

BT GROUP PLC
Form 6-K
May 24, 2018
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act 1934

Report on Form 6-K dated May 24, 2018

BT GROUP PLC

(Translation of registrant's name into English)

BT Centre

81 Newgate Street

London EC1A 7AJ

England

Edgar Filing: BT GROUP PLC - Form 6-K

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

Enclosure: BT Group plc Annual Report & Form 20-F 2018 as sent to shareholders

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BT Group plc

By: /s/ Dan Fitz
Name: Dan Fitz
Title: Company Secretary

Date: May 24, 2018

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Where to find
more information

btplc.com

bt.com/annualreport

Delivering our Purpose Report

We're using the power of
communications to make a
better world. That's our purpose.

Read our annual update.

btplc.com/purposefulbusiness

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Welcome to BT Group plc's

Annual Report & Form 20-F for 2018

This is the BT Annual Report for the year

ended 31 March 2018. It complies

with UK regulations and is part of the

Annual Report and Form 20-F for the

US Securities and Exchange Commission

to meet US regulations.

Throughout the report

look out for these:

Reference to other pages

within the report

Reference to further
reading online

Critical accounting
estimates and key
judgements

This Strategic Report was
approved by the Board on
9 May 2018

By order of the Board

Dan Fitz

Company Secretary

9 May 2018

Please see the cautionary statement regarding forward-looking statements on page 296.

Pages 1 to 130 form the Strategic Report. It includes Our strategy, Our business model, Our risks, the Operating review and the Group performance section.

The Governance section on pages 131 to 188 forms the Report of the Directors.

The Strategic Report

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A welcome from our Chairman

My first impressions of BT are that we have great strength in our assets, people and capabilities, and this positions us well to deal with the challenges and opportunities ahead. It is important that we maintain our market leadership and play our part in supporting the UK as a world-class digital economy. As chairman I intend to support our people, engage with our stakeholders collaboratively, and build an even stronger reputation for our company.

Strong first impressions

I am honoured to be chairman of your company, BT.

I would like to take this opportunity to thank my predecessor, Sir Mike Rake, for his ten years of outstanding service to BT. I also want to thank the many people at BT who have made me feel so welcome.

BT is well positioned; we are leaders in fixed and mobile networks, in both our consumer and enterprise markets. We have four powerful brands, and we are financially robust. We have great people with wide-ranging skills and a healthy culture.

That said, this is a complex business; we operate in some tough markets and we have significant challenges ahead. For instance, volume growth in many of our markets is slowing, and we face increasing competition in our consumer, business and wholesale operations.

Initial priorities

It is important to me that we secure investment in integrated networks, the digital infrastructure of the future, and maintain a relentless focus on improving the experience of our customers.

We need to continue to play our part to ensure the UK remains one of the world's leading digital economies. This requires us to invest in new technologies and opportunities; in fibre-to-the-premises (FTTP), 5G, cybersecurity and the Internet of Things.

It is also vital to continue to invest in our people to make sure we have the right skills to take our company forward. In 2017/18, we hired almost 2,400 new engineers in Openreach, and more than 2,500 apprentices and graduates.

At BT we have always looked after our people. My future focus will be to ensure we have a culture that rewards innovation, teamwork, customer orientation, and bold decision making.

And I want to make sure we give customers exemplary service. We have made significant improvements in customer experience across the group, but

we are still not where we need to be. This is not just about speed, coverage, or value for money; it is about giving customers the best possible experience when dealing with BT so that they become advocates for our company.

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I also believe an important part of my role will be to enhance the reputation of BT. In particular, it is critical that we build and maintain constructive and trusted relationships with government and the regulator.

Key achievements

Your company took a number of significant steps in 2017/18.

We announced a large-scale FTTP deployment, and achieved 90% geographic coverage with 4G. We obtained a good allocation of 3.4GHz spectrum as part of our overall planning for 5G.

We launched ultrafast broadband products with minimum speed guarantees, and we secured another three years of Premier League football at lower cost. We entered into a supply arrangement with Sky that ensures our TV customers will enjoy the best possible content.

We have increasing clarity on key aspects of regulation, with the completion of the wholesale local access market review, the decision by the regulator not to mandate a dark fibre product for the time being, and with the implementation of a new governance structure for Openreach. After a detailed consultation process, and in agreement with our pension scheme members and their unions, we closed the defined benefit pension scheme to further accrual, whilst increasing the company's contribution rates to our main defined contribution pension scheme. In May we also reached agreement with the pension trustee on the 2017 triennial valuation and recovery plan, giving us certainty over the contributions we need to make to support the fund for the next three years.

And we used technology to support communities and society. Under our 2020 ambitions, we work to promote digital inclusion and build skills for the next generation. This year we also helped to raise around £109m for good causes.

Capital allocation and the transformation ahead

Connectivity today sits at the centre of most people's lives and has become critical to homes and businesses alike. Consumption of data and bandwidth continues to expand at ever increasing rates, and at the same time technology continues to evolve as we move from copper to fibre, from 4G to 5G and from analogue to digital.

As the UK's incumbent provider we are determined to lead this transition from old to new technologies, but in order to do so our strategy will need to evolve to provide ever greater focus on our customers' experiences, and on network

investment, whilst transforming our operating model to become a lean and agile organisation.

We have a comprehensive transformation programme in place to improve our operational and financial performance in what remains a competitive market environment, and we are increasing our investment to drive convergence and sustain our network leadership. We are confident in our strategy and the benefits we expect from the decisive actions we are taking to strengthen our competitive position.

Given the current market and regulatory headwinds and our investment plans, the Board has decided to hold the dividend unchanged for this year at 15.4p per share. The Board also expects to hold the dividend unchanged in respect of the next two financial years, given our outlook for earnings and cash flow over this period.

The Board remains committed to our dividend policy, which is to maintain or grow the dividend each year, whilst reflecting a number of factors including underlying medium term earnings expectations and levels of business reinvestment.

Board changes

Karen Richardson and Tony Ball will step down from the Board at the conclusion of the Annual General Meeting in July, having served as non-executive directors for six and nine years respectively. I would like to thank Karen and Tony for their significant contribution during their time at BT. We have begun the process of finding successors to Karen and Tony and have appointed external consultants to assist with the search process.

Looking to the future

I am delighted to be working with Gavin, and I know I have the support of a first-class Board. I am also confident we have the right leadership team in place to take our business forward and meet the challenges we face in the years ahead.

The Board has full confidence in the transformation programme that we have put in place. We believe that successful execution of our evolved strategy will serve the long-term interests of all our stakeholders and will ensure that we play our part in keeping the UK a leading digital economy.

Above all, we are confident that it will allow us to build trust and confidence and drive sustainable growth in value for our shareholders.

Jan du Plessis

Chairman

9 May 2018

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A message from our Chief Executive

In a challenging year we have delivered on our strategy, made important investments for the future, competed effectively in the marketplace, and made great improvements to the experience we deliver to our customers. Our operational and financial results were overall broadly in line with expectations. We will accelerate our transformation with a three-year plan, and I remain tremendously optimistic about the future for our company and its stakeholders.

Robust business performance in a tough environment

The market environment got tougher in the last year. Volumes have slowed in our consumer businesses, as the markets for broadband, pay-TV and mobile subscribers reach maturity. Our customers responded well to our more for more strategy which focuses on value versus volume as customers upgrade to fibre and 4G.

In our enterprise operations, customers are seeking shorter, more flexible contracts and more digital solutions. Openreach has come under pressure from regulation. Competition from new entrants as well as established players remains intense wherever we operate.

Against this, we recorded financial results overall broadly in line with expectations. BT is extremely well positioned in all of its markets; we have met the challenges and taken opportunities in a disciplined way.

Delivering our strategy in 2017/18

Here's how we delivered against the three pillars of our strategy.

Deliver great customer experience. In 2017/18 we drove the best improvements in our customer metrics for many years. At the group level NPS (Net Promoter Score) was up by 8.3 points and RFT (Right First Time) was up by 4.3%. We reduced network faults by 3.7%, cut installation times for key products like Ethernet (by a third), and installed a record 2.1 million fibre broadband net connections. In BT Consumer we've reduced call waiting times by a minute and complaints to Ofcom about consumer broadband have fallen by 18%. At EE we now cover significantly more of the UK's geography with 4G than any other operator, and we are delighted to have been found by RootMetrics to have the highest quality network, winning the UK Overall RootScore award for the ninth consecutive time. While we are proud of these achievements, we know there is much more still to do.

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Invest for growth. We made significant investments across the business in 2017/18. In Openreach we've started the rollout of ultrafast broadband delivering speeds of over 100Mbps with the announcement of the accelerated deployment of FTTP to three million homes by 2020, accompanied by a rapid rollout of Gfast. We believe we will make a return on this initial programme and we want to go further to reach 10 million premises by the mid 2020s, although this will depend on support from the Government and the regulator.

In BT Consumer we have invested to improve customer experience, and also to secure the best possible content for our BT Sport and TV customers. Our continued investments in EE have positioned us as the pre-eminent UK mobile operator, including in network coverage, store formats and online. In our enterprise businesses we've continued to invest to reposition our product set based on digital solutions, unified communications and our mobile capabilities. And our investment in many of our ventures is leading to impressive growth.

Looking ahead, we will continue to invest to secure growth in the medium term. This will include investment in our integrated fixed and mobile networks, fibre, 4G and eventually 5G, and investment to make our network, operations, and product set increasingly digital and converged.

Transform our costs. We have delivered on our existing cost-saving initiatives. Our restructuring programme has removed over 2,800 roles and delivered £180m of savings during the year. And we made good progress with our pension fund. The steps we took include closing the defined benefit scheme to new accruals and agreeing the triennial funding valuation and recovery plan with the Trustee.

Accelerating our strategic transformation

Our performance in 2017/18 has created a platform and position of strength from which to begin the next phase of our strategic transformation. We need to accelerate the process in order to meet the challenges ahead.

We have updated our strategy and will implement a new three-year plan, which we will deliver through three strategic priorities:

delivering differentiated customer experiences

investing in integrated network leadership

transforming our operating model.

We will create innovative new propositions, improve value for money, offer better service and make it easier to do business with us.

In UK fixed, we will speed up our investments in ultrafast and in UK mobile we will expand our leadership in 4G coverage and capacity. We intend to lead the market to 5G too.

We are creating a more lean, agile and flexible organisation with a simpler operating model. We have already brought together BT Consumer and EE to form Consumer to be managed and operated as one, with a new set of converged products. And now we are combining our Business and Public Sector and Wholesale and Ventures units to create Enterprise. These are positive changes, designed to transform BT for the next chapter of its history.

We also need to make sure we have the right blend of skills for the challenges and opportunities ahead. We recently announced the creation of 6,000 new roles in frontline engineering, customer service and cybersecurity. More difficult has been the decision to remove 13,000 roles; largely from middle management and back-office functions. We are also rationalising the number of our sites including plans to exit BT Centre in London.

And we will accelerate the delivery of digital Global Services, by focusing on the leading multinational customers, standardising solutions, strengthening our security services, enhancing our cloud solutions, and divesting non-core assets.

My thanks, and an exciting future

I believe BT is a strong business that is well placed to continue to lead the UK communications market, in converged connectivity and services. The plans we are implementing will ensure our company is more efficient, incrementally productive, equipped with the right skill sets, and better able to meet the challenges and capitalise on the opportunities that lie ahead. Ultimately, we will be able to offer our customers the products and services they deserve.

And, following a number of additions to my *Executive Committee* in the year, I am confident I have a strong leadership team ready to deliver on our transformation programme.

I would like to thank everyone at BT for everything they have delivered over the last year and for their support as we implement the next phase of BT's transformation.

Gavin Patterson

Chief Executive

9 May 2018

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How we re organised

BT operates as a single business, made up of different organisational units.

There are two types of organisational unit in BT:

customer-facing ones that sell products and services and

corporate ones that support the whole of the group.

Customer-facing units

The customer-facing units (CFUs) in the year were:

BT Consumer

P72

EE

P80

Business and Public Sector

P86

Global Services

P92

Wholesale and Ventures

P98

Openreach

P104

New Consumer business

In July 2017 we announced the creation of a new Consumer business bringing together BT Consumer and EE.

BT Consumer and EE operated separately during the year (which is why they have separate sections in this Annual Report) but in September the management team came together under Marc Allera to develop the integration plans for the new business.

Consumer will report as a single business from April 2018.

New Enterprise business

In April 2018 we announced the creation of a new customer-facing unit called Enterprise. It will bring Business and Public Sector and Wholesale and Ventures into one team. It will mean we can make faster, better decisions for the benefit of all our business customers across the UK and Ireland.

The new unit will provide products and services to small-to-medium sized businesses, corporates and the public sector.

It will also provide wholesale services to communications providers in the UK and Republic of Ireland. And it will include

our Ventures business.

Enterprise is being led by Gerry McQuade (from 1 May 2018)
and will start reporting as a single business from 1 October 2018.

