



Articles of Association of BT Group plc

July 2020

Contents

Contents of the Articles of Association	2
Articles of Association	3
Explanation of Terms	58
Index	66

Contents of the Articles of Association

Article No(s)	Subject	Page No(s)
1	Preliminary Article	3
2-3	General Meetings	3
4-5	Notice of General Meetings	3
6-11	Proceedings at General Meetings	5
12-16	Voting at General Meetings	8
17-21	Shareholders' Voting Rights	10
22-26	Proxies	11
27	Company Representatives	14
28-29	Directors	14
30-34	Appointment and Removal of Directors	14
35-37	Retirement of Directors	16
38	Disqualification of Directors	17
39-42	Remuneration of Directors	17
43-51	Board Meetings	19
52-53	Board Committees	21
54-58	Directors' Interests	21
59-67	Directors' Management Powers	26
68-69	Directors' Borrowing Powers	29
70	Liability	30
71-75	Shares	30
76-79	Changing Share Capital	33
80-82	Share Rights	34
83-84	Share Certificates	35
85-86	Transferring Shares	37
87-91	People Automatically Entitled to Shares by Law	38
92	Shareholders who Cannot be Traced	39
93-101	Dividends	40
102	Scrip Dividends	45
103-111	Communications with shareholders	45
112-113	Auditor	48
114	Secretary	48
115	Seals	49
116-117	Documents	49
118-120	Indemnity, Insurance and Defence expenditure	50
121-123	Reserves	52
124-126	Accounts	53
127	Winding Up	54
128	Interpretation	55

Words defined within a specific article or at the end of the **Articles** are printed in **bold**. After the **Articles** there is an explanation of terms which explains various words and expressions used in the **Articles**. These are printed in *italics*.

Articles of Association of BT Group plc

Company No. 4190816

(Adopted by a *special resolution* passed on [●] July 2020)

Preliminary Article

1. Standard regulations do not apply

Any regulations made under the **legislation** containing standard articles of association do not apply to **BT**.

General Meetings

2. Annual General Meetings

Every **year** **BT** must hold an Annual **General Meeting**, in addition to any other **General Meetings** which are held in the **year**. The notice calling the meeting must say that the meeting is the Annual **General Meeting**. **BT** must hold an Annual **General Meeting** within six **months** of **BT's** *accounting reference date*. The **Board** will decide when and where to hold the Annual **General Meeting**.

3. General Meetings

The **Board** can decide to call a **General Meeting** at any time.

Notice of General Meetings

4. Notice of meetings

- 4.1. At least 21 **clear days' written** notice must be given for every Annual **General Meeting**. For every other **General Meeting**, at least 14 **clear days' written** notice must be given.
- 4.2. A notice of meeting must state:
 - the physical place(s) where the meeting is to be held (wholly or in part);
 - the date and time of the meeting;
 - the general nature of any **special business** to be dealt with at the meeting;
 - whether a resolution will be proposed as a *special resolution*;
 - that a **shareholder** who can attend, speak and vote can appoint one or more *proxies* (who need not be **shareholders**) to attend, speak and vote for them; and
 - if the **Board** determines that a **General Meeting** shall be held partly by means of **electronic facility**, the means, or all different means, of attendance

and participation determined in accordance with Article 8.5 and any access, identification and security arrangements determined in accordance with Article 7.3.

- 4.3. Notices of meetings must be given to the **shareholders**, unless the **Articles** or the **rights** of the shares say they are not entitled to receive them from **BT**. However, the **Board** can decide that only **people** who are entered on the **Register** at the close of business on a particular day are entitled to receive the notice. The **Board** can choose that day so long as it falls not more than 21 days before the notice is sent. Notice must also be given to the **Auditor** and the **Board**.
- 4.4. The **Board** can specify in the notice of meeting a time by which a **person** must be entered on the **Register** in order to have the right to attend or vote at the meeting. The time specified must not be more than 48 hours before the time fixed for the meeting.
- 4.5. If **BT** cannot call a **General Meeting** by sending notices by post or by using *electronic means*, because the postal system or *electronic means* of communication in the **United Kingdom** are generally suspended or restricted, notice of the meeting will be treated as being given to **shareholders** affected by the suspension or restriction by advertisement in at least two **United Kingdom** national newspapers. Notice given in this way will be treated as being given to affected **shareholders** who are entitled to receive it at midday on the day when the last advertisement appears in the newspapers. In any such case, **BT** must:
 - if it is possible, make the notice available on its website from the date of the advertisement until the end of the **General Meeting** or any *adjournment* of the meeting; and
 - if it becomes generally possible to use the postal system or *electronic means* again more than 14 days before the meeting send confirmation of the notice by post or *electronic means*.

5. Moving or postponing meetings at short notice

If the **Board** consider that it is impractical, or undesirable, to hold a **General Meeting** on the date, at the time or place and/or by means of **electronic facility** stated in the notice of meeting, they can change the place of and/or **electronic facility** for, or postpone, the meeting, or do both of these things. Notice of the business of the meeting does not need to be given again. The **Board** must take reasonable steps to ensure that a **shareholder** trying to attend the meeting at the original date, time and place and/or by means of the original **electronic facility** is informed of the new arrangements. If a meeting is rearranged in this way, *proxy* appointments can be made, in the way required by Articles 22 to 25, until 48 hours before the rearranged meeting. The **Board** can also change the place of and/or **electronic facility** for, or postpone, the rearranged meeting, or do both, under this Article.

Proceedings at General Meetings

6. Chairman of meetings

- 6.1. The chairman of the **Board** will be the chairman at every **General Meeting**.
- 6.2. If **BT** does not have a chairman, or if the chairman is not present, willing and able to chair the meeting, the deputy chairman will chair the meeting.
- 6.3. If **BT** does not have a chairman or a deputy chairman, or if neither the chairman nor the deputy chairman is present, willing and able to chair the meeting, after waiting 15 minutes from the time that the meeting is due to start, the directors who are present will choose one of the directors to act as chairman. If there is only one director present, that director, if willing, will be chairman. If no director is present and willing, the **Secretary**, if present and willing, will be chairman.
- 6.4. If there is no director or **Secretary** present, willing and able to chair the meeting, after waiting 15 minutes from the time that the meeting is due to start, the **shareholders** and *proxies* who are present and entitled to vote will pass an *ordinary resolution* to elect a **shareholder** or *proxy* to act as chairman.
- 6.5. Nothing in the **Articles** is intended to restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.
- 6.6. The decision of the chairman on points of order, matters of procedure or arising incidentally out of the business of a **General Meeting** is conclusive, as is the chairman's decision, acting in good faith, on whether a point or matter is of this nature.

7. Security and other arrangements at meetings

- 7.1. The chairman of a meeting or the **Secretary** can take any action they consider appropriate:
 - for proper and orderly conduct at a **General Meeting**; or
 - so that the meeting reflects the wishes of the majority.
- 7.2. The **Board** can ask **shareholders** or *proxies* wanting to attend a **General Meeting** to submit to searches or other security arrangements which the **Board** think are appropriate. The **Board** can, in their discretion, refuse entry to, or remove from, a **General Meeting** a **shareholder** or *proxy* who does not submit to those searches or comply with those security arrangements.
- 7.3. In the case of a **General Meeting** held partly by means of **electronic facility**, the **Board** can make any arrangement and impose any requirement or restriction that is:
 - necessary to ensure the identification of those taking part and the security of any communication by *electronic means*; and
 - proportionate to the achievement of those objectives.

8. Meeting in different places and by means of electronic facility

8.1. *Subject to the legislation* and the rest of the **Articles**, every **shareholder** can attend a **General Meeting** in person or by *proxy*. Where the **General Meeting** is to be held at more than one place or by means of **electronic facility**, a **shareholder** or *proxy* prevented from attending at one place can attend and participate at another place or by means of **electronic facility**.

8.2. The **Board** can make arrangements that they, in their discretion, think appropriate to:

- regulate the number of **people** attending at a place where a **General Meeting** (or *adjournment*) is to be held;
- ensure the safety of **people** attending at that place; or
- enable attendance at that meeting (or *adjournment*);

and can change those arrangements at any time. The arrangements can include (without limitation) the issue of tickets or the use of a random method of selection.

8.3. In the case of a **General Meeting** to which these arrangements apply, the **Board** can, when specifying the place of the meeting:

- direct that the meeting will be held at a place identified in the notice at which the chairman of the meeting will attend (the **Main Meeting Place**); and
- make arrangements for simultaneous attendance and participation at other places (whether by *electronic means* or otherwise) by **shareholders** and *proxies* entitled to attend the meeting but excluded from it under this Article or who want to attend at one of the other places.

