

Our stakeholders

As well as our people, our main stakeholders are customers, communities, shareholders, lenders, pension schemes, suppliers, government and regulatory bodies.

BT is a complex business with a wide range of stakeholders who are important to us. So we carefully manage our relationships with each of them.

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We also think of the environment as a stakeholder because our products and services can help address environmental challenges.

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Our people



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.

Best Big Companies to Work For Award



EE awarded first place in the annual Sunday Times 'Best Big Companies To Work For' rankings for organisations with at least 3,000 full-time employees

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.

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.

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.

Our gender pay gap



Median

5.2%

Gender pay gap

Mean

7.0%

Gender pay gap

11.2%

Gender bonus pay gap

29.2%

Gender bonus pay gap

[You can find out more at btplc.com](http://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.

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.

Challenge Cup



Challenge Cup is our flagship people engagement programme. It's an annual competition that started in 2003. It encourages people to work in teams across BT to develop ideas to improve how we do things and deliver a great experience for our customers. Challenge Cup helps us create growth, save money and drive innovation. And our people love it. The number of people taking part increases every year – this year more than 6,700 people came together to form over 1,300 teams across 37 countries. Many were getting involved for the first time

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.](#)

Customers



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.

Communities and society



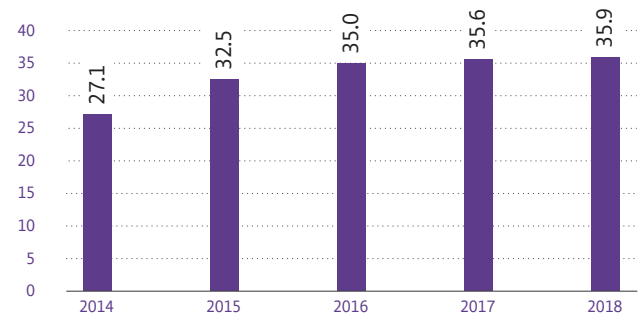
We're at the heart of the UK's digital strategy^a.

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](https://www.bt.com/deliveringourpurpose) 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)

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

£1bn

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

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.

Shareholders



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.

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.

Lenders



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.](#)

Pension schemes



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.](#)

Suppliers



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.

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 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.

HM Government



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.

Regulators



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.

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 control (2018/19)	Current charge 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.

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. MPF^a is still subject to a CPI-based charge control. SMPF^b had its charge control removed 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'll 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).

The environment



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 \[bt.com/deliveringourpurpose\]\(https://www.bt.com/deliveringourpurpose\) 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

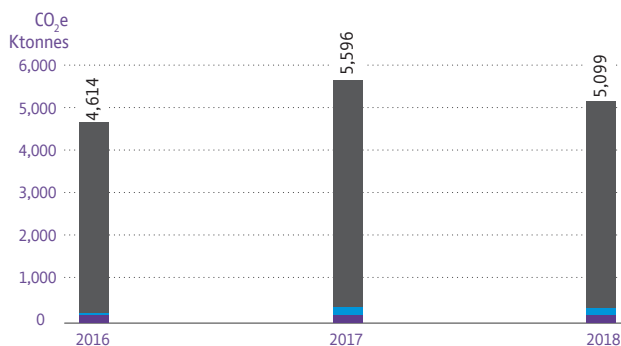
^a measured by tonnes CO₂e per £ value added, for scope 1 & 2 emissions.

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.

Our worldwide greenhouse gas emissions^a

Year ended 31 March



- Scope 3: Including supply chain, customer use of our products, and other indirect emissions (such as employee commuting).
- Scope 2: Indirect emissions from the generation of our purchased energy (mainly electricity).
- Scope 1: Direct emissions from our own operations (eg fuel combustion).

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: 21 28 26
(CO₂e tonnes per £m value added)

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.

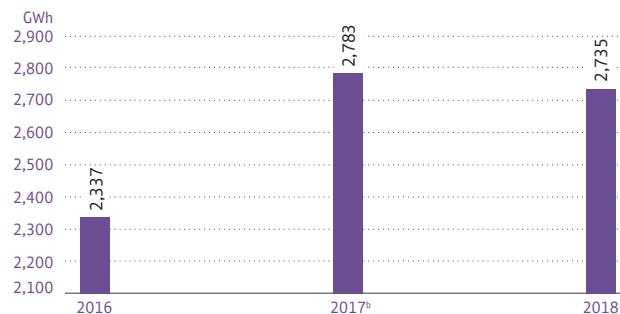
About two-thirds of our emissions come from our supply chain. We're working with our suppliers to reduce their impacts too. By 2030 we want to cut their emissions by 29% compared with 2016/17. This year, we've seen their emissions fall by 6.3%.

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.