

BTPS

Annual Report and Accounts 2026

www.btps.co.uk



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About BTPS

The BT Pension Scheme ('BTPS' or the 'Scheme'), is one of the largest private sector pension schemes in the UK. It is a closed defined benefit (DB) pension scheme for employees, former employees and dependants of BT. The Scheme closed to new members in 2001 and to future accrual, except for active members, in 2018.



£32.2bn

net Scheme assets
at 30 June 2026



65%

invested in the UK



248,771

members at
30 June 2026



213,475

pensioner members
at 30 June 2026



£2.8bn

benefits paid in the
year to 30 June 2026

The Scheme's objectives and operating model are described in more detail on page 6, and our 2026 Trustee's report includes more information on our Governance arrangements (page 8), Funding and investment activities (page 11), and Member services (page 16).

You can also find out more about the BTPS in our [fact sheet](#).

Chair's statement



The past year has been characterised by a challenging and fast-moving external environment. Heightened geopolitical tensions, ongoing market volatility and the pace of technological developments have combined to create a backdrop of uncertainty for asset owners.

Despite this, our disciplined approach to funding and investment, underpinned by robust governance, has enabled us to navigate these conditions while continuing to build our resilience and focus on our core duty: paying members' benefits in full, and on time.

Currently, the Trustee Board is progressing the 2026 triennial valuation with BT. As such, an update on the Scheme's funding position will be provided when the valuation has been agreed.

Resilience in uncertain times

The Trustee Board is increasingly focused on strengthening the Scheme's ability to respond to the wide range of uncertainties it faces.

Geopolitical issues and conflicts, energy security, technological change, inflation and climate risk are becoming more interconnected, challenging traditional risk management approaches.

In response, we have worked with our primary services provider, Brightwell, to begin to develop a new framework that helps us monitor emerging risks, adapt our priorities and strengthen portfolio resilience.

Transitioning to a cashflow-aware portfolio

A central focus for the Trustee Board continues to be the evolution of the Scheme's investment strategy in line with its long-term journey plan.

As the Scheme becomes very mature and the proportion of retired members continues to increase, we are successfully building out the cashflow-aware portfolio. This process has been ongoing for the past few years.

The income from those cashflow-aware assets (as defined on page 12), is designed to meet ongoing pension payments to members as well as reduce the range of investment outcomes and support funding stability. By 2034, when virtually all Scheme members will be retired, the Scheme's investment portfolio is designed to ensure that assets provide adequate income to meet members' benefit payments as they fall due.

Over the past twelve months, we have continued to take steps in this direction, reducing our exposure to equity-like growth assets and increasing our allocation to cashflow-aware assets that generate contractual income to help meet ongoing pension payments.

Trustee Board changes

During the year, there were a number of changes to the Trustee Board. At the end of June 2026, we received the sad news that BTPS Trustee Nigel Cotgrove had died. Nigel was a passionate advocate for Scheme members and a well-respected member of the Trustee Board. We will miss his expertise, guidance and strong sense of justice. Our thoughts are with his family and friends.

In April, Helen Charnley joined as an employer-nominated Trustee Director, whose experience and insight as Director of Group Audit, Risk and Controls at BT further strengthens the breadth of skills on the Board.

At the same time, we said farewell to David Viles, who stepped down after a six-year tenure. On behalf of the Trustee Board, I would like to thank David for his valuable contribution as a Board member and Chair of the Audit & Risk Committee, and for his relentless energy and commitment to the Scheme and its members.

Following the year end, in August we were pleased to welcome William Taylor to the Board as an interim member-nominated Trustee director. We look forward to working with William over the year ahead.

Delivering for our members

Maintaining high quality member services remains a priority and the Scheme measures member satisfaction on an ongoing basis across multiple touchpoints to check how we are doing and identify areas for improvement.

I am pleased to report that member satisfaction remains high and continues to improve. This year's annual survey recorded an overall satisfaction score of 87.3 which is significantly above industry benchmarks.

This strong performance reflects our continued investment in member communications, service quality and digital capabilities.

Chair's statement continued

Supporting UK investment and innovation

The Scheme is a significant investor in the UK with 65% of the portfolio invested in the UK across a wide range of asset classes. Representatives from the Trustee Board had the opportunity to visit one of these investments, Silverstone Park, together with a small group of members, in June.

Over the last decade, Silverstone Park has evolved to become a centre for advanced engineering, digital manufacturing and emerging technologies. Located within the strategically important Oxford-Cambridge technology arc and at the heart of the Silverstone Technology cluster, which is itself home to approximately 3,500 specialist engineering firms, Silverstone Park hosts more than 90 companies engaged in high value manufacturing, research and development. It employs around 2,700 people and plays an active role in widening participation in science, technology, engineering and mathematics (STEM) through initiatives such as its Women's Innovation Network and the Silverstone Schools Programme which is designed to inspire the next generation of British engineers.

The Park's success and planned expansion demonstrate how UK asset owners can strengthen domestic capabilities across advanced manufacturing, digital engineering and adjacent sectors - such as aerospace, energy systems, medical technology, defence and space - that are central to the UK's future economic and technological strength.

A short video from the day can be found [here](#).

Ensuring effective governance

Following the introduction of The Pensions Regulator's (TPR) new General Code of Practice, the Scheme completed a programme of work to evaluate the effectiveness of the Scheme's system of governance. This was a robust, holistic assessment into how the Scheme's governance structures and processes work in practice and the way potential risks to governance are managed. Following the review and some policy and procedures updates, I am pleased to report that the Trustee is satisfied that the BTPS system of governance is effective and this will continue to be monitored.

Looking ahead

While uncertainty is likely to remain a defining feature of the external environment, the Scheme is well positioned and we continued to remain focused on our long-term objectives.

We continue to enjoy a productive and constructive relationship with BT and I would like to thank my fellow Trustees and the Brightwell team for their continued dedication to the Scheme and its members over the past year.



Jill Mackenzie

Chair of the BTPS Trustee Board
30 September 2026



BTPS: Purpose, objectives and operating model

Purpose

The Scheme's primary purpose is to ensure that there are sufficient assets to pay the right benefits to members and their beneficiaries as they fall due.

Scheme objectives



Provide **top quartile** member services at **below median** cost



Achieve full funding by **2030**

Our investment portfolio will:



Protect the Scheme against increases in liabilities
by appropriately hedging against changes to interest rates, inflation, and longevity



Generate **sufficient cashflows** to cover promised pension payments



Be **resilient** against long term risks
such as climate change, technological disruption, and geopolitical instability

BTPS operating model

BTPS is a defined benefit pension scheme for employees, former employees and dependants of BT and some of its associated companies.

The Scheme's Trustee is BT Pension Scheme Trustees Limited, a corporate Trustee with ultimate fiduciary responsibility for the Scheme and its members. The Board is comprised of nine Trustee Board Directors, made up of four Employer-Nominated Directors (ENDs), four Member-Nominated Directors (MNDs), and a Chair appointed by the employer in consultation with the recognised trade unions and The National Federation of Occupational Pensioners (NFOP) (collectively, the BT Unions).

The Trustee delegates day-to-day responsibility for the management of the Scheme to Brightwell. The Trustee oversees Brightwell in its provision of a high-quality, cost-effective service to BTPS members and the Trustee. These services are deliberately tailored to the Scheme's needs and specific challenges.

Role of Brightwell

Brightwell is the primary service provider to BTPS. Brightwell works closely with the BTPS Trustee, and BT as the Scheme's sponsor, to ensure there is consistency in serving BT's current and former employees. Brightwell acquired pensions administration technology company Procentia in 2019 to strengthen its member services platform.

Brightwell provides a unique bundled service offering to BTPS. This service includes funding and investment services, pension administration and member services, scheme services, and scheme executive services.

BTPS: Purpose, objectives and operating model

A message from Morten Nilsson, Brightwell CEO

Brightwell is proud to have served BTPS throughout the year to 30 June 2026, supporting the Trustee in delivering its core purpose: ensuring members' benefits are paid in full and on time.

Over the past year, we have worked closely with the Trustee Board to advance its strategic priorities in what continues to be a complex and rapidly changing external environment. In line with the Scheme's focus on resilience, our work has supported the ongoing development of a funding and investment approach designed to deliver greater stability and ensure the Scheme remains well positioned to meet its objectives.

Supporting the triennial valuation

A key area of focus has been supporting the preparation of the 2026 triennial valuation. We have engaged directly with BT and worked in close partnership with the Trustee Board, providing strategic advice and analysis to support discussions helping to ensure the valuation process is aligned to achieving the Scheme's long-term objectives.

Continuing to build the cashflow-aware portfolio

As the Scheme continues to mature, its transition to a more cashflow-aware portfolio remains central. Through our role as sole fiduciary manager, we have supported the implementation of an investment approach that increasingly aligns asset cashflows with pension payments, reduces funding volatility and strengthens long-term resilience.

Innovation for improved efficiency

Innovation and continuous improvement are central to the service we provide. This year, we implemented Procentia's actuarial valuation platform, Intelli-ACT, for BTPS. Built in partnership with Brightwell, this platform uses advanced computational engineering and data science to generate detailed liability cashflows at pace, improving efficiency, enhancing decision-making and reducing costs for the Scheme.

Nurturing the next generation of pension professionals

Ensuring that members' queries can be handled accurately, promptly and with empathy is key to member satisfaction. We believe this can only be achieved with modern digital systems, effective processes and competent and engaged administrators.

All of Brightwell's pensions administrators are Pensions Management Institute (PMI) qualified and in 2022 we established the Brightwell Pensions Academy providing accessible, paid training and career opportunities for people without any prior pensions experience. Nurturing new talent in this way helps to strengthen the long-term capability of the Scheme's administration.

Engaging with government and regulators

We have continued to support the Trustee's engagement with government, regulators and the wider industry. This includes contributing to consultation responses and collaborative initiatives aimed at improving outcomes for schemes and members, including work on the Pension Protection Fund levy framework.

Looking ahead, the environment is likely to remain uncertain, but strong governance, a disciplined funding and investment strategy, and a shared focus on resilience mean BTPS is well positioned for the future.

I would like to thank the Trustee Board for its continued partnership, and my colleagues at Brightwell for their dedication in delivering for the Scheme and its members.



Morten Nilsson

CEO, Brightwell

 **Brightwell**

More information on Brightwell can be found at www.brightwellpensions.com



Report by the Trustee: Governance of the Scheme

The governance arrangements for the Scheme are kept under continuous review and take account of the recommendations and Codes of Practice issued by The Pensions Regulator (TPR), and best practice.

The Trustee Board

The Board is composed of four Member-Nominated Directors (MNDs), four Employer-Nominated Directors (ENDs), and a Chair appointed by BT in consultation with the BT Unions. The Board discharges its responsibilities through an annual programme of Board and Committee meetings.

Over the course of the year, the Board considered a wide range of strategic and operational initiatives related to the Scheme's funding, investments and administration, and oversaw the programme of communications to members. Regular training sessions are run for the Board to enhance its knowledge and understanding of issues impacting BTPS and to inform its decision-making.

Changes to the Board during the year

David Viles retired as a Trustee Director on 31 March 2026, and Helen Charnley was appointed to the Board on 1 April 2026. Nigel Cotgrove sadly passed away on 21 June 2026. On 1 August 2026, William Taylor was appointed an interim Member-Nominated Trustee Director.

Our Trustee Directors



(C) Chair, and **(E)** Employer-Nominated Trustee Directors (ENDs). The Chair of the Trustee Board is appointed by BT after consultation with, and agreement of, the BT Unions. BT will determine the Chair's period of office. BT also appoints four ENDs. An END can be removed from office by BT.

(M) Member-Nominated Trustee Directors (MNDs) are appointed by BT after being selected by the BT Unions. Existing MNDs will be re-nominated at the end of their term of office, unless the MND decides not to stand again, or if one of the BT Unions disagrees. On request of the BT Unions, BT will, unless it considers the request to be unreasonable, remove an MND from office.

Full Trustee biographies are included on the Scheme website www.btps.co.uk

Report by the Trustee: Governance of the Scheme continued

Board committees

The Board has established three committees to support the governance of the Scheme: the Administration and Communications Committee (A&CC), the Audit and Risk Committee (ARC), and the Investment Committee (IC). Two sub-committees of the A&CC have also been established: the Internal Disputes Resolution Procedure Stage 2 Appeals Panel (IDRP2) and the Discretions Committee.

The table below shows the attendance by Trustee Directors at Trustee Board and Committee meetings (where they are a member) during the year ended 30 June 2026.

	Total meetings	Jill Mackenzie	Chris Cheetham	Helen Charnley	Andrew Clare	Matthew Davies	Nigel Cotgrove	Richard Henderson	Pauline Rourke	David Viles	Steve Dickson
Trustee Board	6	6*	6	1	6	6	6	6	6	5	6
Audit and Risk Committee	5			1		2*		5		4*	5
Investment Committee	5		5*		5	5					5
Administration and Communications Committee	6				6		6*	5	6		
Discretions Committee	5		4		5		5*	4			
Internal Dispute Resolution Procedure Stage 2 ("IDRP2")	3	3*		2					3*	1	

*Committee/ Board Chair

Changes to Committee Chairs for the period:

Audit and Risk Committee: David Viles until 28 January, Matt Davies from 6 May 2026.

Internal Dispute Resolution Procedure Stage 2 ("IDRP2"): Jill Mackenzie until 24 November 2025, Pauline Rourke from 27 April 2026.

Report by the Trustee: Governance of the Scheme continued

The Trustee Board is responsible for the Scheme's internal controls and risk management. Brightwell supports the Trustee Board with day-to-day risk management activities, including the implementation of policies, procedures, controls and risk management actions. Brightwell provides escalation and assurance on the management of risks to the Trustee Board and its respective committees.