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Global Services

Global Services is a leading business communications provider with customers in 180 countries.

Digital GS is Global Services' strategy to become a more profitable, predictable and customer-focused business. (see page 93).

Openreach

Openreach builds and operates the fixed access network that connects Britain's homes and businesses.

Its customers include hundreds of communications providers in the UK.

Openreach is different to the other CFUs because it is strategically and operationally independent from the rest of BT, in line with the agreement reached with Ofcom, following its strategic review of digital communications (see page 52).

Corporate units

Technology, Service and Operations (TSO)

TSO is our technology delivery unit responsible for creating and operating our global networks, platforms and IT systems.

It also works with the CFUs to develop and roll out products and services for their customers. You can read more about TSO on page 114.

Strategy and Transformation (S&T)

S&T develops and sets corporate, network and product strategies for the group.

It also drives pan-BT transformation programmes. S&T is being led by Michael Sherman (from 1 May 2018).

Corporate functions

The remaining corporate units carry out central activities on behalf of the group.

We benefit from shared expertise and economies of scale. They include: Finance; HR; Legal; Governance; Compliance; Corporate Affairs; Regulatory Affairs; and Central Business Services.

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Executive Committee

This is our *Executive Committee*. It meets weekly and is chaired by the chief executive.

The *Executive Committee* provides input and recommendations to support the chief executive (or his delegate) in exercising their authority delegated by the Board to run the business of the group day to day.

More specifically, the *Executive Committee* assists the chief executive in:

developing the group strategy and budget for the Board's approval

executing the strategic plan once agreed by the Board

providing assurance to the Board in relation to overall performance and risk management.

All decisions are taken by the chief executive, or his delegate, in keeping with the principle of single point accountability.

Luis Alvarez, formerly CEO Global Services; John Petter, formerly CEO BT Consumer; and Sean Williams, formerly chief strategy officer left during the year. Graham Sutherland, formerly CEO Business and Public Sector will leave in 2018/19.

Bas Burger, Cathryn Ross, Sabine Chalmers and Michael Sherman have all joined the *Executive Committee*.

Gavin Patterson

Chief executive

Appointed as chief executive in September 2013 and on the Board since June 2008.

Gavin was previously CEO, BT Retail and from 2004 to 2008 was managing director, BT Consumer, (BT Retail). Before joining BT, Gavin was managing director of the consumer division of Telewest (now Virgin Media). Prior to that, he spent nine years at Procter & Gamble, rising to become European marketing director.

Gerry McQuade

CEO, Enterprise

Appointed CEO, Wholesale and Ventures in March 2016 and became CEO, Enterprise in May 2018.

Gerry was formerly chief sales and marketing officer at EE responsible for the business, wholesale and product development which he had overseen since the merger in 2010 of Orange and T-Mobile. He joined the board of Orange in January 2008, and prior to Orange he was founding director of Virgin Mobile.

Alison Wilcox

HR director

Appointed July 2015.

Alison was formerly regional HR director for Vodafone Europe and before that, Regional HR Director for Vodafone's Africa, Middle East and Asia Pacific footprint. Alison joined Vodafone in 2006 as group director of leadership following a career in consulting.

Simon Lowth

Chief financial officer

Appointed to the Board as chief financial officer in July 2016.

Simon was CFO and executive director of BG Group before the takeover by Royal Dutch Shell in February 2016. Previously Simon was CFO and an executive director of AstraZeneca, and an executive director of ScottishPower. Prior to that, Simon was a director of McKinsey & Company.

Ed Petter

Corporate affairs director

Appointed November 2016.

Ed was formerly deputy director of corporate affairs at Lloyds Banking Group and prior to that had held corporate affairs roles at McDonald's Europe, McKinsey & Company and the Blue Rubicon communications consultancy, having previously worked as a news producer and editor at the BBC.

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Marc Allera

CEO, Consumer

Appointed February 2016 as CEO, EE and became CEO, Consumer in September 2017.

Marc was formerly chief commercial officer for EE from 2011 to 2015. Before EE, Marc spent ten years at Three UK where he held a number of senior positions, including chief commercial officer and sales and marketing director. Prior to his 16 years experience in the mobile industry Marc was GM for Sega UK and Europe.

Bas Burger

CEO, Global Services

Appointed June 2017.

Bas was formerly president, BT in the Americas, BT Global Services. Bas joined BT in 2008 as CEO Benelux.

Before joining BT, Bas was executive president and a member of the management committee of Getronics NV, where he ran global sales, channels and partnerships, developing the company's international business. He was also CEO and managing director of KPN Entercom Solutions.

Sabine Chalmers

General counsel

Appointed April 2018.

Sabine joined BT in April 2018. Before joining BT she 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 NY State.

Cathryn Ross

Director of regulatory affairs

Appointed January 2018.

Michael Sherman

Chief strategy and transformation officer

Appointed May 2018.

Howard Watson

Chief technology and information officer

Appointed February 2016.

Cathryn was formerly chief executive of Ofwat, the independent economic regulator for the water and waste water sector in England and Wales. Cathryn is an experienced regulatory and competition economist and has worked across a number of different sectors advising on economic, regulatory and competition issues.

Prior to joining BT, Michael was partner and managing director at Boston Consulting Group, focusing on advising clients on growth strategies and operational efficiency. Before that, he spent nearly eight years as executive vice president at enterprise software company Viewlocity.

Howard was formerly chief architect and managing director global IT systems and led the technical teams behind the launch of BT Sport in 2013.

Howard joined BT in 2011 and has 30 years of telecoms experience having spent time at Telewest (now Virgin Media) and Cartesian, a telecommunications consultancy and software company.

Dan Fitz

Company secretary

Dan is the company secretary of BT Group plc. He joined BT in April 2010 as its group general counsel and was appointed company secretary in November 2012. Dan previously spent six years at Misys and 12 years at Cable & Wireless. Dan attends all

Executive Committee meetings.

Clive Selley

Invitee, CEO, Openreach

Clive was appointed CEO, Openreach in February 2016. He was formerly CEO, BT Technology, Service & Operations, CEO BT Innovate & Design and before that president, BT Global Services Portfolio & Service Design. He is an invitee because the CEO of Openreach cannot be a member of the *Executive Committee* under the provisions of the Undertakings and Commitments.

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Our strategy

Our strategy in the year had three pillars: deliver great customer experience, invest for growth and transform our costs.

They work together: the better our customers' experience, the more we sell and the less time and money we spend putting things right. And the better we manage our costs, the more we can invest in improving our customers' experience and in products and services that will create growth.

Pages 21 to 25 describe our performance against the strategy.

Looking ahead, we're evolving our strategy to build on our strengths and allow us to respond to market opportunities and challenges. You can find more detail on page 28.

The graphic below shows the main elements of our strategy in the year. You'll find more details on our purpose and goal, in the context of our business model, on page 32.

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Our strategy - how we performed

Customer experience remains central to our strategy and long-term growth – whether that’s improving our service levels, providing a more reliable network or introducing new products. We’re making good progress but we know there is still much more to do.

We believe that continuously improving customer experience drives growth. That’s why progress on customer experience is central to judging the group’s performance. We have two main measures of customer experience: customer perception (based on Net Promoter Score) and doing things Right First Time.

How we did in the year

We’ve built on earlier progress and have delivered seven quarters of continuous growth in customer perception. This year we saw an 8.3 point improvement on last year’s result.

Right First Time performance has improved by 4.3%, helped by better planning and resourcing. This means our network has had fewer faults and we’ve delivered high levels of service despite some terrible weather.

Everyone in BT has a role to play in delivering these results and every CFU has improved its customer perception and Right First Time scores.

We’ve also seen a drop in complaints made to Ofcom over the last year. EE saw complaints fall to their lowest level while complaints about BT Consumer broadband have fallen by 18%.

What difference did our customers see?

Our customers tell us they expect a reliable service, great networks and products that fit their digital, mobile and always-on lives. We’ve made progress in all of these areas:

Deliver a consistent and reliable service

On average we answered calls from BT Consumer customers in 41 seconds, a minute quicker than last year.

EE won the What Mobile award for Best Customer Support for the third year running.

We now have more than 600 EE shops including five new showcase stores offering face-to-face chats with advisers and highlighting the best of our network and technology partners.

Our customers are using our digital channels more, with online chat up 20% this year and more than 2m downloads of the My BT app.

Openreach achieved all 60 of Ofcom's copper Minimum Service Levels.

Ethernet performance keeps improving with delivery times cut by a third since last year.

We're continuing our transparent approach to performance by publishing quarterly updates on service levels via bt.com and ee.co.uk.

Great customer experience from our network

We've hired almost 2,400 more engineers into Openreach. We've also improved our resource planning so that we meet network repair targets more than 80% of the time.

We've continued to weatherproof our networks leading to 3.7% fewer network faults this year.

BT Consumer customers are now getting faster broadband speeds with average download speeds improving by 20% to 43Mbps.

Products that fit our customers' lives

BT Consumer launched ultrafast products at 152Mbps and 314Mbps with minimum speed guarantees.

EE launched a new 4G antenna service that brings superfast broadband speeds to rural areas where fixed broadband is slow or not available.

A year after the launch of our BT Call Protect service we've protected 2.5m customers by diverting more than 90m nuisance calls.

And we've launched a new BT Business app for business customers who want to interact with us digitally.

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Our strategy - How we performed continued

We've been putting money and resources into five strategic areas. Together, they underpin our strategy and our operational and financial performance, which in turn contribute to our KPIs (on page 24).

With good progress on the integration of EE within the group and with a fast-paced digitisation of the UK economy, we've placed a particular focus this year on enabling convergence and on infrastructure leadership as key drivers of future growth.

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Our approach

Rigorous analysis, leadership and strong governance help us stay focused on both transforming costs and improving customer experience.

We benchmark the costs of doing business against other companies inside and outside our sector to see where we can do even better.

Most improvement initiatives are owned and run within individual business units. Our largest programmes span multiple business units or drive complex changes in a single business unit and often need central coordination.

How we did in the year

This year we've increased the cumulative EE integration savings to £290m and we're on track to deliver on our £400 million commitment by the end of 2019/20.

The first phase of our restructuring activities has produced £180m of savings against our commitment to deliver £300 million over two years.

Key achievements included:

creating more synergies from integrating BT and EE. We've done this by combining functions, making good use of our increased purchasing power, and completing accommodation moves to bring teams together and save money from closing unneeded buildings

establishing a new unit, Customer and Enterprise Transformation, within the Strategy and Transformation team. The new unit helps us make investments and take decisions that better support our customer experience and productivity priorities

becoming even more efficient by creating a Central Business Services unit which brings together customer contact management services, contract delivery services, revenue assurance and billing.

Looking ahead

We will continue to deliver against our EE integration and first phase restructuring commitments.

We're also launching new cost transformation initiatives within each individual business unit, as well as some larger cross-business programmes.

The combination of new and existing initiatives will ensure we deliver against our new strategic target of £1.5bn gross cost reduction over the next three years.

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Key performance indicators

We hit our financial guidance set in May 2017 for adjusted EBITDA and exceeded it for normalised free cash flow. We fell short of our target for underlying revenue excluding transit due to demanding market conditions and actions we have taken to exit lower margin business in our enterprise divisions. We've achieved our customer experience goal for the year, but want to go further.

Underlying revenue excluding transit

Underlying revenue reflects the overall performance of the group that will contribute to sustainable profitable revenue growth. We exclude the impact of specific items, foreign exchange movements, acquisitions and disposals. We focus on the trend in underlying revenue excluding transit because transit traffic is low margin and is affected by reductions in mobile termination rates, which are outside our control.

Progress against our KPIs

We use four key performance indicators (KPIs) to measure how we're doing against our strategy. Our financial KPIs include: the trend in underlying revenue excluding transit; our adjusted earnings per share; and normalised free cash flow. Customer service improvement is the key non-financial KPI for us.

Our KPIs are chosen because they reflect the key elements of our strategy. We use these to measure the variable elements of our senior executives' pay each year, as we've explained in the Report on Directors Remuneration (see page 156).

<p>Our key measure of the group's revenue trend, underlying revenue excluding transit was down 1.0% (2016/17: down 0.2%) which is below our outlook of broadly flat.</p> <p>Trend in underlying revenue excluding transit</p> <p>Year ended 31 March</p>	<p>-1.0%</p> <p>2018 trend in underlying revenue excluding transit</p> <p>Performance</p> <p>Our revenue performance has been impacted by challenges in our enterprise businesses, particularly in Global Services where revenue declined due to ongoing demanding market conditions and lower IP Exchange volumes and equipment sales in line with our strategy to reduce low margin business. We explain more about the performance of our customer-facing units from page 72.</p>
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We've outlined our performance against each KPI here, together with an explanation of how we define each measure.

- a Calculated as though EE was not part of the group until 1 April 2016.
- b Calculated as though EE had been part of the group from 1 April 2015.