The notice of meeting does not have to give details of any arrangements under this Article.

8.4. *Subject to Article 8.1*, arrangements for simultaneous attendance can include arrangements for regulating the number of **people** attending at any other places.

8.5. In the **Articles** (unless the context requires otherwise) the **shareholders** will be treated as meeting in the **Main Meeting Place**.

8.5. The **Board** can make arrangements to enable persons entitled to attend and participate in a **General Meeting** to do so by simultaneous attendance and participation by means of **electronic facility** and determine the means, or all different means, of attendance and participation used in relation to a **General Meeting**.

8.6. The members present in person or by *proxy* by means of **electronic facility** shall be counted in the *quorum* for, and entitled to participate in, the **General Meeting** in question.

8.7. A meeting held partly by means of **electronic facility** shall be duly constituted and its proceedings valid if the chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that

members attending the meeting by all means (including by means of **electronic facility**) are able to:

- participate in the business for which the meeting has been convened;
- hear all persons who speak at the meeting; and
- be heard by all other persons present at the meeting.

8.8. The **Board's** powers and discretions under this Article are delegated to the chairman at a **General Meeting**.

9. Quorum

9.1. Before a **General Meeting** starts any business, there must be a *quorum* present. If not, the meeting cannot carry out any business but can choose a **person** to chair the meeting. The *quorum* is two **people** who are entitled to vote. They can be **shareholders** or *proxies* or a combination of both.

9.2. This Article applies if a *quorum* is not present within 20 minutes after the time fixed for a **General Meeting** to start or within any longer period which the chairman decides. If the meeting was called by **shareholders**, it is cancelled. Any other meeting is *adjourned* to any date, time and place stated in the notice of meeting. If the notice does not provide for this, the meeting is *adjourned* to a date, time and place and, if applicable, by means of such **electronic facility** decided by the chairman.

10. Adjourning meetings

10.1. The chairman of a meeting can *adjourn* the meeting, before or after it has started, if the chairman considers that:

- there is not enough room for the number of **shareholders** and *proxies* who want to attend the meeting;
- the behaviour of anyone present prevents, or is likely to prevent, the business of the meeting being carried out in an orderly way;
- an electronic facility has become inadequate for the purposes referred to in Article 8.8; or
- an *adjournment* is necessary for any other reason, so that the business of the meeting can be properly carried out.

The chairman can *adjourn* the meeting for any of these reasons to a date, time and place which the chairman decides, or indefinitely. The chairman does not need the consent of the meeting to do this.

10.2. The chairman of a meeting can *adjourn* a meeting which has a *quorum* present if the meeting agrees. The chairman may *adjourn* the meeting if the meeting directs this. The *adjournment* can be to a date, time and place and, if applicable, by means of such **electronic facility** which the chairman decides, or indefinitely.

10.3. If a meeting is *adjourned* indefinitely, the **Board** will decide the date, time, place and, if applicable, **electronic facility** of the *adjourned* meeting. Meetings can be *adjourned* more than once.

- 10.4. If a meeting is *adjourned* for 60 days or more, at least seven days' notice must be given for the *adjourned* meeting in the same way as was required for the original meeting, including notice of the business to be considered there. If a meeting is *adjourned* for less than 60 days, there is no need to give notice of the *adjourned* meeting, or of the business to be considered there.
- 10.5. A reconvened meeting can only deal with business that could have been dealt with at the meeting which was *adjourned*.

11. Amending resolutions

- 11.1. The chairman can propose amendments to an *ordinary* or *special resolution* if they are amendments to correct an obvious error in the resolution.
- 11.2. No other amendments can be proposed to a *special resolution*.
- 11.3. Amendments to an *ordinary resolution* which are within the scope of the resolution can be proposed if **written** notice of the proposed amendment is received at the **Registered Office** addressed to the **Secretary** at least three **clear business days** before the day fixed for the meeting or *adjourned* meeting.
- 11.4. If the chairman, acting in good faith, rules an amendment out of order, an error in that ruling will not affect the validity of a vote on the original resolution.

Voting at General Meetings

12. How votes are taken

- 12.1. A resolution put to the vote at a **General Meeting** held partly by means of **electronic facility** shall, unless the chairman of the meeting determines that it shall be decided on a *show of hands*, be decided on a *poll*. Subject to the aforementioned, if a resolution is put to the vote at a **General Meeting**, it will be decided by a *show of hands*, unless a *poll* is demanded as soon as, or before, the result of the *show of hands* is declared by the chairman. A *poll* can be demanded by:
- the chairman of the meeting;
 - at least five **shareholders** at the meeting who are entitled to vote (or their *proxies*); or
 - one or more **shareholders** at the meeting who are entitled to vote (or their *proxies*) and who have, between them, at least 10 per cent of the total votes of all **shareholders** who have the right to vote at the meeting.

The chairman of the meeting can also demand a *poll* before all, some or any of the resolutions are put to the vote on a *show of hands*.

- 12.2. A demand for a *poll* can be withdrawn if the chairman agrees to this. If a *poll* is demanded, and this demand is then withdrawn, a declaration by the chairman

of the result of a vote by a *show of hands* on that resolution, which was made before the *poll* was demanded, will stand.

13. How polls are taken

13.1. The chairman of the meeting can decide where, when and how a *poll* will be taken. The result will be treated as the decision of the meeting where the *poll* was demanded, even if the *poll* is taken after the meeting.

13.2. The chairman can:

- decide that a ballot, electronic voting, voting papers or tickets will be used;
- appoint one or more scrutineers (who need not be **shareholders**);
- *adjourn* the meeting to a date, time and place which the chairman decides for the result of the *poll* to be declared; or
- declare the result of the *poll* or decide how it should be declared.

13.3. A **shareholder** can vote either in person or by *proxy* on a *poll*. If a **shareholder** votes on a *poll*, they do not have to use all of their votes or cast all their votes in the same way.

14. Timing of polls

A *poll* can be taken either at the meeting or within three **months**. No notice is required for a *poll*.

15. Meetings continue after poll demanded

A demand for a *poll* on a particular matter does not stop a meeting from continuing and dealing with other matters. But once all these matters have been dealt with, the meeting is treated as having ended immediately after the *poll* has been taken, even though the result of the *poll* is to be worked out and announced later.

16. Effect of declaration by chairman

The following applies when there is a vote on a *show of hands* and no *poll* is demanded or required by the **Articles** or a demand for a *poll* is withdrawn. Any of the following declarations about a resolution by the chairman of the meeting is conclusive proof that it has been:

- passed or not passed; or
- passed with a particular majority.

An entry in respect of this kind of declaration in the minutes of the meeting is also conclusive evidence of that fact. There is no need to prove the number or proportion of votes recorded for or against a resolution.

Shareholders' Voting Rights

17. Votes of shareholders

Where there is a vote on a *show of hands*, a **shareholder** present at a meeting in person or by *proxy* has one vote. Where there is a *poll*, a **shareholder** present in person or by *proxy* has one vote for every share which they hold or represent. This is *subject to any special rights* or restrictions which are given to a class of shares and to the **Articles**.

18. Failure to comply with notice under section 793 of the Companies Act

18.1. This Article applies if a **shareholder**, or a **person** appearing to be interested in shares (within the meaning of Part 22 of the **Companies Act**) held by that **shareholder**, has:

- been sent a notice under section 793 of the **Companies Act** requiring information about interests in shares; and
- failed to supply to **BT** the required information within 14 days after delivery of that notice.

Then, unless the **Board** decide otherwise, the **shareholder** is not entitled to:

- attend or vote either in person or by *proxy* at a **shareholders' meeting**; or
- *exercise* any other right in relation to **shareholders' meetings** as holder of any shares in **BT**.

These restrictions end seven days after the earlier of the date on which:

- the **shareholder** complies with the notice to **BT's** satisfaction; and
- **BT** receives **written** notice that there has been an **approved transfer** of the shares.

18.2. A **person** who obtains shares *subject to* restrictions under Article 18.1 is *subject to* the same restrictions, unless the transfer was:

- an **approved transfer**; or
- made by a **shareholder** who was not in default in supplying the information required by the notice under Article 18.1.

18.3. In this Article a **person** is treated as appearing to be interested in any shares if the **shareholder** holding those shares has been sent a notice under section 793 of the **Companies Act** and:

- the **shareholder** has named that **person** as being so interested; or
- (after taking into account the response of the **shareholder** to the notice and any other relevant information) the **Board** knows or reasonably believes that the **person** in question is or may be interested in the shares.