The Trustee has identified the principal risks facing the Scheme which could impact their ability to meet the Scheme's strategic objectives and affect the Scheme's reputation. These include:



Investment risk

The Scheme faces a number of investment-related risks including credit, liquidity and market risk, as well as execution and funding risks. To manage these, the Trustee oversees the implementation of a structured investment process managed by experienced investment professionals. Investment risk is monitored on an ongoing basis, and regular reporting is provided to the Investment Committee and the Trustee Board.



Operational risk

The Scheme may be exposed to the risk of loss, whether direct or indirect, arising from inadequate or failed internal processes, personnel, and systems, or from external events. These risks include third-party failure, information security, cyber risk, regulatory change, criminal activity, pandemics and natural disasters. Operational risks are managed by a control environment which is regularly monitored, and reported to the Audit and Risk Committee and the Trustee Board.



Member services execution risk

The Scheme is exposed to the risk of non-compliance with the Scheme rules and requirements, resulting in a failure to provide members with a high standard of service. Member services risk is closely monitored and regular reporting is provided to the Administration and Communications Committee and the Trustee Board.



Strategic risk

The Scheme is exposed to a range of strategic risks including covenant, portfolio resilience, funding strategy and litigation/reputational risks. These risks are managed through a control environment which is regularly monitored and reported to the Trustee Board.

Report by the Trustee: Funding and investment

Investment strategy

The Scheme's main objective is to ensure there are sufficient assets to pay benefits to members and their beneficiaries as they fall due, and that all members and beneficiaries receive the benefits to which they are entitled under the rules of the Scheme. To do this, the Scheme aims to match cashflows received from its investments with cashflows it needs to pay benefits to members, whilst also managing funding volatility.

In considering the approach to meeting this objective, we take into account the expected progression of the Scheme's annual benefit payments relative to the projected level of Scheme assets as the Scheme matures. We have set an objective to reduce the level of investment risk gradually over time and to increase the level of cashflow-aware assets, which generate income to cover future pension payments as the proportion of retired members increases. The funding plan agreed as part of the 2023 valuation is intended to achieve full funding of the Scheme by 30 June 2030 and support the Scheme's transition to a fully cashflow-aware approach by 30 June 2034. The Trustee Board is progressing the 2026 triennial valuation with BT, and an update on the Scheme's funding position will be provided when the valuation has been agreed. The Trustee considers that a strong employer is the best support for the Scheme, and it takes independent advice on the quality of the covenant of BT and its ability to meet its obligations.

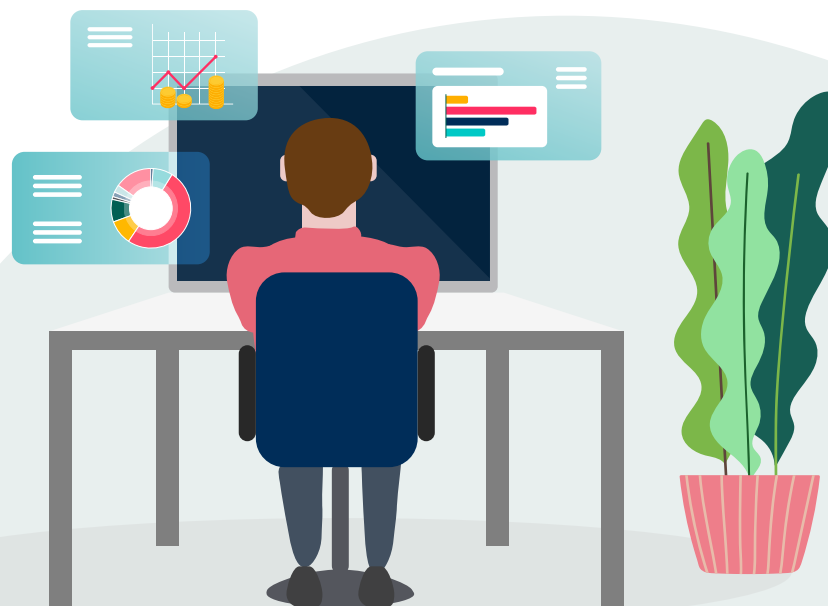
Investment risks and returns are monitored on an ongoing basis and are reviewed regularly by the Trustee. This is based on a sensitivity analysis of the Scheme to a wide range of factors including inflation, interest rates, currency, equity, credit and longevity, to assess the potential impact on funding and the risks associated with different asset allocations. The volatility of the Scheme's funding position has been reduced through the implementation of an interest rate and inflation-hedging programme. Longevity risk has been reduced over several years through the implementation of longevity insurance contracts.

The Scheme's assets and liabilities are actively monitored, and the Trustee receives ongoing reports on these. Delegation to Brightwell as sole fiduciary manager is clear and ensures the Scheme is well-positioned to respond quickly to changes in markets and funding levels.

Statement of Investment Principles

A Statement of Investment Principles (SIP) has been agreed by the Trustee following written advice from Brightwell and in consultation with BT. The preparation of this statement complies with the requirements of Section 35 of the Pensions Act 1995 and sets out, in general terms, the policy of the Trustee on a number of investment issues. This statement is reviewed regularly and was last updated in October 2025. The most recent Statement of Investment Principles is available at <https://co.uk/RegulatoryReporting>

Details on how the Trustee has implemented the SIP in relation to its stewardship activities are included in the Implementation Statement, which forms part of the Trustee's annual report, in Appendix one.



Report by the Trustee: Funding and investment continued

Asset allocation and the distribution of investments

The Trustee takes an integrated approach to the management of risk in the Scheme, setting an investment strategy that is consistent with funding a defined level of benefits within an acceptable level of risk while having regard to the ability of the employer to meet its obligation to the Scheme. The allocation of assets between different classes of investments is a key factor in delivering this investment strategy and is reviewed regularly by the Trustee.

The Scheme assets are managed, as a single portfolio, to a risk and return profile set at the most recent actuarial valuation of the Scheme. To deliver on Scheme objectives, a wide range of assets are held which, for practicality, are grouped by the Trustee into the following purpose-based categories:

Cashflow-aware: The key objective of the cashflow-aware category, which is primarily comprised of fixed income assets such as corporate bonds, is to generate income to cover future pension payments. This allocation also contributes to the Scheme return target, and the importance of this allocation will grow as the Scheme matures and pays out more in pensions each year.

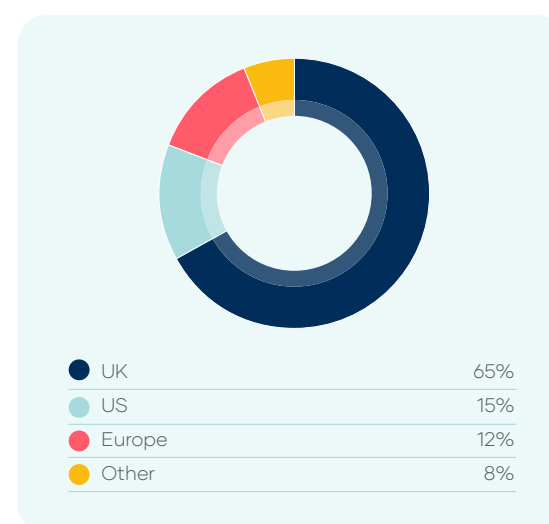
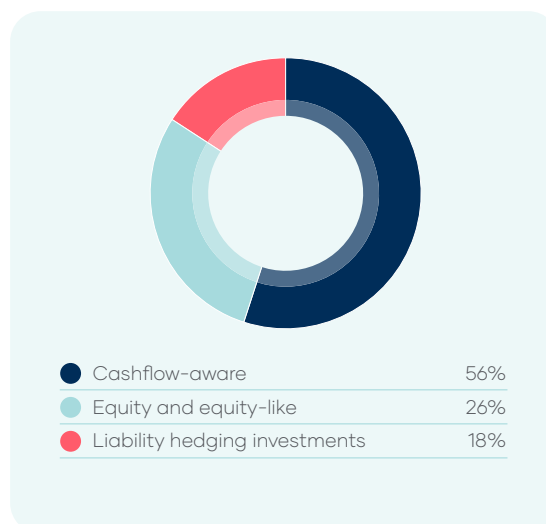
Equity and equity-like: Formed of growth-sensitive assets such as equities and property, this allocation is expected to contribute to the Scheme return target.

Liability hedging investments: Offsetting the impact on Scheme liabilities due to changes in interest rates and inflation, these investments, which include government bonds and derivative contracts, contribute to funding stability.

The Scheme is a significant investor in the UK

Through a diverse set of investments in government and corporate debt, as well as infrastructure, property and private equity, the Scheme is a significant investor in the UK and supports UK growth. UK investments comprise around two-thirds of the portfolio today, compared with around half five years ago.

The distribution of investments and geographical breakdown as at 30 June 2026 is shown in the charts below.



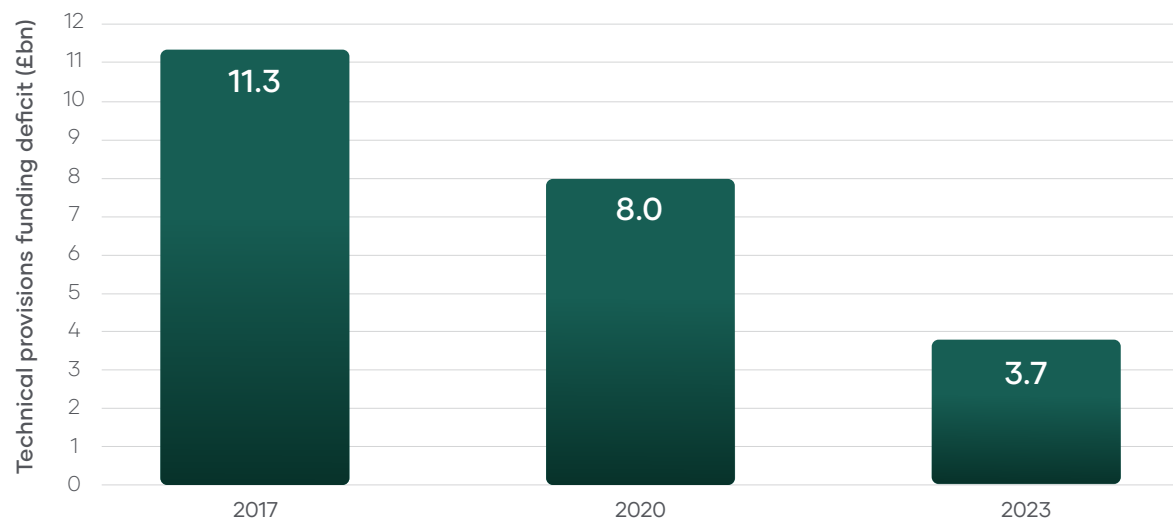
Report by the Trustee: Funding and investment continued

The portfolio is managed to achieve the following funding and investment-related objectives:

1 Eliminate the funding deficit

The most recent funding valuation, carried out as at 30 June 2023, identified a deficit of £3.7bn. Under the recovery plan, BT will make additional contributions to the Scheme, alongside the Scheme benefiting from long-term investment returns on its investment portfolio. Full details of the current recovery plan are provided in the actuary's report on page 50.

The chart below shows how the deficit has reduced over the previous three funding valuations. As noted earlier, a full triennial funding valuation is being prepared as at 30 June 2026, the results of which will be published after the date of this report.



Report by the Trustee: Funding and investment continued

2 Increase funding stability

In addition to eliminating the funding deficit, the Scheme's investment portfolio plays an important role in hedging against increases in liabilities arising from changes in interest rates and inflation.

This is achieved through liability hedging investments, such as inflation-linked bonds and inflation and interest rate derivatives. These investments are designed to offset changes in the value of the Scheme's liabilities. For example, if interest rates or inflation result in an increase in liabilities, the value of the hedging investments is expected to increase correspondingly, and vice versa.

This approach helps improve the stability of the Scheme's funding position by reducing the risk of the deficit increasing due to movements in interest rates or inflation.

At the year end, the interest rate and inflation hedge ratios (on a technical provisions basis) are approximately 95% and 94% respectively. This means that approximately 95% of changes in liabilities due to interest rate movements, and approximately 94% of changes due to inflation movements, are expected to be offset by changes in the value of the liability hedging investments.

Longevity hedging

The Trustee also manages longevity risk through specialised insurance contracts, which offset the impact of members living longer than expected on Scheme liabilities.

Longevity hedging also supports the alignment of investment cashflows with pension payments. As at 30 June 2026, the Scheme's longevity hedges covered approximately half of the Scheme's longevity risk.

3 Generate cashflows

The investment portfolio is also required to generate sufficient income to meet current and future pension payments. To achieve this, the Trustee invests in income-generating assets such as corporate bonds.

As the Scheme matures and pension payments increase, this allocation is expected to become increasingly important.

The Scheme's cashflow coverage ratio, which measures the proportion of future pension payments covered by cashflow-aware assets (including investment-grade corporate and government bonds), is currently around 77% and is expected to increase over time.

4 Increase resilience through sustainable investment

The Trustee believes that responsible investment supports long-term value, reduces risk and leads to better investment outcomes. As a long-term investor, these factors are critical to ensuring that member benefits can be paid.

The Scheme has a long-standing commitment to sustainable investment and was a founding signatory of the Principles for Responsible Investment (PRI) in 2006. Its focus on long-term outcomes for members is closely linked to sustainable investment and active stewardship, forming a core part of its fiduciary responsibilities.

Further information can be found in the following documents:

- [SIP Implementation Statement](#)
- [Net Zero 2035 and TCFD report](#)
- [Stewardship Code Response](#)

5 Protect the Scheme's assets

The Scheme's assets are held in the name of a custodian trustee, Britel Fund Trustees Limited, or are safeguarded by independent professional custodians appointed by the Trustee.

The Trustee operates a policy of separating asset management and custody to reduce the risk of misuse of Scheme assets. In addition, a small proportion of liquid assets is held with a secondary custodian as a contingency in the unlikely event of short-term business continuity issues affecting the master custodian. This approach is consistent with regulatory recommendations.