You can find reconciliations of the financial measures to the closest IFRS measure in the Additional information section on pages

288 to 290.

Customer service measure

Right First Time is our key measure of customer service. This tracks how often we keep the promises we make to our customers. This could be about keeping to appointment times, completing orders when we agreed or fixing faults within an agreed period. As well as improving service and the customer experience, keeping our promises should mean that there is less work to do to correct our mistakes, and so reduces our costs.

Our customer service measure Right First Time was up 4.3% compared with up 6.4% last year. +4.3%
2018 customer service measure

Customer service improvement^a

Performance

At 31 March

Improving the service we deliver is key. Our Right First Time measure was up 4.3% (2016/17: up 6.4%). We're making good progress in some areas and every customer-facing unit has improved its Right First Time scores. Despite these improvements, we're looking ahead at improving customer experience further. You can read more about our customer service on page 21.

^a Cumulative improvement from 1 April 2009.

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Adjusted earnings per share

Adjusted earnings per share is the adjusted profit after tax attributable to our shareholders, divided by the weighted average number of shares in issue. Being an adjusted measure, it excludes the impact of specific items and as such it is a comparable consistent way to measure the performance of our business over time.

	27.9p
Adjusted earnings per share decreased 3% to 27.9p compared with down 9% last year.	2018 adjusted earnings per share
Adjusted earnings per share	Performance
Year ended 31 March	Adjusted profit after tax decreased 3% to £2,773m this year reflecting our investment in mobile devices and customer experience, along with higher business rates and pension costs, partly offset by cost savings.
	Adjusted earnings per share decreased 3% to 27.9p.

The weighted average number of shares in the market was in line with the previous year.

Normalised free cash flow

Free cash flow is the cash we generate from our operations, less capital expenditure and finance costs. It represents the cash available to invest in the business, repay debt, support the pension scheme and pay dividends to our shareholders.

Normalised free cash flow excludes significant non-operational payments and receipts that distort the trend in our cash flow. So in calculating normalised free cash flow we take out the impact of specific items, purchases of telecommunications licences, pension deficit payments and the tax benefit from pension deficit payments.

We generated normalised free cash flow of £2,973m. This was up £191m compared with last year and is above our outlook of £2.7bn to £2.9bn due to favourable working capital movements.

£2,973m

2018 normalised free cash flow

Normalised free cash flow

Year ended 31 March

Performance

The increase of £191m or 7% in our normalised free cash flow primarily reflects favourable working capital movements.

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Our non-financial performance as a
sustainable and responsible business

Our integrated approach to reporting means that the requirements of the new Non-Financial Reporting Directive are addressed throughout the Strategic Report.

For ease of reference, information pertaining to each of the matters addressed by the new regulation can be found on the following pages: Human rights (page 41); Employees (page 43); Social (page 47); Environmental (page 54); Anti-corruption and bribery (page 57).

Additionally, non-financial matters have long been embedded in our business model as stakeholder outcomes on page 31, and within our principal risks and uncertainties on pages 57 to 70. Non-financial performance indicators are linked to our ambitions and foundation measures as a sustainable and responsible business and can be seen in the table below.

				Target met	Target failed	Ongoing
	Our ambitions	2016/17 performance	2017/18 performance	Status		Page
Creating a connected society	By 2020, more than 9/10 people in the UK will have access to our fibre-based products and services	8.8 out of 10 UK premises passed	Ambition superseded: 95% of premises now passed by superfast broadband^a	n/m		47
	By 2020, to help 10m people overcome social disadvantage through the benefits our products and services can bring	3.9m people reached	4.6m people reached			47

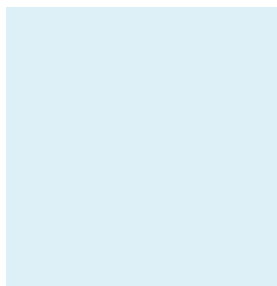
Creating a culture of tech literacy	By 2020, to help 5m children to receive better teaching in computer skills	1.1m children reached	1.6m children reached	48
Supporting charities and communities	By 2020, to use our skills and technology to help generate more than £1bn for good causes	£95m raised for good causes Cumulative total: £422m since 2012	£109m raised for good causes Cumulative total: £531m since 2012	48
	By 2020, to inspire 66% (two-thirds) of our people to volunteer	31% of BT people volunteering	39% of BT people volunteering	45
Delivering environmental benefits	By 2020, to enable customers to reduce their carbon emissions by at least three times the end-to-end carbon impact of our business	1.8:1 achieved	2.2:1 achieved	54
	By 2030, to cut our carbon emissions intensity by 87%, compared with 2016/17 levels	n/m (new ambition)	6.8% reduction	54

^a including other network operators.

	Our foundation measures	2016/17 performance	2017/18 performance	Status	Page
Investment in society	Investment to accelerate our purposeful business approach; to be more than 1% of adjusted profit before tax (PBT)	1.03% of PBT invested 1.08% 5-year average	1.02% of PBT invested 1.06% 5-year average		47
Customers	Customer service: to consistently improve RFT across our entire customer base	6.4% improvement	4.3% improvement		21
Employees	Employee engagement index: to maintain or improve our relationship with our employees	71% favourable	74% favourable		44
	Sickness absence rate: to maintain or reduce % of calendar days lost to sickness	2.32% calendar days lost to sickness	2.30% calendar days lost to sickness		46
	Ethical performance: to maintain or improve our employees	76% favourable	83% favourable		57

	perception of our ethical performance			
		99.3% trained	99.5% trained	57
	Ethics training: all employees ^b to complete annual training on our ethics code (including our zero tolerance approach to Anti-Corruption & Bribery)			
Supply chain	Ethical trading: across our supply chain, with focus on human rights. Achieve 100% follow-up within three months, for all suppliers identified as high or medium risk, through our ethical standards questionnaire	100% follow-up within three months	100% follow-up within three months	50
	Renewable electricity: by 2020 to buy 100% of our electricity worldwide from renewable sources, wherever markets allow	77% ^c bought from renewable sources	81% bought from renewable sources	55
		n/m (new target)	6.3% reduction	55

Carbon emissions: by 2030, to reduce our supply chain carbon emissions by 29%, compared with 2016/17 levels



n/m - not meaningful.

To find out more about these measures, our methodologies and how our results are calculated, take a look at bt.com/deliveringourpurpose

^b At least 99.5%, excluding those on maternity, paternity or long-term sick leave or with other extenuating circumstances.

^c 2016/17 energy figures restated see bt.com/deliveringourpurpose for details.

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Our evolving strategy

Like every chief executive, my job is to create value for shareholders. But what we're doing differently is creating value in a sustainable way that we can repeat year after year.

BT is uniquely positioned to be a leader in converged connectivity and services. This position of strength will enable us to build on the disciplined delivery and risk reduction of the last financial year and enter an exciting new phase in its transformation.

What's our plan?

Our industry is changing and so is our business. We're building a company which delivers a unique and compelling proposition for our customers – offering the ability to communicate, work, discover, buy, socialise, play, and watch.

It starts with our evolving strategy (see page 28) which is focused on:

delivering differentiated customer experiences

investing in integrated network leadership

transforming BT's operating model

What's next?

It's been a year of disciplined delivery and risk reduction but we know we're only at the beginning. We're operating in a demanding environment and we've still got plenty to do. So we're scrutinising and transforming all aspects of our business to deliver the

strongest returns and benefits to all our stakeholders.

[For our customers...](#)

It means creating a joined-up, reliable and secure network that connects them to everything they need, wherever they are.

[For our people...](#)

It means creating roles, teams and workplaces in which they can flourish and develop their skills.

[For our shareholders...](#)

It means driving growth in long-term value while maintaining our dividend policy.

[For the UK...](#)

It means continuing to play our part in ensuring the UK remains one of the world's leading digital economies.

This report is about what we're doing and the investments we're making. Actions that will help us navigate our challenges and make the most of our opportunities.

I'm really excited to be delivering the next stage of BT's transformation and have put in place the team that will support me in achieving these objectives.

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Our evolving strategy

We have evolved our strategy

to focus on converged connectivity

and services

Well positioned to drive sustained growth in value

We have a strong set of assets, including a leading position in the UK in fixed and mobile access networks, with strong and clearly segmented brands. We have deep relationships with a wide range of customers including 30m consumers, 1m businesses and around 1,500 multinational corporations. We also enjoy close strategic partnerships with key content, technology, device and service vendors.

Combined, this means that we are uniquely positioned to lead network, product and service convergence across the consumer and enterprise markets, which we see as a critical market trend and an opportunity to drive further value for our business.

Navigating a demanding environment

Like all businesses, we must continually adapt to our market environment. Data consumption and network capacity requirements are increasing exponentially and our enterprise customers want to migrate from legacy communications products towards digital, converged and secure products and solutions. Competition remains intense across the sector from both established players and new entrants.

We are also seeing a new wave of infrastructure investment in fibre-to-the-premises and mobile coverage and technology. And recent regulatory outcomes are reducing Openreach's returns towards its allowed cost of capital.

An evolution of our strategy

We have evolved our strategy to build on our strengths and

allow us to respond to market opportunities and challenges.

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Our purpose remains to use the power of communications to make a better world. This drives everything that we do.

Our vision is leadership in converged connectivity and services, delivered brilliantly in the UK and for multinational corporations. This highlights our commitment to convergence as a growing category of products and service.

Our goal is to drive sustainable growth in value. This reflects our commitment to balance top and bottom-line growth and to create value from our investment in our integrated network and differentiated products and services.

We will deliver these through three strategic priorities:

1. Deliver differentiated customer experiences

We will further differentiate our propositions, to retain and expand value. We will do this by creating innovative new propositions, improving value for money, offering better service, and making it easier to do business with us. We have made progress with customer experience in recent years, but there is much more to do.

2. Invest in integrated network leadership

In UK fixed, we will drive take-up of our superfast network and accelerate our investments in ultrafast through fibre to the premises to 3m homes by 2020 and through Gfast.

In UK mobile, we will expand our leadership in 4G coverage and capacity, and we intend to lead the market to 5G too.

Ultimately our aim is to build a single, integrated all-IP fibre network. Our investment will allow us to progressively close down legacy products such as the public switched telephone network, lead the market in advanced digital products, improve customer experience, and reduce our operating costs.

3. Transform our operating model

We are creating a more lean and agile organisation, with a simplified operating model, and more straightforward decision-making.

The steps we are taking to achieve this include:

- simplifying our operating model by creating four customer-facing units focused on Consumer, Enterprise, multinational corporations through Global Services and fixed access networks through Openreach

having fewer, bigger, more accountable leadership roles and simplifying and delayering our management structures

accelerating the delivery of Digital GS, introducing new digital products with a greater focus on our top global customers

reducing inefficiencies from being housed in numerous sites across the UK to focus on around 30 modern, fit-for-purpose sites to create a more collaborative, open and customer- focused working culture

move from buying to strategic sourcing, consolidating our spend and standardising our products

make better use of digitalisation to improve customer- experience and reduce costs to serve.

These strategic priorities will be tailored to the different **needs of our key customers** in each of our customer-facing units:

for **UK Consumer** and **Enterprise**, our focus will be on accelerating the development of converged services

in **Global Services**, our focus will be on evolving towards a more digital proposition and operating model

Openreach will focus on delivering unmatched UK-wide fixed access to all CPs.

Outcomes from our transformation

As a result of our transformation we will be more efficient, productive, focused, and better able to deliver excellent experiences to our customers. There should be a substantial positive impact on our financial performance, albeit offset in the short term by recent regulatory outcomes: Over three years we are targeting improvements in our customer experience metrics, revenue generating units per customer, converged product penetration and digital interaction with our customers. We will deliver a three-year reduction of around 13,000 mainly back office and middle management roles, partially offset by new hires to support customer service and network deployment. We expect the programme to cost £800m and have a two-year payback.

Ultimately, we will create a fit-for-future organisation to drive sustainable growth in value for all our stakeholders as the leader in convergent connectivity and service in the UK and for multinational corporations.

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Our business model

We create value for our stakeholders by developing and selling products and services that are an essential part of modern life.

Who we are

We're one of the world's leading communications services companies. We're based in the UK and serve customers in 180 countries (see page 92).

International Integrated Reporting Council's capitals

This key provides a mapping to the capitals of the IIRC's Integrated Reporting (IR) Framework.

You can find out more at: theiirc.org

Financial

Human

Manufactured

Intellectual

Social

Natural

Find out more:

Our strategy

The main elements of our strategy in the year are on page 20.

This business model section reflects our evolved strategy which is described on page 28.

Our principal risks and uncertainties

We describe our approach to risk management and principal risks and uncertainties on page 57.

Our viability statement

Our directors' assessment of the prospects and viability of the group is on page 71.

Governance

How we govern the group is described from page 131.

Remuneration

The directors' remuneration report is on page 156.