18.4. In this Article a transfer of shares is an **approved transfer** if:

- it is a transfer of shares to an offeror under an acceptance of a *takeover offer*, or
- the **Board** are satisfied that the transfer is a genuine sale of the whole of the *beneficial ownership* of the shares to a **person** who is not connected with the **shareholder** or with a **person** appearing to be interested in the

shares. This includes such a sale made through the **London Stock Exchange** or any other stock exchange on which **BT's** shares are normally traded.

19. Votes of joint shareholders

If more than one joint **shareholder** votes, the only vote which will count is the vote of the first **shareholder** listed on the **Register** for the share. This also applies if the **shareholders** vote by *proxy*.

20. Votes of shareholders who are unable to manage their affairs

This Article applies where a:

- **shareholder** is unable to manage their affairs; and
- court which claims jurisdiction to protect **people** who are unable to manage their affairs has made an order about the **shareholder**.

The **people** appointed by the court to act for the **shareholder** can vote for the **shareholder** and *exercise* other **rights** at **General Meetings**. This includes appointing a *proxy*, voting on a *show of hands* and voting on a *poll*. However, it only applies if any evidence which the **Board** requires of their authority to do these things is delivered to the **Registered Office** or any other place the **Board** specify for delivery of **proxy forms** at least 48 hours before the relevant meeting (or *adjourned* meeting).

21. Challenging votes

An objection to the right of a **person** to vote must be made at the meeting (or *adjourned* meeting) at which the vote is cast. If a vote is not disallowed at a meeting, it is valid for all purposes. An objection must be raised with the chairman of the meeting. The chairman's decision is conclusive.

Proxies

22. Appointment of proxies

22.1. A **shareholder** is entitled to appoint a *proxy* or (*subject to* Article 23) *proxies* to *exercise* all or any of the **shareholder's** rights to attend, speak and vote at **General Meetings**.

22.2. A *proxy* is appointed by using a **proxy form** or in any other way, and *subject to* any terms and conditions, the **Board** decide. For example, the **Board** can decide that a *proxy* can be appointed using *electronic means* or by means of a website.

22.3. A *proxy* need not be a **shareholder**.

23. Multiple proxies

A **shareholder** can appoint more than one proxy. However, each proxy must be appointed to *exercise rights* in respect of a different share or shares held by the **shareholder**.

24. Form of Proxy

24.1. A *proxy form*:

- must be **in writing**; and
- can be in any form which is commonly used or in any other form the **Board** approve.

24.2. A *proxy form* given by:

- an individual must be signed by the individual or an *attorney* who is authorised to act on behalf of the individual or authenticated in accordance with Article 104; and
- a **company** must be sealed with the **company's seal** or signed by an **officer** of the **company** or an *attorney* who is authorised to act on behalf of the **company** or authenticated in accordance with Article 104.

Any signature on or authentication of an appointment need not be witnessed.

25. Receipt of proxies

25.1. A *proxy form* must be received at the place or *address* stated in the notice of meeting or *proxy form* or in any invitation contained in an **electronic form** to appoint a *proxy* or, if no place or *address* is stated, at the **Registered Office**. If the **Board** decide that a *proxy* can be appointed in any other way, notice of the appointment must be received as the **Board** specify.

25.2. Notices of appointments of *proxies* must be received at least:

- 48 hours before a meeting or *adjourned* meeting;
- 24 hours before a *poll* is taken, if the *poll* is taken more than 48 hours after it was demanded; or
- 48 hours before a meeting or *adjourned* meeting, if the *poll* is taken within 48 hours after the meeting or *adjourned* meeting.

In calculating the periods in this Article, the **Board** can decide to exclude any part of any day which is not a **business day**.

25.3. If a *proxy form* is signed or authenticated in accordance with Article 104, the *power of attorney* or other authority relied on to appoint a *proxy*, or a copy which has been certified by a solicitor or notary, must be registered with **BT**, together with any *proxy form* or in any other way that the **Board** specify, unless this has already been done. These documents must be received by the deadline which applies to notices of appointments of *proxies* under Article 25.2. The **Board** may decide to disapply the requirements in this Article 25.3 in relation to a *proxy form* or the appointment of a *proxy* made under the second sentence of Article 25.1.

- 25.4. In relation to any shares in uncertificated form, the **Board** can:
- permit a *proxy* to be appointed by *electronic means* in the form of an *uncertificated proxy instruction*;
 - permit any supplement to, or amendment or withdrawal of this instruction by a further *uncertificated proxy instruction*;
 - decide the method of determining the time when any *uncertificated proxy instruction* is to be treated as received by **BT**; and
 - treat any instruction of this kind which appears or claims to be sent on behalf of the **shareholder** as conclusive evidence that the **person** sending the instruction is authorised to send it on behalf of that **shareholder**.
- 25.5. If this Article is not complied with, the *proxy* will not be able to act for the **person** who appointed them.
- 25.6. If a *proxy* for several meetings has been properly appointed for a meeting or *adjourned* meeting, the *proxy* does not need to be appointed again for a later meeting which the appointment covers. A **proxy form** will be valid for any *adjournment* of the meeting or meetings to which it relates and for any vote on a *show of hands* or any *poll* demanded at that meeting or *adjourned* meeting.
- 25.7. If more than one proxy is appointed in respect of the same share to act at the same meeting, only the last appointment received will be treated as valid (regardless of when it was signed or by what means it was submitted). If BT does not know which is the last appointment, BT can decide which appointment to treat as valid or whether any of them are valid and its decision will be conclusive.
- 25.8. A **shareholder** can attend, vote and speak at a **General Meeting** or on a *poll* even if they have appointed a *proxy* to attend, vote and speak at that meeting or on that *poll*.

26. Termination of proxies

- 26.1. A vote cast by a *proxy* in the way authorised by their appointment and a demand for a *poll* made by a *proxy* will be valid even though the **shareholder** who appointed the *proxy* has:
- died or is unable to manage their affairs;
 - terminated the appointment; or
 - terminated the authority of the **person** who made the appointment.

However, this does not apply if **written** notice of any of these events has been received in any way specified for the appointment of *proxies*:

- 48 hours before the meeting or *adjourned* meeting;
- 24 hours before the *poll* is taken, if the *poll* is taken more than 48 hours after it was demanded; or
- 48 hours before a meeting or *adjourned* meeting, if the *poll* is taken within 48 hours after the meeting or *adjourned* meeting.

In calculating the periods in this Article, the **Board** can decide to exclude any part of any day which is not a **business day**.

26.2. The appointment of a *proxy* will cease to be valid 12 **months** after the date the **proxy form** was signed or authenticated or notice of the appointment was received. However, the appointment is still valid at an *adjourned* meeting or on a *poll* demanded at a meeting or *adjourned* meeting, if the original meeting was first held within the 12 **month** period.

Company Representatives

27. Appointment of *company representatives*

Subject to the **legislation**, a **company** which is a **shareholder** can, by resolution of its directors or other governing body, authorise a **person** or several **people** to act as its representative or representatives at a **General Meeting**. Each of those **people** is called a *company representative*.

Directors

28. Number of directors

There must be at least two directors. The **shareholders** can vary this minimum and/or decide or vary a maximum number of directors by passing an *ordinary resolution*.

29. Directors need not be shareholders

A director need not be a **shareholder**. A director who is not a **shareholder** is still entitled to receive notice of and attend and speak at **shareholders' meetings**.

Appointment and Removal of Directors

30. People who can be directors

Only the following **people** can be elected as directors at a **General Meeting**:

- a director who is retiring at the meeting;
- a **person** who is recommended by the **Board**; and
- a **person** who has been proposed in the following way. A **shareholder** who is entitled to attend and vote at the meeting (other than the proposed director) must deliver to **BT** a notice **in writing**, signed or authenticated in accordance with Article 104 by the **shareholder**. The notice must state that they intend to propose the **person** for election and whether the **person** is proposed as an additional director or to replace a director who is retiring or being removed. This notice must be delivered not less than seven nor more than 42 days before the date of the meeting. The **person** to be proposed must deliver to **BT** with the notice a confirmation **in writing**, signed or authenticated in accordance with Article 104 by the **person** to be proposed that they are willing to be elected.

31. Filling vacancies and appointing or electing additional directors

- 31.1. The **Board** can appoint a **person** as an additional director or as a replacement for another director. A director appointed in this way automatically retires at the first Annual **General Meeting** after their appointment in accordance with Article 35 unless elected or re-elected at that Annual General Meeting.
- 31.2. *Subject to Article 30*, the **shareholders** can elect a **person** proposed as an additional director or to replace another director by passing an *ordinary resolution*.
- 31.3. Additional directors can only be appointed or elected under this Article within any maximum number of directors which applies under Article 28 (including any variation of that maximum approved by an *ordinary resolution of shareholders*).

