disproportionate incentives or remuneration, with reference to the time commitment of the role. Any fees or other incentives arising from such appointments may be retained by the individual, subject to the amount being proportionate.

Time commitment

On accepting their appointment, new directors must confirm they are able to allocate sufficient time to discharge their responsibilities effectively. Directors are expected to attend meetings of the Board and any Committees of which they are members, as well as the AGM and Board off-sites. Directors are also expected to devote sufficient time to prepare for each meeting and to participate in other site or office visits to understand the business better. Before accepting new external appointments, directors are required to obtain the prior approval of the Board.

Before recommending the Board approve the appointment of Alex Chisholm and Rima Qureshi as Independent Non-Executive Directors, the Committee considered their other commitments, notably Alex's role as Non-Executive Chair of EDF Energy and Rima's roles as Non-Executive Director of MasterCard and Loblaw Companies Limited. The Committee concluded that their time commitments were reasonable and were comfortable that their current roles would not be detrimental to their ability to perform their duties as Independent Non-Executive Directors of BT Group. The overboarding guidelines published by proxy agencies were also considered by the Committee when making their recommendations.

The Committee considers any external appointments in line with the time commitment required for BT Group and the proposed external role. During the year, the Committee thoroughly considered and on its recommendation the Board approved:

- Ruth Cairnie's appointment to the Boards of the Confederation of British Industry in September 2024 and Serendipity Capital Holdings Limited in November 2024
- Alex Chisholm's appointment as a senior advisor to Boston Consulting Group in November 2024
- Allison Kirkby's appointment, on behalf of EE Limited, to the Board of GSMA in January 2025, as an adviser to the UK Government's Board of Trade and senior advisor to Brookfield Asset Management's Infrastructure Division in March 2025. Allison stepped down as a Non-Executive Director and member of the Audit Committee of Brookfield Asset Management Limited in March 2025. The Committee reviewed the time commitment and considered it to be reasonable and was comfortable that Allison's appointments would not affect her ability to dedicate sufficient time to the group in her role as Chief Executive.

On balance, the Committee and the Board felt all appointments would not be detrimental to their ability to perform their duties as directors of BT Group or represent a conflict of interest.

Election and re-election of directors

The Committee considered, in respect of each director, their skills and experience, time commitment and tenure as part of its recommendation to the Board in relation to the directors put forward for election or re-election at the 2025 AGM. The Board believes that each director it has recommended to shareholders for election or re-election at the 2025 AGM brings considerable knowledge, wide-ranging skills and experience to the Board, makes an effective and valuable contribution and continues to demonstrate commitment to their role.

On the Committee's recommendation, the Board also considered the continued independence of Non-Executive Directors as part of its consideration of the re-election recommendations. The Board continues to consider all Non-Executive Directors as being independent in line with the Code, with the exception of Raphael Kübler who was appointed at the nomination of Deutsche Telekom. The Chairman was judged to be independent at the time of his appointment.

Details of directors' contracts or letters of appointment are in the **Annual remuneration report** on page 119

Training and development

The Chairman and the Company Secretary keep the training and development needs of directors under review. Non-Executive Directors regularly meet with management, enhancing their understanding of the business through briefing sessions. We encourage all directors to keep their skills and knowledge up to date and to ask for any support they need. As part of ongoing development, the Company Secretary (or her delegate) briefs the Board and its Committees at each meeting, as relevant, on any key legal, regulatory and corporate governance developments. During the year, these briefings included updates on the updated Code, UK Listing Rules, Stewardship Code consultation, institutional investor guidelines, the FTSE Women Leaders Review, the Parker Review and other governance publications.

Directors are updated as required on developments in the environment in which the group operates and internal and external advisers are invited to meetings to provide updates as necessary.

Board composition, succession and evaluation continued
Nominations Committee Chair's report continued

Openreach Limited Board succession

The Committee has a responsibility to consider changes to the Openreach Limited Board and recommend any changes to the BT Group Board for approval. During the year, the Committee noted that the Openreach Chair and Openreach Non-Executive Directors continue to satisfy the independence criteria and should continue in their roles.

Inclusion and wellbeing

During the year we reviewed and updated our Board Diversity and Inclusion Policy to reflect best practice and ensure continued alignment with the Code and regulatory requirements.

The Board Diversity and Inclusion Policy sets out our approach to the diversity of the Board and our aim to have a well-balanced Board with the appropriate skills, knowledge, experience and diversity to meet our business needs and support our strategic aim of building the strongest foundations (see **bt.com/governance**).

The updated Board Diversity and Inclusion Policy continues to ensure we:
- apply an inclusion lens to all our decision-making processes
- monitor the impact of our decisions on diverse populations
- value and communicate the benefits that difference brings and are unapologetic in our pursuit of a diverse workforce at all levels
- actively seek out opportunities across the business to enhance and strengthen our approach to inclusion.

We appoint candidates based on merit and continue to challenge our external search consultants to ensure that all forms of diversity are considered when drawing up candidate lists. This is a key consideration for our searches.

We consider diversity in the broadest sense, including age, gender, nationality, independence, professional, social and ethnic backgrounds, business and geographic experience, as well as cognitive and personal strengths. These characteristics are considered in reviewing the composition of the Board and succession planning, and where possible, appropriately balanced. We believe a key driver in delivering our diversity commitments across the organisation begins with a Board which has this balance of skills, experience, diversity and knowledge.

We are proud to have a Board which is diverse and as at 31 March 2025, five of our 12 Board directors were female (42%), four directors were from an ethnic minority background (33%), and one director has a disability (8%). These percentages meet the goals set in the FTSE Women Leaders Review and Parker Review, as well as the goals we set ourselves in our Board Diversity and Inclusion Policy.

Further, our Board reflects our commitment to gender diversity in senior board positions and meets the FCA's goals on board diversity as set out in the UK Listing Rules to have female representation in at least one of the four senior board positions; Chair, Chief Executive, Senior Independent Director or Chief Financial Officer. Allison Kirkby is our Chief Executive and Ruth Cairnie is our Senior Independent Director.

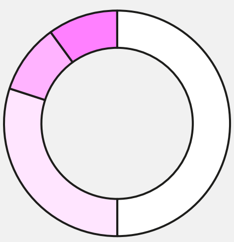
Details of the group's approach to inclusion and wellbeing, including its objectives, implementation and progress can be found on pages 24 to 27.

Diversity as at 31 March 2025

	BT Group plc Board	Senior positions on the Board (CEO, CFO, SID and Chair)	Executive management (*Executive Committee*, including the Executive Directors and the CEO, Openreach)
Gender			
Men	7 (58.3%)	2	6 (66.7%)
Women	5 (41.7%)	2	3 (33.3%)
Ethnicity			
White British or other White[a]	8 (66.7%)	4	8 (88.9%)
Mixed/multiple ethnic groups	1 (8.3%)	0	1 (11.1%)
Asian/Asian British	3 (25%)	0	0 (0%)
Black/African/Caribbean/Black British	0 (0%)	0	0 (0%)
Other ethnic group	0 (0%)	0	0 (0%)
Disability	1 (8.3%)		1 (11.1%)
Senior management[b]			
Men	47 (59%)		
Women	32 (41%)		

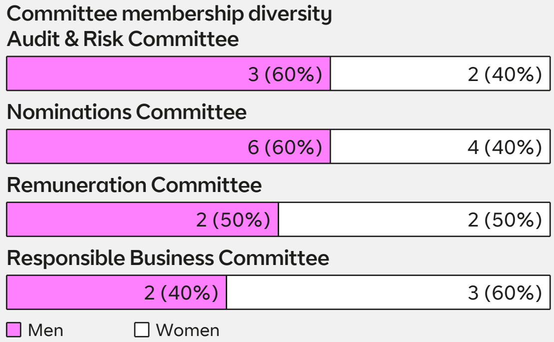
a This includes minority-white groups.
b This includes the *Executive Committee*, the Company Secretary and CEO, Openreach and their direct reports (excluding the Executive Directors).

Chairman and Non-Executive Directors' tenure



0-2 years	5 (50%)
2-4 years	3 (30%)
4-6 years	1 (10%)
6-8 years	1 (10%)
8+ years	0

Committee membership diversity



Audit, risk and internal control
Audit & Risk Committee Chair's report

This year the Committee continued to focus on the group's risk, control and assurance framework and spent time reviewing financial reporting, internal and external audit and related matters. The Committee also took on additional responsibilities to oversee regulatory compliance with the Commitments.

Matthew Key
Chair of the Audit & Risk Committee
22 May 2025

Committee role

The Committee is responsible on behalf of the Board for:
- monitoring the integrity of the financial statements and overseeing the financial reporting process
- reviewing the effectiveness of the group's systems of risk management and internal control
- reviewing the effectiveness of the internal audit function
- approving the appointment, reappointment, and remuneration of the external auditor, as well as the terms of engagement and provision of any non-audit services
- overseeing the external auditor's independence and effectiveness
- monitoring the effectiveness of the Speak Up whistleblowing service and compliance activities
- overseeing compliance with the Commitments made as part of the 2017 Digital Communications Review (DCR) with Ofcom and the Governance Protocol.

The Committee's key responsibilities are set out in its terms of reference available at **bt.com/governance**

Committee membership and attendance

The Committee members are all Independent Non-Executive Directors with a range of skills and the Committee as a whole has experience relevant to the telecoms sector. Both Tushar Morzaria and I have recent and relevant business and financial experience, in line with the Code and Disclosure Guidance and Transparency Rules 7.1.1AR, as set out in our biographies. The Committee acts independently of management. The Deputy Company Secretary is secretary to the Committee and he, or his delegate, attends all meetings and provides guidance, advice and support as required.

The Chairman, Chief Executive, Chief Financial Officer, and General Counsel, Company Secretary & Director Regulatory Affairs and KPMG attend meetings as invitees. Other regular meeting attendees are the Director of External Reporting and Financial Control, Director of Group Internal Audit & Group Risk, Director Regulatory Affairs, Legal Director Competition and Regulatory Law, Legal Director Compliance and Litigation, and the Openreach Audit, Risk & Compliance Committee Chair.

During the year, the Committee held six scheduled meetings. Private Committee sessions with the Non-Executive Directors and the internal and external audit teams were held at the start of Committee meetings without management being present. The external auditor was not present at meetings when their appointment, performance and/or their remuneration was discussed.

Ahead of each Committee meeting I met with the KPMG lead audit partner and separately with management to discuss specific items of focus to report back to the Committee. After each meeting, I report back to the Board on the Committee's activities, the main matters discussed and highlight any matters of particular relevance. In addition, the Board received copies of the Committee's meeting papers and minutes.

Meetings attended

Matthew Key (Chair)	6/6	Tushar Morzaria[b]	4/5
Ruth Cairnie	6/6	Rima Qureshi[c]	0/0
Alex Chisholm[a]	3/3	Sara Weller[d]	5/5

a Alex joined the Board and this Committee on 16 September 2024.
b Tushar joined the Board and this Committee on 7 May 2024 and sent his apologies for the September meeting due to a pre-existing commitment.
c Rima joined the Board and this Committee on 2 March 2025. There were no Committee meetings between Rima's appointment date and the year end.
d Sara stepped down from this Committee on 5 November 2024.

Details on the FY25 Board and Committee evaluation can be found on page 86

Audit, risk and internal control continued
Audit & Risk Committee Chair's report continued

Overview of the year

Focus areas	Considered by the Committee					
	2024 Apr	May	Jul	Sep	Nov	2025 Jan
Financial reporting						
– Results, trading updates and key accounting judgements	■	■	■		■	■
– Corporate income tax accounting	■					
– Pensions accounting and risks	■			■		
– Annual Report	■	■				
– Going concern assessment		■			■	
– Viability statement		■				
– Internal controls over financial reporting		■	■			
– Regulatory financial statements			■			
External audit						
– External audit report	■	■		■	■	■
– Audit and non-audit fees		■	■		■	
– External auditor effectiveness		■	■			
– External audit plan			■			
– External auditor independence and recommendation to reappoint		■				
Group internal audit and group risk						
– Group internal audit report		■	■		■	■
– Internal audit charter		■				
– Internal audit annual plan	■					
– Internal audit actions update				■		
– Group risk review				■		■
– Group and unit risk reports	■	■	■	■	■	■
– Global internal audit standards update	■					
Commitments compliance and key regulatory matters						
– Reputational and Ofcom matters			■		■	■
– Openreach Board Audit, Risk & Compliance Committee Chair report and Commitments compliance report			■		■	■
– Commitments and Governance Protocol monitoring and compliance report			■		■	■
Other items						
– Litigation and major contentious matters update	■	■	■		■	■
– UK Corporate Governance Code 2024 – Risk and internal controls reporting preparations	■	■	■		■	
– Terms of reference review	■					
– Committee evaluation	■					
– Ethics and compliance report		■	■		■	■
– "Three together, two wherever" principles analysis		■				

Financial reporting

During the year the Committee considered the full and half year results and the Q1 and Q3 trading updates, as well as the quality of accounting policies and practices and critical accounting estimates and judgements.

The Committee considered and was satisfied with:
- the processes supporting the preparation and consolidation of the **financial statements**, including the consistent application of the accounting policies and the ongoing verification by management and the external auditor
- management's accounting judgements and the appropriate application of the accounting policies with a potential focus on material matters and areas of significant judgement, having also discussed these with the external auditor.

The Committee exercised its judgement when considering the **financial statements** and recommended approval by the Board of each of the full and half year results, Q1 and Q3 trading updates and the Annual Report.

Commitments compliance

From 1 April 2024, following the disbanding of the *BT Compliance Committee*, the Committee's remit expanded to include oversight of the group's compliance with the Commitments made as part of the 2017 DCR with Ofcom. During the year, the Committee has scrutinised the behaviour of BT Group, including Openreach, to ensure it remains focused on living up to both the letter and spirit of the Commitments and the Governance Protocol. Regular reports are submitted to the Committee, outlining the outcomes of compliance reviews, any potential breaches and, where appropriate, remedial actions. The Committee is asked to review the circumstances around any potential breach and agree the severity of the breach. Breaches continue to remain at a low level across the group. In addition, the Designated Non-Executive Director for Ofcom Engagement, Alex Chisholm, has met with representatives from Ofcom to engage on Commitments compliance matters and ongoing regulatory developments. Quarterly meetings are scheduled with Ofcom and Alex reports back to the Committee, with any key updates included in my Committee update to the subsequent Board meeting.

Fair, balanced and understandable

In May 2025, the Committee reviewed the Annual Report 2025, having provided feedback on earlier drafts. The Committee concluded that the Annual Report taken as a whole was fair, balanced and understandable and provided the information necessary for shareholders to assess the group's position, performance, business model and strategy, and the potential impact on forward-looking assumptions supporting the going concern and viability assessments.

In its assessment, the Committee considered that the following had been carried out and this formed the basis of its recommendation to the Board:
- a verification process covering the factual content performed by the internal audit team
- comprehensive reviews by different levels of management, including the *Executive Committee*, to consider the messaging and ensure consistency and overall balance
- independent reviews by the external auditor which did not highlight any material inconsistencies.

Ethics and compliance

The Committee reviewed quarterly reports on our ethics and compliance activity, including an assessment on whether we are within our risk appetite in relation to each of international trade compliance, anti-bribery and corruption, fraud and our Speak Up whistleblowing service.

Speak Up is our confidential whistleblowing service operated by an independent company, available 24 hours a day, in multiple languages, for both written and telephone reports. The Committee ensures that arrangements are in place for the proportionate and independent investigation of these matters via the People, Ethics & Compliance team and relevant subject matter experts.

Significant matters related to the financial statements and how these were addressed:

Group accounting policies, critical and key accounting estimates and significant judgements

The Committee considered the accounting policies and disclosures in the consolidated financial statements regarding critical and key accounting estimates and significant judgements as summarised in note 2 of the **financial statements**. More details on the Committee's oversight of the significant matters are set out below.

Goodwill impairment

The Committee reviewed and discussed the key assumptions and judgements made by management as part of the goodwill impairment review, including the operating cash flow forecasts, the analysis of cash-generating units and the resulting headroom and the sensitivity analysis. The Committee spent time understanding the judgements contained within the forecasts and understanding how balanced the forecasts were. The Committee also considered the impact of planned divestments on the goodwill balance, and the change of basis from a value in use to a fair value methodology.

Business revenue

The Committee considered and discussed the risk of billing inaccuracy and control deficiencies that had been previously identified in the Business CFU in relation to legacy systems and processes. The Committee spent time understanding management's remediation plan, the methodology of determining any potential revenue risk, the root causes, impact on customers and considered the approach of estimating what the potential liability may be. The Committee considered and was satisfied with the estimates for the liability.

Pensions

The Committee considered the assumptions and judgements underlying the valuation of the pension assets and liabilities in the financial statements, as summarised in note 19 to the consolidated **financial statements**. It considered the accounting treatment of the co-investment vehicle, the range of reasonable assumptions and the associated impacts on the balance sheet, income statement and related disclosures. The Committee also reviewed the response to a letter from the FRC's Corporate Reporting Review team on the accounting treatment of our co-investment vehicle with the BT Pension Scheme. The FRC have concluded their review. Further detail is disclosed in note 19 of our **financial statements**.

Sports joint venture (JV)

The Committee reviewed the judgements in relation to the sports JV with Warner Bros. Discovery, Inc., including assessments of the JV business performance, cash flow forecasts and the valuation of BT Group's interest in the JV.

Litigation provisions, contingent liabilities and regulatory provisions

The Committee reviewed contingent liabilities associated with litigation, regulatory items and major contentious matters throughout the year. There has been a noted increase in the value of the gross risk faced by the group in recent years, which is largely as a result of the increasing prevalence of collective proceedings (sometimes known as class actions) in the UK. During the year, the Committee has placed particular focus on understanding and scrutinising legal assessments by the group's external and internal

Audit, risk and internal control continued
Audit & Risk Committee Chair's report continued

legal advisers of the claims that have materialised, to ensure the adequacy of its provisions.

Divestments

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

Going concern assessment

The Committee considered management's forecasts of group cash flows and net debt, as well as the group's liquidity requirements and borrowing facilities, including downside scenarios from the viability model as set out below. Following this review and a discussion of the sensitivities, it confirmed that the going concern basis of accounting continues to be an appropriate basis of preparation for the financial statements and recommended it for approval by the Board. See page 124.

Viability statement

The Committee reviewed the process and assessment of the group's prospects, taking into account the group's current position and principal risks. The Committee also considered the group risks in management's stress testing model, including the review of downside scenarios and a combined 'severe but plausible' scenario where multiple interconnected risks materialise. The Committee was satisfied that the **viability statement** could be provided and recommended it for approval by the Board. See page 72.

Regulatory finance reporting

The Committee supported the processes and systems enhancements that were implemented to ensure that the group met its regulatory reporting obligations.

Other matters

The Committee reviewed specific items quarterly and considered and agreed that they were appropriately categorised. It considered management's view of the quality of earnings, definition of alternative performance measures and of the effective tax rate. It also considered a detailed assessment of provisions, and the Committee was satisfied with the analysis provided in relation to the results. On certain topics, the Committee deep dived into areas where provisions were created to ensure that work was being sufficiently prioritised.

Risk management and internal controls systems

The group has continued to enhance its risk, control and assurance framework to enable the group to be smart with risk and make well-informed decisions. The Committee has overseen ongoing enhancements and simplification of the risk management framework. See pages 54 to 61.

The framework divides the risk landscape into areas of dynamic risks and enduring risks which are managed through our 13 Group Risk Categories (GRCs) covering strategic, financial reporting, operational and compliance risks. The Board monitored the effectiveness of the group's risk management and internal controls through reviews of the GRCs throughout the year. Discussion of the GRCs is split between the Board and this Committee, and I report any key matters from the Committee reviews to the Board.

Each GRC is owned by an *Executive Committee* member who attends the relevant Board or Committee meeting to discuss current and anticipated risk developments and how effectively risks are being managed. Risk appetite was considered and the effectiveness of the controls, mitigation and activities and any areas for improvement were discussed. The Board or Committee robustly assessed both current, specific concerns (point risks) and uncertainties that may materialise in the future (emerging risks). The Board or Committee agreed with management any actions required to manage or mitigate these risks effectively.

Each of the GRCs was discussed throughout the year, with geopolitical and cyber-related risks specifically discussed on multiple occasions at the Board and Committee meetings throughout the year, reflecting the increasing risk in these areas. The discussions centred around our resilience, potential reputational risk and priority areas for the business to address in order to mitigate risk, including updating legacy systems and continuing to engage with Government on key matters.

These activities enable the Committee to confirm that the group's systems of risk management and internal controls have been appropriately reviewed. Where considered necessary, targeted improvements have been planned or agreed in order to continue to transform the control environment and appropriately manage risk.

Throughout the year the Committee also considered the effectiveness of the internal controls systems and preparations underway to report against the updated Code from FY26, with the exception of Provision 29 which will be reported on from FY27. The Committee also considered the FRC's External Audit: Minimum Standard.

Internal audit

Internal audit provides independent, objective and timely assurance to senior management and the Board, through the Committee, over the design and operational effectiveness of key processes and controls that manage the risks across the group.

During the year, the Committee:
– reviewed and approved the group internal audit plan, ensuring it aligned to the risks within the business
– reviewed the internal audit charter, which sets out internal audit's objectives, authority, rights of access, reporting lines, role and scope, and independence
– considered quarterly reports on internal audit's activities and progress made against the internal audit plan, enabling the Committee to monitor delivery of the internal audit plan
– discussed, with management, all internal audit reports where controls were assessed as 'inadequate' and the action plans in place to address these. Actions were tracked and the Committee spent time discussing the progress made in closing down overdue actions, as well as the reasons they remained open.

In FY24, an internal audit effectiveness review was completed by the Director of Group Internal Audit & Group Risk with support from a third party. At that time, actions were agreed and the internal audit function have continued to implement these actions. In May 2025, the Committee carried out its annual assessment of the performance of the internal audit function, including reviewing its activities, resources, organisational structure, objectivity and operational effectiveness. The Committee concluded that the function remains effective and continues to add value in the context of the group's overall assurance framework.

External audit

The Committee is responsible for making recommendations to the Board on the reappointment of the external auditor, reviewing their effectiveness, determining their independence from the group and its management, and agreeing the scope and fee for the audit. The Committee concluded that the reappointment of KPMG should be recommended to shareholders at the 2025 AGM.

Following the audit tender in FY17, KPMG was appointed as BT Group's external auditor from the conclusion of the 2018 AGM. The FY25 audit is KPMG's seventh audit of BT Group. BT Group confirms that it complies with the EU Regulation on Audit Reform and the Competition and Market Authority's Statutory Audit Services Order with regard to mandatory auditor rotation and tendering. Jon Mills has been the KPMG lead audit partner since the start of FY24. The Committee is preparing for a lead audit partner change and the Committee and management have had exposure to potential candidates throughout the year. During the year, I have met with the KPMG engagement partner to discuss the quality of the audit and lead audit partner candidates.

During the year, the Committee:
- considered and approved the proposed external audit fees for the year ended 31 March 2025 and the recurring audit fee for the regulatory financial statements and the interim review fee (see page 166)
- reviewed with the external auditor, the scope of work, audit plan and strategy for FY25
- approved the engagement letter of the external auditor
- recommended approval by the Board of management's letters of representation
- reviewed rules around auditor rotation, and the expected timing for the next tender.

As part of my role as the Committee Chair, I informed the Board of the outcome of the external audit within my year end report to the Board.

Independence and non-audit services

The Committee discussed the external auditor's independence and potential areas that could give rise to a conflict of interest and considered the safeguards in place to prevent compromising their independence and objectivity. In particular, BT Group's provision of network and mobile services to KPMG UK was considered, and it was confirmed that the provision of these services is not material from an independence perspective.

BT Group's Non-Audit Services Policy is reviewed by the Committee as appropriate and sets out the non-audit services that can be provided by the external auditor, in line with the latest ethical standards. The external auditor is not permitted to perform any work which they may later be required to audit, or which might affect their objectivity and independence, or create a conflict of interest. Internal procedures describe the approval process for work performed by the external auditor, and the Committee monitored compliance with these in relation to KPMG, considering the business relationships, level and appropriateness of non-audit services and fees. The Committee will continue to keep under review BT Group's Non-Audit Services Policy which can be found at **bt.com/governance**

The Committee reviewed the information from KPMG on the arrangements it has in place to safeguard its independence and objectivity, which are consistent with the ethical standards published by the FRC, including specific safeguards where they provide permissible non-audit services. The nature of the non-audit services provided by KPMG are described in note 8 to the consolidated **financial statements** on page 161. These services were required by law or regulation to be carried out by an appointed auditor, or represented services that support us to fulfil obligations required by law or regulation, contractual requirements, or represented areas of assurance work where it was materially more efficient for the external auditor to be engaged, as opposed to another third party due to the work completed in relation to the audit. These were permitted to be performed by the external auditor under the Revised Ethical Standard 2019.

Audit related assurance services, as well as any approved non-audit services performed by KPMG, are considered a low threat to auditor independence. Non-audit services are predominantly made up of audit-related assurance services, such as the audit of the regulatory financial statements, the interim review and providing comfort letters for bond issuances. This work falls within the scope of limited permissible services, which are closely related to existing audit work that KPMG provides. Therefore, the proportion of 'other non-audit services' to 'total services' carried out by the external auditor is considered the most suitable measure of the non-audit services provided. These represented 0.1% of the total fees (FY24: 0.1%).

External auditor effectiveness and quality

Scope

The Committee assesses the effectiveness of the external audit process and the qualifications, expertise, resources, independence and objectivity of the external auditor, including the nature and extent of non-audit services throughout the year, focusing on:
- the quality of the audit and the financial reporting process, including how effective the external auditor is at identifying and addressing matters that could compromise the quality of BT Group's reporting
- the service of the external auditor and the relationships with the Committee, key members of management and internal audit
- whether the external auditor has demonstrated professional scepticism
- whether the external auditor has challenged management's assumptions where necessary.

Review process

The Committee reviewed the audit scope throughout the year and received regular reports from KPMG to enable them to assess the quality of the audit work. The Committee interacted with KPMG at meetings, as well as observing the communication and interactions between KPMG, management and internal audit. The Committee reviewed and monitored management's responsiveness to KPMG's request for information, and its findings and recommendations. The Committee Chair also met regularly with the lead audit partner.

During the year, a questionnaire was completed by the Committee members and management to gather their perspectives on the effectiveness and quality of KPMG's work.

Conclusion

In conclusion, the Committee agreed that:
- the external audit contributed to the integrity of the group's financial reporting
- the relationship between KPMG and both the Committee and management continues to be effective
- KPMG demonstrated an appropriate degree of professional scepticism and deployed a team with the required level of skill and expertise to enable an effective audit
- the audit strategy and plan was appropriately scoped, communicated and executed
- KPMG continues to be independent, and recommended to the Board that the reappointment of KPMG, as our external auditor, be put to our shareholders for approval at the 2025 AGM (this was subsequently approved by the Board).

Responsible Business Committee Chair's report

The Committee has continued to provide guidance and challenge as the responsible business strategy evolves and adapts to the changing external landscape. The Committee has also prioritised the integration of the consumer fairness agenda to ensure we support our customers.

Sara Weller
Chair of the Responsible Business Committee
22 May 2025

Committee role

The Committee is responsible on behalf of the Board for:
- agreeing the responsible business strategy for the group
- overseeing the implementation of the BT Group Manifesto including progress on its ambitions under the core pillars of responsible, inclusive and sustainable
- overseeing consumer fairness matters by monitoring whether the group is living up to Ofcom's Fairness for Customers commitments.

The Committee's key responsibilities are set out in its terms of reference available at **bt.com/governance**

Throughout the year the Committee reviewed progress under the Manifesto and provided direction and challenge to the development of a refreshed responsible business strategy, to be introduced during FY26. The Committee has continued to focus on the impact the strategy has on customers, colleagues and other stakeholders.

Committee membership and attendance

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

The Chairman, Chief Executive, Chief People & Culture Officer, Responsible Business Director, Chief Inclusion Officer, CEO Consumer, CEO Business, General Counsel, Company Secretary & Director Regulatory Affairs and Regulatory Affairs Director, Customer attend meetings as invitees.

During the year, the Committee held four scheduled meetings. After each meeting I report back to the Board on the Committee's activities, the main matters discussed and highlight matters of particular relevance. In addition, the Board received copies of the Committee's meeting papers and minutes.

Meetings attended

Sara Weller (Chair)	4/4	Steven Guggenheimer[b]	3/4
Maggie Chan Jones	4/4	Isabel Hudson[c]	1/1
Alex Chisholm[a]	2/2	Rima Qureshi[d]	0/0

a Alex joined the Board and this Committee on 16 September 2024.
b Steven sent his apologies for the April meeting due to a pre-existing commitment.
c Isabel stepped down from the Board and this Committee at the conclusion of the AGM on 11 July 2024.
d Rima joined the Board and this Committee on 2 March 2025. There were no Committee meetings between Rima's appointment date and the year end.

Details on the FY25 Board and Committee evaluation can be found on page 86

Committee focus in FY25

Responsible business strategy
The Committee has continued to focus on how the responsible business strategy is embedded across the group and monitor progress and emerging risks against the Manifesto core pillars of responsible, inclusive and sustainable. More information on the Manifesto can be found on pages 28 to 33.

Responsible: new technology must earn trust and transform life for the better. The Committee:
- debated the impact of children's phone usage and ownership and the role the group plays in supporting customers through measures such as parental controls, online resources and provision of age-related guidance
- endorsed BT Group's Human Rights Policy.

Inclusive: the future of technology must be inclusive and diverse for everyone to benefit. The Committee:
- challenged progress on our digital skills ambition and approved the plans to refresh the responsible business strategy and focus more deeply on digital inclusion, more information can be found on pages 30
- considered the importance of attracting and retaining diverse talent that reflects the customers and the communities that we serve – see pages 22 to 26
- discussed the group's performance in representation and inclusion and challenged the areas of focus in order to raise performance.

Sustainable: technology must accelerate our journey to net zero emissions and a circular world. The Committee:
- reviewed progress on sustainability goals including those forming part of the Restricted Share Plan underpin – see page 100
- with regards to the net zero target, approved changes to update our Scopes 1 and 2 operational carbon target to a 90% absolute reduction by the end of FY31, revising it from an 87% intensity-based target over the same period. More information can be found on page 31
- reviewed and approved the publication of the group's first Climate Transition Plan
- approved changes to the renewable energy procurement strategy to improve the transparency of claims relating to energy consumption and renewables. More information can be found on page 31
- discussed and challenged sustainability plans in Consumer and Business and considered the rollout of the electric vehicle fleet in Openreach
- approved changes to simplify our carbon avoidance target by shifting away from our previous timebound goal, to report on the cumulative enablement impact of our products. This will help simplify our reporting while maintaining our ambition to help customers and society reach net zero.

Consumer fairness
Following the disbanding of the *BT Compliance Committee*, with effect from 1 April 2024 the Committee became responsible for consumer fairness.

During the year, the Committee received an update on consumer fairness matters at each meeting. The Committee:
- considered and approved the Consumer Duty Annual Report and endorsed the creation of a single Consumer Duty programme to respond to key actions and those in parallel areas including accessibility and fairness
- discussed the transition to All IP and the migration of Digital Voice
- discussed and challenged how broadband speeds are communicated to customers
- considered the group's adherence to the consumer fairness principles under Ofcom's Fairness for Customer Commitments.

Regulatory reporting

During the year the Committee received regular updates on the evolving external landscape. The Committee considered the impact of the EU's Corporate Sustainability Reporting Directive and approved the BT Group double materiality analysis which has been carried out to support future reporting requirements and which also guided the refresh of the responsible business strategy.

Stakeholder engagement

The Committee considered the interests and views of key stakeholders and how these are reflected in the group's approach to responsible business. The Committee will continue to focus on engaging with stakeholders in the future when considering key decisions.

BT Sourced

The Committee considered the progress made on our supply chain ambitions, reviewed challenges and discussed future opportunities for positive impact.

Report on directors' remuneration

An important focus for the Committee this year was a review of our Directors' Remuneration Policy to ensure its close alignment with the priorities of our new Chief Executive. We also had a number of decisions to make regarding changes to the Executive Committee. Through all our decisions we have remained acutely aware of the cost pressures many of our colleagues face.

Dame Ruth Cairnie
Chair of the Remuneration Committee
22 May 2025

Contents

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.

The Committee's key responsibilities are set out in its terms of reference available at **bt.com/governance**

Committee membership and attendance

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

The Chairman, Chief Executive, Chief People & Culture Officer, Director of Group Reward and the Executive Remuneration & Policy Director are typically invited to attend meetings. They are not present when 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.

During the year, the Committee held five scheduled meetings and three ad hoc meetings. After each meeting I report back to the Board on the Committee's activities and highlight matters of particular relevance.

Meetings attended

Ruth Cairnie (Chair)	5/5	Tushar Morzaria[b]	3/4
Isabel Hudson[a]	2/2	Sara Weller[c]	1/1
Matthew Key	5/5		

a Isabel stepped down from the Board and this Committee at the conclusion of the AGM on 11 July 2024.
b Tushar joined the Board and this Committee on 7 May 2024 and sent his apologies for the September meeting due to a pre-existing commitment.
c Sara joined this Committee on 5 November 2024.

On behalf of the Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 March 2025. This report describes the Committee's activities during the year, and remuneration outcomes for FY25. It also outlines the revised Directors' Remuneration Policy, which we're proposing for shareholder approval at the AGM in July 2025, and its planned implementation in FY26.

Performance and executive remuneration outcomes for FY25

FY25 annual bonus

For FY25, annual bonus performance was based on a scorecard of five key financial and non-financial measures which aligned with our strategic priorities for the year. Financial performance accounted for 70% of the bonus scorecard and comprised the following measures:

- **Adjusted EBITDA (35%)** – despite a challenging economic environment, we exceeded threshold and delivered £8.2bn EBITDA, in line with our guidance for the year.
- **Normalised free cash flow (NFCF) (35%)** – management of free cash flow remains strong, and we delivered NFCF of £1.6bn, in excess of this year's guidance. However, the Committee exercised its discretion to cap the NFCF outcome at target, as a better reflection of in-year underlying cash performance.

Our non-financial measures accounted for the remaining 30% of the scorecard as follows:

- **Net Promoter Score (NPS) (20%)** – during the year, we saw improvements in our NPS scores across all segments, most notably in Openreach. Group NPS exceeded target in three of four quarters, with the overall result for the year landing between target and stretch.
- **Inclusion and wellbeing:**
  - **Representation in senior management team (5%)** – as in prior years, we set ambitious and stretching goals for improving diverse representation across BT Group, and specifically within our senior management team, reflecting our commitment to embedding inclusion in our culture. Although we made some progress on representation of disabled and ethnic minority colleagues, we failed to meet our goals on gender. As a result, the outcome was between threshold and target for the year.
  - **Inclusion index (5%)** – this metric aims to close the gap in inclusion sentiment across certain key under-represented groups, measured across each of our Your Say quarterly employee engagement surveys. Although threshold was missed in three of four quarters, our Q4 survey returned a result between threshold and target, a significant improvement from 5.0% to 2.9% year-on-year, resulting in a small payout under this element.

Further detail on the FY25 annual bonus scorecard can be found on page 113.

The overall formulaic outcome of the bonus scorecard was 91.5% of target, and 54.8% of maximum. The Committee considered the result in the context of wider business performance and agreed that the outcome, including the NFCF adjustment, was fair and reasonable and that no further discretion needed to be exercised.

Allison and Simon will therefore be awarded bonuses of £1,207,800 and £886,342 respectively, of which half will be deferred into shares for three years.

Vesting of the 2022 Restricted Share Plan (RSP) awards

The Committee carried out an assessment of the two underpins applying to the 2022 RSP awards (relating to ROCE performance and ESG/reputational damage) and determined that performance was satisfactory in both cases.

All three tranches of the 2022 RSP awards will therefore vest in full in June 2025, 2026 and 2027 respectively. Tranches one and two remain subject to a holding requirement until June 2027.

More detail on the vesting of the 2022 RSP award can be found on page 113.

Review of the Directors' Remuneration Policy (Policy)

Our Policy was last approved by shareholders at the 2023 AGM with a vote of over 98% in support. Although not due to be renewed until 2026, the Committee deemed it appropriate to conduct a comprehensive review of our remuneration arrangements following the appointment of Allison Kirkby as our new Chief Executive in February 2024. The aim of the review was to ensure that our Policy fully supports our strategic priorities, and Allison's vision for a renewed BT Group as a more focused, simpler and customer-centric business.

For the most part, the Committee was satisfied that the existing framework remains fit for purpose, having made significant structural adjustments to the Policy in 2020. Although no material changes are proposed, we are recommending some minor adjustments to the framework and the implementation of our Policy to simplify our approach while maximising perceived value for participants and to increase focus on the successful delivery of our critical transformation programmes.

During this process, we engaged with key shareholders comprising almost 60% of our share register, and we're grateful for the feedback received as we developed our proposals.

Annual bonus

No changes are proposed to bonus opportunity: on-target and maximum will remain at 120% and 200% of salary respectively.

Our Share Ownership Requirement (SOR) for Executive Directors is 500% of salary, which is above the upper quartile for the FTSE 100, encouraging our executives to build up and maintain a meaningful stake in the business, aligning their interest with our shareholders. We're proposing to remove the requirement to defer bonus awards once the individual has met their SOR as we consider that other features of the framework already provide sufficient alignment, including the above-market SOR and RSP holding period. Where an individual has not met their SOR, the deferral requirement will remain as is. This change will result in a simpler structure and maximise the perceived value of our annual bonus plan without increasing quantum, while ensuring that our offering remains market competitive.

Long-term incentives (LTIs)

The Committee considered whether the RSP remains the right long-term incentive vehicle for the coming year. We believe that, in the future, a performance-based LTI will be the right tool to incentivise and reward our senior management colleagues, and drive better outcomes for the business and its stakeholders. However, the primary rationale for introducing the RSP in 2020, namely that BT Group was in a period of intense transformation with a once-in-a-generation investment into building our FTTP network and simplifying our digital estate, and that our incentives should support the right management behaviours through this transformation, still holds. Despite the successful build progress made so far, this remains our number one priority as we work towards reaching 25 million premises with our fibre network by the end of next year. As a result, we've concluded that the time is not yet right to revert to a performance-based plan.

Report on directors' remuneration continued

However, from 2025 onwards, we're proposing to amend the vesting schedule for new RSP awards such that they vest in a single tranche after three years, which is simpler and aligns with our approach for the rest of senior management. A two-year post-vesting holding period will continue to apply, which extends the total award period to five years, and ensures continued long-term alignment with our shareholders. As with the removal of deferral, this will help to increase the perceived value and competitiveness of our Policy, without increasing quantum.

No other changes to the Policy are proposed. The proposed Policy is set out in full on pages 102 to 111.

Implementation of the Policy in FY26

2025 salary review

The measures outlined in the Chancellor's Autumn Statement, including changes to the National Living Wage and Employers' National Insurance thresholds, had a material and unforeseen impact on our people costs. This, in the context of a challenging trading environment, has limited the budget available for this year's pay review. As in prior years, we felt it important that we focused the available budget to deliver a meaningful salary increase to our lower-paid, frontline colleagues, as well as ensuring our people are paid as competitively as possible. Given the limited budget, Allison and Simon agreed with the Committee that they would not be eligible for an annual salary increase for FY26.

Revised annual bonus scorecard

Having agreed the minor changes to the structure of our Policy described above, the Committee also considered in detail how the annual bonus scorecard could best support our strategy for the coming year. For FY26, we have introduced a single refreshed annual bonus scorecard for the top c.500 leaders across BT Group (excluding Openreach due to the Commitments with Ofcom), including our Executive Directors. This replaces individual business scorecards for many of these senior leaders and will ensure they are aligned on delivering a single set of Group-wide financial and strategic objectives, which will hold leaders more accountable for the collective delivery of our transformation agenda. Our other bonus-eligible colleagues (c.35,000) will participant in a separate, simplified bonus plan, bringing increased focus on their personal performance and the impact they have on BT Group's success.

The revised leadership scorecard is as follows:

Category	Measure	Weighting
Financial	Adjusted EBITDA	27.5%
	Normalised free cash flow	27.5%
	Adjusted service revenue	15.0%
Transformation scorecard	Net Promoter Score (NPS)	10.0%
	Strategic networks and platforms:	
	Reduction in units on legacy networks	2.5%
	Reduction in number of applications	2.5%
	Sales & service transformation:	
	Digital channel share	5.0%
	Customer time on service issues	5.0%
	Colleague engagement index	5.0%

Financial metrics

Financial measures will continue to account for 70% of the bonus scorecard. For FY26, alongside adjusted EBITDA and normalised free cash flow, we've introduced Group service revenue.

As the benefits of our transformation materialise, a strong focus on revenue will support our return to sustainable growth. This is particularly the case for service revenue as it will ensure leaders focus on generating sustainable, high-margin revenue from strategic products and services.

Transformation metrics

The remaining 30% of the bonus scorecard will remain a transformation scorecard as in previous years. For FY26, we're introducing some new measurable and output-focused metrics which are designed to incentivise our leaders to deliver collectively on our transformation strategy.

These metrics capture some of our key priorities for the year: moving from our legacy systems to modern, reliable products; and transforming the customer journey. These have clear benefits for our customers, as well as BT Group. NPS is retained in the scorecard, as the core measure of our customer experience, and this year we're introducing colleague engagement, recognising that our transformation must also include the way in which our people work, and how easy it is to get things done.

Senior management representation and the inclusion index were the people metrics featuring in our previous two annual bonus scorecards, which successfully focused the attention of our leaders and the wider workforce on these important issues. Inclusion is now embedded as a core element of our people strategy, and will continue to receive scrutiny at both management and Board levels. The Committee therefore agreed to remove these metrics from the scorecard given the need to drive increased focus on our wider transformation agenda.

As in prior years, the annual bonus remains subject to a health and safety underpin and, if triggered, the Committee retains the discretion to reduce the payout as it considers appropriate, including to nil.

2025 RSP awards

Subject to the approval of the updated Policy at the 2025 AGM, Allison and Simon will be granted an RSP award of 200% of salary. These awards will vest in a single tranche in June 2028, and will be subject to a two-year holding period until June 2030.

RSP awards will be subject to similar underpins as the 2024 awards, measured over the 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 digital inclusion and sustainability commitments (this could include carbon emissions, carbon abatement and circularity).

Chairman and Non-Executive Director fees

The Chairman and Executive Directors reviewed the fees payable to Non-Executive Directors during the year and concluded that they remain appropriate and market-competitive. As Chairman, Adam Crozier waived his right to receive any increase.

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

Dame Ruth Cairnie
Chair of the Remuneration Committee
22 May 2025

Remuneration at a glance

Remuneration outcomes for FY25

FY25 salary review

Allison Kirkby:
Nil increase

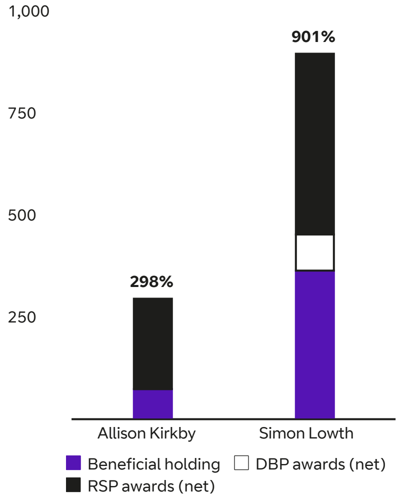
Simon Lowth:
2% increase, in line with minimum increase offered to UK managerial population

2022 RSP

- Both ROCE and ESG underpins confirmed as satisfied
- All three tranches of the 2022 RSP award will vest in June 2025, 2026 and 2027 respectively
- Tranches one and two remain subject to a holding period until June 2027.

Share ownership

Percentage of salary as at 31 March 2025



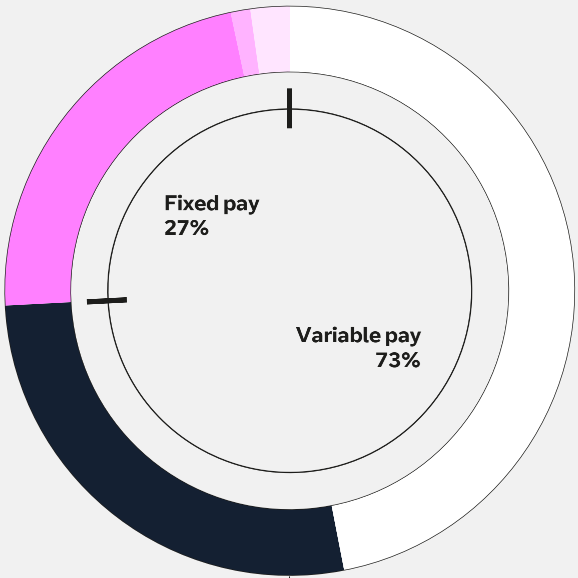
Annual bonus

Measure and % weighting	Outcome (% of target)
Adjusted EBITDA (35%)	88%
Normalised free cash flow (35%)	100%
NPS (20%)	113%
SMT representation (5%)	40%
Inclusion index (5%)	21%
Total bonus outcome: 91.5% of target (54.8% of maximum)	

Remuneration Policy in FY26

Fixed pay (salary, pension & benefits)

- Only a small proportion of pay is fixed; the rest is clearly linked to financial and strategic delivery
- No increase was awarded for FY26.



Restricted Share Plan

- 200% of salary
- Two underpins apply
- Vests after three years; two-year holding period applies.

Annual bonus

- Target 120% of salary
  Maximum 200% of salary
- 50% deferred for three years; bonus deferral disapplied if share ownership requirement is met.

Link between pay and strategy

A new One BT annual bonus scorecard reflecting our strategic priorities and increased accountability for delivery of our transformation:

Adjusted EBITDA (27.5%)	Normalised free cash flow (27.5%)	Service revenue (15%)	NPS (10%)	Transformation scorecard (20%)

Build the strongest foundations: core financial metrics underpin our future success; the introduction of service revenue to drive focus on long-term sustainable revenue.

Connect our customers and society for good, delivering standout customer experience.

Accelerate our transformation: speeding up our transition to the best new products and networks, improving the way we support our customers and get things done – delivering tangible improvements for our customers and our colleagues.

Directors' Remuneration Policy (Policy)

Directors' Remuneration Policy (Policy)

This section sets out the Remuneration Policy of Executive Directors, Chair of the Board and Non-Executive Directors which will be put forward for shareholder approval at the AGM on 10 July 2025. If approved, the Policy will take effect from this date for a period of up to three years.

A review of the Policy during FY25 concluded that it remains largely fit for purpose. As a result, this revised Policy is in the main part unchanged from that which was approved by shareholders in 2023; a few minor adjustments, designed to simplify our approach while maximising perceived value for participants, have been made. The changes are as follows:

1. Removal of mandatory bonus deferral, providing the minimum Share Ownership Requirement (SOR) has been met. This change will simplify the annual bonus structure, with strong shareholder alignment maintained through existing shareholding guidelines.
2. Changing the normal vesting schedule for Restricted Share Plan awards from phased vesting over three, four and five years, to vesting after three years only. A two-year post-vesting holding period will continue to apply. This change simplifies the overall structure while ensuring that the overall five-year time horizon remains, to support alignment with shareholders and sustainable long-term decision making.

Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity.

Overall, 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 managements' interest with shareholders. The Committee believes that the Policy and practices comply fully with Provision 40 of the 2018 UK Corporate Governance Code, as follows:

Clarity – Our remuneration frameworks are designed to be transparent, and consistent across our management population.

Simplicity – The annual bonus provides alignment with in-year strategic priorities, while the RSP provides consistent reward and alignment with shareholders through a period of intense long-term investment.

Risk – Our incentives align with the group's risk management framework, shareholding requirements (and mandatory bonus deferral up until these have been met), holding periods, a malus and clawback policy, and *Remuneration Committee* discretion to adjust outcomes.

Predictability – The long-term RSP ensures a narrower, more predictable range of reward and performance outcomes, reflecting the tightly regulated environment in which we operate, as we undergo significant investment.

Proportionality – Our Executive Directors' remuneration aligns with group performance and strategic progress, with competitive target compensation levels necessary to attract and retain executives.

Alignment – The *Remuneration Committee* considers BT Group's values when assessing performance, receives regular updates on wider workforce remuneration practices, encourages colleague feedback via the Designated Non-Executive Director for Workforce Engagement, and promotes employee shareholding through all-employee share plans.

Details on how the Policy will be implemented in FY26 are provided on page 100.

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.

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 and experience
- 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. The Committee may introduce other benefits if it is considered appropriate to do so. Where Executive Directors are required to relocate, the *Remuneration Committee* may provide one-off or ongoing relocation benefits, and additional 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 about the directors' and officers' liability insurance and indemnity are set out on page 124.

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;
- the circumstances of the individual; 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 Fixed pay V Variable pay

Directors' Remuneration Policy (Policy) continued
Executive Directors continued

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 (as determined by the *Remuneration Committee* at its discretion – currently this is10% of salary in the UK). **Performance measures** None
V 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 normally based on performance in the relevant financial year, and are not pensionable. Where an Executive Director has not met their Share Ownership Requirement (as determined by the *Remuneration Committee*) 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. Once an Executive Director has met their Share Ownership Requirement (as determined by the *Remuneration Committee*), the deferral requirement will no longer apply, with the full bonus award normally being paid in cash. An assessment of compliance with the requirement will take place as at the end of the financial year in respect of each year's bonus. Both cash and deferred elements are subject to BT Group's malus and clawback policy, which are described in more detail on page 111. **Maximum opportunity** The maximum annual bonus opportunity for the Executive Directors in respect of a financial year 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. The Committee retains discretion to vary these percentages if considered appropriate in the circumstances. **Performance measures** The *Remuneration Committee* sets 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 or the performance of the participant; – 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.

F Fixed pay V Variable pay

V 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, at the end of the three-year restricted period. The net number of shares vesting (i.e. after tax and other statutory deductions) are subject to a further two-year 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. **Underpins** RSP awards are subject to one or more underpins over a period which is normally three financial years commencing with the financial 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). The *Remuneration Committee* also 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 or the performance of the participant; – 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 policy, which is described in more detail on page 111.

F Fixed pay V Variable pay

Directors' Remuneration Policy (Policy) continued
Executive Directors continued

V 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 with 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 expected 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 following an Executive Director stepping down from the Board, to the same value as the in-employment requirement (or the total number of shares held immediately prior to cessation of employment, if lower). The *Remuneration Committee* retains discretion to amend or waive this guideline if is not considered to be appropriate in the specific circumstances. **Maximum opportunity** N/A **Performance measures** None

F Fixed pay V Variable pay

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 117. 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 Committees, for the role of Senior Independent Director, for holding the role of Designated Non-Executive Director for Workforce Engagement or for holding the role of the Designated Non-Executive Director for Ofcom 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, although benefits may be introduced if considered appropriate. 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. An allowance may be provided to cover travel and accommodation expenses where 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 117. 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 117.
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.