What sets us apart

<p>Financial strength We're focused on growing our cash flow over the long term.</p>	<p>£3.0bn normalised free cash flow generated in 2017/18</p>
<p>Our people Their commitment, expertise and diversity are key to our success.</p>	<p>105,800 employees 82,200 in the UK</p>
<p>Networks and physical assets We continue to invest in these to improve the experience we offer our customers.</p>	<p>27.5m premises passed by our fibre footprint 90% 4G geographic coverage</p>
<p>Research and development We're one of the largest investors in research and development in the UK.</p>	<p>c£510m R&D spend 97 patents filed</p>

<p>Our culture The BT Way and our values express how we work together and what we expect from our people.</p>	<p>Personal Simple Brilliant</p>
<p>Our brand Our brands are a key asset.</p>	
<p>Natural resources We use some natural resources in doing business.</p>	<p>81% of the electricity we buy worldwide comes from renewable sources</p>

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What we do

This section details our purpose, goal and strategy in the context of our business model. It also explains how we create value for our stakeholders by providing services that are integral to modern life.

Our purpose,

goal and strategy

Our purpose

Our business model is built around our purpose, which is as simple as it is ambitious: to use the power of communications to make a better world.

Sustainability, ethics and human rights

To achieve our purpose, we must do business responsibly. That means behaving ethically, respecting people and the environment. We are a signatory to the UN Global Compact principles and we're actively contributing to the UN Sustainable Development Goals.

We have a steering group that oversees human rights governance and policies and we're committed to implementing the UN Guiding Principles on Business and Human Rights.

Every year we publish a statement which sets out our stance on modern slavery and human trafficking. And we don't tolerate bribery or corruption.

Non-financial information reporting

New regulations on non-financial information mean we must report on the following topics:

P41 Respect for human

rights

P43 Employee matters

P47 Social matters

P54 Environmental

matters

P57 Anti-corruption and

bribery

There are references to our policies in these areas, along with how we've done against various measures, throughout the Strategic Report. Some of the outcomes feature in the business model graphic on page 31. We've listed others in the summary of our non-financial performance on page 26.

[Read more in our Delivering our Purpose report.](#)

Our goal

Our goal is to drive sustainable growth in value. We'll achieve this by giving our customers a great experience and products and services they value.

Our strategy

To follow our purpose and achieve our goal, our strategy is built around the three pillars outlined on page 29: delivering differentiated customer experiences, investing in integrated network leadership, and transforming our operating model.

They work together. The better our customers' experience, the more we'll sell and the less time and money we'll spend putting things right. And the leaner and more agile we are, and the better we manage our costs, the more we can invest in the business while maintaining a strong balance sheet (page 35). It's a virtuous circle that balances short-term performance with long-term value creation.

Investing in what

sets us apart

We invest in building and maintaining communications networks in the UK and overseas. We also invest in differentiated products, services and applications to run over those networks.

Customer expectations are rising all the time. We believe that getting customer experience right is a competitive advantage. So we're investing in our people (eg more contact centre roles, more multi-skilled advisors) and our processes (eg reducing missed appointments).

Some of our investments, like TV sports rights, last just a few years. Other investments, like our fibre broadband network, are much longer term, with pay-back periods of more than a decade.

We have a distinct combination of people, technology, content, networks and other physical assets that sets us apart from competitors. Importantly, we also have the financial strength to keep investing in these areas while balancing short, medium and long-term interests

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Providing services

integral to modern life

We sell fixed-voice, broadband, mobile and TV products and services to individuals and households in the UK. For businesses we offer communications services ranging from phone and broadband through to complex managed networks and IT services and cybersecurity protection. Many public services rely on our technologies and in the UK and Ireland we help other communications providers to serve their own customers. And underpinning all this, we provide the connectivity that is essential in a digital economy.

There is growing demand for a lot of our products and services because they play such an integral role in modern life. And we will benefit as customers use more digital services and increasingly want value, reliability and consistent service.

Market context

Consumer broadband continues to switch to fibre, to meet customers' demands for higher bandwidth. Meanwhile people are making fewer landline calls, replacing them with mobile phones, voice over IP or instant messaging. In mobile, there is continuing growth in data use and postpaid subscriptions are growing at the expense of prepaid.

At the same time, SIM-only tariffs are becoming more popular because people are keeping their phones for longer. In TV, there is growth in subscription video-on-demand (SVoD), largely as a complement to pay-TV services. And customers are increasingly using digital service channels, like apps and online chat, to interact with their service provider. Business customers are using landlines, leased lines and traditional voice services less as the market moves to data and IP voice. Other growing areas include cloud services, hosting, security and data protection. Business broadband is switching to fibre. And Ethernet and dedicated internet access services are also becoming more widespread as businesses rely more and more on connectivity.

Digitalisation or digital transformation is now a top priority for many businesses, particularly multinational corporations. It is not an end in itself. But it does help companies achieve objectives like transforming costs, operating more efficiently or improving customer experience. Our Cloud of Clouds strategy (page 94) positions us well to be a trusted partner in our customers' digital future.

We aim to be the UK's leading converged operator – bringing together our fixed and mobile network assets to make sure our customers are always connected to the best possible network, and selling converged propositions that offer much more than simple bundles. We're uniquely placed to do it with the brands, scale and breadth of capabilities to benefit from convergence.

Our strategy puts us in a strong position to drive, and benefit from, these market trends. You can find out more in the customer-facing unit sections from page 72.

Channels to market

We sell our products and services through our customer-facing units.

We do it through a range of channels including online, contact centres and account managers. We also have around 600 EE stores in the UK.

Multibrand strategy

We have three retail brands (page 39). They let us serve different sectors of the market and lead to higher consideration by potential customers when they're deciding whether to buy from us or one of our competitors. Add to that the cross-selling between our retail brands and we have an opportunity to sell more to more people.

Diverse revenue streams

Our revenue mostly comes from subscriptions or contracts. Individuals, households and SMEs pay for standalone or bundled services, typically on 12- to 24-month contracts. Pay-as-you-go mobile services are also available.

Large corporate and public sector customers usually buy managed networked IT services on contracts spanning several years. Wholesale customer contracts range from one month for regulated products, to five years or more for major managed services deals.

Other sources of revenue include our ventures (page 100), consultancy, device sales and advertising (online, BT Sport TV channels and InLinkUK kiosks).

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What we do continued

Creating value for

all our stakeholders

What we do, matters to millions of people. We help them communicate, enjoy entertainment, do business and generally live their lives. And we contribute directly to communities and the health of the UK by providing jobs, supporting suppliers, paying tax and encouraging our people to volunteer.

Sustainability is integral to our purpose and the value we create. We're committed to using 100% renewable electricity (where markets allow) and we're encouraging our suppliers, customers and people to do the same. At the same time, our products and services are helping to tackle climate change.

Our business generates emissions. From our operations, supply chain, and through the energy our customers use to power our products. But we're contributing to a lower-carbon economy by cutting our own carbon footprint and helping customers cut theirs. The emission savings for our customers outweigh our own footprint. This means we're a net positive business (see page 54).

From a purely financial perspective, our carbon-saving products and services contribute £5.3bn revenue to our business^a.

Oversight

and governance

The markets we operate in are dynamic and very competitive, particularly the UK. There are many risks and opportunities, so it's important that our strategy and business model are flexible and sustainable. To help us we:

have a risk management framework to identify and mitigate the challenges we face (page 56)

use insight teams to keep us in tune with market drivers and customer expectations

talk and listen to our stakeholders to understand what's important to them

use governance committees to ensure we're making the right investments and investing with discipline. Together, these things help us anticipate and respond to changes in our markets including macro events like Brexit and the prospect of the UK leaving the single European market.

We know we can deliver value over the short, medium and long term. It's this confidence that underpins our assessment of the future prospects and viability of the group (see page 71).

The Design Council and BT Investment Board

The *Design Council* was a sub-committee of our *Operating Committee*. It was responsible for making sure capital investments in our networks, systems, platforms and products reflected our strategy, served the needs of our customers and were delivered cost-effectively. The *Design Council* was dissolved in October 2017 following the creation of the *Executive Committee* (page 18).

From December 2017 the *BT Investment Board* has been responsible for providing input and recommendations to support the chief executive on major capex and opex decisions (see page 133).

^aThe list of our carbon-saving products and services is established and verified by Carbon Trust; the associated revenue is based on total external sales, independently verified by Lloyd's Register.

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Our resources and culture

In this section we talk about the resources that set us apart and underpin our business model. We also describe our culture and approach, and commitment to respecting human rights.

Financial strength

Our financial strength means we can make long-term investments while supporting other areas of the business.

Our financial strategy has been consistent for a number of years:

We have a prudent financial policy and adhere to a disciplined process for the allocation of capital between four main uses: investment in the business; supporting the pension funds; paying dividends to shareholders; and maintaining a strong balance sheet. We also have strong governance and investment processes/controls. Together, they help us make the right decisions when it comes to planning investments, growing our business, and managing our level of debt and credit metrics.

Healthy finances also mean we can support the business in other ways. For example we continue to invest in R&D to stay at the forefront of a rapidly-changing industry, and in training, developing and supporting our people.

Our networks and physical assets

Our network, service and IT platforms support the products our customers rely on around the world.

Network platforms

Our UK fixed-line network is one of our most valuable assets and our investment in fibre broadband is key to providing services to UK consumers and businesses. Our fibre broadband network now passes more than 27.5m UK premises, and we provide fibre-to-the-premises to more customers than any other UK service provider. To meet the demand from businesses, we re continuing to expand Ethernet availability.

This year we've again had record levels of traffic across our UK network, with a peak demand of 9.75Tbps. The investments we've made in broadband technology mean that more customers get faster speeds and better reliability over our network.

We've also developed new technology that should more than double our previous records for data transmission speeds. Our latest breakthrough should deliver speeds of up to 13Tbps over a single fibre. This more than doubles the world record of 5.6Tbps we set last year.

Our global reach

Our global network is supported by in-country networks and infrastructure. The UK has our widest range of network services, access technologies and coverage. But we also have extensive networks in Brazil, Germany, Italy, the Netherlands, the Republic of Ireland and Spain.

The scale and reach of our global multi-protocol label switching (MPLS) network gives us a competitive advantage. Our virtual private network (VPN) services offer customers the convenience and security of a private network but over the public internet. We use our MPLS network, plus a combination of owned and leased fibre connections, to connect our points of presence (PoPs) around the world. For the final connection into the customers' premises, we either use our own circuits, or lease connections from telecoms operators in that country. If customers need service in very remote places, we make use of our extensive satellite connections.

Security is an important part of our business. The expertise we've gained from protecting our own networks helps us secure our customers' networks. We've seen that hacking tools, phishing scams and disruptive malware are becoming more sophisticated yet more accessible so we've responded by continuing to develop our cyberdefence capability.

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Our resources and culture continued

Mobile network

We are investing in 4G geographic coverage and capability, consolidating the EE network's position as the biggest and fastest in the UK. We aim to expand 4G to reach 95% of the UK's geography by the end of 2020.

Wi-fi

We run one of the world's biggest wi-fi networks, with around 5.9m hotspots.

Progress this year

This year we've:

achieved 99.999% availability in our core network for broadband customers

deployed Ethernet and optical nodes into 38 data centres belonging to other companies to help grow business connectivity services.

upgraded 935 exchanges and migrated more than 309,000 customers to faster broadband services that are cheaper and more energy efficient for us to run

launched the BT Agile Connect service (see case study)

reached more than 90% of the UK's geography with our 4G network, giving many rural and remote areas access to 4G

built 323 new sites on the Emergency Service Network (ESN)

installed 138 InLinkUK units, providing users with free wi-fi at up to 1Gbps, free UK phone calls, rapid mobile device charging and touchscreen access to local digital services.

Service platforms

We run a number of service platforms that combine our network and IT resources. They underpin many of our products. Our five core service platforms are voice and mobile, broadband and internet access, TV, Ethernet and managed data, and emerging services.

Our TV platform supports a growing number of customers. Our voice and mobile platform supports EE, BT Mobile and Plusnet Mobile; it also underpins the Emergency Services Network (ESN).

Progress this year

This year we've:

shown the Ashes live from Australia with enhanced digital experience, so BT Sport customers watching online or via the app can skip straight to key moments

carried over one billion minutes a month on our BT Conferencing platform.

IT systems platforms

Our IT systems let us manage processes, handle customer information and deliver products and services. They're critical to serving customers and running our business.

We've completed the first phase of our EE integration programme. This involved moving EE people to BT systems so all our people could benefit from a single, consistent set of applications.

Progress this year

We're simplifying the different technologies we use. This year we've:

brought together BT and EE datacentre and core IT applications management

deployed robotic process automation, using software robots to carry out automated tasks, including order entry and order management, to cut costs and improve our back-office processes.

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Properties

We have around 7,000 properties in the UK and 1,700 across the rest of the world.