32. Removing and electing directors by ordinary resolution

- 32.1. The **shareholders** can pass an *ordinary resolution* to remove a director, even though the director's time in office has not ended. This applies despite anything else in the **Articles** or in any agreement between **BT** and the director. *Special notice* of the resolution must be given to **BT** as required by the **legislation**. If a director is removed in this way, it will not affect any claim which the director has for damages for breach of any contract of service.
- 32.2. *Subject to Article 30*, the **shareholders** can elect a **person** to replace a director who has been removed in this way by passing an *ordinary resolution*. If no director is elected under this Article, the vacancy can be filled under Article 31.

33. Electing two or more directors

A single resolution for the election of two or more directors is void unless the **shareholders** approve the putting of the resolution in this form first by a vote taken at the **General Meeting** with no votes cast against.

34. Directors can act if there are vacancies

- 34.1. Even if one or more director(s) has stopped being a director, the remaining director(s) can continue to act. If the number of director(s) falls below the minimum which applies under Article 28 (including any variation of that minimum approved by an *ordinary resolution of shareholders*), the remaining director(s) can only:
- appoint further director(s) to make up the shortfall;
 - convene a **General Meeting**; and
 - in the meantime, perform the duties that are appropriate to maintain **BT** as a going concern and enable it to comply with its legal and regulatory obligations.
- 34.2. If no director(s) are willing or able to act under this Article, any two **shareholders** can call a **General Meeting** to elect director(s), provided that, if

no directors are able to act because all of the resolutions for election or annual re-election of the directors are put to the Annual **General Meeting** and lost, the retiring directors who stood for election or re-election at that Annual **General Meeting** will be treated as being elected or re-elected (as the case may be) and will continue as directors. In these circumstances, the directors can only:

- convene a **General Meeting** in accordance with Article 34.3; and
- in the meantime, perform the duties that are appropriate to maintain **BT** as a going concern and enable it to comply with its legal and regulatory obligations.

34.3. In the circumstances set out in Article 34.2, the directors will convene another **General Meeting** as soon as reasonably practicable following the Annual **General Meeting** referred to in Article 34.2 and retire from office at that **General Meeting**. If at the end of that **General Meeting** the number of director(s) still falls below the minimum which applies under Article 28 (including any variation of that minimum approved by an *ordinary resolution* of **shareholders**) the provision of this Article 34 will apply again to the **General Meeting**.

Retirement of Directors

35. Annual retirement of directors

At every Annual **General Meeting** all directors at the date of the notice convening the Annual **General Meeting** will retire from office unless elected or re-elected at the Annual **General Meeting**.

36. Re-electing directors who retire

At each Annual **General Meeting** at which the directors retire in accordance with Article 35 the **shareholders** can pass an *ordinary resolution* to re-elect each director or, if Article 30 has been complied with, to elect some other eligible **person** in the director's place.

The retiring director is treated as re-elected unless:

- the meeting expressly resolves not to elect a director to fill the vacancy;
- the director has told **BT in writing** that the director does not want to be re-elected;
- a resolution to re-elect the director is put to the meeting and lost; or
- any maximum number of directors which applies under Article 28 (including any variation of that maximum approved by an *ordinary resolution* of **shareholders**) would be exceeded.

37. When a director retires

A director retiring at a **General Meeting** retires at the end of that meeting or (if earlier) when a resolution is passed to elect another **person** in the director's place or when a resolution to re-elect the director is put to the meeting and lost. Where a

retiring director is re-elected (or treated as re-elected under Article 34 or Article 36) the retiring director continues as a director without a break.

Disqualification of Directors

38. When directors are disqualified

38.1. A director automatically ceases to be a director if:

- the director ceases to be a director under the **legislation** or is removed from office under the **Articles**;
- the director is prohibited from being a director under the **legislation**;
- the director becomes bankrupt;
- the director makes an arrangement or composition with the director's creditors or applies for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- the director becomes unable to manage their affairs and a court which claims jurisdiction to protect **people** who are unable to manage their affairs has made an order detaining the director or appointing a **person** to manage the director's property or affairs;
- except where the director's contract prevents the director resigning, the director:
 - delivers to **BT** a **written** notice of resignation signed by or on behalf of the director; or
 - offers to resign and the **Board** pass a resolution accepting the offer;
- the director has missed **Board** meetings for a continuous period of six **months**, without permission from the **Board** and the **Board** pass a resolution removing the director from office; or
- the director's contract expires or is terminated for any reason and is not renewed or replaced within 14 days.

38.2. If a director ceases to be a director, the director automatically ceases to be a member of any **Board** committee or sub-committee.

Remuneration of Directors

39. Directors' fees

The **Board** can decide on the amount, timing and method of payment of directors' fees, but the total fees **paid** to each director, excluding amounts payable under any other **Article**, must not exceed:

- £65,000 a **year** (accruing daily), increasing by the percentage increase in the retail prices index (as defined in Section 833(2) Income and Corporation Taxes Act 1988) for any 12 **month** period beginning on 1 April 1999 or an anniversary of that date; or
- any higher sum decided on by an *ordinary resolution* of **shareholders**. This resolution can increase the fee **paid** to all or any directors either permanently or for a particular period.

40. Directors' expenses

The **Board** can also repay to a director all expenses properly incurred in:

- attending and returning from **shareholders' meetings**, **Board** meetings or **Board** committee meetings; or
- any other way in connection with **BT's** business.

41. Extra fees

41.1. The **Board** can award extra fees to a director who:

- holds an executive position;
- acts as chairman or deputy chairman;
- serves on a **Board** committee or board at the request of the **Board**; or
- performs any other services which the **Board** consider extends beyond the ordinary duties of a director.

41.2. Extra fees can take the form of salary, commission, profit sharing or other benefits (and can be **paid** partly in one way and partly in another). They can also include any kind of benefit for the director's dependants. This is all decided by the **Board**.

42. Pensions and other benefits

42.1. The **Board** can decide whether to provide:

- pensions;
- annual payments; or
- other allowances or benefits,

to any **people** including **people** who are or who were directors of **BT**. The **Board** can decide to extend these arrangements to relations or dependants of, or **people** connected to, these **people**. The **Board** can also decide to contribute to a scheme or fund or to **pay** premiums to a third party for these purposes.

42.2. **BT** can only provide pensions and other similar benefits to:

- **people** who are or were directors but who have not been employed by, or held an office or executive position in, **BT** or its *subsidiary undertakings*; and
- relations or dependants of, or **people** connected to, those directors or former directors,

if the **shareholders** approve this by passing an *ordinary resolution*.

42.3. No director or former director is accountable to **BT** or the **shareholders** for a benefit of any kind given in accordance with this Article. The receipt of a benefit of any kind given in accordance with this Article does not prevent a **person** from being or becoming a director of **BT**.

Board Meetings

43. Board meetings

The **Board** can decide when and where to have meetings, how they are conducted and the *quorum*. They can also *adjourn* their meetings.

44. Notice of Board meetings

- 44.1. A meeting can be called by a director or the **Secretary**. The **Secretary** must also call a meeting if a director requests this.
- 44.2. The **Board** can decide how notice of **Board** meetings is to be given and on any terms and conditions (including oral notice). *Subject to this, Board* meetings are called by delivering a **written** notice to each director personally or by sending it to their last known *address* or another *address* given to **BT** for this purpose.
- 44.3. A director who is out of the **United Kingdom** is not entitled to be given notice of a **Board** meeting unless:
 - notice of a **Board** meeting is given **in writing**; and
 - the director has asked the **Board in writing** to send notices of **Board** meetings during the director's absence to the director's last known *address* or another *address* given to **BT** for this purpose.

A director can waive notice of a meeting at any time, even if the meeting has already taken place.

45. Chairman of Board meetings

- 45.1. The **Board** can appoint a director as chairman or deputy chairman for whichever periods the **Board** decide. If the chairman is at a meeting, the chairman will chair it. In the chairman's absence, the chair will be taken by the deputy chairman. If there is no chairman or deputy chairman present and willing within five minutes after the time when the meeting is due to start, the chair will be taken by a director nominated by the chairman **in writing**. If the chairman has not done this, the directors present can choose which one of them will be the chairman of the meeting.
- 45.2. References in the **Articles** to "deputy chairman" include, if no one has been appointed with that specific title, a **person** appointed to a position with another title which the **Board** designate as equivalent to the position of deputy chairman.

46. Quorum

- 46.1. If no other *quorum* is fixed by the **Board**, two directors form a *quorum*. A meeting at which a *quorum* is present can *exercise* all the powers and discretions of the **Board**.