Custody arrangements are reviewed regularly to ensure they remain appropriate. The Northern Trust Company has acted as master custodian since 18 November 2008, and JP Morgan Chase was appointed as secondary custodian on 18 December 2015.

Report by the Trustee: Funding and investment continued

Measuring investment performance

The Trustee's primary measure of investment success is the extent to which the Scheme remains on track to meet its long-term funding requirements. Performance is assessed by considering the value of both the Scheme's liabilities and the value of its assets relative to broader market benchmarks.

An important feature of the Scheme's investment strategy is its liability hedging programme, which is designed to improve funding stability by reducing the impact of changes in interest rates and inflation expectations on the funding level. When movements in these factors affect the value of the Scheme's liabilities, the value of the hedging assets is expected to move in a corresponding way. As a result, the performance of the liability hedging portfolio can have a significant impact on reported investment returns, either positively or negatively, particularly over shorter periods. This is particularly the case over the last 5 years, which includes the 'mini-budget' gilt market crisis of October 2022. Over that period, the FTSE >5 year gilt index fell in value by (10.3%). This is a proxy for the Scheme's liabilities as well as hedging assets which form part of the Scheme's assets to offset or match the liabilities.

Against this backdrop, Scheme investments delivered a return of 3.3% for the year to 30 June 2026 and an annualised return of 1.2% over three years. Over the five years to 30 June 2026, Scheme investments delivered an annualised return of (6.2%). The negative return over this five year period was driven by the fall in liability hedging assets noted above, which was largely offset by a commensurate reduction in the value of the liabilities.

Maintaining appropriate investment exposures to BT

The Occupational Pension Schemes (Investment) Regulations 2005, together with the provisions of the Pensions Act 1995, place restrictions on pension scheme investments in employer-related investments (ERI). These regulations impose a statutory limit on the amount of ERI that a scheme may hold and require trustees to monitor and report their ERI exposure.

BTPS has entered into certain funding arrangements that, while not meeting the technical definition of an ERI under the legislation, nevertheless give rise to economic exposure to the sponsoring employer.

As at 30 June 2026 and 30 June 2025, the Scheme held no investments that met the statutory definition of employer-related investments. However, the Scheme has previously entered into the following funding arrangements to which BT is also currently a party in order to improve the funding and security for the Scheme:



An asset-backed funding arrangement, valued at £890 million at 30 June 2026 (2025: £970 million).



Investment in bonds issued by BT, valued at £1,646m at 30 June 2026 (2025: £1,566m)

The Trustee monitors these arrangements on an ongoing basis as part of its broader assessment of the Scheme's exposure to its sponsor.

Further detail on these arrangements is included on Note 24 of the financial statements.

The Trustee considers these arrangements to be appropriate and in the best interests of the Scheme and its members. They have been designed to provide additional support and security for members' benefits, and the Trustee remains satisfied that the resulting level of exposure to the sponsoring employer is suitable.

Report by the Trustee: Member services

The Trustee is committed to delivering a high quality, value for money service to Scheme members. To support this goal, we continuously review and refine member services, investing in both the team and the technology that underpin the Scheme's member services operations.

Cybersecurity and fraud protection

Keeping members' pensions and data safe from criminals is a top priority for the Trustee. Below is a snapshot of what happens behind the scenes to protect our members:



We reviewed over 220,000 electronic IDs over the last year to ensure our records are up-to-date when dealing with members.



We reviewed over 10,000 bank account changes made by members to check for anything unusual.



We identified attempted fraud and have taken action to prevent fraudsters from accessing members' funds.



We continue to work closely with the wider industry to review criminal behaviour across the pensions, insurance and financial services sector to understand emerging threats.



We continue to work closely with law enforcement and authorities once we identify any criminal activity.

Pensions Dashboards

The Pensions Dashboards Programme is a government initiative designed to enable individuals to view all of their pension entitlements in one place. More information on the programme can be found [here](#).

In preparation, BTPS successfully connected to the Pensions Dashboard in November 2025, and a number of members have since taken part in testing.

We are continuing to prepare our administration teams to ensure we are fully ready for the launch of Dashboards to the general public, which is currently expected within the next 18 months.

Member portal:

The last 12 months in numbers

Over
257,000
distinct calculations run

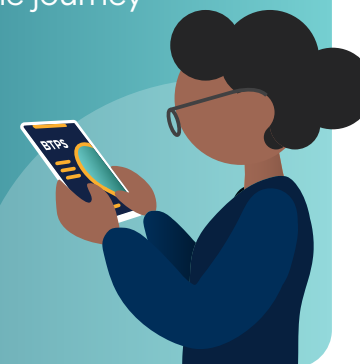
87,000
distinct member logins

Over
9,700
new portal registrations



58%
of total member
requests submitted
through the portal

Over 2,700
members committed
to retire through the
online journey



Report by the Trustee: Member services continued



Listening to our members

To improve the service provided to members, feedback is requested after all interactions. Key themes are reviewed and action is taken when shortcomings are identified. Feedback is requested after calls, emails or when queries are raised on the Portal to provide an 'in the moment' perspective on how easy BTPS was to deal with.

We also gather more detailed feedback when a member has completed an end-to-end process such as retirement. During the year, 42,888 post-interaction surveys were completed.

Annual member satisfaction survey:

150,000

surveys sent to members



17,400

completed surveys



87.3

overall satisfaction, an increase of 0.8 from 2025



Improvements seen in all categories surveyed including timeliness, helpfulness and clarity.

Scheme membership and pension increases

The Scheme was closed to new entrants on 31 March 2001. During the year to 30 June 2026, there were 9 active members. The number of pensions in payment fell from 213,616 to 213,475, while the number of deferred members fell from 40,068 to 35,287.

Membership is divided into three sections: Section A, Section B and Section C. Further details are available at www.btps.co.uk

Pension increases are applied in line with legislation and the Scheme Rules. Currently, this means that, where applicable, pensions in Sections A and B increase in line with the Consumer Prices Index (CPI), while pensions in Section C increase in line with the Retail Prices Index (RPI), subject to a cap of 5%.

In April 2026, pensions in payment increased by 3.8% for Sections A and B, and by 4.2% for Section C. The Trustee does not have the authority to grant increases above those required under the Scheme Rules without BT's agreement.

For deferred members, pensions are revalued for the period between leaving service and retirement. Benefits accrued before 2011 are revalued in line with RPI, while benefits accrued from 2011 onwards are revalued in line with CPI.

Cash equivalent transfer values

Transfer values paid during the year were calculated in accordance with applicable regulations. Discretionary benefits are not included in these calculations.

Jill Mackenzie

30 September 2026

Chair of the BTPS Trustee Board

Statement of Trustee's responsibilities in relation to the audited financial statements

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee.

Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year, and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement about whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee's responsibilities accompanying the Trustee's Summary of contributions.

The Trustee is responsible for such internal controls as it determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept, and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme, and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Trustee of the BT Pension Scheme

Opinion

We have audited the financial statements of BT Pension Scheme ("the Scheme") for the year ended 30 June 2026 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 30 June 2026 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the Scheme's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- We consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Trustee Board and Audit and Risk Committee minutes and the Scheme's Risk Register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent auditor's report to the Trustee of the BT Pension Scheme continued

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee or their delegates (including the Scheme administrator and the Scheme management) may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of property, the longevity insurance contract, special purpose vehicles and Level 3 pooled investment vehicles. Based on this audit, we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

Procedures to address fraud risks

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included post close journals and journal entries considered to represent high risks.
- Assessing significant accounting estimates, including valuation of unquoted investments and investment entity subsidiaries, for any indicators of management bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have material effect on the financial statements from our general commercial and sector experience, and through discussion with the Trustee and their delegates (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence, and discussed with the Trustee and their delegates the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation, data protection legislation, and recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and their delegates, and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or is not evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 22 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance

Independent auditor's report to the Trustee of the BT Pension Scheme continued

with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would be to identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities and the summary of contributions), and the Chair's Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 18, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee for our audit work, for this report, or for the opinions we have formed.

Grant Archer

**for and on behalf of KPMG LLP,
Statutory Auditor**

Chartered Accountants

319 St Vincent Street,
Glasgow, G2 5AS

30 September 2026

Independent auditor's statement about contributions to the Trustee of the BT Pension Scheme

Statement about contributions

We have examined the Summary of contributions payable under the Schedule of Contributions to the BT Pension Scheme ("the Scheme") in respect of the Scheme year ended 30 June 2026 which is set out on page 23.

In our opinion, contributions for the Scheme year ended 30 June 2026, as reported in the Summary of Contributions and payable under the Schedule of Contributions have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 13 November 2023.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 23, the Scheme's Trustee is responsible for ensuring that there is a prepared, maintained and, from time-to-time, revised payment schedule showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Grant Archer

**for and on behalf of KPMG LLP,
Statutory Auditor**

Chartered Accountants

319 St Vincent Street,
Glasgow, G2 5AS

30 September 2026

Summary of contributions

Statement of Trustee's responsibilities in respect of contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and, from time-to-time, a revised Schedule of Contributions showing the rates of contributions payable towards the Scheme by, or on behalf of, the employer and the active members of the Scheme, and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme, and for ensuring that contributions are made to the Scheme in accordance with the Schedule. The summary opposite has been prepared on behalf of, and is the responsibility of, the Trustee. It sets out the employers' and employees' contributions payable to the Scheme under the Schedule of Contributions for the year ended 30 June 2026.

The Scheme's auditor reports on contributions payable under the Schedule, as shown in the '2026 per Schedule' column to the right, in their statement about contributions.

	2026 per Schedule £m	2026 additional £m	2026 total £m
Contributions			
Employer normal contributions	-	-	-
Employee normal contributions	-	-	-
Employer deficit funding contributions	10	-	10
Employer other contributions	27	-	27
Employee additional voluntary contributions	-	-	-
Total contributions reported in the Fund account	37	-	37
Payments by the employer to the co-investment vehicle	590	-	590
Total contributions and payments into the co-investment vehicle	627	-	627

Approved on behalf of the Trustee Board,

Jill Mackenzie

Chair

30 September 2026

Fund account

For the year ended 30 June 2026

	Notes	Year ended 30 June 2026 £m	Year ended 30 June 2025 £m
Contributions and benefits			
Employer contributions	3	37	38
Employee contributions	3	0	0
Total contributions		37	38
Benefits paid or payable	4	(2,811)	(2,893)
Payments to and on account of leavers	5	(14)	(16)
Administration expenses	6	(17)	(22)
Net withdrawals from dealing with members		(2,805)	(2,893)
Return on investments			
Investment income	8	365	532
Change in market value of investments	9	1,463	(21)
Investment management expenses	10	(70)	(70)
Interest payable		-	(3)
Taxation	11	2	3
Net returns on investments		1,760	441
Net decrease in the Scheme during the year		(1,045)	(2,452)
Net assets of the Scheme			
At 1 July		33,241	35,693
At 30 June		32,196	33,241

The notes on pages 26 to 49 form part of these financial statements.

Statement of net assets (available for benefits)

As at 30 June 2026

	Notes	30 June 2026 £m	30 June 2025 £m
Investment assets			
Equities	9	1,525	1,402
Bonds	9	23,368	23,366
Property	9	1,174	1,386
Pooled investment vehicles	9, 12	13,032	13,047
Loans	9	27	39
Derivatives	9, 13	3,509	3,567
AVC investments	9, 14	81	84
Deposits and short-term investments	9	585	637
Special purpose vehicles	9, 16	2,905	2,311
Other investment assets	9, 15	293	228
Total investment assets		46,499	46,067
Investment liabilities			
Derivatives	9, 13	(8,668)	(8,707)
Longevity insurance contract	9, 17	(1,006)	(1,053)
Other investment liabilities	9, 18	(4,392)	(2,865)
Total investment liabilities		(14,066)	(12,625)
Total net investments		32,433	33,442
Current assets	21	37	53
Current liabilities	22	(274)	(254)
Net assets of the Scheme at 30 June		32,196	33,241

The financial statements summarise the transactions of the Scheme and the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Actuary's statement and report on actuarial liabilities, and these financial statements should be read in conjunction with this report.

The notes on pages 26 to 49 form part of these financial statements.

These financial statements were approved by the Trustee Board on 30 September 2026 and signed on their behalf by:

Jill Mackenzie

Chair

Matt Davies

Trustee Director

Notes to the financial statements

1. Basis of preparation

Identification of the financial statements: The Scheme is established as a Trust under English law. The address for enquiries to the Scheme is included on page 65.

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including amendments to these regulations issued on 1 March 2016, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS 102) and guidance set out in the revised Statement of Recommended Practice ‘Financial Reports of Pension Schemes’ (Revised 2018) (Pensions SORP).

The financial statements have been prepared on the going concern basis. In performing the going concern assessment, the principal risks and uncertainties facing the Scheme have been reviewed and it has been concluded that these risks do not cast significant doubt on the Scheme’s ability to continue as a going concern. These include risks associated with Scheme funding, the employer covenant and Scheme investment performance, alongside legal, regulatory, and operational risks.

The impact of these risks, including the processes to mitigate and manage them, has been considered by the Trustee for a period of at least twelve months from the date of signing these financial statements. In reaching the going concern conclusion, the Trustee oversees reporting by Brightwell incorporating various severe but plausible individual and combined downside scenarios, covering the principal risks that could present a going concern risk to the Scheme, and consideration of post year-end events.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Treatment of subsidiary undertakings

In accordance with FRS 102, the Trustee is not required to prepare consolidated financial statements and has chosen not to do so.

Subsidiary undertakings are included at fair value within investment assets, and a summary of the undertakings’ net assets is provided as a note to the financial statements.

Functional and presentational currency

The Scheme’s functional currency and presentational currency is sterling (GBP). Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Transactions denominated in foreign currencies are translated into sterling at the spot exchange rate at the date of the transaction.

Foreign exchange gains and losses arising on conversion or translation are dealt with in the Fund account as part of the Change in market value of investments.