All discretions available under BT Group share plan rules will be available under this Policy, except where explicitly limited by this Policy.

Directors' Remuneration Policy (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, 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 the first year of appointment, the ratio of annual bonus to RSP opportunity may be flexed if appropriate, while remaining within this overall cap.

In addition, to facilitate recruitment, the *Remuneration Committee* may make awards to buy out remuneration or other contractual arrangements (including in relation to forfeiture of such amounts of leaving previous employment or engagement). The *Remuneration Committee* will consider 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 UK 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 117.

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 in which cessation occurs. Any bonus which is paid will normally be limited to the period served during the financial year in which the departure occurs. If appropriate, the Committee may at its discretion waive the requirement for a portion of the final bonus to be deferred;
- whether any outstanding deferred bonus awards should be preserved either in full or in part; and
- whether any awards under the RSP or long-term incentive (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

Good leaver	Retained in full, normally vesting on their usual timeframe. The *Remuneration Committee* retains discretion to allow for vesting at the time of cessation of employment. In the case of death, awards are accelerated such that they vest on the date of death.
Bad leaver	Forfeit on cessation, subject to discretion.

RSP

Good leaver	Retained, normally subject to pro-ration 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, but the *Remuneration Committee* retain the discretion to vary the holding period in appropriate circumstances. On death, awards are accelerated such that they vest on the date of death. All retained awards are typically subject to pro-ration for the portion of the initial three-year vesting period served, and subject to the *Remuneration Committee's* assessment of satisfaction of any performance conditions or underpins applying, measured at or close to the date of death.
Bad leaver	Forfeit on cessation, subject to discretion.

In some cases, the treatment is formally prescribed under the rules of the relevant plan where there are 'good leaver' circumstances, including death, injury, ill-health, disability, redundancy or sale of BT Group plc or business.

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 their 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, their 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 their 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 their 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).

Directors' Remuneration Policy (Policy) continued

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 they had received salary and, to the extent no longer payable the value of contractual benefits for the period; and
- the payments in lieu will normally 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. The *Remuneration Committee* retains discretion to pay any pay in lieu of notice as a lump sum if considered appropriate.

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.

F Fixed pay	All scenarios	Consists of total fixed pay – base salary, benefits and pension – Base salary – salary effective as at 1 June 2025 – Benefits – value of benefits provided to each director in FY25 – Pension – cash allowance of 10% of salary for both Executive Directors.
V 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.

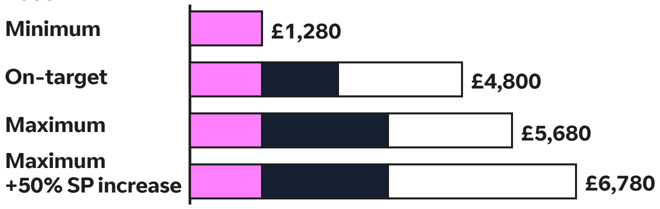
Fixed pay is calculated as follows:

£000	Salary	Benefits	Pension	Total fixed pay
Chief Executive	1,100	70	110	1,280
Chief Financial Officer	807	24	81	912

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.

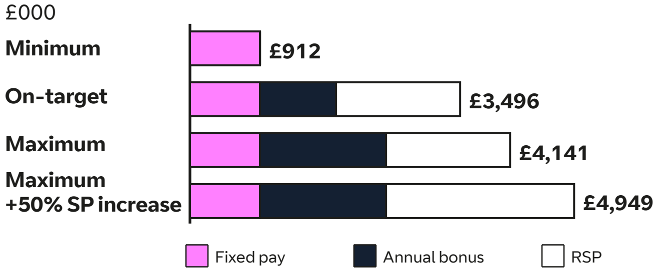
Allison Kirkby

£000



Simon Lowth

£000



Malus and clawback

Both the annual bonus and long-term incentive arrangements are subject to a standalone malus and clawback policy. 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 three years 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 malus and clawback periods are designed to align with the post-vesting holding period and bonus deferral period respectively.

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 or any subsidiary or associated company
- a material failure in risk management
- corporate failure
- negligence, serious misconduct, or gross misconduct of a participant; and/or
- fraud effected by or with the knowledge of a participant.

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 People & Culture Officer. Whilst we do not consult directly with colleagues on executive remuneration arrangements, the Committee receives regular updates 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 120

Consideration of shareholder views

The *Remuneration Committee* is 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.

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.

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 FY25. 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 FY25 and FY24.

	F Fixed pay								V Variable pay							
	Basic salary and fees £000		Benefits[a] £000		Pension[b] £000		Total fixed pay £000		Annual bonus[c] £000		Long term incentives £000		Total variable pay £000		Total £000	
	FY25	FY24	**FY25**	FY24	**FY25**	FY24	**FY25**	FY24	**FY25**	FY24	**FY25**[d]	FY24[e]	**FY25**	FY24	**FY25**	FY24
Chairman																
Adam Crozier	700	700	37	11	–	–	737	711	–	–	–	–	–	–	**737**	711
Executive Directors																
Allison Kirkby[f]	1,100	288	70	35	110	18	1,280	341	1,208	0	0	0	1,208	0	**2,488**	341
Simon Lowth	805	774	24	24	80	77	909	875	886	1,045	1,600	961	2,486	2,006	**3,395**	2,881
Non-Executive Directors																
Dame Ruth Cairnie	172	161					172	161							**172**	161
Maggie Chan Jones[h,i]	119	99	43	35			162	134							**162**	134
Sir Alex Chisholm[g]	76						76								**76**	0
Steven Guggenheimer[h,i]	104	97	50	36			154	133							**154**	133
Matthew Key[i]	168	163		2			168	165							**168**	165
Raphael Kűbler[j]	0	0					0	0							**0**	0
Tushar Morzaria[k]	117						117	0							**117**	0
Rima Qureshi[l]	9						9								**9**	0
Sara Weller[i]	134	140	1				135	140							**135**	140
Sub-total	**3,504**	**2,422**	**225**	**143**	**190**	**95**	**3,919**	**2,660**	**2,094**	**1,045**	**1,600**	**961**	**3,694**	**2,006**	**7,613**	**4,666**
Former directors																
Isabel Hudson[m]	36	147		2			36	149							**36**	149
Total	**3,540**	**2,569**	**225**	**145**	**190**	**95**	**3,955**	**2,809**	**2,094**	**1,045**	**1,600**	**961**	**3,694**	**2,006**	**7,649**	**4,815**

a Benefits are provided in line with the Policy.
b Pension allowance paid in cash for the financial year – see 'Pension allowance' on page 113.
c Annual bonus shown includes both the cash and deferred share element. The deferred element of the FY25 bonus includes the value of deferred shares to be granted in June 2025. Further details of the deferred element are set on page 114. Allison did not receive a bonus for FY24.
d Value shown represents the estimated value of the third and final tranche of the RSP awards granted in 2020, the second tranche of the RSP awards granted in 2021 and the first tranche of the 2022 RSP. The awards will vest in August and June 2025 respectively. The estimated value is based on a three-month average share price from 1 January 2025 to 31 March 2025 of 151p. Further details are provided on page 113. For the 2022 award, none of the value was attributable to share price appreciation over the vesting period. The Committee did not exercise any discretion in relation to the vesting of the award or share price change.
e The second tranche of the 2020 RSP vested in August 2024 and the first tranche of the 2021 RSP vested in June 2024. The value reported last year of £770,000 was calculated on an estimated basis using the three-month average share price from 1 January 2024 to 31 March 2024 of 110.46p. The figures have been restated to reflect the actual share price on vesting of 143p for the 2021 RSP and 134p for the 2020 RSP. Further details are provided on page 115.
f Allison was appointed as a Director in March 2019 and became Chief Executive on 1 February 2024. The FY24 figure represents Allison's total remuneration for the year representing £105,000 received as an Independent Non-Executive Director and £183,000 received as Chief Executive.
g Alex was appointed as a director on 16 September 2024 and the figure represents his pro-rated remuneration during the year.
h Includes an additional fee for regular intercontinental travel to attend Board and Committee meetings in line with the Policy.
i Value shown relates to reimbursement of reasonable travelling and other expenses (including any relevant tax) incurred in carrying out their duties.
j Raphael was appointed as a director on 30 January 2024. Under the terms of the Relationship Agreement between BT Group and Deutsche Telekom and Raphael's letter of appointment, no remuneration is payable for this position.
k Tushar was appointed as a director on 7 May 2024 and the figure represents his pro-rated remuneration during the year.
l Rima was appointed as a director on 2 March 2025 and the figure represents her pro-rated remuneration during the year.
m Isabel stepped down as a director at the conclusion of the AGM on 11 July 2024 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's salary was agreed from 1 June 2024 in line with increases for our UK senior management team, bringing Simon's salary to £807,233. Allison was appointed as Chief Executive on 1 February 2024 and the Committee agreed a salary of £1,100,000.

Adam's annual fee has been £700,000 since his appointment as Chairman on 1 December 2021. His fee has remained at this level throughout the year as the Chairman volunteered to waive any fee increase during FY25.

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 117.

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 FY25 of 120% of salary with a maximum opportunity of 200% of salary. The annual bonus is based on performance against a scorecard of five key financial and non-financial measures linked to our KPIs as set out on pages 44 and 45.

Performance Measure	Weighting	Threshold	Target	Stretch
Adjusted EBITDA (£m)[a]	35%	8,054	8,218	8,547
		£8,180m (53% of max)		
Normalised free cash flow (£m)[b]	35%	1,338	1,503	1,831
		£1,503m (60% of max)		
NPS	20%	0	100	200
		113 (68% of max)		
SMT representation (%)	5%	0	100	200
		40 (24% of max)		
Inclusion index[c]	5%	3.7%	2.5%	0.0%
		2.9% (12% of max)		
Total bonus outcome: 91.5% of target (54.8% of maximum)				

a For scorecard purposes, the EBITDA result assumes an on-target bonus payout for all colleagues. Actual post-bonus EBITDA for FY25 is £8,209m.
b The Committee exercised its discretion to cap the payout under the NFCF element at target, to better reflect the underlying cash performance of the business in the year. Actual NFCF for FY25 is £1,598m.
c Targets set quarterly: Q4 outcome shown in the table above. Performance in Q1-Q3 was below threshold.

The final bonus outturns for Allison and Simon are set out in the table below:

	Total bonus outcome	% of max	Value
Allison Kirkby	91.5% of target	54.8%	£1,207,800
Simon Lowth	91.5% of target	54.8%	£886,342

2022 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.

As a result, all three tranches of the 2022 RSP award will vest in full in June 2025, 2026 and 2027 respectively. Tranches one and two remain subject to a holding requirement until June 2027.

Annual remuneration report continued

Awards granted during the year (audited)

2024 RSP

The 2024 RSP awards were made in June 2024 are set out below. An award of 200% of salary was made to both Executive Directors in line with the normal Policy level.

Director	Date of award	RSP award (shares)	Grant price[a]	% of salary	Face value of award
Allison Kirkby	14 June 2024	1,679,389	131.00p	200	£2,199,999
Simon Lowth	14 June 2024	1,232,416	131.00p	200	£1,614,464

a 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.

These awards are conditional share awards. Two underpins apply 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).

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 outstanding interests under the RSP are set out on page 115.

2024 deferred shares

In line with the Policy, 50% of the bonus awarded for FY24 was deferred into shares. Having joined as Chief Executive on 1 February 2024 and in accordance with the bonus plan rules, Allison was not entitled to a bonus for FY24. Simon's award was made under the deferred bonus plan (DBP) in June 2024 and is set out below.

Director	Date of award	DBP award (shares)	Grant price[a]	Face value of award
Simon Lowth	14 June 2024	398,722	131.00p	£522,326

a 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.

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 outstanding interests under the DBP are set out on page 115.

Payments for loss of office (audited)

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

Former directors (audited)

Philip Jansen stood down as a director on 31 January 2024 but remained an employee of the group until 30 June 2024 continuing to support an orderly and effective handover to Allison Kirkby as required. The details of payments made to Philip as part of his leaving arrangements were disclosed on page 116 of the 2024 Directors' Remuneration Report.

No other 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 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 to be held in trust until 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 does not apply to the Deutsche Telekom nominated representative director appointed to the Board as a Non-Independent, Non-Executive Director under the terms of the EE acquisition in January 2016. This helps avoid any conflict of interest.

Directors' interests at 31 March 2025 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 2025 (or at the point of leaving for directors who left during the year).

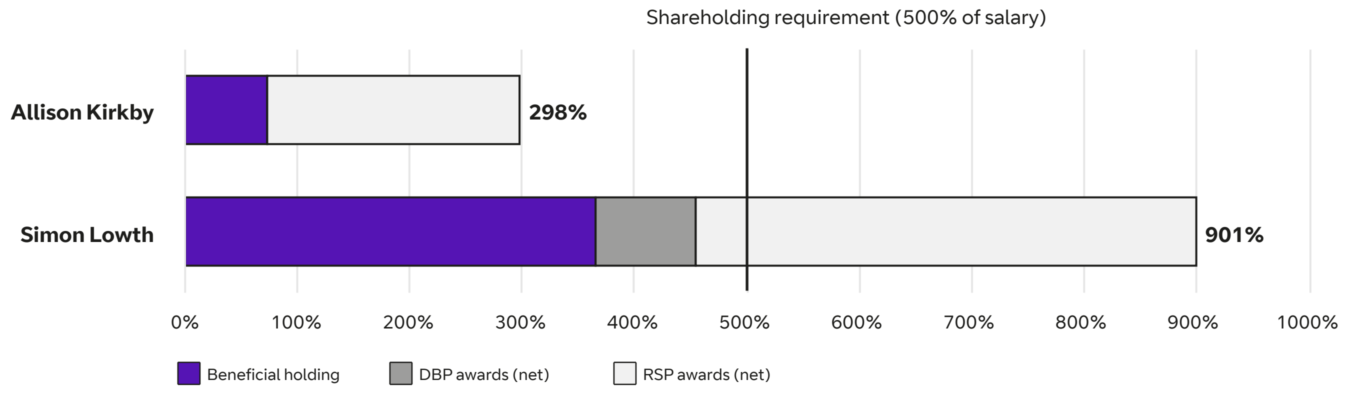
The first table includes interests held by the Executive Directors under BT Group plc's share plans. The numbers represent the maximum possible vesting levels.

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. Given that the awards are not subject to formal performance conditions, unvested DBP and RSP awards are counted towards achievement of the executives' shareholding requirements on a net of tax basis.

During the period 1 April 2025 to 22 May 2025, 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 2025	RSP and DBP[a]	Shareholding requirement (% of salary)	Current shareholding (% of salary)
Allison Kirkby	525,000	1,772,803	500%	298%
Simon Lowth	1,555,031	3,095,286	500%	901%

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



	1 April 2024	Awarded during the year	Dividends reinvested	Vested	Lapsed	Total number of award shares at 31 March 2025
Allison Kirkby						
RSP	1,484,942	1,679,389	180,600			3,344,931
Simon Lowth						
RSP[a]	4,069,951	1,232,416	262,858	696,797		4,868,528
DBP[a]	1,015,947	398,722	52,466	495,401		971,734
saveshare (2019)[b]	10,975				10,975	–
yourshare 2021[c]	247					247

a The share price on the date of vesting of the first tranche of Simon Lowth's 2021 RSP award and his 2021 DBP award was 143p, and 134p for the second tranche of the 2020 RSP.
b The option price for the saveshare 2019 plan was 164p. The share price was below the option price for the duration of the six-month maturity window and therefore the option lapsed.
c Awards granted on 24 June 2021 under the free share element of the BT Group Employee Share Investment Plan in which all eligible employees of the group were granted £500 worth of shares.

Annual remuneration report continued

	Beneficial holding owned outright at 1 April 2024	Beneficial holding owned outright at 31 March 2025
Chairman		
Adam Crozier	62,500	62,500
Non-Executive Directors		
Ruth Cairnie	25,000	25,000
Maggie Chan Jones	70,000	70,000
Alex Chisholm[a]	n/a	30,000
Steven Guggenheimer	4,700	4,700
Matthew Key	209,586	209,586
Raphael Kübler	0	0
Tushar Morzaria[b]	n/a	100,000
Rima Qureshi[c]	n/a	0
Sara Weller	47,000	47,000
Directors who left during the year		
Isabel Hudson[d]	24,090	24,090
Total	**442,876**	**572,876**

a Alex was appointed as a director on 16 September 2024.
b Tushar was appointed as a director on 7 May 2024.
c Rima was appointed as a director on 2 March 2025.
d Isabel stepped down as a director at the conclusion of the AGM on 11 July 2024 and the number reflects her holding at that date.

Implementation of the Policy in FY26

Base salary

As in prior years, we felt it important that we focused the available budget on delivering a meaningful salary increase to our lower-paid, frontline colleagues, as well as ensuring our people are paid as competitively as possible. Given the limited available budget, Allison and Simon agreed with the Committee that they would not be eligible for an annual salary increase for FY26.

Benefits

For Executive Directors, the Committee has set benefits in line with the Policy. No changes are proposed to the benefit framework for FY26.

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 opportunity of 120% and 200% of salary respectively. Where an individual has not met their shareholding requirement, 50% of any bonus payable will be deferred into shares for three years. Where the individual has met their shareholding requirement, the bonus will be paid 100% in cash.

The Committee has reviewed in full the measures, weightings and targets used in the annual bonus scorecard. The FY26 annual bonus structure measures and weightings are set out below.

Category	Measure	Weighting
Financial	Adjusted EBITDA	27.5%
	Normalised free cash flow	27.5%
	Adjusted service revenue	15.0%
Transformation scorecard	Net Promoter Score (NPS)	10.0%
	Strategic networks and platforms:	
	Reduction in units on legacy networks	2.5%
	Reduction in number of applications	2.5%
	Sales & service transformation:	
	Digital channel share	5.0%
	Customer time on service issues	5.0%
	Colleague engagement index	5.0%

All of the annual bonus measures are linked to our KPIs as set out on pages 44 to 45.

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 payout 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 2026 Report on directors' remuneration.

RSP

When considering the grant levels each year, the Committee takes account of the share price performance over the preceding year. Following review, the Committee has agreed that, subject to approval of the updated policy at the 2025 AGM, awards will be granted to both Executive Directors this year at the normal Policy level of 200% of salary.

RSP awards will be subject to similar underpins as the 2024 awards, measured over the three-year vesting period:
- average ROCE must be at least 7%[1]
- the business must have made sufficient progress over the vesting period towards meeting our digital inclusion and sustainability commitments (which could include carbon emissions, carbon abatement and circularity).

Awards will vest at the end of the three-year restricted period in June 2028. The net number of shares vesting will be subject to a further two-year holding period. 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 FY26 at £90,000 per year. The Chairman receives a single all-inclusive fee for his role. No increase has been awarded for FY26 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 fee for membership of the *Nominations Committee* is included in the base fee. The fees are unchanged to the prior year.

Committee	Chair's fee	Member's fee
Audit & Risk	£35,000	£25,000
National Security & Investigatory Powers	n/a[a]	£8,000
Remuneration	£30,000	£15,000
Responsible Business	£25,000	£15,000

a 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 £10,000 per annum to the Designated Non-Executive Director for Ofcom Engagement
- an additional fee of £20,000 per annum to the Director appointed to the sports 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 all-employee share plans and nor are they members of any of the group pension schemes.

1 ROCE is defined on page 44.

Annual remuneration report continued

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 £89,150 (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 FY25, Deloitte provided the group with advice on corporate and indirect taxes, assistance with regulatory, risk and compliance issues, accounting advice and additional consultancy services.

Dilution

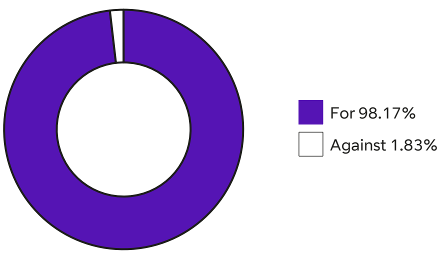
We use both treasury shares and shares purchased by the BT Group Employee Share Ownership Trust (the Trust) to satisfy our all-employee share plans and executive share plans. Shares held in the Trust do not have any voting rights.

As at 31 March 2025, shares equivalent to 1.58% (FY24: 2.31%) 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 FY26, shares equivalent to approximately 1.18% (FY24: 0.27%) of the issued share capital (excluding treasury shares) will be required to satisfy the all-employee share plans.

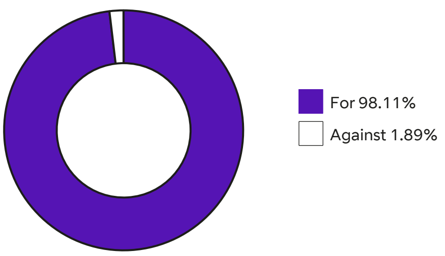
Previous AGM voting outcomes

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

Policy at the 13 July 2023 AGM



Report on directors' remuneration at the 11 July 2024 AGM



Withheld votes are not counted when calculating voting outcomes.

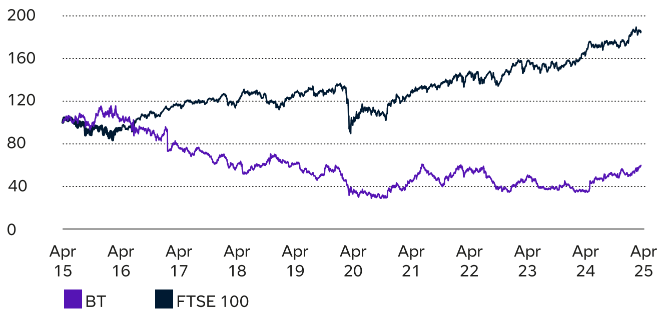
Committee evaluation FY25

Details on the FY25 Board and Committee evaluation can be found on page 86.

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)
2025	Allison Kirkby	2,488	54.8	n/a
2024	Allison Kirkby[a]	341	n/a	n/a
	Philip Jansen[b]	3,719	65.9	100
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	725	56	n/a
	Gavin Patterson[c]	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

a Allison was appointed as a director on 15 March 2019 and became Chief Executive from 1 February 2024. Her first RSP award was granted in February 2024.
b 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. Philip stood down as Chief Executive on 31 January 2024.
c Gavin stood down as Chief Executive on 31 January 2019.

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
Allison Kirkby	1 February 2024	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	4 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.
Ruth Cairnie	6 April 2023	Letters of appointment do not contain fixed term periods and are terminable by either party on three months' written notice.
Maggie Chan Jones	1 March 2023	
Alex Chisholm	16 September 2024	
Steven Guggenheimer	1 October 2022	
Matthew Key	25 October 2018	
Tushar Morzaria	7 May 2024	
Rima Qureshi	2 March 2025	
Sara Weller	16 July 2020	
Non-Independent, Non-Executive Director		
	Commencement date	Termination provisions
Raphael Kübler	30 January 2024	Appointed as a Non-Independent, Non-Executive Director under the terms of the Relationship Agreement between BT Group and Deutsche Telekom. The appointment is terminable immediately by either party.

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

The service agreements and letters of appointment are available for inspection by shareholders 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 provide a competitive package with reference to the relevant market for each colleague
- we 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, and a strong commitment to 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 people and culture 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. Maggie Chan Jones, our 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.

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 any 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 2025, as well as those reported in respect of the prior six 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, the highest ratio was exhibited in 2024 due to an above-target bonus payout, and the vesting of two separate tranches of RSP awards to Philip Jansen, and accordingly fell again in respect of FY25 as none of Allison's RSP awards have yet vested. 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

		Pay ratio		
	Chief Executive	P25	P50	P75
2019	£2,444,000	71:1	59:1	47:1
2020	£3,248,000	93:1	77:1	63:1
2021	£2,628,000	74:1	63:1	52:1
2022	£3,350,000	94:1	84:1	68:1
2023	£2,956,000	80:1	74:1	58:1
2024	£3,953,000	110:1	105:1	74:1
2025	**£2,487,000**	**66:1**	**60:1**	**47:1**

Base salary

		Pay ratio		
	Chief Executive	P25	P50	P75
2025	**£1,100,000**	**32:1**	**29:1**	**23:1**

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 25,000 colleagues.

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

The salary/fee levels set out in the table below are in accordance with the Policy. Any increase in fees paid to the Non-Executive Directors reflects both the annual fee review as well as any changes in role including additional Committee responsibilities.

	FY25 (% change)			FY24 (% change)			FY23 (% change)			FY22 (% change)			FY21 (% change)		
	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus
Chairman															
Adam Crozier	0%	236%	–	0%	(8%)	–	0%	1,100%	–	–	–	–	–	–	–
Executive Directors															
Allison Kirkby	0%	100%	–	130%	338%	–	1%	100%	–	0%			6%	–	–
Simon Lowth	4%	0%	(17%)	3%	4%	59%	2%	5%	(26)%	0%	(4)%	0%	0%	(5)%	(2)%
Non-Executive Directors															
Ruth Cairnie	7%	0%	–	–	–	–									
Maggie Chan Jones	20%	338%	–	0%	0%	–	–	–	–						
Alex Chisholm[a]	–	–	–												
Steve Guggenheimer	7%	4%	–	0%	140%	–	–	–	–	–	–	–			
Isabel Hudson[b]	0%	0%	–	1%	100%	–	1%	0%	–	0%	–	–	4%	(66)%	–
Matthew Key	3%	(100%)	–	9%	100%	–	9%	100%	–	2%	–	–	13%	–	–
Raphael Kübler[c]	–	–	–	–	–	–									
Tushar Morzaria[a]	–	–	–												
Rima Qureshi[a]	–	–	–												
Sara Weller	(4%)	100%	–	1%	0%	–	5%	–	–	0%	–	–	–	–	–
UK management colleagues	4%	0%	(19%)	5.5%	0%	53%	3%	0%	(25)%	0%	0%	0%	0%	0%	18%

a The director joined during FY25 and so no relevant comparison can be presented.
b The director left during FY25 and any reduction reflects the pro-rated remuneration.
c Under the terms of the Relationship Agreement between BT Group and Deutsche Telekom and the Directors' letter of appointment, no remuneration is payable for this position.

Remuneration in context continued

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	FY25 (£m)	FY24 (£m)	% change
Remuneration paid to all employees[a]	4,796	5,051	(5.0)%
Dividends/share buybacks[b]	922	840	9.8%

a Comparatives for the year to 31 March 2024 have been restated for remuneration paid to all employees as set out in note 6 to the consolidated **financial statements**.
b Includes share purchases by the Trust as set out in note 21 to the consolidated **financial statements**.

Inclusion and wellbeing

Embracing inclusion and wellbeing is core to our people and culture strategy and critical to our growth. Our 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.

Gender pay gap reporting

At a group-level, our median hourly pay gap between male and female colleagues has decreased to 4.8% (5.6% in 2023). This remains favourably below the high-tech industry median of 11.9%, and the UK national median of 13.1% (ONS provisional).

Our Gender Pay Gap statement sets out the key information required under legislation and is available on our website **bt.com/genderpaygap**

Dame Ruth Cairnie
Chair of the Remuneration Committee
22 May 2025

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 (the 2006 Act). The parent company meets the definition of a qualifying entity under FRS 100 and the company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (FRS 101 "Reduced disclosure framework" and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company, and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and, in respect of the parent company financial statements only, prudent
- state whether the group financial statements have been prepared in accordance with the UK-adopted international accounting standards
- state whether applicable UK accounting standards have been followed with regards to the parent company financial statements, subject to any material departures disclosed and explained in the parent company financial statements
- assess the group and parent company's ability to continue as a going concern and disclose, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

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

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

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

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

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

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

This responsibility statement was approved by the Board on 22 May 2025 and was signed on its behalf by:

Allison Kirkby
Chief Executive

Simon Lowth
Chief Financial Officer

Report of the directors

The directors present the Report of the directors, together with audited financial information for the year ended 31 March 2025. The Report of the directors also encompasses the entirety of our Corporate governance report on pages 73 to 128 for the purpose of section 463 of the Companies Act 2006 (the 2006 Act). The Report of the directors together with the Strategic report on pages 1 to 72 form the Management report for the basis of DTR 4.1.5R.

In accordance with DTR 4.1.15R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor's report on these financial statements provides no assurance over the ESEF format.

Material accounting estimates, key judgements and significant accounting policies

Our critical accounting estimates, key judgements and significant accounting policies conform with UK-adopted International Financial Reporting Standards (IFRS) and IFRSs issued by the International Accounting Standards Board (IASB) and are set out on page 148 of the consolidated **financial statements**. The directors have reviewed these policies and applicable estimation techniques and have confirmed that they are appropriate for the preparation of the FY25 consolidated **financial statements**.

Disclosure of information to the auditor

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

Going concern

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

The **Strategic report** on pages 1 to 72 includes information on the group structure, strategy and business model, the performance of each CFU and the impact of regulation and competition. The **Group performance** section on pages 46 to 52 includes information on our group financial results, financial outlook, cash flow and net debt, and balance sheet position. Notes 23, 25, 26 and 28 of the consolidated **financial statements** include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objectives, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks.

Our principal risks and uncertainties are set out on pages 56 to 61 including details of each risk and how we manage them. The directors carried out a robust assessment of the principal risks affecting the group, including any that could threaten our business model, future performance, insolvency or liquidity.

This assessment is consistent with the assessment of our viability, as set out on page 72, which has been based on the group's strategy, balance sheet and financing position, including our £2.1bn undrawn committed borrowing facility which matures no earlier than January 2030 with the option to extend for two further years, and the potential impact of **Our principal risks and uncertainties** on pages 56 to 61; and which estimates the financial impact for a severe but plausible outcome for each risk, both individually and in combination through stochastic risk modelling. This stress testing confirmed that existing projected cash flows and cash management activities provide us with adequate headroom over the going concern assessment period.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the **financial statements**. This assessment covers the period to May 2026, which is consistent with FRC guidance. When reaching this conclusion, the directors took into account the group's overall financial position (including trading results and the ability to repay term debt as it matures without recourse to refinancing) and the exposure to principal risks (including severe but plausible downsides, refer to the **Viability statement** on page 72).

At 31 March 2025, the group had cash and cash equivalents of £0.2bn and current asset investments of £2.6bn. The group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at the period-end and are not subject to renewal until no earlier than January 2030 with the option to extend for two further years.

Independent advice

The Board has a procedure that allows directors to seek independent professional advice at our expense. All directors also have access to the advice and services of the Company Secretary and her nominated delegate.

Directors' and officers' liability insurance and indemnity

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

As at 22 May 2025, and throughout FY25, BT Group plc's wholly owned subsidiary, British Telecommunications plc, has provided an indemnity for a group of people similar to the group covered by the above insurance. Neither the insurance nor the indemnity provides cover where the individual is proven to have acted fraudulently or dishonestly.

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

Interest of management in certain transactions

During and at the end of FY25, none of BT Group plc's directors were materially interested in any material transaction in relation to the group's business. None are materially interested in any currently proposed material transactions.

Power to authorise conflicts

All directors have a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the group. BT Group plc's Articles of Association include provisions for dealing with directors' conflicts of interest in accordance with the 2006 Act. Directors are regularly reminded of their duty to avoid conflicts and to disclose any conflicts with items on the agenda at the beginning of each Board or Committee meeting. The group has procedures in place, which it follows, to deal with such situations. These require the Board to:
- consider each conflict situation separately on its particular facts
- consider the conflict situation in conjunction with its other duties under the 2006 Act
- keep records and Board minutes on any authorisations granted by directors and the scope of any approvals given
- regularly review conflict authorisation.

The Company Secretary maintains a conflicts of interest register.

The *Conflicted Matters Committee* identifies to what extent Board and Committee materials are likely to refer to a potential or actual conflict of interest between BT Group plc and Deutsche Telekom and, as a result, what materials should be shared with Raphael Kübler, our Non-Independent, Non-Executive Director and Deutsche Telekom's nominated representative. Raphael owes duties to both BT Group and Deutsche Telekom, and the *Conflicted Matters Committee* helps him comply with his fiduciary duties, although ultimate responsibility rests with him.

The *Conflicted Matters Committee* follows the same process in relation to Rima Qureshi, Independent Non-Executive Director, in accordance with the information sharing protocol between BT Group and Verizon.

Systems of risk management and internal control

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

Our group risk management framework is simple and consistent, and defines our (1) risk mindset, (2) risk process and activities; and finally (3) governance. The framework:
- provides the business with the tools to take on the right risks and make smart risk decisions
- supports the identification, assessment and management of the principal risks and uncertainties faced by the group
- is an integral part of BT Group's annual strategic review cycle.

The framework was designed in accordance with the FRC guidance on risk management, internal control and related financial and business reporting and has been in operation throughout the year and up to the date on which this document was approved. The framework was reviewed in FY25 and was deemed effective. Continuous improvements were made in FY25, including enhancing our key control framework. That included establishing 'Material Key Controls' aligned to the forthcoming Corporate Governance Code changes – to help leaders and oversight bodies focus on the controls that underpin the biggest risks. These material key controls will be the main focus of an integrated assurance plan which will involve second line assurance teams and Internal Audit assessing the design and operational effectiveness of our defined control activities.

More information on our group risk management framework can be found in the **Risk management** section on pages 56 to 61.

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

Furthermore, the *Audit & Risk Committee*, on behalf of the Board, reviews the effectiveness of the systems of risk management and internal control across the group. Further details on how the *Audit & Risk Committee* fulfils these duties can be found on page 94.

Capital Management and Funding Policy

The objective of our Capital Management Policy is to target an overall level of debt consistent with our credit rating objectives, while investing in the business, supporting our pension schemes and meeting our Distribution Policy.

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

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

See note 28 to the consolidated **financial statements** for details of our Treasury Policy.

Financial instruments

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

Credit Risk Management Policy

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

Off-balance sheet arrangements

Other than the financial commitments and contingent liabilities disclosed in note 31 to the consolidated **financial statements**, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on:
- our financial condition
- changes in financial condition
- revenues or expenses
- results of operations
- liquidity
- capital expenditure
- capital resources.

Report of the directors continued

We use a supply chain financing programme with a limited number of suppliers with short payment terms to extend them a more typical payment term. More details are disclosed in note 17 to the consolidated **financial statements**.

Legal proceedings

The group is involved in various legal proceedings, including actual or threatened litigation and government or regulatory investigations. For further details of legal and regulatory proceedings to which the group is party, please see note 18 to the consolidated **financial statements**.

Apart from the information disclosed in note 18 to the consolidated **financial statements**, the group does not currently believe that there are any legal proceedings, government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the group. In respect of each of the claims described in note 18, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. Many factors prevent us from making these assessments with certainty, including the fact that some such proceedings or investigations are in early stages, no damages or remedies have been specified, and/or the frequently slow pace of litigation.

Other information – UK Listing Rules

For the purposes of the UK Listing Rule (UK LR) 6.6.1R, in respect of UK LR 6.6.1R(11) and (12), the trustee of the BT Group Employee Share Ownership Trust (the Trust) agrees to waive dividends payable on the BT Group plc shares it holds for satisfying awards under the group's executive share plans.

Under the rules of these share plans, the dividends are reinvested in BT Group plc shares that are added to the relevant share awards.

No other information is required to be disclosed pursuant to UK LR 6.6.1R.

Other statutory information – the 2006 Act

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

Section information	Page
Future developments	1 to 72
Particulars of any important events affecting BT Group or any of its subsidiary undertakings which have occurred since the end of the financial year	218
Research and development activities	19
How the directors have engaged with UK employees, had regard to UK employee interests, and the effect of that regard, including on principal decisions during the year	17, 37 and 82 to 85
How the directors have had regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions during the year	18, 34 to 41 and 82 to 85
Greenhouse gas emissions, energy consumption and energy efficiency action	33, 63 and 71
Structure of BT Group plc's share capital (including the rights and obligations attaching to the shares)	146
Significant agreements to which BT Group plc is a party that take effect, alter or terminate upon a change of control following a takeover	n/a
Related undertakings	223 to 227

The following disclosures are not covered elsewhere in this Annual Report:

- BT Group has two employee share ownership trusts that hold BT Group plc shares for satisfying awards under our various employee share plans
- the trustee of the BT Group Employee Share Investment Plan may invite participants, on whose behalf it holds shares, to direct it how to vote in respect of those shares. If there is an offer for the shares or another transaction that would lead to a change of control, such participants may direct the trustee to accept the offer or agree to the transaction
- in respect of shares held in the BT Group Employee Share Ownership Trust, the trustee abstains from voting in respect of these shares if there is an offer for the shares. The trustee does not have to accept or reject the offer but will have regard to the interests of the participants, may consult with the participants to obtain their views on the offer, and may otherwise take any action with respect to the offer that it thinks is fair
- EasyShare is the group's corporate sponsored nominee service, which allows UK and European Economic Area resident shareholders to hold BT Group plc shares electronically
- EasyShare is administered by Equiniti Financial Services Limited. As at 22 May 2025, 411m shares were held in EasyShare (4.12% of the issued share capital (4.13% excluding treasury shares)) on behalf of BT Group plc shareholders
- the Global Nominee is a custody service offered by Equiniti to BT Group. It allows employees to hold shares in an uncertificated account with Equiniti Financial Services Limited. The Global Nominee services extends to over 80 countries
- no person holds securities carrying special rights with regard to control of the group
- our share registrar, Equiniti, must receive proxy appointment and voting instructions not less than 48 hours before any general meeting (see page 128)
- the business of BT Group is managed by the Board. The directors may exercise all the powers of BT Group plc, subject to the Articles of Association, legislation and regulation. This includes the ability to exercise the authority to allot or purchase BT Group plc shares pursuant to shareholders passing an ordinary resolution at the Annual General Meeting (AGM)
- we have no agreements with directors providing for compensation for loss of office or employment as a result of a takeover. Similarly, there is no provision for this in our standard employee contracts
- we're not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Articles of Association

BT Group plc's current Articles of Association were adopted pursuant to a resolution passed at the AGM of BT Group plc held on 15 July 2021 and contain, amongst others, provisions on the rights and obligations attached to BT Group plc's shares.

The Articles of Association may only be amended by special resolution at a general meeting of the shareholders in accordance with applicable legislation.

A copy of the current Articles of Association is available at **bt.com/articles**

Directors' appointment, retirement and removal

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

Raphael Kübler was appointed as a Non-Independent, Non-Executive Director under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom. His appointment is terminable immediately by either party.

Share rights

Voting rights

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

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

Variation of rights

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

Transfer of shares

There is no specific restriction on the transfer of BT Group plc shares in the group, which is governed by the Articles of Association and prevailing legislation.

Political donations

Our policy is that no company in the group will make contributions in cash or in kind to any political party, whether by gift or loan.

However, the definition of political donations used in the 2006 Act is significantly broader than the sense in which these words are ordinarily used. The 2006 Act's remit could cover making members of Parliament and others in the political world aware of key industry issues and matters affecting BT Group plc, and enhancing their understanding of the group.

The authority for political donations requested at the 2025 AGM is not intended to change this policy. It does, however, ensure that the group continues to act within the provisions of the 2006 Act, requiring companies to obtain shareholder authority before they make donations to political parties and/or political organisations as defined in the 2006 Act. During FY25, BT Group plc's wholly owned subsidiary, British Telecommunications plc, paid the costs of attending events at (i) the Labour Party Conference and (ii) the Liberal Democrats Party Conference and Business Day. These costs totalled £8,674 (FY24: £9,343). No company in the BT Group made any loans to any political party.

Substantial shareholdings

As at 31 March 2025, BT Group plc had received notice, under the DTRs, in respect of the following holdings of 3% or more of the voting rights in its issued ordinary share capital:

	Date of notification	Shares	% of total voting rights
Bharti Televentures UK Limited	18 November 2024	2,438,712,571	24.50%
T-Mobile Holdings	23 March 2018	1,196,175,322	12.06%
BlackRock, Inc.	13 June 2023	470,325,337	4.73%
Control Empresarial de Capitales, S.A. DE C.V.	2 September 2024	428,495,186	4.30%

As at 22 May 2025, BT Group had not received any further such notices under the DTRs.

Colleague engagement

Engaging with our colleagues is critical to creating a culture where they can be their best and contribute to our purpose, ambition, strategy and long-term success.

Engaging with our colleagues takes many forms, including through:

- the Board receiving updates from the Chief Executive and Chief People & Culture Officer on colleagues, key people strategy initiatives, culture and overall sentiment in the organisation
- visits by a number of Non-Executive Directors to locations throughout the year, including Adastral Park, our Tyneside contact centre, Openreach field visits and EE stores (see page 87)
- our Designated Non-Executive Director for Workforce Engagement, Maggie Chan Jones, engaging with colleagues through a series of in-person and virtual meetings, during which colleagues were encouraged to share personal views and experiences, which provided Maggie with a varied range of opinions and insights from across the group (see pages 82 to 83)
- informal breakfast sessions with certain members of the Board and groups of colleagues held before some Board meetings
- our quarterly Your Say colleague engagement surveys
- regular colleague communications.

Colleagues are kept well informed on matters such as the strategy and performance of the group, including after certain key events such as results and trading updates. We work with our highly active, engaged and award-winning People Networks. These colleague-driven groups raise awareness and advocate for change both inside and outside BT Group. Maggie Chan Jones met with representatives of the People Networks (see pages 82 to 83). We also maintain close relationships with formal representative groups and unions.

Report of the directors continued

Despite the big levels of change and transformation, colleague engagement has stayed strong at 76%, +6% vs UK external benchmarks maintaining September 2024 levels.

We encourage all our colleagues to become shareholders in the business through the operation of all-employee share plans. We annually consider which all-employee plans to offer, both in the UK and globally.

Employees with disabilities

We're an inclusive employer and actively encourage the recruitment, development, promotion and retention of disabled people.

We know that workplace adjustments are crucial to allow disabled and neurodiverse colleagues to perform to their best and we are committed to making workplace adjustments for colleagues who need them.

In 2023 we launched our new workplace adjustments process and our disability and neurodiversity hub to make it simple for our colleagues and people managers to understand adjustments and implement them quickly.

In FY25, 1,559 colleagues engaged with the workplace adjustment process to ensure they had the necessary adjustments to enable them to succeed at BT Group.

This is the second year that we've voluntarily reported our disability pay gap; it reflects our drive for equal opportunity across all characteristics. Disability is voluntarily disclosed and at the time of the snapshot date in April 2024, 74% of UK colleagues were happy to disclose. The mean and median pay gaps were low, with a mean gap of 0.5% and -0.3% median gap. Further information can be found on page 25.

We continued our partnership with the Business Disability Forum, and we will be working to make sure that we are able to meet and exceed the commitments we made to obtain our Disability Confident leader status and our membership of Valuable 500.

Read more on inclusion and wellbeing at **bt.com/inclusion-and-diversity**

AGM

Resolutions

At the 2025 AGM, shareholders will be asked to vote on all resolutions including the Annual Report, the **Report on directors' remuneration**, the **Directors' remuneration policy**, the election/re-election of directors, the reappointment of KPMG LLP as our external auditor and to authorise the *Audit & Risk Committee* to agree its remuneration, giving authority to the directors to allot BT Group plc shares and disapply pre-emption rights.

Before the AGM, our share registrar, Equiniti, will count the proxy votes for and against each resolution, as well as votes withheld. The voting results will be announced by way of a Stock Exchange announcement and published on our website as soon as reasonably practicable following the conclusion of the AGM. As at previous AGMs, we will take votes on all matters at the 2025 AGM on a poll.

The separate Notice of meeting 2025, which we send to all shareholders who have requested shareholder documents by post, contains the resolutions (with explanatory notes) which we will propose at the 2025 AGM on 10 July 2025. We notify all shareholders of the publication of these documents which are available on our website at **bt.com/annualreport**

Authority to purchase shares

The authority given at the 2024 AGM for BT Group plc to purchase in the market 995m of its shares, representing 10% of BT Group plc's issued share capital (excluding treasury shares), expires at the conclusion of the 2025 AGM. We will ask shareholders to give a similar authority at the 2025 AGM.

During FY25 and up to 22 May 2025, no shares were purchased under this authority.

At the start of the year, 16m shares (having a total nominal value of £815,000, and constituting 0.16% of the issued share capital (0.16% excluding treasury shares)) were held as treasury shares. During FY25, 5m treasury shares (having a nominal value of £250,000, and constituting 0.05% of the issued share capital (0.05% excluding treasury shares)) were transferred to meet BT Group plc's obligations under its employee share plans. At 31 March 2025, a total of 11.3m shares (having a total nominal value of £565,000, and constituting 0.11% of the issued share capital (0.11% excluding treasury shares)) were held as treasury shares (see note 20 to the consolidated **financial statements**).

Since 31 March 2025 (up to and including 22 May 2025) no further shares have been transferred to meet BT Group plc's obligations under its employee share plans.

At 22 May 2025, a total of 11.3m shares (having a nominal value of £565,000, and constituting 0.11% of the issued share capital (0.11% excluding treasury shares)) were held as treasury shares.

In addition, during FY25 and up to 22 May 2025 the Trust purchased 52m BT Group plc shares for a total consideration of £79.1m. The Trust held 176.8m shares both at 31 March 2025 and 22 May 2025.

Cross-reference to the Strategic report

We have chosen to include the following information in the **Strategic report** in line with the 2006 Act (otherwise required by law to be included in the **Report of the directors**):
– the final dividend proposed by the Board (page 47)
– an indication of likely future developments in the business of BT Group plc and its group (pages 1 to 72)
– an indication of our research and development activities (page 19)
– information about how the directors engaged with UK employees, had regard to UK employee interests, and the effect of that regard, including on principal decisions during the year (pages 17, 37 and 82 to 83)
– information about how the directors have had regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions during the year (pages 18, 34 to 40 and 82 to 83)
– information about greenhouse gas emissions, energy consumption and energy efficiency action (pages 33 and 62 to 71).

By order of the Board

Sabine Chalmers
Group General Counsel, Company Secretary & Director Regulatory Affairs
22 May 2025

Financial statements

Look out for these throughout the report

Significant accounting policies

Critical and key accounting estimates and significant judgements

Contents

KPMG LLP's Independent Auditor's Report to the members of BT Group plc

1. Our opinion is unmodified

In our opinion:

– the financial statements of BT Group Plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2025, and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
– the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
– the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of BT Group Plc ("the Company") for the year ended 31 March 2025 (FY25) included in the Annual Report, which comprise:

Group

– Group Income statement
– Group statement of comprehensive income
– Group balance sheet
– Group statement of changes in equity
– Group cashflow statement
– Notes 1 to 32 to the Group financial statements, including the accounting policies in the respective notes.

Parent Company (BT Group Plc)

– Company balance sheet
– Company statement of changes in equity
– Notes 1 to 3 to the Parent Company financial statements, including the accounting policies in note 1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit and Risk Committee ("ARC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

Our risk assessment is driven by understanding of the applicable financial reporting framework, our knowledge of the business, the industry and the wider economic environment in which BT Group plc operates.

Revenue from non-long term contracts remains a focus area due to the complexity arising from the large number of low value transactions managed through a number of distinct billing systems, and the complex IT landscape linking the billing systems together.

In addition, the bespoke nature of the pricing structure within some of Business' contracts means that there is a higher risk of processing error in relation to a proportion of Business' revenue derived from the billing systems and estimation uncertainty over the associated refund liabilities.

The carrying amount of goodwill attributable to the UK Business cash generating unit remains a focus area due to the inherent uncertainty associated with forecasting cashflows, which forms the basis for evaluating recoverability.

The valuation of the BT pension scheme ("BTPS") defined obligation also remains a focus area as it is complex, relying on key actuarial assumptions such as discount rates, RPI, and mortality.

We continue to have a focus on the BTPS which holds diverse unquoted assets which are valued based on inputs not directly observable. The valuation of these assets requires the involvement of experts and significant judgement over the key unobservable input.

We continue to identify the recoverability of the Parent Company investment in subsidiaries as a focus area for the Parent Company's standalone accounts. This is due to the materiality of the Parent Company's investment in subsidiaries compared to the company's total assets.

Key Audit Matters	Vs FY24	Item
Accuracy of revenue due to complex billing systems in BT Business (Group)	←→	4.1
Impairment of Goodwill attributable to Business CGU (Group)	←→	4.2
Valuation of defined benefit obligation of the BT Pension Scheme	←→	4.3
Valuation of unquoted investments in the BT Pension scheme (BTPS) (Group)	←→	4.4
Recoverability of Parent Company investment in subsidiaries (Parent Company)	←→	4.5

Audit And Risk Committee Interaction

During the year, the ARC met 6 times. KPMG are invited to attend all ARC meetings and are provided with an opportunity to meet with the ARC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ARC in section 4, including matters that required particular judgement for each.

The matters included in the Audit and Risk Committee Chair's report on pages 92 to 95 are materially consistent with our observations of those meetings.

Our Independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during the year ended 31 March 2025 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2019. The period of total uninterrupted engagement is for the 7 financial years ended 31 March 2025.

The Group engagement partner is required to rotate every 5 years. As these are the second set of the Group's financial statements signed by Jonathan Mills, he will be required to rotate off after the FY28 audit.

The average tenure of component engagement partners is 5 years, with the shortest being 5 and the longest being 5.

Total audit fee	£23.1m
Audit related fees (including interim review)	£2.1m
Other services	£0.0m
Non-audit fee as a % of total audit and audit related fee %	9.1%
Date first appointed	11 July 2018
Uninterrupted audit tenure	7 years
Next financial period which requires a tender	2029
Tenure of Group engagement partner	2 years
Average tenure of component engagement partners	5 years

Materiality (Item 6 below)

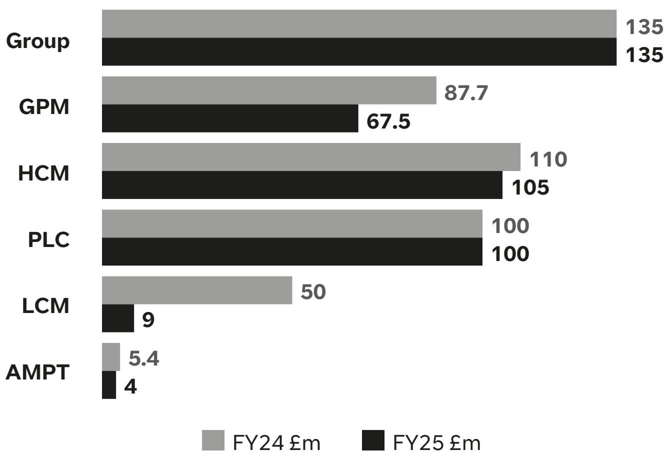
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £135m (FY24: £135m) and for the Parent Company financial statements as a whole at £100m (FY24: £100m).