46.2. A director who ceases to be a director at a **Board** meeting can continue to be present and act as a director and be counted in the *quorum* until the end of that **Board** meeting if no other director objects and a *quorum* of the **Board** would not otherwise be present.

47. Voting at Board meetings

Matters for decision which arise at a **Board** meeting will be decided by a majority vote. If the votes are equal, the chairman of the meeting has a second, casting vote.

48. Video conference and telephone meetings

Any of the directors or members of a committee can take part in a **Board** meeting or **Board** committee meeting by way of a:

- video conference or conference telephone or similar equipment designed to allow everybody to take part in the meeting; or
- series of video conferences or telephone calls from the chairman of the meeting.

Taking part in this way will be treated as being present at the meeting. A meeting which takes place by a series of video conferences or telephone calls from the chairman will be treated as taking place where the chairman is. Otherwise meetings will be treated as taking place where the largest group of the participants is or, if there is no such group, where the chairman is, unless the **Board** decide otherwise.

49. Minutes of meetings

49.1. The **Board** must cause minutes to be made in minute books of the:

- names of the directors present at each **Board** meeting and **Board** committee meeting;
- appointments of **officers** made by the **Board**; and
- proceedings and resolutions at **Board** meetings, **Board** committee meetings and **shareholders' meetings**.

49.2. It is not necessary for the directors present at a **Board** meeting or **Board** committee meeting to sign their names in the minute book or other attendance book.

50. Validity of the Board's actions

Everything which is done by a **Board** meeting, a **Board** committee meeting or a **person** acting as a director, will be valid even though it is discovered later that a director or **person** acting as a director was not properly appointed or elected. This also applies if it is discovered later that a **person** was disqualified from being a director, had ceased to be a director or was not entitled to vote.

51. Written Resolutions

A directors' **written** resolution is adopted when all of the directors entitled to vote on the resolution at a **Board** meeting have:

- signed one or more copies of it, or
- otherwise indicated their agreement to it **in writing**.

These copies can be made using *electronic means*. This kind of resolution is only adopted if the number of directors who have signed it or indicated their agreement to it meet the *quorum* requirement for **Board** meetings. Once a directors' **written** resolution has been adopted, it will be treated as if it had been a resolution which was passed at a **Board** meeting.

Board Committees

52. Delegating powers to committees

- 52.1. The **Board** can delegate any of their powers or discretions to committees of one or more directors or other **people**. This includes powers or discretions relating to directors' **pay** or giving benefits to directors. If the **Board** have delegated a power or discretion to a committee, any references in the **Articles** to using that power or discretion include its use by the committee. A committee must comply with any regulations made by the **Board**. These regulations can require or allow **people** who are not directors to be co-opted onto the committee and can give voting rights to co-opted members.
- 52.2. Unless the **Board** specifically decide not to allow this, a committee can sub-delegate powers and discretions to sub-committees or other **people**.
- 52.3. References in the **Articles** to committees include sub-committees permitted under this Article.

53. Proceedings of committees

- 53.1. If a committee includes two or more members, the **Articles** which regulate **Board** meetings and their procedure will also apply to committee meetings (if possible), unless these are inconsistent with any regulations for the committee which the **Board** has made under Article 52.
- 53.2. A committee or sub-committee can be called a "board" or "council" or any other name the **Board** decide.

Directors' Interests

54. Authorising directors' conflicts of interest

- 54.1. For the purposes of section 175 of the **Companies Act**, the **Board** can authorise any matter which:
- would or could be a breach of a director's duty under that section;

- could result in a breach of a director's duty under that section.

This authorisation will avoid a situation arising in which the director has, or could have, a direct or indirect interest that conflicts, or could conflict, with the interests of **BT**.

- 54.2. For authorisation of a matter under this Article to be effective:
- the matter in question must have been proposed **in writing** for consideration at a **Board** meeting, in accordance with the **Board's** normal procedures or in any other way the **Board** may decide;
 - any *quorum* requirement at the **Board** meeting when the matter is considered must be met without counting any **Interested Directors**; and
 - the matter must be agreed without the **Interested Directors** voting, or would have been agreed if the votes of the **Interested Directors** had not been counted.
- 54.3. Any matter authorised under this Article will include any existing or potential conflict of interest which it is reasonable to expect will arise out of the authorised matter.
- 54.4. Any authorisation of a matter under this Article will be *subject to* any conditions or limitations decided on by the **Board**. The **Board** can decide the conditions or limitations at the time authorisation is given, or later on, and can end them at any time. A director must comply with any obligations the **Board** impose on the director after a matter has been authorised.
- 54.5. A director does not have to hand over to **BT** any benefit which the director receives (or a **person** connected with the director receives) as a result of anything the **Board** has authorised under this Article. No contract of the type described in this Article can be cancelled because of any director's interest or benefit.

55. Directors may have certain interests

- 55.1. *Subject to* compliance with Article 55.2, a director can have the following interests:
- a) a director (or a **person** connected with the director) can be a director, **officer** or employee of, or have an interest in (including holding shares), any **Relevant Company**;
 - b) a director (or a **person** connected with the director) can have an interest in any **Relevant Company** **BT** has an interest in or be a party to a contract with that **company**;
 - c) a director (or a **person** connected with the director, or any firm the director is a partner, employee or shareholder of) can do professional work for any **Relevant Company** (other than as an **Auditor**) whether or not payment is made for the work;
 - d) an interest if it cannot reasonably be regarded as likely to give rise to a conflict of interest;
 - e) an interest if the director is not aware of the interest or of the transaction or arrangement giving rise to the interest (for these purposes the director will

- be treated as being aware of matters if it is reasonable to expect the director to be aware of them);
- f) an interest in any matter authorised under Article 54.1; or
 - g) any other interest authorised by *ordinary resolution*.

No authorisation under Article 54 (other than under paragraph (f) of this Article) is required for any interests under this Article.

- 55.2. The director must declare the nature and extent of any interest allowed under Article 55.1 and not falling within Article 55.3, at a Board meeting or in the manner set out in section 184 or 185 of the Companies Act.
- 55.3. A director does not need to declare an interest:
- if it cannot reasonably be regarded as likely to give rise to a conflict of interest;
 - if the director is not aware of the interest or of the transaction or arrangement giving rise to the interest (for these purposes the director will be treated as being aware of matters if it is reasonable to expect the director to be aware of them);
 - if the interest relates to any matter which has been authorised under Article 54.1;
 - if the other directors already know about the interest (and for this purpose the other directors will be treated as knowing about the interest if it is reasonable to expect they know about it); or
 - if the interest concerns the terms of the director's service contract that have been or are to be considered at a **Board** meeting or at a committee meeting of directors appointed for the purpose under these **Articles**.
- 55.4. A director does not have to hand over to **BT** any benefit which the director (or a **person** connected with the director) receives:
- from any contract or from any office or employment or from any interest in any **Relevant Company**; or
 - for any payment as referred to in Article 55.1. No contract of the type described in Article 55.1 can be cancelled because of any director's interest or benefit.
- 55.5. In this Article each of the following is a **Relevant Company**:
- **BT**;
 - a *subsidiary undertaking* of **BT**;
 - any *holding company* of **BT** or a *subsidiary undertaking* of any such *holding company*;
 - any **company** promoted by **BT**; or
 - any **company** in which **BT** is otherwise interested.

56. When directors can vote on things in which they are interested

- 56.1. Unless this Article says otherwise, and regardless of whether the interest is one which is authorised under Article 54 or allowed under Article 55, a director cannot vote (and if the director does vote, such vote will not be counted) on a

resolution about a contract in which the director (or a **person** connected with the director) is interested.

