

Report on directors' remuneration

Committee chair's letter

Sir Ian Cheshire
Chair of the Remuneration
Committee
12 May 2021



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

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Remuneration in context

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Membership and attendance

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

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

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

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

a Ian became committee chair on 16 July 2020.

b Iain joined the committee on 16 July 2020.

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

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

Key responsibilities

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

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

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

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

Purpose, people, and the pandemic

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

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

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

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

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

Performance and executive remuneration outcomes for 2020/21

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

Financial performance accounts for 70% of the bonus scorecard:

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

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

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

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

Report on directors' remuneration Committee chair's letter continued

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

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

Policy implementation in 2021/22

a) Salary

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

b) Pension

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

c) Annual bonus

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

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

d) Long-term incentives

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

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

Other matters

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

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

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

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

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

Sir Ian Cheshire

Chair of the Remuneration Committee
12 May 2021

Focus on remuneration

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

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

Clarity

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

Predictability

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

Simplicity

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

Risk

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

Proportionality

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

Alignment to culture

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

Directors' Remuneration Policy (Policy)

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

Legacy matters

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

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

Minor amendments

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

Focus on remuneration continued

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

F

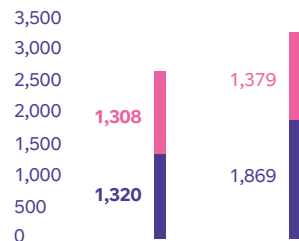
Fixed pay
Base salary
Pension allowance
Benefits

V

Variable pay
Annual bonus
RSP awards

Remuneration earned in 2020/21

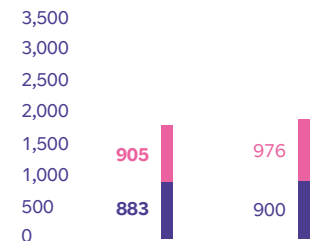
Philip Jansen
Chief executive
£000



| | 2020/21 £000 | 2019/20 £000 |
|----------------------------------|-----------------|-----------------|
| F Base salary | 1,100 | 1,100 |
| Pension | 110 | 165 |
| Benefits | 98 | 114 |
| Total fixed pay | 1,308 | 1,379 |
| V Annual bonus (shares) | 1,320 | 1,320 |
| Annual bonus (cash) ^a | 0 | 0 |
| ISP (shares) ^{b,c} | 0 | n/a |
| RSP (shares) ^d | n/a | 549 |
| Total variable pay | 1,320 | 1,869 |
| Total | 2,628 | 3,248 |

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

Simon Lowth
Chief financial officer
£000



| | 2020/21 £000 | 2019/20 £000 |
|----------------------------------|-----------------|-----------------|
| F Base salary | 735 | 732 |
| Pension | 147 | 220 |
| Benefits | 23 | 24 |
| Total fixed pay | 905 | 976 |
| V Annual bonus (shares) | 883 | 900 |
| Annual bonus (cash) ^a | 0 | 0 |
| ISP (shares) ^c | 0 | 0 |
| Total variable pay | 883 | 900 |
| Total | 1,788 | 1,876 |

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

Performance outcomes in 2020/21

Annual bonus 2020/21

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

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

2018 ISP

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

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

Implementation of the Policy in 2021/22

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

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

Illustration of Policy

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

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

No shares may be sold until year five

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

Annual remuneration report

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

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

Single total figure of remuneration (audited)

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional disclosures relating to the single figure table (audited)

Salaries and fees

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

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

Total pension entitlements

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








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

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

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

Annual bonus

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

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

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

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

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

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

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

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

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

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

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

Annual remuneration report continued

2018 ISP

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

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

Awards granted during the year (audited)

2020 RSP

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

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

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

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

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

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

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

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

2020 deferred shares

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

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

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

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

Payments for loss of office (audited)

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

Former directors (audited)

No payments were made to former directors during the year.

Directors' share ownership (audited)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Subject to performance.

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

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

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

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

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

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

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

Annual remuneration report continued

Outstanding share awards at 31 March 2021 (audited)

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

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

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

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

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

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

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

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

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

Implementation of Policy in 2021/22

Base salary

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

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

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

Benefits

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

Pension

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

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

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

Annual bonus

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

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

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

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

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

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

RSP

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

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

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

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

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

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

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

Annual remuneration report continued

Chairman and non-executive director remuneration

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

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

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

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

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

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

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

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

Other remuneration matters

Advisers tender

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

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

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

Advisers

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

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

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

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

Dilution

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

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

External appointments held by Executive Committee members

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

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

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

Previous AGM voting outcomes

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

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

Withheld votes are not counted when calculating voting outcomes.

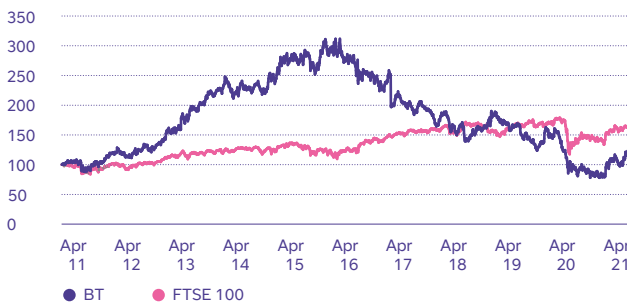
Committee evaluation 2020/21

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

Comparison of chief executive remuneration to TSR (unaudited)

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

BT's TSR performance vs the FTSE 100



Source: Datastream.

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

History of chief executive remuneration

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

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

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

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

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

Annual remuneration report continued

Directors' service agreements and letters of appointment

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

Chairman and executive directors

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

Independent non-executive directors

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

Non-independent, non-executive director

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

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

Non-executive directors' letters of appointment

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

Inspection by the public

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

Remuneration in context

Consideration of colleague and stakeholder views

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

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

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

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

Total remuneration

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

Base salary

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

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

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

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

Chief executive pay ratio

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

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

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

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

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

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

Remuneration in context continued

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

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

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

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

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

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

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

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

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

Relative importance of the spend on pay

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

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



Gender pay gap reporting

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

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

Diversity and inclusion

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

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

Sir Ian Cheshire

Chair of the Remuneration Committee
12 May 2021