Consistent with FY24, we determined that Total Revenue remains the appropriate benchmark for the Group. In the context of the high levels of capital investment for future growth, Revenue is considered a more representative and stable measure of performance. As such, we based our Group materiality on Total Revenue of which it represents 0.66% (FY24: 0.65%).

Materiality for the Parent Company financial statements as a whole was determined with reference to a benchmark of Parent Company total assets, limited to be less than materiality for Group materiality as a whole. It represents 0.88% (FY24: 0.89%) of total assets.

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group scope (Item 7 below)

We have performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, what audit procedures to perform at these components and the extent of involvement required from our component auditors around the world.

The total number of components in scope for risk assessment and audit procedures for FY25 is six.

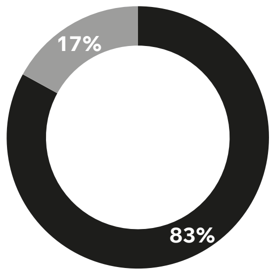
In addition, for the remaining components for which we performed no audit procedures, we performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

We consider the scope of our audit, as communicated to the Audit and Risk Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

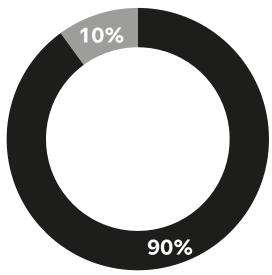
Our audit procedures covered 83% of Group revenue:

Group Revenue

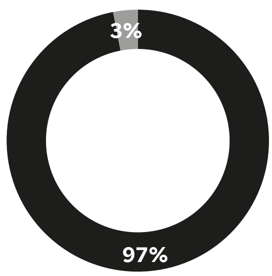


We performed audit procedures in relation to components that accounted for the following percentages:

Group profit before tax



Group Total assets



KPMG LLP's Independent Auditor's Report to the members of BT Group plc continued

The impact of climate change on our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

As set out in the Strategic Report, the Group has committed to be a net-zero business by 2030 and has also outlined several shorter-term climate change targets. As part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impact of commitments made by the Group in respect of climate change, as well as the physical and transition risks of climate change, may affect the financial statements and our audit.

The potential impacts of these matters relate to the forward-looking estimates, which include projections for impairment assessment of goodwill, useful economic life of vehicle fleet and infrastructure assets impacting on future depreciation charges, and significant assumptions used in pension asset valuations. Taking into account our risk assessment procedures, the remaining useful economic lives of relevant assets and the nature of the assumptions used in the pension valuation, and the financial impact of climate risk and opportunities on the forecasted cashflows, we have assessed that there is not a significant risk to the balances in the financial statements as a result of climate change. Therefore, there was no material impact on the Group's critical accounting estimates and our key audit matters.

We have read the disclosures of climate related information in the annual report and considered their consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period were:

- The impact of rising energy prices, supply shortages, and inflationary pressures;
- The impact of significant supply chain disruptions driven by geo-political factors;
- The impact of plans to deliver new initiatives required to meet savings commitments not being realised;
- The likelihood of existing legal matters/claims crystallising within the going concern period.

We also considered less predictable but realistic second order impacts, such as a large scale cyber breach, the UK experiences a significant recession or adverse changes to telecoms regulation, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern. Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 123 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement on page 72 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement set out on page 72 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting
We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean
Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Accuracy of revenue due to complex billing systems in BT Business (Group)

Financial Statement Elements

	FY25	FY24
Business revenue	**£7.7bn**	£8.0bn
Refund liability	**£51m**	£51m

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Processing error
The Group's non-long-term contract revenue consists of a large number of low value transactions. The Group operates a number of distinct billing and order-entry systems and the IT landscape underpinning the end-to-end revenue process is complex.

There are multiple products sold at differing rates with varying price structures in place. Products represent a combination of service-based products, such as fixed line telephony, as well as goods, such as the provision of mobile handsets.

The revenue recognition of non-long-term contract revenue is not subject to significant judgement. However, due to the large number of transactions, manual nature of order entry and complexity of the billing systems, this is considered to be an area of most significance in our audit. Within Business, we have identified a significant risk of processing error in relation to some billing systems. In addition the bespoke nature of the pricing structure within some of Business' contracts means that there is a higher risk of processing error in relation to a proportion of Business' revenue derived from certain billing systems.

Subjective estimate of refund liabilities in Business
The bespoke pricing structure results in a risk of billing inaccuracies within a proportion of Business' revenue and so over the identification of financial liabilities for associated customer refunds. The Group has estimated refund liabilities based on the results of a sample of billing items leading to estimation uncertainty over the refund liabilities.

The effect of these matters is that, as part of our risk assessment, we determined the estimation of refund liabilities had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and could be subject to manipulation, which is the reason why we have considered it as a key matter of our audit. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 5) disclose the key sensitivities of the refund liabilities to changes in key assumptions.

Our response to the risk

Our procedures to address the risk included:

Process understanding: Obtaining an understanding of the revenue processes by observing transactions from customer initiation to cash received for material revenue streams.

Tests of detail: Comparing a sample of revenue transactions, including credit adjustments, to supporting evidence e.g., customer bills, contracts, price lists and cash received (all where applicable). We performed an assessment of whether the overstatements of revenue identified through these procedures were material, taking into account findings from other areas of the audit and qualitative aspects of the financial statements as a whole.

Tests of detail: Agreeing year end trade receivables to cash received after year end.

Tests of detail: Within Business, we compared the results of our test of detail over revenue, including error rates by product, in the current and previous years' audits, to the liabilities held for customer refunds.

Tests of detail: We challenged the Group's assessment of refund liabilities, based on billing errors identified through our samples testing and using our Revenue Data Analytics routine to test the key assumptions of contract tenure and product type, the key assumptions used within their independent calculation. We also challenged the Group on the legal and regulatory risks in relation to billing errors for the products impacted.

Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the refund liability to error rates and legal risks.

We performed the detailed tests above rather than seeking to rely on the Group's controls because our knowledge of the design of these controls, indicated that we would be unlikely to obtain the required evidence to support reliance on controls.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc continued

Communications with the BT Group Plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

- Our definition of the Key Audit Matter and our audit approach, including the extent of our planned control reliance.
- The results from our process understanding, including controls gaps identified.
- The results from our substantive testing. We performed an assessment of whether the overstatements of revenue identified through these procedures were material, taking into account findings from other areas of the audit and qualitative aspects of the financial statements as a whole.

Areas of particular auditor judgement
We exercised judgement over the adequacy of liabilities for customer refunds in light of overstatements of revenue identified through our testing over pricing within Business. Particular judgement was needed over the applicable error rate and periods impacted and comparing it to the liabilities held for customer refunds.

Our results
The result of our testing were satisfactory (FY24: satisfactory) and we considered the revenue relating to non-long-term contract revenue and the estimate of refund liabilities and related disclosures to be acceptable (FY24: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit Committee considered the accuracy of revenue due to complex billing systems in BT Business as an area of significant attention, page 154 for the accounting policy on Revenue (note 5) for the financial disclosures.

4.2 Carrying amount of goodwill attributable to the UK business cash generating unit

Financial Statement Elements

	FY25	FY24 Business CGU
Carrying amount of goodwill in the UK Business CGU	**£2.97bn**	£3.56bn
Impairment charge in Business CGU	**£nil**	£0.49bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24. In FY25 the risk has been focussed on the judgements taken in respect to forecast revenue growth and cost savings.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Forecast-based impairment assessment
We consider the carrying value of goodwill allocated to the UK Business cash generating unit ("CGU") to be a significant audit risk. This reflects the inherent uncertainty involved in forecasting cash flows, which are the basis of the assessment of recoverability.

In the current period the estimated recoverable amount was measured using a fair value less costs of disposal (FVLCD) methodology, which represented a change from the Value in Use methodology applied previously. For the UK Business CGU, there is uncertainty in relation to the CGU's ability to achieve revenue targets, given its recent performance and the execution risk associated with the transition from legacy to next generation telecommunication products and services. In conjunction with ongoing cost reductions and uncertainty in relation to the economic outlook, thus renders precise forecasting of the underlying cash flows challenging.

In addition, the impairment charge recognised in the prior period and carrying value of assets results in limited headroom for this CGU. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the forecast cashflows used to support the recoverable amount of the goodwill allocated to the UK Business CGU has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 13) disclose the key assumptions underlying the recoverable amount and the sensitivity of the calculation to changes in these assumptions.

There is a risk that the disclosures presented are not sufficient to explain the key assumptions that drive the valuations, and the key sensitivities that the Board has considered.

Our response to the risk

Our procedures to address the risk included:

Tests of detail: We tested the principles and integrity of the discounted cash flow model utilised to determine FVLCD. We compared the cash flows used in the impairment model to the output of the Group's budgeting process.

Our entity experience: we critically assessed the Group's assumptions of forecast revenue and forecast cost savings from the ongoing cost saving programme, taking account of strategic plans approved by the Board. We assessed if these forecast cash flows were reasonable from the perspective of a market participant. This included benchmarking of revenue and EBITDA growth assumptions against externally derived data and analyst reports.

Historical comparison: We assessed the historical accuracy of the forecasts used in the impairment model by considering actual performance against prior year budgets. We assessed the forecast revenue and EBITDA growth with reference to the most recent results for FY24 and FY25, challenging if the forecast cashflows have been appropriately risk adjusted to reflect the downside risk and opportunities identified by the Group.

Sensitivity analysis: we performed sensitivity and break-even analyses for revenue and EBITDA growth rate individually and in combination with the discount rate and the long-term growth rate assumptions.

Comparing valuations: As an overall stand-back test we compared the combined value of the recoverable amount of all of the CGUs to the Group's market capitalisation to assess the reasonableness of the underlying cashflows, assessing and challenging the difference to understand whether the assumptions applied in the impairment test were acceptable. We also compared the implied EBITDA multiple for the UK Business CGU against those of comparable companies.

Assessing consistency: We assessed the consistency of the forecasts used by the Group across different areas such as goodwill impairment testing and the viability assessment.

Assessing transparency: We evaluated the adequacy of disclosures related to the estimation uncertainty, and those related to key assumptions in determining the recoverable amount of the UK Business CGU.

We performed the detailed tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the BT Group Plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

– Our determination of which assumptions are associated with the significant risk in FY25, and our conclusions on appropriateness of assumptions in the impairment model.

– Our view on the disclosures included in the financial statements and the sensitivity of the UK Business CGU recoverable amount to reasonably possible changes in assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

– Whether the Group's cashflow forecasts for the UK Business CGU, in particular those in respect of revenue growth and the timing and quantum of cost savings expected from delivery of the cost saving programme, fell within an acceptable range.

– Adequacy of sensitivity disclosures and assessment as to what would constitute a reasonably possible downside scenario for the CGU.

Our results
We found the Group's conclusion that there is no impairment of the UK Business CGU to be acceptable (FY24: carrying amount and related impairment charge to be acceptable)

We found the Group's disclosures of the related sensitivities to be acceptable (FY24: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered impairment of goodwill as an area of significant attention, page 167 for the accounting policy on impairment of goodwill (note 13) for the financial disclosures.

4.3 Valuation of defined benefit obligation of the BT Pension Scheme (BTPS) (Group)

Financial Statement Elements

	FY25	FY24
BTPS Obligation	**£35.69bn**	£40.0bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Subjective valuation
The valuation of the BT pension scheme ("BTPS") defined obligation is complex and requires a significant degree of estimation in determining the assumptions. It is dependent on key actuarial assumptions, including the discount rate, retail price index ("RPI") and mortality assumptions. A change in the methodology applied or small changes in the key actuarial assumptions may have a significant impact on the measurement of the defined benefit pension obligation.

The effect of these matters is that, as part of our risk assessment, we determined the valuation of the BTPS defined benefit obligation had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 19) disclose the key sensitivities of the defined benefit pension obligation to changes in key assumptions.

Our response to the risk

Our procedures to address the risk included:

Evaluation of the Group's experts: Evaluating the scope, competency and objectivity of the Group's external experts who assisted in determining the actuarial assumptions used to determine the defined benefit obligation.

Our actuarial expertise: With the support of our own actuarial specialists, we performed the following:

– Evaluating the judgements made and the appropriateness of methodologies used by the Group and the Group's expert in determining the key actuarial assumptions;

– Comparing the assumptions used by the Group to our independently compiled expected ranges based on market observable data points and our market experience.

Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the obligation to these assumptions.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc continued

Communications with the BT Group Plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

- Our definition of the key audit matter relating to the valuation of the defined benefit obligation of the BTPS.
- Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group's actuarial valuation.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- Subjective and complex auditor judgement was required in evaluating the key actuarial assumptions used by the Group (including the discount rate, retail price index and mortality assumptions).

Our results
We found the valuation of the defined benefit obligation of the BT Pension Scheme and related disclosures to be acceptable (FY24: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered the valuation of defined benefit obligation of the BTPS as an area of significant attention, page 185 for the accounting policy on the Retirement Benefit Plan (note 19) for the financial disclosures.

4.4 Valuation of unquoted assets in the BT Pension Scheme (BTPS) (Group)

Financial Statement Elements

	FY25	FY24
Longevity Insurance Contracts for the BTPS: included within the unquoted BTPS plan assets	**£0.9bn**	£0.9bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Subjective valuation
The BTPS have unquoted plan assets in private equity, UK and overseas property, mature infrastructure, longevity insurance contracts, secure income and non-core credit assets which are classified as fair value level three assets.

Significant judgement is required to determine the value of a portion of these unquoted investments, which are valued based on inputs that are not directly observable. The Group engages valuation experts to value these assets.

In FY25, a key valuation judgement is in respect of the longevity insurance contracts. The key unobservable inputs used to determine the fair value of the longevity insurance contracts include the discount rate and projected future mortality.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of longevity insurance contract assets held by the BTPS has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 19) disclose the key sensitivities of the valuation of plan assets to changes in key assumptions.

Our response to the risk
Our procedures to address the risk included:

Assessing valuers' credentials: Evaluating the scope, competencies and objectivity of the Group's external experts who assisted in determining the key unobservable inputs and the valuation of a longevity insurance contract.

Comparing valuations: Challenging, with the support of our own actuarial specialists, the fair value of the longevity insurance contracts by comparing with an independently developed range of fair values using assumptions, such as the discount rate and projected future mortality, based on external data. External data included market views of the impact from COVID and post pandemic mortality experience on future mortality, BT's own scheme mortality experience during the COVID-19 years, market discount rates and the demographic analysis available from the 30 June 2023 triennial funding valuation.

Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the longevity insurance contract asset valuations to these assumptions.

We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Communications with the BT Group Plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

– Our definition of the key audit matter relating to the valuation of a longevity insurance contract.

– Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group's valuation of longevity insurance contract assets.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement

– Subjective and complex auditor judgement was required in evaluating the key assumptions used by the Group (including the discount rate and projected mortality).

Our results
We found the valuation of the longevity insurance contracts and related disclosures to be acceptable (FY24: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered the valuation of unquoted investments in the BTPS (including the longevity insurance contract) as an area of significant attention, page 185 for the accounting policy on Retirement benefit plans (note 19) for the financial disclosures.

4.5 Recoverability of Parent Company investment in subsidiaries

Financial Statement Elements

	FY25	FY24
Investment in subsidiary	**£11.40bn**	£11.34bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Low risk, high value
The carrying amount of the Parent company investment in subsidiary represents 100% (FY24: 100%), of the Parent Company's total assets.

The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent company audit.

Our response to the risk
Our procedures to address the risk included:

Tests of detail: Comparing the carrying amount of the Parent company's investment, with the relevant subsidiary balance sheet to identify whether its net assets, being an approximation of their minimum recoverable amount, was in excess of it's carrying amount and assessing whether that subsidiary Group has historically been profit-making.

Comparing valuations: Comparing the carrying amount of the Parent company's investment with the market capitalisation of the Group.

We performed the tests above rather than seeking to rely on any of the Parent company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the BT Group Plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

– Our definition of the key audit matter and our findings along with the procedures performed to address the corresponding risk.

– The result of our substantive testing.

Areas of particular auditor judgement
We did not identify any areas of particular auditor judgement.

Our results
We found the Parent Company's conclusion that there is no impairment of its investment in subsidiary to be acceptable (FY24: acceptable).

Further information in the Annual Report and Accounts: Refer to page 222 for the accounting policy on Investments in Subsidiaries Undertakings.

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

– enquiring of directors, the Audit and Risk Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
– reading Board, Audit and Risk Committee, Remuneration Committee and other Executive Committee minutes;
– considering remuneration incentive schemes and performance targets for management and directors including the EPS target for management remuneration;
– using analytical procedures to identify any unusual or unexpected relationships.
– Our forensic professionals assisted us in identifying key fraud risks. This included attending the Risk Assessment and Planning Discussion, holding a discussion with the engagement partner, engagement manager and engagement quality control reviewer, and assisting with designing relevant audit procedures to respond to the identified fraud risks. They also attended meetings with management to discuss key fraud risk areas.

Risk communications
We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to all component engagement teams of relevant fraud risks identified at the Group level and request to component engagement teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc continued

Fraud risks

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, and the risk of fraudulent revenue recognition in relation to the revenue streams in BT Business, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk that the refund liability position in BT Business is not complete, given the high degree of estimation uncertainty in the calculation and the sensitivity of the liability position.

We did not identify any additional fraud risks.

Link to KAMS

Further details in respect of risk over the identification of refund liabilities for associated customers is contained within the Key Audit Matter disclosures in item 4.1 of this report.

Procedures to address fraud risks

In determining the audit procedures, we took into account the results of our evaluation and test of operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test at the Group level and for all components in scope based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual or seldom used accounts;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Evaluating the business purpose for significant unusual transactions.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the Group's procedures for complying with regulatory requirements.

Risk communications

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component auditors of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Direct laws context and link to audit

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Most significant indirect law/ regulation areas

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, regulations affecting telecommunication providers, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities (including compliance with Ofcom regulation) and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the legal matters discussed in note 18 we assessed disclosures against our understanding from legal correspondence.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£135m (FY24: £135m)
Materiality for the Group financial statements as a whole

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £135m (FY24: £135m). This was determined with reference to a benchmark of Total Revenue (of which it represents 0.66% (FY24: 0.65%)).

Consistent with FY24, we determined that Group Total revenue remains the main benchmark for the Group. In the context of the high levels of capital investment for future growth, Revenue is considered a more representative and stable measure of performance. As such, we based our Group materiality on Group Total revenue of £20.35 billion (£20.7 billion).

Our Group materiality of £135m was determined by applying a percentage to the Group Total revenue. When using a benchmark of Total revenue to determine overall materiality, KPMG's approach for listed entities considers a guideline range 0.5%- 1% of the measure. In setting overall Group materiality, we applied a percentage of 0.66% (FY24: 0.65%) to the benchmark.

This percentage is close to the bottom end of the guideline percentage range. This reflects the importance of Group total assets and Group PBTCO, of which it represents 0.26% and 9.60% respectively, to the users of the financial statements.

Materiality for the Parent Company financial statements as a whole was set at £100m (FY24: £100m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.88% (FY24: 0.89%).

£67.5m (FY24: £87.7m)
Performance materiality

What we mean

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 50% (FY24: 65%) of materiality for BT Group Plc's Group financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £50m (FY24: £65m), which equates to 50% (FY24: 65%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

£4.0m (FY24: £5.4m)
Audit misstatement posting threshold

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to BT Group Plc's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 3% (FY24: 4%) of our materiality for the Group financial statements. We also report to the Audit and Risk Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £135m (FY24: £135m) compares as follows to the main financial statement caption amounts:

KPMG LLP's Independent Auditor's Report to the members of BT Group plc continued

Total Group Revenue

	FY25	FY24
Total Group Revenue	**£20,358m**	£20,797m
Group Materiality as % of Total Group Revenue	**0.66%**	0.65%

Group profit before tax

	FY25	FY24
Group profit before tax	**£1,334m**	£1,186m
Group Materiality as % of Group profit before tax	**10.12%**	11.38%

Total Group Assets

	FY25	FY24
Total Group Assets	**£50,892m**	£51,739m
Group Materiality as % of Total Group Assets	**0.26%**	0.26%

7. The scope of our audit

Group scope

What we mean

How the Group auditor determined the procedures to be performed across the Group.

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 215 components, having considered our evaluation of the Group's operational structure, the Group's legal structure, the existence of common information systems, the existence of common risk profile across entities, business units, geographical locations, and our ability to perform audit procedures centrally.

Of those, we identified 2 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected 4 additional components with accounts and disclosures contributing to the specific RMMs of the Group financial statements.

The below summarises where we performed audit procedures:

Component type	Number of components where we performed audit procedures	Range of materiality applied
Quantitatively significant components	2	£85m – £105m
Other components where we performed procedures	4	£9m – £50m
Total	**6**	

We involved component auditors in performing the audit work on 2 components. We set the component materiality having regard to the mix of size and risk profile of the Group across the components. We also performed the audit of the parent Company.

Our audit procedures covered 83% of Group revenue.

We performed audit procedures in relation to components that accounted for 90% of the total profits and losses that made up group profit before tax and 97% of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 10% of Group total revenue, Group profit before tax or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

We have also performed risk assessment and/or audit procedures centrally across the Group, in the following areas:

- Testing of IT Systems
- Litigation and claims

These items were audited by the Group team for efficiency purposes, where the Group team has direct access to the underlying information. The Group team communicated the results of these procedures to the component teams.

Impact of controls on our group audit.
As noted by the Audit and Risk Committee on page 94, the Group's control environment is undergoing a program of transformation and improvement. BT's main financial system is supported by a number of legacy ERP applications.

In our previous audits, we identified pervasive General IT Control deficiencies in these ERP systems.

In the current period, we obtained an understanding of these IT systems at the planning stage of our audit. The Group's IT landscape continued to undergo significant change during the period as part of the transformation and improvement programme and BT continue to rely on legacy IT systems for a number of key processes. Therefore, we did not plan to rely on the Group's general IT controls in the current year's audit.

We assessed the design of manual controls related to management override of controls and revenue, and as a result of our testing were unable to rely on controls in these areas and therefore performed additional substantive testing – our response in relation to revenue is described in our Key Audit Matter in Section 4.1.

Overall, considering the developing nature of the overall control environment and transformation project, we concluded that a fully substantive audit approach was appropriate in all aspects of the audit for the year ended 31 March 2025.

Group auditor oversight

What we mean
The extent of the Group auditor's involvement in work performed by component auditors.

In working with component auditors, we:

- Included the component auditors' engagement partners and managers in the Group planning discussions to facilitate inputs from component auditors in the identification of matters relevant to the Group audit.
- Issued Group audit instructions to component auditors on the scope of their work.
- We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.
- Held risk assessment update discussions with component audit teams before the commencement of the final phases of the audit led by the Group engagement partner and engagement quality control partner.

8. Other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting
Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting
Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

Our responsibility
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc continued

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility

Under the Companies Act 2006, we are required to report to you if, in our opinion:

– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 123, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
22 May 2025

Group income statement
Year ended 31 March 2025

	Notes	Before specific items ('Adjusted') £m	Specific items[a] £m	Total (Reported) £m
Revenue	4, 5	20,370	(12)	20,358
Operating costs	6	(17,094)	(772)	(17,866)
Of which net impairment losses on trade receivables and contract assets		*(171)*	—	*(171)*
Operating profit (loss)	4	**3,276**	**(784)**	**2,492**
Finance expense	27	(1,104)	(197)	(1,301)
Finance income	27	151	—	151
Net finance expense		**(953)**	**(197)**	**(1,150)**
Share of post tax profit (loss) of associates and joint ventures	24	(8)	—	(8)
Profit (loss) before taxation		**2,315**	**(981)**	**1,334**
Taxation	10	(480)	200	(280)
Profit (loss) for the year		**1,835**	**(781)**	**1,054**
Earnings per share	11			
Basic		18.8p	(8.0)p	10.8p
Diluted		18.4p	(7.8)p	10.6p

Group income statement
Year ended 31 March 2024

	Notes	Before specific items ('Adjusted') £m	Specific items[a] £m	Total (Reported) £m
Revenue	4, 5	20,835	(38)	20,797
Operating costs	6	(17,634)	(949)	(18,583)
Of which net impairment losses on trade receivables and contract assets		(165)	—	(165)
Of which goodwill impairment	13	—	(488)	(488)
Operating profit (loss)	4	**3,201**	**(987)**	**2,214**
Finance expense	27	(1,067)	(121)	(1,188)
Finance income		181	—	181
Net finance expense		**(886)**	**(121)**	**(1,007)**
Share of post tax profit (loss) of associates and joint ventures	24	(21)	—	(21)
Profit (loss) before taxation		**2,294**	**(1,108)**	**1,186**
Taxation	10	(476)	145	(331)
Profit (loss) for the year		**1,818**	**(963)**	**855**
Earnings per share	11			
Basic		18.5p	(9.8)p	8.7p
Diluted		18.2p	(9.6)p	8.6p

a Specific items are defined and analysed in note 9.

Group statement of comprehensive income
Year ended 31 March 2025

	Notes	2025 £m	2024 £m
Profit for the year		**1,054**	855
Other comprehensive income (loss)			
Items that will not be reclassified to the income statement			
Remeasurements of the net pension obligation	19	88	(2,444)
Tax on pension remeasurements	10	(22)	600
Items that have been or may be reclassified to the income statement			
Exchange differences on translation of foreign operations	29	(50)	(66)
Fair value movements on assets at fair value through other comprehensive income	29	(6)	—
Movements in relation to cash flow hedges:			
– net fair value losses	29	(105)	(642)
– recognised in income and expense	29	329	356
Tax on components of other comprehensive income that have been or may be reclassified	10, 29	(56)	78
Share of post tax other comprehensive loss in associates and joint ventures	24	(5)	(11)
Other comprehensive income (loss) for the year, net of tax		**173**	(2,129)
Total comprehensive income (loss) for the year		**1,227**	(1,274)

Group balance sheet
At 31 March 2025

	Notes	**2025 £m**	2024 £m
Non-current assets			
Intangible assets	13	12,433	12,920
Property, plant and equipment	14	23,380	22,562
Right-of-use assets	15	3,328	3,642
Derivative financial instruments	28	904	1,020
Investments	23	17	29
Joint ventures and associates	24	252	307
Trade and other receivables	16	655	641
Preference shares in joint ventures	24	234	451
Contract assets	5	306	330
Retirement benefit surplus	19	142	70
Deferred tax assets	10	959	1,048
		42,610	**43,020**
Current assets			
Inventories		331	409
Trade and other receivables	16	3,109	3,565
Preference shares in joint ventures	24	161	82
Contract assets	5	1,194	1,410
Assets classified as held for sale	22	245	—
Current tax receivable		355	423
Derivative financial instruments	28	130	50
Investments	23	2,631	2,366
Cash and cash equivalents	25	216	414
		8,372	**8,719**
Current liabilities			
Loans and other borrowings	26	2,092	1,395
Derivative financial instruments	28	106	94
Trade and other payables	17	5,955	6,327
Contract liabilities	5	899	906
Lease liabilities	15	705	766
Liabilities classified as held for sale	22	188	—
Current tax liabilities		82	92
Provisions	18	258	238
		10,285	**9,818**
Total assets less current liabilities		**40,697**	**41,921**
Non-current liabilities			
Loans and other borrowings	26	16,670	17,131
Derivative financial instruments	28	391	445
Contract liabilities	5	257	175
Lease liabilities	15	3,866	4,189
Retirement benefit obligations	19	4,230	4,882
Other payables	17	276	637
Deferred tax liabilities	10	1,717	1,533
Provisions	18	382	411
		27,789	**29,403**
Equity			
Share capital		499	499
Share premium		1,051	1,051
Own shares	20	(378)	(311)
Merger reserve		998	998
Other reserves	29	828	716
Retained earnings		9,910	9,565
Total equity		**12,908**	**12,518**
		40,697	**41,921**

The consolidated financial statements on pages 143 to 218 were approved by the Board of Directors on 22 May 2025 and were signed on its behalf by:

Adam Crozier
Chairman

Allison Kirkby
Chief Executive

Simon Lowth
Chief Financial Officer

Group statement of changes in equity
Year ended 31 March 2025

	Notes	Share capital[ab] £m	Share premium[c] £m	Own shares[d] £m	Merger reserve[e] £m	Other reserves[f] £m	Retained earnings (loss) £m	Total equity (deficit) £m
At 1 April 2023		**499**	**1,051**	**(422)**	**998**	**957**	**11,431**	**14,514**
Profit for the year		—	—	—	—	—	855	855
Other comprehensive income (loss) – before tax		—	—	—	—	(708)	(2,455)	(3,163)
Tax on other comprehensive income (loss)	10	—	—	—	—	78	600	678
Transferred to the income statement		—	—	—	—	356	—	356
Total comprehensive income (loss) for the year		—	—	—	—	(274)	(1,000)	(1,274)
Dividends to shareholders	12	—	—	—	—	—	(757)	(757)
Share-based payments	21	—	—	—	—	—	71	71
Tax on share-based payments	10	—	—	—	—	—	(12)	(12)
Net buyback of own shares	20	—	—	111	—	—	(137)	(26)
Transfer to realised profit[g]		—	—	—	—	33	(33)	—
Other movements		—	—	—	—	—	2	2
At 31 March 2024		**499**	**1,051**	**(311)**	**998**	**716**	**9,565**	**12,518**
Profit for the year		—	—	—	—	—	1,054	1,054
Other comprehensive income (loss) – before tax		—	—	—	—	(161)	83	(78)
Tax on other comprehensive income (loss)	10	—	—	—	—	(56)	(22)	(78)
Transferred to the income statement		—	—	—	—	329	—	329
Total comprehensive income (loss) for the year		—	—	—	—	112	1,115	1,227
Dividends to shareholders	12	—	—	—	—	—	(791)	(791)
Share-based payments	21	—	—	—	—	—	62	62
Tax on share-based payments	10	—	—	—	—	—	18	18
Net buyback of own shares	20	—	—	(67)	—	—	(58)	(125)
Transfer to realised profit		—	—	—	—	—	—	—
Other movements		—	—	—	—	—	(1)	(1)
At 31 March 2025		**499**	**1,051**	**(378)**	**998**	**828**	**9,910**	**12,908**

a The allotted, called up, and fully paid ordinary share capital of BT Group plc at 31 March 2025 was £499m comprising 9,968,127,681 ordinary shares of 5p each (31 March 2024: £499m comprising 9,968,127,681 ordinary shares of 5p each).
b The holders of ordinary shares are entitled to receive dividends as declared and entitled to one vote for each share which they hold at meetings.
c The share premium account, comprising the premium on allotment of shares, is not available for distribution.
d For further analysis of own shares, see note 20.
e The merger reserve balance at 1 April 2023 includes £998m related to the group reorganisation that occurred in November 2001 and represented the difference between the nominal value of shares in the new parent company, BT Group plc, and the aggregate of the share capital, share premium account and capital redemption reserve of the prior parent company, British Telecommunications plc.
f For further analysis of other reserves, see note 29.
g Includes amounts relating to disposal of investments, for further analysis see note 29.

Group cash flow statement
Year ended 31 March 2025

	Notes	2025 £m	2024 £m
Cash flow from operating activities			
Profit before taxation		1,334	1,186
Share of post tax loss (profit) of associates and joint ventures		8	21
Net finance expense		1,150	1,007
Operating profit		**2,492**	**2,214**
Other non-cash charges[a]		130	76
Impairment loss on remeasurement of disposal groups		116	—
Loss (profit) on disposal of businesses[b]		—	(15)
(Profit) loss on disposal of property, plant and equipment and intangible assets		(32)	3
Depreciation and amortisation, including impairment charges[c]	6	4,978	5,398
Decrease (increase) in inventories		78	(60)
Decrease (increase) in trade and other receivables		235	(843)
Decrease (increase) in contract assets		219	157
(Decrease) increase in trade and other payables		(386)	(89)
Increase (decrease) in contract liabilities		99	39
(Decrease) increase in other liabilities[d]		(924)	(850)
(Decrease) increase in provisions		(51)	(18)
Cash generated from operations		**6,954**	**6,012**
Income taxes refunded (paid)		35	(59)
Net cash inflow from operating activities		**6,989**	**5,953**
Cash flow from investing activities			
Interest received		132	140
Dividends received from joint ventures, associates and investments		4	20
Proceeds on disposal of businesses		25	81
Proceeds on disposal of current financial assets[e]		13,891	12,389
Purchases of current financial assets[e]		(14,158)	(11,216)
Proceeds from investment in preference shares in joint venture	24	63	—
Proceeds on disposal of property, plant and equipment and intangible assets		36	2
Purchases of property, plant and equipment and intangible assets[f]		(4,937)	(4,969)
Prepayment for forward sale of copper[g]		—	105
Decrease (increase) in amounts owed by joint ventures		120	117
Settlement of minimum guarantee liability with sports joint venture	17	(187)	(211)
Net cash outflow from investing activities		**(5,011)**	**(3,542)**
Cash flow from financing activities			
Equity dividends paid		(788)	(759)
Interest paid		(956)	(865)
Repayment of borrowings[h]		(2,095)	(1,676)
Proceeds from bank loans and bonds		2,552	2,242
Payment of lease liabilities		(739)	(748)
Cash flows from collateral received (paid)[i]		(11)	(532)
Changes in ownership interests in subsidiaries		—	(13)
Proceeds from exercise of employee share options		6	57
Repurchase of ordinary share capital		(79)	(133)
(Decrease) increase in amounts owed to joint ventures	26	(1)	(1)
Net cash outflow from financing activities		**(2,111)**	**(2,428)**
Net decrease in cash and cash equivalents		**(133)**	**(17)**
Opening cash and cash equivalents		356	381
Net decrease in cash and cash equivalents		(133)	(17)
Effect of exchange rate changes		(9)	(8)
Closing cash and cash equivalents[j]	25	**214**	**356**

a FY25 non cash items include £75m of fair value loss (FY24: £22m) on A and C preference shares held in the sports JV and an impairment loss of £44m in respect of Group's equity interest in the Sports JV.
b FY24 net profit comprises £25m profit on divestments completing in the year less £10m net transaction costs in relation to BT Sport disposal in FY23.
c FY24 depreciation and amortisation includes goodwill impairment charges of £488m.
d Includes pension deficit payments of £803m (FY24: £823m) see note 19 for further details.
e Primarily consists of investment in and redemption of amounts held in liquidity funds.
f Property, plant and equipment, engineering stores and software additions of £4,857m (FY24: £4,880m) (see note 4) and capital accruals movements of £80m (FY24: £89m). Purchases of property, plant and equipment is presented net of cash inflows from government grants of £98m (FY24: £159m).
g During FY25 we received an upfront prepayment of £nil (FY24: £105m) from entering into a forward agreement to sell copper granules created from surplus copper cables which are currently recognised within property, plant and equipment (note 14). As this is expected to be the only cash flow that occurs as part of this transaction the cash receipt has been included as a separate line within cash flows from investing activities. See note 26 for further details.
h Repayment of borrowings includes the impact of hedging.
i Cash flows relating to cash collateral held in respect of derivative financial assets with certain counterparties, see note 28 for further details.
j Net of bank overdrafts of £2m (FY24: £58m).

Notes to the consolidated financial statements

1. Basis of preparation

Preparation of the financial statements

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The consolidated financial statements are prepared on a going concern basis.

This assessment is consistent with the assessment of our viability, as set out on page 72, which has been based on the Company's strategy, balance sheet and financing position, including our £2.1bn undrawn committed borrowing facility which matures no earlier than January 2030 with the option to extend for two further years, and the potential impact of 'Our principal risks and uncertainties' (pages 56 to 61); and which estimates the financial impact of a severe but plausible combined scenario. This stress testing confirmed that existing projected cash flows and cash management activities provide us with adequate headroom over the going concern assessment period.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the group and parent company financial statements. This assessment covers the period to May 2026, which is consistent with the FRC guidance. When reaching this conclusion, the directors took into account the group's and parent company's overall financial position (including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to principal risks.

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 62 to 71 this year. We have assessed and determined the risks associated with our TCFD disclosure including consideration of financial and monetary exposure as a business and concluded there is no material impact on these financial statements. The impacts of low carbon fleet were considered (see note 14).

These financial statements consolidate BT Group plc, the parent company, and its subsidiaries (together the 'group', 'us', 'we' or 'our').

The consolidated financial statements are prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in sterling, the functional currency of BT Group plc.

These financial statements cover the financial year from 1 April 2024 to 31 March 2025 ('FY25'), with comparative figures for the financial year from 1 April 2023 to 31 March 2024 ('FY24').

New and amended accounting standards effective during the year

The following amended standards were effective and adopted by us during the year.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

These amendments clarify the characteristics of supplier finance arrangements and require additional disclosures of such arrangements. The disclosure requirements in the amendments are intended to assist in assessing their effects on liabilities, cash flows and exposure to liquidity risk.

As a result of implementing the amendments, we have provided additional disclosures about our supplier finance arrangements, see note 17.

Other

The following amendments have not had a significant impact on our consolidated financial statements:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

IFRS Interpretations Committee agenda decisions

The IFRS Interpretations Committee (IFRIC) periodically issues agenda decisions which explain and clarify how to apply the principles and requirements of IFRS. Agenda decisions are authoritative and may require the group to revise accounting policies or practice to align with the interpretations set out in the decision.

We regularly review IFRIC updates and assess the impact of agenda decisions. No agenda decisions finalised during FY25 have been assessed as having a significant impact on the group.

New and amended accounting standards that have been issued but are not yet effective

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK Endorsement Board:

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the income statement, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the income statement into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes.

In addition, narrow-scope amendments have been made to IAS 7 'Statement of Cash Flows', which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. There are also consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027 (i.e., FY28 for BT). Earlier application is permitted. IFRS 18 will apply retrospectively.

We are currently assessing the impacts the amendments will have on the primary financial statements and notes to the financial statements.

Other

We are currently assessing the impact of the standards below, but they are not expected to have a material impact on the consolidated financial statements:

- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Contracts referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Subsidiaries without Public Accountability: Disclosures (IFRS 19)

Effective dates will be subject to the UK endorsement process. We have not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

Restatement of operating costs

During FY25, following the roll-out of a new payroll system, we have identified employee pension contributions were incorrectly included in employer pension costs and should have been recorded as gross wages and salaries. Additionally, sales

1. Basis of preparation continued

commissions were omitted from wages and salaries, being recognised in 'sales commissions'.

In FY25, following completion of a finance system transformation, we have more granular information with which to better align cost allocations with our accounting policies. As a result, we have identified certain reclassifications across our operating cost categories to the costs reported in FY24. Comparatives have been restated. See note 6 for details.

Presentation of specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the *Executive Committee* and assists in providing an additional analysis of our reporting of trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment on remeasurement of the disposal groups to held for sale, impairment of goodwill, impairment charges in our portfolio businesses, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, out-of-period balance sheet adjustments, historical property-related provisions, significant out-of-period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 24 for further detail.

Specific items for the current and prior year are disclosed in note 9.

2. Critical and key accounting estimates and significant judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying our accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Our critical accounting estimates are those estimates that carry a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. We also make other key estimates when preparing the financial statements, which, while not meeting the definition of a critical estimate, involve a higher degree of complexity and can reasonably be expected to be of relevance to a user of the financial statements. Management has discussed its critical and other key accounting estimates and associated disclosures with the *Audit and Risk Committee*.

Significant judgements are those made by management in applying our material accounting policies that have a material impact on the amounts presented in the financial statements. We may exercise significant judgement in our critical and key accounting estimates.

Our critical and key accounting estimates and significant judgements are described in the following notes to the financial statements. They can be identified in the notes by the following symbol.

Note	Critical estimate	Key estimate	Significant judgement
5. Estimate of customer refund liability		✓	
10. Current and deferred income tax		✓	
13. CGU identification for goodwill impairment			✓
13. Valuation of recoverable amount for goodwill impairment	✓		
15. Reasonable certainty and determination of lease terms			✓
18. Identifying contingent liabilities			✓
18. Provisions		✓	✓
19. Valuation of pension assets and liabilities	✓		✓
19. Control assessment over co-investment vehicles			✓
22. Held for sale classification			✓
24. Valuation of BT's equity interest in the Sports joint venture		✓	
24. Valuation of investment in A preference shares in Sports joint venture		✓	

Notes to the consolidated financial statements continued

3. Material accounting policies that apply to the overall financial statements

The material accounting policies applied in the preparation of our consolidated financial statements are set out below. Other material accounting policies applicable to a particular area are disclosed in the most relevant note. They can be identified in the notes by the following symbol.

We have applied all policies consistently to all the years presented, unless otherwise stated.

Basis of consolidation

The group financial statements consolidate the financial statements of BT Group plc and its subsidiaries, and include its share of the results of associates and joint ventures using the equity method of accounting. The group recognises its direct rights to (and its share of) jointly held assets, liabilities, revenues and expenses of joint operations under the appropriate headings in the consolidated financial statements.

All business combinations are accounted for using the acquisition method regardless of whether equity instruments or other assets are acquired.

A subsidiary is an entity that is controlled by another entity, known as the parent or investor. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Non-controlling interests in the net assets of consolidated subsidiaries, which consist of the amounts of those interests at the date of the original business combination and non-controlling share of changes in equity since the date of the combination, are not material to the group's financial statements.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to the date of change of control. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the group. All intra-group transactions including any gains or losses, balances, income or expenses are eliminated on consolidation.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The profit or loss on disposal is recognised as a specific item.

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

Interests in associates and joint ventures are initially recognised at cost (including transaction costs) except where they relate to a retained non-controlling interest in a former subsidiary, which is initially recognised at a deemed cost being the fair value of the retained interest. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Inventories

Network maintenance equipment and equipment to be sold to customers are stated at the lower of cost or net realisable value, taking into account expected revenue from the sale of packages comprising a mobile handset and a subscription. Cost corresponds to purchase or production cost determined by either the first in first out (FIFO) or average cost method.

Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received.

Grants for the purchase or production of property, plant and equipment are deducted from the cost of the related assets and reduce future depreciation expense accordingly. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Estimates and judgements applied in accounting for government grants received in respect of Building Digital UK (BDUK) and other rural superfast broadband contracts including Reaching 100% (R100), are described in note 14.

Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

Foreign currencies

The consolidated financial statements are presented in sterling, which is also the company's functional currency. Each group entity determines its own functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement line which most appropriately reflects the nature of the item or transaction.

On consolidation, assets and liabilities of foreign undertakings are translated into the group's presentation currency at year end exchange rates. The results of foreign undertakings are translated into sterling at the rates prevailing on the transaction dates. Foreign exchange differences arising on the retranslation of foreign undertakings are recognised directly in a separate component of equity, the translation reserve. There is no material exposure to companies operating in hyperinflationary economies.

In the event of the disposal of an undertaking with assets and liabilities denominated in a foreign currency, the cumulative translation difference associated with the undertaking in the translation reserve is charged or credited to the gain or loss on disposal recognised in the income statement.

Research and development

Research expenditure is recognised in the income statement in the period in which it is incurred. Development expenditure, including the cost of internally developed software, is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the group from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet.

Capitalisation ceases when the asset being developed is ready for use. Research and development costs include direct and indirect labour, materials and directly attributable overheads.

Termination benefits

Termination benefits (leaver costs) are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

4. Segment information

Material accounting policies that apply to segment information

Operating and reportable segments
Our operating segments are reported based on financial information provided to the Executive Committee, which is the key management committee and represents the 'chief operating decision maker'.

Our organisational structure reflects the different customer groups to which we provide communications products and services via our customer-facing units (CFUs). The CFUs are our reportable segments and generate substantially all of our revenue.

During the year to 31 March 2025 the group had three CFUs: Consumer, Business and Openreach. The CFUs are supported by technology units (TUs) comprising Digital and Networks; and corporate units (CUs) including procurement and property management. TUs and CUs are not reportable segments as they did not meet the quantitative thresholds as set out in IFRS 8 'Operating Segments' for any of the years presented.

We aggregate the remaining operations and include them in the 'Other' category to reconcile to the consolidated results of the group. The 'Other' category includes unallocated TU costs and our CUs.

Allocation of certain items to segments
Provisions for the settlement of significant legal, commercial and regulatory disputes, which are negotiated at a group level, are initially recorded in the 'Other' segment. On resolution of the dispute, the full impact is recognised in the results of the relevant CFU and offset in the group results through the utilisation of the provision previously charged to the 'Other' segment. Settlements which are particularly significant or cover more than one financial year may fall within the definition of specific items as detailed in note 9, in which case they are not reflected in the results of the reportable segment in line with how they are reported to the Executive Committee.

The costs incurred by TUs and CUs are recharged to the CFUs to reflect the services provided to them. Depreciation and amortisation incurred by TUs in relation to the networks and systems they manage and operate on behalf of the CFUs is allocated to the CFUs based on their respective utilisation. Depreciation and amortisation incurred by CUs in relation to leased property managed on behalf of the CFUs is allocated to the CFUs based on their respective utilisation. Capital expenditure incurred by TUs for specific projects undertaken on behalf of the CFUs is allocated based on the value of the directly attributable expenditure incurred. Where projects are not directly attributable to a particular CFU, capital expenditure is allocated among them based on the proportion of estimated future economic benefits.

Specific items are detailed in note 9 and are not allocated to the reportable segments as this reflects how they are reported to the Executive Committee. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the group.

Measuring segment performance
Performance of each reportable segment is measured based on adjusted EBITDA. Adjusted EBITDA is defined as profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures. Adjusted EBITDA is considered to be a useful measure of the operating performance of the CFUs because it approximates the underlying operating cash flow by eliminating depreciation and amortisation and also provides a meaningful analysis of trading performance by excluding specific items, which are disclosed separately by virtue of their size, nature or incidence. We also increasingly track adjusted operating profit which reflects the growing depreciation expense arising from our elevated network investment.

Revenue recognition
Our revenue recognition policy is set out in note 5.

Internal revenue and costs
Most of our internal trading relates to Openreach and arises on rentals, and any associated connection or migration charges, of the UK access lines and other network products to the other CFUs, including the use of BT Ireland's network, and is based on regulated prices. This occurs both directly, and also indirectly, through TUs which are included within the 'Other' segment. Business internal revenue arises from Consumer for mobile Ethernet access and TUs for transmission planning services. Intra-group revenue generated from the sale of regulated products and services and is based on market price. Intra-group revenue from the sale of other products and services is agreed between the relevant CFUs and therefore the profitability of CFUs may be impacted by transfer pricing levels.

Geographic segmentation
The UK is our country of domicile and is where we generate the majority of our revenue from external UK customers. The geographic analysis of revenue is based on the country in which the customer is invoiced. The geographic analysis of non-current assets, which excludes derivative financial instruments, investments, preference shares in joint ventures, retirement benefit schemes in surplus and deferred tax assets, is based on the location of the assets, goodwill is allocated based on our goodwill model CGUs as detailed in note 13.

Notes to the consolidated financial statements continued

4. Segment information continued

Segment revenue and profit

Year ended 31 March 2025	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Segment revenue	9,695	7,842	6,156	12	23,705
Internal revenue	(42)	(106)	(3,187)	—	(3,335)
Adjusted[a] revenue from external customers	**9,653**	**7,736**	**2,969**	**12**	**20,370**
Adjusted EBITDA[b]	**2,644**	**1,536**	**4,029**	**—**	**8,209**
Depreciation and amortisation[a]	(1,832)	(961)	(2,032)	(108)	(4,933)
Adjusted[a] operating profit (loss)	**812**	**575**	**1,997**	**(108)**	**3,276**
Specific items (note 9)					(784)
Operating profit					**2,492**
Net finance expense[c]					(1,150)
Share of post tax (loss) profit of associates and joint ventures					(8)
Profit before tax					**1,334**

Year ended 31 March 2024	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Segment revenue	9,833	8,128	6,077	16	24,054
Internal revenue	(47)	(71)	(3,101)	—	(3,219)
Adjusted[a] revenue from external customers	**9,786**	**8,057**	**2,976**	**16**	**20,835**
Adjusted EBITDA[b]	**2,672**	**1,630**	**3,827**	**(29)**	**8,100**
Depreciation and amortisation[a]	(1,738)	(984)	(2,052)	(125)	(4,899)
Adjusted[a] operating profit (loss)	**934**	**646**	**1,775**	**(154)**	**3,201**
Specific items (note 9)					(987)
Operating profit					**2,214**
Net finance expense[c]					(1,007)
Share of post tax (loss) profit of associates and joint ventures					(21)
Profit before tax					**1,186**

a Before specific items.
b Adjusted EBITDA is defined as profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.
c Net finance expense includes specific Interest expense on retirement benefit obligation of £197m (FY24: £121m). See note 9.

Internal revenue and costs

	Internal cost recorded by				
Year ended 31 March 2025	**Consumer £m**	**Business £m**	**Openreach £m**	**Other £m**	**Total £m**
Internal revenue recorded by					
Consumer	—	41	1	—	42
Business	26	—	39	41	106
Openreach	2,089	1,098	—	—	3,187
Total	**2,115**	**1,139**	**40**	**41**	**3,335**

	Internal cost recorded by				
Year ended 31 March 2024	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Internal revenue recorded by					
Consumer	—	46	—	1	47
Business	23	—	—	48	71
Openreach	2,044	1,043	—	14	3,101
Total	**2,067**	**1,089**	**—**	**63**	**3,219**

4. Segment information continued

Capital expenditure

Year ended 31 March 2025	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Intangible assets[a]	462	390	146	—	998
Property, plant and equipment[b]	745	332	2,692	90	3,859
Capital expenditure	**1,207**	**722**	**2,838**	**90**	**4,857**

Year ended 31 March 2024	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Intangible assets[a]	439	361	135	3	938
Property, plant and equipment[b]	736	414	2,710	82	3,942
Capital expenditure	**1,175**	**775**	**2,845**	**85**	**4,880**

a Additions to intangible assets as presented in note 13.
b Additions to property, plant and equipment as presented in note 14, inclusive of movement on engineering stores.

Geographic segmentation

Revenue from external customers

Year ended 31 March	2025 £m	2024 £m
UK	18,171	18,450
Europe, Middle East and Africa, excluding the UK	1,194	1,303
Americas	562	617
Asia Pacific	443	465
Adjusted[a] revenue[b]	**20,370**	**20,835**

a Before specific items.
b We present a reconciliation of our adjusted UK service revenue Alternative Performance Measure, of £15,582m (FY24: £15,727m), to revenue in the Additional Information section to this report.

Non-current assets

At 31 March	2025 £m	2024 £m
UK	39,369	39,370
Europe, Middle East and Africa, excluding the UK	557	634
Americas	260	251
Asia Pacific	168	147
Non-current assets[ab]	**40,354**	**40,402**

a Comprising the following balances presented in the group balance sheet: intangible assets, property, plant and equipment, right-of-use assets, joint ventures and associates, trade and other receivables and contract assets.
b Goodwill relating to the international CGU as detailed in note 13 is reported across the: Europe, Middle East and Africa, excluding the UK, Americas and Asia Pacific geographies.