- 56.2. A director cannot be counted in the *quorum* for a **Board** meeting in relation to any resolution on which the director is not entitled to vote.
- 56.3. If the **legislation** allows, a director can (unless the director has some other interest as well as an interest allowed by this Article) vote and be counted in the *quorum* on a resolution concerning a contract:
- a) in which the director has an interest of which the director is not aware;
 - b) in which the director has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;
 - c) in which the director has an interest only because the director is a holder of shares, **debentures** or other *securities* of **BT**, or by reason of any other interest in or through **BT**;
 - d) which involves the giving of any security, guarantee or *indemnity* to the director or any other **person** for:
 - money lent or obligations incurred by the director or by any other **person** at the request of or for the benefit of **BT** or the benefit of any of its *subsidiary undertakings*; or
 - a debt or other obligation which is owed by **BT** or any of its *subsidiary undertakings* to that other **person** if the director has taken responsibility for all or any part of that debt or obligation by giving a guarantee, security or *indemnity*;
 - e) where **BT** or any of its *subsidiary undertakings* is offering any shares, **debentures** or other *securities* for *subscription* or purchase:
 - to which the director is or may be entitled to participate as a holder of **BT** securities; or
 - where the director will be involved in the underwriting or sub-underwriting;
 - f) relating to any other **company** in which the director has an interest, directly or indirectly (including holding a position in that **company**) or is a **shareholder**, creditor, employee or otherwise involved in that **company**. These rights do not apply if the director owns one per cent or more of that **company** or of the voting rights in that **company**;
 - g) relating to an arrangement for the benefit of **BT** employees or former **BT** employees or any of **BT's** *subsidiary undertakings* which only gives the directors the same benefits that are generally given to the employees or former employees to whom the arrangement relates;
 - h) relating to **BT** buying or renewing insurance for any *liability* for the benefit of directors or for the benefit of **persons** who include directors;
 - i) relating to the giving of *indemnities* in favour of directors;
 - j) relating to the funding of expenditure by any director or directors:
 - on defending criminal, civil or regulatory proceedings or actions against the director or the directors;
 - in connection with an application to the court for relief; or
 - on defending the director or the directors in any regulatory investigations;
 - k) which enables any director or directors to avoid incurring expenditure as described in paragraph (j); and

- l) in which the director's interest, or the interest of directors generally, has been authorised by an *ordinary resolution*.

56.4. This Article applies if the **Board** are considering proposals to appoint two or more directors to positions with **BT** or any **company** in which **BT** has an interest. It also applies if the **Board** are considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Article 56.1) and be counted in the *quorum* for each resolution, except the one concerning that director.

56.5. If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has a material interest or whether the director can vote or be counted in the *quorum*, and the director does not agree to abstain from voting on the question or not be counted in the *quorum*, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests have not been fairly disclosed to the **Board**. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the **Board**. The chairman cannot vote on the question but can be counted in the *quorum*. The **Board's** resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests have not been disclosed to the **Board**.

57. Confidential information

57.1. *Subject to* Article 57.2, if a director receives information for which the director owes a duty of confidentiality to a **person** other than **BT**, and the director did not receive the information because of their position as a director, the director will not be required to:

- disclose such confidential information to **BT** or to the **Board**, or to any director, **officer** or employee of **BT**; or
- use or apply such confidential information in any other way in connection with the director's duties as a director.

57.2. If a duty of confidentiality arises out of a situation in which the director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of **BT**, Article 57.1 will apply only if the conflict arises out of a matter which has been authorised under Article 54 or falls within Article 55.

57.3. This Article does not affect any equitable principle or rule of law which may excuse or release the director from disclosing information, in circumstances where disclosure may otherwise be required under this Article.

58. Directors' interests - general

58.1. For the purposes of Articles 54 to 58:

- a reference to a contract includes a reference to an existing or proposed contract, transaction or arrangement;

- a director will be treated as owning one per cent or more of a **company** if the director (together with those **persons** connected with the director) holds an interest in shares representing one per cent or more of:
 - a class of issued equity share capital; or
 - the voting rights of that **company**;
- an interest of a **person** who is connected with a director will be treated as an interest of the director; and
- section 252 of the **Companies Act** will determine whether a **person** is connected with a director.

58.2. Where a director has an interest which it is reasonable to expect will result in a conflict of interest, the director can if asked to do so by the **Board** take such additional steps that are necessary or desirable to manage the conflict of interest. These steps can include complying with any procedures laid down by the **Board** to manage conflicts of interest generally, or carrying out any specific procedures approved by the **Board** for managing the situation or matter in question, including (without limitation) the director:

- being absent from any **Board** meetings where the relevant situation or matter is to be considered; and
- not being given access to documents or information made available to the **Board** generally in relation to such situation, or arranging for the documents or information to be reviewed by a professional adviser to determine whether it is appropriate for the director to have access to such documents or information.

58.3. The **shareholders** can by passing an *ordinary resolution* ratify any contract not properly authorised by reason of breaching any of the provisions in Articles 54 to 58.

Directors' Management Powers

59. Management powers

59.1. The **Board** will manage **BT's** business. They can use all **BT's** powers, except where the **legislation** or the **Articles** say that powers can only be used by the **shareholders** voting to do so at a **General Meeting**. The general management powers under this Article are not limited in any way by specific powers given to the **Board** by other **Articles**.

59.2. The **Board's** management powers are *subject to*:

- the **legislation**;
- the **Articles**; and
- any other requirements which are consistent with the **legislation** and the **Articles** and are approved by the **shareholders** passing an *ordinary resolution*.

59.3. If a change is made to the **Articles** or the **shareholders** approve a requirement relating to something which the **Board** have already done which was within their powers, that change or requirement cannot invalidate the **Board's** previous action.

60. Appointing directors to executive positions

The **Board** can appoint one or more directors to any executive position they decide. As far as the **legislation** allows, they can decide how long these appointments will be for and what their terms will be. They can also vary the terms of or end these appointments. If a director ceases to be a director, the director automatically ceases to hold any executive position in **BT**. If a director's appointment is varied or ends because of this Article, this does not prejudice any claim against **BT** for breach of contract.

61. Delegation of powers

The **Board** can give a director or the **Secretary** any of the powers which they have jointly as the **Board**. These powers can be given on any terms and conditions the **Board** decide either in parallel with, or in place of, the powers of the **Board** acting together. These powers can include the power to sub-delegate. The **Board** can change the basis on which these powers are given or withdraw them from the director or **Secretary**. No **person** dealing in good faith who does not know about the change or withdrawal will be affected by it.

62. Power to establish local boards and agencies

62.1. The **Board** can set up **local boards** or agencies to manage, supervise or advise on any of **BT's** business in the **United Kingdom** or elsewhere. The **Board** can also appoint a **person** (who need not be a director) to be a:

- member of a **local board**; or
- manager or agent.

62.2. The **Board** can:

- decide the remuneration and other benefits of **people** appointed under this Article;
- delegate any of the **Board's** authority, powers or discretions to a:
 - **local board**;
 - manager or agent; or
 - *subsidiary undertaking* of **BT** (whether wholly-owned or not);
- allow **local boards**, managers or agents, or *subsidiary undertakings* to delegate to another **person**;
- allow members of **local boards** to fill any vacancies on their boards and to continue to act even though there are vacancies;
- remove any **people** appointed under this Article (including **people** appointed by another **person** under this Article); and
- cancel or change an appointment or delegation made under this Article (including an appointment made by another **person** under this Article), although this will not affect a **person** who acts in good faith who has not had notice of the cancellation or change.

62.3. An appointment or delegation by the **Board** which is referred to in this Article can be on any terms and conditions the **Board** decide.

62.4. In this Article, “**local board**” means a special or local board, committee or council and includes a regional or area board or a board for a particular part of **BT’s** business.

63. Power to appoint agents

63.1. The **Board** can appoint a **person** (including the members of a group which changes over time) as **BT’s** agent. The agent can either be appointed directly by the **Board**, or the **Board** can give another **person** the power to select an agent. The **Board** can decide the purposes, powers, authorities and discretions of an agent. But they cannot give an agent a power, authority or discretion which the **Board** do not have under the **Articles**.

63.2. The **Board** can decide how long an appointment of an agent will last for and they can apply any terms and conditions to it. The appointment can include any provisions which the **Board** decide for the protection and convenience of a **person** dealing with the agent. The appointment can also allow the agent to sub-delegate all or any of their powers, authorities or discretions to any other **person**.

64. Positions with titles including the word ‘director’

The **Board** can appoint a **person** to a position having a title including the word “director” or give a title including the word “director” to an existing position and can end that appointment or the use of that title. The use of the word “director” in the title of a position does not imply that the holder is a director of **BT** and the holder does not have the power to act as a director of **BT** and is not treated as a director of **BT** for the purposes of the **Articles**.

65. Overseas branch registers

BT can use all the powers that the **legislation** gives to keep an overseas branch register. The **Board** can make and change any regulations they decide relating to this register, as long as the **legislation** allows this.

66. Signatures on cheques etc.

All cheques, promissory notes, drafts, bills of exchange and other *instruments* (whether *negotiable* or transferable or not) and all receipts for money **paid** to **BT** can be signed, drawn, accepted, endorsed or **made effective** in any way the **Board** decide.

67. Power to provide for the benefit of employees and former employees

The **Board** can, by passing a resolution, *exercise* any powers given by the **legislation** to provide for the benefit of employees and former employees of **BT** or any of its *subsidiaries* in connection with the ending of the business or the transfer to a **person** of all or any part of the business and *assets* of **BT** or that *subsidiary*.