Contributions

Employer and employee normal contributions, and employer deficit funding and other contributions, are accounted for on an accruals basis in accordance with the Schedule of Contributions certified by the Actuary. Additional voluntary contributions are accounted for on an accruals basis.

Benefits

Pensions in payment are accounted for in the year in which they relate. Payments represent all valid benefit claims notified to the Trustee during the Scheme year. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pension benefits include realised gains or losses on longevity insurance contracts incurred during the year.

Transfers

Individual transfers in and out of the Scheme are accounted for on a cash basis. Group transfers are accounted for on a cash basis unless the terms of the agreements signed by the Trustee relating to such transfers state otherwise.

Administration and other expenses

Administration and other expenses are accounted for on an accruals basis.

Notes to the financial statements

Investments

Purchases and sales of securities are accounted for on a trade date basis. Property purchases are accounted for on exchange of unconditional contracts, otherwise on completion, and sales are accounted for on completion.

Offsetting financial assets and liabilities

Financial assets and liabilities are not offset unless there is a legally enforceable right to offset the assets and liabilities and the Scheme intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Valuation of investments

Investment assets and liabilities are included in the financial statements at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Securities listed on order-driven exchanges are valued at closing bid prices at the year end. Other securities listed on recognised stock exchanges are valued at closing bid prices. For bond investments this valuation is reduced by the accrued interest therein, with accrued interest included in other investment assets. Bond investments are classified as Level 1 in the fair valuation hierarchy where the valuation can be supported by quoted trade prices in active markets.

Unquoted securities consist of equities, bonds, pooled investment vehicles and loans, and are included at fair values estimated by the Trustee using appropriate valuation techniques. Unquoted equities are valued in accordance with International Private Equity and Venture Capital (IPEV) guidelines based on the latest information provided by investment managers, and the price of recent market transactions if they represent fair value. Unquoted bonds are valued using the latest market prices or discounted cash flow models that consider credit risk. Unquoted pooled investment vehicles are fair valued at year end based on the year end, or most recently available net asset valuations provided by investment managers. Unquoted corporate loans are carried at fair value using the latest available prices in the market.

UK investment properties are independently valued by Savills plc, chartered surveyors, on the basis of market value in accordance with the latest version of the RICS Valuation: Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the Red Book). Overseas properties are valued by independent nationally recognised appraisal firms that hold the Member of the Appraisal Institute designation. The valuations take into consideration the current estimate of the rental values and market yields of properties.

Derivatives are fair valued using the following valuation techniques:

For exchange-traded derivatives that are assets, fair value is based on closing bid prices. For exchange-traded derivatives that are liabilities, fair value is based on closing offer prices.

Futures contracts are exchange-traded and fair value is determined using the exchange price for closing out the contract at the year end.

Options can be exchange-traded or over-the-counter (OTC) contracts. For exchange-traded options contracts, fair value is determined using the exchange price for closing out the option at the year end. For over-the-counter options contracts, fair value is determined using pricing models that consider the time value of money, volatility, and the current market and contractual prices of the underlying instruments.

Swaps are over-the-counter contracts and fair value is the current value of the future expected net cash flows, taking into account the time value of money. Fair value is calculated using discounted cash flows and market data at year end.

Open forward foreign currency contracts are over-the-counter contracts and are valued using forward currency rates at the year end. The unrealised appreciation or depreciation on open forward foreign currency contracts is calculated based on the discounted net present value of the difference between the contracted rate and the rate to close out the contract.

The longevity insurance contract is valued based on the future expected net cash flows, taking into account the time value of money and using market data at the year end.

Notes to the financial statements

Special purpose vehicles

In accordance with the Pensions SORP, the asset-backed funding arrangement (ABF) described in Note 16 of the Financial statements is classified as a special purpose vehicle. The ABF entitles the Scheme to receive a stream of cashflows over a fixed period. The Scheme's right to receive these cashflows ceases in the event the Scheme becomes fully funded before the end of the fixed period. The ABF is valued using a stochastic valuation approach that considers the time value of money and the probability of the Scheme becoming fully funded before the end of the fixed period.

The co-investment vehicle described in Note 16 of the Financial statements is classified as a special purpose vehicle. Payments by BT into the co-investment vehicle increase the value of the Scheme's interest in this special purpose vehicle, and are treated as a change in market value in the Fund account. A deterministic valuation approach, which takes into account the conditions for receiving distributions from the co-investment vehicle at maturity, is used to value the Scheme's interest in this special purpose vehicle at the year end.

Distributions from the special purpose vehicles are treated as either income or capital receipts in accordance with the agreement between the Scheme and the Scottish Limited Partnership through which the arrangements are conducted.

Investment income

Dividend income from equity investments is accounted for on the ex-dividend date. Interest income from bonds, deposits and short-term investments is accounted for on an accruals basis. Rental income from property is

accounted for on an accruals basis. Income from pooled investment vehicles is accounted for when declared by the investment manager. Insurance risk fees on longevity insurance contracts are recognised in the year incurred.

Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the fair values of investments held at any time during the year, including gains and losses realised on sales of investments during the year and unrealised changes in market value of investments held at the year end.

Sale and repurchase agreements

Securities sold subject to repurchase agreements are included in the financial statements within their respective investment classes at the year end fair value of the securities to be repurchased. Cash received is recognised as an asset and the corresponding obligation is recognised as a liability. Securities purchased subject to reverse repurchase agreements are included in the financial statements within other investment assets at the year end fair value of the securities to be repurchased. The Scheme does not recognise the cash delivered to the counterparty as a receivable.

Collateral

Cash collateral balances due from and due to brokers are included in the financial statements within other investment assets and liabilities. Non-cash collateral pledged to the Scheme is not recognised, whilst non-cash collateral pledged by the Scheme continues to be recognised in the financial statements.

Commitments

Commitments for property investments are stated at the amount authorised by the Trustee to provide development finance and to purchase properties. Commitments for securities investments are stated at the amount which may be called on partially paid and unpaid shares, or which may be due on sub-underwriting contracts, or which remain undrawn in commitments to pooled investment vehicles.

Accounting estimates and judgements

No significant judgements have been made by the Trustee in the application of the principal accounting policies. Significant assumptions and estimates have been made in the valuation of the Scheme's financial assets and liabilities classified as level 3 under the fair valuation hierarchy. Details of these financial assets and liabilities, the valuation techniques applied, and the significant valuation assumptions, are provided in Note 19 of these financial statements.

As noted above, UK investment properties are valued in accordance with the RICS Red Book standards. There is risk to the fair value of the Scheme's property investments, comprising variation in the yields that the market attributes to the real estate investments and the market income that may be earned. Real estate investments can be impacted adversely by external factors such as the general economic climate, supply and demand dynamics in the market, competition and increase in operating costs.

Notes to the financial statements

3. Contributions

Contributions to the Scheme are set out in the following table. In addition to the deficit funding contributions, the employer also made payments of £590 million to the co-investment vehicle during the year. This receipt is recognised within Change in market value of investments in the Fund account.

	Year ended 30 June 2026 £m	Year ended 30 June 2025 £m
Employer normal contributions	0	0
Employer deficit funding contributions ¹	10	10
Employer other contributions ^{2,3} (refer to note 6)	27	28
Employer contributions	37	38
Employee normal contributions	0	0
Employee additional voluntary contributions	0	0
Employee purchase of added years	0	0
Employee contributions	0	0
Total contributions	37	38

¹ Deficit funding contributions are being paid into the Scheme by the employer in accordance with a recovery plan, due to end on 31 December 2035, in order to improve the Scheme's funding position.

² Employer other contributions include reimbursement of the Pension Protection Fund levy (PPF levy) in accordance with the Schedule of Contributions certified on 13 November 2023.

³ An amount of £27 million is included within Employer other contributions in respect of administrative expenses (2025: £28m).

4. Benefits paid or payable

	Year ended 30 June 2026 £m	Year ended 30 June 2025 £m
Pensions ⁴	2,561	2,535
Commutations of pensions and lump sum retirement	247	354
Lump sum death benefits	3	4
Total	2,811	2,893

⁴ The Scheme has entered into longevity insurance arrangements to protect the Scheme against costs associated with potential increases in life expectancy. These arrangements cover approximately half of the Scheme's longevity risk. Pensions benefits include a realised loss of £34 million on the arrangement during the year (2025: realised loss of £31 million).

In 2019, the High Court clarified that trustees will need to equalise benefits to allow for inequalities that arise from the calculation and payment terms for guaranteed minimum pensions (GMP). As a result, some members will receive higher pensions and will be eligible for back pay of historical pension entitlements. All GMPs were equalised in the year to 30 June 2024.

Notes to the financial statements

5. Payments to and on account of leavers

	Year ended 30 June 2026 (£m)	Year ended 30 June 2025 (£m)
Individual transfers out	14	16
Total	14	16

6. Administration expenses

	Year ended 30 June 2026 (£m)	Year ended 30 June 2025 (£m)
Net PPF levy and associated costs (refer to note 3)	-	3
Administration expenses ⁵	17	19
Total	17	22

⁵ Administration expenses include £10 million of expenses to operate both BT Pension Scheme Management Limited and BT Pension Scheme Administration Limited (2025: £10 million), actuary fees, custody fees, legal fees and other professional fees, and Trustee fees and expenses. Refer to note 24 'Related party transactions' for further information.

7. Auditor's remuneration

A summary of remuneration received by KPMG LLP as auditor to the Scheme and subsidiary undertakings during the year are disclosed in the table below.

	Year ended 30 June 2026 (£k)	Year ended 30 June 2025 (£k)
Fees payable to the Scheme auditor for audit of the Scheme financial statements	460	457
Fees payable to the Scheme auditor for audit of the Scheme subsidiaries and investment entities pursuant to legislation	1,831	2,056
Total audit fees	2,291	2,513
Audit-related assurance services	30	31
Taxation compliance services	-	-
Other assurance services	-	-
All other services	-	-
Total non-audit fees	30	31
Fees payable to the Scheme's auditor in respect of associated pension scheme	23	22
Total	2,344	2,566

Notes to the financial statements

8. Investment income

	Year ended 30 June 2026 £m	Year ended 30 June 2025 £m
Dividends from equities	52	42
Income from bonds ⁶	570	565
Net rental income from properties ⁷	35	57
Income from pooled investment vehicles	374	330
Derivatives	(609)	(421)
Longevity reinsurance risk fees	(39)	(38)
Special purpose vehicles	38	43
Interest payable on repurchase agreements	(86)	(85)
Interest on deposits and short-term investments	30	39
Total	365	532

⁶Includes income of £55 million (2025: £54 million) on bonds issued by BT. Refer to note 24 'Related party transactions' for further information.

⁷Net rental income from properties is stated after deducting £42 million of property related expenses (2025: £43 million).

9. Reconciliation of investments

	Market value at 30 June 2025, £m	Net investment / (divestment), £m	Change in market value, £m	Market value at 30 June 2026, £m
Investment assets/(liabilities)				
Equities	1,402	37	86	1,525
Bonds	23,366	(290)	292	23,368
Property	1,386	(138)	(74)	1,174
Pooled investment vehicles	13,047	(427)	412	13,032
Loans	39	(12)	-	27
Derivatives ⁸	(5,140)	75	(94)	(5,159)
AVC investments	84	(17)	14	81
Special purpose vehicles	2,311	(180)	774	2,905
Longevity insurance contract	(1,053)	-	47	(1,006)
	35,442	(952)	1,457	35,947
Deposits and short-term investments	637		6	585
Other investment assets/(liabilities)	(2,637)		-	(4,099)
	33,442		1,463	32,433

⁸Derivatives include both derivative assets and liabilities which are presented separately in the Statement of net assets.

Notes to the financial statements

9. Reconciliation of investments (continued)

	Purchases at cost and derivative payments 2026 £m	Sales proceeds and derivative receipts 2026 £m	Net investment / (divestment) 2026 £m
Investment assets / (liabilities)			
Equities	987	(950)	37
Bonds	7,089	(7,379)	(290)
Property	18	(156)	(138)
Pooled investment vehicles	2,377	(2,804)	(427)
Loans	-	(12)	(12)
Derivatives ⁸	739	(664)	75
AVC investments	-	(17)	(17)
Special purpose vehicles	-	(180)	(180)
Longevity insurance contract	-	-	-
	11,210	(12,162)	(952)

Transaction costs are incremental costs directly attributable to the acquisition or disposal of an investment, and are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs incurred during the year amounted to £4 million and include fees, commissions, and taxes (2025: £2 million). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments and costs charged within pooled investment vehicles. These are not separately provided to the Scheme.

Investment class	Year ended 30 June 2026			Year ended 30 June 2025		
	Fees and commissions £m	Taxes £m	Total £m	Fees and commissions £m	Taxes £m	Total £m
Equities	-	1	1	1	-	1
Property	1	-	1	1	-	1
Pooled investment vehicles	2	-	2	-	-	-
Total	3	1	4	2	-	2

Notes to the financial statements

10. Investment management expenses

	Year ended 30 June 2026 £m	Year ended 30 June 2025 £m
Investment management expenses ⁹	70	70
Total	70	70

⁹ Investment management expenses include £37 million of expenses to operate BT Pension Scheme Management Limited (2025: £37 million). Refer to note 24 'Related party transactions' for further information.

11. Taxation

The Scheme is a registered pension scheme under the provisions of Finance Act 2004. This enables the Scheme to benefit from an exemption to UK income tax on investment income and an exemption from capital gains tax on disposals of investments. However, income from trading activity remains taxable in the UK.

The tax charge or credit presented in the Fund account represents irrecoverable withholding taxes, or refunds of withholding taxes arising on investment income.

In managing the tax risk and profile of the Scheme, the Trustee seeks to comply with all relevant tax laws and regulations in all relevant jurisdictions in which the Scheme operates and/or invests.