We lease most of our UK properties from Telereal Trillium, part of the William Pears group. We signed a sale and leaseback arrangement with them in 2001. The majority (88%) of our UK properties are operational sites housing fixed and mobile telecoms and broadband kit. The rest are retail outlets, offices, contact centres, depots and data centres. We also have the BT Sport TV studios in London.

In the UK, we've rationalised and disposed of office, depot and data centre space in Croydon, Harrogate, Oxford and Wolverhampton.

Outside the UK, we've consolidated key office and operational locations in New York, Cincinnati, São Paulo, Frankfurt and Munich.

BT property portfolio (UK)^a

Research and development

Commercial success increasingly depends on innovation – that's why we invest in R&D. The result is an enviable track record of scientific breakthroughs, engineering successes and commercial progress.

A proud history of innovation

In 1837, Sir William Fothergill Cooke and Sir Charles Wheatstone filed a patent for the world's first practical electric telegraph. From this they founded The Electric Telegraph Company. This business eventually grew into BT.

Ingenuity transforms the world

Our innovation has continued to transform communications since Cooke and Wheatstone's electric telegraph. Often that impact has been wider than just communications. Colossus was the world's first electronic programmable computer. It was created by GPO engineer Tommy Flowers in 1943, and heralded the start of the computer age. In 1984, we deployed the world's first commercial 140Mbps single-mode optical fibre link. This technology is now the backbone of communications, carrying huge volumes of internet traffic around the globe. We made the world's first live data call over GPRS (a mobile technology) in 1999. Less than 20 years later, mobile data has transformed the way people live.

You can read more about our innovation at btplc.com/innovation

We showcased our innovation at two major events this year. Innovation 2017 was held at Adastral Park, our global R&D headquarters in Suffolk, UK. It was attended by 625 customers and influencers, including government, investors, journalists and analysts. New Scientist Live hosted 30,000 visitors over four days. We sponsored its technology zone.

This year we invested around £510m (2016/17: around £520m) in R&D. Over the last decade we've been one of the largest investors in R&D both in the UK, and globally in the telecoms sector.^b

Our research keeps producing new inventions. In 2017/18 we filed patent applications for 97 inventions (2016/17: 102), and as of 31 March 2018 had a worldwide portfolio of more than 5,000 patents and applications.

97

patent applications filed in 2017/18

5,000

patents and applications in our worldwide portfolio

^b Comparison based on total R&D spend 2007/8 to 2016/17. Source: EU Industrial R&D Investment Scoreboard, <http://iri.jrc.ec.europa.eu/scoreboard.html>

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[Our resources and culture continued](#)

Open innovation

No-one has a monopoly on good ideas. That's why we work with partners, universities and customers from around the world.

There are eight BT global development centres. Our biggest is the innovation campus Adastral Park. Around 3,600 people work there and we share it with more than 90 other high-tech companies.

We have extensive, long-standing, joint-research programmes with Cambridge University (UK), Massachusetts Institute of Technology (USA), Tsinghua University (China), Khalifa University (UAE) and more than 30 other universities globally.

We've used ideas inspired by our collaboration with MIT or Artificial Intelligence (AI) and machine learning to create algorithms that give us a deeper understanding of our access network. This year we launched a five-year research collaboration with Huawei and the University of Cambridge. It will focus on photonics, digital and access network infrastructure and media technologies, alongside work aimed at boosting the impact of communications technologies in society.

We've opened the BT Ireland Innovation Centre with Ulster University in Belfast. It will work alongside the Belfast Global Development Centre and BT Labs at Adastral Park in Suffolk on projects including Internet of Things, artificial intelligence and data analytics for customer experience and cybersecurity.

Repurposed innovation

We like to repurpose innovations from other industries and apply them to our business. This year we flew a drone across a river in a Welsh valley to deliver a fibre. We're looking into new ways to roll out fibre without so much digging. These include new directional drilling techniques and autonomous robots that propel themselves through the ground like worms.

Our researchers are investigating the application of artificial intelligence and machine learning techniques to the operation of 5G networks.

We're also exploring how we can use a technique from the mobile world called beamforming to improve our copper lines performance. It exploits the interference or crosstalk between copper cable pairs to boost the speed achievable on a line.

Awards for our research and development

We're proud that our R&D is recognised outside BT. Here are some of the awards we've won this year.

UK IT Awards: Best IoT (Internet of Things) Project

TM Forum 2017: Excellence Award for Smart City Innovator of the Year

TM Forum 2017: Outstanding Achievement Award

The Engineer magazine: Collaborate to Innovate Awards 2017

Here are two examples of BT R&D this year:

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Brand and reputation

We own three strong retail brands:

BT, EE and Plusnet. Between them, they cover UK and global markets for consumers, businesses and the public sector. We've positioned these three brands to maximise their customer reach and minimise overlap. This multi-brand approach makes us more agile in our markets and broadens our overall appeal. We also own the Openreach brand, with which we serve communication providers.

Lots of things affect our brands and reputation. But people's direct interactions with us play a big part. That's why we're committed to optimising every aspect of customer experience: from our products to our service experience to our communication. For more on how we're improving customer experience, see page 21 and our customer-facing units from page 72.

^a Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organisation and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

^b MarketScape for Global Managed Security Services Vendor Assessment 2017, Martha Vazquez, 1 December 2017. The BT brand stretches across consumer, business and public sector markets within the UK and across multinational business markets in 180 countries.

This year, we unveiled Ultrafast Fibre, the first and only fibre broadband with a 100Mbps speed guarantee, and we were host broadcaster of the UEFA Champions League Final in Cardiff.

In the UK business market, we have the highest awareness of any telecoms, networks and IT services brand. Strong business wins included network services for Severn Trent Water and mobility services for FirstGroup Plc.

BT was recognised as a leader for the 14th consecutive time in Gartner's Magic Quadrant for Network Service Providers, Global^a. (See page 95.)

And BT was named a Leader in the IDC MarketScape for Worldwide Managed Security Services 2017 Vendor Assessment^b.

EE is the UK's biggest mobile network operator, positioned at the cutting edge of technology.

With around 600 retail stores across the UK, we are also first for spontaneous brand awareness, despite being the youngest major UK mobile brand by almost a decade.

EE's mobile network has been independently recognised as the best overall network by RootMetrics and in 2017, it was the only network in the UK able to offer mobile connectivity for the new Apple Watch.

Plusnet offers UK customers a great value range of broadband and mobile services.

In 2018, Plusnet's outstanding customer service continued to be acknowledged with industry awards, including uSwitch's Best Customer Service for the fifth consecutive year.

At the same awards, we also won Best Value for Money, Best Home Broadband and despite only launching mobile in 2016 Best Value Mobile (SIM-only).

Openreach (page 104) builds and maintains Britain's digital communications network.

More than 25,000 engineers take care of 165 million kilometres of network, working in every community, every day.

This year, Openreach launched a new brand identity, reflecting commitments made as part of the DCR settlement (page 52). The programme to change all assets has already begun, including our buildings, vans and uniforms.

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Our resources and culture continued

Our culture

We want our culture to reflect our values of personal, simple and brilliant, for our people and our customers.

Our values

We're proudly personal, simple and brilliant in many ways already. That includes our history of pioneering innovation, a strong volunteering ethos, diverse career development for our people, and our ability to disrupt the market and reinvent ourselves when we need to – as through ventures like BT Sport, the 2012 Olympics and the acquisition of EE.

Embedding our values further

There's more to do to be personal, simple and brilliant every day.

So we've launched a multi-year transformation programme to simplify our organisation, improve business performance, and reform our culture and capabilities.

This year we've begun simplifying how we do things – by helping our people take personal ownership to resolve their customers' issues and introducing new ways to make better and faster decisions. That means making sure accountabilities are clear and decisions are made at the right level of the organisation, as close to customers as possible.

We've encouraged more diverse thinking in the business by attracting more diverse talent. This year we doubled our graduate intake and quadrupled our apprentice intake across the group. We're offering more career development opportunities for our people, as well as inspiring fresh perspectives.

We're also building new programmes and resources to help our people be brilliant, clarifying the key skills and behaviours they need now and in the future (including Management Essentials, Business Essentials and Connected Leaders (see page 44).

Finally, we've been helping our people do the right thing by:

regularly reaffirming our expectation that everyone acts with integrity through our ethical code

creating a safe environment where everyone can speak up about risks and concerns

equipping our leaders to have more regular open and honest conversations so they make better-informed decisions.

The BT Way

All of this will come together in **The BT Way** a three-part guide to reflect how we work together as a company, how we treat each other and how we expect everyone to behave. It will include:

how we're **organised** and how we deliver for our customers

what we expect from our people through our updated **ethical code**

what's important to us and how we do things as expressed through **our values**.

Our efforts are having a positive impact

In January's BT-wide **Your Say** employee engagement survey, we did better than previous years on all our values scores:

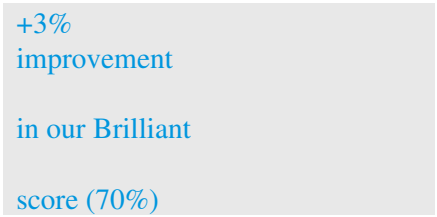
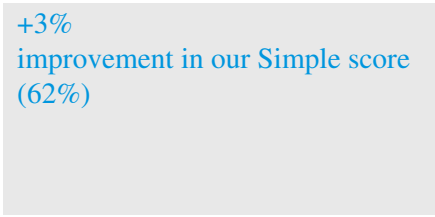


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Respecting human rights

We're committed to respecting human rights in our own business and through our broader relationships.

We believe that everyone is entitled to basic rights and freedoms, whoever they are and wherever they live. These are established in The International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

We've been a signatory to the UN Global Compact since it was established in 2000 – this is the world's largest corporate sustainability initiative. We use the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) to guide our approach.

How could we impact human rights?

As a global company we could impact human rights either directly, or indirectly through our business relationships. Our biggest impact could be on customers' rights to privacy and free expression.

We must comply with lawful government requests for information about how people use our services and the content of their communications, but this could impact our customers' rights to privacy.

Free expression includes the right to access information. As a communications company, we need to consider situations where we might need to limit people's access to content. We could also affect: our people's rights if our employment standards fall short; workers in our supply chain through our buying practices; and communities where we operate, if we don't stick to environmental standards.

How do we manage human rights in BT?

Our ethical code sets out the standards we expect of our people and those who work on our behalf, including how they respect human rights.

We have a team dedicated to human rights integration and a Human Rights Steering Group chaired by a member of our *Executive Committee*. This year it considered a range of issues, including:

- contracts we're monitoring for human rights issues

- our second Modern Slavery Act statement and programme

our second privacy and free expression report

the impact on human rights when broadcasting large sporting events.

What we've been doing this year

We've been pulling together our existing policies on human rights issues into one overarching policy. As part of that we've reviewed our operations in key countries outside the UK with the help of a leading law firm.

Due diligence

In April 2017 we launched our enhanced customer due diligence process. To embed the key principles with our sales teams we held calls and face-to-face training.

In our due diligence checks we look for whether:

our product/service could be used for defence, military, law enforcement, security or cybersecurity purposes

the customer or end user is a government, government agency or state-owned company

the service is being provided in an extreme or high-risk country (based on external measures).

If these criteria are met we look into things in more detail – which might include contractual protections or internal monitoring arrangements.

Modern slavery

In June 2017 we co-sponsored a residential summit of international experts which explored the role of technology in tackling modern slavery. Building on the findings^a we're establishing an industry collaboration to address the challenges and opportunities for technology to help end modern slavery.

We published our second Modern Slavery Act statement^b in August 2017. It explained our progress and the steps we've taken to prevent modern slavery in our business and supply chain. We're also reviewing our policies, processes and procedures with the help of external experts.

We've continued to support the UK Modern Slavery Helpline partnering with anti-slavery charity Unseen – for more details see our Delivering Our Purpose Report.

In October 2017 Gavin Patterson joined the first Business Against Slavery Forum^c hosted by the Home Office. The forum is a way for companies to collaborate and drive change on identifying and tackling modern slavery.

Sport and human rights

Big sporting events have a hugely positive social impact. But they can also carry human rights risks like labour rights violations and community displacement.

Throughout the year we've continued working with the participants in the Mega-Sporting Events Platform for Human Rights. With input from other broadcasters, we've created a tool to help identify human rights risks when broadcasting. We presented it at the second Sporting Chance Forum^d in November 2017. The team at BT Sport are trialling the tool in their compliance processes.

Priorities for the year ahead

We'll launch our overarching human rights policy and embed it in our business having reviewed our existing metrics to support the new policy.

We'll be refreshing our privacy and free expression report with data on information requests in countries outside the UK. We'll also cover what we do on cybersecurity.