Directors' Borrowing Powers

68. Borrowing powers

To the extent that the **legislation** and the **Articles** allow, the **Board** can *exercise* all the powers of **BT** to:

- borrow money;
- mortgage or charge all or any part of **BT's** business, property and *assets* (present and future);
- issue **debentures** and other *securities*; and
- give security either outright or as collateral security, for a debt, *liability* or obligation of **BT** or another **person**.

69. Borrowing restrictions

69.1. The **Board** will limit the borrowings of **BT** and *exercise* all voting and other rights or powers of control *exercisable* by **BT** in relation to its *subsidiary undertakings* so as to ensure that the aggregate amount of all borrowings by the **Group** outstanding at any time is not more than £35,000,000,000. This affects *subsidiary undertakings* only to the extent the **Board** can do this by *exercising* these rights or powers of control. This limit can be exceeded if the consent of **shareholders** has been given in advance by passing an *ordinary resolution*. The limit does not include borrowings owing by one member of the **Group** to another member of the **Group**.

69.2. In this Article:

- **Group** means **BT** and its *subsidiary undertakings*; and
- **minority proportion** means the proportion of the *issued* equity share capital of a partly-owned *subsidiary undertaking* which does not belong to the **Group**.

69.3. In Article 69.1:

- amounts borrowed by a member of the **Group** for the purpose of repaying (with or without a *premium*) all or any part of other borrowings owing by another member of the **Group** which are to be used for this purpose within six **months** of being borrowed are not to be taken into account pending their use for that purpose;
- amounts borrowed by a partly-owned *subsidiary undertaking* which are not owed to another member of the **Group** are to be taken into account (except that a proportion of the borrowings equal to the **minority proportion** is to be excluded);
- amounts borrowed by a member of the **Group** which are owed to a partly-owned *subsidiary undertaking* are to be taken into account to the extent of a proportion of the borrowings equal to the **minority proportion**;
- amounts borrowed by a *subsidiary undertaking* before it became a member of the **Group** are not to be taken into account until six **months** after the date it became a member of the **Group**;

- amounts secured on an *asset* of a member of the **Group** before it was acquired by a member of the **Group** are not to be taken into account until six **months** after the date of the acquisition;
- amounts *beneficially* owned by a member of the **Group** which are deposited with a **person** who is not a member of the **Group** and are repayable on, or within three **months** after, a demand are to be deducted from the borrowings of the **Group** (except that where the amounts are owned by a partly-owned *subsidiary undertaking* a proportion of the amount owned equal to the **minority proportion** is to be excluded from the amount deducted); and
- if the amount of the borrowings is being calculated in connection with a transaction involving a **company** becoming or ceasing to be a member of the **Group**, the amount is to be calculated as if the transaction had already occurred.

69.4. A certificate or report by a **person** chosen by the **Board** as to the amount of the borrowings at a particular time will be conclusive evidence of that amount. However, the **Board** can rely on a genuine estimate of the amount of the borrowings at any time and if as a result the limit stated in Article 69.1 is exceeded, an amount of borrowed money equal to the excess can be disregarded until six **months** after the date the **Board** became aware that this situation had or may have arisen, whether because of a decision of the **person** chosen by the **Board** or for any other reason.

69.5. No lender or other **person** dealing with the **Group** needs to look at or enquire whether the limit imposed by this Article is being observed. No borrowing incurred or security given in excess of this limit will be invalid or ineffective unless the lender or the recipient of the security had express notice at the time when the borrowing was incurred or security given that the limit had been or would as a result be exceeded.

Liability

70. Liability of members

The liability of each member is limited to the amount (if any) unpaid on the shares held by that member.

Shares

71. Board's authority to allot shares and "equity securities" and to sell treasury shares

71.1. This Article regulates the **Board's** authority to *allot* shares and their power to *allot equity securities* for cash and to sell *treasury shares* for cash.

71.2. For the purposes of section 549 of the **Companies Act**, the **Board** are authorised, generally and without conditions, under section 551 of the **Companies Act**, to *allot* shares and to grant rights to subscribe for or to convert any security into shares in **BT**. They are authorised to *allot* shares and

grant rights for any **prescribed period**. The maximum amount of shares which the **Board** can *allot* and rights which the **Board** can grant in each period is the **Section 551 Amount**.

- 71.3. The **Board** have the power to *allot equity securities* under the general authority in Article 71.2, entirely **paid** for in cash, and to sell *treasury shares*, entirely **paid** for in cash, in each case free of the restriction in section 561(1) of the **Companies Act**. They have the power to *allot equity securities* and to sell *treasury shares* for any **prescribed period**. There is no maximum amount of *equity securities* or *treasury shares* which the **Board** can *allot* or sell where the *allotment* or the sale is in connection with a **rights issue**. In all other cases, the maximum amount of *equity securities* and *treasury shares* which the **Board** can *allot* or sell is the **Section 561 Amount**.
- 71.4. During each **prescribed period**, the **Board** can make offers, and enter into agreements, which would, or might, need shares or *equity securities* to be *allotted* or sold, or rights to be granted, after those periods.
- 71.5. In this Article:
- **rights issue** means an offer of *equity securities* which is open for a period decided by the **Board** to the **people** who are registered on a particular date (chosen by the **Board**) as holders of:
 - **Ordinary Shares**, in proportion to their holdings of **Ordinary Shares**;
 - other classes of *equity securities* which give them the right to receive the offer or which allow **BT** to decide whether or not they should receive the offer (and the **Board** decide that they should receive it).

However, the **Board** can do the following things (and the *issue* will still be treated as a **rights issue** for the purposes of this Article if they do so):

- sell any fractions of *equity securities* to which **people** would be entitled and keep the net proceeds for **BT's** benefit or make other appropriate arrangements to deal with such fractions;
- make the **rights issue** *subject to* any limits or restrictions which the **Board** think are necessary or appropriate to deal with legal or practical problems under the laws of any territory, or under the requirements of any recognised regulatory body, or stock exchange, in any territory or as a result of shares being represented by American Depositary Shares or Global Depositary Shares or other *instruments*;
- treat a **shareholder's** holdings of **certificated** and **uncertificated shares** as separate shareholdings; or
- deal in a different way with the **rights** of an **Ordinary Shareholder**, if that **shareholder** asks;
- **prescribed period** means any period fixed by the **shareholders** by passing a resolution at a **General Meeting**. These resolutions can take the form of:
 - an ordinary resolution fixing a prescribed period under Article 71.2;
 - a special resolution fixing a prescribed period under Article 71.3;

- a special resolution fixing identical prescribed periods under Articles 71.2 and 71.3; or
- a special resolution fixing different prescribed periods under Articles 71.2 and 71.3;
- the **Section 551 Amount** for any **prescribed period** is that stated in a relevant **ordinary resolution** passed by the **shareholders** at a **General Meeting**;
- the **Section 561 Amount** for any **prescribed period** is that stated in a relevant **special resolution**; and
- in working out any maximum amounts of *securities*, the **face value** of rights to *subscribe for shares*, or to convert any *securities* into shares, will be taken as the **face value** of the shares which would be *allotted* if the *subscription* or conversion takes place.

72. Uncertificated shares

- 72.1. *Subject to* the **Articles** and to the extent that the **legislation** allows, the **Board** can decide that a class of shares can:
- be held in uncertificated form and that title to those shares can be transferred using a *relevant system*; or
 - no longer be held and transferred in uncertificated form.
- 72.2. The **Articles** do not apply to shares of a class which are held in uncertificated form to the extent that they are inconsistent with the:
- holding of shares of that class in uncertificated form;
 - transfer of title to shares of that class using a *relevant system*; or
 - **Regulations**.

73. Renunciations of allotted but unissued shares

Where a share has been *allotted* to a **person** but that **person** has not yet been entered on the **Register**, the **Board** can recognise a transfer (called a *renunciation*) by that **person** of their right to the share in favour of some other **person**. The ability to *renounce allotments* only applies if the terms on which the share is *allotted* are consistent with *renunciation*. The **Board** can impose terms and conditions regulating *renunciation* rights and can allow *renunciation* rights to be *securities* in uncertificated form in their own right.

74. Power to pay commission and brokerage

- 74.1. **BT** can use all the powers given by the **legislation** to **pay** commission or *brokerage* to a **person** who:
- applies, or agrees to apply, for any new shares; or
 - gets any other **person** to apply, or agree to apply for, any new shares.
- 74.2. **BT** can **pay** the commission in cash, or by *allotting* shares, or by a combination of both.

