

AGM QUESTIONS 2011

Payment by direct debit

A question was raised about BT's policy to charge those customers paying their bills by cheque rather than by direct debit. Sir Michael responded that BT is fair and transparent about pricing and customers do have a choice as to how they wish to pay their bills. He explained that the charges on cheques were directly linked to the higher costs of processing such payments, and that most companies either charge for non-direct debit payments or even refuse to accept cheques or cash at all. BT has one of the lowest charges of those companies who do accept direct debit payments.

Executive remuneration

Several shareholders raised questions regarding executive pay and bonus levels. Sir Michael and the Chairman of the Remuneration Committee, Patricia Hewitt, stated that the remuneration policy is rigorously reviewed and closely linked to the long term performance of the company and that BT has set executive base pay below the median for comparable firms. They went on to explain that a substantial proportion of total remuneration is linked to performance targets, whilst annual bonus payments also include targets for customer service which were not achieved this year.

BT has also led the way in [stipulating? Including] claw-back provisions into executive share plans so that unvested shares can be taken back if the Remuneration Committee subsequently decides there was a misjudgement of the basis on which the award of shares was made.

Overall, the Chairman stated that pay levels across the business were in line with the substantial and demonstrable progress made by BT for its shareholders, employees, pensioners and customers.

One shareholder also expressed their concern regarding the termination payments paid to François Barrault and Hanif Lalani, previous Chief Executives of BT Global Services. Sir Michael recognised that the payments had caused some consternation but explained that given the individual contracts in question, the company was required to make such payments by law.

Pension scheme

Some shareholders raised their concerns over a change in the calculation of pension payments, which will be based on the Consumer Prices Index (CPI) in future rather than the Retail Prices Index (RPI). Ian Livingston confirmed that the issue was afforded extensive consideration and legal consultation, as well as being discussed at length with the BT Pension Scheme Trustees. He explained that it was the Government, rather than BT or the Trustees that decided to make the change [and as such The Trustee is required to administer the BT Pension Scheme in accordance with the Scheme Rules and the law relating to pensions. – do we need this bit?]

He went on to say that BT's commitment to the pension scheme was unparalleled in the private sector and that the move was the right one for the overall viability of the business, the needs of shareholders and the health of the scheme itself.

Bezeq International Ltd

One shareholder raised a question on BT's relationship with the national telecommunications company in Israel, Bezeq International Ltd. It was suggested that BT may have broken international law or its own guidelines through complicity with the violation of human rights in the Palestinian Occupied Territories. The Chairman refuted such suggestions, saying there is no legal or ethical issue in dealing with Bezeq. He said that BT had clear legal advice that its dealings with Bezeq

International are legal and the relationship is simply about servicing multinational corporations in the region.

Living Wage

The Chairman was asked to confirm that BT was seeking to become an accredited 'Living Wage' employer. He explained that BT currently pays all directly employed staff above the levels suggested by the Living Wage campaign and the company is recognised as having highly competitive reward packages which are regularly benchmarked externally. He said that BT continues to negotiate all pay levels with its trade unions and that BT's procurement team is working with suppliers to make sure that all appropriate aspects of fairness and good practice are maintained in relation to the employees? people they supply to BT.

Broadband availability/super-fast Broadband

A shareholder asked about the progress in providing high speed broadband to rural areas of the UK. The meeting was informed that whilst BT's roll-out of superfast fibre broadband will eventually reach two thirds of UK premises by the end of 2015, the company is also looking to improve broadband availability for those people who have difficulty in receiving broadband due to their location.

Ian Livingston said BT is keen to work with public sector bodies and communities because the economics for delivering fibre to rural areas is more challenging. Recent partnerships in Northern Ireland and Cornwall were cited as good examples of what can be achieved if the private and public sectors work together, and it was noted that BT is exploring other mobile/wireless technologies to address the issue, such as LTE and TV White Spaces with some encouraging results.

Corporate responsibility

A number of questions were asked relating to BT's commitment to corporate responsibility.

One shareholder asked whether BT could be doing more in terms of donating profits to charitable organisations. The Chairman said BT has been taking corporate responsibility and sustainability very seriously for many years and this year invested £27.6m in projects that directly benefit society. He said BT invested nearly double its minimum commitment of one per cent of underlying pre-tax profits, as well as launching the MyDonate platform in April 2011 to help UK charities raise more money online.

One shareholder objected to BT's pursuit of a planning application to build a wind farm in Devon. The Chairman stated that BT took its environmental responsibilities very seriously and is committed to generating 25% of its UK energy needs from renewable sources by 2016. He said that all planning applications are aligned with the correct legal procedures and are available for the public to review and make objections to. He concluded that there will always be a balance to strike between national needs and local environmental concerns, but that it's fair and correct that the UK Planning System is the arbiter for all proposed developments.

Political Donations

One shareholder asked why BT had made a higher donation to the Scottish National Party than any other UK political party in the last financial year.

The Chairman explained that whilst BT does not support UK political parties in cash or in kind, it does host meetings with all of the main political parties to brief them on BT's activities and views. The UK definition of political donations is very broad and, as such, it catches some of this type of general expenditure. In the case of the specific costs related to the SNP, he confirmed BT had hosted a fringe event during the SNP's party conference.

Board make-up

Some shareholders expressed their objection to the re-appointments of Patricia Hewitt and Eric Daniels as non-executive directors. The Chairman argued that both bring a strong independent element to the Board and between them a wealth of experience and independent judgement, gained at the most senior levels of international business and political and international affairs.