^a wiltonpark.org.uk/wp-content/uploads/WP1546-Report.pdf

^b btplc.com/Thegroup/Ourcompany/Ourvalues/ModernSlaveryAct

^c gov.uk/government/news/leading-businesses-unite-to-tackle-slavery

^d ihrb.org/focus-areas/mega-sporting-events/2017-sporting-chance-forum-meeting-report

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People are the key to transforming our business. We want BT to be a place where people feel engaged and inspired to be the best they can be. We want them to use their skills and our technology to deliver great products and services for customers, communities and societies around the world.

Our people strategy is summed up by our ambition to be a great place to work. We want to deliver a great customer experience by getting our employee experience right. That means making BT a place where our people can do brilliant things. At the heart of this are our values.

Personal. Simple. Brilliant.

They guide our decisions and behaviours.

All of our people have a role to play in bringing our values to life wherever they are and whatever job they do.

Our workforce

At 31 March 2018 we had 105,800 full-time equivalent (FTE) employees in 59 countries, with 82,200 based in the UK.

As our business evolves to meet our customers' needs, we aim to reskill and redeploy our people to avoid redundancies where possible. Last year in the UK we redeployed almost 850 people, letting us keep experienced people with the skills we need for the future. More than a third of our redeployed people are in engineering or customer service. We've further developed their skills through training programmes.

Hiring talented people

We've increased awareness of BT as a brilliant employer by publishing engaging and informative careers content on social media. It's making a difference. In 2017 we were recognised by Marketing Week as one of the Best Places For Marketeers To Work. Our content is continually liked and shared across social media and we've had over 1.3 million visits to our careers site.

This year, excluding acquisitions, we hired almost 14,100 people, of which almost 10,100 were UK-based.

We've hired almost 2,400 engineers into Openreach as improving the quality of our customer relationships remains central to our people strategy.

Finally, we have converted almost 840 skilled agency workers to permanent employees because we recognise how important it is to keep experience inside our business.

Hiring more apprentices

We hired more than 2,100 new apprentices across the group in 2017/18. This is more than double the previous year's intake, following the introduction of the apprenticeship levy in April 2017. We plan to take on a further 4,600 apprentices next year.

Hiring more graduates

This year, we recruited 460 graduates globally, and we plan to hire more than 480 next year.

Awards

Once again we're in The Times Top 100 Graduate Employers. We're one of only three companies in the IT and telecoms sector to feature in the top 100.

Recognition

We've been named large employer of the year at the Scottish Training Federation and the BPP awards, and creative and digital employer of the year at the Asian apprentice awards.

Reputation

We're extremely proud our apprenticeship programmes have recently been graded excellent in all areas in the latest Education Scotland audit.

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Our stakeholders continued

Investing for growth

We never stop learning – whether that’s on the job or in face-to-face training. Our digital academy platform enables our people to solve problems and share knowledge and ideas with colleagues.

It’s how we adapt to a changing world and rise to tomorrow’s challenges. This year we’ve launched these new learning programmes:

Global new joiner programme	A refreshed induction for new hires, globally. We’ve rolled out corporate induction events and launched a new website for new joiners, which gets 14,000 visits a month.
Business Essentials	A suite of foundation-level online learning resources for everyone in BT, covering 18 core skills.
Management Essentials	These workshops help people managers to have better conversations with their team. The online platform helps them get to grips with the fundamentals of managing people at BT.

Following 2016’s launch of the Fibre Academy and showcase, we’ve opened a new training centre called Open Street. It replicates the Openreach fibre and copper network from exchange to customer premises, with a working exchange, street cabinets, houses and business premises. It includes the end-to-end underground and overground accessible network for our engineers to train and accredit on. It’s open for network demonstrations for BT as well as our external customers.

Investing for change

In such a fast moving industry we must invest in the skills, capabilities, methods and tools to define and deliver change in the right way. We’ve developed a new change approach to improve our customer experience, growing our business and making BT an even better place to work.

Our change approach

We define change by understanding where we are today and what we and our customers need. We create a solution to deliver the change. And through this cycle, we take steps to engage our people.

Leadership

This year, we've invested heavily in leaders. We've appointed 42 senior leaders, with 19 of these coming from other organisations. We've launched the Connected Leaders development programme to identify the type of leaders we want to attract and develop internally. It's been a huge success; with over 39,000 people accessing the online development platform, 8,000 leaders completing a personal development assessment and more than 700 attending our learning programmes.

We've also launched two new development programmes targeted at people with high potential.

Future Leaders	In 2017/18, we've taken on more than 300 people with high potential and developed them to become leaders for the first time. More than 40% of the 2016/17 cohort have gone on to become managers.
Senior Talent Programmes	We've identified more than 80 senior leaders as having high potential for the future, and started accelerating their career development.

Engaging our people

Around 93,000 (86%) of our people responded to our 'Your Say' engagement survey in January 2018. It's our highest ever completion rate. The survey results show improved overall engagement at 74%. This is encouraging. There's been a steady improvement in many categories since June 2017.

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BT	% Fav.	Change
Engagement outcome	74%	+2%
Leading our people	59%	+5%
Managing our people	81%	+2%
Empowering and equipping our people	61%	+2%
Enabling outstanding customer experience	64%	+3%
Working together	65%	+2%
Personal growth	73%	+3%

We tell our people about company results, major business decisions and other things that affect them through lots of different channels. Leaders regularly meet their teams through roundtables, town hall debates, site visits, webcasts and blogs.

We also listen to our people's concerns through more formal engagement with our European Consultative Council, the Communication Workers Union, Prospect and EE employee representatives in the UK.

Volunteering

Our 2020 ambition

66%

Inspire two-thirds of our people to volunteer

As part of our commitment to support charities and communities, (page 48), our people get up to three working days a year to volunteer. Volunteering means they can use their skills, energy and enthusiasm to tackle an issue or make a practical difference in their communities. Our volunteering website lists opportunities and lets everyone log activities centrally.

This year more than 2,000 of our people spent almost 5,000 days supporting our work to build a culture of tech literacy as Barefoot and Work Ready volunteers (see page 48).

Overall, 39% of our people registered their volunteering activity this year.

Diversity at work

We want a diverse workforce that matches our customers and delivers our business goals.

In March 2018 we reported our first gender pay gap data under new government guidelines, relating to data from April 2017. Our gap is below the UK average. But we are still working hard to be more diverse and inclusive, and to have women better represented at all levels in our business.

You can find out more at btplc.com

Around 26% of our workforce and 28% of our management are women. Three out of eleven Board members are women (27%). And 42% of our new executive hires have been women.

By 2020 we want women in 40% of our most senior roles. To support this, we're widening our Tech Women programme which develops talented BT women into senior roles where they're underrepresented. This year we extended the programme to 172% more women than last year, including those outside the UK. In March, the programme won the BQF Innovation in Diversity award.

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Our stakeholders continued

We've also launched an extra employee network to connect mums who are returning to work. Our maternity return rate is 86%, measured one year after women returned to work.

We've been named in the [Business in the Community's 100 Top Employers for Best Employers for Race 2017](#).

Around 12% of our people have a Black, Asian or Minority Ethnic (BAME) background. Around 19% of our external appointments come from a BAME background.

Sponsorship helps build an environment where diversity is valued. So our senior leaders have had Inclusive Leadership workshops to help them overcome unintentional bias in decision making. We've also appointed executive sponsors for women, women in tech, race, disability and LGBT+.

Health, safety and wellbeing

Improving our people's wellbeing is just the right thing to do. But it also drives better business performance.

The latest research is helping us determine what we need to do to foster good physical, psychological and emotional health in our workplace – beyond our commitment to zero avoidable harm. Our global health, safety and wellbeing policy sets out our approach and the *Executive Committee* and Board regularly monitor progress.

Our accident rate has dropped by a further 11% to its lowest-ever level and far fewer injuries are serious. Our risk profile is changing as we recruit more young people and we've responded by enhancing training and improving health and safety systems.

Fewer people took time off sick this year and our absence rate has dropped by 1% to 2.3% (against our 2.24% target).

Mental health is still our biggest focus. We endorse all the recommendations of the UK Government's Stevenson/Farmer review. Prevention is key. Today work-related problems account for 16% of people seeking psychological support, compared with 36% five years ago. We've strengthened our wellbeing support services through a peer-to-peer scheme and our success rate in getting people with mental illness back to their normal work has risen to 97%.

Pay and benefits

We regularly review our pay and benefits to make sure they're competitive compared with similar companies.

Most of our UK-based engineering and support people's pay is negotiated through collective bargaining with our recognised trade unions. This means everyone gets treated fairly. Our managers' pay ranges are also set at competitive levels. We work out bonuses through a mix of business performance and personal contribution.

Our executives may also get long-term share awards. These are discretionary and aligned to the long-term strategy of the company. What they get is determined by the group's performance over a three-year period. Executive directors must keep hold of those shares for two more years.

In line with regulation, incentives for Openreach people are tied to a combination of personal contribution and Openreach's performance, not the wider group. And these are paid in cash, not BT shares.

We support our people through retirement savings plans and country-specific benefits.

In the UK, after extensive consultation, we'll be removing the eligibility for the majority of BT Pension Scheme members to accrue future benefits in that defined benefit scheme. Instead, these members and existing members will benefit from an enhanced contribution structure in our UK defined contribution plan – the BT Retirement Saving Scheme. This will provide more equal benefits across BT people in the UK and keep our pensions fair, flexible and affordable.

[You can read more about this on page 235.](#)

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We listen to our customers, and have been investing to improve the experience they get from BT.

Our customers include UK individuals, households, businesses of all sizes and public sector organisations, plus companies around the globe.

You can read about our markets, customers and the services we offer them in our customer-facing units section, from page 72.

Some of our customers are also competitors. That's because we sell wholesale products and services to other communications providers in the UK and overseas.

We're at the heart of the UK's digital strategy

We use the power of communications to make a better world. The greatest impact we make to society and the economy is through our products and services, underpinned by our networks.

This year we invested nearly £36m in initiatives that further our societal and environmental ambitions and contribute to economic growth. That figure includes cash, time volunteered, and other in-kind contributions. Over the last five years we've invested a total of £166m, averaging 1.06% of our adjusted profit before tax.

Total investment in society

Year ended 31 March

Our Board *Committee for Sustainable and Responsible Business* (page 153) oversees these initiatives, in line with our shared value policy. We summarise progress on our societal ambitions below, with our environmental ambitions reported on page 54.

And there are more details in our Delivering our Purpose report: [bt.com/deliveringourpurpose](https://www.bt.com/deliveringourpurpose)
Providing access to fast broadband

Our 2020 ambition

9/10

More than 9 out of 10 people in the UK will have access to our fibre-based products and services

This year we supported the Government's initiative to deliver superfast speeds (24Mbps or higher) to 95% of UK homes and businesses. Thanks in part to community fibre partnerships, our fibre broadband network now passes more than 27.5m premises.

Our original 2020 ambition (above) has now been superseded by the new Openreach targets for fibre access (page 110). We are also extending our mobile network coverage across the country (page 83).

Promoting digital inclusion

Our 2020 ambition

10m

We will help 10m people overcome social disadvantage, through the benefits our products and services can bring

Society is changing. Digital is at the heart of this. Everybody should have both the access and skills to make the most of the digital world. Since setting this ambition in 2015, we've helped 4.6m people overcome social disadvantage:

Our portfolio includes a lot of products and services for elderly, disabled and financially-disadvantaged people. And this year we established a partnership with the charity Action on Hearing Loss, to develop new propositions for their customers.

^a [gov.uk/government/publications/uk-digital-strategy](https://www.gov.uk/government/publications/uk-digital-strategy)

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Our stakeholders continued

We've connected vulnerable communities in many parts of the world, bringing access to education, employment, financial support and healthcare. Our Connecting Africa initiative this year won the World Economic Forum's New Vision for Development award.

We collaborate with our industry partners to develop new products to help the most vulnerable. This year saw two highlights through our partnership with TechHub:

We launched Zone V (zonev.com) to make it easier for elderly or disabled people to use smartphones.

Tackling cybersecurity, we also ran a competition to Secure the nation. The winning SME Chorus Intelligence uses data analytics to support police in building intelligence cases to help solve crimes.

Through our collaboration with Doteveryone, we continue to research public attitudes towards digital technologies. We use the results to help get more people online and develop the skills to make the most of technology safely.

Our advisory role to the Government's digital skills partnership means we can inform policy development and help shape the work of the public sector, NGOs and industry.

Building skills for the next generation

Our 2020 ambition

5m

We will help 5m children receive better teaching in computing and tech skills

Young people need tech know-how to thrive in the digital world. But there's a risk that the next generation won't have the skills to do the jobs of the future or shape a more inclusive society. As we build the UK's future digital infrastructure, we can use our national footprint to help the next generation make the most of technology in life and work.

Starting in primary schools, the Barefoot Computing Project helps to equip teachers to teach children computational thinking like logic, sequencing, abstraction and programming – the building blocks of tech literacy. With our partners

BCS, the chartered institute for IT, we've now helped train more than 57,000 teachers and, through them, more than 1.6 million children.

