



# Annual General Meeting 2020

Jan du Plessis  
Chairman

## Introduction

Ladies and gentlemen, this year's BT Group annual general meeting will be a closed session due to the Covid-19 pandemic. So, instead of addressing you in the usual way at the meeting and in-person, Philip Jansen and I have separately recorded video messages, which I hope you will be able to watch in your own time and in the safety of your own home.

I want to focus my brief remarks today on BT's future and the steps we are taking to set up this company for long-term success, before reflecting on our response to what we see as three significant challenges in the external environment.

First, though, let me acknowledge and address the one issue which I know will be front-of-mind for shareholders: the decision we have taken in relation to our dividend.

## Dividend

I want to reassure you that your Board absolutely understands the importance of the dividend to all our shareholders. The decision we reached was not an easy one. But the right decisions are sometimes the hardest to make.

Suspending last year's final dividend and not paying a dividend this year, provides us with a cash saving of £1bn and £1.5bn, respectively, over the two years. This is an additional £2.5 billion that we will have available for investment into our next generation networks and which we remain confident will prove value enhancing over time.

It will also provide greater financial flexibility to manage the business with confidence through the Covid-19 crisis without compromising our credit rating.

We intend to reinstate the dividend in 2021-22 at half the previous level, which will in the subsequent years provide us with greater access to capital in order to sustain the significant long-term investment program we have announced.

I wish to assure shareholders that we took the decision on the dividend with the long-term future and success of the company in mind. I firmly believe this was the right decision and I am confident that it will over time enable us to build a stronger BT.

## Investing

BT is at a challenging but exciting moment in its history.

In the next few years, everything we understand today by the term 'connectivity' will run over broadband - either fixed-line broadband, where we are investing in full fibre or FTTP; or mobile broadband, where we are investing in 5G.

The combination of these two converged networks will provide something that is greater than the sum of its parts. Our plans to invest in these technologies - full fibre and 5G - will be the largest investment in upgrading the UK's telecommunications infrastructure in a generation.

They will meaningfully contribute to the UK's long-term economic growth.

They will increase the country's resilience to any future pandemics.

And critically, they will provide the bedrock for BT to develop future products and services upon which our customers will depend for their business, healthcare and entertainment needs - and so much more besides.

Given that network assets such as these will be integral to the future success of the country's economy, you would rightly expect them to offer solid returns for investors.

Based on our confidence and our assumptions of achieving the right package of regulatory and political enablers, we anticipate returns on our FTTP investment of 10 to 12 per cent – a fair return for a long-term infrastructure project of this kind and scale.

There will however be no overnight payback, which is why we need to take a long-term view by investing today in order to generate steady cashflows and healthy rates of return over a long lifespan.

## New remuneration policy

Long term investment also requires long-term thinking from our leaders.

Our new remuneration policy, which is being voted on at this AGM, sets out to achieve exactly this, better aligning the long-term interests of senior management with shareholders; and addressing wider societal expectations around executive pay.

We are moving to a restricted share plan in which executive long-term awards will be significantly reduced – halving the Chief Executive's award – and the vesting and holding period extended from three to five years. This year, following shareholder consultation, we have further reduced these awards to account for our weak share price performance over the last year.

We have increased the shareholding requirement for both executive directors to 500% of salary, complementing the move to restricted share awards and emphasising the focus on long-term share ownership.

We have also increased the proportion of annual bonuses to be deferred into shares from one-third to a half. And this year we will pay no cash bonuses to our executive directors, deferring the full amount into shares held for three years. We will do the same next year: deferring any bonuses that may be awarded into shares.

And finally, for the first time ever, BT will include progress on our digital skills and carbon reduction targets in the calculation of the annual bonus.

Collectively we believe this is the right package of measures to incentivise management and guarantee alignment of their long-term interests with those of our shareholders.

## Board changes

We continue to review and refresh the Board as part of succession planning and to make sure it has the right mix of skills, experience and diversity in line with our needs.

On that note I would like to extend a warm welcome to the new non-executive directors who joined since last year's AGM:

Leena Nair, who you met last year at the AGM, joined the Board after that meeting. Sir Ian Cheshire joined the Board in March and Sara Weller CBE joins us from today.