Notes to the consolidated financial statements continued

5. Revenue

Material accounting policies that apply to revenue

Revenue from contracts with customers in scope of IFRS 15
Most revenue recognised by the group is in scope of IFRS 15, excluding Openreach where most revenue is in scope of IFRS 16. The revenue recognition policy for both is set out below.

On inception of the contract we identify a "performance obligation" for each of the distinct goods or services we have promised to provide to the customer. The consideration specified in the contract with the customer is allocated to each performance obligation identified based on their relative standalone selling prices, and is recognised as revenue as they are satisfied.

The table below summarises the performance obligations we have identified for our major service lines and provides information on the timing of when they are satisfied and the related revenue recognition policy. Also detailed in this note is revenue expected to be recognised in future periods for contracts in place at 31 March 2025 that contain unsatisfied performance obligations.

Service line	*Performance obligations*	*Revenue recognition policy*
Information and communications technology (ICT) and managed networks	Provision of networked IT services, managed network services, and arrangements to design and build software solutions. Performance obligations are identified for each distinct service or deliverable for which the customer has contracted, and are considered to be satisfied over the time period that we deliver these services or deliverables. Commitments to provide hardware to customers that are distinct from the other promises are considered to be satisfied at the point in time that control passes to the customer.	Revenue for services is recognised over time using a measure of progress that appropriately reflects the pattern by which the performance obligation is satisfied. For time and materials contracts, revenue is recognised as the service is received by the customer. Where performance obligations exist for the provision of hardware, revenue is recognised at the point in time that the customer obtains control of the promised asset. For long-term fixed price contracts revenue recognition will typically be based on the satisfaction of performance obligations in respect of the achievement of contract milestones and customer acceptance, which is the best measure of progress towards the completion of the performance obligation.
Fixed access subscriptions	Provision of broadband, TV and fixed telephony services including national and international calls, connections, line rental and calling features. Performance obligations exist for each ongoing service provided to the customer and are satisfied over the period that the services are provided. Installation services are recognised as separate performance obligations if they are distinct from other services in the contract. These are satisfied when the customer benefits from the service. Connection services are not distinct performance obligations and are therefore combined with the associated service performance obligation.	Fixed subscription charges are recognised as revenue on a straight-line basis over the period that the services are provided. Upfront charges for non-distinct connection and installation services are deferred as contract liabilities and are recognised as revenue over the same period. Variable charges such as call charges are recognised when the related services are delivered. Where installation activities are distinct performance obligations, revenue is recognised at the point in time that the installation is completed.
Mobile subscriptions	Provision of mobile postpaid and prepaid services, including voice minutes, SMS and data services. Performance obligations exist for each ongoing service provided to the customer and are satisfied over the period that the services are provided.	Subscription fees, consisting primarily of monthly charges for access to internet or voice and data services, are recognised as the service is provided. One-off services such as calls outside of plan and excess data usage are recognised when the service is used.
Equipment and other services	Provision of equipment and other services, including mobile phone handsets and hardware such as set-top boxes and broadband routers provided as part of customer contracts. Performance obligations are satisfied at the point in time that control passes to the customer. For other services, performance obligations are identified based on the distinct goods and services we have committed to provide.	Revenue from equipment sales is recognised at the point in time that control passes to the customer. Where payment is not received in full at the time of the sale, such as with equipment provided as part of mobile and fixed access subscriptions, contract assets are recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment. For other services, revenue is recognised when the related performance obligations are satisfied, which could be over time, in line with contract milestones, or at a point in time depending on the nature of the service.

5. **Revenue** continued

We recognise revenue based on the relative standalone selling price of each performance obligation. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price or the price of similar products when sold on a standalone basis by BT or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

The fixed access and mobile subscription arrangements sold by our Consumer business are typically payable in advance, with any variable or one-off charges billed in arrears. Contracts are largely inflation-linked with price increases recognised when effective. Payment is received immediately for direct sales of equipment to customers. Where equipment is provided to customers under mobile and fixed access subscription arrangements, payment for the equipment is received over the course of the contract term. Payments received in advance are recognised as contract liabilities; amounts billed in arrears are recognised as contract assets.

We adopt variable consideration to allocate the transaction price to take account of the likelihood of the customer upgrading to a new handset during the contract term. Consideration is constrained to a period shorter than the contract term and is allocated to the handset and airtime based on relative standalone selling price. Certain Business long-term contracts offer rebates to our customers. Where this is the case we make an estimate of variable consideration at the outset of the contract based on assumed volumes. These rebates are normally settled monthly against service revenues.

We are applying the practical expedient to recognise revenue "as-invoiced" for certain fixed access and mobile subscription services revenues. Where we have a right to invoice at an amount that directly corresponds with performance to date, we recognise revenue at that amount. We have also adopted the practical expedient not to calculate the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied for these contracts.

We do not have any material obligations in respect of returns, refunds or warranties.

Where we act as an agent in a transaction, such as certain insurance services offered, we recognise commission net of directly attributable costs.

We exercise judgement in assessing whether the initial set-up, transition and transformation phases of long-term contracts are distinct from the other services to be delivered under the contract and therefore represent separate performance obligations. This determines whether revenue is recognised in the early stages of the contract, or deferred until delivery of the other services promised in the contract begins.

We recognise immediately the entire estimated loss for a contract when we have evidence that the contract is unprofitable. If these estimates indicate that a contract will be less profitable than previously forecast, contract assets may have to be written down to the extent they are no longer considered to be fully recoverable. We perform ongoing profitability reviews of our contracts in order to determine whether the latest estimates are appropriate. Key factors reviewed include:

– Transaction volumes or other inputs affecting future revenues which can vary depending on customer requirements, plans, market conditions and other factors such as general economic conditions.
– Our ability to achieve key contract milestones connected with the transition, development, transformation and deployment phases for customer contracts.
– The status of commercial relations with customers and the implications for future revenue and cost projections.
– Our estimates of future staff and third party costs and the degree to which cost savings and efficiencies are deliverable.

Revenue from lease arrangements in scope of IFRS 16

Some consumer broadband and TV products and arrangements to provide external communications providers with exclusive use of Openreach's fixed-network telecommunications infrastructure meet the definition of operating leases under IFRS 16.

At inception of a contract, we determine whether the contract is, or contains, a lease following the accounting policy set out in note 15. Arrangements meeting the definition of a lease in which we act as lessor are classified as operating or finance leases at lease inception based on an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease; if not, it is an operating lease. For sub-leases, we make this assessment by reference to the characteristics of the right-of-use asset associated with the head lease rather than the underlying leased asset.

Income from arrangements classified as operating leases is presented as revenue where it relates to our core operating activities, for example leases of fixed-line telecommunications infrastructure to external communications providers and leases of devices to consumer customers as part of fixed access subscription products. Operating lease income from other arrangements is presented within other operating income (note 6).

We recognise operating lease payments as income on a straight-line basis over the lease term. Any upfront payments received, such as connection fees, are deferred over the lease term. Determining the lease term is subject to the significant judgements set out in note 15.

Where the contract contains both lease and non-lease components, the transaction price is allocated between the components on the basis of relative standalone selling price.

Where an arrangement is assessed as a finance lease we derecognise the underlying asset and recognise a receivable equivalent to the net investment in the lease. Finance lease receivables are presented in note 16. The receivable is measured based on future payments to be received discounted using the interest rate implicit in the lease, adjusted for any direct costs. Any difference between the derecognised asset and the finance lease receivable is recognised in the income statement. Where the nature of services delivered relates to our core operating activities it is presented as revenue. Where it relates to non-core activities it is presented within other operating income (note 6).

Notes to the consolidated financial statements continued

5. **Revenue** continued

Disaggregation of external revenue

The following table disaggregates external revenue by our major service lines and by reportable segment.

Year ended 31 March 2025	**Consumer £m**	**Business £m**	**Openreach £m**	**Other £m**	**Total £m**
ICT and managed networks	—	3,078	—	—	3,078
Fixed access subscriptions	4,338	2,130	2,897	—	9,365
Mobile subscriptions	3,509	1,202	—	—	4,711
Equipment[a] and other services	1,806	1,326	72	12	3,216
Revenue before specific items	**9,653**	**7,736**	**2,969**	**12**	**20,370**
Specific items[b] (note 9)					(12)
Revenue[cd]					**20,358**

Year ended 31 March 2024	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
ICT and managed networks	—	3,592	—	—	3,592
Fixed access subscriptions	4,333	2,149	2,900	—	9,382
Mobile subscriptions	3,557	1,187	—	—	4,744
Equipment[a] and other services	1,896	1,129	76	16	3,117
Revenue before specific items	**9,786**	**8,057**	**2,976**	**16**	**20,835**
Specific items[b] (note 9)					(38)
Revenue[cd]					**20,797**

a Includes UK equipment revenue of £2,310m (FY24: £2,391m).
b Relates to regulatory matters classified as specific. See note 9.
c The Group's revenue at 31 March 2025 relating to contracts with customers, as defined by IFRS 15, amounts to £17,358m (FY24: £17,766m).
d We have further disaggregated the revenue presented here to derive the UK adjusted service revenue of £15,582m (FY24: £15,727m). Please refer to our adjusted UK service revenue reconciliation in the Additional Information section of this report for details. Adjusted UK service revenue includes some portion of equipment revenue where that equipment is sold as part of a managed services contract, or where that equipment cannot be practicably separated from the underlying service.

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 March 2025 is £13,249m (FY24: £12,133m). Of this, £6,477m (FY24: £6,052m) relates to ICT and managed services contracts and equipment and other services which will substantially be recognised as revenue within three years. Fixed access and mobile subscription services typically have shorter contract periods and so £6,772m (FY24: £6,081m) will substantially be recognised as revenue within two years.

Key accounting estimates made in accounting for revenue

Estimate of customer refunds

There remains an accounting estimate in place to reflect a risk of billing inaccuracy where there is the presence of bespoke pricing. This is associated with a small number of products across a limited number of billing systems. We have previously recognised a combined £51m and based on the results of testing there has been no change to the expected value of the liability. As a result, there is no additional recognition or revenue deduction made in the current financial year. The value of this estimate is based on a range of potential adjustments, none of which materially deviate from the amount currently recorded.

This is presented within note 17 and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods. If the final quantum of adjustments is less than expected, the adjustment will be released back to the income statement.

Lease income

Presented within revenue is £3,000m (FY24: £3,031m) income from arrangements classified as operating leases under IFRS 16 and which represent core business activities for the group. Income relates predominantly to Openreach's leases of fixed-line telecommunications infrastructure to external communications providers, classified as fixed access subscription revenue in the table above, and leases of devices to Consumer customers as part of fixed access subscription offerings, classified as equipment and other services.

During the year we also recognised:

- £19m (FY24: £26m) operating lease income from non-core business activities which is presented in other operating income (note 6). Note 15 presents an analysis of payments to be received across the remaining term of operating lease arrangements.
- £12m (FY24: £40m) revenue in relation to upfront gains from arrangements meeting the definition of a finance lease. These arrangements meet the criteria for revenue recognition as they concern leases and sub-leases of telecommunications infrastructure that represent core business activities of the group.

£33m (FY24: £38m) of this income relates to the sub-leasing of right-of-use assets. These are primarily operating sub-leases of unutilised properties, and finance sub-leases of telecommunications infrastructure.

5. Revenue continued

Contract assets and liabilities

Material accounting policies that apply to contract assets and liabilities

We recognise contract assets for goods and services for which control has transferred to the customer before we have the right to bill. These assets mainly relate to mobile handsets provided upfront but paid for over the course of a contract. Contract assets are reclassified as receivables when the right to payment becomes unconditional and we have billed the customer.

Contract liabilities are recognised when we have received advance payment for goods and services that we have not transferred to the customer. These primarily relate to fees received for connection and installation services that are not distinct performance obligations.

Where the initial set-up, transition or transformation phase of a long-term contract is considered to be a distinct performance obligation we recognise a contract asset for any work performed but not billed. Conversely a contract liability is recognised where these activities are not distinct performance obligations and we receive upfront consideration. In this case eligible costs associated with delivering these services are capitalised as fulfilment costs, see note 16.

We provide for expected lifetime losses on contract assets following the policy set out in note 16.

Contract assets and liabilities are as follows:

At 31 March	**2025 £m**	2024 £m
Contract assets		
Current	1,194	1,410
Non-current	306	330
	1,500	**1,740**
Contract liabilities		
Current	899	906
Non-current	257	175
	1,156	**1,081**

£704m (FY24: £876m) of the contract liability at 31 March 2024 was recognised as revenue during the year. Impairment losses of £47m (FY24: £35m) were recognised on contract assets during the year.

The expected credit loss provisions recognised against contract assets vary across the group due to the nature of our customers; the expected loss rate at 31 March 2025 was 3% (FY24: 3%).

Notes to the consolidated financial statements continued

6. Operating costs

Year ended 31 March	Notes	**2025** **£m**	2024 (Restated)[a] £m
Operating costs by nature			
Staff costs:			
Wages and salaries[b]		3,969	4,197
Social security costs		432	425
Other pension costs	19	333	358
Share-based payment expense	21	62	71
Total staff costs		**4,796**	5,051
Capitalised direct labour		(1,412)	(1,432)
Net staff costs		**3,384**	3,619
Indirect labour costs[c]		1,271	1,228
Capitalised indirect labour		(806)	(772)
Net indirect labour costs		**465**	456
Net labour costs		**3,849**	4,075
Product costs		3,330	3,449
External sales commissions		440	506
Payments to telecommunications operators		1,074	1,227
Property and energy costs		1,296	1,338
Network operating and IT costs		1,077	1,145
Provision and installation		379	378
Marketing and sales		330	367
Net impairment losses on trade receivables and contract assets[d]		171	165
Other operating costs		492	323
Other operating income		(277)	(238)
Depreciation and amortisation, including impairment charges		4,933	4,899
Total operating costs before specific items		**17,094**	17,634
Specific items	9	772	949
Of which goodwill impairment		—	*488*
Total operating costs		**17,866**	18,583
Operating costs before specific items include the following:			
Leaver costs[b]		9	9
Research and development expenditure[e]		790	726
Foreign currency (gains)/losses		(3)	(2)
Inventories recognised as an expense		2,180	2,170

a Comparatives for the year to 31 March 2024 have been restated for employee pension costs, reclassification of sales commissions to wages and salaries, and other reclassifications between cost categories.
b Leaver costs are included within wages and salaries, except for leaver costs of £278m (FY24: £242m) associated with restructuring costs, which have been recorded as specific items.
c Indirect labour costs related to subcontracted labour costs.
d Consists of net impairment losses on trade receivables and contract assets in Consumer of £117m (FY24: £98m), in Business of £46m (FY24: £45m), in Openreach of £7m (FY24: £20m) and in Other of £2m (FY24: £2m).
e Research and development expenditure includes amortisation of £752m (FY24: £679m) in respect of capitalised development costs and operating expenses of £38m (FY24: £47m). In addition, the group capitalised software development costs of £438m (FY24: £429m).

6. Operating costs continued

Depreciation and amortisation, which includes impairment charges, is analysed as follows:

Year ended 31 March	Notes	**2025 £m**	2024 £m
Depreciation and amortisation before impairment charges			
Intangible assets	13	1,300	1,248
Property, plant and equipment	14	2,939	2,892
Right-of-use assets	15	644	652
Impairment charges			
Intangible assets	13	5	—
Property, plant and equipment[a]	14	43	108
Right-of-use assets[b]	15	2	(1)
Total depreciation and amortisation before specific items		**4,933**	4,899
Impairment charges classified as specific items	9		
Intangible assets[c]		2	488
Property, plant and equipment[a]		29	—
Right-of-use assets		14	11
Total depreciation and amortisation		**4,978**	5,398

a Impairment of network infrastructure, other assets and AUC in FY25, and network infrastructure and engineering stores in FY24, see note 14. Impairment classified as a specific item relates to our Portfolio Businesses, details in note 9.
b FY24 impairment charge reflects a net reversal of impairment on properties reoccupied subsequent to initial impairment.
c FY24 impairment charge represents impairment of goodwill allocated to our Business cash generating unit, further details in note 13.

Who are our key management personnel and how are they compensated?

Key management personnel comprise Executive and Non-Executive Directors and members of the *Executive Committee.*

Compensation of key management personnel is shown in the table below:

Year ended 31 March	**2025 £m**	2024 £m
Short-term employee benefits	15.9	16.6
Post employment benefits[a]	0.6	0.7
Share-based payments	8.3	8.1
Termination benefits	0.2	—
	25.0	**25.4**

a Post employment benefits include cash pension allowances paid to the Chief Executive and Chief Financial Officer. The group does not contribute to defined contribution or defined benefit pension schemes on behalf of key management personnel.

Key management personnel are compensated solely in the form of cash and share-based payments. During FY25, no key management personnel (FY24: 1) exercised saveshare options, see note 21.

Restatement of operating costs

Employee pension contributions

During the year to 31 March 2025, we have rolled out a new payroll system. As part of the implementation of the new system, we identified that employee pension contributions that should have been included as part of gross wages and salaries were deducted from that category and mapped to employer pension costs.

In the year to 31 March 2024 an amount of £224m representing employee pension contributions for the period, which are not a cost of the Group, was incorrectly deducted from wages and salaries in the income statement and added to the amount disclosed as the Group's other pension cost. There was no effect on total staff costs. Comparatives have been restated.

Reclassification of sales commissions to wages and salaries

As part of an exercise to review cost categories for internal and external reporting we have revisited our classifications for sales commissions. Commissions paid to employees are now included within wages and salaries. Sales commissions paid to employees were previously mapped to the 'sales commissions' category but should have been included within staff costs. We have renamed the 'sales commissions' category in the operating cost note to 'external sales commissions' to clarify the content of this line.

Wages and salaries of £130m for the year to 31 March 2024 were included in 'sales commissions'. We have adjusted the comparative amounts for the year ended 31 March 2024 to show this amount in wages and salaries.

Other reclassifications between cost categories

During the year to 31 March 2025, following completion of finance system transformation, we have more granular information with which to better align cost allocations with our accounting policies. As a result of this, we have identified certain reclassifications across our operating cost categories to the costs reported in the year to 31 March 2024.

In particular:

- Equipment costs of £137m have been reclassified from provision and installation costs to product costs to reflect our policy of reporting customer equipment costs within product costs.
- Network solution costs of £215m to support our products have been reclassified from product costs to network operating costs to reflect the nature of the costs being incurred, being costs to develop network solutions to support our products.

Notes to the consolidated financial statements continued

6. Operating costs continued

The impact of the above restatement on the prior year operating costs note is presented in the table below:

	Year ended 31 March		
	2024 (Reported) £m	Restatement	2024 (Restated) £m
Operating costs by nature			
Staff costs:			
Wages and salaries	3,843	354	4,197
Social security costs	425	—	425
Other pension costs	582	(224)	358
Share-based payment expense	71	—	71
Total staff costs	**4,921**	**130**	**5,051**
Capitalised direct labour	(1,432)	—	(1,432)
Net staff costs	**3,489**	**130**	**3,619**
Indirect labour costs	1,228	—	1,228
Capitalised indirect labour	(772)	—	(772)
Net indirect labour costs	**456**	**—**	**456**
Net labour costs	**3,945**	**130**	**4,075**
Product costs	3,527	(78)	3,449
External sales commissions	636	(130)	506
Payments to telecommunications operators	1,227	—	1,227
Property and energy costs	1,338	—	1,338
Network operating and IT costs	930	215	1,145
Provision and installation	515	(137)	378
Marketing and sales	367	—	367
Net impairment losses on trade receivables and contract assets	165	—	165
Other operating costs	323	—	323
Other operating income	(238)	—	(238)
Depreciation and amortisation, including impairment charges	4,899	—	4,899
Total operating costs before specific items	**17,634**	**—**	**17,634**
Specific items (note 9)	*949*	—	*949*
Total operating costs	**18,583**	**—**	**18,583**

7. Employees

Number of employees in the group	2025 Average[a] '000	2025 Average[b] FTE '000	2025 Year end[b] FTE '000	2024 Average[a] '000	2024 Average[b] FTE '000	2024 Year end[b] FTE '000
UK	70.8	68.3	64.5	77.3	74.9	71.4
Non-UK	20.7	20.7	20.8	20.1	20.0	20.3
Total employees	**91.5**	**89.0**	**85.3**	**97.4**	**94.9**	**91.7**
Consumer	17.8	15.7	16.2	18.1	16.3	15.8
Business	22.2	22.0	21.0	23.6	23.3	22.6
Openreach	30.6	30.5	27.8	35.1	34.9	32.8
Other	20.9	20.8	20.3	20.6	20.4	20.5
Total employees	**91.5**	**89.0**	**85.3**	**97.4**	**94.9**	**91.7**

a Average reflecting monthly average headcount.
b Average reflecting the full-time equivalent of full- and part-time employees, excluding subcontract labour. There were 31.0k FTE agency and subcontract labour at the FY25 year-end (FY24: 28.4k).

8. Audit, audit related and other non-audit services

The following fees were paid or are payable to the company's auditors, KPMG LLP and other firms in the KPMG network.

Year ended 31 March	**2025** **£000**	2024 £000
Fees payable to the company's auditors and its associates for:		
Audit services[a]		
The audit of the parent company and the consolidated financial statements	16,397	14,473
The audit of the company's subsidiaries	5,981	6,294
	22,378	**20,767**
Audit related assurance services[b]	**2,185**	**2,487**
Other non-audit services	**3**	**33**
Total services	**24,566**	**23,287**

a Services in relation to the audit of the parent company and the consolidated financial statements. This also includes fees payable for the statutory audits of the financial statements of subsidiary companies.
b Includes services that are required by law or regulation to be carried out by an appointed auditor and services that support us to fulfil obligations required by law or regulation. This includes fees for the review of interim results, the accrued fee for the audit of the group's regulatory financial statements and providing comfort letters for bond issuances.

Fees payable to auditors other than KPMG for audits of certain overseas subsidiaries were £174,000 (FY24: £164,000).

The BT Pension Scheme is an associated pension fund as defined in the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011. In FY25 KPMG LLP received total fees from the BT Pension Scheme of £2.3m (FY24: £1.9m) in respect of the following services:

Year ended 31 March	**2025** **£000**	2024 £000
Audit of financial statements of associates	2,093	1,767
Audit-related assurance services	128	26
Other non-audit services	32	74
Total services	**2,253**	**1,867**

9. Specific items

Material accounting policies that apply to specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the *Executive Committee* and assists in providing an additional analysis of our reporting trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, disposals of businesses and investments, impairment on remeasurement of the disposal groups to held for sale, impairment of goodwill, impairment charges in our portfolio businesses, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, out of period balance sheet adjustments, historical property-related provisions, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 24 for further detail.

Notes to the consolidated financial statements continued

9. Specific items continued

Year ended 31 March	2025 £m	2024 £m
Revenue		
Retrospective regulatory matters	12	38
Specific revenue	**12**	**38**
Operating costs		
Restructuring charges	448	388
Sports JV – related items	119	32
Other divestment-related items	19	(22)
Retrospective regulatory matters	(7)	18
Historical property-related provisions	—	34
Out of period adjustments	32	—
Impairment loss on remeasurement of disposal groups	116	—
Specific operating costs before depreciation and amortisation	**727**	**450**
Impairment charges in our Portfolio Businesses	45	—
Impairment charges due to property rationalisation	—	11
Impairment of goodwill	—	488
Specific operating costs	**772**	**949**
Specific operating loss	**784**	**987**
Net finance expense		
Interest expense on retirement benefit obligation	197	121
Specific net finance expense	**197**	**121**
Net specific items charge before tax	**981**	**1,108**
Taxation		
Tax credit on specific items above	(200)	(145)
	(200)	**(145)**
Net specific items charge after tax	**781**	**963**

Retrospective regulatory matters
We recognised net £5m impact in relation to historical regulatory matters, with £12m charges recognised in revenue offset by credits of £7m within operating costs (FY24: net charge of £56m). These items represent movements in provisions relating to various matters.

Restructuring charges
We have incurred charges of £448m (FY24: £388m) relating to projects associated with our group-wide cost transformation and modernisation programme. Costs primarily relate to leaver costs, consultancy costs, and staff costs associated with colleagues working exclusively on programme activity. The net cash cost of restructuring activity during the year was £423m (FY24: £348m).

FY25 was the final year of the five-year transformation programme which was announced in May 2020 and ran until the end of March 2025. A new programme of a further targeted £3bn gross annualised cost savings, with a total cost to achieve of £1bn, was announced in May 2024 which will run until the end of FY29. The benefits and costs of the final FY25 year of the previous May 2020 programme have been absorbed into the new programme. In FY25 we achieved an estimated £0.9bn of gross annualised cost savings at a cost to achieve of £0.4bn. The total expected cash costs to achieve is £1bn, of this we have incurred £0.4bn to date.

We do not consider the estimated restructuring costs to achieve of £1bn referenced here to constitute a sufficiently-detailed formal announcement of a restructuring programme such that would trigger a provision under IAS 37. Costs are provided for when the IAS 37 recognition criteria are met.

Sport JV-related items
We have recorded a net fair value loss of £75m (FY24: £22m) on the A and C preference shares held in the Sports JV (see note 24) and an impairment loss of £44m in respect of Group's equity interest in the Sports JV. In FY24 £10m of additional net costs related to the transaction.

Other divestment-related items
We recognised a £19m charge (FY24: £22m credit) relating to costs associated with ongoing divestment activities as we progress towards becoming fully UK focused.

Historical property-related provisions
In FY24 we recognised a provision of £34m as a specific item in relation to the cost of remediating and rectifying asbestos related property issues where we have a present obligation to do this.

Out of period adjustments
We have recognised £32m related to under accrual of historical costs, which came to light following a commercial settlement of certain aged balances within a sub-unit of our Business CFU. This has been recognised as specific due to the nature and incidence of this adjustment. The correction of aged balances, which do not relate to the current or prior year, would skew the results of the Business CFU.

Impairment loss on remeasurement of disposal groups
In our Business CFU, during FY25, we recognised an impairment charge of £116m for the remeasurement of the disposal groups. Assets classified as held for sale under IFRS 5 are measured at the lower of their carrying amount and fair value less costs to sell, resulting in an impairment loss (see note 22).

Impairment charges in our Portfolio Businesses
We have recognised an impairment of £45m of non-current assets following a review of businesses within our Portfolio channel which sits within the Business CFU.

9. Specific items continued

Impairment charges due to property rationalisation
During FY24, we recognised an impairment charge as specific of £11m, in relation to property rationalisation programmes. No impairment was recognised in FY25.

Impairment of goodwill
During FY24, we recognised an impairment charge of £488m in respect of goodwill allocated to our Business cash generating unit. See note 13 for more details.

Interest expense on retirement benefit obligation
During the year we incurred £197m (FY24: £121m) of interest costs in relation to our defined benefit pension obligations.

Tax on specific items
A tax credit of £200m was recognised in relation to specific items (FY24: £145m).

10. Taxation

Material accounting policies that apply to taxation
Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries, associates and joint ventures operate and generate taxable income. We evaluate positions taken in tax returns where tax regulation is subject to interpretation, and establish provisions if appropriate based on the amounts likely to be paid to tax authorities.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of our assets and liabilities and their tax base. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The IASB amended the scope of IAS 12 to introduce a temporary mandatory exception from deferred tax accounting for top-up tax arising from the implementation of the OECD Pillar Two model rules.

Deferred and current income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it is probable that there will be suitable taxable profits against which the deductible temporary difference can be utilised. Deferred tax balances for which there is a right of offset within the same jurisdiction are presented net on the face of the group balance sheet as permitted by IAS 12, with the exception of deferred tax related to our pension schemes which is disclosed within deferred tax assets.

Key accounting estimates made in accounting for taxation
We seek to pay tax in accordance with the laws of the countries where we do business. However, in some areas these laws are unclear, and it can take many years to agree an outcome with a tax authority or through litigation. We estimate our tax on country-by-country and issue-by-issue bases. Our key uncertainties are whether our intra-group trading model will be accepted by a particular tax authority and whether intra-group payments are subject to withholding taxes. We provide for the predicted outcome where an outflow is probable, but the agreed amount can differ materially from our estimates. Approximately 68% by value of the provisions is under active tax authority examination and are therefore likely to be re-estimated or resolved in the coming 12 months. £96m (FY24: £112m) is included in current tax liabilities or offset against current tax assets where netting is appropriate.

We are subject to regular tax authority review, and, under a downside case an additional amount of £135m could be required to be paid. This amount is not provided as we don't consider this outcome to be probable.

Deciding whether to recognise deferred tax assets is judgemental. We only recognise them when we consider it is probable that they can be recovered. In making this assessment we consider evidence such as historical financial performance, future financial plans and trends and whether our intra-group pricing model has been agreed by the relevant tax authority.

The value of the group's income tax assets and liabilities is disclosed on the group balance sheet. The value of the group's deferred tax assets and liabilities is disclosed below.

Notes to the consolidated financial statements continued

10. **Taxation** continued

Analysis of our taxation expense for the year

Year ended 31 March	2025 £m	2024 £m
United Kingdom		
Corporation tax at 25% (FY24: 25%)	(17)	(10)
Adjustments in respect of earlier years	10	—
Non-UK taxation		
Current tax[a]	(71)	(77)
Adjustments in respect of earlier years	(6)	(10)
Total current taxation (expense)	**(84)**	**(97)**
Deferred taxation		
Origination and reversal of temporary differences	(238)	(280)
Adjustments in respect of earlier years	42	46
Total deferred taxation credit (expense)	**(196)**	**(234)**
Total taxation (expense)	**(280)**	**(331)**

a Includes a current tax expense related to Pillar Two top-up tax of £3m (FY24: N/A).

Factors affecting our taxation expense for the year

The taxation expense on the profit for the year differs from the amount computed by applying the UK corporation tax rate to the profit before taxation as a result of the following factors:

Year ended 31 March	2025 £m	2024 £m
Profit before taxation	**1,334**	**1,186**
Expected taxation expense at UK rate of 25% (FY24: 25%)	(334)	(297)
Effects of:		
(Higher)/lower taxes on non-UK profits	18	25
Net permanent differences between tax and accounting[a]	(26)	(114)
Adjustments in respect of earlier years[b]	46	40
Prior year non-UK losses used against current year profits	9	10
Non-UK losses not recognised[c]	7	5
Total taxation credit (expense)	**(280)**	**(331)**
Exclude specific items (note 9)	(200)	(145)
Total taxation expense before specific items	**(480)**	**(476)**

a Includes income that is not taxable or UK income taxable at a different rate including the UK patent box incentive of £55m (FY24: £60m), and expenses for which no tax relief is received including a loss on goodwill impairment of £nil in FY25 (FY24: £122m).
b Reflects the differences between initial accounting estimates and tax returns submitted to tax authorities, including the release and establishment of provisions for uncertain tax positions.
c Reflects losses made in countries where it has not been considered appropriate to recognise a deferred tax asset, as future taxable profits are not probable.

Tax components of other comprehensive income

Year ended 31 March	2025 Tax credit (expense) £m	2024 Tax credit (expense) £m
Taxation on items that will not be reclassified to the income statement		
Pension remeasurements	(22)	600
Tax on items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	3	9
Fair value movements on cash flow hedges		
– net fair value gains or (losses)	(59)	69
– recognised in income and expense	—	—
Total tax recognised in other comprehensive income	**(78)**	**678**
Current tax credit[a]	10	—
Deferred tax (expense) credit	(88)	678
Total tax recognised in other comprehensive income	**(78)**	**678**

a Includes £6m (FY24: nil) relating to cash contributions made to reduce retirement benefit obligations.

Tax credit (expense) recognised directly in equity

Year ended 31 March	2025 £m	2024 £m
Tax credit (expense) relating to share-based payments	**18**	**(12)**

10. Taxation continued

Deferred taxation

	Fixed asset temporary differences £m	Retirement benefit obligations[a] £m	Share-based payments £m	Tax losses £m	Other £m	Jurisdictional offset £m	Total £m
At 1 April 2023	**3,799**	**(626)**	**(40)**	**(2,194)**	**(28)**	**—**	**911**
Expense (credit) recognised in the income statement	782	(17)	2	(454)	(79)	—	234
Expense (credit) recognised in other comprehensive income	—	(325)	—	(266)	(87)	—	(678)
Expense (credit) recognised in equity	—	—	12	—	—	—	12
Exchange differences	—	—	—	3	3	—	6
At 31 March 2024	**4,581**	**(968)**	**(26)**	**(2,911)**	**(191)**	**—**	**485**
Non-current							
Deferred tax asset	—	(968)	(26)	(2,911)	(191)	3,048	(1,048)
Deferred tax liability	4,581	—	—	—	—	(3,048)	1,533
At 31 March 2024	**4,581**	**(968)**	**(26)**	**(2,911)**	**(191)**	**—**	**485**
Expense (credit) recognised in the income statement	194	(42)	(6)	118	(68)	—	196
Expense (credit) recognised in other comprehensive income	—	128	—	(98)	58	—	88
Expense (credit) recognised in equity	—	—	(18)	—	—	—	(18)
Exchange differences	3	—	—	3	1	—	7
At 31 March 2025	**4,778**	**(882)**	**(50)**	**(2,888)**	**(200)**	**—**	**758**
Non-current							
Deferred tax asset	—	(882)	(50)	(2,888)	(200)	3,061	(959)
Deferred tax liability	4,778	—	—	—	—	(3,061)	1,717
At 31 March 2025	**4,778**	**(882)**	**(50)**	**(2,888)**	**(200)**	**—**	**758**

a Includes a deferred tax asset of £nil (FY24: £nil) arising on contributions payable to defined contribution pension plans.

The majority of the deferred tax assets and liabilities noted above are anticipated to be realised after more than 12 months.

What factors affect our future tax charges?

We expect a large proportion of our capital spend to be eligible for full expensing under the UK capital allowances regime, which provides 100% tax relief in the year of spend on qualifying assets. These deductions drive a projected UK tax loss and no UK tax payments for FY25. The enhanced and accelerated tax deductions arising under the Government's super-deduction regime for qualifying capital spend during FY22 and FY23, together with full expensing for FY24 and FY25, and pension deficit contribution deductions, result in c. £11.3bn of tax losses expected to be carried forward from FY25, to be utilised against future UK taxable profits. These are represented by a net c.£2.8bn deferred tax asset which is disclosed within the £2,888m deferred tax asset relating to tax losses in the table above.

The group is within the scope of the OECD Pillar Two model rules. The UK has enacted Pillar Two legislation which is applicable from 1 April 2024. Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. As the UK rate of corporation tax is 25%, and the group's business is primarily in the UK, the impact of these rules on the group is not expected to be material.

What are our unrecognised tax losses and other temporary differences?

At 31 March 2025 we had operating losses and other temporary differences carried forward in respect of which no deferred tax assets were recognised amounting to £3.5bn (FY24: £3.7bn). Our other temporary differences have no expiry date restrictions. The expiry date of operating losses carried forward is dependent upon the tax law of the various territories in which the losses arose. A summary of expiry dates for losses in respect of which restrictions apply is set out below:

At 31 March 2025	£m	Expiry
Restricted losses		
Europe	1	2026 - 2039
Americas	325	2026 - 2039
Other	2	2026 - 2034
Total restricted losses	**328**	
Unrestricted operating losses	3,007	No expiry
Other temporary differences	201	No expiry
Total	**3,536**	

At 31 March 2025 we had UK capital losses carried forward in respect of which no deferred tax assets were recognised amounting to £16.8bn (FY24: £16.8bn). These losses have no expiry date, but we consider the future utilisation of significant amounts of these losses to be remote.

At 31 March 2025 the undistributed earnings of non-UK subsidiaries were £2.5bn (FY24: £2.6bn). No deferred tax liabilities have been recognised in respect of these unremitted earnings because the group is in a position to control the timing of any dividends from subsidiaries and hence any tax consequences that may arise. Under current tax rules, tax of £44m (FY24: £44m) would arise if these earnings were to be repatriated to the UK.

Notes to the consolidated financial statements continued

11. Earnings per share

How is earnings per share calculated?

Basic earnings per share is calculated by dividing the profit after tax attributable to equity shareholders by the weighted average number of shares in issue after deducting the own shares held by employee share ownership trusts and treasury shares.

In calculating the diluted earnings per share, share options outstanding and other potential shares have been taken into account where the impact of these is dilutive.

Year ended 31 March	**2025**	2024
Basic weighted average number of shares (millions)	9,779	9,823
Dilutive shares from share options (millions)	49	39
Dilutive shares from share awards (millions)	132	136
Diluted weighted average number of shares (millions)	**9,960**	**9,998**
Basic earnings per share	10.8p	8.7p
Diluted earnings per share	10.6p	8.6p

The earnings per share calculations are based on profit after tax attributable to equity shareholders of the parent company which excludes non-controlling interests. Profit after tax was £1,054m (FY24: £855m). Profit attributable to non-controlling interests is not presented separately in the financial statements as it is not material.

12. Dividends

What is the group's dividend policy?

We have a progressive dividend policy to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium-term earnings expectations and levels of business reinvestment.

What dividends have been paid?

A final dividend of 5.76p per share amounting to approximately £566m is proposed in respect of the year ended 31 March 2025 (FY24: final dividend of 5.69p per share amounting to £556m paid in respect of the year ended 31 March 2024). An interim dividend of 2.40p per share amounting to £235m was paid on 5 February 2025 (FY24: interim dividend of 2.31p per share amounting to £227m paid). This value may differ from the amount shown for equity dividends paid in the group cash flow statement, which represents the actual cash paid in relation to dividend cheques that have been presented over the course of the financial year.

	2025		2024	
Year ended 31 March	**pence per share**	**£m**	pence per share	£m
Final dividend in respect of the prior year	5.69	556	5.39	530
Interim dividend in respect of the current year	2.40	235	2.31	227
	8.09	**791**	**7.70**	**757**

13. Intangible assets

Material accounting policies that apply to intangible assets

We recognise identifiable intangible assets where we control the asset, it is probable that future economic benefits attributable to the asset will flow to the group, and we can reliably measure the cost of the asset. We amortise all intangible assets, other than goodwill, over their useful economic life. The method of amortisation reflects the pattern in which the assets are expected to be consumed. If the pattern cannot be determined reliably, the straight-line method is used.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets (including intangible assets) of the acquired business. Our goodwill impairment policy is set out later in this note.

Acquired intangible assets – customer relationships and brands

Intangible assets such as customer relationships or brands acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. Assumptions are used in estimating the fair values of these relationships or brands and include management's estimates of revenue and profits to be generated by them.

Telecommunications licences

Licence fees paid to governments, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period or where our usage can extend beyond the initial licence period, over the period we expect to benefit from the use of the licences, which is typically 20 years. Licences acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. The fair value is based on management's assumption of future cash flows using market expectations at acquisition date.

Computer software

Computer software comprises computer software licences purchased from third parties, and also the cost of internally developed software. Computer software licences purchased from third parties are initially recorded at cost. We capitalise costs directly associated with the production of internally developed software, including direct and indirect labour costs of development, only where it is probable that the software will generate future economic benefits, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet. Costs which do not meet these criteria and research costs are expensed as incurred.

Our development costs which give rise to internally developed software include upgrading the network architecture or functionality and developing service platforms aimed at offering new services to our customers.

Other

Other intangible assets include website development costs and other licences. Items are capitalised at cost and amortised on a straight-line basis over their useful economic life or the term of the contract.

Estimated useful economic lives

The estimated useful economic lives assigned to the principal categories of intangible assets are as follows:

– Computer software	2 to 10 years
– Telecommunications licences	2 to 20 years
– Customer relationships and brands	1 to 15 years

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant cash generating unit and the fair value less costs to dispose.

Goodwill is reviewed for impairment at least annually as described below. Impairment losses are recognised in the income statement, as a specific item. If a cash generating unit is impaired, impairment losses are allocated firstly against goodwill, and secondly on a pro-rata basis against intangible and other assets.

Notes to the consolidated financial statements continued

13. Intangible assets continued

	Goodwill £m	Customer relationships and brands[a] £m	Telecoms licences and other[b] £m	Internally developed software[c] £m	Purchased software[c] £m	Total £m
Cost						
At 1 April 2023	**7,955**	**3,383**	**3,491**	**5,727**	**1,294**	**21,850**
Additions	—	—	—	732	206	938
Disposals and adjustments[d]	(4)	(1)	(12)	(671)	298	(390)
Transfers	—	—	—	217	(95)	122
Exchange differences	(29)	—	(1)	(1)	(5)	(36)
At 31 March 2024	**7,922**	**3,382**	**3,478**	**6,004**	**1,698**	**22,484**
Additions	—	—	—	775	223	998
Disposals and adjustments[d]	—	—	6	(753)	(121)	(868)
Transfers[f]	—	—	—	124	(197)	(73)
Transfer to assets held for sale[e]	(99)	—	(43)	—	(83)	(225)
Exchange differences	(25)	—	(1)	—	(4)	(30)
At 31 March 2025	**7,798**	**3,382**	**3,440**	**6,150**	**1,516**	**22,286**
Accumulated amortisation						
At 1 April 2023	**—**	**2,700**	**1,095**	**3,747**	**621**	**8,163**
Amortisation charge for the year	—	231	185	762	70	1,248
Impairment	488	—	—	—	—	488
Disposals and adjustments[d]	—	—	(13)	(462)	96	(379)
Transfers	—	—	—	(41)	90	49
Exchange differences	—	—	(1)	—	(4)	(5)
At 31 March 2024	**488**	**2,931**	**1,266**	**4,006**	**873**	**9,564**
Amortisation charge for the year	—	227	186	790	97	1,300
Impairment	—	—	—	6	1	7
Disposals and adjustments[d]	—	—	8	(749)	(125)	(866)
Transfers[f]	—	—	—	3	(32)	(29)
Transfer to assets held for sale[e]	—	—	(42)	—	(77)	(119)
Exchange differences	—	—	(1)	—	(3)	(4)
At 31 March 2025	**488**	**3,158**	**1,417**	**4,056**	**734**	**9,853**
Carrying amount						
At 31 March 2024	**7,434**	**451**	**2,212**	**1,998**	**825**	**12,920**
At 31 March 2025	**7,310**	**224**	**2,023**	**2,094**	**782**	**12,433**

a Customer relationships and brands relate to separately identifiable intangible assets recognised on acquisition of EE.
b Telecoms licences and other primarily represents spectrum licences. These include 2100 MHz licence with book value of £543m (FY24: £593m), 1800 MHz with book value of £498m (FY24: £544m), 700Mhz with book value of £251m (FY24: £266m), 3400 MHz with book value of £210m (FY24: £226m) and 2600 MHz with book value of £164m (FY24: £185m). Spectrum licences are being amortised over a period between 14 and 20 years.
c Includes a carrying amount of £506m (FY24: £623m) in respect of assets under construction, which are not yet amortised.
d Disposals and adjustments include the removal of assets from the group's fixed asset registers following disposals and the identification of fully amortised assets (including £0.7bn in FY25 (FY24: £0.3bn) through operation of the group's annual asset verification exercise).
e For a breakdown of assets held for sale see note 22.
f During FY25, assets with cost of £73m and accumulated depreciation of £29m were transferred from intangible assets to property, plant and equipment following review of asset registers. During FY24, assets with a cost of £122m and accumulated depreciation of £49m were transferred from property, plant and equipment to intangible assets.

13. Intangible assets continued

Impairment of goodwill

Material accounting policies that apply to impairment of goodwill

Goodwill arising on the acquisition of a business is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill is allocated to CGUs that are expected to benefit from the synergies of the combination. Each CGU to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs to which goodwill is allocated is determined based on fair value less costs of disposal (FVLCD), which is higher than its value in use (VIU).

An impairment loss is recognised in profit or loss and presented as a specific item (note 9) if the carrying amount of CGU exceeds its recoverable amount.

Significant judgements and critical accounting estimates made in reviewing goodwill for impairment

Determining our CGUs

The determination of our CGUs is judgemental. The identification of CGUs involves an assessment of whether the asset or group of assets generate largely independent cash inflows. The outcome of this assessment affects the allocation of goodwill and impairment test for the CGU to which goodwill is allocated. This involves consideration of how our core assets are operated and whether these generate independent cash inflows.

There were two CGUs to which goodwill was allocated during the prior year – Consumer and Business CGUs, aligning with the corresponding CFUs and reportable segments.

Focusing our strategy on the UK market, we are exploring options to optimise our international operations, resulting in the identification of two CGUs within the Business segment. They consist of the UK-focused operation (“UK Business CGU”) and certain international operations (collectively “International Business CGU”) which individually represent the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs.

Estimating recoverable amount

The outcome of the impairment test of goodwill of UK Business CGU is subject to significant estimation uncertainty, as the calculation of the recoverable amount and resultant headroom is sensitive to the underlying assumptions used in the discounted cash flow (DCF) model, which include future projections of operating cash flows and selections of discount rate and terminal growth rate, in combination.

Operating cash flow

The financial plan on which the DCF is based on is underpinned by various granular assumptions on operating cash flows, which collectively roll up to the projected Adjusted EBITDA over the forecast period. We consider that each of these granular assumptions do not give rise to significant estimation uncertainty that would result in a material change to the outcome of the impairment test of UK Business CGU. Projected Adjusted EBITDA CAGR, which is expressed as compound annual growth rate of projected Adjusted EBITDA within the 5-year forecast period, is considered as the most representative metric for the underlying assumptions on an aggregated level that gives the most meaningful sensitivity information.

Costs of disposal is not a key assumption that is sensitive to the recoverable amount.

Terminal growth rate

Long-term compound annual growth rates may be higher or lower than management’s estimate due to market-specific factors including inflation expectations, the regulatory environment and competition intensity.

Discount rate

The discount rate used is adjusted for the risk specific to the asset for which the future cash flow estimates have not been adjusted. The discount rate could vary from management’s estimate due to fluctuations in market conditions, which impact underlying assumptions such as the risk-free rate, equity market risk premium, asset beta, and leverage ratios.

Notes to the consolidated financial statements continued

13. **Intangible assets** continued

Cash-generating units

The carrying amount of goodwill allocated to CGUs is shown below:

		Business			
	Consumer £m	Legacy Business £m	UK Business £m	International Business £m	Total £m
1 April 2023	**3,874**	**4,081**	**—**	**—**	**7,955**
Acquisitions and disposals	—	(4)	—	—	(4)
Exchange differences	—	(29)	—	—	(29)
Impairment	—	(488)	—	—	(488)
31 March 2024	**3,874**	**3,560**	**—**	**—**	**7,434**
Transfer to assets held for sale	—	(99)	—	—	(99)
Exchange differences	—	(25)	—	—	(25)
Reallocation of goodwill	—	(3,436)	2,966	470	—
31 March 2025	**3,874**	**—**	**2,966**	**470**	**7,310**

As noted, in addition to Consumer CGU, we have identified two CGUs to which goodwill is allocated within the Business segment at the end of the year. They consist of the UK-focused operation ("UK Business CGU") and certain international operations (collectively "International Business CGU") which individually represent the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs. Goodwill has been allocated between the UK Business and International Business CGUs on a relative fair value basis, as this was deemed to best reflect the goodwill associated to the reorganised units.

The impairment test

The Group's impairment test compares the carrying value of each CGU with its recoverable amount. For FY25, this has been deemed equal to FVLCD.

The fair value is determined using nominal cash flow projections derived from financial plans approved by the Board covering a five-year period. They reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital, net savings from uncommitted restructuring (i.e., the group wide transformation programme announced in May 2024) and other operating cash flows, based on past experience and future expectations of business performance, further adjusted for market participant's view. Cash flows beyond the fifth year have been extrapolated using perpetuity growth rates. Forecasting risks are reflected in the cash flows. These cash flows are discounted to their present value using a pre-tax nominal discount rate. Costs of disposals are based on management's estimate.

The FVLCD is categorised as level 3 in its entirety under the fair value hierarchy.

In FY24, our recoverable amounts of Consumer CGU and Business CGU were based on VIU, which exclude the net savings from uncommitted restructuring.

As at 31 March 2025, the estimated recoverable amount of each CGU exceeded its respective carrying value (FY24: £488m impairment recognised).

Key assumptions

Key assumptions used in determining the discounted cash flow forecasts for Consumer, UK Business and International Business CGUs are summarised as follows:

Key assumptions	Approach to determine
Projected Adjusted EBITDA	Adjusted EBITDA is defined as the profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post-tax profits or losses of associates and joint ventures. The forecasts reflect past experience, and the trends and maturity of the industry that we operate in. Net savings from uncommitted restructuring are included in the projected Adjusted EBITDA in FY25; however were excluded in calculating the VIU in FY24 in line with IAS 36 requirements.
Discount rate	The pre-tax discount rates applied to the cash flow forecasts are derived from our post-tax weighted average cost of capital. The assumptions used in the calculation of the group's weighted average cost of capital are primarily benchmarked to externally available data and reflect the impact of those risks not already considered within cash flows, such as the risk-free rate, equity market risk premium, asset beta, and leverage ratios.
Long-term growth rate	The perpetuity growth rates are determined based on the forecast market growth rates of the regions in which the CGU operates, and reflect an assessment of the long-term growth prospects of that business and market. The growth rates have been benchmarked against external data for the relevant markets and analysts' expectations. None of the growth rates applied exceed the expected average long-term growth rates for those markets or sectors.

13. Intangible assets continued

The discount rates and long-term growth rates used in the impairment test for Consumer, UK Business and International Business CGUs are disclosed in accordance with IAS 36 as follows.

	2025			2024	
	Consumer	UK Business	International Business	Consumer	Legacy Business
Pre-tax discount rate	9.35 %	9.35 %	10.98 %	9.25 %	9.27 %
Long-term growth rate	1.0 %	1.0 %	0.0 %	1.0 %	0.7 %

Sensitivity analysis

The impairment testing as described is reliant on the accuracy of management's forecasts and the assumptions that underlie them, and on the selection of the discount and growth rates to be applied.

For the Consumer and International Business CGUs, no reasonably possible change in key assumptions indicated an impairment would arise.

In light of the level of headroom (c.£0.9bn) and significance of estimation uncertainty for the UK Business CGU, we considered the following reasonably possible scenarios. For changes in key assumptions in isolation, the impact on headroom is shown below. No impairment arises from these sensitivities:

	Impact on headroom on UK Business	
In £m	Low scenario	High scenario
Projected Adjusted EBITDA CAGR[a] -/+1.0%	(727)	754
Pre-tax discount rate +/-0.5%	(419)	473
Long-term growth rate -/+1.0%	(604)	769

a Projected Adjusted EBITDA CAGR is expressed as the compound annual growth rates of projected Adjusted EBITDA within the 5-year forecast period of the cash flow forecasts which are used to determine the recoverable amounts of the CGUs.