As children get older, we want to help them make more conscious choices in their online lives. So this year we've worked with 5Rights on an innovation hothouse to find new ways to help 8-13 year olds navigate the commercial realities of the internet.

As they prepare to leave school, Work Ready gives 16-24 year-olds – particularly from disadvantaged backgrounds – the skills development and work experience opportunities they'll need to succeed in a tech-enabled workforce.

Supporting charities and communities

Our 2020 ambition

We will use our skills and technology to help generate more than £1bn for good causes

£1bn

This year we helped to raise around £109m for good causes. MyDonate, our commission-free online fundraising and donations platform, covered nearly £63m of this.

Our fundraising activities focused on three main charity partners, Cancer Research UK, Comic Relief and Unicef UK. We provided Text to donate for the charity appeals we supported. They included big regular appeals like the BBC's Children in Need and raising money for the victims of the Grenfell Tower fire and Manchester Arena bombing.

Since setting this ambition in 2012, we've helped generate a total of £531m toward our £1bn target.

All of our shareholders are important, be they institutions or private individuals.

We have roughly 763,000 shareholders.

Most of our shares are held by institutional investors. We have an extensive investor relations programme aimed at keeping existing and prospective investors informed. It includes things like:

reporting quarterly, interim and full year results, accompanied by a conference call or presentation from senior management

site visits, presentations from our business units, and teach-ins on key topics

meetings and conference calls with investors both in the UK and around the world

regular communication between our Investor Relations team, investors and analysts that follow BT

In 2017/18, we held 450 meetings or events with institutional investors. This compares with 507 in 2016/17.

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Some investors care deeply about social, environmental and ethical issues. We give particular attention to these socially responsible investors via a programme designed to meet their specific needs.

As well as the Annual Report and Annual General Meeting, we keep all shareholders up to date with how we're doing through our website which has a comprehensive set of press releases, newsletters, presentations and webcasts.

Each year we survey a random sample of private shareholders to help us improve shareholder engagement. And we offer them exclusive deals on our products and services.

We pay close attention to our credit metrics.

Our lenders, mainly banking institutions and bondholders, play an important role in our treasury and balance sheet strategy.

These relationships are vital as we finance our business.

[You can read more about this on page 250.](#)

Our pension schemes need to be fair, flexible and affordable.

We must make sure our pension schemes are fair, flexible and affordable for all members. We operate defined contribution and defined benefit pension schemes. Most BT people working today are in the BTRSS defined contribution scheme. We also operate the BTPS defined benefit scheme which has around 300,000 members.

[You can read more about this on page 235.](#)

We use suppliers from across the world. We only choose ones that operate ethically and responsibly.

Our suppliers provide products and services that help us execute our strategy. We source from across the world and have suppliers in more than 150 countries. We spent around £13.7bn with suppliers this year (2016/17: £14.1bn). Around 92% of our spend is with our top 1,000 suppliers.

We have around 450 procurement people in 29 countries working with these suppliers.

This year we made a significant investment in our presence, capability and skill set within India, growing our team by 66. It now makes up 32% of our procurement organisation. Around 50 of our people took part in exchange visits to share best practice across cultures and enhance our capability. This is moving us towards our ambition of having a single global procurement team.

Procurement transformation

This year there was a major reshuffle of our procurement team, with a lot of changes:

We created three buying teams – two focusing on our indirect (own use) and direct (customer) procurement needs and a third focusing on all our non-UK spend.

We appointed new CFU-focused experts to manage conversations between procurement and CFUs.

We created a new scorecard which balances our performance between cost savings and things like risk, innovation and people.

We used external consultants and international benchmarks to understand the full range of commercial opportunities of our procurement categories and improve efficiency.

We carried out a detailed cost analysis of our complex networking equipment to identify further opportunities to reduce component costs.

With the University of Cambridge and a strategic supplier, we are collaborating on research to investigate how technology could be used to help vulnerable communities affected by climate change, and bridge digital divisions in society.

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Our stakeholders continued

Choosing our suppliers

We want to know who we're doing business with and who's acting on our behalf. So we:

pick suppliers using principles that make sure we act ethically and responsibly

check that the goods and services we buy are made, delivered and disposed of in a socially and environmentally responsible way

measure things like suppliers' energy use, environmental impact and labour standards as well as working with them to improve these.

You can find out more at www.selling2bt.bt.com

Ethical standards in our supply chain

We want our suppliers' people to work in safe and fair conditions. To help us assess the risks, we send an ethical standards questionnaire through an online portal or an industry standard self-assessment tool, Ecovadis. We follow up with anyone identified as high or medium risk, based on their responses.

We also visit supplier sites to make sure they meet our standards. This year we visited 52 sites (2016/17: 63 sites) around the world. To add to our resources, we trained four people in our India team to international audit standards. And they have since contributed to the assessments carried out this year.

We published our second Modern Slavery Act Statement in August. This year the focus was on due diligence practices in our supply chain.

We continued complying with the Dodd-Frank Act and the Security and Exchange Commission (SEC) requirements, by checking whether suppliers' products contained minerals from conflict areas. In June 2017 we filed with the SEC our report for 2016, which described our conflict minerals approach and reflected the responses we received from suppliers.

Paying our suppliers

This year the average time between a supplier invoice and us paying them was 62 days (2016/17: 67 days).

Suppliers can also choose to use the BT Supplier Finance scheme which offers contracted suppliers the chance to be paid early. This cuts financing costs for whoever participates, large or small, and is particularly good for SMEs (who make up around 50% of our supply base). We remain a signatory of the UK Prompt Payment Code and support government initiatives to encourage small business growth.

We're one of the largest suppliers of networked IT services to the UK public sector.

We work with almost 1,800 organisations across central, local and devolved government. And we support some of the UK's most vital services – including critical infrastructure, welfare, tax, health and social care, police and defence.

Our public affairs team look after our UK political relationships. They're responsible for Westminster (politicians and policy advisers) and Whitehall (the Government, including civil servants) on all issues of policy. They're not responsible for operational issues like selling or maintaining contracts and services. That's the job of Business and Public Sector (see page 86).

We have solutions designed for both central and local government. One of our most important contributions is helping organisations deliver better public services while keeping data secure. For example, this year we've supported the Metropolitan Police with the world's largest rollout of body-worn video cameras. We're also rolling out wi-fi which will allow frontline officers and more than 20,000 civilian staff to work more flexibly.

Supporting the armed forces community

The Government recognises us as one of the UK's leading supporters of the armed forces community. This year:

the MoD renewed the Employer Recognition Scheme (ERS) Gold Award it first gave us in 2014

we helped make the MoD's new Military Mental Health Helpline a reality. Launched in February 2018, it's targeted at serving personnel and their families – allowing them to access the help, advice and support they need outside of work, anytime, anywhere in the UK.

Civil resilience and other obligations

Another aspect of our relationship with government is that we can be required by law to do certain things and provide certain services. For example, under the Communications Act, we (and others) have to run or restore services during disasters. The Civil Contingencies Act 2004 also states that the Government can impose obligations on us (and others) at times of emergency or in connection with civil contingency planning.

The Secretary of State for the Home Department can also require us to take certain actions if they're in the interests of national security.

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We advocate clear, predictable and proportionate regulation.

Communications and TV services are regulated in the UK and around the world. This is to make sure that communication providers (CPs) and broadcasters stick to common standards and rules, and that nobody is disadvantaged by providers with strong positions in their market.

Overseas regulation

The degree of regulation in international markets varies widely. This can hinder our ability to compete and provide the services our customers want. We continue to press incumbent operators around the world, and their regulators, for fairer, cost-related wholesale access to their networks.

European Union (EU) regulation

In EU countries, electronic communications networks and services are governed by Directives and Regulations set by the European Institutions. These create an EU-wide framework (the Common Regulatory Framework) for fixed and wireless telecoms, internet, broadcasting and transmission services.

The Directives are there to encourage competition, which in turn leads to better investment, lower prices and increased quality of service in fixed and mobile networks, and better protection for consumers. They require national regulators to review markets for significant market power (SMP) every three years and where relevant, to put in place appropriate and proportionate remedies. They also include rules covering spectrum, consumer protection and universal service obligations.

Review of European rules for the communications sector

In September 2016 the European Commission (EC) proposed a review of the Common Regulatory Framework. As part of this review, the EC wants to encourage investment in very high-capacity networks and update consumer protection rules to reflect new types of services such as over-the-top providers. Negotiations are ongoing.

To protect audiences in an on-demand, internet environment, the EC is reviewing copyright and rules for audio-visual media services. Negotiations

are ongoing.

The UK's exit from
the EU

The UK is due to leave the EU in March 2019. Depending on any transition period or trade agreements, it may no longer have to follow the EU Regulatory Framework and other rules.

Existing regulations are recognised as having helped make the UK communications market one of the most competitive in the world. UK consumers get low prices and the best superfast broadband coverage in the major EU countries. So while existing regulations might be fine-tuned to suit specific UK market conditions, we don't expect fundamental changes.

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Our stakeholders continued

UK regulation and Ofcom

The UK telecoms and broadcasting industries are regulated primarily by Ofcom (the UK's independent regulator), within the framework set by European rules and UK regulations.

Ofcom operates under the Communications Act 2003, which gives it its powers and duties.

Ofcom's main duties are to champion citizens' interests on communications matters, and to further consumers' interests by promoting competition.

Under the 2003 Act, Ofcom sets conditions that CPs must stick to. Some of these (the General Conditions) apply to all CPs. They deal mainly with things like protecting consumers, access and interconnection, and allocating and transferring phone numbers.

Other conditions apply only to certain companies who are universal service providers or who are found to have SMP in a particular market.

We're the designated universal service provider in the UK (except for the Hull area where that role is taken by KCOM Group) and have to provide basic, affordable fixed-line services to all consumers. We also have to provide public payphones.

We have SMP in a number of markets including Business Connectivity (such as Ethernet and backhaul), Fixed Access (including LLU^a, GEA^b and WLR^c), Wholesale Broadband Access and Narrowband (such as Call Origination). That's why Ofcom's market reviews are so important to us.

Ofcom's strategic review of digital communications

In July 2017 Ofcom confirmed it would release us from the Undertakings once the arrangements for our voluntary commitments were all in place. This included the employees working for Openreach being transferred to Openreach Limited and adopting the new model of functional separation for Openreach to secure greater strategic and operational independence.

Implementation of the new arrangements has gone well. Openreach Limited has been legally incorporated and the members of the Openreach Board were appointed as Directors of Openreach Limited in December 2017. The Openreach senior leadership team voluntarily transferred to Openreach Limited in January 2018.

We have worked hard to implement all of the necessary changes that we can at this stage, and on 9 April 2018 BT formally adopted all the elements of the Commitments and Governance Protocol that can be adopted without triggering the TUPE transfer. We continue to work towards the TUPE of all employees working for Openreach to Openreach Limited as soon as practicable.

Price regulation of our main wholesale products

The following table shows which wholesale products provided to CPs are subject to price controls in markets where we have SMP.

Products	Annual charge	Current charge
	control (2018/19)	control ends
Fixed call termination	0.0323 ppm*	31 March 2021
Mobile call termination	0.495 ppm* (0.489 ppm from 1 June 2018)	31 March 2021
ISDN2	CPI-CPI	31 March 2021
ISDN30	CPI-CPI	31 March 2021

Metallic Path Facility (MPF)	£85.46	31 March 2021
Ethernet (up to and including 1Gbps in geographies where BT has SMP ^d)	CPI-13.5%	31 March 2019
Generic Ethernet Access (GEA) 40/10	£69.59	31 March 2021
Partial Private Circuit (PPC) ^e	CPI-3.5%	31 March 2019
Interconnect circuits	CPI+0%	31 March 2021

*pence per minute.

Other regulatory decisions and activities this year

Business connectivity market review (BCMR)

In April 2016 Ofcom published its Final Statement on its Business Connectivity Market Review. We disagreed with some aspects of this and appealed these to the Competition Appeal Tribunal (CAT). In July 2017 the CAT upheld our appeal on product market, geographic market and core network grounds. In November 2017, the CAT quashed Ofcom's decisions on these aspects and told it to reconsider.

In response, Ofcom revoked the relevant parts of the 2016 BCMR. It then imposed temporary SMP findings and obligations on Ethernet services until March 2019 using exceptional and emergency powers.

Ofcom consulted on adding dark fibre to the temporary obligations with effect from April 2018. On 12 April 2018 Ofcom confirmed that it would not be adding a dark fibre remedy to the temporary SMP remedies imposed in November 2017.

- ^a Local Loop Unbundling.
- ^b Generic Ethernet Access.
- ^c Wholesale Line Rental.
- ^d The whole of the UK except the Central London Area, the central business districts of Birmingham, Glasgow and Leeds, and the Hull Area.
- ^e <8Mbps.