12. Pooled investment vehicles

	30 June 2026 £m	30 June 2025 £m
Equities	985	1,349
Bonds	2,226	2,122
Hedge funds	5,628	5,313
Liquidity funds	427	335
Mature infrastructure	859	915
Private equity	1,032	990
Property	1,875	2,023
Total	13,032	13,047

Included within property is £595 million (2025: £725 million) related to the investment in limited partnerships whose sole purpose is to hold property investments. These investments are managed on a direct basis by the Scheme's real estate investment manager and BTPS is the sole limited partner to these partnerships. The main asset in each of these limited partnerships is property. On this basis, the Trustee has classified these limited partnership investments as direct property assets.

The fair value of subsidiary undertakings that are included in the Scheme's net assets as pooled investment vehicles amounted to £5,300 million (2025: £4,741 million). This comprised of £8,285 million of assets and £2,985 million of liabilities (2025: £8,014 million of assets and £3,273 million of liabilities).

Notes to the financial statements

13. Derivatives

Objectives

The Trustee has authorised the use of derivatives as part of the overall investment strategy for the Scheme. The main objectives for the use of derivatives are summarised below.

Futures contracts

Futures contracts are entered into as a method of managing the Scheme's exposure to a particular market or sector. Futures contracts provide an efficient way of modifying portfolio risk to remain within asset allocations governed by the investment strategy of the Scheme.

Options contracts

Options contracts are purchased or sold as a method of managing the Scheme's exposure to a particular market or sector.

Swap contracts

Swap contracts are used to modify the Scheme's exposure to various asset classes. Interest rate swaps are held to decrease the Scheme's interest rate risk exposure. Inflation swaps are held to decrease the Scheme's inflation risk exposure.

Foreign exchange forward contracts

Foreign exchange forward contracts are used to manage the Scheme's currency exposures.

Disclosure of the derivatives held at year end is set out opposite.

Assets	30 June 2026 £m	30 June 2025 £m
Futures	4	5
Options	-	2
Swaps	3,487	3,308
Forward foreign exchange	18	252
	3,509	3,567

Liabilities	30 June 2026 £m	30 June 2025 £m
Futures	(4)	(4)
Options	(3)	(27)
Swaps	(8,543)	(8,628)
Forward foreign exchange	(118)	(48)
	(8,668)	(8,707)

Notes to the financial statements

13. Derivatives (continued)

The economic exposure represents the notional value of securities purchased or sold under the futures contracts. All of the contracts settle within one year (2025: all contracts settle within one year). As at 30 June 2026, the Scheme held net cash collateral of £9 million on futures contracts (2025: the Scheme held net cash collateral of £10 million on futures contracts).

Futures	30 June 2026				30 June 2025			
	Exposure				Exposure			
Type of contract	Long £m	Short £m	Asset £m	Liability £m	Long £m	Short £m	Asset £m	Liability £m
Exchange traded								
Fixed interest	283	(641)	4	(4)	247	(564)	5	(4)
	283	(641)	4	(4)	247	(564)	5	(4)

Notional amount of outstanding contracts represents the value of underlying securities covered by the purchased options. All of the contracts settle within one year (2025: all of the contracts settle within two years).

Options	30 June 2026			30 June 2025		
	Notional £m	Asset £m	Liability £m	Notional £m	Asset £m	Liability £m
Exchange traded						
Equities	-	-	-	707	2	-
	-	-	-	707	2	-
Over the counter						
Currency options – put	975	-	(2)	926	-	(1)
Currency options – call	416	-	(1)	1,179	-	(10)
Interest rate swaptions – fixed versus floating	-	-	-	200	-	(16)
Credit swaptions – CDS index	15	-	-	29	-	-
	1,406	-	(3)	2,334	-	(27)
	1,406	-	(3)	3,041	2	(27)

Notes to the financial statements

13. Derivatives (continued)

Swaps	30 June 2026				
Type of contract	Expiration	Nature of swap	Notional £m	Asset £m	Liability £m
Equity total return	< 4 years	Index	2,236	7	(3)
Bond total return	< 3 years	Government bond	971	1	(21)
Interest rate	< 49 years	Fixed versus floating	55,773	1,744	(8,001)
Inflation	< 49 years	Fixed versus RPI or CPI	38,530	1,734	(518)
Credit default	< 5 years	CDS index	53	1	-
			97,563	3,487	(8,543)

Swaps	30 June 2025				
Type of contract	Expiration	Nature of swap	Notional £m	Asset £m	Liability £m
Equity total return	< 4 years	Index	1,886	2	(6)
Bond total return	< 2 years	Government bond	716	7	(12)
Interest rate	< 50 years	Fixed versus floating	53,880	1,636	(8,068)
Inflation	< 46 years	Fixed versus RPI or CPI	31,549	1,662	(542)
Credit default	< 5 years	CDS index	56	1	-
			88,087	3,308	(8,628)

The Scheme held cash collateral of £0 million, received pledged bond collateral of £339 million, and it pledged bond collateral of £5,881 million on OTC derivative contracts (2025: the Scheme held cash collateral of £15 million, received pledged bond collateral of £477 million, and it pledged bond collateral of £5,990 million on OTC derivative contracts).

Notes to the financial statements

13. Derivatives (continued)

		Forward foreign exchange					
Currency		30 June 2026			30 June 2025		
Bought	Sold	Notional £m	Asset £m	Liability £m	Notional £m	Asset £m	Liability £m
GBP	USD	8,039	4	(103)	7,683	228	(1)
GBP	Other	679	9	-	356	4	(1)
USD	Other	1,090	4	(3)	1,365	-	(35)
Other	Other	829	1	(12)	1,239	20	(11)
		10,637	18	(118)	10,643	252	(48)

All of the contracts settle in less than one year (2025: all of the contracts settle in less than one year).

14. Additional voluntary contributions

Members' additional voluntary contributions (AVCs) are invested separately from the principal Scheme on a money purchase basis with Legal & General Investment Management Limited and Standard Life Assurance Company. These assets are in the form of pension policies securing additional benefits on a money purchase basis for members who elected to pay AVCs. Members participating in these arrangements receive an individual annual statement each year confirming the amounts held in their account and the movements in the year. The aggregate amount of AVC investments is as follows:

	30 June 2026 £m	30 June 2025 £m
At start of year	84	99
Net withdrawals by members	(17)	(22)
Change in market value of investments	14	7
At end of year	81	84

15. Other investment assets

	30 June 2026 £m	30 June 2025 £m
Accrued investment income	174	164
Amounts due from brokers	86	33
Margin deposits - initial	5	3
Margin deposits - variation	10	10
Other ¹⁰	18	18
Total	293	228

¹⁰ Relates to pension surplus on the Hermes Group Pension Scheme valued in accordance with FRS 102. Refer to note 24 'Related party transactions' for further information.

Notes to the financial statements

16. Special purpose vehicles

	30 June 2026 (£m)	30 June 2025 (£m)
Asset-backed funding arrangement	890	970
Co-investment vehicle	2,015	1,341
Total	2,905	2,311

Asset-backed funding arrangement

The asset-backed funding arrangement is undertaken through the entity BT Falcon 1 LP. On 12 May 2021, the Scheme invested as a limited partner in BT Falcon 1 LP, a Scottish limited partnership, in which the other partners are companies in the BT group. The partnership holds a loan note issued by EE Group Investments Limited, a BT group company, with a face value of £1,925 million.

The loan note pays interest at a coupon rate of 3.377% per annum. Repayments to BT Falcon 1 LP follow a linear amortisation profile, with payments on the note due annually in June.

The loan note is due to mature in 2033, twelve years after issue. The Scheme received a deficit funding contribution from BT of £1,660 million to fund its investment in BT Falcon 1 LP. EE Group Investments Limited owns 100% of the shares in EE Limited. BT Falcon 1 LP holds security over certain EE Group Investments Limited's assets, including its shares in EE Limited, so that in the case of default under the loan note, the Scheme, as a limited partner, ultimately has recourse to the shares of EE Limited.

The purchase cost of the Scheme's limited partnership interest was £1,660 million. Under the terms of the limited partnership agreement and subject to the conditions therein, on or before 30 June each year, BT Falcon 1 LP will distribute to the Scheme capital and interest amounts it has received in respect of the loan note, provided that the Scheme was in deficit on a technical provisions basis as at 30 June of the preceding year.

The Trustee commissioned Willis Towers Watson to perform a valuation for financial statements purposes of the Scheme's limited partnership interest in BT Falcon 1 LP at inception and at each year end. The valuation is based on the net present value of the coupon receipts, discounted as for securities of similar standing, and uses a stochastic model to estimate the likelihood of becoming fully funded on a technical provisions basis before the term of the partnership is completed. As at 30 June 2026, following receipt of the sixth £180 million payment of capital and interest, the value of the Scheme's limited

partnership interest in BT Falcon 1 LP was £890 million, representing 2.8% of the Scheme's net assets, whilst the principal amount outstanding of the EE loan note held by BT Falcon 1 LP was £1,135 million.

As the loan note is held by BT Falcon 1 LP and BT Falcon 1 LP is a Scottish limited partnership with separate legal personality, it does not amount to an employer-related investment for the purposes of the relevant ERI regulations.

Co-investment vehicle

The Scheme is a limited partner in the co-investment vehicle, BT Falcon 2 LP. The general partner of BT Falcon 2 LP is BT Corporate Limited, and BT plc is a limited partner in BT Falcon 2 LP. In the year to 30 June 2026, BT made payments of £590 million into the co-investment vehicle. Amounts paid by BT into the co-investment vehicle are included in the fair value of the assets of the Scheme. During the year, the co-investment vehicle advanced the funds in the vehicle to Britel Scotland II LP, a Scheme-owned entity, via a loan arrangement.

The loan advanced by BT Falcon 2 LP has been made on an arms-length basis. In considering the fair value of the Scheme's interest in the co-investment vehicle, the Trustee has considered the fair value of the vehicle's net assets, including the loan advanced to Britel Scotland II LP. A deterministic valuation approach, which takes into account the conditions for receiving distributions from the co-investment vehicle at maturity, has been used to value the Scheme's interest in this special purpose vehicle at the year end. The loan payable by Britel Scotland II LP is recognised within Note 18 'Other investment liabilities'. As at 30 June 2026, the value of the Scheme's Limited Partnership Interest in BT Falcon 2 LP was £2,015 million, representing 6.3% of the Scheme's net assets.

As both BT Falcon 2 LP and Britel Scotland II LP are Scottish Limited Partnerships, this arrangement does not amount to an employer-related investment for the purposes of the relevant ERI regulations.

Notes to the financial statements

17. Longevity insurance contract

	30 June 2026 £m	30 June 2025 £m
Longevity insurance contract ¹¹	1,006	1,053
Total	1,006	1,053

¹¹Represents unrealised losses on longevity insurance contracts involving the exchange of future payments based on expected longevity with future payments based on actual longevity. The Scheme pledged bond collateral of £1,609 million and received bond collateral of £4 million in respect of longevity insurance contracts at 30 June 2026 (2025: the Scheme pledged bond collateral of £1,467 million).

18. Other investment liabilities

	30 June 2026 £m	30 June 2025 £m
Amounts due to brokers	105	79
Deferred income	11	13
Repurchase arrangements	2,225	1,426
Payable to co-investment vehicle	2,015	1,341
Accrued interest	29	-
Margin deposits - initial	6	6
Margin deposits - variation	1	-
Total	4,392	2,865

Including the value of securities delivered under the contracts, the Scheme pledged bond collateral of £2,254 million in respect of repurchase arrangements (2025: the Scheme pledged bond collateral of £1,624 million).

Notes to the financial statements

19. Fair valuation hierarchy

The fair values of financial assets and liabilities have been estimated based on the following fair value hierarchy:



Level 1

Unadjusted quoted price in an active market for identical assets or liabilities that can be accessed at the measurement date



Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly



Level 3

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing whether inputs are observable, and whether the unobservable inputs are significant, may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. The Scheme's financial assets and liabilities have been fair valued using the hierarchy categories.

30 June 2026	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	1,117	-	408	1,525
Bonds	12,565	10,761	42	23,368
Property	-	-	1,174	1,174
Pooled investment vehicles	-	4,064	8,968	13,032
Loans	-	27	-	27
Derivatives	-	(5,159)	-	(5,159)
AVC investments	-	81	-	81
Longevity insurance contract	-	-	(1,006)	(1,006)
Special purpose vehicles	-	-	2,905	2,905
Deposits and short term investments	585	-	-	585
Other investment assets/(liabilities)	121	(4,238)	18	(4,099)
Total	14,388	5,536	12,509	32,433

30 June 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	1,033	-	369	1,402
Bonds	13,322	9,247	797	23,366
Property	-	-	1,386	1,386
Pooled investment vehicles	-	4,414	8,633	13,047
Loans	-	39	-	39
Derivatives	3	(5,143)	-	(5,140)
AVC investments	-	84	-	84
Longevity insurance contract	-	-	(1,053)	(1,053)
Special purpose vehicles	-	-	2,311	2,311
Deposits and short term investments	637	-	-	637
Other investment assets/(liabilities)	112	(2,767)	18	(2,637)
Total	15,107	5,874	12,461	33,442

Notes to the financial statements

19. Fair valuation hierarchy (continued)

The significant assumptions applied in the determination of fair values for financial assets and liabilities subject to valuation techniques are set out below.