We set out below the changes to key assumptions, in isolation, that would be required to to trigger an impairment loss being recognised:

	Change required for carrying value to equal recoverable amount
Increase/(decrease) by	UK Business
Projected adjusted EBITDA CAGR	(1.2)%
Pre-tax discount rate	1.1 %
Long-term growth rate	(1.5)%

We also considered a reasonably possible combined sensitivity, reducing the projected adjusted EBITDA CAGR by 1.0% and long-term growth rate by 1.0%. This would result in a material impairment of £405m.

Notes to the consolidated financial statements continued

14. Property, plant and equipment

Material accounting policies that apply to property, plant and equipment

Our property, plant and equipment is included at historical cost, net of accumulated depreciation, government grants and any impairment charges. Property, plant and equipment acquired through business combinations is initially recorded at fair value and subsequently accounted for on the same basis as our existing assets. We derecognise items of property, plant and equipment on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The difference between the sale proceeds and the net book value at the date of disposal is recognised in operating costs in the income statement.

Included within the cost of network infrastructure and equipment are direct and indirect labour costs, materials and directly attributable overheads.

We depreciate property, plant and equipment on a straight-line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not depreciated.

Estimated useful economic lives

The estimated useful lives assigned to principal categories of assets are as follows:

Land and buildings	
– Freehold buildings	14 to 50 years
– Short-term leasehold improvements	Shorter of 10 years or lease term
– Leasehold land and buildings	Shorter of unexpired portion of lease or 40 years
Network infrastructure	
Transmission equipment	
– Duct	40 years
– Cable	3 to 25 years
– Fibre	5 to 20 years
Exchange equipment	2 to 13 years
Other network equipment	2 to 40 years
Other assets	
– Motor vehicles	2 to 10 years
– Computers and office equipment	3 to 7 years

Residual values and useful lives are reassessed annually and, if necessary, changes are recognised prospectively.

Network share assets

Certain assets have been contributed to a network share arrangement by both EE and Hutchison 3G UK Limited, with legal title remaining with the contributor. This is considered to be a reciprocal arrangement. Our share of the assets on acquisition of EE was recognised at fair value within tangible assets, and depreciated in line with policy. Subsequent additions are recorded at cost.

Impairment of property, plant and equipment

We test property, plant and equipment for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, we assess the recoverable amount by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less costs to dispose. If it is not possible to determine the recoverable amount for the individual asset then we assess impairment by reference to the relevant cash generating unit as described in note 13.

Building Digital UK (BDUK) government grants

We receive government grants in relation to BDUK and other rural superfast broadband contracts including Reaching 100% (R100). Where we have achieved certain service levels, or delivered the network more efficiently than anticipated, we have an obligation to either re-invest or repay grant funding. Where this is the case, we recognise deferred income in respect of the funding that will be re-invested or repaid, and make a corresponding adjustment to the carrying amount of the related property, plant and equipment.

Assessing the timing of whether and when we change the estimated take-up assumption is judgemental as it involves considering information which is not always observable. Our consideration on whether and when to change the base case assumption is dependent on our expectation of the long-term take-up trend.

Our assessment of how much grant income to defer includes consideration of the difference between the take-up percentage agreed with the local authority and the likelihood of actual take-up. The value of the government grants deferred is disclosed in note 17.

14. Property, plant and equipment continued

	Land and buildings £m	Network infrastructure: Held by Openreach £m	Network infrastructure: Held by other units £m	Other[a] £m	Assets under construction[f] £m	Total £m
Cost						
At 1 April 2023	**1,165**	**33,775**	**25,289**	**1,622**	**1,594**	**63,445**
Additions[b]	6	1	73	12	3,850	3,942
Transfers	85	2,562	906	279	(3,954)	(122)
Disposals and adjustments[c]	(95)	(208)	(2,198)	(162)	137	(2,526)
Transfer to assets held for sale[d]	—	—	—	—	—	—
Exchange differences	(11)	—	(66)	(5)	(1)	(83)
At 31 March 2024	**1,150**	**36,130**	**24,004**	**1,746**	**1,626**	**64,656**
Additions[b]	2	1	43	10	3,803	3,859
Transfers[e]	123	3,021	990	318	(4,379)	73
Disposals and adjustments[c]	(70)	(191)	(1,725)	(40)	(37)	(2,063)
Transfer to assets held for sale[d]	(151)	—	(610)	(81)	(2)	(844)
Exchange differences	(8)	—	(45)	(4)	(1)	(58)
At 31 March 2025	**1,046**	**38,961**	**22,657**	**1,949**	**1,010**	**65,623**
Accumulated depreciation						
At 1 April 2023	**716**	**18,998**	**20,854**	**1,210**	**—**	**41,778**
Depreciation charge for the year	55	1,489	1,085	263	—	2,892
Impairment	—	78	—	—	30	108
Transfers	—	—	(49)	—	—	(49)
Disposals and adjustments[c]	(30)	(134)	(2,222)	(174)	—	(2,560)
Transfer to assets held for sale[d]	—	—	—	—	—	—
Exchange differences	(9)	—	(61)	(5)	—	(75)
At 31 March 2024	**732**	**20,431**	**19,607**	**1,294**	**30**	**42,094**
Depreciation charge for the year	68	1,554	1,050	267	—	2,939
Impairment	1	—	44	10	17	72
Transfers[e]	—	—	29	—	—	29
Disposals and adjustments[c]	(42)	(182)	(1,836)	(32)	(4)	(2,096)
Transfer to assets held for sale[d]	(118)	—	(563)	(63)	—	(744)
Exchange differences	(6)	—	(41)	(4)	—	(51)
At 31 March 2025	**635**	**21,803**	**18,290**	**1,472**	**43**	**42,243**
Carrying amount						
At 31 March 2024	**418**	**15,699**	**4,397**	**452**	**1,596**	**22,562**
At 31 March 2025	**411**	**17,158**	**4,367**	**477**	**967**	**23,380**

a 'Other' comprises plant and equipment, motor vehicles, computers, and fixtures and fittings.
b Net of government grants of £103m (FY24: £91m).
c Disposals and adjustments include the removal of assets from the group's fixed asset registers following disposals and the identification of fully depreciated assets (including £1.5bn in FY25 (FY24: £2.2bn) through operation of the group's annual asset verification exercise). They also include adjustments between gross cost and accumulated depreciation following review of fixed asset registers, and adjustments resulting from changes in assumptions used in calculating lease-end obligations where the corresponding asset is capitalised.
d Transfers to assets held for sale are detailed in note 22.
e During FY25, assets with cost of £73m and accumulated depreciation of £29m were transferred from intangible assets to property, plant and equipment following review of asset registers. During FY24, assets with a cost of £122m and accumulated depreciation of £49m were transferred from property, plant and equipment to intangible assets.
f Assets under construction (AUC) cost includes a carrying amount of £73m (Gross cost of £108m and accumulated depreciation of £35m) at 31 March 2025 and £91m (Gross costs £121m and accumulated depreciation of £30m) at 31 March 2024 which relates to engineering stores. In the FY24 Annual Report, part of the cost was previously presented separately from the cost of AUC in the above table. During the year, this has been included in the cost of Assets under construction by including the Gross cost of £92m as at 1 April 2023.

Notes to the consolidated financial statements continued

14. **Property, plant and equipment** continued

Included within the disclosure are assets used in arrangements which represent core business activities for the group and which meet the definition of operating leases:

- £17,158m (FY24: £15,699m) of the carrying amount of the network infrastructure asset class represents Openreach's network infrastructure. The majority of the associated assets are used to deliver fixed-line telecommunications services that have been assessed as containing operating leases, to both internal and external communications providers. Network infrastructure held by Openreach is presented separately in the table above; however it is not practicable to separate out infrastructure not used in operating lease arrangements.
- Plant and equipment, within other assets, includes devices with a carrying amount of £238m (FY24: £160m) that are made available to retail customers under arrangements that contain operating leases. These are not presented separately in the table above as they are not material relative to the group's overall asset base.

The carrying amount of land and buildings, including leasehold improvements, comprised:

At 31 March	**2025 £m**	2024 £m
Freehold	67	71
Leasehold	344	347
Total land and buildings	**411**	**418**

Network infrastructure

Some of our network assets are jointly controlled by EE Limited with Hutchison 3G UK Limited. These relate to shared 3G network and certain elements of network for 4G rural sites. The net book value of the group's share of assets controlled by its joint operation MBNL is £791m (FY24: £759m) and is recorded within network infrastructure.

BT Tower

In FY24 we agreed to the sale of the BT Tower for headline consideration of £275m, as part of the simplification of the group's property portfolio. The carrying amount of the BT Tower asset is £2.9m as at 31 March 2025 (FY24: £4m). The asset continues not to meet the IFRS 5 criteria for classification as held for sale at the reporting date, reflecting the extent of decommissioning work needed to provide vacant possession of the site.

The transfer of legal title is anticipated to take place in a three year window between 2028 and 2031 subject to achieving vacant possession of the site. BT continues to enjoy exclusive rights to occupy and access the site prior to completion.The useful economic lives of assets associated with the BT Tower have been reassessed in light of the anticipated disposal in FY30.

Low carbon fleet

As reported in our TCFD statement on page 62, we're working hard and investing to convert the majority of our fleet to electric or zero emission vehicles by the end of FY31. This plan does not trigger a significant impairment of fleet assets as substantially all non-electric vehicles held by the group at 31 March 2025 will be fully depreciated ahead of FY31.

15. Leases

Material accounting policies that apply to leases

Identifying whether a lease exists
At inception of a contract, we determine whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, we consider whether:

– The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct.
– The lessee (either the group, or the group's customers) has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
– The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Where practicable, and by class of underlying asset, we have elected to account for leases containing a lease component and one or more non-lease components as a single lease component. Where this election has been taken, it has been applied to the entire asset.

Lessee accounting
We recognise a lease liability and right-of-use asset at the commencement of the lease.

Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the group's incremental borrowing rate.

The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that we are reasonably certain that the lessee will exercise, or termination options that we are reasonably certain that the lessee will not exercise.

The incremental borrowing rate is the rate that we would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value.

Lease payments include:

– fixed payments
– variable lease payments that depend on an index or rate
– amounts expected to be paid under residual value guarantees
– the exercise price of any purchase options that we are reasonably certain to exercise
– payments due over optional renewal periods where we are reasonably certain to renew
– penalties for early termination of the lease where we are reasonably certain to terminate early

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured if there is a change in future lease payments, including changes in the index or rate used to determine those payments, or the amount we expect to be payable under a residual value guarantee.

We also remeasure lease liabilities where the lease term changes. This occurs when the non-cancellable period of the lease changes, or on occurrence of a significant event or change in circumstances within the control of the lessee and which changes our initial assessment in regard to whether the lessee is reasonably certain to exercise extension options or not to exercise termination options. Where the lease term changes we remeasure the lease liability using the group's incremental borrowing rate at the date of reassessment. Where a significant event or change in circumstances does not occur, the lease term remains unchanged and the carrying amounts of the lease liability and associated right-of-use asset will decline over time.

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term. Right-of-use assets are tested for impairment following the policy set out in note 14 and are adjusted for any remeasurement of lease liabilities.

We have elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less, and leases of low-value assets with a purchase price under £5,000. We recognise payments for these items as an expense on a straight-line basis over the lease term.

Any variable lease payments that do not depend on an index or rate, such as usage-based payments, are recognised as an expense in the period to which the variability relates.

Notes to the consolidated financial statements continued

15. Leases continued

Lessor accounting
At inception or on modification of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, we make an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, we consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When we are an intermediate lessor, we account for our interests in the headlease and the sublease separately. We assess the lease classification of a sublease with reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset. If a headlease is a short-term lease to which we apply the exemption described above, then we classify the sublease as an operating lease.

If an arrangement contains lease and non-lease components, then we apply IFRS 15 to allocate the consideration in the contract.

We apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. We further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

We recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Significant judgements made in accounting for leases

The lease term is a key determinant of the size of the lease liability and right-of-use asset recognised where the group acts as lessee; and the deferral period for any upfront connection charges where the group acts as lessor. Determining the lease term requires judgement to evaluate whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options. Key facts and circumstances that create an incentive to exercise those options are considered; these include:

- Our anticipated operational, retail and office property requirements in the mid and long term.
- The availability of suitable alternative sites.
- Costs or penalties associated with exiting lease arrangements relative to the benefits to be gained, including costs of removing leasehold improvements or relocating, and indirect costs such as disruption to business.
- Significant investments in leased sites, in particular those with useful lives beyond the lease term.
- Costs associated with extending lease arrangements including rent increases during secondary lease periods.

Our definition of ‘reasonable certainty’, and therefore the lease term, will often align with the judgements made in our medium-term plan, in particular for leases of non-specialised property and equipment on rolling (or ‘evergreen’) arrangements that continue until terminated and which can be exited without significant penalty.

Following initial determination of the lease term, we exercise judgement in evaluating whether events or changes in circumstances are sufficiently significant to change the initial assessment of whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options; and in the subsequent reassessment of the lease term.

Significant judgements exercised in setting the lease term
The quantum of the lease liability and right-of-use asset currently recognised on our balance sheet is most significantly affected by the judgement exercised in setting the lease term for the arrangement under which the bulk of our operational UK property estate is held. Setting the lease term for our leased cell sites has also involved the use of judgement, albeit to a lesser degree.

15. Leases continued

UK operational property portfolio

Substantially all of our leased property estate is held under an arrangement which can be terminated in 2031, at which point we may either vacate some or all properties or purchase the entire estate. If neither option is taken the lease continues to the next unilaterally available break point in 2041. The lease liability recognised for the arrangement reflects a lease end date of 2031.

On initial recognition we concluded that, although the majority of these properties are expected to be needed on a long-term basis, we couldn't be reasonably certain that we wouldn't exercise the termination option or that we would exercise the purchase option. In coming to this conclusion, we had due regard to material sub-lease arrangements relating to the estate.

As time progresses our assessment may change; if this happens, we will remeasure the lease liability and right-of-use asset to reflect either the rentals due for any properties we will continue to occupy, or the cost of purchasing the estate, using an updated discount rate. There would be no overall impact on net assets.

If the assessment were to change at the balance sheet date of 31 March 2025:

- Exercising the purchase option would lead to an estimated increase in the lease liability and right-of-use asset of between £3bn and £5bn.
- Continuing to lease the estate beyond 2031 until the next available break in 2041 would lead to an estimated increase in the lease liability and right-of-use asset of between £1bn and £2bn.

Our assessment will be directly linked to future strategic decisions, which will be resolved at some time prior to 2031, around the development of the fixed network and the associated rationalisation of our exchange estate. The breadth of the ranges reflects the significant uncertainty around key variables used to determine cash outflows, especially future inflation and which properties the group will be able to exit prior to or in 2031.

Estimates are based on discounted cash outflows and do not reflect the likely and significant impact of cash inflows generated from the disposal, repurposing or subleasing of properties retained post-2031.

We are permitted to hand a limited number of properties back to the lessor prior to 2031. On initial adoption of IFRS 16 we were not reasonably certain which properties would be handed back and as such the lease term did not reflect the exercise of these options. Subsequently we exercise judgement in identifying significant events that trigger reassessment of our initial conclusion. We exercise similar judgement in identifying events triggering reassessment of whether we are reasonably certain we will not exercise termination options associated with other leased properties.

In doing so we consider decisions associated with our ongoing workplace rationalisation programme, in particular decisions to exit a particular location or lease an alternative property. Generally we remain reasonably certain that we will not exercise a termination option until implementation of the associated business plan has progressed to a stage that we are committed to exiting the property. At that point we reassess the lease term by reference to the time we expect to remain in occupation of the property and any notice period associated with exercise of the option.

Cell sites

Most of the liability recognised in respect of leased cell sites relates to multi-site arrangements with commercial providers. The fixed-term nature of these arrangements means it has not been necessary to exercise significant judgement when determining the lease term. Where the arrangements offer extension options we have been required to conclude whether the options are reasonably certain to be exercised. Although the balance sheet could be materially affected by the conclusion reached in regard to these options, we have not been required to exercise a significant degree of judgement in arriving at the lease term having regard to the period of time covered by the options, the difficulty in predicting the group's long-term network requirements, and the relatively high threshold that 'reasonably certain' represents.

A smaller proportion of the cell site liability relates to arrangements with individual landlords which are either rolling or can be exited with notice. When setting the initial lease term for these arrangements we exercised significant judgement in establishing the period that we are reasonably certain to require use of the site. We broadly aligned lease terms with our medium-term planning horizon after assessing the relative strengths of the following factors:

- Long-term economic incentives to remain on sites including existing capital improvements;
- A need to maintain flexibility in our ability to develop and manage our network infrastructure to react quickly to technological developments and evolving capacity requirements; and
- Incentives to renegotiate arrangements in the medium term to gain more security over sites to support future capital investment.

Although significant judgement has been exercised in determining the lease term, reaching an alternative conclusion would not have a material impact on the balance sheet having regard to the most feasible alternative lease terms.

Subsequently, we consider key events that trigger reassessment of lease terms to be developments which resolve uncertainty around our economic incentive to remain on individual sites in the long term. These are primarily lease renegotiations and significant capital investments, for example that associated with our 5G rollout and other capital refresh programmes.

Notes to the consolidated financial statements continued

15. **Leases** continued

Right-of-use assets

Most of our right-of-use assets are associated with our leased property portfolio, specifically our office, retail and exchange estate. We also lease a significant proportion of our network infrastructure, including mobile cell and switch sites.

	Land and buildings £m	Network infrastructure £m	Motor vehicles £m	Other £m	Total £m
At 1 April 2023	**3,496**	**95**	**385**	**5**	**3,981**
Additions[a]	271	40	179	1	491
Depreciation charge for the year	(493)	(33)	(121)	(5)	(652)
Impairment[b]	(10)	—	—	—	(10)
Other movements[c]	(108)	(4)	(56)	—	(168)
At 31 March 2024	**3,156**	**98**	**387**	**1**	**3,642**
Additions[a]	362	25	121	2	510
Depreciation charge for the year	(490)	(30)	(122)	(2)	(644)
Impairment[b]	(2)	(14)	—	—	(16)
Transfer to assets held for sale	(32)	(44)	(1)	—	(77)
Other movements[c]	(78)	(2)	(6)	(1)	(87)
At 31 March 2025	**2,916**	**33**	**379**	**—**	**3,328**

a Additions comprise increases to right-of-use assets as a result of entering into new leases, and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.
b Impairment charges relate primarily to a review of businesses within our Portfolio channel, see note 9.
c Other movements primarily relate to terminated leases and downwards remeasurements of right-of-use assets arising from reductions or reassessments of lease terms and decreases in lease payments.

Lease liabilities

Lease liabilities recognised are as follows:

Year ended 31 March	2025 £m	2024 £m
Current	705	766
Non-current	3,866	4,189
	4,571	**4,955**

The following amounts relating to the group's obligations under lease arrangements were recognised in the income statement in the year:
- Interest expense of £135m (FY24: £134m) on lease liabilities.
- Variable lease payments of £38m (FY24: £39m) which are not dependent on an index or rate and which have not been included in the measurement of lease liabilities.

Expenses relating to leases of low-value assets and short-term leases for which no right-of-use asset or lease liability has been recognised were not material.

The total cash outflow for leases in the year was £874m (FY24: £882m). Our cash flow statement and normalised free cash flow reconciliation present £739m (FY24: £748m) of the cash outflow as relating to the principal element of lease liability payments, with the remaining balance of £135m (FY24: £134m) presented within interest paid.

Note 28 presents a maturity analysis of the payments due over the remaining lease term for lease liabilities currently recognised on the balance sheet. This analysis only includes payments to be made over the reasonably certain lease term. Cash outflows are likely to exceed these amounts as payments will be made on optional periods that we do not currently consider to be reasonably certain, and in respect of leases entered into in future periods.

15. Leases continued

Other information relating to leases

At 31 March 2025 the group was committed to future minimum lease payments of £229m (FY24: £55m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

The following table analyses cash payments to be received across the remaining term of operating lease arrangements where BT is lessor:

At 31 March 2025	To be recognised as revenue (note 5)[a] £m	To be recognised as other operating income (note 6) £m	Total £m
Less than one year	435	19	454
One to two years	100	12	112
Two to three years	30	10	40
Three to four years	2	3	5
Four to five years	2	2	4
More than five years	—	5	5
Total undiscounted lease payments	**569**	**51**	**620**
At 31 March 2024			
Less than one year	431	17	448
One to two years	117	11	128
Two to three years	41	11	52
Three to four years	10	9	19
Four to five years	9	3	12
More than five years	—	5	5
Total undiscounted lease payments	**608**	**56**	**664**

a Future operating lease income to be recognised as revenue primarily relates to income from Openreach's fixed access subscription services which meet the definition of leases under IFRS 16 and which typically are expected to have a lease period term of one year or less.

16. Trade and other receivables

Material accounting policies that apply to trade and other receivables

Trade receivables are recognised where the right to receive payment from customers is conditional only on the passage of time. We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions. Allowances are calculated by individual CFUs in order to reflect the specific nature of the customers relevant to that CFU.

The group utilises factoring arrangements for selected trade receivables. Trade receivables that are subject to debt factoring arrangements are derecognised if they meet the conditions for derecognition detailed in IFRS 9 'Financial instruments' and the related cash flows received are presented as cash flows from operating activities. Where a portfolio of trade receivables are either sold or held to collect the contractual cash flows, they are recorded at fair value through other comprehensive income.

Contingent assets such as any insurance recoveries which we expect to recoup, have not been recognised in the financial statements as these are only recognised within trade and other receivables when their receipt is virtually certain.

Notes to the consolidated financial statements continued

16. **Trade and other receivables** continued

At 31 March	2025 £m	2024 £m
Current		
Trade receivables	1,490	1,899
Prepayments	613	586
Accrued income	173	162
Deferred contract costs	415	383
Finance lease receivables	29	31
Amounts due from joint ventures	46	163
Other assets[a]	343	341
	3,109	**3,565**
Non-current		
Deferred contract costs	291	229
Prepayments	120	106
Finance lease receivables	91	107
Other assets[a]	153	199
	655	**641**

a Other assets comprise Flex Pay receivables and £35m (FY24: £57m) of deferred cash consideration mainly relating to the FY23 disposal of BT Sport.

Amounts due from joint ventures relates to a sterling Revolving Credit Facility (RCF) provided to the Sports JV, see note 30. The expected loss provision is immaterial.

The company has a facility with a third party for the sale of mobile handset receivables. Under this facility, the Group transfers substantially all of the risks and rewards to the third party, and therefore has derecognised the transferred receivables. During FY25, we received net cash flows of £420m (FY24: £76m) through this facility. The cashflows are included within the 'Decrease (increase) in trade and other receivables' line in the 'Statement of Cash Flows'. The net impact of working capital programmes on normalised free cash flow is set out in the Groups Alternative Performance Measures.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	2025 £m	2024 £m
At 1 April	169	168
Expense	124	129
Utilised	(122)	(127)
Exchange differences	—	(1)
At 31 March	**171**	**169**

The expected credit loss allowance for trade receivables was determined as follows:

			Past due and not specifically impaired				
At 31 March	Not past due £m	Trade receivables specifically impaired net of provision £m	Between 0 and 3 months £m	Between 3 and 6 months £m	Between 6 and 12 months £m	Over 12 months £m	Total £m
2025							
Expected loss rate %	1%	22%	7%	38%	53%	85%	10%
Gross carrying amount	919	94	467	61	53	67	1,661
Loss allowance	(7)	(21)	(35)	(23)	(28)	(57)	(171)
Net carrying amount	912	73	432	38	25	10	1,490
2024							
Expected loss rate %	1%	50%	8%	28%	47%	65%	8%
Gross carrying amount	1,448	4	357	81	64	114	2,068
Loss allowance	(11)	(2)	(29)	(23)	(30)	(74)	(169)
Net carrying amount	1,437	2	328	58	34	40	1,899

Trade receivables not past due and accrued income are analysed below by CFU.

	Trade receivables not past due		Accrued income	
At 31 March	2025 £m	2024 £m	2025 £m	2024 £m
Consumer	276	375	76	81
Business	629	900	2	4
Openreach	5	161	89	75
Other	2	1	6	2
Total	**912**	**1,437**	**173**	**162**

16. Trade and other receivables continued

Given the broad and varied nature of our customer base, the analysis of trade receivables not past due and accrued income by CFU is considered the most appropriate disclosure of credit concentrations.

Deferred contract costs

Material accounting policies that apply to deferred contract costs

We capitalise certain costs associated with the acquisition and fulfilment of contracts with customers and amortise them over the period that we transfer the associated services.

Connection costs are deferred as contract fulfilment costs because they allow satisfaction of the associated connection performance obligation and are considered recoverable. Sales commissions and other third party contract acquisition costs are capitalised as costs to acquire a contract unless the associated contract term is less than 12 months, in which case they are expensed as incurred. Capitalised costs are amortised over the minimum contract term. A portfolio approach is used to determine contract term.

Where the initial set-up, transition and transformation phases of long-term contractual arrangements represent distinct performance obligations, costs in delivering these services are expensed as incurred. Where these services are not distinct performance obligations, we capitalise eligible costs as a cost of fulfilling the related service. Capitalised costs are amortised on a straight-line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity, and generate future economic benefits. Capitalised costs are regularly assessed for recoverability.

The following table shows the movement on deferred costs:

	Deferred connection costs £m	Deferred contract acquisition costs – commissions £m	Deferred contract acquisition costs – dealer incentives £m	Transition and transformation £m	Total £m
At 1 April 2023	**22**	**131**	**330**	**97**	**580**
Additions	10	134	315	57	516
Amortisation	(11)	(118)	(292)	(56)	(477)
Impairment	—	(2)	(7)	—	(9)
Other	(8)	2	3	5	2
At 31 March 2024	**13**	**147**	**349**	**103**	**612**
Additions	41	128	365	55	589
Amortisation	(15)	(121)	(303)	(49)	(488)
Impairment	(1)	(4)	(3)	—	(8)
Other	21	(2)	—	(18)	1
At 31 March 2025	**59**	**148**	**408**	**91**	**706**

Notes to the consolidated financial statements continued

17. Trade and other payables

Material accounting policies that apply to trade and other payables

We initially recognise trade and other payables at fair value, which is usually the original invoiced amount. We subsequently carry them at amortised cost using the effective interest method.

We use a supply chain financing programmes as described below. We assess these arrangements against indicators to assess if debts which vendors have sold to the funder under the supplier financing schemes continue to meet the definition of trade payables or should be classified as borrowings. At 31 March 2025 under the terms of the arrangement the funder's payment to the supplier does not legally extinguish our obligation to the supplier so it remains within trade and other payables. Cash flows only occur when the trade payable is extinguished and are therefore presented in cash flows from operating activities.

At 31 March	2025 £m	2024 £m
Current		
Trade payables	3,727	4,119
Other taxation and social security	484	544
Minimum guarantee with sports joint venture[a]	201	194
Accrued expenses	519	543
Deferred income[b]	418	355
Other payables[c]	606	572
	5,955	**6,327**
Non-current		
Minimum guarantee with sports joint venture[a]	87	271
Deferred income[b]	164	342
Other payables	25	24
	276	**637**

a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture (see note 24). Movement in the liability driven by £187m payments made during the year less £10m finance cost recorded from unwinding the impact of discounting.
b Deferred income includes £98m (FY24: £106m) current and £44m (FY24: £122m) non-current liabilities relating to Building Digital UK, for which grants received by the group may be subject to re-investment or repayment depending on the level of take-up.
c Includes £51m (FY24: £51m) relating to an estimate of customer refunds, refer to note 5.

Supplier Financing Arrangements

BT Group entered into arrangements with the following terms and conditions:

1. The group participates in a supply chain financing programme using bills of exchange, where the trade payables have been factored. Under the arrangement, a finance institution agrees to pay amounts to a participating supplier in respect of invoices owed by the group and receives settlement from the group at a later date. The facility size of £350m remains consistent with prior periods. This programme is used with a limited number of suppliers with short payment terms. The principal purpose of this programme is to extend their payment terms to BT standard payment terms.
2. In a separate supply chain financing programme, the group allows suppliers the opportunity to receive funding earlier than the invoice due date to assist the supplier with their cash flows. The principal purpose of this programme is to allow suppliers to receive payment earlier than BTs standard payment terms.

	Bills of Exchange		Other programme	
	31 March 2025 £m	1 April 2024 £m	**31 March 2025 £m**	1 April 2024 £m
Carrying amount of liabilities that are part of supplier financing arrangements				
Presented within trade and other payables[d]	—	101	990	785
– Of which suppliers have received payment from finance providers	—	101	223	224
Range of payment due dates				
Liabilities which have received payment from finance providers	up to 121 days after invoice date	up to 114 days after invoice date	up to 135 days after invoice date	up to 135 days after invoice date
Comparable trade payables	up to 120 days after invoice date	up to 120 days after invoice date	up to 135 days after invoice date	up to 135 days after invoice date
Non-cash changes				

There were no material business combinations or foreign exchange differences in either period or foreign exchange differences or other non-cash transfers relating to the carrying amount of liabilities subject to supplier finance arrangements.

d Other programme balances disclosed relate to invoices that are eligible for the supplier financing arrangement.

18. Provisions & contingent liabilities

Our provisions principally relate to obligations arising from property rationalisation programmes, asset retirement obligations, network assets, third party claims, litigation and regulatory risks. Contingent liabilities primarily arise from litigation and regulatory matters that are not sufficiently certain to meet the criteria for recognition as provisions.

Material accounting policies that apply to provisions & contingent liabilities

We recognise provisions when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where these criteria are not met we disclose a contingent liability if the group has a possible obligation, or has a present obligation with an outflow that is not probable or which cannot be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a nominal pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Cash flows are adjusted for the effect of inflation where appropriate.

Significant judgements made in identifying contingent liabilities

Contingent liabilities are not recognised as liabilities on our balance sheet. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. We assess the likelihood that a potential claim or liability will arise and also quantify the possible range of financial outcomes where this can be reasonably determined.

In identifying contingent liabilities we make key judgements in relation to applicable law and any historical and pending court rulings, and the likelihood, timing and cost of resolution.

Establishing contingent liabilities associated with litigation brought against the group may involve the use of significant judgements and assumptions, in particular around the ability to form a reliable estimate of any probable outflow. We provide further information in relation to specific matters in the 'contingent liabilities' section below.

Key accounting estimates and significant judgements made in accounting for provisions

We exercise judgement in determining the quantum of all provisions to be recognised. Our assessment includes consideration of whether we have a present obligation, whether payment is probable and if so whether the amount can be estimated reliably.

When measuring provisions we reflect the impact of inflation as appropriate, particularly in relation to our property, asset retirement obligation and third party claims provisions. Although this involves a degree of estimation, it does not represent a significant source of estimation uncertainty having regard to the quantum of the balances in question and the anticipated timing of outflows.

Property provisions relate to obligations arising in relation to our property portfolio, in particular costs to restore leased properties on vacation where this is required under the lease agreement. In measuring property provisions, we have made estimates of the costs associated with the restoration of properties by reference to any relevant guidance such as rate cards. Cash outflows occur as and when properties are vacated and the obligations are settled.

Asset retirement obligations (AROs) relate to obligations to dismantle equipment and restore network sites on vacation of the site. The provision represents the group's best estimate of the costs to dismantle equipment and restore the sites. Obligations are settled as and when sites are vacated and the timing is largely influenced by the group's network strategy.

Our regulatory provision represents our best estimate of the cost to settle our present obligation in relation to historical regulatory matters. The charge/credit for the year represents the outcome of management's re-assessment of the estimates and regulatory risks across a range of issues, including price and service issues. The prices at which certain services are charged are regulated and may be subject to retrospective adjustment by regulators. When estimating the likely value of regulatory risk we make key judgements, including in regard to interpreting Ofcom regulations and past and current claims. The precise outcome of each matter depends on whether it becomes an active issue, and the extent to which negotiation or regulatory and compliance decisions will result in financial settlement. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

Litigation provisions represent the best estimate to settle present obligations recognised in respect of claims brought against the group. The estimate reflects the specific facts and circumstances of each individual matter and any relevant external advice received. Provisions recognised are inherently judgemental and could change over time as matters progress.

Third party claims provisions (previously described as insurance provisions) represent our exposure to claims from third parties, with latent disease claims from former colleagues and motor vehicle claims making up the majority of the balance. We engage an independent actuary to provide an estimate of the most likely outcomes in respect of latent disease and third party motor vehicle accident claims, and our in-house insurance teams review our exposure to other risks.

Other provisions do not include any individually material provisions.

For all risks, the ultimate liability may vary materially from the amounts provided and will be dependent upon the eventual outcome of any settlement.The range of estimation uncertainty for each class of provision is not material.

Notes to the consolidated financial statements continued

18. Provisions & contingent liabilities continued

	Property £m	Network ARO £m	Regulatory £m	Litigation £m	Third party claims £m	Other £m	Total £m
At 1 April 2023	**142**	**93**	**68**	**44**	**187**	**64**	**598**
Additions	42	42	72	—	73	9	238
Unwind of discount	1	4	—	—	1	—	6
Utilised	(15)	(6)	(37)	(1)	(75)	(3)	(137)
Released	(17)	—	(17)	—	(32)	(3)	(69)
Transfers[a]	4	—	—	—	—	10	14
Exchange differences	(1)	—	—	—	—	—	(1)
At 31 March 2024	**156**	**133**	**86**	**43**	**154**	**77**	**649**
Additions	10	37	37	11	65	39	199
Unwind of discount	1	8	—	—	1	—	10
Utilised	(38)	(2)	(45)	(8)	(43)	(2)	(138)
Released	(7)	—	(34)	(3)	(31)	(4)	(79)
Transfers	—	—	—	—	—	—	—
Exchange differences	(1)	—	—	—	—	—	(1)
At 31 March 2025	**121**	**176**	**44**	**43**	**146**	**110**	**640**

a Transfers in FY24 relate to the reclassification of balances previously presented in other payables (note 17) following reassessment of the level of certainty over the timing and amount of any outflow of resources.

At 31 March	**2025 £m**	2024 £m
Analysed as:		
Current	258	238
Non-current	382	411
	640	**649**

Contingent liabilities and legal proceedings

In the ordinary course of business, we are periodically notified of actual or threatened litigation, and regulatory and compliance matters and investigations. We have disclosed below a number of such matters including any matters where we believe a material adverse impact on the operations or financial condition of the group is possible and the likelihood of a material outflow of resources is more than remote.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of that obligation, a provision is recognised for these amounts and reflected in the table above. Where an outflow is not probable but is possible, or a reasonable estimate of the obligation cannot be made, a contingent liability exists.

In respect of each of the claims below, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. There are many reasons why we cannot make these assessments with certainty, including, among others, that they are in early stages, no damages or remedies have been specified, and/or the often slow pace of litigation.

Class action claim – landline only services

In January 2021, Justin Le Patourel, represented by law firm Mishcon de Reya applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages they estimated at £608m (inclusive of compound interest) or £589m (inclusive of simple interest) alleging anti-competitive behaviour through excessive pricing by BT to customers with certain residential landline services, so-called "stand-alone fixed voice services". Following certification of the claim to proceed to trial as an opt-out claim, Justin Le Patourel amended his claim seeking £1,307m (inclusive of compound interest) or £1,278m (inclusive of simple interest). A hearing took place between January and March 2024. In December 2024, the Competition Appeal Tribunal dismissed the claim, finding that there was no abuse of a dominance position because BT's prices were not unfair. In January 2025, Justin Le Patourel applied to the Competition Appeal Tribunal for permission to appeal the judgment. In February 2025 the Competition Appeal Tribunal refused permission to appeal. In March 2025 Justin Le Patourel applied to the Court of Appeal for permission to appeal the judgment. We await the decision of the Court of Appeal as to whether to grant permission to appeal. At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for.

Class action claim – combined mobile and handset services

In November 2023, Justin Gutmann, represented by law firm Charles Lyndon applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages estimated at £1.1bn (inclusive of simple interest) on behalf of customers who purchased combined handset and airtime contracts who are outside their minimum contract terms but who continue to pay the same price as during their minimum contract terms. The claim alleges this approach was an anti-competitive abuse of a dominant position. Similar claims have also been brought against Vodafone, Three and O2 with the total damages claimed £3.285bn (inclusive of simple interest). Class actions must be certified by the Competition Appeal Tribunal at a Collective Proceedings Order (CPO) hearing before proceeding to a substantive trial. A certification hearing took place in early April 2025 at which BT and the other proposed defendants contested certifications and applied to limit the time period of the claim. If the class action is certified the substantive trial will not conclude during FY26. BT intends to defend itself vigorously. At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for.

18. Provisions & contingent liabilities continued

Italian business

Milan Public Prosecutor prosecutions: In FY20 proceedings were initiated against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputed this and maintained in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. The trial commenced on 26 January 2021. On 23 April 2021, the Court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims were directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties successfully joined BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing.

The first instance phase of the trial has now concluded with the Court handing down its decision on 25 January 2024. The Court convicted certain individuals (including certain former BT Italia employees) for manipulation of BT Italia's financial statements for the financial year ending 31 March 2016 and for fraud against an Italian company, Sed Multitel S.r.l. The Court dismissed all charges that had been brought against BT Italia but ordered that BT Italia indemnify certain individual minority shareholders in the company and Sed Multitel for their losses. The Court has not quantified the indemnification amount, such that the indemnified parties must now seek to recover these amounts from BT Italia by agreement or separate civil proceedings. The quantum of those claims, if they are pursued successfully, is not anticipated to be material.

Accounting misstatement claims: a law firm acting on behalf of a group of investors has made claims under s.90A of the Financial Services & Markets Act 2000, alleging that untrue or misleading statements were made in relation to the historical irregular accounting practices in BT's Italian business (which have been the subject of previous disclosures). No value is stated and the matter is in the early stages. As mentioned in our earlier reports, the accounting issues in Italy have previously been the subject of class actions in the US that were dismissed by the US courts.

Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators. The trial on the question of liability/breach ran from May to July 2022. In November 2023 the High Court dismissed Phones 4U's claim in its entirety. Phones 4U has subsequently appealed that judgment to the Court of Appeal and a hearing is scheduled for late May 2025 with a judgment expected some months later. We continue to dispute these allegations vigorously.

UK Competition and Markets Authority (CMA) investigation

On 12 July 2022 the CMA opened a competition law investigation into BT and other companies involved in the purchase of freelance services for the production and broadcasting of sports content in the UK. The investigation is focused on BT Sport. In March 2025, the CMA issued its final decision finding that BT and other sports broadcasters broke competition law through exchange of competitive sensitive information. It imposed a fine on BT of £1,738,453. BT agreed to settle the investigation with the CMA and accept liability for the infringement.

19. Retirement benefit plans

19.1 Background to BT Group's pension plans

The group has both Defined Benefit and Defined Contribution retirement benefit plans. The group's main plans are in the UK:

- The BT Pension Scheme (BTPS) is the largest UK Defined Benefit plan sponsored by BT Group, constituting 97% of BT Group's IAS 19 liability. It was closed to future benefit accrual in 2018 for the majority of members.
- The EE Pension Scheme (EEPS) has a Defined Benefit section that was closed to future benefit accrual in 2014 and a Defined Contribution section which was closed to future accrual in July 2023. The Defined Benefit section constitutes 2% of BT Group's IAS 19 liability.
- The BT Retirement Saving Scheme (BTRSS) is a Defined Contribution, contract-based, plan operated by Standard Life which new UK employees join. There are around 61,000 employees currently contributing to the BTRSS.

The group also has retirement arrangements around the world in line with local markets and culture; the principal ones being in the Netherlands and Germany.

Types of retirement benefit plans

Defined Benefit (DB) plans

DB plan benefits are determined by the plan rules, typically dependent on factors such as years of service and pensionable pay, but not on the value of actual contributions made by the group or members. The group is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from assets held, regular contributions and expected investment income.

The net defined benefit liability, or deficit, is the present value of all expected future benefit cash flows to be paid by each plan, calculated using the projected unit credit method by professionally qualified actuaries (also known as the Defined Benefit Obligation, DBO or liabilities) less the fair value of the plan assets. A net defined benefit asset, or surplus, occurs when the fair value of assets exceeds the liabilities.

Defined Contribution (DC) plans

DC plan benefits are linked to the value of each member's fund, which is based on contributions paid and the performance of each individual's chosen investments. The group has no exposure to investment and other experience risks (including longevity).

Notes to the consolidated financial statements continued

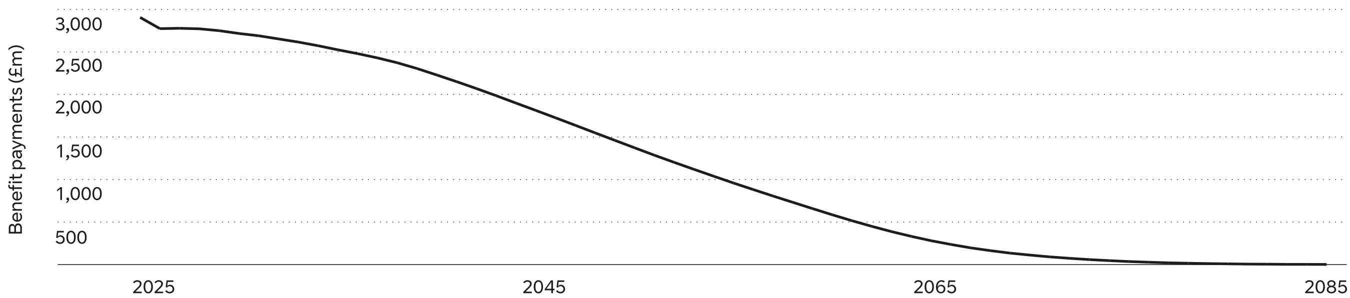
19. Retirement benefit plans continued

19.2 Background to BTPS

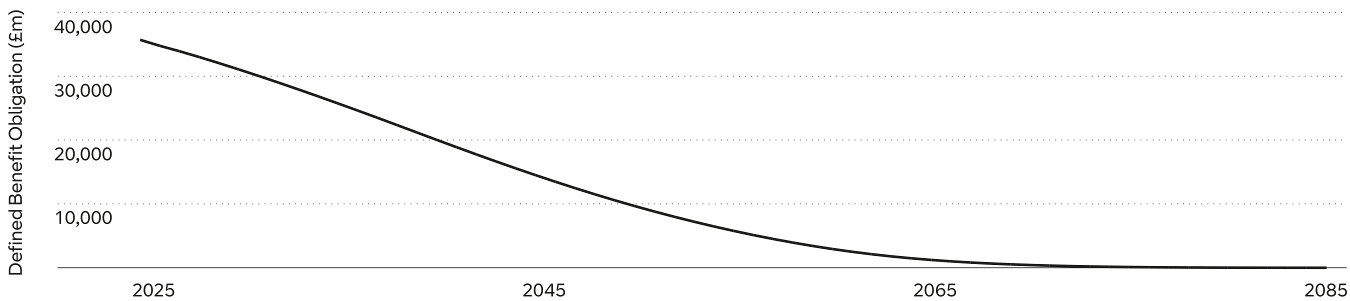
BTPS has 48,000 deferred members and 212,000 pensioners. All BTPS members receive pension benefits at retirement based on salary and years of service; some members also receive a lump sum payment at retirement. Increases for the majority of benefits are linked to either the Retail Price Index (RPI) or the Consumer Price Index (CPI).

Members currently receiving pension benefits make up 77% of the liabilities and 82% of the membership by number. The charts below illustrate forecast benefits (projected using the IAS 19 assumptions) payable from the BTPS and the IAS 19 liabilities.

Forecast BTPS benefit payments at 31 March 2025 (unaudited)



Forecast BTPS IAS 19 Defined Benefit Obligation at 31 March 2025 (unaudited)



The estimated duration of the BTPS liabilities, which is an indicator of the weighted average term of the discounted future payments, is 10 years (FY24: 11 years) using the IAS 19 assumptions. The duration is sensitive to the assumptions and has reduced mainly due to the increase in discount rate over the year.

How is the BTPS governed and managed?

BT Pension Scheme Trustees Limited (the Trustee) has been appointed by BT Group as an independent trustee to administer and manage the BTPS on behalf of the members in accordance with the terms of the BTPS Trust Deed and Rules and relevant legislation (principally the Pensions Acts of 1993, 1995, 2004 and 2021). The Trustee's key powers include setting the investment strategy of the BTPS (after consultation with BT Group) and agreeing with BT Group the actuarial assumptions to be used when assessing the BTPS funding position and the resulting contributions that will be paid.

There are nine Trustee directors, all of whom are appointed by BT Group, as illustrated below. Trustee directors are usually appointed for a three-year term but are then eligible for re-appointment.

Chair of the Trustee directors
Appointed by BT after consultation with, and with the agreement of, the relevant trade unions.

Member nominated Trustee directors
Appointed by BT based on nominations by trade unions.

Employer nominated Trustee directors
Appointed by BT. Two normally hold senior positions within the group and two normally hold (or have held) senior positions in commerce or industry.

How are the BTPS assets invested?

The Trustee regularly reviews the allocation of assets between different investment classes, taking into account current market conditions and trends. The allocations reflect the Trustee's views on a range of areas, including:

I. the balance between returns and risk;
II. the extent to which the assets should be allocated to match movements in the liabilities due to changes in interest rates, inflation and/or longevity (i.e. liability-driven investments, or LDI);
III. the extent to which the assets should provide cash flows to meet expected payments to beneficiaries; and
IV. liquidity needed to meet benefit payments and collateral requirements for derivatives contracts.

19. Retirement benefit plans continued

Financial derivatives (e.g. swaps) are used to reduce the mismatch between movements in the liabilities and the assets from changes in interest rates, inflation, longevity, and exchange rates. The Trustee adopts a defensive approach to investing growth assets, using hedges where appropriate. Defensive approaches are designed to result in assets outperforming benchmarks in bear markets and underperforming benchmarks in bull markets. This improves the stability of the funding position, and therefore the deficit contributions that may be required from BT Group. The sensitivity chart on page 196 simplistically illustrates how the use of some of these derivatives adjusts outcomes for the BTPS.

While the use of derivatives reduces funding risk it also increases the BTPS's liquidity requirements which is then factored into the overall investment strategy. The BTPS manages its liquidity risk by monitoring potential and actual liquidity requirements on an ongoing basis, ensuring that sufficient cash resources can be made available for its projected cash requirements. At 31 March 2025 (and 31 March 2024), the BTPS held more liquidity than the minimum levels required by the Bank of England and the Pensions Regulator.

19.3 Overview of the Group's financial statements under IAS 19

Group income statement

The expense arising from the group's retirement benefit arrangements as recognised in the group income statement is shown below.

Year ended 31 March	**2025** £m	2024 (Restated)[b] £m
Recognised in the income statement before specific items (note 6)		
Current service cost:		
– DB plans[a]	12	12
– DC plans	305	317
DB administration expenses and PPF levy	16	29
Subtotal	**333**	**358**
Recognised in the income statement as specific items (note 9)		
Interest on pensions deficit	197	121
Subtotal	**197**	**121**
Total recognised in the income statement	**530**	**479**

a FY25 allows for an estimated £3m impact of the NTL Pension Scheme vs Virgin Media Ltd court ruling on pensions in 2024. We have identified that the trustees of our UK DB plans have available the relevant certification for historic scheme amendments in respect of 99.99% of our IAS 19 liability. Investigation in respect of the remaining liabilities is expected to conclude in FY26 H1.
b Comparatives for the year to 31 March 2024 have been restated for employee pensions costs reclassification to wages and salaries (see Note 6 for further details).

Group balance sheet

The net defined benefit liability in respect of DB plans reported in the group balance sheet is set out below. Plans in surplus are presented within non-current assets and plans in deficit within non-current liabilities.

	2025			2024		
At 31 March	**Assets £m**	**Liabilities £m**	**Surplus/ (Deficit)[a] £m**	Assets £m	Liabilities £m	Surplus/ (Deficit)[a] £m
Recognised in non-current liabilities						
BTPS	31,683	(35,690)	(4,007)	35,391	(40,038)	(4,647)
Unfunded plans	—	(82)	(82)	—	(88)	(88)
Other funded plans	18	(159)	(141)	33	(180)	(147)
Sub-total	**31,701**	**(35,931)**	**(4,230)**	**35,424**	**(40,306)**	**(4,882)**
Recognised in non-current assets						
EEPS	732	(601)	131	769	(710)	59
Other funded plans[a]	400	(389)	11	361	(350)	11
Sub-total	**1,132**	**(990)**	**142**	**1,130**	**(1,060)**	**70**
Total	**32,833**	**(36,921)**	**(4,088)**	**36,554**	**(41,366)**	**(4,812)**

a Figures shown net of a £3m (FY24: £4m) adjustment in relation to IFRIC 14 (i.e. an adjustment made to reflect surplus that cannot be recovered). With the exception of some of the group's smaller plans, the group is not required to limit any pension surplus or recognise additional pension liabilities in individual plans as economic benefits are available in the form of either future refunds or reductions to future contributions. For example, a refund of surplus is available following the gradual settlement of the liabilities over time when there are no members remaining in the BTPS or EEPS.

The table below shows the group's defined benefit plan balance sheet position net of tax.

At 31 March	**2025** £m	2024 £m
Balance sheet position (net of tax)		
Surplus/(deficit)	(4,088)	(4,812)
Deferred tax asset (note 10)	882	968
Total (net of tax)	**(3,206)**	**(3,844)**

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Movements in defined benefit plan assets and liabilities

The table below shows the movements in the defined benefit plan assets and liabilities and shows where they are reflected in the financial statements.

	Assets £m	Liabilities £m	Deficit £m
At 31 March 2023	**39,808**	**(42,895)**	**(3,087)**
Service cost (including administration expenses and PPF levy)	(29)	(12)	(41)
Interest on net pension deficit	1,886	(2,007)	(121)
Included in the group income statement			**(162)**
Return on plan assets below the amount included in the group income statement	(3,140)	—	(3,140)
Actuarial gain arising from changes in financial assumptions	—	563	563
Actuarial gain arising from changes in demographic assumptions	—	652	652
Actuarial (loss) arising from experience adjustments[a]	—	(519)	(519)
Included in the group statement of comprehensive income			**(2,444)**
Regular contributions by employer	55	—	55
Deficit contributions by employer	823	—	823
Included in the group cash flow statement			**878**
Contributions by employees	—	—	—
Benefits paid	(2,840)	2,840	—
Other (e.g. foreign exchange)	(9)	12	3
Other movements			**3**
At 31 March 2024	**36,554**	**(41,366)**	**(4,812)**
Service cost (including administration expenses and PPF levy)	(16)	(12)	(28)
Interest on net pension deficit	1,752	(1,949)	(197)
Included in the group income statement			**(225)**
Return on plan assets below the amount included in the group income statement	(3,423)	—	(3,423)
Actuarial gain arising from changes in financial assumptions	—	3,734	3,734
Actuarial (loss) arising from changes in demographic assumptions	—	(88)	(88)
Actuarial (loss) arising from experience adjustments	—	(135)	(135)
Included in the group statement of comprehensive income			**88**
Regular contributions by employer	53	—	53
Deficit contributions by employer	803	—	803
Included in the group cash flow statement			**856**
Contributions by employees	—	—	—
Benefits paid	(2,883)	2,883	—
Other (e.g. foreign exchange)	(7)	12	5
Other movements			**5**
At 31 March 2025	**32,833**	**(36,921)**	**(4,088)**

a Primarily reflects the impact on the liabilities of actual inflation being higher than assumed at the prior reporting date, which has been broadly offset by increases to inflation-linked assets from higher inflation.