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Wholesale local access market review (WLA)

Following the WLA market review in 2017, Ofcom made changes to Local Loop Unbundling (LLU) and Virtual Unbundled Local Access (VULA) product regulation. MPP^a is still subject to a CPI-based charge control. SMPF^b had its charge control removal and replaced with a fair and reasonable pricing obligation.

Ofcom has introduced a charge control for the GEA 40/10 lower speed product. The 55/10 and 80/20 products are subject to fair, reasonable and non-discriminatory obligations, though not subject to a charge control which means we still have some flexibility in how we price these other products.

Along with charge controls, Ofcom has implemented new minimum service level obligations (MSL) and a cap on duct and pole access prices.

Wholesale broadband access market review (WBA)

In June 2017 Ofcom consulted on the wholesale broadband access market. It proposed that the area with SMP (Market A) should be reduced from 10% to 2%. Ofcom has also proposed removing the charge control on our IP Stream Connect product. We've responded to the proposals and expect a final statement from Ofcom in summer 2018.

Narrowband market review (NBMR)

Ofcom completed a review of the narrowband market on 30 November 2017. This covered fixed call origination, call termination and WLR. It found that we held SMP in all these areas.

But it also recognised that alternative voice services were strengthening competition.

Ofcom decided to deregulate charge controls to fair and reasonable charges, remove undue discrimination obligations for Wholesale Call Origination (WCO) and bring in extra obligations on Wholesale Call Termination (including price controls and no undue discrimination).

Mobile regulation

On 24 September 2015 Ofcom published its final spectrum annual licence fees statement for 1800MHz and 900MHz spectrum. It trebled EE's 1800MHz spectrum fees from c£25m to c£75m per year.

EE, supported by other mobile network operators, challenged that. The Court of Appeal quashed the Statement on 22 November 2017. It found that Ofcom should have considered its wider European law duties when setting the licence fees. EE will pay licence fees at the previous level until Ofcom issues a new determination. EE, along with other mobile network operators, is seeking repayment of the historical overpaid licence fees.

On 20 March 2018 the auction for both bands went ahead with results announced on 5 April 2018. BT/EE were awarded 40MHz of 3.4GHz spectrum. The location of the spectrum assignments within the 3.4GHz band were determined after further bidding in an assignment round on 10 April. BT/EE were allocated the 3540 – 3580 MHz spectrum frequencies. This result supports our 5G leadership ambitions.

Standalone landline telephone services

After a review of the Standalone Landline Telephone Services market, Ofcom has accepted our voluntary proposal to reduce line rental prices by £7 a month.

This price cut works with our further promise to only raise call and line rental prices in line with inflation (CPI) each year. It also sits alongside our commitment to engage with voice-only and split purchase customers (who use us for landline and someone else for broadband) to make sure they are fully aware of potential savings available to them. Reduced line rental for voice-only customers came into effect from 1 April 2018.

Broadband Universal Service Obligation (USO)

In December 2017 the UK Government rejected our proposal to deliver universal broadband voluntarily.

Instead, the Government used secondary legislation to introduce a USO on broadband. It will give consumers the right to request at least a 10Mbps broadband connection from 2020. We will work closely with government, Ofcom and industry to make it happen.

Deemed Consent

In March 2017 Ofcom found that Openreach had breached certain contractual and regulatory obligations by inadequately and retrospectively applying Deemed Consent to reduce compensation payments to CPs between January 2013 and December 2014.

Deemed Consent is an agreed contractual process between Openreach and its CP customers, which allows Openreach to reschedule the delivery date for providing dedicated business services (known as Ethernet) in a number of specific circumstances.

On 27 March 2018 Openreach reported to Ofcom that it had, in its view, complied with the requirements set out in Ofcom's decision.

We estimate the total compensation payments will amount to around £300m.

Automatic compensation

Following commencement of the Digital Economy Act 2017, Ofcom now has greater powers on automatic compensation. In March 2017, it consulted on proposals for introducing automatic compensation. It has accepted an updated industry scheme from leading communications providers, including us.

This voluntary scheme will automatically compensate fixed voice and broadband customers if they lose service, have a delayed order, or get a missed appointment. The scheme is due to start in February 2019, following extensive systems development.

- a Metallic Path Facility (MPF).
- b Shared Metallic Path Facility (SMPF).

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Our stakeholders continued

For over 25 years we've been a leader in tackling climate change.

We set our first carbon reduction target in 1992. In 2008 we were one of the first companies in the world to set a science-based target to cut our carbon emissions intensity, by 80%. We achieved that four years early. Now we've gone a step further, setting an ambitious new target in line with the Paris Agreement on climate change.

Our leadership in sustainability and how to report it is widely recognised: we kept our place in the top 10 of Newsweek's Green rankings, which track the environmental performance of the 500 largest publicly-traded global companies. Carbon Clear rated us as the second-best FTSE 100 company for carbon reporting. We achieved A ratings from CDP on climate change and supply chain engagement.

On top of that, we continue to manage energy and water use, support the principles of a circular economy, and take seriously our responsibilities for the environment:

Our Environmental Management Compliance Steering Board monitors performance against our environmental policy. It reports to the Audit & Risk committees of our business units, to regional governance committees outside the UK, and to our *Executive Committee*.

We assess climate-related and other environmental risks within our enterprise risk management framework (page 56).

This year our environmental management systems have been certified to ISO14001 standards in Belgium, Colombia, France, Germany, Ireland, Italy, the Netherlands, Spain and the UK.

We're a signatory to the Climate Disclosure Standards Board's fiduciary duty and climate change disclosure. [Our Delivering our Purpose report at **bt.com/deliveringourpurpose** has more details.](https://www.bt.com/deliveringourpurpose)

Our net positive carbon impact

We're already a net positive company. That means we help our customers cut their carbon footprints by more than double our own emissions (including our supply chain). We're aiming for a 3:1 ratio by 2020.

Our 2020 ambition
3:1

Enable customers to reduce their carbon emissions by at least three times the end-to-end carbon impact of our business

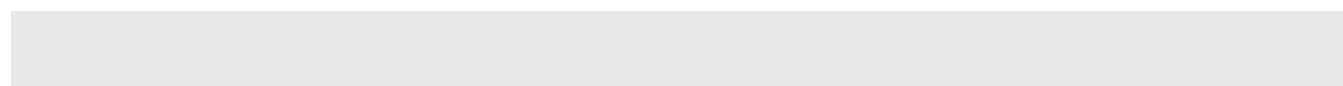
3:1 ambition	2016/17	2017/18
Customer savings (Mt CO ₂ e)	10.0	11.3
Our impact (Mt CO ₂ e)	5.6	5.1
Ratio	1.8:1	2.2:1

Cutting our customers' carbon footprints

Many of our products and services help reduce our customers' carbon footprints. This year we earned £5.3bn from these products, 22% of our total revenue.

Reducing our own emissions

This year we've set a new ambition, which has been approved by the Science-Based Targets Initiative. It aligns our impact with the most ambitious aim of the Paris Agreement – to limit global warming to 1.5°C by the end of the century.



Our new 1.5°C ambition

87%

By 2030, we aim to cut our carbon emissions intensity^a by 87%, compared with 2016/17 levels

^a measured by tonnes CO₂e per £ value added, for scope 1 & 2 emissions.

To meet this target, we're speeding up plans to cut our vehicle fleet emissions. This year we've added more plug-in hybrid models to our company car list. We're also exploring new ways to decarbonise our property estate and improve efficiency through technologies like IoT.

We report our greenhouse gas emission sources in line with UK regulations. In the last year we've reduced our total worldwide CO₂ equivalent (CO₂e) emissions by 8.9%. This year our scope 1 & 2 intensity totalled 26 tonnes CO₂e per £m gross value added; a decrease of 6.8% from last year.

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INFORMATION****Our worldwide greenhouse gas emissions^a**

Year ended 31 March

CO ₂ e Ktonnes	2016	2017	2018
Scope 3	4,391	5,233	4,758
Scope 2	51	184	160
Scope 1	172	179	180
Total	4,614	5,596	5,099
Scope 1 + 2 intensity: (CO ₂ e tonnes per £m value added)	21	28	26

We now include all scope 3 emissions in our reporting. EE data is included from 2017 onwards. Figures exclude third-party consumption. Scope 2 data uses market-based calculation. For full methodology, and further data, see bt.com/deliveringourpurpose.

About two-thirds of our emissions come from our supply chain. We're working with our suppliers to reduce their impacts too. By 2030 we want to cut their emissions by 29% compared with 2016/17. This year, we've seen their emissions fall by 6.3%.

Cutting our energy use

This year our overall energy consumption dropped by 1.7%. We've cut our energy bill by nearly £29m, cumulatively saving £250m since our base year of 2009/10. In Great Britain, we spent around £370m on energy and fuel (2016/17: £341m).

Our worldwide energy use

Year ended 31 March

100% renewable electricity

We maintain our commitment that by 2020 we will buy all our electricity from renewable sources, wherever markets allow.

We've now renegotiated most of the electricity contracts we took on when we acquired EE, in line with that commitment, and we're working on the rest. Overall this year 82% of our UK electricity, and 81% worldwide, came from renewable contracts (up from 78% and 77% respectively last year^b).

We also launched campaigns to encourage our suppliers, employees and home-mover customers to switch to buying renewable energy.

Other environmental impacts

Beyond our carbon footprint, we manage a range of other impacts, including the following:

Water use

We mainly use water in our offices and canteens, and in the cooling systems in our data centres and exchanges. We continue to monitor water use and target leaks. We've seen a 1% increase in our overall consumption this year, largely due to the adiabatic cooling systems we're introducing to cut our reliance on refrigerant gases.

Waste and recycling

We work with our suppliers to minimise whatever materials we use, and we reuse or recycle equipment and materials whenever we can. We offer take-back schemes on many consumer products, including mobile phones. Complying with national regulations, we use specialist contractors to manage hazardous waste responsibly.

^a We restate previous years' data when we think subsequent information is materially significant (like replacing estimates with measured figures).

^b 2016/17 energy figures restated – see bt.com/deliveringourpurpose for details.

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Our approach to risk management

Like any business, we face a number of risks and uncertainties. Some come from outside our organisation, others from within. Some we can't control, some we can. Many of our risks are similar to those felt by similar businesses.

Principal risks and uncertainties

The principal risks and uncertainties that affect us could have an impact on our business, brand, assets, revenue, profits, liquidity or capital resources. The principal risks we described last year have evolved, and so has our response to them.

Our Enterprise Risk Management framework gives reasonable (but cannot give absolute) assurance that we've identified and addressed our biggest risks. However, there may be some risks that are either currently unknown, or currently seen as less important but with the potential to become more so in the future.

Events outside BT present both risks and opportunities. We focus our efforts on predicting and reducing risks while aiming to take advantage of any opportunities that may emerge.

We recognise the uncertainty that political and geopolitical risks present, and have continued to operate a specific Brexit programme across BT that looks at how we might be affected and what our response should be. This programme is keeping a close watch on developments, and reports to a steering group chaired by our group CFO.

In the section below, we explain what we're doing to prevent our main risks from materialising, or to limit their impact if they're unavoidable. Our biggest risks and uncertainties should be considered alongside the risk management process, the forward-looking statements in this document and the associated cautionary statement (see page 296).

How we manage risk

To meet our objectives, build shareholder value and promote our stakeholders' interests, it's essential we manage risk. To help us, we've developed a group-wide risk management process with four stages:

Changes over the year

In 2016/17 we improved the way we manage risk through focusing on risks to our investment cases, developing an enhanced approach to root cause analysis, and identifying new ways to share good practice across the organisation.

Specific further improvements this year included:

Three lines of defence

We've revisited our three lines of defence model (our approach to governing and assuring our business) and how we apply it to our key areas of risk. This has helped us identify areas where we can optimise our assurance. We're also developing training around the three lines of defence to help our people better understand the model and how they support it.

External benchmarking/Internal review

We've been reviewing our risk management arrangements, using some external benchmarking and discussions with key internal stakeholders. This has helped highlight areas of strength and also areas where we can develop further. We'll be addressing those findings next year.

Real-time war gaming

We've continued our cycle of war gaming during 2017/18, and this year also tested a crisis scenario in real time. This exercise involved numerous colleagues from across the business and the learnings will help us become more resilient to future events.

Enterprise risk framework

Customer-facing unit and TSO leadership teams

Our customer-facing units and TSO follow our process for managing risk as part of our Enterprise Risk Management framework. That means

identifying and responding to the key risks affecting their

Group Risk Panel

The Group Risk Panel supports the Board and the *Executive Committee*. Every three months it reviews the Group Risk Register (which summarises those risks of greatest

significance across our business), considers the

Executive Committee

The *Executive Committee* identifies, evaluates, responds to and monitors risks.

Significant risks are reported and monitored through the Group Risk Register. The *Executive Committee* assigns

a management owner to take

Board

The Board has overall responsibility for making sure we manage risks appropriately. It regularly reviews, either directly or through the *Audit & Risk*

Committee, how we're doing across the group, in o