Level 2	30 June 2026 £m	30 June 2025 £m	Valuation technique	Significant assumptions
Bonds	10,761	9,247	Evaluated pricing models, broker quotes	Credit risk, market risk, yield curves
Pooled investment vehicles	4,064	4,414	Fund net asset values	Redemption premium/discount
Loans	27	39	Amortised cost	Discount rate, credit risk
Derivatives	(5,159)	(5,143)	Forward rates, yield curves	Cost of carry, yield curves
AVC investments	81	84	Fund net asset values	Redemption discount
Other investment liabilities /assets	(4,238)	(2,767)	Amortised cost	Repo rate, credit risk, discount rate
Total	5,536	5,874		

Level 3	30 June 2026 £m	30 June 2025 £m	Valuation technique	Significant assumptions
Equities	408	369	IPEVC guidelines	Discount rate, earnings assumptions
Bonds	42	797	Evaluated pricing models, broker quotes	Credit risk, market risk, yield curves
Property	1,174	1,386	RICS guidelines	Rental yields, occupancy rates
Pooled investment vehicles	8,968	8,633	Fund net asset values	Redemption premium/discount
Longevity insurance contract	(1,006)	(1,053)	Discounted cashflow	Discount rate, cashflow profile, actuarial assumptions
Special purpose vehicles	2,905	2,311	Discounted cashflow, stochastic analysis	Discount rate, cashflow profile, actuarial assumptions
Other investment assets	18	18	Projected unit method, amortised cost	Inflation rate, salary increases, mortality assumptions
Total	12,509	12,461		

Notes to the financial statements

20. Investment risks

Investment objective

The investment objective of the Scheme is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules, as they fall due. The Trustee sets the investment strategy for the Scheme as detailed in the Statement of Investment Principles (SIP). FRS 102 requires the disclosure of information in relation to market risk and credit risk.

Market risk

This is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk.

- **Interest rate risk:** This is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.
- **Currency risk:** This is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Other price risk:** This is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuers, or factors affecting all similar financial instruments traded in the market.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Inflation risk

This is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in inflation.

The Scheme is subject to inflation risk because some of the Scheme's investments are held in inflation-linked bonds and derivatives. The Trustee hedges Scheme liabilities on a sensitivity basis as part of the investment strategy. Under this strategy, if inflation increases the value of inflation-linked investments will rise to help match the increase in actuarial liabilities arising from an increase in inflation-linked pension payments. Similarly, if inflation falls, the inflation-linked investments will fall in value, as will the actuarial liabilities.

Longevity risk

This is the risk of higher than expected life expectancy trends amongst the Scheme's pensioners.

Longevity insurance arrangements have been entered into to protect the Scheme against costs associated with potential increases in life expectancy of the Scheme's pensioners. These arrangements cover approximately half of the Scheme's longevity risk.

Liquidity risk

This is the risk that the Scheme will encounter difficulty in realising its assets or raising funds to meet its obligations, primarily in respect to funding members' pension benefits and collateral requirements. The Trustee manages the Scheme's liquidity risk by monitoring potential and actual future liquidity requirements on an ongoing basis, ensuring that sufficient cash resources can be made available for the projected cash requirements of the Scheme.

The Trustee manages investment risks within agreed risk limits which take into account the Scheme's strategic investment objectives. These objectives and risk limits are implemented by Brightwell, and through investment management agreements in place with investment managers, and are monitored by the Trustee. Further information on the Trustee's approach to risk management is detailed in this note.

Notes to the financial statements

20. Investment risks (continued)

Market Risk

Interest rate risk

The Scheme is subject to interest rate risk on investments including bonds, pooled investment vehicles, loans, derivatives, deposits and short-term investments. The Trustee hedges Scheme liabilities on a sensitivity basis as part of the investment strategy. Under this strategy, if interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, investment values will fall in value, as will the actuarial liabilities, because of an increase in the discount rate.

Currency risk

The Scheme is subject to currency risk as some investments are held in overseas markets, either as segregated investments or pooled investment vehicles. The Trustee manages currency exposures with strategic currency hedging benchmark limits achieved through a currency hedging policy. It is also exposed to indirect currency risk on underlying investments held in pooled investment vehicles.

Other price risk

Other price risk arises in the Scheme's investments portfolio that includes equities, property, pooled investment vehicles and derivatives. The Trustee has set a target investment return expected to be sufficient to

support payment of the Scheme's liabilities. A diverse portfolio of investments is used to manage exposure to price movements.

The table below summarises the extent to which various classes of investments are affected by market risks.

Market risk					
	Interest rate risk	Currency risk	Other price risk	30 June 2026 £m	30 June 2025 £m
Equities				1,525	1,402
Bonds				23,368	23,366
Property				1,174	1,386
Pooled investment vehicles				13,032	13,047
Loans				27	39
Derivatives				(5,159)	(5,140)
AVC investments				81	84
Longevity insurance contract				(1,006)	(1,053)
Special purpose vehicles				2,905	2,311
Deposits and short term investments				585	637
Other investment assets/(liabilities)				(4,099)	(2,637)
Total net investments				32,433	33,442

In the table, the relevant risks affect the asset classes with significant exposure, some exposure or minimal exposure, with the following definitions:

- An investment risk determined to have significant exposure is a risk that, in the judgment of management, represents a material component of gross overall investment risk exposure to the Scheme, before derivative overlay contracts are taken into consideration to manage investment risk.
- ◐ An investment risk determined to have some exposure is a risk that, in the judgement of management, has a limited contribution to gross overall investment risk exposure to the Scheme.
- An investment risk determined to have minimal exposure is a risk that, in the judgment of management, has a minimal contribution to gross overall investment risk to the Scheme.

In addition, the Trustee uses derivative contracts to manage investment risk exposures of the Scheme, as detailed in note 13.

Notes to the financial statements

20. Investment risks (continued)

Credit risk

The Scheme is subject to direct credit risk as it invests in bonds, pooled investment vehicles, loans, over-the-counter derivatives and special purpose vehicles, and holds deposits and short-term investments. It is also exposed to indirect credit risk on underlying investments held in pooled investment vehicles. The Pensions SORP recommends that credit risk exposure on investments in pooled investment vehicles is disclosed on a look-through basis. Credit quality of direct and indirect investments subject to credit risk is provided in this note.

30 June 2026	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Direct exposure				
Bonds	22,420	695	253	23,368
Pooled investment vehicles	-	-	13,032	13,032
Loans	-	-	27	27
OTC derivatives	(5,159)	-	-	(5,159)
Special purpose vehicles	-	-	2,905	2,905
Deposits and short term investments	585	-	-	585
Gross exposure	17,846	695	16,217	34,758
Credit derivatives (notional amount of contracts)	(53)	-	-	(53)
Net exposure	17,793	695	16,217	34,705
Indirect exposure				
Bonds	(3)	108	85	190
Pooled investment vehicles	-	-	946	946
Loans	7	129	1,684	1,820
OTC derivatives	-	-	20	20
Special purpose vehicles	-	-	-	-
Deposits and ST investments	33	-	-	33
Gross Exposure	37	237	2,735	3,009
Credit derivatives (notional amount of contracts)	(81)	-	-	(81)
Net exposure	(44)	237	2,735	2,928

Notes to the financial statements

20. Investment risks (continued)

30 June 2025	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Direct exposure				
Bonds	20,725	651	1,990	23,366
Pooled investment vehicles	-	-	13,047	13,047
Loans	-	-	39	39
OTC derivatives	(5,143)	-	-	(5,143)
Special purpose vehicles	-	-	2,311	2,311
Deposits and short term investments	637	-	-	637
Gross exposure	16,219	651	17,387	34,257
Credit derivatives (notional amount of contracts)	(56)	-	-	(56)
Net exposure	16,163	651	17,387	34,201
Indirect exposure				
Bonds	9	174	107	290
Pooled investment vehicles	-	-	1,171	1,171
Loans	-	141	1,751	1,892
OTC derivatives	-	-	15	15
Special purpose vehicles	-	-	-	-
Deposits and ST investments	22	-	2	24
Gross Exposure	31	315	3,046	3,392
Credit derivatives (notional amount of contracts)	(117)	-	-	(117)
Net exposure	(86)	315	3,046	3,275

An investment grade rating indicates that the counterparty to the security, investment or derivative contract has a relatively low risk of default. Credit risk is managed under a credit risk management and counterparty approval policy. Approved counterparties are subject to credit risk assessments, regular monitoring of exposures against approved limits, credit quality and changes in credit conditions. Credit risk on derivatives depends on whether the derivatives are exchange-traded or over-the-counter. Exchange-traded derivatives are transacted with clearing brokers and credit risk is restricted to margin amounts posted to the clearing broker. Over-the-counter derivatives are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure by the counterparty. International Swaps and Derivatives Association (ISDA) agreements with executed credit support annexes are in place with counterparties. The credit risk for over-the-counter derivatives is managed by collateral arrangements with counterparties.

The Scheme's investments in pooled investment vehicles are unrated. Credit risk on pooled investment vehicles is mitigated by the underlying investments of the pooled investment vehicles being ring-fenced from the investment manager, the regulatory environments in which the investment managers operate and diversification of investments amongst a number of pooled arrangements. Due diligence reviews of investment managers are conducted on an ongoing basis, including the monitoring of any changes to the regulatory and operating environments of investment managers.

Notes to the financial statements

21. Current assets

	30 June 2026 £m	30 June 2025 £m
Other debtors	37	53
Total	37	53

All contributions due to the Scheme were paid in full within the timescale required by the Schedule of Contributions in force at the year end.

22. Current liabilities

	30 June 2026 £m	30 June 2025 £m
Accrued benefits	193	165
Other creditors	81	89
Total	274	254

23. Securities lending

No securities were on loan as at 30 June 2026 (30 June 2025: none).

24. Related party transactions and balances

In considering the Scheme's related party relationships, it is necessary to assess the substance of relationships and not merely their legal form.

FRS 102 defines key management personnel as "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity".

This note provides information on transactions between the Scheme and related parties, all of which were conducted on terms equivalent to those that prevail in arm's length transactions.

Trustee related party transactions

Members of the Trustee Board represent key management personnel of the Scheme. Total compensation payable to members of the Trustee Board during the year was £0.5 million (2025: £0.4 million).

Notes to the financial statements

24. Related party transactions and balances (continued)

As employees of BT, Helen Charnley and Matt Davies received no fees.

Three Trustee Directors and the spouse of one Trustee Director were members of the Scheme during the year to 30 June 2026 (2025: two Trustee Directors and the spouse of one Trustee Director were members of the Scheme).

Further details on the compensation of members of the Trustee Board is included in the below table:

	Year ended 30 June 2026 £k	Year ended 30 June 2025 £k
Jill Mackenzie	164	160
Chris Cheetham	51	50
Andrew Clare	36	35
Nigel Cotgrove (died on 21 June 2026)	56	50
Steven Dickson (appointed 11 January 2025)	36	17
Andrew Kerr (died on 28 August 2024)	-	7
Richard Henderson (appointed 27 October 2024)	36	24
Ben Marshall (stepped down 10 January 2025)	-	19
Pauline Rourke (appointed 27 October 2024)	36	24
David Viles (stepped down 31 March 2026)	37	50
	452	436

Employer-related transactions

Hermes GPE FRWL Topco Limited is an investment of the Scheme, held through Federated Hermes Diversified Infrastructure Fund, and it invests in Fallago Rig Windfarm Limited (FRWL). FRWL operates a wind farm that is generating electricity from renewable sources in Great Britain. Effective 1 April 2014 to 31 March 2034, FRWL and BT entered into a power purchase agreement. BT agreed to purchase 50% of the metered output generated by the wind farm and certain associated benefits, including Renewable Obligation Certificates (ROCs) and Renewable Energy Guarantees of Origin (REGOs). In addition, effective 1 April 2014 to 31 March 2034, FRWL Holdco Limited (also an investment of the Scheme) and BT agreed to make certain payments based upon the difference between the price payable under the power purchase agreement for electrical output and a price specified in the agreement. The net amount payable in the year under these arrangements was £12 million (2025: £12 million).

Notes to the financial statements

24. Related party transactions and balances (continued)

Self-investments designated as employer-related investments

As at 30 June 2026, the Scheme held £0 million in BT ordinary shares (2025: £0 million) and £0 million in BT index-linked investments (2025: £0 million). The total amount of employer-related investments represent 0% of the net assets of the Scheme (2025: 0%). As at 30 June 2026, there were no properties occupied by BT owned by the Scheme (2025: none).

Limited partnership investments not designated as employer-related investments

On 25 June 2018, Britel Scotland II LP subscribed for £2bn of bonds issued by BT in the primary market. Britel Scotland II LP is a Scottish limited partnership in which the Scheme is invested. The bonds were issued in three nominal and three CPI-linked tranches as detailed below:



15 years

£330 million fixed interest and £330 million CPI-linked



21 years

£330 million fixed interest and £330 million CPI-linked



24 years

£340 million fixed interest and £340 million CPI-linked

As at 30 June 2026, the notional amount of these bonds held was £1,777 million (2025: £1,777 million), and these investments were valued at £1,646 million (2025: £1,566 million) and represent 5.1% of the net assets of the Scheme (2025: 4.7%). These bonds are held by Britel Scotland II LP, a Scottish limited partnership, and therefore are not employer-related investments for the purposes of the relevant ERI regulations.

The asset-backed funding arrangement, described in Note 16, is undertaken through the entity BT Falcon 1 LP. On 12 May 2021, the Scheme invested in BT Falcon 1 LP, a Scottish limited partnership, making a capital contribution of £1,660 million for a limited partnership interest. On the same day, BT Falcon 1 LP purchased a loan note with a nominal value of £1,925 million issued by EE Group Investments Limited, a subsidiary of BT. The capital contribution is less than the nominal value of the loan note, which reflects the probability of the Scheme becoming fully funded and therefore, the annual payments to the Scheme ending before the underlying loan note matures. Under the terms of the limited partnership agreement and subject to the conditions therein, on or before 30 June each year, BT Falcon 1 LP will distribute to the Scheme capital and interest amounting to the £180 million it has received in respect of the loan note, provided that the Scheme was in deficit on a technical provisions basis as at 30 June of the preceding year. As the loan note is held by BT Falcon 1 LP, and this entity is a Scottish limited partnership with separate legal personality, it does not amount to an employer-related investment for the purposes of the relevant ERI regulations.

As at 30 June 2026, following receipt of the sixth £180 million payment of capital and interest, the value of the Scheme's limited partnership interest in BT Falcon 1 LP was £890 million, representing 2.8% of the Scheme's net assets, whilst the principal amount outstanding on the EE loan note held by BT Falcon 1 LP was £1,135 million.