19. Retirement benefit plans continued

19.4 Asset valuations for IAS 19

BTPS IAS 19 assets

Critical accounting estimates and significant judgements made when valuing the BTPS assets

Under IAS 19, plan assets are measured at fair value at the balance sheet date and include quoted and unquoted investments.

Valuation approach for main quoted investments

- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds that are regularly traded are valued using broker quotes, based on sale/bid prices.
- Exchange traded derivative contracts are valued based on closing bid prices.

Valuation approach for main unquoted investments

A portion of unquoted investments are valued based on inputs that are not directly observable, which require more judgement. The assumptions used in valuing unquoted investments are affected by market conditions.

- Equities are valued using the International Private Equity and Venture Capital (IPEVC) guidelines where the most significant assumptions are the discount rate and earnings assumptions.
- Property investments are valued on the basis of open market value by an independent valuer using Royal Institution of Chartered Surveyors (RICS) guidelines. The significant assumptions used in the valuation are rental yields and occupancy rates.
- Bonds, including those issued by BT Group, that are not regularly traded are valued by an independent valuer using pricing models making assumptions for credit risk, market risk and market yield curves.
- Holdings in investment funds are typically valued at the Net Asset Value provided by the fund administrator or investment manager. The significant assumption used in the valuation is the Net Asset Value.
- Infrastructure investments are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach, or at the price of recent market transactions if they represent fair value. Where a discounted cash flow model is used, the significant assumptions used in the valuation are the discount rate and the expected cash flows.
- Over the counter derivatives are valued by an independent valuer using cash flows discounted at market rates. The significant assumptions used in the valuation are the yield curves and cost of carry.
- The BTPS increased its longevity hedging through two transactions entered into over the financial year. Through the four longevity swaps held, 54% of the scheme's liabilities are hedged against longevity risk. The longevity swaps are valued by discounting the fixed cash flows payable by the BTPS, and the floating cash flows payable by the insurers (consistent with the approach used to value the collateral, which vary by contract). The significant assumptions used to value the assets are the discount rate (set as a margin above a risk-free rate to reflect credit and liquidity risk) and mortality assumptions.

£6.3bn of unquoted investments that are formally valued periodically by the investment manager have a latest valuation that precedes the balance sheet date. These assets consist of: £0.6bn investment grade credit and bond-like assets; £0.9bn mature infrastructure; £2.6bn private equity and credit; £2.0bn secure income assets; and £0.2bn property. These valuations have been adjusted for cash movements between the previous valuation date and 31 March 2025. The valuation approach and inputs for these investments would only be updated where there were indications of significant movements, for example implied by public market indicators. No such adjustment was required at 31 March 2025.

Asset-Backed Funding (ABF) arrangement

The ABF arrangement, issued to the BTPS in May 2021, has a fair value of £1.1bn at 31 March 2025 (FY24: £1.2bn) calculated as the present value of the future stream of payments, allowing for the probability of the BTPS becoming fully funded and therefore the payments to the BTPS ending early. It is not recognised as a pension asset when measuring the group's IAS 19 net defined benefit liability as it is a non-transferable financial instrument issued by the group.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Co-investment vehicle

A co-investment vehicle was set up in 2021 which provides BT Group with some protection against the risk of overfunding and therefore enables BT Group to provide upfront funding with greater confidence. BT Group is eligible for future refunds if some or all of the co-investment vehicle funds are surplus to the BTPS's requirements, unless the BTPS, acting prudently but reasonably, decides to defer or reduce these payments. Assessments will be carried out over a series of dates between June 2032 and June 2041.

Payments made by BT Group into the vehicle will be invested as if part of the overall BTPS investment strategy. BT Group will receive tax relief in respect of any funds paid to the BTPS from the vehicle but does not receive tax relief when payments are made to the co-investment vehicle.

Our accounting assessment concluded that the co-investment vehicle is not controlled by BT Group (as defined by IFRS 10), and therefore should not be consolidated. The main factors that support this judgement are:

- Payments made by BT Group into the co-investment vehicle are invested as if part of the overall BTPS investment strategy (as set by the BTPS Trustee after consultation with BT Group), with BTPS contractually able to impose onerous penalties on BT Group if they are not, including losing the ability to benefit from the co-investment vehicle;
- Future returns of surplus to BT Group from the co-investment vehicle are dependent on the overall returns of the BTPS determined by the investment strategy set by the BTPS Trustee with the majority of assets sat outside the co-investment vehicle; and
- The Trustee can, acting prudently but reasonably, decide to defer or reduce payments to BT Group from the co-investment vehicle.

There is significant judgement involved in the assessment of determining the relevant activities that significantly affect BT Group's returns, and whether BT Group has power over these activities.

The interest in the co-investment vehicle held by the BTPS can only be used to fund employee benefits, and the assets in the vehicle are protected from BT Group's other creditors in the event of insolvency.

We therefore conclude that the BTPS's interest in the co-investment vehicle meets the definition of a plan asset.

BTPS IAS 19 assets

The table below analyses the fair value of the BTPS assets by asset category, subdivided by valuations based on a quoted market price in an active market, and those that are not (such as investment funds).

		2025		2024 (re-presented)	
At 31 March		Total assets[a] £bn	of which quoted £bn	Total assets[a] £bn	of which quoted £bn
Growth					
Equities	Global Developed	2.5	1.1	2.4	1.1
Private equity and credit		3.0	—	3.1	—
Property	UK	2.1	—	2.3	—
	Overseas	0.4	—	0.6	—
Other growth assets	Absolute Return[b]	0.6	—	1.2	—
	Mature Infrastructure	0.9	—	1.0	—
Liability matching					
Government bonds[c]	UK	13.0	13.0	14.6	14.5
Investment grade credit	Global	10.1	8.3	10.3	7.7
Secure income assets[d]		5.2	0.6	5.1	0.4
Bond like[e]		1.6	—	1.3	—
Cash, derivatives and other					
Cash balances		0.7		0.8	
Financial derivative contracts[f]		(5.3)		(4.9)	
Longevity insurance contract[g]		(0.9)		(0.9)	
Other[h]		(2.2)		(1.5)	
Total[i]		**31.7**	**23.0**	**35.4**	**23.7**

a At 31 March 2025, the BTPS held nil (FY24: nil) equity issued by the group and £1.5bn (FY24: £1.7bn) of bonds issued by the group. The FY25 asset categories have been updated to better reflect underlying portfolio characteristics as the BTPS matures. FY24 assets have been re-presented to be consistent with the current presentation. £4.2bn of 'Non-Core Credit' assets disclosed in FY24 are now split across 'Private equity and credit' (£1.8bn), 'Secure income assets' (£1.1bn) and 'Bond-like' (£1.3bn). Equities have been combined into 'Global Developed' for FY25.
b This allocation seeks to generate a positive return in all market conditions.
c Around 85% (FY24: 77%) of these are index-linked gilts with the remainder in conventional gilts.
d This allocation consists of assets which aim to provide the BTPS with contractual bond-like income, often inflation-protected. The assets include property, infrastructure and investment-grade private credit.
e This allocation includes a range of credit investments, including emerging market, sub-investment grade and unrated credit. The allocation seeks to exploit investment opportunities within credit markets using the expertise of a range of specialist investment managers.
f Predominantly relate to interest rate and inflation swaps and further information on the economic exposure of these derivatives is provided in the sensitivities chart below.
g The value reflects experience to date on the contracts from higher than expected deaths; this has partly offset a corresponding reduction in BTPS's liabilities over the same period.
h Other balances comprise net amounts receivable/(payable) by the BTPS, including balances due to investment counterparties relating to repurchase agreements.
i Of which held in the co-investment vehicle: £0.7bn (FY24: £0.1bn).

Further information on the BTPS assets is available in the BTPS annual report.

19. Retirement benefit plans continued

19.5 Liability valuations for IAS 19

Critical accounting estimates and significant judgements made when valuing our pension liabilities

The measurement of the liabilities involves judgement about uncertain events including the life expectancy of members, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates for all of these uncertain events. Our assumptions reflect historical experience, market expectations (where relevant), actuarial advice and our judgement regarding future expectations at the balance sheet date. While assumptions are made for these events, actual benefit payments in a given year may be higher or lower than the assumption, for example if inflation is higher or lower than expected. The liabilities are the present value of the future expected benefit payments.

BTPS IAS 19 Liabilities

What are the most significant assumptions, and how have they been set?

The most significant assumptions used to calculate the IAS 19 liabilities for the BTPS are summarised in the table below.

At 31 March	**2025**	2024
Discount rate	5.75%	4.90%
Inflation – RPI	3.10%	3.25%
Inflation – CPI	2.60%	2.80%
Life expectancy – male aged 60 in lower pension bracket	25.0 years	24.9 years
Life expectancy – male aged 60 in higher pension bracket	26.7 years	26.7 years
Life expectancy – female aged 60	27.6 years	27.4 years
Average additional life expectancy for a male member retiring at age 60 in 10 years' time	0.5 years	0.4 years

While the financial assumptions used for other schemes are scheme-specific, the average financial assumptions weighted by liabilities across all schemes are within 0.05% of the figures shown in the table above.

The table below summarises how these assumptions have been set, including key changes over the year.

	Detail
Discount rate	The discount rate assumption is calculated by applying the projected BTPS benefit cash flows to a corporate bond yield curve constructed by our external actuary based on the yield on AA-rated £-denominated corporate bonds at the balance sheet date. In setting the yield curve, judgement is required on the selection of appropriate bonds to be included in the universe and the approach used to then derive the yield curve. The increase in the discount rate over the year reflects changes in the market yield of corporate bonds.
RPI and CPI inflation	RPI inflation expectations are calculated by applying the projected BTPS benefit cash flows to an inflation curve derived from market yields on UK government bonds, and making a deduction for an inflation risk premium (to reflect the extra premium paid by investors for inflation linked assets) of 0.2% p.a. before 2030 and 0.4% p.a. thereafter (FY24: 0.2% and 0.3% respectively). CPI inflation expectations are set with reference to the RPI inflation assumption taking into account market data and independent estimates of the expected difference. Before 2030, CPI inflation is assumed to be 1.1% lower than RPI inflation (FY24: 1.0%). RPI will be aligned with CPIH from 2030, and we assume a 0.1% (FY24: nil) gap between CPI and CPIH inflation. The change in inflation risk premium and expected difference between RPI and CPI for FY25 has reduced the BTPS liabilities by £0.3bn.
Pension increases	Under the BTPS rules, benefits increase prior to retirement primarily with reference to CPI capped at 5%, and the majority of benefits increase after retirement linked to either CPI for Sections A and B or RPI with a 5% cap for Section C. Benefits are assumed to increase in line with the RPI or CPI inflation assumptions.
Longevity	The longevity assumption takes into account: – the actual mortality experience of the BTPS pensioners, based on a formal review carried out for the 2023 triennial funding valuation; and – future improvements in longevity based on the CMI's 2023 Mortality Projections model published by the UK actuarial profession. There continues to be significant uncertainty for future life expectancy assumptions following the Covid-19 pandemic. In setting our assumptions for future life expectancy, we have fully allowed for population mortality data from 2022 and 2023, but not data from 2020 and 2021 to exclude the impact of the pandemic. Allowing for the published 2023 CMI model has increased the BTPS liabilities by £0.1bn. We continue to assume mortality will improve in the long term by 1.0% per year.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

19.6 Funding and Financial Support arrangements for the BTPS

Triennial funding valuation

A funding valuation is carried out for the Trustee by a professionally qualified independent actuary at least every three years. The funding valuation assesses the on-going financial health of the BTPS. If there are insufficient assets to meet the estimated future benefit payments to members (i.e. a funding deficit), BT Group and the Trustee agree the amount and timing of additional cash contributions. It is prepared using the principles set out in UK pension legislation, such as the 2004 and 2021 Pensions Acts, and uses a prudent approach overall when setting the actuarial assumptions. Some of the key differences compared to the IAS 19 deficit are set out in the table below.

	IAS 19	Funding
Purpose	Balance sheet in BT Group accounts	Assessing the on-going financial health and setting cash payments
Regulation	IFRS	UK pensions legislation
Frequency	Semi-annually	At least every three years
Key assumptions		
Determined by	BT Group	BT Group and BTPS agreement
Discount rate	Yield curve based on AA corporate bonds	Yield curve reflecting prudent return expected from BTPS assets
Other assumptions	Best estimate	Prudent overall approach
Assets	BT Group accounts excludes ABF value	Includes ABF value

The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and deficit.

The latest funding valuation was performed as at 30 June 2023. The next funding valuation will have an effective date of no later than 30 June 2026.

The results of the two most recent triennial valuations are shown below.

	30 June 2023 £bn	30 June 2020 £bn
Funding liabilities	(40.9)	(65.3)
Assets	37.2	57.3
BTPS Funding deficit	**(3.7)**	**(8.0)**
Percentage of accrued benefits covered by the BTPS assets at valuation date	91%	88%
Key assumptions at valuation date:		
Discount rate[a]	5.3%	1.4%
Inflation – RPI	3.6%	3.2%
Inflation – CPI	3.2%	2.4%
Life expectancy – male aged 60 in lower pension bracket	25.5 years	25.8 years
Life expectancy – male aged 60 in higher pension bracket	27.2 years	28.0 years
Life expectancy – female aged 60	28.0 years	28.5 years
Average additional life expectancy for a male member retiring at age 60 in 10 years' time	0.8 years	0.9 years

a The discount rate has been derived from prudent return expectations that reflect the investment strategy over time, allowing for the BTPS to de-risk to a portfolio consisting predominantly of bond and bond-like investments by 2034.

Deficit payments from the group

In November 2023, the 2023 triennial funding valuation was finalised, agreed with the Trustee, and certified by the Scheme Actuary. The funding deficit at 30 June 2023 was £3.7bn, down from £8.0bn at the 2020 funding valuation following £4.4bn of deficit contributions.

BT will pay £600m in each financial year until 31 March 2030, a final payment of £490m before 30 April 2030, and the £180m p.a. payments due under the ABF arrangement agreed at the 2020 valuation.

No payments are currently payable under the future funding commitment (see page 194).

These payments are summarised in the table below.

Year to 31 March (£m)	2026	2027	2028	2029	2030	2031	2032	2033	2034
Payments from BT plc[a]	600[b]	600[b]	600[b]	600[b]	600[b]	490	—	—	—
Future funding commitment payments	—	—	—	—	—	—	—	—	—
Payments from ABF	180	180	180	180	180	180	180	180	180
Total	**780**	**780**	**780**	**780**	**780**	**670**	**180**	**180**	**180**

a Payments are due by 30 April each year.
b £10m is directly payable to the BTPS, and BT Group currently intends to pay the balance into the co-investment vehicle.

ABF

Under the ABF, £180m p.a. is paid into the BTPS until June 2033, secured on EE Limited. If the BTPS reaches full funding as calculated by the Scheme Actuary at any 30 June, the ABF payments to the BTPS will cease. BT Group received tax relief at inception of the ABF based on the original market value of £1.7bn, and will receive further tax-relief if payments are made to the BTPS in excess of this amount.

Assuming they are all paid, future payments from the ABF have a present value of £1.2bn at 31 March 2025 (FY24: £1.3bn). The fair value of the ABF is £1.1bn at 31 March 2025 (FY24: £1.2bn). This value allows for the probability of the BTPS becoming fully funded, and the payments to the BTPS ending early.

19. Retirement benefit plans continued

The fair value of the ABF is included in the assets of the BTPS when assessing the funding deficit. Payments from the ABF to the BTPS are treated in the same way as coupon and redemption income received on bonds held by the BTPS, and do not affect the funding deficit when they are paid.

The fair value of the ABF is not included in the assets of the BTPS when assessing the IAS 19 deficit in the group consolidated accounts, as it is a non-transferable asset issued by the group. Payments from the ABF to the BTPS are treated as deficit contributions, and reduce the IAS 19 deficit, when they are paid.

Co-investment vehicle

A co-investment vehicle was set up in 2021 which provides BT Group with some protection against the risk of overfunding and therefore enables BT Group to provide upfront funding with greater confidence. BT Group is eligible for future refunds if some or all of the co-investment vehicle funds are surplus to the BTPS's requirements, unless the BTPS, acting prudently but reasonably, decides to defer or reduce these payments. Assessments will be carried out over a series of dates between June 2032 and June 2041.

Payments made by BT Group into the vehicle will be invested as if part of the overall BTPS investment strategy. BT Group will receive tax relief in respect of any funds paid to the BTPS from the vehicle but does not receive tax relief when payments are made to the co-investment vehicle.

Over the period, £0.6bn of contributions were paid into the co-investment vehicle, increasing its value to £0.7bn at 31 March 2025 (£0.1bn at 31 March 2024).

Our accounting assessment concluded that the co-investment vehicle is not controlled by BT Group (as defined by IFRS 10), and therefore should not be consolidated. The main factors that support this judgement are:

- Payments made by BT Group into the co-investment vehicle are invested as if part of the overall BTPS investment strategy (as set by the BTPS Trustee after consultation with BT Group), with BTPS contractually able to impose onerous penalties on BT Group if they are not, including losing the ability to benefit from the co-investment vehicle;
- Future returns of surplus to BT Group from the co-investment vehicle are dependent on the overall returns of the BTPS determined by the investment strategy set by the BTPS Trustee with the majority of assets sat outside the co-investment vehicle; and
- The Trustee can, acting prudently but reasonably, decide to defer or reduce payments to BT Group from the co-investment vehicle.

There is significant judgement involved in the assessment of determining the relevant activities that significantly affect BT Group's returns, and whether BT Group has power over these activities.

The interest in the co-investment vehicle held by the BTPS can only be used to fund employee benefits, and the assets in the vehicle are protected from BT Group's other creditors in the event of insolvency. We therefore conclude that the BTPS's interest in the co-investment vehicle meets the definition of a plan asset.

If we had concluded that BT Group did control the co-investment vehicle, then instead of being included as a plan asset with movements through other comprehensive income, the assets of the vehicle would be consolidated on BT Group's balance sheet with movements through the income statement.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Protections for BTPS (going concern)

BT Group has agreed to provide the Trustee with certain protections to 2035.

Feature	Detail
Future funding commitment	BT Group will provide additional contributions, of between £150m p.a. and £300m p.a., should the funding deficit fall behind plan by more than an agreed threshold at any two consecutive reviews. The reviews will be carried out every June and December and until the 2026 valuation the threshold is £1bn. Payments are due within 12 months of the payments being switched on. Payments will stop once the semi-annual assessment shows the funding deficit is back on plan, i.e. outstanding deficit contributions are sufficient to address the funding deficit. At the 31 December 2024 assessment date, additional contributions were not triggered. The next test will be carried out as at 30 June 2025.
Shareholder distributions	BT Group will provide additional payments to the BTPS by the amount that shareholder distributions exceed a threshold. For the three years following the 2023 valuation, the threshold allows for 10% per year dividend per share growth based on dividends of 7.7p per share in FY23, adjusted to reflect the interim dividend declared at our 30 September 2023 results. BT Group has agreed to implement a similar protection at each subsequent valuation, with the terms to be negotiated at the time. BT Group will consult with the Trustee if: – it considers share buybacks for any purpose other than relating to employee share awards; – it considers making any shareholder distributions in any of the next three years if annual normalised free cash flow of the group is below £1bn in the year and distributions within the year would be in excess of 120% of the above threshold; or – it considers making a special dividend.
Material corporate events	In the event that BT Group generates net cash proceeds greater than a threshold from disposals (net of acquisitions) in any financial year, BT Group will make additional contributions to the BTPS. The threshold is £750m p.a. to 30 June 2026. The amount payable is one third of the total net cash proceeds. BT Group will consult with the Trustee if: – it considers making acquisitions with a total cost of more than £1.0bn in any 12-month period; – it considers making any disposal of more than £1.0bn; – it considers making a Class 1 transaction which will have a material impact on the BTPS (acquisition or disposal); – it is likely to be subject to a takeover offer; or – there are any other corporate or third-party events which may have a materially detrimental impact on BT Group's covenant to the BTPS (in which case BT Group will use its best endeavours to agree appropriate mitigation). This obligation is ongoing until otherwise terminated.
Negative pledge	A negative pledge that future creditors will not be granted superior security to the BTPS in excess of £0.5bn, to cover any member of the BT Group. Business as usual financing arrangements are not included within the £0.5bn.

No additional contributions were triggered during FY25.

Protections for BTPS (insolvency)

The Scheme Actuary assumes that in the highly unlikely event that BT Group were to become insolvent, the Trustee would continue to run the Scheme with a low-risk, closely-matched investment strategy including additional margins for risk. On this basis and assuming no further contribution from BT Group, it was estimated that at 30 June 2023 the assets of the BTPS would have met around 80% of the liabilities.

Were this to occur, BTPS members would benefit from the following additional protections.

Feature	Detail
Crown Guarantee	The Crown Guarantee was granted by the Government when BT was privatised in 1984; it would only come into effect upon the insolvency of BT plc. In July 2014, the courts established that: – the Crown Guarantee covers BT plc's funding obligation in relation to the benefits of members of the BTPS who joined post-privatisation as well as those who joined pre-privatisation (subject to certain exceptions); and – the funding obligation to which the Crown Guarantee relates is measured with reference to BT plc's obligation to pay deficit contributions under the rules of the BTPS. The Crown Guarantee is not taken into account for the purposes of the actuarial valuation of the BTPS and is an entirely separate matter, only being relevant in the highly unlikely event that BT plc becomes insolvent.
Pension Protection Fund (PPF)	Further protection is also provided by the PPF which is the fund responsible for paying compensation in respect of schemes where the employer becomes insolvent.

19. Retirement benefit plans continued

19.7 Key risks to BT Group arising from the BTPS

Background

The BTPS Trustee has a detailed framework to manage the risks of running a large DB pension scheme. The key risks the group is exposed to as a result of sponsoring the BTPS include:

- **Funding and balance sheet risk** – a large increase in our pension scheme obligations or under-performance of assets could lead to an increased balance sheet and / or funding liability / deficit, resulting in additional contributions and/or potentially impacting our business plans.
- **Liquidity risk** – where our schemes request us to provide funding earlier than planned to avoid being a forced seller of scheme assets at depressed prices to fund member benefits. For example, the scale of the BTPS means that investment changes and any future de-risking actions need to be planned and executed carefully, potentially over an extended timeframe or multiple transactions.
- **Legislative risk** – changes in legislation or regulation could impact the value of the liabilities or assets.

Quantifying funding and balance sheet risk

The key drivers which could worsen the balance sheet position or increase contributions to our pension schemes are:

- **Bond yields** – a decrease in government bond yields (and therefore future expected interest rates) will increase BTPS liabilities, although this will be predominantly offset by an increase in the value of bond-like assets and interest rate derivatives held by the BTPS
- **Credit spreads** – a fall in credit spreads will increase the IAS 19 liabilities (as the discount rate is linked to the yield on corporate bonds) and a corresponding but smaller increase in both asset values and funding liabilities
- **Inflation expectations** – an increase in average inflation expectations over the lifetime of the plan will increase BTPS liabilities (as a significant proportion of the benefits paid to members are linked to inflation). This will typically be offset by an increase in the value of inflation-linked bond-like assets (e.g. index-linked gilts) and inflation derivatives held by the BTPS, except where inflation is above the cap that applies to benefit increases or in deflationary environments
- **Growth assets** – a significant proportion of the BTPS assets are invested in growth assets, such as equities and property (30% as at 31 March 2025). The deficit could increase if these assets underperform the discount rate used to calculate the liabilities. The BTPS has temporary hedges in place to partly offset the impact of a fall in equity markets, and adopts a diverse portfolio. A significant proportion of the BTPS assets are invested in illiquid assets, such as property and infrastructure. Insufficient liquidity could result in the forced selling of assets (at potentially depressed values) to meet benefit payments and/or collateral requirements
- **Life expectancy** – an increase in the life expectancy of members will result in benefits being paid out for longer, leading to an increase in the IAS 19 and funding liabilities, although this will be partially offset by longevity insurance contracts the BTPS has in place
- **Hedging mismatches** – the BTPS uses highly correlated assets to hedge certain risks which cannot be hedged directly, for example: hedging CPI-linked benefit increases using RPI-linked assets, as there is no deep market for CPI-linked assets. Mismatches between the movement in the assets and the risks they are intended to hedge could increase the deficit. A 0.25% p.a. increase in CPI inflation expectations before 2030 (with no corresponding change in RPI inflation expectations) would increase the IAS 19 deficit by c. £0.2bn as at 31 March 2025.
- **Member options** – members have certain options before and at retirement to reshape their benefits. We make assumptions on the take-up of these options based on historic scheme experience. Future experience differing from historic experience could lead to an increase or decrease in the IAS 19 and funding liabilities.

The potential negative impact of these drivers is illustrated by the following scenarios. These have been assessed by BT Group's independent actuary as scenarios that might occur over the next year with a probability of 5%. The scenarios have been updated to reflect market experience over the last year.

	5% probability scenario	
Scenario	**2025**	2024
1. Fall in bond yields[a]	1.2%	1.2%
2. Increase in credit spreads[b]	0.7%	0.9%
3. Increase to average inflation expectations over the lifetime of the plan[c]	1.1%	1.1%
4. Fall in growth assets[d]	20.0%	15.0%
5. Increase to life expectancy	1.1 years	1.2 years

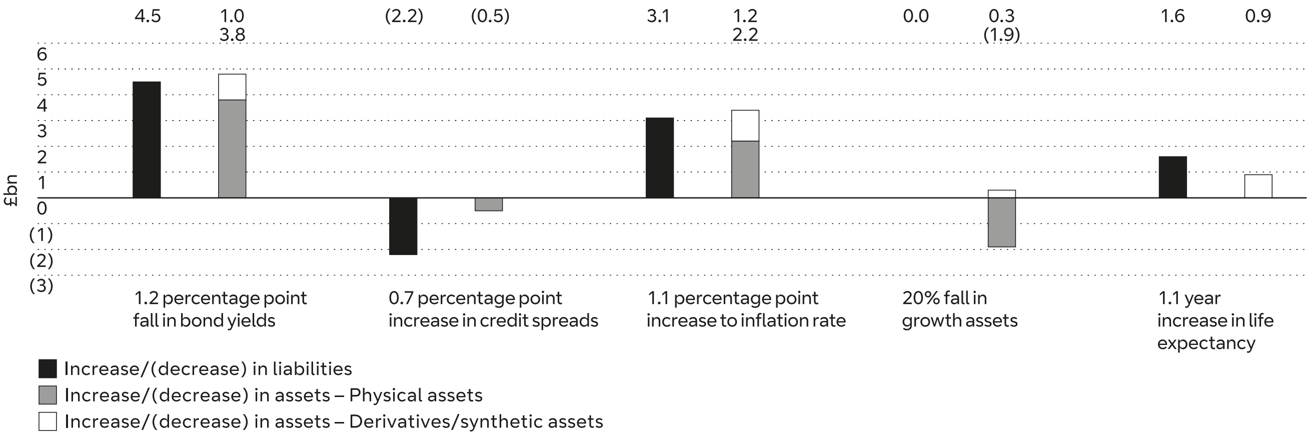
a Scenario assumes a fall in the yields on both government and corporate bonds.
b Scenario assumes an increase in the yield on corporate bonds, with no change to yield on government bonds.
c Scenario assumes average RPI and CPI inflation expectations over the lifetime of the plan increase by the same amount.
d Impact includes the dampening effect of temporary equity hedges held by the BTPS. Scenario considers combinations of changes to the key inputs used to value the growth assets, leading to a 20% (FY24: 15%) fall in the aggregate value of the growth assets prior to temporary hedges held by the BTPS.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Impact of illustrative scenarios which might occur over the next year with a probability of 5%

Scenario analysis – IAS 19 position at 31 March 2025



The sensitivities have been prepared using the same approach as FY24 which involves calculating the liabilities and assets allowing for the change in market conditions assumed under the scenario as if they had occurred at the reporting date. The change in impact from FY24 is due to a combination of: changes in the scenarios, changes in asset and liability values over the year, and changes in the BTPS's investment strategy in line with the agreed de-risking plan.

Considerations when using sensitivities

The impact shown under each scenario looks at each simplistic event in isolation and reflects the liabilities, assets and investment strategy at 31 March 2025. In practice more complex events could arise throughout the year and further consideration should be given when using the sensitivities for areas such as:

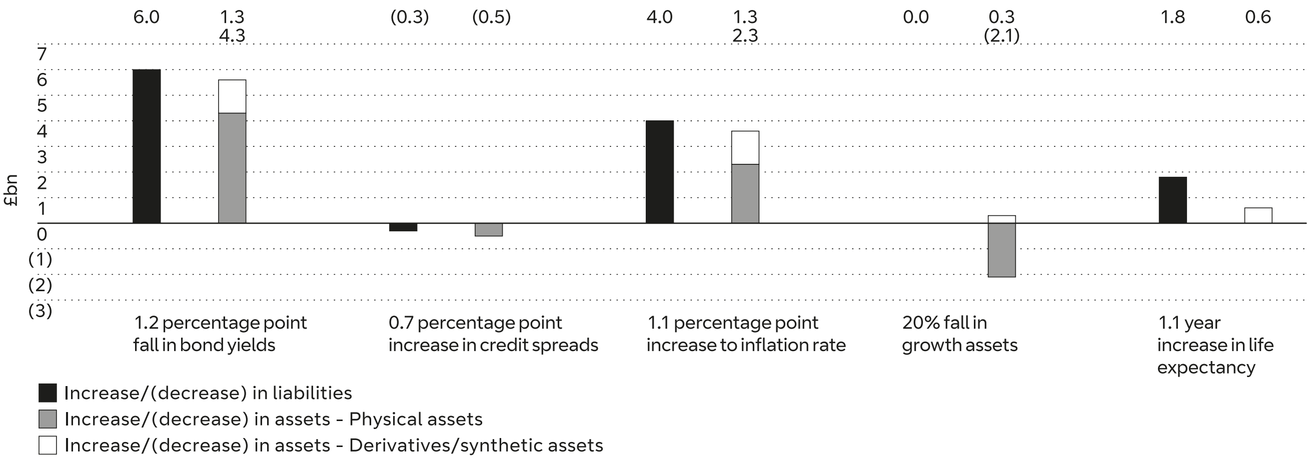
- Changes in the asset portfolio or hedges: the BTPS typically aims to hedge 90%-100% of interest rate and inflation risk (on a funding measure) and the actual hedge ratio could vary over the year within this range.
- Credit mismatch: the IAS 19 liabilities are calculated using a discount rate set with reference to the yield on AA rated corporate bonds. The corporate bonds held by the BTPS may have a different credit rating or duration to that of the discount rate.
- Use of market indices: movements in market indices may not provide an accurate representation of the performance of the BTPS assets (given their bespoke nature) or changes in the liabilities (as these are calculated using scheme specific assumptions).
- Long term expectations moving differently to short term expectations: although the sensitivities illustrate a uniform change for both short and long term expectations, in practice the change may not be uniform.
- Combination of different events: the effects are neither additive nor linear (e.g. doubling the change in bond yields assumed will not double the impact).

We note that these limitations are also applicable to the funding position scenario analysis below.

Scenario analysis of the funding position (unaudited)

The impact of changes in market conditions on the funding liabilities differs to the impact on the IAS 19 liabilities due to the size of the liabilities and how the assumptions are set. For example, the funding liabilities use a discount rate linked to a risk-free rate plus a margin based on the BTPS's investment strategy, whereas the IAS 19 liabilities use a discount rate based on corporate bond yields. The chart below illustrates the approximate impact of the scenarios set out above on the 30 June 2024 funding position. Note that the funding sensitivities exclude the impact of the two longevity hedges put in place after 30 June 2024, and the same limitations as outlined above apply to these sensitivities.

Scenario analysis – Funding position at 30 June 2024



The figures shown in the graph apply to the BTPS assets and funding liabilities as at 30 June 2024; an increase in the assets or funding liabilities will increase the impact of the scenarios shown.

19. Retirement benefit plans continued

19.8 Funding and Financial Support arrangements for the EEPS

A triennial valuation of the defined benefit section as at 31 December 2024 is currently underway. The previous triennial valuation was performed as at 31 December 2021 and agreed in March 2023. This showed a funding deficit of £218m. The group is scheduled to contribute £1.7m each month until 31 July 2025 and a final payment of up to £80m by 31 March 2026. £20.0m (FY24: £31.7m) of deficit contributions were paid by the group to the EEPS during the year.

At the triennial valuation date, the EEPS had a diversified investment strategy, investing scheme assets in global equities (25%), property and illiquid alternatives (20%), an absolute return portfolio (24%), and a liability-driven investment portfolio (31%).

20. Own shares

Material accounting policies that apply to own shares

Own shares are recorded at cost and deducted from equity. When shares held for the beneficial ownership of employees vest unconditionally or are cancelled they are transferred from the own shares reserve to retained earnings at their weighted average cost.

	Treasury shares[a]		Employee share ownership trust[a]		Total	
	millions	£m	millions	£m	millions	£m
At 1 April 2023	**36**	**(94)**	**194**	**(328)**	**230**	**(422)**
Own shares purchased[b]	—	—	64	(83)	64	(83)
Share options exercised[b]	(20)	52	(44)	72	(64)	124
Yourshare vestings	—	—	(5)	8	(5)	8
Share awards vested	—	—	(37)	62	(37)	62
At 31 March 2024	**16**	**(42)**	**172**	**(269)**	**188**	**(311)**
Own shares purchased[b]	—	—	87	(131)	87	(131)
Share options exercised[b]	(5)	14	(2)	3	(7)	17
Yourshare vestings	—	—	(3)	4	(3)	4
Share awards vested	—	—	(27)	43	(27)	43
At 31 March 2025	**11**	**(28)**	**227**	**(350)**	**238**	**(378)**

a At 31 March 2025, 11,290,418 shares (FY24: 16,299,007) with an aggregate nominal value of £1m (FY24: £1m) were held at cost as treasury shares and 226,848,933 shares (FY24: 172,157,686) with an aggregate nominal value of £11m (FY24: £9m) were held in the Trust.

b See group cash flow statement. The cash paid for the repurchase of ordinary shares was £79m (FY24: £133m). 50m shares (FY24: 35m) were purchased via forward contracts. The cash received from proceeds on the issue of treasury shares was £6m (FY24: £57m). At 31 March 2025 the group had forward contracts to purchase 50m shares (FY24: 15m shares).

The treasury shares reserve represents BT Group plc shares purchased directly by the group. The BT Group Employee Share Ownership Trust (the Trust) also purchases BT Group plc shares.

The treasury shares and the shares in the Trust are being used to satisfy our obligations under employee share plans, further details of which are provided in note 21.

21. Share-based payments

Material accounting policies that apply to share-based payments

We operate a number of equity-settled share-based payment arrangements, under which the group receives services from employees in consideration for equity instruments (share options and shares) of the group. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is recognised as an expense on a straight-line basis over the vesting period, based on the group's estimate of the options or shares that will eventually vest. Fair value of share option schemes is measured using a Binomial options pricing model.

Service conditions are vesting conditions. Any other conditions are non-vesting conditions which are taken into account to determine the fair value of equity instruments granted. When an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, it is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the income statement. As the requirement to save under an employee saveshare arrangement is a non-vesting condition, employee cancellations, other than through a termination of service, are treated as an accelerated vesting.

No adjustment is made to total equity for awards that lapse or are forfeited after the vesting date.

Notes to the consolidated financial statements continued

21. Share-based payments continued

Year ended 31 March	2025 £m	2024 £m
Employee saveshare plans	7	13
Yourshare	2	13
Executive share plans:		
Deferred Bonus Plan (DBP)	8	9
Restricted Share Plan (RSP)	45	36
	62	**71**

What share incentive arrangements do we have?

Our plans include savings-related share option plans for employees and those of participating subsidiaries and several share plans for executives. All share-based payment plans are equity-settled. Details of these plans are set out below.

Employee Saveshare Plans

Under HMRC-approved savings-related share option plans, employees save on a monthly basis, over a three- or five-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price for five-year plans and 10% for three-year plans. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse. Similar plans operate for our overseas employees. The scheme has not operated since 2020.

Yourshare

In FY21 and FY22, all eligible employees of the group were awarded £500 of BT shares. The shares are held in trust for a minimum period of three years, after which they are available to employees.

Deferred Bonus Plan (DBP)

Awards are granted annually to selected senior employees where a percentage of their bonus is deferred and awarded in shares in the group. The shares are transferred to participants at the end of a specified period provided they continue to be employed by the group. Dividends are reinvested in shares that are added to the relevant share awards.

Restricted Share Plan (RSP)

Awards are granted to selected employees. Shares in the group are transferred to participants at the end of a specified period provided they continue to be employed by the group. Dividends are reinvested in shares that are added to the relevant share awards.

Employee Saveshare Plans

Movements in Employee Saveshare options are shown below.

	Number of share options		Weighted average exercise price	
Year ended 31 March	2025 millions	2024 millions	2025 pence	2024 pence
Outstanding at 1 April	**156**	**269**	**96**	**102**
Granted	—	—	—	—
Forfeited	(5)	(23)	107	118
Exercised	(7)	(64)	82	89
Expired	(26)	(26)	161	151
Outstanding at 31 March	**118**	**156**	**82**	**96**
Exercisable at 31 March	**—**	**—**	**—**	**—**

The weighted average share price for all options exercised during FY25 was 141p (FY24: 118p).

The following table summarises information relating to options outstanding and exercisable under Employee Saveshare plans at 31 March 2025.

Normal dates of vesting and exercise (based on calendar years)	Exercise price per share	Weighted average exercise price	Number of outstanding options millions	Weighted average remaining contractual life (months)
2025	82p	82p	118	10
Total		**82p**	**118**	**10**

21. Share-based payments continued

Executive share plans

Movements in executive share plan awards are shown below:

	Number of shares (millions)		
	DBP	RSP	Total
At 1 April 2023	**24**	**80**	**104**
Awards granted	6	42	48
Awards vested	(10)	(27)	(37)
Awards lapsed	(1)	(8)	(9)
Dividend shares reinvested	1	6	7
At 31 March 2024	**20**	**93**	**113**
Awards granted	4	42	46
Awards vested	(7)	(20)	(27)
Awards lapsed	—	(10)	(10)
Dividend shares reinvested	1	6	7
At 31 March 2025	**18**	**111**	**129**

Fair values

The fair values for the DBP and RSP were determined using the market price of the shares at the grant date. The weighted average share price for DBP awards granted in FY25 was 140p (FY24: 135p) and for RSP awards granted in FY25 was 140p (FY24: 112p).

22. Assets & liabilities classified as held for sale

Material accounting policies that apply to assets & liabilities classified as held for sale

We classify non-current assets or a group of assets and associated liabilities, together forming a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. Sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount or fair value less costs of disposal. Intangible assets, property, plant and equipment and right-of-use assets classified as held for sale are not depreciated or amortised.

Upon completion of a divestment, we recognise a profit or loss on disposal calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest less costs incurred in disposing of the asset or disposal group, and (ii) the carrying amount of the asset or disposal group (including goodwill). The profit or loss on disposal is recognised as a specific item, see note 9.

In the event that non-current assets or disposal groups held for sale form a separate and identifiable major line of business, the results for both the current and comparative periods are reclassified as 'discontinued operations'.

Significant judgements in assessment of assets held for sale

During FY25, the group announced its intention to fully focus on UK connectivity and has initiated an active programme to explore options to optimise its non-core or global business. At 31 March 2025, management is committed to a plan to sell five separate businesses within our non-core or global business. The sale of these businesses is considered to be highly probable and they are expected to complete within a year. Accordingly, the associated assets and liabilities have been presented as held for sale at 31 March 2025. A description of these businesses is as follows:

- We entered into agreement with Equinix to sell our datacentre business in Ireland for consideration of €59m (£49m). This disposal is expected to complete in FY26, subject to competition and regulatory clearance.
- We entered into an agreement with Speed Fibre Group for the sale of BT Communications Ireland Ltd, our Irish wholesale and enterprise business, for consideration of €22m (£18m). The disposal is expected to be completed in FY26, subject to certain completion conditions including competition and regulatory approvals.
- The proposed sale of our domestic operations in Italy, which includes fibre networks and datacentres, have commenced during FY25 and we considered the sale to be highly probable and expected to complete within a year at 31 March 2025 and as a result have presented the associated assets and liabilities as held for sale at 31 March 2025. Post year end, on 18 April 2025, BT have reached an agreement to sell this business to Retelit S.p.A. and the disposal is expected to complete in the second half of FY26, subject to competition and regulatory approvals, see note 32.
- For the remaining two businesses, the sales are considered to be highly probable and expected to complete within a year. Accordingly, the assets and liabilities associated to these businesses have been presented as held for sale at 31 March 2025.

Impairment on remeasurement of disposal groups held for sale

On classification of the disposal groups as held for sale, we remeasured the disposal groups to the lower of their carrying amount or fair value less costs of disposal. An impairment loss of £116m associated with the remeasurement of these disposal groups has been recognised, this is presented as a specific item, see note 9. The impairment loss has been applied to reduce the carrying amount of intangible assets, property, plant and equipment and right-of-use assets within the impacted disposal groups.

Notes to the consolidated financial statements continued

22. Assets & liabilities classified as held for sale continued

The disposal groups held for sale comprised the following assets and liabilities:

At 31 March	2025 £m
Assets	
Intangible assets[a]	94
Property, plant and equipment[b]	40
Right-of-use assets[b]	33
Trade and other receivables	78
Assets held for sale	**245**
Liabilities	
Trade and other payables	100
Lease Liabilities <1yr	81
Current tax liability	4
Provisions	3
Liabilities held for sale	**188**

a Intangible assets of the disposal groups of £106m are presented as assets held for sale of which £12m has been impaired.
b Property, plant and equipment of £100m and right-of-use assets of £77m of the disposal groups are presented as assets held for sale above of which £60m and £44m, respectively, have been impaired.

There were no assets or liabilities held for sale in FY24.

23. Investments

Material accounting policies that apply to investments

Investments classified as amortised cost
These investments are measured at amortised cost. The carrying amount of these balances approximates to fair value. Any gain or loss on derecognition is recognised in the income statement.

Investments classified as fair value through profit and loss
These investments are initially recognised at fair value. They are remeasured at subsequent reporting dates to fair value and changes are recognised directly in the income statement.

Equity instruments classified as fair value through other comprehensive income
We have made an irrevocable election to present changes in the fair value of equity investments that are not held for trading in other comprehensive income. All gains or losses, aside from dividends, are recognised in other comprehensive income and are not reclassified to the income statement when the investments are disposed of, instead any balance remaining in other comprehensive income is transferred to retained earnings. Dividends are recognised in the income statement when our right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

At 31 March	2025 £m	2024 £m
Non-current assets		
Fair value through other comprehensive income	17	23
Fair value through profit or loss	—	6
Total non-current asset investments	**17**	**29**
Current assets		
Investments held at amortised cost	2,631	2,366
Current asset investments	**2,631**	**2,366**

Investments held at amortised cost relate to money market investments denominated in sterling of £2,615m (FY24: £2,355m), in euros of £3m (FY24: £5m) and US dollars of £13m (FY24: £6m). Within these amounts are investments in liquidity funds of £2,600m (FY24: £1,815m), collateral paid on swaps of £20m (FY24: £40m), accrued interest on investments of £11m (FY24: £11m) and gilt repurchase agreements £nil (FY24: £500m).

23. Investments continued

Fair value estimation

Fair value hierarchy At 31 March 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total held at fair value £m
Non-current and current investments				
Fair value through other comprehensive income	—	—	17	17
Fair value through profit or loss	—	—	—	—
Total	**—**	**—**	**17**	**17**
At 31 March 2024				
Non-current and current investments				
Fair value through other comprehensive income	—	—	23	23
Fair value through profit or loss	6	—	—	6
Total	**6**	**—**	**23**	**29**

The three levels of valuation methodology used are:

Level 1 – uses quoted prices in active markets for identical assets or liabilities.

Level 2 – uses inputs for the asset or liability other than quoted prices that are observable either directly or indirectly.

Level 3 – uses inputs for the asset or liability that are not based on observable market data, such as internal models or other valuation methods.

Level 3 balances consist of investments classified as fair value through other comprehensive income of £17m (FY24: £23m) which represent investments in a number of private companies. If specific market data is not available, these investments are held at cost, adjusted as necessary for impairments, which approximates to fair value. Additionally, this category also includes investments in preference shares in Sport JV and power purchase agreements (PPAs and vPPAs), for further details see notes 24 and 28.

During the year there were no significant changes in the measurement and valuation techniques, or transfers between the levels of fair value hierarchy.

24. Joint ventures and associates

At 31 March	2025 £m	2024 £m
Interest in joint ventures	240	302
Interest in associates	12	5
Total	**252**	**307**

Share of post tax loss of associates and joint ventures included in the income statement of £8m (FY24: £21m loss) includes £11m loss (FY24: £41m loss) relating to our sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) and £3m profit (FY24: £20m profit) relating to our other joint ventures and associates. The Sports JV is the only material equity-accounted investment held by the group, see below for further details.

Sports JV

In FY23, the group formed a sports joint venture with WBD, known externally as TNT Sports, which combined BT Sport and WBD's Eurosport UK business. As part of the transaction, the group's wholly owned subsidiary, British Telecommunications plc (BT plc or BT) and WBD each contributed, sub-licensed or delivered the benefit of their respective sports rights and distribution businesses for the UK & Ireland to the Sports JV. Both parties each hold a 50% interest and equal voting rights in the Sports JV.

WBD have the option to acquire BT plc's 50% interest in the Sports JV at specified points during the first four years of the Sports JV (Call Option) from FY23. The price payable under the Call Option will be 50% of the fair market value of the Sports JV to be determined at the time of the exercise, plus any unpaid fixed consideration and remaining earn-out as described below. If the Call Option is not exercised, BT plc will have the ability to exit its shareholding in the Sports JV either through a sale or IPO after the initial four-year period.

Key developments in the Sports JV during the year:

- Closure of the Eurosport brand, channels and streaming tier on discovery+ in the UK and Republic of Ireland in February 2025, with content being rationalised into TNT Sports service, which serves as a single premium sports proposition.
- A material customer contract was renewed, providing further revenue certainty in the medium term.

The group holds both ordinary equity shares and preference shares in the Sports JV entity.

Notes to the consolidated financial statements continued

24. Joint ventures and associates continued

Material accounting policies that apply to the Sports JV

Assessment of whether BT has joint control over the Sports JV
The Sports JV is classified as a joint venture based on an assessment under IFRS 10 and 11 of the ownership, voting power and joint control established through the joint venture agreement between BT and WBD.

Key factors relevant to our assessment:

- Equal voting rights over the activities that most significantly impact the returns of the Sports JV, namely decisions around new or existing sports rights and distribution arrangements.
- Unequal cash distribution during the first four years of the JV due to the earn-out mechanism.
- WBD's call option to acquire BT's 50% interest in the Sports JV is not exercisable before key decisions over material activities of the Sports JV are made such that joint control still applies.

The assessment whether joint control remains in place is reviewed at each reporting period.

A key factor in our assessment of control during the year was WBD's call option to acquire BT's 50% interest in the Sports JV, which was active at a point during the year, but not at the period end. Determining whether the call option provided WBD a substantive right to unilaterally control the key decisions required judgement and consideration of a variety of factors, including whether there were any barriers to exercise. On balance of all factors considered, we assessed that BT's joint control over the Sports JV still applied throughout the year. The alternative treatment of discontinuing equity accounting on the basis that joint control had been lost would not have had a material impact.

Measurement of BT's equity interest in the Sports JV
On initial recognition, the group valued its interest in the Sports JV based on the estimated fair value at exit. The investment is subsequently accounted for using the equity method, where the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of the Sports JV. It will be subject to impairment testing at each reporting period, with any impairment losses recognised through specific items. See below for assumptions made in estimating the fair value used in our impairment test.

Measurement of investment in A preference shares
BT will receive an earn-out from the Sports JV (subject to liquidity and usual UK company law requirements). The earn-out cash flows to BT are dependent on the cash profit generation of the Sports JV over the earn-out period and is therefore akin to contingent consideration, initially recorded at fair value reflecting the present value of expected cash flows.

Subsequent to the initial recognition, the group's carried forward investment in A preference shares are remeasured to fair value at each reporting date.

Measurement of the minimum revenue guarantee in BT's distribution agreement with the Sports JV
BT plc entered into a distribution agreement with the Sports JV at formation to procure the sport content that is supplied to our broadband, TV and mobile customers. The agreement extends beyond 2030 and the first four years includes a minimum revenue guarantee of approximately £500m per annum, which runs to the end of July 2026. After this point it will change to a fully variable arrangement.

BT's obligation under the minimum revenue guarantee represents both a trading arrangement on market terms, and a financing arrangement for the off-market element of the revenue guarantee, which has been recognised as a financial liability initially recorded at fair value. The liability is subsequently measured at amortised cost and held within trade and other payables on the balance sheet (see note 17). The carrying amount at 31 March 2025 was £288m (FY24: £465m) after payments made to the Sports JV.

Accounting policies adopted by the Sports JV
In order to recognise our share of the Sports JV's results for our equity-accounted investment, we have prepared the Sports JV's financial information for the year ended 31 March 2025 after making certain adjustments to comply with IFRS and align with accounting policy choices made by BT.

The following were judgements made in the preparation of the Sports JV's financial information:

- IFRS 3 acquisition accounting should be applied by the Sports JV over the business combination achieved through the transfer of the BT Sport and Eurosport UK businesses from BT and WBD respectively, recognising acquired intangibles on the current and future value of programme rights, and goodwill.
- Revenues from the minimum guarantee in the Sports JV's distribution agreement with BT should be adjusted to reflect a trading agreement on market terms with a separate financing arrangement for the off-market portion accounted for under IFRS 9 – this mirrors the accounting treatment applied by BT.
- A and C preference shares issued by the Sports JV to BT should be classified as a financial liability at fair value through profit or loss under IFRS 9, as cash flows of the liability can be modified by both financial and non-financial factors that are not closely related to the instrument itself.
- Hedge accounting should be applied on the Sports JV's forward contracts with BT (see note 30) with fair value movements on the derivatives recognised in other comprehensive income and held in the cash flow hedge reserve until recycle on settlement of the forward contracts.
- Programme rights should be recognised on the balance sheet from the point at which the licence period begins and are consumed by the Sports JV on a straight-line basis over the programming period which is generally 12 months. This is consistent with accounting policy applied in our previous BT Sport operations that have been transferred to the Sports JV.