Tim Höttges, Deutsche Telekom's nominated representative decided to stand down from the board in May, and was succeeded by Adel Al-Saleh, who therefore joined as our only non-independent, non-executive director.

Each new director adds to the Board's diversity of experience and thinking. We've already benefited from valuable contributions from Leena, Ian and Adel and we very much look forward to working with

Sara.

Jasmine Whitbread stepped down in December after almost nine years as a non-executive director, latterly as the chair of the Digital Impact & Sustainability Committee. And finally, Nick Rose, our senior independent non-executive director, and chair of both our Audit & Risk and Remuneration Committees, will step down following the conclusion of this AGM, after more than nine years of outstanding service to the Board.

My sincere thanks go to Jasmine, Nick and Tim for their years of insight and support.

## External environment

I would like to take a moment to reflect on the external environment in which we operate.

Last year I spoke to you about the turbulent political climate in which we found ourselves, with the ongoing Brexit negotiations and a leadership contest for the UK's governing party. However, to describe the climate today as 'turbulent' would be an understatement.

Specifically, I would like to touch on three enormous challenges facing us all. Two of these challenges are man-made: climate change and discrimination, including racism; whilst the third, Covid-19, needs no introduction.

## Prejudice and racism

Prejudice and discrimination in its various manifestations surely continues to be the one ever-present scourge of our time. It is something which we see and hear, and many experience, on an almost daily basis. Embracing diversity and inclusion, for example in relation to the LGBT community, is something I feel strongly about and I am proud of the work BT has done to put this agenda at the top of our priority list for our colleagues and customers.

However, recent events have reminded us yet again of the ongoing challenge within society of addressing racism.

The greatest tragedy is that it took the televised death of an innocent black man at the hands of police to be the catalyst for change.

We must now push for major change, but this change will only come if everybody works hard and together to solve it.

An action plan, which has my full support, has been drawn up to promote greater ethnic diversity at BT.

As a large employer, we have a responsibility to reflect the views and diversity of our people; of our 30 million customers in the UK; as well as of our colleagues and customers in the 180 countries in which we operate around the world.

These are responsibilities we take seriously, and I would like to assure you that BT will rise to this challenge and play its part in stamping out discrimination of any kind, specifically including racism, wherever we come across it.

## Covid-19

The second challenge is the Covid-19 pandemic, which has deeply impacted us all.

There will be an end to this pandemic, but its effects will be long-lasting and, in many cases, permanent.

The response to the crisis shown by my colleagues across BT is something of which you, as owners of the company, should be very proud.

In addition to the support BT has given to our critical public services, the public sector, consumers and business customers, we have ramped up efforts to provide hundreds of free resources and information aimed at helping people feel more confident in the online world during the crisis through our Skills for Tomorrow programme.

## Climate crisis

The final and probably greatest challenge to mention – and which looms ever larger and simply cannot be ignored – is climate change.

As we all emerge from Covid-19, there is an opportunity for businesses and governments to collectively and individually ensure that we build back better and accelerate our plans on climate change and carbon reduction.

I am proud to say that BT has led on climate action for over 25 years and was among the first companies in the world to adopt science-based targets on emissions reduction.

But we can't rely on track records. We need continued action and long-term change in this space otherwise the consequences for our children and their children will be catastrophic.

BT has committed to a green recovery from the pandemic, including the launch of a new Green Technology Innovation Platform, through which we will identify new technologies that will enable BT and our public sector customers to transition to net zero carbon emissions; and the formation of an alliance of large vehicle fleet operators to consult on the future of electric vehicles in the UK.

We are determined to make a positive impact with these and other initiatives aimed at dealing with the climate crisis the planet now faces.

## Conclusion

Ladies and Gentlemen, in conclusion, at BT we are taking a long-term view for long-term success across everything we do.

The future of this great business depends on our ability to drive change, so that we are ready to take opportunities as they arise. But it also depends upon your continued support.

On behalf of the board, I would like to acknowledge the responsibility shareholders have bestowed upon us and take this opportunity to thank you for that support.

I am confident that the changes and investments we are making today will create a better, stronger BT for the future.