The Scheme is a limited partner in the co-investment vehicle, BT Falcon 2 LP. The general partner of BT Falcon 2 LP is BT Corporate Limited, and BT plc is a limited partner in BT Falcon 2 LP. In the year to 30 June 2026, BT made payments of £590 million into the co-investment vehicle. Amounts paid by BT into the co-investment vehicle are included in the fair value of the assets of the Scheme. During the year, the co-investment vehicle advanced the funds in the vehicle to Britel Scotland II LP, a Scheme-owned entity, via a loan arrangement.

As at 30 June 2026, the value of the Scheme's Limited Partnership Interest in BT Falcon 2 LP was £2,015 million, comprising of the principal amount paid into Falcon 2 LP by BT plus accrued interest to date. A corresponding investment liability of £2,015 million is included in the Statement of net assets, reflecting the loan arrangement between BT Falcon 2 LP and Britel Scotland II LP.

As both BT Falcon 2 LP and Britel Scotland II LP are Scottish Limited Partnerships, this arrangement does not amount to an employer-related investment for the purposes of the relevant ERI regulations.

Notes to the financial statements

24. Related party transactions and balances (continued)

Hermes Group Pension Scheme

The Hermes Group Pension Scheme (HGPS) is a defined benefit pension scheme closed to new entrants and future accrual. Effective 15 December 2017, Hermes ceased to be a principal employer of HGPS under the Flexible Apportionment Arrangement. The Trustee of the BT Pension Scheme assumed Hermes' liabilities in respect to HGPS as the sole principal employer, as well as obligations for all future contribution payments and expenses. HGPS is funded with the assets of the scheme that are held separately from those of the BT Pension Scheme. However, the Trustee of the BT Pension Scheme has the ability to use Scheme assets, if needed, to fund HGPS obligations under its trust deed and rules.

The pension surplus of HGPS at 30 June 2026 amounted to £18 million (2025: £18 million), calculated on an FRS 102 basis by the scheme's actuary. The pension surplus is included in Other investment assets, with any gains and losses on revaluation included in Change in market value of investments.

Hermes Group Pension Scheme	30 June 2026 £m	30 June 2025 £m
Scheme assets	146	148
Scheme liabilities	(128)	(130)
	18	18

No contributions were paid or due to HGPS from December 2018.

Other related parties

The Scheme wholly owns BT Pension Scheme Management Limited (BTPSM, trading as Brightwell), and BT Pension Scheme Administration Limited (BTPSA, trading as Brightwell) is a wholly owned subsidiary of BTPSM. A share of the cost of operating BTPSA and BTPSM is included in Administration expenses and Investment management expenses. Total fees payable to Brightwell for the year to 30 June 2026 were £55 million (2025: £55 million). BTPSM also leases a building owned by the Scheme. The Scheme is the sole investor in a number of pooled investment vehicles that are subsidiaries. A summary of the net assets of these subsidiaries is included in note 12 'Pooled investment vehicles'.

25. Commitments and contingent liabilities

	30 June 2026 £m	30 June 2025 £m
Property	106	131
Calls on partly paid shares and underwriting commitments	2,929	2,384
	3,035	2,515

26. Subsequent events

There were no subsequent events requiring disclosure in the Scheme's financial statements.

Actuary's statement and report on actuarial liabilities

The most recent actuarial valuation of the Scheme was carried out as at 30 June 2023.

The main purpose of an actuarial valuation of the Scheme is to determine whether or not the assets already held by the Trustee are sufficient to finance the prospective benefit entitlements of current and former members. An actuarial valuation requires assumptions to be made about future financial and demographic conditions. A summary of the results of the formal actuarial valuation as at 30 June 2023 is in the table opposite, together with the assumptions used.

BT Pension Scheme	30 June 2023
Assets - £million	37,334
Liabilities (Technical Provisions) - £million	41,035
Deficit - £million	3,701
Funding level	91%
Average nominal discount rate (per annum)	5.3%
Average RPI inflation (per annum)	3.6%
Average CPI inflation (per annum)	3.2%
Life expectancy (age at death)	
Average male pensioner age 65	86.5
Average female pensioner age 65	88.1
Average male pensioner at 65 (age 45 now)	88.1
Average female pensioner at 65 (age 45 now)	89.9

The above discount rate is a Scheme average; the full assumption allows for a transition from return-seeking assets to liability cashflow-hedging assets over time. The above mortality rates are also a Scheme average; the full assumptions take into account influences on mortality expectations such as pension amount. Further details on the assumptions used are set out in the Scheme's Statement of Funding Principles which is available to members on request.

Actuary's statement and report on actuarial liabilities

As set out above, the formal valuation of the Scheme as a continuing scheme revealed a deficiency of £3.7bn.

As part of the formal valuation, the Trustee and BT agreed a recovery plan such that BT will pay additional contributions in the expectation of returning the Scheme to a fully funded position by 30 June 2030. Since this agreement, BT have paid £10 million directly into the Scheme in each of March 2024, April 2024, April 2025 and April 2026, and £100 million, £590 million, £590 million and a further £590 million into the Scheme's co-investment vehicle in March 2024, April 2024, April 2025 and April 2026 respectively.

The contributions yet to be paid under this agreement are as follows:

- From 2027 to 2030, £10 million per year directly into the Scheme, and
- £590 million by 30 April each year from 2027 to 2029 and £490 million by 30 April 2030 either directly to the Scheme or to the Scheme's co-investment vehicle. If these contributions are paid to this co-investment vehicle their value will be recorded as an asset in the Scheme accounts and, to the extent there is a funding deficit at 30 June 2034, the co-investment vehicle will pay funds to the Scheme (subject to certain criteria).

In addition, BT has agreed to pay up to a further £300 million per year to the Scheme, if needed, to meet any future emerging funding deficit in excess of £1bn up to 30 June 2026, or in excess of £500 million between 1 July 2026 and 30 June 2033. The need for these contributions will be assessed every 6 months.

BT also agreed that it will pay additional contributions to the Scheme in respect of the small number of members who continue to accrue benefits in the Scheme, and in certain other circumstances. Full details of these arrangements are set out in the Schedule of Contributions and in a funding agreement between the Trustee and BT. A copy of the certificate to the most recently agreed Schedule of Contributions is included following this statement.

In the unlikely event that the employer ceased paying contributions to the Scheme ("discontinuance"), the Trustee could seek to meet benefit payments by continuing it as a closed fund. Given the size and nature of the Scheme, and the present capacity of the insurance market, it is unlikely to be practicable for the Trustee to secure members' accrued rights by the purchase of appropriate annuities in the event of the Scheme being discontinued. The terms currently available from life assurance companies are, in any event, such that the premiums charged to secure accrued rights in full would significantly exceed the realisable value of the Scheme's present assets.

The solvency position as at 30 June 2023 was a deficit of £9.2bn; this assumes a low-risk, closely-matched investment strategy with additional margins for risk included and would be considered in the event the Trustee could not place reliance on the BT covenant.

Interim valuation as at 30 June 2025

Since the formal valuation of the Scheme as at 30 June 2023, interim valuations of the Scheme as at 30 June 2024 and 30 June 2025 have been completed. The latest interim valuation as at 30 June 2025 showed that the funding deficit has decreased to £3.2 billion since 30 June 2023. The decrease has largely been driven by payments made by BT, although the impact of these was partially offset by under-performance of the Scheme's assets relative to expectations, and other effects such as there being fewer member deaths than expected.

The funding position as at 30 June 2025 is slightly behind the projected position from 30 June 2023 however, the Scheme is still expected to achieve full funding by 30 June 2030. Based on this, the additional contributions of up to £300 million per year to the Scheme will not be required. The solvency position as at 30 June 2025 has also been calculated and showed a solvency deficit of £7.6 billion.

The next formal valuation of the Scheme is as at 30 June 2026. This formal valuation is currently underway and due to be completed by no later than 30 September 2027. As part of this valuation, the Scheme's financial position and the level of BT's contributions will be reviewed.

Graham McLean FIA

Towers Watson Limited (a WTW Company)

30 September 2026

Actuary's statement and report on actuarial liabilities

Form of Actuary's certification of Schedule of Contributions

Name of scheme: BT Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 30 June 2023 to be met by the end of the period specified in the recovery plan.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 13 November 2023.
3. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the Statement of Funding Principles and any recovery plan.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Date: 13 November 2023

Name: Graham McLean

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Watson House, London Road, Reigate, Surrey RH2 9PQ

Name of employer: Towers Watson Limited (a WTW company)

Technical provisions statement

Actuarial certification for the purposes of Regulation 7(4)a of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: BT Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 30 June 2023 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 13 November 2023.

Graham McLean

Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited (a WTW company)

13 November 2023
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Appendix one: SIP Implementation Statement

SIP Implementation Statement background

The following information is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

Regulatory changes in 2018 and 2019 required trustees of UK defined benefit pension schemes to disclose how they undertake stewardship – exercising voting rights and engaging with their investments – in their SIP, and introduced the annual Implementation Statement, which must be included in the annual report and accounts and made publicly available online. The most recent BTPS SIP was approved in October 2025, with minor changes to reflect the recent valuation and investment strategy reviews.

This Implementation Statement is in respect of the Scheme's SIP in place from 1 July 2025 to 30 June 2026.

The purpose is to:



Set out the extent to which, in the opinion of the Trustee, the stewardship activities detailed in the Scheme's SIP, required under section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it), have been followed during the year.



Describe the voting behaviour by, or on behalf of, the Trustee over the year (including the most significant votes), and state any use of services of a proxy voter during that year. A copy of this implementation statement will be made available on the BTPS website alongside the Scheme's SIP.

Implementation Statement conclusion

Overall, the Trustee is satisfied that over the relevant period, the Scheme's investments and stewardship activities, specifically voting and engagement, have been managed in accordance with the SIP at that time.

Please see the Scheme's stewardship report for more detail on the Scheme's stewardship activities over the year. This can be found on the BTPS website under Sustainable Investment.

SIP Implementation Statement

How are the Scheme's investments governed?

The Trustee integrates sustainability to reduce the range of Scheme funding outcomes and increase the resilience of meeting member benefit obligations, consistent with its fiduciary duty.

The Trustee's main objective is to ensure that there are sufficient assets to pay members' benefits as they fall due. It invests the Scheme's assets to fund a defined level of benefits within an acceptable level of risk, having regard to the affordability of the cost to BT and to BT's funding obligations to the Scheme, while seeking to maintain stability in the funding position.

The Trustee maintains a core set of investment beliefs, including the importance of being a responsible investor. In October 2020 it formalised, via the SIP, an ambition to reach net zero greenhouse gas emissions by 2035, and it believes it has an active role to play as an asset owner in encouraging sustainable long-term investing through its managers' stewardship activities.

In general, the Trustee prefers engagement over exclusion or divestment as a way of improving long-term behaviour, aligning stewardship activities with the UK Stewardship Code principles.

SIP Implementation Statement

In relation to stewardship activities, the Scheme's Statement of Investment Principles (SIP) sets out policies across the following areas.

ESG integration Integrating all financially material considerations, including environmental, social and governance (ESG) factors, throughout the investment process.	Emerging long-term risks Monitoring emerging long-term risks, such as climate change and technology disruption, that may have a material adverse effect on the Scheme.	Reducing emissions and Net Zero 2035 Reducing exposure to greenhouse gas emissions and establishing an ambition for the Scheme's investment portfolio to achieve Net Zero greenhouse gas emissions by 2035.	Members' views Considering the views of members to help inform the Trustee's approach to ESG considerations and stewardship.
Investment managers are expected to consider both the risks and opportunities arising from ESG factors, where appropriate, in the selection, retention and realisation of investments managed on behalf of the Scheme. As relevant to the asset class and strategy, managers are expected to provide evidence and ongoing reporting on ESG integration processes, for example in fundamental analysis, asset valuation and portfolio construction, as well as engagement and voting activities. The Trustee delegates the exercise of voting rights and engagement activities to investment managers and Federated Hermes EOS, a specialist stewardship provider. Progress is monitored through regular engagement meetings with investment managers and Federated Hermes EOS.	The Trustee monitors emerging long-term risks, including climate change and technology disruption, through its regular review of the Scheme's risk register. Day-to-day monitoring is delegated to Brightwell, and managers are held to account for managing material ESG risks.	The Trustee believes that reducing exposure to greenhouse gas emissions over time can improve investment outcomes and reduce the impact of potential adverse outcomes associated with future climate risk. Consequently, the Trustee has established an ambition for the Scheme's investment portfolio to achieve Net Zero greenhouse gas emissions by 2035. The Trustee monitors progress against this ambition on an annual basis.	The Trustee believes in engaging with members to understand their views on different topics. Mechanisms used include: • BT's recognised Trade Unions (CWU and Prospect) and the National Federation of Occupational Pensioners (NFOP) nominee Trustee directors. • An annual presentation by the Trustee Board, Brightwell and advisers to BT's recognised Trade Unions and NFOP. • Updating members on stewardship, engagement and voting activities through the Scheme's report and accounts, TCFD disclosures, Stewardship Report, the Scheme's annual Principles for Responsible Investment (PRI) transparency and assessment report. • Producing a member-focused summary report covering key stewardship, climate change and voting information. • Inviting feedback from members through the annual member newsletter and annual member surveys, and supporting a member panel of volunteers to participate in more in-depth research with the Scheme.

SIP Implementation Statement

What does it mean to vote?

BTPS believes that making full use of its voting rights is part of its fiduciary duty and requires Federated Hermes EOS and its asset managers to exercise all votes for the Scheme's directly held public securities. BTPS believes that proxy voting activities should not be conducted in isolation but rather as part of a wider engagement strategy.

The Scheme's investment managers and Federated Hermes EOS are given a degree of discretion and flexibility. They can follow their own voting policies on most voting activities to support wider engagement with companies and to align with their overall financial rationale for investment in those companies.