Accounting policies in other areas are consistent with those applied by the group.

24. Joint ventures and associates continued

Key accounting estimates made in accounting for the Sports JV

Valuation of investment in A preference shares
The fair value recorded is supported by forecasted cash flows of the Sports JV and an internal valuation model with the following key assumptions:

- Approximately 60% of revenues and 95% of costs during the remaining earn out period are contractually committed.
- Total premium sports subscriber base does not materially grow or decline over the remaining earn-out period.

The preference shares are held at Level 3 on the fair value hierarchy, reflecting a valuation methodology that does not use inputs based on observable market data – see note 23 for further details on the fair value hierarchy. Changes in key assumptions and inputs could result in changes in fair value.

Valuation of BT's equity interest in the Sports JV

For impairment test purposes, the group has estimated the fair value of equity interest in the Sports JV using the following key assumptions:

- BT expect to realise its equity interest in the Sports JV through sale rather than ongoing value in use.
- An earnings multiple has been applied to the expected EBITDA at exit which is identified from comparable peers and transactions in the premium sports subscription and broadcasting market.

Changes in key assumptions could result in impairment losses.

Ordinary equity shares
The following summarises the balances and movements of the ordinary equity interests in the Sports JV.

	2025 £m	2024 £m
Carrying amount at 1 April	300	352
Share of total comprehensive loss for the year	(16)	(52)
Dividends during the year	(2)	—
Impairment loss for the year	(44)	—
Carrying amount at 31 March	**238**	**300**

An impairment loss was recognised as at 31 March 2025 in respect of the Group's equity interest in the Sports JV. The impairment arose following a fair value assessment which indicated that the recoverable amount of the investment was lower than its carrying amount. The impairment reflects revised expectations of the joint venture's future performance and market conditions. Changes in key assumptions, including EBITDA forecasts and market multiples, could result in further impairment losses or reversals in future periods.

The following is summarised and unaudited financial information for the Sports JV prepared in accordance with IFRS and including adjustments required to align with the group's accounting policies and fair value adjustments.

Summarised statement of total comprehensive income for year ended 31 March	2025 £m	2024 £m
Revenue	958	918
Loss for the year[a]	(22)	(82)
Other comprehensive loss	(11)	(22)
Total comprehensive loss[b]	**(33)**	**(104)**

Summarised balance sheet at 31 March	2025 £m	2024 £m
Current assets[c]	800	863
Non-current assets[d]	858	1,085
Current liabilities[e]	(435)	(413)
Non-current liabilities[f]	(308)	(575)
Net assets	**915**	**960**
Attributable to fair value of BT's A preference shares	(242)	(387)
BT's share of residual net assets (50%)	**337**	**287**
Proceeds from investment in preference shares in joint venture	(63)	—
Other fair value adjustments	8	13
Impairment loss for the year	(44)	—
Carrying amount of interest in Sports JV	**238**	**300**

a Includes amortisation of £52m (FY24: £27m) on acquired intangibles; net finance income of £7m (FY24: £5m); and tax income of £25m (FY24: £57m) driven by current tax charge of £37m (FY24: £10m) offset by deferred tax credit of £62m (FY24: £67m).
b FY24 total comprehensive loss for the year includes a £25m credit as a result of finalising fair value adjustments that were provisional at the time of the formation of the JV.
c Includes cash and cash and cash equivalents of £10m (FY24: £11m).
d Includes goodwill and acquired intangibles of £616m (FY24: £668m).
e Includes current financial liabilities (excluding trade and other payables and provisions) of £(222)m (FY24: £(244)m) of which £(46)m (FY24: £(163)m) relates to the outstanding liability on the RCF provided by BT (see note 30).
f Includes non-current financial liabilities (excluding trade and other payables and provisions) of £(92)m (FY24: £(305)m).

Notes to the consolidated financial statements continued

24. Joint ventures and associates continued

The Sports JV had a loss after tax for the year of £22m, after adjustments made to align with the group's accounting policies, and reflects amortisation of acquired intangibles from the BT Sport and Eurosport UK business transfers and adjustments for the off-market minimum guarantee with BT. Underlying trading before these adjustments was profitable. In addition, the Sports JV had other comprehensive losses of £11m relating to fair value movements on its foreign exchange hedging arrangement with the group (see note 30) that have been designated as cash flow hedges.

Preference shares

In addition to BT's ordinary shareholding, BT held the following investments in preference shares in the Sports JV that have not been included within the equity-accounted interest above.

At 31 March	**2025 £m**	2024 £m
Investment in A preference shares	242	387
Investment in C preference shares	153	146
Total	**395**	**533**

A £138m movement has been recorded in the group's preference share investments driven by: (1) £63m earn-out payment received from the Sports JV and recorded as a repayment of our investment in A preference shares; and (2) net £75m fair value loss, see below for further details.

– A preference shares – a £82m fair value loss has been recognised through specific items (see note 9), largely driven by a reduction in revenue after a material customer contract was renewed at a lower than expected value, leading to lower cash available for distribution under BT's earn-out entitlement.
– C preference shares – BT's return on the shares is driven by changes in the Sports JV's sports rights portfolio which in turn is dependent on changes in the wider sports rights market and the Sports JV's financial performance and are therefore held as a financial asset at FVTPL under IFRS 9. A £7m fair value gain has been recognised through specific items (see note 9) largely driven by the effect of discounting.

25. Cash and cash equivalents

Material accounting policies that apply to cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less. All are held at amortised cost on the balance sheet, equating to fair value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above net of outstanding bank overdrafts. Bank overdrafts are included within the current element of loans and other borrowings (note 26).

At 31 March	**2025 £m**	2024 £m
Cash at bank and in hand	**141**	**332**
Cash equivalents		
Bank deposits	75	82
Total cash equivalents	**75**	**82**
Total cash and cash equivalents	**216**	**414**
Bank overdrafts (note 26)	(2)	(58)
Cash and cash equivalents per the cash flow statement	**214**	**356**

The majority of cash at bank balance was held at counterparties with a credit rating of A2/A or above. Cash and cash equivalents include restricted cash of £33m (FY24: £71m), of which £17m (FY24: £14m) was held in countries where local capital or exchange controls currently prevent us from accessing cash balances. The remaining balance of £16m (FY24: £57m) was held in escrow accounts, or in commercial arrangements akin to escrow.

26. Loans and other borrowings

Material accounting policies that apply to loans and other borrowings

We initially recognise loans and other borrowings at the fair value of amounts received net of transaction costs. They are subsequently measured at amortised cost using the effective interest method and, if included in a fair value hedge relationship, are re-valued to reflect the fair value movements on the associated hedged risk. The resulting amortisation of fair value movements, on de-designation of the hedge, is recognised in the income statement.

What's our capital management policy?

Our capital management policy targets an overall level of debt consistent with our credit rating target of BBB+/Baa1 and minimum rating of BBB/Baa2 while investing in the business, supporting the pension scheme and meeting our distribution policy. To meet this objective, we may issue or repay debt, issue or repurchase shares or adjust dividends paid to shareholders. We manage the capital structure and make adjustments to it accordingly to reflect changes in economic conditions and the risk characteristics of the group. The Board regularly reviews the capital structure and capital management policy and no changes were made in FY25. For details of share issues and repurchases in the year see note 20.

Our capital structure consists of net debt and shareholders' equity. The analysis below summarises the components which we manage as capital.

At 31 March	**2025 £m**	2024 £m
Net debt	19,816	19,479
Total parent shareholders' equity[a]	12,900	12,513
Capital structure	**32,716**	**31,992**

a Excludes non-controlling interests of £8m (FY24: £5m).

Net debt and net financial debt

Net debt consists of loans and other borrowings, lease liabilities (both current and non-current) less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper are excluded. Currency-denominated balances within net debt are translated to sterling at swap rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. We explain the rationale for using net debt as a key performance indicator in Additional Information on page 228.

Net financial debt is defined as net debt excluding lease liabilities.

Net debt and net financial debt are considered to be alternative performance measures as they are not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings and lease liabilities (current and non-current), current asset investments and cash and cash equivalents. A reconciliation from these IFRS measures to net debt and net financial debt is given below.

At 31 March	Notes	**2025 £m**	2024 £m
Loans and other borrowings[a]		18,762	18,526
Lease liabilities	15	4,571	4,955
Lease liabilities classified as held for sale	22	81	—
Less:			
Cash and cash equivalents	25	(216)	(414)
Current asset investments	23	(2,631)	(2,366)
		20,567	**20,701**
Adjustments:			
To retranslate debt balances at swap rates where hedged by currency swaps[b]		(288)	(512)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method		(273)	(275)
Loans with joint ventures	30	(10)	(11)
Loans related to the forward sale of redundant copper		(93)	(106)
Loans related to sale of contract assets		(87)	(318)
Net debt		**19,816**	**19,479**
Lease liabilities	15	(4,571)	(4,955)
Lease liabilities classified as held for sale	22	(81)	—
Net financial debt		**15,164**	**14,524**

a Includes overdrafts of £2m at 31 March 2025 (FY24: £58m).
b The translation difference between spot rate and hedged rate of loans and borrowings denominated in foreign currency.

Notes to the consolidated financial statements continued

26. Loans and other borrowings continued

The table below shows the key components of net debt and the increase of £337m this year.

	At 31 March 2024 £m	Cash flows £m	Net lease additions[a] £m	Foreign exchange £m	Transfer to within one year £m	Other movements[b] £m	At 31 March 2025 £m
Loans and other borrowings due within one year[c,e]	1,395	(2,190)	—	15	2,744	128	2,092
Loans and other borrowings due after one year[e]	17,131	1,758	—	(234)	(2,744)	759	16,670
Total loans and other borrowings	**18,526**	**(432)**	**—**	**(219)**	**—**	**887**	**18,762**
Lease liabilities due within one year	766	(874)	—	—	813	—	705
Lease liabilities due after one year	4,189	—	496	(6)	(813)	—	3,866
Lease liabilities classified as held for sale	—	—	—	—	—	81	81
Total lease liabilities	**4,955**	**(874)**	**496**	**(6)**	**—**	**81**	**4,652**
Gross debt	**23,481**	**(1,306)**	**496**	**(225)**	**—**	**968**	**23,414**
Less:							
Impact of cross-currency swaps[d]	(512)	—	—	224	—	—	(288)
Removal of fair value adjustments and accrued interest on loans and other borrowings	(286)	—	—	—	—	—	(286)
Removal of loans with joint ventures	(11)	(1)	—	—	—	2	(10)
Removal of loans related to the forward sale of redundant copper	(106)	—	—	—	—	13	(93)
Removal of loans related to sale of cash flows related to contract assets	(318)	251	—	—	—	(20)	(87)
Cash and cash equivalents	(414)	189	—	9	—	—	(216)
Current asset investments	(2,366)	(266)	—	—	—	1	(2,631)
Removal of accrued interest on current asset investments	11	—	—	—	—	2	13
Net debt	**19,479**	**(1,133)**	**496**	**8**	**—**	**966**	**19,816**

	At 31 March 2023 £m	Cash flows (re-presented)[e] £m	Net lease additions[a] £m	Foreign exchange £m	Transfer to within one year £m	Other movements (re-presented)[b,e] £m	At 31 March 2024 £m
Loans and other borrowings due within one year[c,e]	1,772	(1,685)	—	(12)	1,227	93	1,395
Loans and other borrowings due after one year[e]	16,749	1,139	—	(287)	(1,227)	757	17,131
Total loans and other borrowings	**18,521**	**(546)**	**—**	**(299)**	**—**	**850**	**18,526**
Lease liabilities due within one year	800	(882)	—	(1)	849	—	766
Lease liabilities due after one year	4,559	—	487	(8)	(849)	—	4,189
Lease liabilities classified as held for sale	3	—	—	—	—	(3)	—
Total lease liabilities	**5,362**	**(882)**	**487**	**(9)**	**—**	**(3)**	**4,955**
Gross debt	**23,883**	**(1,428)**	**487**	**(308)**	**—**	**847**	**23,481**
Less:							
Impact of cross-currency swaps[d]	(819)	—	—	307	—	—	(512)
Removal of fair value adjustments and accrued interest on loans and other borrowings	(264)	—	—	—	—	(22)	(286)
Removal of loans with joint ventures	(11)	(1)	—	—	—	1	(11)
Removal of loans related to the forward sale of redundant copper	—	(105)	—	—	—	(1)	(106)
Removal of loans related to sale of cash flows related to contract assets	—	(305)	—	—	—	(13)	(318)
Cash and cash equivalents	(392)	(30)	—	8	—	—	(414)
Current asset investments	(3,548)	1,173	—	10	—	(1)	(2,366)
Removal of accrued interest on current asset investments	10	—	—	—	—	1	11
Net debt	**18,859**	**(696)**	**487**	**17**	**—**	**812**	**19,479**

a Net lease additions are net non-cash movements in lease liabilities during the period, and primarily comprise new and terminated leases, remeasurements of existing leases and lease interest charges.
b Other movements in gross debt include movements relating to accrued interest, amortisation of transaction costs, fair value adjustments and held for sale assets and liabilities (see note 22).
c Includes accrued interest and bank overdrafts.
d Translation of debt balances at swap rates where hedged by cross-currency swaps.
e FY24 comparatives have been re-presented to include the cash flows of £(731)m interest paid and corresponding movements in accrued interest relating to loans and other borrowings to agree with the group cash flow statement.

26. Loans and other borrowings continued

The table below shows how cash flows from gross debt of £(1,306)m (FY24: £(1,428)m) in the table above reconciles to the line items presented in the group cash flow statement on page 147:

At 31 March	2025 £m	2024 (re-presented)[d] £m
Repayment of borrowings	(2,095)	(1,676)
Proceeds from bank loans and bonds	2,552	2,242
Interest paid on loans and other borrowings due within one year[a,d]	(99)	(70)
Interest paid on loans and other borrowings due after one year[a,d]	(722)	(661)
Cash flows from collateral received (paid)	(11)	(532)
(Decrease) increase in amounts owned to joint ventures	(1)	(1)
Change in bank overdraft[b]	(56)	47
Total loans and other borrowings cash flows – financing activities	**(432)**	**(651)**
Prepayment for the forward sale of copper[c]	—	105
Total loans and other borrowings cash flows – investing activities	**—**	**105**
Total loans and other borrowings cash flows	**(432)**	**(546)**
Payment of lease liabilities	(739)	(748)
Interest paid on lease liabilities[a]	(135)	(134)
Total lease liability cash flows – financing activities	**(874)**	**(882)**
Total gross debt cash flows	**(1,306)**	**(1,428)**

a Presented within interest paid in the group cash flow statement. The interest paid on loans and other borrowings between due within one year and after one year is allocated based on the closing balances of loans and other borrowings at the relevant balance sheet date.
b Presented within cash and cash equivalents in the group cash flow statement.
c During FY25 we received an upfront prepayment of £nil (FY24: £105m) from entering into a forward agreement to sell copper granules created from surplus copper cables. As this is expected to be the only cash flow that occurs as part of this transaction the cash receipt has been included as a separate line within cash flows from investing activities in the group cash flow statement, see page 147. The related liability is recognised on balance sheet within loans and other borrowings.
d FY24 comparatives have been re-presented to include the cash flows of £(731)m interest paid relating to loans and other borrowings to agree with the group cash flow statement.

Notes to the consolidated financial statements continued

26. Loans and other borrowings continued

The table below gives details of the listed bonds and other debt.

At 31 March	2025 £m	2024 £m
1% €825m bond due November 2024[a]	—	708
3.50% £250m index linked bond due April 2025[b]	—	575
0.5% €419m bond due September 2025[a,c]	351	557
1.75% €1,076m bond due March 2026[a,c]	901	1,112
1.5% €1,150m bond due June 2027[a]	971	991
2.75% €700m bond due August 2027[a]	590	601
2.125% €500m bond due September 2028[a]	422	431
5.125% $700m bond due December 2028[a]	550	561
5.75% £600m bond due December 2028	649	658
1.125% €750m bond due September 2029[a]	627	640
3.25% $1,000m bond due November 2029[a]	780	796
9.625% $2,670m bond due December 2030[a] (minimum 8.625%[d])	2,122	2,166
3.75% €800m bond due May 2031[a]	690	704
3.125% £500m bond due November 2031	504	503
3.125% €850m bond due February 2032[a]	708	—
3.375% €500m bond due August 2032[a]	424	433
4.25% €850m bond due January 2033[a]	710	725
3.64% £330m bond due June 2033	339	339
1.613% £330m index linked bond due June 2033	403	394
3.875% €895m bond due January 2034[a]	750	—
6.375% £500m bond due June 2037	523	523
3.883% £330m bond due June 2039	340	340
1.739% £330m index linked bond due June 2039	404	394
5.75% £450m bond due February 2041[a,e]	446	445
5.625% £350m bond due December 2041[a,e]	351	—
3.924% £340m bond due June 2042	350	350
1.774% £340m index linked bond due June 2042	416	406
2.08% JPY10,000m bond due February 2043[a]	52	52
3.625% £250m bond due November 2047	251	251
4.25% $500m bond due November 2049[a]	388	400
5.125% €750m hybrid bond due October 2054[a,f]	638	—
1.874% €500m hybrid bond due August 2080[a,f]	423	432
4.250% $500m hybrid bond due November 2081[a,f]	391	396
4.875% $500m hybrid bond due November 2081[a,f]	393	401
8.375% £700m hybrid bond due December 2083[f]	711	710
Total listed bonds	**18,568**	**17,994**
Loans related to cash flows related to the sale of contract assets[g]	87	341
Loans related to the forward sale of redundant copper	93	106
Other loans	12	27
Bank overdrafts (note 25)	2	58
Total other loans and borrowings	**194**	**532**
Total loans and other borrowings	**18,762**	**18,526**

a Designated in a cash flow hedge relationship.
b Redeemed early in March 2025.
c Bond partially redeemed in June 2024.
d The interest rate payable on this bond attracts an additional 0.25% for rating category downgrade by either Moody's or Standard & Poor's to the group's senior unsecured debt below A3/A– respectively. In addition, if Moody's or Standard & Poor's subsequently increase the ratings then the interest rate will be decreased by 0.25% for each rating category upgrade by either rating agency. In no event will the interest rate be reduced below the minimum rate reflected in the above table.
e Designated in a fair value hedge relationship.
f Includes call options between 0.5 years and 6.5 years.
g Performance obligations have been substantially delivered to the customer in relation to these cash flows related to contract assets that have been sold but the right to receive cash is dependent on the group's future performance in relation to airtime and so a financial liability has been recognised. The related cash flows have been included within financing activities in the cash flow statement and the related cash flows from the customers remain classified as operating cash flows. £87m (FY24: £318m) of the liability relates to sales of cash flows related to contract assets and so is removed from our net debt measure, the remaining £nil (FY24: £23m) relates to sales in prior year.

Unless previously or currently designated in a fair value hedge relationship, all loans and other borrowings are carried on our balance sheet and in the table above at amortised cost. The fair value of listed bonds is £18,132m (FY24: £17,820m).

The fair value of our listed bonds is estimated on the basis of quoted market prices (Level 1).

The carrying amount of other loans and bank overdrafts equates to fair value due to the short maturity of these items (Level 3).

The interest rates payable on loans and borrowings disclosed above reflect the coupons on the underlying issued loans and borrowings and not the interest rates achieved through applying associated cross-currency and interest rate swaps in hedge arrangements.

26. Loans and other borrowings continued

Loans and other borrowings are analysed as follows:

At 31 March	2025 £m	2024 £m
Current liabilities		
Listed bonds	1,975	996
Amounts owed to joint ventures	10	11
Other loans and bank overdrafts[a]	107	388
Total current liabilities	**2,092**	**1,395**
Non-current liabilities		
Listed bonds	16,593	16,998
Other loans	77	133
Total non-current liabilities	**16,670**	**17,131**
Total loans and other borrowings	**18,762**	**18,526**

a Includes collateral received on swaps of £2m (FY24: £15m).

The carrying values disclosed in the above table reflect balances at amortised cost adjusted for accrued interest and fair value adjustments to the relevant loans or borrowings. These do not reflect the final principal repayments that will arise after taking account of the relevant derivatives in hedging relationships which are reflected in the table below. All borrowings as at 31 March 2025 were unsecured.

The principal repayments of loans and borrowings at hedged rates amounted to £18,189m (FY24: £17,728m) and repayments fall due as follows:

	2025			2024		
At 31 March	Carrying amount £m	Effect of hedging and interest £m	Principal repayments at hedged rates £m	Carrying amount £m	Effect of hedging and interest £m	Principal repayments at hedged rates £m
Within one year, or on demand	**2,092**	**(345)**	**1,747**	**1,395**	**(258)**	**1,137**
Between one and two years	430	(17)	413	2,727	(85)	2,642
Between two and three years	1,583	63	1,646	431	(24)	407
Between three and four years	2,261	28	2,289	1,614	29	1,643
Between four and five years	2,030	63	2,093	2,282	6	2,288
After five years	10,412	(411)	10,001	10,107	(496)	9,611
Total due for repayment after more than one year	**16,716**	**(274)**	**16,442**	**17,161**	**(570)**	**16,591**
Total repayments	**18,808**	**(619)**	**18,189**	**18,556**	**(828)**	**17,728**
Non cash adjustments[a]	(46)			(30)		
Total loans and other borrowings	**18,762**			**18,526**		

a Fair value adjustments of £39m (FY24: £49m) and unamortised bond fees.

Notes to the consolidated financial statements continued

27. Finance expense and income

Year ended 31 March	2025 £m	2024 £m
Finance expense		
Interest on:		
Financial liabilities at amortised cost and associated derivatives	902	872
Lease liabilities	135	134
Derivatives	(2)	4
Fair value movements:		
Bonds designated as hedged items in fair value hedges	1	—
Derivatives designated as hedging instruments in fair value hedges	(1)	—
Derivatives not in a designated hedge relationship	(1)	(1)
Reclassification of cash flow hedge from other comprehensive income	51	38
Unwinding of discount on provisions and other payables	19	20
Total finance expense before specific items	**1,104**	**1,067**
Specific items (note 9)	197	121
Total finance expense	**1,301**	**1,188**

Year ended 31 March	2025 £m	2024 £m
Finance income		
Interest on financial assets at amortised cost	134	168
Other finance income	17	13
Total finance income	**151**	**181**

Year ended 31 March	2025 £m	2024 £m
Net finance expense before specific items	953	886
Specific items (note 9)	197	121
Net finance expense	**1,150**	**1,007**

28. Financial instruments and risk management

We issue or hold financial instruments mainly to finance our operations; to finance corporate transactions such as share buybacks and acquisitions; for the temporary investment of short-term funds; and to manage currency and interest rate risks. In addition, various financial instruments, for example trade receivables and payables arise directly from operations.

How do we manage financial risk?

Our activities expose us to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), liquidity risk and credit risk.

Treasury operation

We have a centralised treasury operation whose primary role is to manage liquidity and funding requirements as well as our exposure to associated market risks and credit risk.

Treasury policy

Treasury policy is set by the Board. Group treasury activities are subject to a set of controls appropriate for the magnitude of borrowing, investments and group-wide exposures. The Board has delegated authority to operate these policies to a series of panels responsible for the management of key treasury risks and operations. Appointment to and removal from the key panels requires approval from two of the following: the Chairman, the Chief Executive or the Chief Financial Officer.

There has been no change in the nature of our risk profile between 31 March 2025 and the date of approval of these financial statements.

How do we manage interest rate risk?

Management policy

Interest rate risk arises primarily from our long-term borrowings. Interest cash flow risk arises from borrowings issued at variable rates, partially offset by cash held at variable rates. Fair value interest rate risk arises from borrowings issued at fixed rates.

Our policy, as set by the Board, is to ensure that at least 70% of ongoing net debt (as defined in Additional Information on page 228) is at fixed rates. Short-term interest rate management is delegated to the treasury operation while long-term interest rate management decisions require further approval by the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director who each have been delegated such authority from the Board.

28. Financial instruments and risk management continued

Hedging strategy

In order to manage our interest rate profile, we enter into cross-currency and interest rate swap agreements to vary the amounts and periods for which interest rates on borrowings are fixed. The duration of the swap agreements matches the duration of the debt instruments. The majority of the group's long-term borrowings are subject to fixed sterling interest rates after applying the impact of these hedging instruments.

How do we manage foreign exchange risk?

Management policy

Foreign currency hedging activities protect the group from the risk that changes in exchange rates will adversely affect future net cash flows.

The Board's policy for foreign exchange risk management defines the types of transactions typically covered, including significant operational, funding and currency interest exposures, and the period over which cover should extend for each type of transaction.

The Board has delegated short-term foreign exchange management to the treasury operation and long-term foreign exchange management decisions require further approval from the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director.

Hedging strategy

A significant proportion of our external revenue and costs arise within the UK and are denominated in sterling. Our non-UK operations generally trade and are funded in their functional currency which limits their exposure to foreign exchange volatility. We do not have a material exposure to hyperinflationary economies.

We enter into forward currency contracts to hedge foreign currency capital purchases, purchase and sale commitments, interest expense, labour cost and foreign currency investments. The commitments hedged are principally denominated in US dollars, euros, Indian rupees and Hungarian forints. As a result, our exposure to foreign currency arises mainly on non-UK subsidiary investments and on residual currency trading flows.

We use cross-currency swaps to swap foreign currency borrowings into sterling. The table below reflects the currency and interest rate profile of our loans and borrowings after the impact of hedging.

	2025			2024		
At 31 March	**Fixed rate interest £m**	**Floating rate interest £m**	**Total £m**	Fixed rate interest £m	Floating rate interest £m	Total £m
Sterling	16,967	1,220	18,187	15,899	1,780	17,679
Other	—	2	2	—	49	49
Total	**16,967**	**1,222**	**18,189**	**15,899**	**1,829**	**17,728**
Ratio of fixed to floating	93%	7%	100%	90%	10%	100%
Weighted average effective fixed interest rate – sterling	5.1%			4.6%		

The floating rate loans and borrowings and committed facilities bear interest rates fixed in advance for periods up to one year, primarily by reference to RPI, CPI and ARRs where applicable.

Sensitivity analysis

The income statement and shareholders' equity are exposed to volatility arising from changes in interest rates, foreign exchange rates and energy prices. To demonstrate this volatility, management has concluded that the following are reasonable benchmarks for performing sensitivity analysis:

- For interest, a 1% increase in interest rates and parallel shift in yield curves across sterling, US dollar and euro currencies.
- For foreign exchange, a 10% strengthening of sterling against other currencies.
- For energy, a 10% increase in energy prices.

The impact on equity, before tax and excluding any impact related to retirement benefit plans, of a 1% increase in interest rates, a 10% strengthening of sterling against other currencies, and a 10% increase in energy prices is as detailed below:

At 31 March	**2025 £m Increase (reduce)**	2024 £m Increase (reduce)
Sterling interest rates	509	602
US dollar interest rates	(258)	(300)
Euro interest rates	(350)	(316)
Sterling strengthening	(137)	(142)
Energy prices	26	27

A 1% decrease in interest rates, 10% weakening of sterling against other currencies and 10% decrease in energy prices would have broadly the same impact in the opposite direction.

The impact of a 1% change in interest rates on the group's annual net finance expense, 10% change in energy prices on group's income statement and our exposure to foreign exchange volatility in the income statement, after hedging (excluding translation exposures), would not have been material in FY25 and FY24.

Credit ratings

We continue to target a BBB+/Baa1 credit rating over the cycle, with a BBB/Baa2 floor. We regularly review the liquidity of the group and our funding strategy takes account of medium-term requirements. These include the pension deficit and shareholder distributions.

Notes to the consolidated financial statements continued

28. Financial instruments and risk management continued

Our December 2030 bond contains terms that require us to pay higher rates of interest when our credit ratings are below A3 in the case of Moody's or A– in the case of Standard & Poor's (S&P). Additional interest of 0.25% per year accrues for each ratings category downgrade by each agency below those levels effective from the next coupon date following a downgrade. Based on the total notional value of debt outstanding of £2.1bn at 31 March 2025, our finance expense would increase/decrease by approximately £10m a year if the group's credit rating were to be downgraded/upgraded, respectively, by one credit rating category by both agencies.

Our credit ratings were as detailed below:

	2025		2024	
At 31 March	Rating	Outlook	Rating	Outlook
Rating agency				
Fitch	BBB	Stable	BBB	Stable
Moody's	Baa2	Stable	Baa2	Stable
Standard & Poor's	BBB	Stable	BBB	Stable

How do we manage liquidity risk?

Management policy

We maintain liquidity by entering into short- and long-term financial instruments to support operational and other funding requirements, determined by using short- and long-term cash forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding adequacy for at least a 12-month period. On at least an annual basis the Board reviews and approves the long-term funding requirements of the group and on an ongoing basis considers any related matters. We manage refinancing risk by limiting the amount of borrowing that matures within any specified period and having appropriate strategies in place to manage refinancing needs as they arise. The maturity profile of our loans and borrowings at 31 March 2025 is disclosed in note 26. We have term debt maturities of £1.7bn in FY26.

Our treasury operation reviews and manages our short-term requirements within the parameters of the policies set by the Board. We hold cash, cash equivalents and current investments in order to manage short-term liquidity requirements. During the year we extended the maturity of our £2.1bn (FY24: £2.1bn) undrawn committed borrowing facilities by three years to mature no earlier than January 2030 with the option to extend for two further years.

The following table provides an analysis of the remaining cash flows including interest payable for our non-derivative financial liabilities on an undiscounted basis, which may therefore differ from both the carrying value and fair value.

Non-derivative financial liabilities At 31 March 2025	Loans and other borrowings £m	Interest on loans and other borrowings £m	Trade and other payables £m	Lease liabilities £m	Total £m
Due within one year	1,786	784	5,007	705	8,282
Between one and two years	430	759	88	772	2,049
Between two and three years	1,583	742	—	729	3,054
Between three and four years	2,261	712	—	691	3,664
Between four and five years	2,030	582	—	669	3,281
After five years	10,412	2,436	—	1,613	14,461
	18,502	**6,015**	**5,095**	**5,179**	**34,791**
Interest payments not yet accrued	—	(5,709)	—	—	(5,709)
Fair value adjustments, unamortised bond fees	(46)	—	—	—	(46)
Impact of discounting	—	—	(6)	(608)	(614)
Carrying value on the balance sheet[a,b]	**18,456**	**306**	**5,089**	**4,571**	**28,422**
At 31 March 2024					
Due within one year	1,103	738	5,438	765	8,044
Between one and two years	2,727	737	189	730	4,383
Between two and three years	431	697	88	696	1,912
Between three and four years	1,614	680	—	663	2,957
Between four and five years	2,282	649	—	634	3,565
After five years	10,107	2,569	—	2,103	14,779
	18,264	**6,070**	**5,715**	**5,591**	**35,640**
Interest payments not yet accrued	—	(5,778)	—	—	(5,778)
Fair value adjustments, unamortised bond fees	(30)	—	—	—	(30)
Impact of discounting	—	—	(16)	(636)	(652)
Carrying value on the balance sheet[a,b]	**18,234**	**292**	**5,699**	**4,955**	**29,180**

a Foreign currency-related cash flows were translated at closing foreign exchange rates as at the relevant reporting date. Future variable interest cash flows were calculated using the most recent interest or indexation rates at the relevant balance sheet date.

b The carrying amount of trade and other payables excludes £189m (FY24: £366m) of non-current trade and other payables which relates to non-financial liabilities, and £953m (FY24: £899m) of other taxation, social security, deferred income and other payables.

Trade and other payables are held at amortised cost. The carrying amount of these balances approximates to fair value due to the short maturity of amounts payable.

28. Financial instruments and risk management continued

The following table provides an analysis of the contractually agreed cash flows in respect of the group's derivative financial instruments. Cash flows are presented on a net or gross basis in accordance with settlement arrangements of the instruments.

Derivative financial liabilities At 31 March 2025	Net settled £m	Gross settled outflows £m	Gross settled inflows £m	Total £m
Due within one year	14	1,994	(1,829)	179
Between one and two years	14	578	(463)	129
Between two and three years	14	1,996	(1,860)	150
Between three and four years	15	718	(626)	107
Between four and five years	4	1,487	(1,373)	118
After five years	16	2,537	(2,343)	210
Total[a,b]	**77**	**9,310**	**(8,494)**	**893**
At 31 March 2024				
Due within one year	17	2,274	(2,135)	156
Between one and two years	16	1,152	(1,028)	140
Between two and three years	16	519	(430)	105
Between three and four years	17	1,935	(1,857)	95
Between four and five years	17	597	(528)	86
After five years	12	3,071	(2,866)	217
Total[a,b]	**95**	**9,548**	**(8,844)**	**799**

a Analysed by earliest payment date, certain derivative financial instruments contain break clauses whereby either the group or bank counterparty have the right to terminate the swap on certain dates. If the break clause was exercised, the mark to market position would be settled in cash.
b Foreign currency-related cash flows were translated at closing foreign exchange rates as at the relevant reporting date. Future variable interest rate cash flows were calculated using the most recent rate applied at the relevant balance sheet date.

How do we manage energy price risk?

Management policy

UK (excluding Northern Ireland) and European energy prices continue to be exposed to volatility driven by fears of reduced gas supply as Europe continues the shift from Russian gas to LNG and renewables (which themselves are subject to short-term fluctuations given their intermittent nature). In order to manage our exposure to fluctuating energy prices, we have a target for UK (excluding Northern Ireland) energy demand to be at least 80% hedged one quarter before the start of the next financial year, and 50% hedged for the following financial year. We achieve this through forward over the counter hedges and a mixture of new and existing power purchase agreements (PPAs) and derivative virtual PPAs (vPPAs).

Hedging strategy

In each financial year our strategy is to build on our existing PPA and vPPA portfolio, exploring opportunities with 5-10 year contracts delivering favourable net present values. We complement this by monitoring the markets and forward purchasing electricity (power) when the market is favourable. In the forthcoming financial year the aim is to be 95% hedged, which allows for headroom for increased outputs from the renewable sources should weather conditions prevail.

How do we manage credit risk?

Management policy

Our exposure to credit risk arises from financial assets transacted by the treasury operation (primarily derivatives, investments, cash and cash equivalents) and from trading-related receivables.

For treasury-related balances, the Board's defined policy restricts exposure to any one counterparty by setting credit limits based on the credit quality as defined by Moody's and Standard & Poor's. The minimum credit ratings permitted with counterparties in respect of new transactions are A3/A– for long-term and P1/A1 for short-term investments. If counterparties in respect of existing transactions fall below the permitted criteria we will take action where appropriate.

The treasury operation continuously reviews the limits applied to counterparties and will adjust the limit according to the nature and credit standing of the counterparty, and in response to market conditions, up to the maximum allowable limit set by the Board.

Notes to the consolidated financial statements continued

28. Financial instruments and risk management continued

Operational management policy

Our credit policy for trading-related financial assets is applied and managed by each of the customer-facing units (CFUs) to ensure compliance. The policy requires that the creditworthiness and financial strength of customers are assessed at inception and on an ongoing basis. Payment terms are set in accordance with industry standards. Where appropriate, we may minimise risks by requesting securities such as deposits, guarantees and letters of credit. We take proactive steps including constantly reviewing credit ratings of counterparties to minimise the impact of adverse market conditions on trading-related financial assets.

Exposures

The maximum credit risk exposure of the group's financial assets at the balance sheet date is as follows:

At 31 March	Notes	2025 £m	2024 £m
Derivative financial assets		1,034	1,070
Investments	23	2,648	2,395
Trade and other receivables[a]	16	1,709	2,224
Contract assets	5	1,500	1,740
Cash and cash equivalents	25	216	414
Total		**7,107**	**7,843**

a The carrying amount excludes £655m (FY24: £641m) of non-current trade and other receivables which relate to non-financial assets, and £1,400m (FY24: £1,341m) of prepayments, deferred contract costs, finance lease receivables and other assets.

The credit quality and credit concentration of cash equivalents, current asset investments and derivative financial assets are detailed in the tables below. Where the opinion of Moody's and Standard & Poor's (S&P) differ, the lower rating is used.

Moody's/S&P credit rating of counterparty At 31 March	2025 £m	2024 £m
Aa2/AA and above	2,610	1,823
Aa3/AA–	95	585
A1/A+	750	819
A2/A	245	261
A3/A–	—	—
Baa1/BBB+	—	—
Baa2/BBB and below[a]	40	30
Total[b]	**3,740**	**3,518**

a Baa2/BBB rated exposure represents the energy derivatives and carrying value of forward currency contracts with Sports JV.
b We hold cash collateral of £2m (FY24: £15m) in respect of derivative financial assets with certain counterparties, this has reduced during the year as a result of derivative portfolio management.

The concentration of credit risk for our trading balances is provided in note 16, which analyses outstanding balances by CFU. Where multiple transactions are undertaken with a single financial counterparty or group of related counterparties, we enter into netting arrangements to reduce our exposure to credit risk by making use of standard International Swaps and Derivatives Association (ISDA) documentation. We have also entered into credit support agreements with certain swap counterparties whereby, on a daily, weekly and monthly basis, the fair value position on notional £1,047m (FY24: £1,047m) of long-dated cross-currency swaps and interest rate swaps is collateralised.

Offsetting of financial instruments

The table below shows our financial assets and liabilities that are subject to offset in the group's balance sheet and the impact of enforceable master netting or similar agreements.

		Related amounts not set off in the balance sheet		
Financial assets and liabilities **At 31 March 2025**	**Amounts presented in the balance sheet £m**	**Right of set off with derivative counterparties £m**	**Cash collateral £m**	**Net amount £m**
Derivative financial assets	1,034	(346)	(2)	686
Derivative financial liabilities	(497)	346	20	(131)
Total	**537**	**—**	**18**	**555**
At 31 March 2024				
Derivative financial assets	1,070	(356)	(15)	699
Derivative financial liabilities	(539)	356	40	(143)
Total	**531**	**—**	**25**	**556**

Derivatives and hedging

We use derivative financial instruments mainly to reduce exposure to foreign exchange and interest rate risks. Derivatives may qualify as hedges for accounting purposes if they meet the criteria for designation as cash flow hedges or fair value hedges in accordance with IFRS 9.

28. Financial instruments and risk management continued

Material accounting policies that apply to derivatives and hedge accounting

All of our derivative financial instruments are held at fair value on the balance sheet.

Derivatives designated in a cash flow or fair value hedge

The group designates certain derivatives in a cash flow or fair value hedge relationship. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge. To qualify for hedge accounting, hedge documentation must be prepared at inception, the hedge must be in line with BT's risk management strategy and there must be an economic relationship based on the currency, amount and timing of the respective cash flows of the hedging instrument and hedged item. This is assessed at inception and in subsequent periods in which the hedge remains in operation. Hedge accounting is discontinued when it is no longer in line with BT's risk management strategy or if it no longer qualifies for hedge accounting.

The group targets a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of altered timing, cash flows or value.

Cash flow hedge

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. For cash flow hedges of recognised assets or liabilities, the associated cumulative gain or loss is removed from equity and recognised in the same line of the income statement and in the same period or periods that the hedged transaction affects the income statement. Any ineffectiveness arising on a cash flow hedge is recognised immediately in the income statement.

Fair value hedge

When a derivative financial instrument is designated as a hedge of the exposure in fair value of a recognised asset or liability, or an unrecognised firm commitment, the hedging instrument is measured at fair value with changes in fair value recognised in the income statement. The changes in fair value of the hedging instruments are recorded in the same line in the income statement, together with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk which are remeasured to fair value. In a fair value hedge, an ineffectiveness is automatically recognised in the income statement because changes in the measurement of both the hedging instrument and the hedged item are reported through that.

Other derivatives

Our policy is not to use derivatives for trading purposes. However, due to the complex nature of hedge accounting, some derivatives may not qualify for hedge accounting, or may be specifically not designated as a hedge because natural offset is more appropriate. We effectively operate a process to identify any embedded derivatives within revenue, supply, leasing and financing contracts, including those relating to inflationary features. These derivatives are classified as fair value through profit and loss and are recognised at fair value. Any direct transaction costs are recognised immediately in the income statement. Gains and losses on re-measurement are recognised in the income statement in the line that most appropriately reflects the nature of the item or transaction to which they relate.

Where the fair value of a derivative contract at initial recognition is not supported by observable market data and differs from the transaction price, a day one gain or loss will arise which is not recognised in the income statement. Such gains and losses are deferred and amortised to the income statement based on the remaining contractual term and as observable market data becomes available.

The fair values of outstanding swaps and foreign exchange contracts are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

At 31 March 2025	Current asset £m	Non-current asset £m	Current liability £m	Non-current liability £m
Designated in a cash flow hedge	104	843	82	338
Designated in a fair value hedge	—	1	—	—
Other	26	60	24	53
Total derivatives	**130**	**904**	**106**	**391**
At 31 March 2024				
Designated in a cash flow hedge	34	947	80	383
Designated in a fair value hedge	—	—	—	—
Other	16	73	14	62
Total derivatives	**50**	**1,020**	**94**	**445**

All derivative financial instruments are categorised at Level 2, with the exception of the energy contracts which are categorised at Level 3 of the fair value hierarchy as defined in note 23. These contracts are fair valued based on a discounted cash flow method using a mix of assumptions some of which are not observable in the market. The key inputs used in the internal valuation model are the developers P90 generation volume forecast (where the output is forecasted to be exceeded 90% of the time over the contract's lifetime), publicly available electricity price data, inflation rates, and the Group's weighted average cost of capital. During the year no new energy contracts were signed or terminated, fair value movement was driven by monthly settlements and market fluctuation.

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging sterling, euro, US dollar and Japanese yen denominated borrowings. Forward currency contracts are taken out to hedge step up interest on currency denominated borrowings relating to the group's 2030 US dollar bond. The hedged cash flows will affect the group's income statement as interest and principal amounts are repaid over the remaining term of the borrowings (see note 26).

Notes to the consolidated financial statements continued

28. **Financial instruments and risk management** continued

We hedge forecast foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints 12 months forward with certain specific transactions hedged further forward. The related cash flows are recognised in the income statement over this period.

PPAs and vPPAs are taken out to hedge our exposure to energy prices and provide long-term cost certainty. The hedged cash flows affect the income statement over the hedged period.

Fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate bonds due to movements in market interest rates. Gains and losses arising on fair value hedges are disclosed in note 27.

All hedge relationships were fully effective in the period.

The amounts related to items designated as hedging instruments were as follows:

Hedged items At 31 March 2025	Notional principal £m	Asset £m	Liability £m	Balance in cash flow hedge related reserves (gain)/loss £m	Fair value (gain)/loss recognised in OCI £m	Amount recycled from cash flow hedge related reserves to P&L £m
Sterling, euro, US dollar and Japanese yen denominated borrowings[a]	14,278	933	(329)	(449)	86	(322)
Step up interest on the 2030 US dollar bond[b]	99	—	(1)	(19)	2	4
Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints[c]	1,274	10	(15)	10	22	—
Other, including energy contracts[d]		4	(75)	74	(5)	(11)
Total cash flow hedges	**15,651**	**947**	**(420)**	**(384)**	**105**	**(329)**
Fixed rate borrowings[e]	800	1	—			
Total fair value hedges	**800**	**1**	**—**			
Deferred tax		—	—	86		
Derivatives not in a designated hedge relationship		86	(77)	—		
Carrying value on the balance sheet		**1,034**	**(497)**	**(298)**		
At 31 March 2024						
Sterling, euro, US dollar and Japanese yen denominated borrowings[a]	13,583	960	(355)	(213)	464	(361)
Step up interest on the 2030 US dollar bond[b]	112	—	(2)	(25)	2	4
Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints[c]	1,308	18	(11)	(12)	15	8
Other, including energy contracts[d]		3	(95)	90	161	(7)
Total cash flow hedges	**15,003**	**981**	**(463)**	**(160)**	**642**	**(356)**
Fixed rate borrowings[e]	—	—	—			
Total fair value hedges	**—**	**—**	**—**			
Deferred tax		—	—	27		
Derivatives not in a designated hedge relationship		89	(76)	—		
Carrying value on the balance sheet		**1,070**	**(539)**	**(133)**		

a Sterling, euro, US dollar and Japanese yen denominated borrowings are hedged using cross-currency swaps and interest rate swaps. Amounts recycled to profit and loss are presented within finance expense. Range of hedged rates: sterling interest: 5.9% - 6.0% (FY24: 5.9% - 6.0%), euro FX: 1.12 - 1.29 (FY24: 1.12 - 1.29), US dollar FX: 1.28 - 1.80 (FY24: 1.28 - 1.80), Japanese yen FX: 156.92 (FY24: 156.92).

b Step up interest on US dollar denominated borrowings are hedged using forward currency contracts. Amounts recycled to profit and loss are presented within finance expense. Range of hedged FX rates: 1.27 - 1.30 (FY24: 1.21 - 1.28).

c Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints are hedged using forward currency contracts. Amounts recycled to profit and loss are presented within cost of sales or operating costs, in line with the underlying hedged item. Range of hedged FX rates: US dollar: 1.23 - 1.34 (FY24: 1.21 - 1.30), euro: 1.15 - 1.19 (FY24: 1.12 - 1.17), Indian rupees: 107.88 - 121.60 (FY24: 106.05 - 120.97), Hungarian forint: 472.12 - 492.24 (FY24: 458.35 - 467.81).

d Includes £(57)m liability (FY24: £(87)m liability) relating to energy contracts, these are hedged using contracts for difference including virtual power purchase agreements in order to provide long-term power cost certainty. Amounts recycled to profit and loss are presented within operating costs. Range of strike price: 60 - 119 £/MWh (FY24: 60-122 £/MWh).

e Fixed rate borrowings are hedged using fixed to floating interest rate swaps. Fair value movements on bonds and swaps in fair value hedges in profit and loss are presented within finance expense. Range of hedged rates: SONIA+123.5 bps - SONIA+136.7 bps.

29. Other reserves

	Capital redemption reserve £m	Cash flow reserve[a] £m	Fair value reserve[b] £m	Cost of hedging reserve[c] £m	Translation reserve[d] £m	Total £m
		Other comprehensive income				
At 1 April 2023	**27**	**377**	**(4)**	**(37)**	**594**	**957**
Exchange differences[e]	—	—	—	—	(66)	(66)
Net fair value gain (loss) on cash flow hedges	—	(661)	—	19	—	(642)
Movements in relation to cash flow hedges recognised in income and expense[f]	—	349	—	7	—	356
Tax recognised in other comprehensive income	—	69	—	—	9	78
Transfer to realised profit	—	10	12	—	11	33
At 31 March 2024	**27**	**144**	**8**	**(11)**	**548**	**716**
Exchange differences[e]	—	—	—	—	(50)	(50)
Net fair value gain (loss) on cash flow hedges	—	(105)	—	—	—	(105)
Movements in relation to cash flow hedges recognised in income and expense[f]	—	324	—	5	—	329
Fair value movement on assets at fair value through other comprehensive income	—	—	(6)	—	—	(6)
Tax recognised in other comprehensive income	—	(59)	—	—	3	(56)
At 31 March 2025	**27**	**304**	**2**	**(6)**	**501**	**828**

a The cash flow reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The transfer to realised profit includes a deferred tax adjustment.
b The fair value reserve is used to record gains or losses on equity investments held at fair value through other comprehensive income. When these investments are disposed of any remaining gains or losses in other comprehensive income are transferred to retained earnings.
c The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis element of our cross-currency swaps and forward points on certain foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow reserve.
d The translation reserve is used to record cumulative translation differences on the net assets of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.
e Excludes an insignificant amount of exchange differences in relation to retained earnings attributed to non-controlling interests.
f Movements in cash flow hedge-related reserves recognised in income and expense of £329m (FY24: £356m) include a net credit to other comprehensive income of £278m (FY24: credit of £318m) which have been reclassified to operating costs, and a net credit of £51m (FY24: net credit of £38m) which have been reclassified to finance expense (see note 27).

30. Related party transactions

BT Group related parties include joint ventures, associates, investments and key management personnel.

Key management personnel comprise Executive and Non-Executive Directors and members of the *Executive Committee*. Compensation of key management personnel is disclosed in note 6.

Amounts paid to the group's retirement benefit plans are set out in note 19.

Associates and joint ventures related parties include the Sports JV with Warner Bros. formed during FY23 (see note 22). Sales of services to the Sports JV during FY25 were £9m (FY24: £33m), and purchases from the Sports JV were £305m (FY24: £299m) excluding £187m (FY24: £211m) additional payments made to settle the minimum guarantee liability (see note 17). The amount receivable from the Sports JV as at 31 March 2025 was £nil (FY24: £3m) and the amount payable to the Sports JV was £97m (FY24: £94m).

As part of the FY23 BT Sport transaction, the group has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £200m (FY24: £300m), for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the group's external short-term borrowings. The outstanding balance under the RCF of £46m (FY24: £163m) is treated as a loan receivable and held at amortised cost, see note 16. There is also a loan payable to the Sports JV of £10m (FY24: £11m), see note 26.

The Sports JV has a foreign exchange hedging arrangement with the group to secure euros required to meet its commitments to certain sports rights holders; the group has external forward contracts in place to purchase the euros at an agreed sterling rate in order to mitigate its exposure to exchange risk. The group holds a £36m (FY24: £29m) derivative liability in respect of forward contracts provided to the Sports JV.

Notes to the consolidated financial statements continued

30. Related party transactions continued

Transactions from commercial trading arrangements with associates and joint ventures, including the Sports JV, are shown below:

At 31 March	**2025 £m**	2024 £m
Sales of services to associates and joint ventures	12	37
Purchases from associates and joint ventures	348	338
Amounts receivable from associates and joint ventures	2	5
Amounts payable to associates and joint ventures	99	95

Other related party transactions include a dividend received from a joint venture of £12m in FY24.

31. Financial commitments

Financial commitments as at 31 March 2025 include capital commitments of £985m (FY24: £1,049m) and device purchase commitments of £198m (FY24: £171m).

The group's programme rights commitments for our BT Sport operations were transferred to the Sports JV formed with Warner Bros. Discovery (WBD) during FY23 (see note 24). Both the group and WBD have provided parent company guarantees for the Sports JV's obligations under certain programme rights commitments; the fair value of these guarantees is not material.

Other than as disclosed in note 18, there were no contingent liabilities or guarantees at 31 March 2025 other than those arising in the ordinary course of the group's business and on these no material losses are anticipated. We have insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of our operations. Otherwise, the group generally carries its own risks.

Legal and regulatory proceedings

See note 18 for contingent liabilities associated with legal and regulatory proceedings.

32. Post balance sheet events

Domestic Operations In Italy

As disclosed in note 22, on 18 April 2025, BT reached an agreement to sell its domestic operations in Italy to Retelit S.p.A. BT's domestic operation in Italy includes fibre networks and datacentres in Italy. The transaction is expected to be completed in the second half of FY26, subject to competition and regulatory approvals. Under the terms of the agreement, Retelit S.p.A. will acquire BT Italia's domestic operations in exchange for a contribution from BT based on an enterprise value range of €163m (£136m) to €188m (£157m), subject to the pace of completion. This contribution does not affect the amounts recognised in the financial statements for the year ended 31 March 2025.

Financial statements of BT Group plc
BT Group plc company balance sheet at 31 March 2025

Registered number 4190816

At 31 March	Notes	2025 £m	2024 £m
Non-current assets			
Investment in subsidiary undertaking	2	11,401	11,346
		11,401	**11,346**
Current assets			
Cash and cash equivalents		7	6
		7	**6**
Current liabilities			
Trade and other payables[a]		91	53
		91	**53**
Total assets less current liabilities		**11,317**	**11,299**
Non-current liabilities			
Loans and other borrowings[b]		519	400
		519	**400**
Equity			
Ordinary shares		499	499
Share premium		1,051	1,051
Capital redemption reserve		27	27
Own shares		(378)	(311)
Profit and loss account[c]		9,599	9,633
Total equity		**10,798**	**10,899**
		11,317	**11,299**

a Current trade and other payables consists of loans from group undertakings of £nil (FY24: £13m) and other payables of £91m (FY24: £40m). Other payables mostly comprise the obligation to purchase own shares into trust via a forward contract.
b Loans and other borrowings consist of a loan from group undertakings of £519m (FY24: £400m). The loan attracts interest of Risk-Free Rate (SONIA) plus baseline CAS plus applicable lending margin (95 basis points) and is not due within the 12 months after the balance sheet date.
c As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year, dealt with in the profit and loss account of the company was £756m (FY24: £734m).

The financial statements of the company on pages 219 to 222 were approved by the Board of Directors on 22 May 2025 and were signed on its behalf by:

Adam Crozier
Chairman

Allison Kirkby
Chief Executive

Simon Lowth
Chief Financial Officer

BT Group plc company statement of changes in equity at 31 March 2025

	Called up share capital[a,b] £m	Share premium account[c] £m	Capital redemption reserve £m	Own shares[d] £m	Profit and loss account[e] £m	Total £m
At 1 April 2023	**499**	**1,051**	**27**	**(422)**	**9,722**	**10,877**
Profit for the year	—	—	—	—	734	734
Dividends paid	—	—	—	—	(757)	(757)
Share-based payments	—	—	—	—	3	3
Capital contribution in respect of share-based payments	—	—	—	—	68	68
Net buyback of own shares	—	—	—	111	(137)	(26)
At 31 March 2024	**499**	**1,051**	**27**	**(311)**	**9,633**	**10,899**
Profit for the year	—	—	—	—	756	756
Dividends paid	—	—	—	—	(791)	(791)
Share-based payments	—	—	—	—	4	4
Capital contribution in respect of share-based payments	—	—	—	—	55	55
Net buyback of own shares	—	—	—	(67)	(58)	(125)
31 March 2025	**499**	**1,051**	**27**	**(378)**	**9,599**	**10,798**

a The allotted, called up and fully paid ordinary share capital of the company at 31 March 2025 was £499m (31 March 2024: £499m), representing 9,968,127,681 (31 March 2024: 9,968,127,681) ordinary shares of 5p each.
b The holders of ordinary shares are entitled to receive dividends as declared and entitled to one vote for each share which they hold at meetings.
c The share premium account, comprising the premium on allotment of shares, is not available for distribution.
d In FY25, 6,938,786 shares (FY24: 57,073,057) were issued from Own shares to satisfy obligations under employee share schemes and executive share awards at a cost of £16m (FY24: £113m). At 31March 2025, 11,290,418 shares (FY24: 16,299,007) with an aggregate nominal value of £1m (FY24: £1m) were held at cost as treasury shares and 226,848,933 shares (FY24: 172,157.686) with an aggregate nominal value of £11m (FY24: £9m) were held in the Trust.
e As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year, dealt with in the profit and loss account of the company, was £756m (FY24: £734m).

Notes to the company financial statements

1. BT Group plc accounting policies

Principal activity

The principal activity of the company is to act as the ultimate holding company of the BT Group.

Accounting basis

As used in these financial statements and associated notes, the term 'company' refers to BT Group plc (a public company limited by shares). These separate financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention. Refer to page 148 for further details of this assessment.

As permitted by Section 408(3) of the Companies Act 2006, the company's profit and loss account has not been presented.

New and amended accounting standard effective during the year

The following amended standard was effective during the year and did not have a material impact on the financial statements of the company.

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. The company intends to continue to take advantage of these exemptions in future years. Further detail is provided below.

Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

The BT Group plc consolidated financial statements for the year ended 31 March 2025 contain a consolidated cash flow statement. Consequently, as permitted by IAS 7 'Statement of Cash flow', the company has not presented its own cash flow statement.

The BT Group plc consolidated financial statements for the year ended 31 March 2025 contain related party disclosures. Consequently, the company has taken advantage of the exemption in IAS 24 'Related Party Disclosures' not to disclose transactions with other members of the BT Group.

The BT Group plc consolidated financial statements for the year ended 31 March 2025 contain financial instrument disclosures which comply with IFRS 7 'Financial Instruments: Disclosures'. Consequently, the company is exempt from the disclosure requirements of IFRS 7 in respect of its financial instruments.

Investment in subsidiary undertaking

Investment in subsidiary undertaking is stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows of the investment.

Investment impairment is assessed at each reporting date. Estimating recoverable value and key assumptions used (projected adjusted EBITDA, discount rate and growth rate) in performing the impairment assessment are in line with how we assess the group's goodwill in note 13 to the consolidated group financial statements. There is significant headroom between the carrying value of the investment and the calculated recoverable value. See Note 2 for further details.

Taxation

Full provision is made for deferred taxation on all temporary differences which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be sufficient taxable profits from which the underlying timing differences can be deducted. The deferred tax balances are not discounted.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the company's shareholders for final dividends. Interim dividends are recognised when they are paid. Dividend income is recognised on receipt.

Share capital

Ordinary shares are classified as equity. Repurchased shares of the company are recorded in the balance sheet as part of Own shares and presented as a deduction from shareholders' equity at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Share-based payments

The issuance by the company of share options and awards to employees of its subsidiaries represents additional capital contributions to its subsidiaries. An addition to the company's investment in subsidiaries is recorded with a corresponding increase in equity shareholders' funds. The additional capital contribution is determined based on the fair value of options and awards at the date of grant and is recognised over the vesting period.

2. Investment in subsidiary undertaking

Cost	Total £m
At 1 April 2023	**11,278**
Additions	68
At 31 March 2024	**11,346**
Additions	55
At 31 March 2025	**11,401**

The company held a 100% investment in BT Group Investments Limited, a company registered in England and Wales, throughout FY25 and FY24. Additions of £55m (FY24: £68m) comprise capital contributions in respect of share-based payments.

Investment impairment is assessed at each reporting date to evaluate if there are indicators that the carrying value may not be recoverable. The impairment review was performed in line with the group goodwill impairment review as detailed in note 13 of the consolidated accounts.

Our FY25 assessment concluded that there remains a significant headroom between the carrying value of the investment and the calculated recoverable value. We have exercised a number of assumptions in determining the future operating cash flows, discount rate and long-term growth rate to arrive at this conclusion.

Fair value less costs of disposal ('FVLCD') is estimated by discounting future cash flows. Future cash flows are calculated on a nominal basis and based on projections derived from the latest Board-approved five-year financial plans, representing managements best estimate of future growth. This includes the direct and indirect impacts of inflation and associated mitigations. Plans reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital, net savings from uncommitted restructuring (i.e., group-wide transformation programme announced in May 2024) and other operating cash flows, based on past experience and future expectations of business performance, and form the basis of outlook issued by the group.

The pre-tax discount rate used in performing the FVLCD calculation was 9.35%. The pre-tax discount rates applied to the cash flow forecasts are derived from our post-tax weighted average cost of capital. The assumptions used in the calculation of the group's weighted average cost of capital are benchmarked to externally available data.

In FY25 we have used perpetuity growth rates averaging 1% as determined based on the long-term growth prospects of each market. The growth rates have been benchmarked against external data for the relevant markets and analysts' expectations. None of the growth rates applied exceed the expected average long-term growth rates for those markets or sectors.

We consider there to be no reasonably possible scenario in which an impairment could occur within the next 12 months from the reporting date.

3. Other information

Dividends
An interim dividend of 2.40p per share amounting to £235m was paid on 5 February 2025 (FY24: interim dividend of 2.31p per share amounting to £227m paid). A final dividend of 5.76p per share amounting to approximately £566m is proposed in respect of the year ended 31 March 2025 (FY24: final dividend of 5.69p per share amounting to £556m paid in respect of the year ended 31 March 2024).

Employees and directors
The Chairman and the Executive and Non-Executive Directors of BT Group plc were the only employees and directors of the company during FY25 and FY24. The Directors' services were incidental to their service to the group as a whole and any allocation to the company would be de minimis.

The costs relating to qualifying services provided to the company's principal subsidiary, British Telecommunications plc, are recharged to that company.

Related undertakings

Company name	Group interest in allotted capital[a]	Share class
Held directly		
United Kingdom		
1 Braham Street, London, E1 8EE, United Kingdom		
BT Group Investments Limited	100%	ordinary
BT Group Nominees Limited	100%	ordinary
Held via other group companies		
Algeria		
20 Micro zone d'Activités Dar El Madina, Bloc B, Loc N01 Hydra, Alger, 16000, Algeria		
BT Algeria Communications SARL	100%	ordinary
Argentina		
Maipu No 1210, piso 8 (C1006), Buenos Aires, Argentina		
BT Argentina S.R.L.	100%	ordinary
Australia		
Level 20, 420 George Street, Sydney, NSW 2000, Australia		
BT Australasia Pty Limited	100%	ordinary
Austria		
Louis-Häfliger-Gasse 10, 1210, Wien, Austria		
BT Austria GmbH	100%	ordinary
Azerbaijan		
AZ 1025 The Azure Business Center, 20th Floor, c/o BDO Azerbaijan LLC, Z1025, Khatai district, Afiyaddin Jalilov 26, apt.177, Azerbaijan		
BT Azerbaijan Limited, Limited Liability Company	100%	ordinary
Bahrain		
Suite #2216, Building No. 2504, Road 2832, Al Seef, P.O. BOX 18259, Bahrain		
BT Solutions Limited (Bahrain Branch)[b]	100%	–
Bangladesh		
UTC Building, 19th Floor, Kawran Bazar, Dhaka, 1215, Bangladesh		
BT Communications Bangladesh Limited	100%	ordinary
Barbados		
3rd Floor, The Goddard Building, Haggatt Hall, St. Michael, BB11059, Barbados		
BT (Barbados) Limited	100%	ordinary
Belarus		
58 Voronyanskogo St, Office 89, Minsk 220007, Belarus		
BT BELRUS Foreign Limited Liability Company	100%	ordinary
Belgium		
Telecomlaan 9, 1831 Diegem, Belgium		
BT Global Services Belgium BV	100%	ordinary
Global Security Europe Limited – Belgian Branch[b]	100%	–
Rue des Guillemins 129, 4000 Liege, Belgium		
IP Trade SA	100%	ordinary

Company name	Group interest in allotted capital[a]	Share class
Bermuda		
Century House, 16 Par-la-Ville Road, Hamilton, HM08, Bermuda		
Communications Global Network Services Limited	100%	ordinary
Bolivia		
Avda. 6 de Agosto N° 2700, Torre Empresarial CADECO, Piso 4, La Paz, Bolivia		
BT Solutions Limited Sucursal Bolivia[b]	100%	–
Bosnia and Herzegovina		
Trg Heroja 10/1, Sarajevo, 71000, Bosnia and Herzegovina		
BTIH Teleconsult Drustvo sa organicenom odgovornoscu za posredovanje i zastupanje d.o.o. Sarajevo	100%	–
Botswana		
Plot 2482b, Tshekedi Crescent, Extension 9, Gaborone, 211008, Bontleng, Botswana		
BT Global Services Botswana (Proprietary) Limited	100%	ordinary
Brazil		
Avenida Dr. Ruth Cardoso, 4777 – 14 andar, A parte, Pinheiros, São Paulo, SP, 05477-000, Brazil		
BT Communications do Brasil Limitada	100%	quotas
BT Global Communications do Brasil Limitada	100%	quotas
Bulgaria		
51B Bulgaria Blvd., fl. 4, Sofia, 1404, Bulgaria		
BT Bulgaria EOOD	100%	ordinary
BT Global Europe B.V. – Bulgaria branch[b]	100 %	–
Canada		
100 King Steet West, Suite 6200, 1 Canadian Place, Toronto ON M5X 1B8, Canada		
BT Canada Inc.	100%	common
Chile		
Rosario Norte 407, Piso 6, Las Condes, Santiago, Chile		
Servicios de Telecomunicaciones BT Global Networks Chile Limitada	100%	ordinary
China		
Building 16, 6th Floor, Room 602-B, No. 269 Wuyi Road, Hi-tech Park, Dalian, 116023, China		
BT Technology (Dalian) Company Limited	100%	registered
No. 3 Dong San Huan Bei Lu, Chao Yang District, Beijing, 100027, China		
BT Limited, Beijing Office[b]	100%	–
Room 2101-2103, 21/F, International Capital Plaza, No. 1318 North Sichuan Road, Hong Kou District, Shanghai, 200080, China		
BT China Limited-Shanghai Branch Office[b]	100%	–

Company name	Group interest in allotted capital[a]	Share class
1502-1503, AVIC Center, No. 1008, Huafu Road, Futian District, Shenzhen, 518000, China		
BT China Limited – Shenzhen Branch[b]	100%	–
Room 3, 4, F7, Tower W3, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, 100738, China		
BT China Limited	100%	registered
Unit 1537B, Floor 15th, No. 55, Xili Road, Shanghai Free Trade Zone, Shanghai, China		
BT China Communications Limited	50%	ordinary
Colombia		
Calle 113, 7-21,Torre A Oficina 1015 Teleport Business, Bogota, Colombia		
BT Colombia Limitada	100%	quotas
Costa Rica		
Provincia 01 San Jose, Canton 02 Escazu, San Rafael, Centro, Edificio A, Cuarto Piso, Oficinas Deloitte. Costa Rica		
BT Global Costa Rica SRL	100%	ordinary
Côte d'Ivoire		
Abidjan Plateau, Rue du commerce, Immeuble Nabil 1er étage, 01 BP 12721 Abidjan 01, Côte d'Ivoire		
BT Cote D'Ivoire	100%	ordinary
Cyprus		
Arch. Makarios III, 213, Maximos Plaza, Tower 3, Floor 2, Limassol, 3030, Cyprus		
BT Global Europe B.V.[b]	100%	–
Czech Republic		
Pujmanové 1753 / 10a, Nusle, 140 00, Prague 4, Czech Republic		
BT Global Europe B.V., odštěpný závod[b]	100%	–
Denmark		
Norre Farimagsgade 13, 4. th, 1364 Kobenhavn K, Denmark		
BT Denmark ApS	100%	ordinary
Dominican Republic		
Rafael Augusto Sanchez No. 86, Torre Roble Corporate Center Piso 7, Sector Piantini, Santo Domingo, Dominican Republic		
BT Dominican Republic, S. A.	100%	ordinary
Ecuador		
Av. Amazonas N21-252 y Carrión, Edificio Londres, 4° Piso, Quito, Ecuador		
BT Solutions Limited (Sucursal Ecuador)[b]	100%	–
Egypt		
Unit no. 306 Administrative Second Floor, Al Saraya Mall, Al Mehwar Al- Markazy, Giza, Egypt		
BT Telecom Egypt LLC	100%	stakes
El Salvador		
Edificio Avante Penthouse Oficina, 10-01 Y 10-03 Urbanizacion, Madre Selva, Antiguo Cuscatlan, La Libertad, El Salvador		
BT El Salvador, Limitada de Capital Variable	100%	ordinary

Related undertakings continued

Company name	Group interest in allotted capital[a]	Share class
Finland		
Mannerheimvägen 12 B 6, 00100 Helsinki, Finland		
BT Nordics Finland Oy	100%	ordinary
France		
Tour Ariane, 5 place de la Pyramide, La Defense Cedex, 92088, Paris, France		
BT France S.A.S.	100%	ordinary
Germany		
Marcel-Breuer-Straße 6, 80807 Munich, Germany		
BT (Germany) GmbH & Co. oHG	100%	ordinary
BT Deutschland GmbH	100%	ordinary
BT Garrick GmbH	100%	ordinary
Hansepark, Hansestraße 61, 51149, Köln, Germany		
Global Security Europe Limited – Germany Branch[b]	100%	–
Ghana		
5th Floor, Vivo Place, Cantonments City, Rangoon Lane, P.O. Box MB 595, Accra, Ghana		
BT Ghana Ltd	100%	ordinary
Guatemala		
5ta avenida 5-55 zona 14, Edificio Europlaza World Business Center, Torre IV, nivel 7, oficina 702, Guatemala City, Guatemala		
BT Guatemala S.A.	100%	unique
Honduras		
Colonia Florencia Norte, Edificio Plaza America, 5to Piso, Tegucigalpa, Honduras		
BT Sociedad De Responsabilidad Limitada	100%	–
Hong Kong		
Unit 31-105, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong		
BT Hong Kong Limited	100%	ordinary
Infonet China Limited	100%	ordinary
Hungary		
1112 Budapest, Boldizsár utca 4., Hungary		
BT Global Europe B.V. Magyarorszagi Fioktelepe[b]	100%	–
BT Limited Magyarorszagi Fioktelepe[b]	100%	–
BT ROC Kft	100%	business
India		
11th Floor, Eros Corporate Tower, Opp. International Trade Tower, Nehru Place, New Delhi, 110019, India		
BT (India) Private Limited	100%	ordinary
BT e-Serv (India) Private Limited	100%	equity
BT Global Communications India Private Limited	100%	ordinary
BT Telecom India Private Limited	100%	ordinary
A-47, Hauz Khas, New Delhi, Delhi-DL, 110016, India		
Orange Services India Private Limited	100%	ordinary
Indonesia		
Menara Astra, 37F. Jl. Jendral Sudirman Kav 5-6, Jakarta Pusat, Jakarta, 10220, Indonesia		
PT BT Indonesia	100%	ordinary
PT BT Communications Indonesia	95%	ordinary
Isle of Man		
Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man		
Belmullet Limited	100%	ordinary
Communicator Insurance Company Limited	100%	ordinary
Priestgate Limited	100%	ordinary
Israel		
Beit Oz, 14 Abba Hillel Silver Rd, Ramat Gan, 52506, Israel		
B.T. Communication Israel Ltd	100%	ordinary
Italy		
Viale Abruzzi n. 94 , 20131 Milan, Italy		
Global Security Europe Limited[b]	100%	–
Via Tucidide 14, 20134, Milano, Italy		
Atlanet SpA	99%	ordinary
Basictel SpA	99%	ordinary
BT Italia S.p.A.	99%	ordinary
Jamaica		
Suite #6, 9A Garelli Avenue, Half way tree, St. Andrew, Kingston 10, Jamaica		
BT Jamaica Limited	100%	ordinary
Japan		
ARK Mori Building, 12-32 Akasaka, 1-Chome, Minato-Ku, Tokyo, 107 – 6018, Japan		
BT Japan Corporation	100%	ordinary
Jersey		
26 New Street, St Helier, JE2 3RA, Jersey		
Ilford Trustees (Jersey) Limited	100%	ordinary
PO Box 264, Forum 4, Grenville Street, St Helier, JE4 8TQ, Jersey		
BT Jersey Limited	100%	ordinary
Jordan		
Wadi AlSer – Dahiet Prince Rashid – King Abdullah Street, Building No. 391 – 3rd Floor, Jordan		
BT (International) Holdings Limited (Jordan)	100%	ordinary
Kazakhstan		
n.p.38b, Building 5, Kaiym Mukhamedkhanov Street, Nura District, Astana, Index 010000, Kazakhstan		
BT Kazakhstan LLP	100%	–
Kenya		
L R No, 1870/ 1/176, Aln House, Eldama Ravine close, off Eldama Ravine Road, Westlands, P O Box 764, Sarit Centre, Nairobi, 00606, Kenya		
BT Communications Kenya Limited	70%	ordinary
Korea		
Level 19, Hana Securities Building, 81, Uisadang-daero, Yeongdeungpogu, Seoul, 07321, Republic of Korea		
BT Global Services Korea Limited	100%	common
Latvia		
Muitas iela 1A, Riga, LV-1010, Latvia		
BT Latvia Limited, Sabiedriba ar ierobezotu atbildibu	100%	ordinary
Lebanon		
Abou Hamad, Merheb, Nohra & Chedid Law Firm, Chbaro Street, 22nd Achrafieh Warde Building, 1st Floor, Beirut, P.O.BOX 165126, Lebanon		
BT Lebanon S.A.L.	100%	ordinary
Lithuania		
Aludariu str 2-33, LT-01113 Vilnius, Lithuania		
UAB BTH Vilnius	100%	ordinary
Luxembourg		
12 rue Eugene Ruppert, L 2453, Luxembourg		
BT Global Services Luxembourg SARL	100%	ordinary
BT Broadband Luxembourg Sàrl	100%	ordinary
Malawi		
KEZA Office Park Blocks 3, First Floor, Near Chichiri, Shopping Mall, Blantyre, Malawi		
BT Malawi Limited	100%	ordinary
Malaysia		
Level 5, Tower 3, Avenue 7, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia		
BT Global Technology (M) Sdn. Bhd.	100%	ordinary
BT Systems (Malaysia) Sdn Bhd	100%	ordinary
Malta		
Level 1, LM Complex, Brewery Street, Zone 3, Central Business District, Birkirkara CBD, 3040, Malta		
BT Solutions Limited[b]	100%	–
Mauritius		
c/o Deloitte, 7th Floor Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebène, 72201, Mauritius		
BT Global Communications (Mauritius) Limited	100%	ordinary
Mexico		
Boulevard Manuel Avila Camacho No. 32, 6th Floor, Lomas de Chapultepec III Section, Miguel Hidalgo, Mexico City CP11000		
BT LatAm México, S.A. de C.V.	100%	common

Company name	Group interest in allotted capital[a]	Share class
Montenegro		
Vasa Raickovica 4b, Podgorica, Podgorica, Montenegro		
BT Montenegro DOO	100%	–
Morocco		
Bd. Abdelmoumen, Immeuble Atrium, n 374, Lot. Manazyl Al Maymoune, 5eme etage, Casablanca, 20390, Morocco		
BT Solutions Limited – Morocco Branch[b]	100%	–
Mozambique		
Avenida Kenneth Kaunda, number 660, Sommershield, Maputo City, Mozambique		
BT Mozambique, Limitada	100%	quotas
Namibia		
Unit 3, 2nd floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Private Bag, Windhoek, 12012, Namibia		
BT Solutions Limited[b]	100%	–
Netherlands		
Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands		
BT Global Europe B.V.	100%	ordinary
BT (Netherlands) Holdings B.V.	100%	ordinary
BT Nederland N.V.	100%	ordinary
BT Professional Services Nederland B.V.	100%	ordinary
Global Security Europe Limited[b]	100%	–
New Zealand		
c/o Deloitte, Level 20, 1 Queen Street, Auckland Central, Auckland, 1010, New Zealand		
BT Australasia Pty Limited – New Zealand Branch[b]	100%	–
Nicaragua		
De donde fué el Restaurante Marea Alta Ahora quesillos, El Pipe, 2 cuadras al este, 10 Metros al norte, frente al, Hotel El Gran Marquez, Casa #351, Nicaragua, 2815, Nicaragua		
BT Nicaragua S.A.	100%	capital
Nigeria		
Civic Towers, Plot GA1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria		
BT (Nigeria) Limited	100%	ordinary
North Macedonia		
Str. Dame Gruev no.8, 5th floor, Building "Dom na voenite invalidi", Skopje 1000, North Macedonia		
BT Solutions Limited Branch Office in Skopje[b]	100%	–
Norway		
Munkedamsveien 45, Oslo, 0121, Norway		
BT Solutions Norway AS	100%	ordinary
Oman		
Maktabi Building, Building No. 458, Unit No. 413 4th Floor, Road No – R41, Block No. 203, Plot No. 107, Zone No. SW41, Complex No. 271, Al Watiyah, Bausher, Muscat, Sultanate of Oman, Oman		
BT International Holdings Limited & Co. LLC	100%	ordinary
Pakistan		
Cavish Court, A-35, Block 7&8, KCHSU, Shahrah-e-Faisal, Karachi, 75350, Pakistan		
BT Pakistan (Private) Limited	100%	ordinary
Panama		
50th and 74th Street, San Francisco, PH 909, 15th and 16th Floor, Panama City, Panama		
BT de Panama, S.R.L.	100%	ordinary
Paraguay		
Av. Brasilia Nº 767 casi Siria, Asunción, Paraguay		
BT Paraguay S.R.L.	100%	quotas
Peru		
AV. Santa Cruz 830, Oficina 301, Miraflores, Lima, Peru		
BT Peru S.R.L.	100%	ordinary
Philippines		
11th Floor, Page One Building, 1215 Acacia Ave Madrigal Business Park, Ayala Alabang, Muntinlupa, Metro Manila, 1780, Philippines		
IT Holdings, Inc	100%	ordinary
40th Floor, PBCom Tower 6795, Ayala Avenue cor. Rufino St, Makati City, 1226, Philippines		
BT Communications Philippines Incorporated	100%	ordinary
c/o Sun Microsystems Phil Inc., 8767 Paseo de Roxas, Makati City, Philippines		
PSPI-Subic, Inc	51%	ordinary
Poland		
126/134 Marszalkowska St., Room 209, 00-008, Warsaw, Poland		
BT Poland Spółka Z Ograniczoną Odpowiedzialnością	100%	ordinary
Portugal		
Rua D. Francisco Manuel de Melo 21-1, 1070-085 Lisboa, Portugal		
BT Portugal – Telecomunicaçöes, Unipessoal Lda	100%	ordinary
Puerto Rico		
Corporation Service Company Puerto Rico Inc., c/o RVM Professional Services LLC, A4 Reparto Mendoza, Humacao, 00791, Puerto Rico		
BT Communications Sales, LLC Puerto Rico branch[b]	100%	–
Qatar		
1413, 14th Floor, Al Fardan Office Tower, Doha, 31316, Qatar		
BT Global Services (North Gulf) LLC	49%	ordinary
Republic of Ireland		
5th Floor, 2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Ireland		
The Faraday Procurement Company Limited	100%	ordinary
2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Republic of Ireland		
BT Business Telecoms Ireland Limited	100 %	redeemable
BT Communications Ireland Limited	100%	ordinary
BT Communications Ireland Group Limited	100%	ordinary
BT Communications Ireland Holdings Limited	100 %	ordinary
BT Datacentres Ireland Limited	100 %	ordinary
Whitestream Industries Limited	100 %	ordinary
Romania		
Cladirea A1, Biroul Nr. 52, Nr 35-37, Str. Oltenitei, Sector 4, Bucharest, Romania		
BT Global Services Limited Londra Sucursala Bucuresti[b]	100%	–
Russia		
Room 62, prem xx, Floor 2, Pravdy, 26, 127137, Moscow, Russian Federation		
BT Solutions Limited Liability Company	100%	–
Serbia		
Dimitrija Georgijevica Starike 20, Belgrade, 11070, Serbia		
BT Belgrade d.o.o	100%	ordinary
Sierra Leone		
84 Dundas Street, Freetown, Sierra Leone		
BT (SL) Limited	100%	ordinary
Singapore		
Level 3, #03-01/02 & #03-04, Block B, Alexandra Technopark, 438B Alexandra Road, Singapore, 119968		
BT (India) Private Limited Singapore Branch[b]	100%	–
BT Global Solutions Pte. Ltd.	100%	ordinary
BT Singapore Pte. Ltd.	100%	ordinary
Slovakia		
Pribinova 10, 811 09, Bratislava, mestskó èast' Staré Mesto, Slovakia		
BT Global Europe B.V., o.z.[b]	100%	–
BT Slovakia s.r.o.	100%	ordinary
Slovenia		
Cesta v Mestni Log 1, Ljubljana, 1000, Slovenia		
BT GLOBALNE STORITVE, telekomunikacijske storitve, obdelava podatkov, podatkovnih baz; d.o.o.	100%	ordinary
South Africa		
74 Waterfall Drive, Buidling 5, Waterfall Corporate Campus, Midrand 2066, South Africa		
BT Communications Services South Africa (Pty) Limited	70%	ordinary
BT Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, Johannesburg, 2191, South Africa		
BT Limited[b]	100%	–

Related undertakings continued

Company name	Group interest in allotted capital[a]	Share class
Spain		
C/ María Tubau, 3, 28050 de Madrid, Spain		
BT Global ICT Business Spain SLU	100%	ordinary
Sri Lanka		
100, Braybrooke Place, Colombo 02, Sri Lanka		
BT Communications Lanka (Private) Limited	100%	ordinary
Sudan		
Alskheikh Mustafa Building, Parlman Street, Khartoum, Sudan		
Newgate Communication (Sudan) Co. Ltd	100%	ordinary
Sweden		
c/o 7A, Vasagatan 28, 111 20, Stockholm, Sweden		
BT Nordics Sweden AB	100%	ordinary
Switzerland		
Richtistrasse 5, 8304 Wallisellen, Switzerland		
BT Switzerland AG	100%	ordinary
Taiwan		
11F, No. 1 Songzhi Rd, Xinyi Dist., Taipei City, 110411, Taiwan (Province of China)		
BT Limited Taiwan Branch[b]	100%	–
Tanzania		
Region Dar Es Salaam, District Kinondoni, Ward Msasani, Street Msasani Peninsula, Road 1 Bains Singh Avenue, Plot number 1403/1, Ground Floor, 14111, United Republic of Tanzania		
BT Solutions Limited – Tanzania Branch[b]	100%	–
Thailand		
No.63 Athenee Tower, 23rd Floor (CEO Suite, Room No.38), Wireless Road, Kwaeng Lumpini, Khet Pathumwan, Bangkok, 10330, Thailand		
BT Siam Communications Co., Ltd	49%	class B
BT Siam Limited	69%	ordinary
	69%	preference
Trinidad and Tobago		
2nd Floor CIC Building, 122-124 Frederick Street, Port of Spain, Trinidad and Tobago		
BT Solutions Limited[b]	100%	–
Tunisia		
Rue de l', Euro Immeuble Slim, Block A-2nd floor-Les berges du Lac, Tunis, 1053, Tunisia		
BT Tunisia S.A.R.L	100%	ordinary
Turkey		
Acıbadem Mahallesi Çeçen Sk. Akasya A, Kule Kent Etabı Apt. No: 25 A/28-, Üsküdar, Istanbul, Turkey		
BT Bilisim Hizmetleri Anonim Şirketi	100%	ordinary
BT Telekom Hizmetleri Anonim Şirketi	100%	common

Company name	Group interest in allotted capital[a]	Share class
Uganda		
Engoru, Mutebi Advocates, Ground Floor, Rwenzori House, 1 Lumumba Avenue, Kampala, 22510, Uganda		
BT Solutions Limited[b]	100%	–
Ukraine		
Office 702, 34 Lesi Ukrainky Boulevard, Kyiv 01042, Ukraine		
BT Ukraine Limited Liability Company	100%	stakes
United Arab Emirates		
Office no 315-318, DIC Building No. 10, Dubai Internet City, PO Box 25205, Dubai , United Arab Emirates		
BT MEA FZ-LLC	100%	ordinary
Office no.206 BLOCK B, Diamond Business Center 1, Al Barsha South Third, Dubai, P.O. BOX 25205, United Arab Emirates		
BT UAE Limited – Dubai Branch (1)[b]	100%	–
BT UAE Limited – Dubai Branch (2)[b]	100%	–
United Kingdom		
1 Braham Street, London, E1 8EE, United Kingdom		
Autumnwindow Limited	100%	ordinary
Autumnwindow No.2 Limited	100%	ordinary
Autumnwindow No.3 Limited	100%	ordinary
Belmullet (IoM) Limited[b]	100%	–
BPSLP Limited	100%	ordinary
British Telecommunications plc	100%	ordinary
Bruning Limited	100%	ordinary
BT (International) Holdings Limited	100%	ordinary
BT (RRS LP) Limited	100%	ordinary
BT Communications Ireland Group Limited – UK Branch[b]	100%	–
BT Corporate Trustee Limited	100%	limited by guarantee
BT European Investments Limited	100%	ordinary
BT Euston Holdings UK Limited	100%	ordinary
BT Fifty-One	100%	ordinary
BT Fifty-Three Limited	100%	ordinary
BT Global Security Services Limited	100%	ordinary
BT Global Services Limited	100%	ordinary
BT Holdings Limited	100%	ordinary
BT IoT Networks Limited	100%	ordinary
BT Limited	100%	ordinary
BT Ninety-Seven Limited	100%	ordinary
BT Nominees Limited	100%	ordinary
BT Paddington Holdings UK Limited	100%	ordinary

Company name	Group interest in allotted capital[a]	Share class
BT Property Holdings (Aberdeen) Limited	100%	ordinary
BT Property Limited	100%	ordinary
BT Sixty-Four Limited	100%	ordinary
BT SLE Euro Limited	100%	ordinary
BT SLE USD Limited	100%	ordinary
BT Solutions Limited	100%	ordinary
BT UAE Limited	100%	ordinary
BT Quartz Euston Limited	100%	ordinary
BT Quartz Holdings UK Limited	100%	ordinary
BT Quartz Paddington Limited	100%	ordinary
Communications Global Network Services Limited – UK Branch[b]	100%	–
Communications Networking Services (UK)	100%	ordinary
EE (Group) Limited	100%	ordinary
EE Group Investments Limited	100%	ordinary
EE Limited	100%	ordinary
EE Pension Trustee Limited	100%	ordinary
ESAT Telecommunications (UK) Limited	100%	ordinary
Extraclick Limited	100%	ordinary
Global Security Europe Limited	100%	ordinary
Mainline Communications Group Limited	100%	ordinary
Mainline Digital Communications Limited	100%	ordinary
Newgate Street Secretaries Limited	100%	ordinary
Numberrapid Limited	100%	ordinary
Orange Furbs Trustees Limited	100%	ordinary
Orange Home UK Limited	100%	ordinary
Orange Personal Communications Services Limited	100%	ordinary
Radianz Limited	100%	ordinary
Redcare Limited	100%	ordinary
Southgate Developments Limited	100%	ordinary
Tudor Minstrel	100%	ordinary
Alexander Bain House, 15 York Street, Glasgow, Lanarkshire, G2 8LA, Scotland		
BT Corporate Limited	99%	ordinary
BT Falcon 1 LP	51 %	–
Holland House (Northern) Limited	100%	ordinary
6 Gracechurch Street, London, EC3V 0AT, United Kingdom		
Openreach Limited	100%	ordinary

Company name	Group interest in allotted capital[a]	Share class
BDO LLP, 55 Baker Street, London, W1U 7EU, United Kingdom		
BT OnePhone Limited	100%	ordinary
Endeavour, Sheffield Digital Campus,1a Concourse Way, Sheffield, S1 2BJ, United Kingdom		
Plusnet plc	100%	ordinary
United States		
c/o Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States		
BT Americas Holdings Inc.	100%	common
BT Americas Inc.	100%	common
BT Communications Sales LLC	100%	units
BT Federal Inc.	100%	common
BT Procure L.L.C.	100%	units
BT United States L.L.C.	100%	units
BT Quartz Euston LLC	100%	units
BT Quartz Paddington LLC	100%	units
Infonet Services Corporation	100%	common
Uruguay		
Rincón 487 Piso 11, Montevideo, Zip Code 11.000, Uruguay		
BT Solutions Limited Sucursal Uruguay[b]	100%	–
Venezuela		
Calle Guaicaipuro, Urbanizacion El Rosal, Municipio Chacao, Oficina 11B, Piso 11, Torre Forum, Caracas, Venezuela		
BT LatAm Venezuela, S.A.	100%	ordinary
Vietnam		
16th Floor Saigon Tower, 29 Le Duan Road, District 1, Ho Chi Minh City, 710000, Socialist Republic of Vietnam		
BT (Vietnam) Co. Ltd.	100%	ordinary
Zambia		
Plot No. 11058, Haile Selassie Avenue, Zimbabwe, Lusaka, Lusaka Province, 34972, Zambia		
BT Solutions Limited[b]	100%	–
Zimbabwe		
6th Floor, Goldbridge Eastgate, Sam Nujoma Street Harare, Post Box 10400, Zimbabwe		
Numberrapid Limited[b]	100%	–

Associates (note 24)

Company name	Group interest in allotted capital[a]	Share class
Held via other group companies		
Mauritius		
IFS Court, Bank Street, TwentyEight Cybercity, Ebene, 72201, Mauritius		
Mahindra – BT Investment Company (Mauritius) Limited	43%	ordinary
Philippines		
32F Philam Life Tower, 8767 Paseo de Roxas, Makati City, Philippines		
ePLDTSunphilcox JV, Inc	20%	ordinary
SunPhilcox JV, Inc	20%	ordinary
United Kingdom		
24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom		
Digital Mobile Spectrum Limited	25%	ordinary
10 Stadium Business Court, Millennium Way, Pride Park, Derby, DE24 8HP, United Kingdom		
Midland Communications Distribution Limited	35%	ordinary
Phoneline (M.C.D) Limited	35%	ordinary
2nd Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom		
Youview TV Limited	14%	voting
The Blade, Abbey Square, Reading, RG1 3BE, United Kingdom		
Altitude Angel Ltd	23%	preference

Joint ventures (note 24)

Company name	Group interest in allotted capital[a]	Share class
Held via other group companies		
United Kingdom		
Chiswick Park Building 2, 566 Chiswick High Road, London, W4 5YB, United Kingdom		
TNT Sports Broadcasting Limited[c]	50%	ordinary
6th Floor, One London Wall, London, EC2Y 5EB, United Kingdom		
Internet Matters Limited	25%	-
80 Fenchurch Street, London, EC3M 4AE, United Kingdom		
Rugby Radio Station (General Partner) Limited	50%	ordinary
Rugby Radio Station (Nominee) Limited	50%	ordinary
Rugby Radio Station LP	50%	-

All joint ventures are governed by a joint venture agreement.

Joint operations

Company name	Group interest in allotted capital[a]	Share class
Held via other group companies		
United Kingdom		
450 Longwater Avenue, Green Park, Reading, Berkshire, RG2 6GF, United Kingdom		
Mobile Broadband Network Limited	50%	ordinary

EE Limited and Hutchison 3G UK Limited (together 'the Companies') each have a 50% share in the joint operation Mobile Broadband Network Limited ('MBNL'). MBNL's ongoing purpose is the operation and maintenance of radio access sites for mobile networks through a sharing arrangement. This includes: (i) the efficient management of shared infrastructure for both shareholders and a 3G network on behalf of Hutchison 3G UK Ltd, (ii) acquiring certain network elements for shared use, and (iii) coordinating the deployment of new sites, infrastructure and networks on either a shared or a unilateral basis (unilateral elements being network assets or services specific to one company only). The group is committed to incurring 50% of costs in respect of restructuring the shared MBNL network, a broadly similar proportion of the operating costs (which varies in line with usage), and 100% of any unilateral elements.

MBNL is accounted for as a joint operation.

Guarantees for the joint operation are given by British Telecommunications plc and CK Hutchison Holdings Limited.

The principal place of business of the joint operation is in the UK.

a The proportion of voting rights held corresponds to the aggregate interest in percentage held by the holding company and subsidiaries undertaking.
b No shares issued for a branch.
c In addition to the 50% ordinary A shares we also hold A preference shares and C preference shares, see note 24 for more details.

Additional information

Alternative performance measures

Introduction
We assess the performance of the group using a variety of alternative performance measures that are not defined under IFRS and are therefore termed non-GAAP measures. The non-GAAP measures we use are: adjusted revenue, adjusted operating costs, adjusted finance expense, adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted earnings per share, adjusted UK service revenue, return on capital employed, normalised free cash flow and net debt. The rationale for using these measures, along with a reconciliation from the nearest measures prepared in accordance with IFRS, is presented below.

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Specific items
Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the *Executive Committee* and assists in providing an additional analysis of our reporting trading results.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment of goodwill, impairment on remeasurement of the disposal groups to be held for sale, impairment charges in our portfolio businesses, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, out of period balance sheet adjustments, historical property-related provisions, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment as specific. Refer to note 24 for further detail.

Details of items meeting the definition of specific items in the current and prior year are set out in note 9.

Reported revenue, reported operating costs, reported operating profit, reported net finance expense, reported profit before tax and reported earnings per share are the equivalent IFRS measures. A reconciliation from these can be seen in the group income statement on page 143.

Net debt and net financial debt
Net debt consists of loans and other borrowings, lease liabilities (both current and non-current) less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet.

Amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper are excluded, in line with ROCE definition and consistently with the treatment of related cash flows in normalised free cash flow. These liabilities do not reflect the group's indebtedness as amounts due to joint ventures are more than offset by the asset balances due from the JVs, while the remaining liabilities will either be extinguished upon the transfer of ringfenced operational cash flows from end customers which management are confident will be received, or settled by the physical delivery of copper rather than cash or any other financial asset.

Currency-denominated balances within net debt are translated to sterling at swap rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed.

Net debt is a measure of the group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net financial debt is net debt excluding lease liabilities. It allows for the comparison to net debt measures reported before the introduction of IFRS 16 on 1 April 2019, and reflects a view that lease liabilities are operational debt in substance, rather than financing transactions.

Net debt and net financial debt are considered to be alternative performance measures as they are not defined in IFRS. A reconciliation from loans and other borrowings, lease liabilities, cash and cash equivalents, and current asset investments, the most directly comparable IFRS measures to net debt and net financial debt, is set out in note 26.

Return on Capital Employed

We use a return on capital employed (ROCE) measure that serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a group KPI that is directly relatable to the outcome of investment decisions.

ROCE represents the group's returns as percentage of capital employed.

Returns are defined as adjusted earnings before interest and tax. We use an adjusted measure (before specific items) for the reasons explained in the 'specific items' section above.

Capital employed represents equity, debt and debt-like liabilities. We net the derivative financial instruments and cash and cash equivalent balances that we use to manage financial risk against gross debt, and exclude current and deferred tax balances as the measure is determined on a pre-tax basis.

We exclude amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper, in line with the net debt definition on page 228.

While our long-term capital investment programmes such as our full fibre rollout deliver value-creating long-term returns, they suppress ROCE in the short- to medium-term.

The following table sets out the calculation of our ROCE measure. In doing so it reconciles returns to operating profit, the most directly comparable IFRS measure, and presents the components of capital employed.

Year ended 31 March	2025 £m	2024 £m
Reported operating profit for the period	2,492	2,214
Share of post tax profits (losses) of associates and joint ventures	(8)	(21)
Specific items (non-finance and tax)	784	987
Return for the period	**3,268**	**3,180**
Equity, debt and debt-like liabilities		
Loans and other borrowings	18,762	18,526
Lease liabilities	4,571	4,955
Retirement benefit obligations	4,230	4,882
BDUK grant funding deferral	142	228
Total equity	12,908	12,518
Adjust for balances used to hedge financial risk		
Cash and cash equivalents	(216)	(414)
Investments	(2,648)	(2,395)
Net derivative financial instruments	(537)	(531)
Adjust for tax balances		
Net deferred tax liabilities	758	485
Net current tax receivable (payable)	(273)	(331)
Adjust in line with net debt definition		
Net loans with joint ventures	(10)	(11)
Loans related to sale of contract assets	(87)	(318)
Loans related to the forward sale of redundant copper	(93)	(106)
Capital employed	**37,507**	**37,488**
Return on capital employed	**8.7%**	**8.5%**

Adjusted UK service revenue

Adjusted UK service revenue is one of the group's key performance indicators by which our financial performance is measured.

Adjusted UK service revenue excludes revenues from our Global channel and international elements of our Portfolio channel within our Business segment, as they are international in nature.

Adjusted UK service revenue comprises all UK revenue less UK equipment revenue. Some revenue from equipment is included within adjusted UK service revenue where that equipment is sold as part of a managed services contract, or where that equipment cannot be practicably separated from the underlying service.

We consider adjusted UK service revenue to be an important indicator of the successful delivery of our refreshed corporate strategy because it measures the predictable and recurring revenue from our core UK business.

A reconciliation of reported revenue, the most directly comparable IFRS measure, to adjusted UK service revenue, is set out below.

Year ended 31 March	2025 £m	2024 £m
Reported revenue	**20,358**	**20,797**
Specific revenue	12	38
Adjusted revenue	**20,370**	**20,835**
Of which non-UK[a] revenue	(2,478)	(2,717)
Adjusted UK revenue	**17,892**	**18,118**
UK equipment[b] revenue	(2,310)	(2,391)
Adjusted UK service revenue	**15,582**	**15,727**

a UK revenue excludes revenue generated from international channels within our Business segment. This is different to the non-UK revenue in Note 4 as it is disaggregated based on revenue from external customers on the basis of customer location.

b This includes Consumer equipment of £1,806m (FY24: £1,918m) and Business equipment of £504m (FY24: £473m), which is different to Note 5 where it is disaggregated based on product and segment.

Below we reconcile Adjusted UK service revenue by unit:

Year ended 31 March	2025 £m	2024 £m
Consumer	7,888	7,916
Business	4,861	4,937
Openreach	6,156	6,077
Other	12	11
Intra-group items	(3,335)	(3,214)
Total	**15,582**	**15,727**

Additional information continued

Adjusted EBITDA

In addition to measuring financial performance of the group and customer-facing units based on adjusted operating profit, we also measure performance based on adjusted EBITDA. Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

We consider adjusted EBITDA to be a useful measure of our operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

A reconciliation of reported profit for the period, the most directly comparable IFRS measure, to adjusted EBITDA, is set out below.

Year ended 31 March	2025 £m	2024 £m
Reported profit for the period	**1,054**	**855**
Tax	280	331
Reported profit before tax	**1,334**	**1,186**
Net finance expense	1,150	1,007
Depreciation and amortisation, including impairment charges	4,978	5,398
Specific revenue	12	38
Specific operating costs before depreciation and amortisation	727	450
Share of post tax losses (profits) of associates and joint ventures	8	21
Adjusted EBITDA	**8,209**	**8,100**

Normalised free cash flow

Normalised free cash flow is one of the group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe it is an important indicator of our overall operational performance as it reflects the cash we generate from operations after capital expenditure and financing costs, both of which are significant ongoing cash outflows associated with investing in our infrastructure and financing our operations.

Normalised free cash flow is defined as free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid, payment of lease liabilities, net cash flows from the sale of cash flows related to contract assets, monies received as prepayment for the sale of redundant copper, dividends received from non-current asset investments, associates and joint ventures, and net purchase or disposal of non-current asset investments, before pension deficit payments (including their cash tax benefit), payments relating to spectrum, and specific items. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends paid, share buybacks, acquisitions and disposals, repayment and raising of debt, cash flows relating to short-term funding arrangements with joint ventures, and cash flows relating to the Building Digital UK demand deposit account which have already been accounted for within normalised free cash flow. For non-tax related items the adjustments are made on a pre-tax basis.

New for 2025 we have set out the impact of working capital programmes on NFCF and their relative impact.

Normalised free cash flow is not a measure of the funds that are available for distribution to shareholders.

A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to free cash flow and normalised free cash flow, is set out below.

Year ended 31 March	2025 £m	2024 £m
Cash generated from operations	**6,954**	**6,012**
Tax paid	35	(59)
Net cash inflow from operating activities	**6,989**	**5,953**
Net purchase of property, plant and equipment and intangible assets	(4,901)	(4,967)
Free cash flow	**2,088**	**986**
Interest received	132	140
Interest paid	(956)	(865)
Payment of lease liabilities	(739)	(748)
Dividends received from joint ventures, associates and investments	4	20
Add back pension deficit payments	803	823
Add back net cash flow from specific items	498	439
Net cash flows from sale of contract assets related to handsets	(251)	305
Cash flows relating to the BDUK demand deposit account	19	75
Prepayment for forward sale of copper	—	105
Normalised free cash flow	**1,598**	**1,280**

Below we reconcile normalised free cash flow by unit:

Year ended 31 March	2025 £m	2024 £m
Consumer	1,025	1,023
Business	506	431
Openreach	839	590
Other	(772)	(764)
Normalised free cash flow	**1,598**	**1,280**

The net impact of working capital programmes on normalised free cash flow is set out below.

Year ended 31 March	2025 £m	2024 £m	Movement £m
Bills of exchange[a]	(101)	(247)	146
Supply chain programmes[b]	**(101)**	**(247)**	**146**
Net cash flows from sale of contract assets related to handsets[c]	(251)	305	(556)
Sale of receivables[d]	420	76	344
Handset programmes	**169**	**381**	**(212)**
Copper forward sales[e]	—	105	(105)
Net working capital programmes	**68**	**239**	**(171)**

a This supply chain financing programme is used with a limited number of suppliers with short payment terms to extend them to a more typical payment term. See note 17 Trade and other payables.
b There is an additional separate supply chain financing programme, this allows suppliers opportunity to receive funding earlier than the invoice due date to assist the supplier with their cash flows. See note 17 Trade and other payables. This has no impact on Normalised Free Cash Flow.
c Accelerates cash collection from handset sales on bundled contracts. Used to better align the timing of cash receipts with the payments to equipment manufacturers. See note 26 Loans and other borrowings.
d Accelerates cash collection from handset sales on split contracts. Used to better align the timing of cash receipts with the payments to equipment manufacturers. See note 16 Trade and other receivables.
e Forward sale of redundant copper to hedge copper sales and use the legacy copper asset to intensify our full fibre rollout. See note 26 Loans and other borrowings.

Cautionary statement regarding forward-looking statements

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Notes

CARBON BALANCED PAPER
www.carbonbalancedpaper.com
CBP029867

Design by emperor.works

Printed on Revive 100 Silk, made from FSC® Recycled certified fibre derived from 100% post-consumer waste. The inks used are 100% vegetable oil based, printed in the UK by Pureprint Group an FSC® certified Carbon Neutral company.

RECYCLED
Paper made from recycled material
FSC® C022913
www.fsc.org

We connect for good

This Annual Report contains important information on our financial and operating performance which can also be found online.

Scan to switch to digital

BT Group plc

Registered office:
1 Braham Street, London E1 8EE
Registered in England and Wales
No. 4190816

Produced by BT Group

PHME 112810

bt.com