The Scheme monitors the voting activities of its investment managers and Federated Hermes EOS and requests that key voting decisions are highlighted on a quarterly basis, alongside a thorough review of all votes cast on an annual basis.

The investment managers and Federated Hermes EOS are also regularly asked about their approach to conflicts of interest. However, no concerns were raised during the year. The Scheme does not engage in stock lending.

While the Scheme is invested in a diverse range of asset classes, the next few pages focus on the equity investments that have voting rights attached. The Scheme's equity holdings, as at 30 June 2026, are held in both segregated and pooled investment funds and are managed on an active basis. The Scheme's equity holdings are invested with three investment managers. Voting on the equity mandates is undertaken by the individual managers and Federated Hermes EOS. In addition, there are mandates in other asset classes where Federated Hermes EOS conducts additional engagement activities on behalf of the Scheme. Voting statistics for the year to 30 June 2026 – the number of meetings and resolutions eligible to be voted, the percentage voted, the percentage voted against management, and the percentage abstained, are set out in the tables that follow.

Significant votes

The Trustee pays particularly close attention to votes that it considers significant, as determined in collaboration with its investment managers. When identifying which votes are considered significant, several criteria are assessed, including those outlined by Pensions UK in its vote-reporting template.

We categorise significant votes as those that:

- Have a potential impact on financial outcomes.
- May have a material impact on future company performance, for example approval of a merger or a requirement to publish a business strategy aligned with the Paris Agreement on climate change.
- Have a potential impact on stewardship outcomes.
- Relate to decisions that may reduce investor influence (for example shareholder rights issues, debt-for-equity swaps, management buyouts, disposal of a significant share of equity, or downgrading of voting rights).
- Relate to companies that represent a significant size of holding within a mandate.
- Are high profile or controversial.
- Involve a significant level of opposition from investors to a company resolution.
- Involve a significant level of support for an investor resolution.
- Carry a high level of reputational risk.
- Attract a high level of political or regulatory interest, a high level of industry debate, or relate to votes in non-listed equity asset classes such as private equity or infrastructure.

SIP Implementation Statement

Asset manager oversight and engagement

Outside of the government bond and liability-driven investment strategy, which is managed by Brightwell, BTPS outsources investment management to externally appointed asset managers.

Asset managers are selected to align with the Scheme's beliefs, policies and objectives. This is a fundamental part of both the appointment process for a new manager and the ongoing oversight of the Scheme's managers' activities.

Before appointing an asset manager, Brightwell assesses the alignment between the Scheme's beliefs and goals, the investment time horizon, the manager's approach to sustainable investment and engagement with underlying companies. Assessment of stewardship capabilities forms part of this review.

The initial manager selection process focuses on three key factors from a sustainability perspective:

1. How sustainability is integrated into the manager's investment strategy and approach.
2. Whether the manager's sustainability approach is consistent with the overall investment strategy.
3. How this approach is evidenced in the manager's investment papers and reporting.

These questions help the Scheme understand how an asset manager incorporates sustainability considerations into its investment process and how the manager will act as a steward of the Scheme's capital through voting and engagement activities. Once appointed, managers are expected to consider both the risks and opportunities arising from sustainability factors in the selection, retention and realisation of investments.

The Scheme's managers are expected to:

-  Undertake ESG integration and actively engage with investments.
-  Undertake proxy voting and, where appropriate, exercise advocacy related to stewardship.
-  Provide ongoing reporting regarding their sustainable investment integration processes and activities.
-  Reflect the sustainability information considered within their investment process and explain if investment decisions have changed as a result.
-  Apply international best-practice stewardship approaches or adapt these to accepted local market conventions and regional best practice.

The Scheme's managers are regularly challenged on underlying holdings and portfolio-level attributes.

SIP Implementation Statement

How is stewardship integrated into BTPS investment processes?

Sustainable investment and stewardship considerations have been integrated into multiple investment processes. For example, ahead of appointing a new fund manager, sustainability questions are asked as part of a formal due diligence questionnaire process. The responses are reviewed internally by the Brightwell investment team to understand the quality of the manager's approach and, if required, meetings are held with the manager to gain a deeper understanding.

High stewardship standards are expected from the Scheme's managers, and alignment with the UK Stewardship Code, or an international equivalent, is encouraged.

Over the past year, regular manager meetings have been conducted to provide better oversight of stewardship activities and to review responses to the annual Net Zero and Stewardship questionnaire. This questionnaire covers areas including manager governance, diversity and inclusion, engagement, climate, nature, inequality and voting topics, helping the Scheme gather appropriate information and understand different sustainability approaches.

Feedback is provided to managers through a separate scorecard showing how their current practices compare with best-practice sustainability expectations.

The support of the Scheme's investment managers is critical to delivering the Scheme's sustainability goals, including its Net Zero 2035 ambition and funding objectives. Documenting and sharing expectations helps ensure managers prioritise the areas that matter most to the Scheme and supports the Scheme's response to increasing regulatory and reporting obligations.

SIP Implementation Statement

Manager voting information

The Scheme's public equity holdings are held via both segregated accounts and pooled fund investments, managed by GQG Investment Management, TCI Fund Management, and Caledonia Investments.

GQG votes its proxies through the proxy advisor ISS and uses bespoke voting policies based on sustainability themes. Caledonia uses Broadridge to organise their proxy votes, but vote independently of their recommendations. TCI does not use a proxy advisory service.

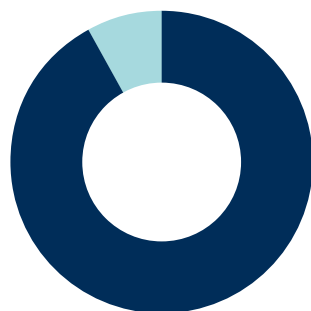
The following pages include aggregated voting analysis across all three managers.

Voting activity

Number of meetings at which manager was eligible to vote	78
Number of resolutions on which manager was eligible to vote	1,166
Percentage eligible votes cast	99%
Meetings where manager voted once against management	36%

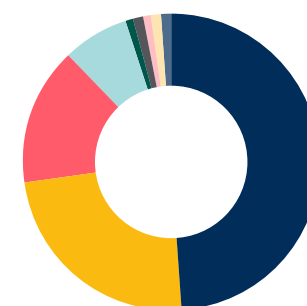
Resolutions voted

With management	92%
Against management	8%
Abstained	0%



Votes against management resolutions

Board structure	49%
Shareholder resolution	24%
Remuneration	15%
Audit and accounts	7%
Amended articles	1%
Environmental	1%
Non-routine Business	1%
Other	1%
Social	1%



SIP Implementation Statement

Manager voting information continued

Company	Resolution / Proposal	Voting Rationale	Management Recommendation	Vote Cast	Outcome	Date	Why it's a significant vote?
Alphabet	Proposal to report on meeting GHG goals given rising energy demand from AI and data centres	Improve climate disclosure	Against	For	Not Approved	05 June 2026	Position size
Ferrovial SE	Approve Climate Strategy Report	Improve climate reporting	For	For	Approved	09 April 2026	Position size
American International Group	Vote to Approve Named Executive Officer Compensation	Remuneration insufficiently aligned to long-term value	For	Against	Approved	13 May 2026	Vote against
American Electric Power Company	Vote to Approve Named Executive Officer Compensation	Executive compensation inappropriately high vs performance	For	Against	Approved	28 April 2026	Vote against
Devon Energy Corporation	Vote to Approve Directors	Concerns around board composition and skill set	For	Against	Approved	30 June 2026	Vote against

SIP Implementation Statement

Engagement case studies

Manager	Company / Asset	Issue	Action	Reported Outcome
Insight Investment	Orsted	Offshore-wind impairments, project execution pressures, capital discipline and governance.	Engaged on strategic priorities, stage-gate capital commitments, project oversight, management appointments and green-bond reporting.	The company described a new asset project committee, stronger stage-gate controls and senior appointments. Insight will monitor delivery against the four strategic priorities.
M&G Investments	Bayer	Access to medicine and the credibility and quantification of Scope 3 decarbonisation levers.	Engaged through the Access to Medicine investor group and requested quantified abatement by lever and clearer capex and opex attribution.	Bayer reaffirmed its top-10 ATM Index ambition, reported cumulative family-planning reach of 68 million people and retained its SBTi-validated 25% Scope 3 reduction target by 2029.
Insight Investment	Volkswagen	Weak governance profile, board-skills transparency, succession planning and remuneration design.	Met the supervisory board chair and requested a clearer skills matrix and broader long-term remuneration KPIs beyond EPS.	Volkswagen acknowledged the feedback and indicated that access to board members and specialists could be arranged. The objectives remain open and under monitoring.
Insight Investment	Engie	Biodiversity governance, quantified nature targets and integration of water risk into project development.	Engaged on TNFD-aligned disclosure, a standalone biodiversity assessment framework, coal phase-out, renewables, biomethane and hydrogen.	Engie reported progress on coal exit and renewable deployment, and acknowledged gaps in quantified biodiversity objectives and a centrally managed framework.
Lone Star / Hudson Advisors	Tokyo Disney Resort asset	Energy consumption was higher than comparable properties.	Conducted an energy audit and began developing an ISO 50001-aligned energy management system.	An energy management system was put under development to reduce energy consumption and utility costs.

For more information on engagements carried out on the Scheme's behalf, please see the Scheme's latest Stewardship report: [BTPS Portal - Sustainable investment](#)

Appendix two: Changes to Scheme membership

Changes to membership

	30 June 2026	30 June 2025	30 June 2024
Membership			
Active members	9	9	12
Deferred members	35,287	40,068	46,108
Current pensioners of whom:	213,475	213,616	212,468
Retired employees	177,256	177,453	176,490
Widows / widowers	34,371	34,310	34,118
Children/dependants	1,848	1,853	1,860
	Year ended 30 June 2026	Year ended 30 June 2025	Year ended 30 June 2024
Changes to membership			
Normal age retirements from active status	0	0	0
Late retirements from active status	0	1	0
Ill health early retirements	18	20	29
Early retirement	1,989	2,949	3,533
Deferred benefits set up	1	2	1
Normal age retirements from deferred status	1,991	2,251	2,539
Benefits transferred out and trivially commuted	96	99	78
Optants out	0	0	0
Death in service	0	0	0
Death in retirement	6,479	6,563	6,534
Death in deferment	49	66	58
Late retirement	69	122	115
Child leavers	68	60	49
New records set up			
Section B rejoiners	0	0	0
Spouses, civil partners and dependants	1,794	2,270	1,969
Children	18	24	35
Benefits transferred in	0	0	0

Appendix three: Management and advisers

Scheme registration number

10085003

Trustee

BT Pension Scheme Trustees Limited

Trustee Directors

Jill Mackenzie

Helen Charnley (appointed 1 April 2026)

Chris Cheetham

Andrew Clare

Matt Davies

Steven Dickson

Richard Henderson

Pauline Rourke

William Taylor (interim member-nominated Trustee Director, appointed 1 August 2026)

Scheme Secretary

BT Pension Scheme Management Limited
(BTPSM, trading as Brightwell)

Actuary

Graham McLean FIA, Towers Watson Limited
(a Willis Towers Watson Company)

Auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Pensions Administrator

BT Pension Scheme Administration Limited
(BTPSA, trading as Brightwell)
Venture House
Venture Way
Chesterfield S41 8NR

Bankers

The Northern Trust Company
Royal Bank of Scotland

Primary Service Provider to BTPS (including sole fiduciary manager)

BT Pension Scheme Management Limited
(BTPSM, trading as Brightwell)

Primary External Investment Managers

GQG Partners LLC
Federated Hermes Limited
Insight Investment Management Limited
M&G Investment Management Limited
Wellington Management International Limited

Custodians appointed by the Trustee

The Northern Trust Company
JP Morgan Chase

Principal Sponsoring Employer

British Telecommunications plc (BT)
1 Braham Street
London E1 8EE

If you require further information regarding this report, please contact:

Scheme Secretary
BT Pension Scheme Management Limited
One America Square
17 Crosswall
London EC3N 2LB

Contact details

The Trustee of the BT Pension Scheme

The Scheme Secretary
BT Pension Scheme
One America Square
17 Crosswall
London EC3N 2LB
Website: www.btps.co.uk

Member support

The BT Pension Scheme member support team can be contacted between 8:30am and 5pm Monday to Friday (excluding Bank Holidays), on **0800 731 1919**.

If calling from overseas, the contact number is **+44 (0) 203 023 3420**.

Alternatively, please email member@btps.co.uk

Or send a message through the Pensions Portal at www.btps.co.uk

The address for correspondence is:

BTPS, Sunderland, SR43 4AD

MoneyHelper

MoneyHelper is here to make money and pension choices clearer. It provides impartial help, is backed by government and is free to use. MoneyHelper can be contacted through moneyhelper.org.uk or on the following phone number:

Pensions Helpline: **0800 011 3797**

Pensions Ombudsman

If you have a complaint or dispute concerning your workplace or personal pension arrangement you should contact the Pensions Ombudsman at:

10 South Colonnade
Canary Wharf
London
E14 4PU

Contact number: **0800 917 4487**

The Pensions Regulator

Pension schemes are regulated by The Pensions Regulator which has the power to impose civil penalties and to bring criminal prosecutions for serious breaches of the requirements of the legislation. The Pensions Regulator can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Pension Tracing Service

Information about the Scheme (including a contact address) has been provided to the Pension Tracing Service as required by law. Because the Pension Tracing Service holds the same information for other pension schemes, it offers a service which enables members to trace benefits from previous employers' schemes. The Pension Tracing Service can be contacted on **0800 731 0193** or by submitting a tracing request on gov.uk/find-pension-contact-details

Report and Accounts

This Report and Accounts is available on the Scheme's website: btps.co.uk

We send each member a short document in hard copy or by email summarising the key developments of the Scheme during the year. Members also receive the Summary Funding Statement each year.

BTPS

www.btps.co.uk