75. No trusts or similar interests recognised

- 75.1. **BT** will only be affected by, or recognise, a current and absolute right to whole shares. The fact that all or any part of a share may not be owned outright by the registered owner is not of concern to **BT**, for example, if a share is held on any kind of trust. This applies even if **BT** knows about the ownership of the share.
- 75.2. The only exceptions are any rights:
- expressly given by the **Articles**; or
 - which **BT** has a legal duty to recognise.

Changing Share Capital

76. Power to reduce capital

The **shareholders** can pass a *special resolution* to reduce in any way:

- **BT's** share capital; or
- a *capital redemption reserve* or *share premium account*.

This is *subject to* any restrictions under the **legislation**.

77. Power to change capital

The **shareholders** can pass *ordinary resolutions* to do any of the following:

- *divide*, all or any part of **BT's** share capital into shares with a smaller **face value** than the **existing shares**; and
- *consolidate* and *divide* all or any of **BT's** shares into shares with a larger **face value** than the **existing shares**.

This is *subject to* any restrictions under the **legislation**.

78. Fractions of shares

- 78.1. If any shares are *consolidated* or *divided*, the **Board** have power to deal with any fractions of shares which result or any other problem that arises. If the **Board** decide to sell any shares representing fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among **shareholders** in proportion to their fractional entitlements. The **Board** can sell to a **person** (including **BT**, if the **legislation** allows) and can authorise a **person** to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money **paid** is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.
- 78.2. When the **Board** *consolidate* or *divide* shares, they can treat **certificated** and **uncertificated shares** which a **shareholder** holds as separate shareholdings, as far as the **legislation** allows this. The **Board** can also arrange for any shares which result from a *consolidation* or *division* and which represent rights

to fractions of shares to be entered in the **Register** as **certificated shares** where this makes it easier to sell them.

79. Buying back shares

79.1. **BT** can use all the powers given by the **legislation** to buy back any of its own shares (including *redeemable* shares).

79.2. **BT** has the right to:

- sell any *treasury shares*;
- transfer any *treasury shares* for the purposes of, or to benefit, an employees' share scheme;
- receive an *allotment* of shares as fully **paid** bonus shares in respect of any *treasury shares*; or
- receive any amount payable on *redemption* of any *redeemable treasury shares*.

BT cannot *exercise* any other right in respect of *treasury shares* **BT** holds, including any right to attend or vote at meetings, to participate in any offer **BT** makes to **shareholders** or to receive any distribution (including in a *winding up*).

Share Rights

80. Shares and special rights

80.1. The provisions in these **Articles** about *allotment*, transfer, *automatically entitled to a share by law* and all other matters relating to shares apply to new shares in the same way as if they were **existing shares**.

80.2. **BT** can *issue* new shares and attach any **rights** and restrictions to them, as long as this is not restricted by *special rights* previously given to holders of any **existing shares**. *Subject to this*, the **rights** of new shares can take priority over the **rights** of **existing shares**, or **existing shares** can take priority over them, or the new shares and the **existing shares** can *rank equally*. These **rights** and restrictions can apply to sharing in **BT's** profits or *assets*. Other **rights** and restrictions can also apply, for example relating to the right to vote.

80.3. The **shareholders** can decide on the **rights** and restrictions to be attached to new shares by passing an *ordinary resolution*. The **Board** can also take these decisions if the **shareholders** have not passed a resolution which covers the point.

80.4. If the **legislation** allows this, the new shares can include **rights** for the holder and/or **BT** to have them *redeemed* and the **Board** can decide the terms, conditions and manner of *redemption* of the shares.

81. Changing special rights of shares

- 81.1. If **BT's** share capital is split into different classes of share, and if the **legislation** allows this, the *special rights* which are attached to any of these classes can be varied or withdrawn if the **shareholders** approve this by passing a *special resolution*. This must be passed at a separate meeting of the holders of the relevant class of shares. This is called a class meeting. Alternatively, the holders of at least 75 per cent of the **existing shares** of the class (by *face value*) can give their **written** consent.
- 81.2. All the **Articles** relating to **General Meetings** apply, with any necessary changes, to a class meeting, but with the following adjustments:
- at least two **people** who hold (or who act as *proxies* for **people** who hold) at least one third of the total *face value* of the **existing shares** of the class are a *quorum* at a class meeting. However, if this *quorum* is not present at an *adjourned* meeting, one **person** who holds shares of the class, or their *proxy*, is a *quorum*;
 - a **shareholder** who is present in person or by *proxy* can demand a *poll*; and
 - on a *poll*, the holders of shares will have one vote for every share of the class which they hold.

This is *subject to* any *special rights* or restrictions which are attached to a class of shares by the **Articles**, or any **rights** attached to shares in some other way under the **Articles**.

- 81.3. This Article also applies if *special rights* of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Article.

82. More about special rights of shares

Unless the terms of the **existing shares** say something different, the *special rights* of **existing shares** are not regarded as varied or withdrawn if:

- new shares are created, or *issued*, which *rank* equally with or after any **existing shares** in payment of dividends or sharing in profits or *assets* of **BT**; or
- **BT** buys back or *redeems* its own shares.

Share Certificates

83. Certificates

- 83.1. When a **shareholder** is first registered as the holder of any class of **certificated shares**, that **shareholder** is entitled, free of charge, to one certificate for all the **certificated shares** of that class which the **shareholder** holds. If a **shareholder** holds **certificated shares** of more than one class, that **shareholder** is entitled to a separate share certificate for each class. This does not apply if the **legislation** allows **BT** not to issue share certificates.

- 83.2. If a **shareholder** receives more **certificated shares** of any class, that **shareholder** is entitled, free of charge, to a certificate for the extra shares.
- 83.3. If a **shareholder** transfers some of the shares covered by a certificate, that **shareholder** is entitled, free of charge, to a new certificate for the balance if the balance is also covered by a certificate.
- 83.4. **BT** does not have to issue more than one certificate for a **certificated share**, even if that share is held jointly.
- 83.5. When **BT** delivers a certificate to the first named joint holder of **certificated shares**, this is treated as delivery to all of the joint **shareholders**.
- 83.6. **BT** can deliver a certificate to a broker or agent who is acting for a **person** who is buying **certificated shares** or who is having **certificated shares** transferred to them.
- 83.7. The **Board** can decide how share certificates are **made effective**. For example, they can be:
- signed by two directors or one director and the **Secretary**;
 - sealed with the **Seal**; or
 - printed, in any way, with a copy or representation of those signatures or the **Seal**. The representation can be made or produced mechanically, electronically or in any other way the **Board** approve.
- 83.8. A share certificate must state the number and class of shares to which it relates and the amount **paid up** on those shares. It cannot be for shares of more than one class.
- 83.9. The time limit for **BT** to provide a share certificate under this Article for **certificated shares** is:
- two **months** after the *allotment* of a new share (or any longer period provided by its terms of *issue*); or
 - five **business days** after a transfer of shares is presented for registration or the instruction from the *operator* of the *relevant system* is received.

84. Replacement certificates

- 84.1. A **shareholder** can ask **BT** to cancel and replace a single share certificate with two or more certificates, for the same total number of shares. The **Board** can require the **shareholder** to **pay** for the new certificates.
- 84.2. A **shareholder** can ask **BT** for a new certificate if the original is:
- worn out, damaged or defaced; or
 - lost, stolen or destroyed.

The **Board** can require the **shareholder** to **pay BT's** exceptional out of pocket expenses for issuing a new certificate.

84.3. If a certificate has been worn out, damaged or defaced, **BT** can require the certificate to be delivered to it before issuing a replacement. If a certificate is lost, stolen or destroyed, **BT** can require satisfactory evidence, and an *indemnity*, before issuing a replacement.

Transferring Shares

85. Share transfers

85.1. Unless the **Articles** say otherwise, a **shareholder** can transfer some or all of their shares to another **person**.

85.2. Every transfer of **certificated shares** must be **in writing**, and either in the usual standard form, or another form approved by the **Board**.

85.3. Every transfer of **uncertificated shares** must be carried out using a *relevant system*.

85.4. The transfer form for **certificated shares** must be delivered to the **Registered Office** or any other place the **Board** decide. The transfer form must have with it:

- the share certificate for the shares to be transferred;
- any other evidence which the **Board** ask for to prove that the **person** wanting to make the transfer is entitled to do this; and
- if the transfer form is *executed* by another **person** on behalf of the **person** making the transfer, evidence of the authority of that **person** to do so.

85.5. However, if a transfer is by a **recognised clearing house** or its nominee or by a **recognised investment exchange**, a share certificate is only needed if a certificate has been issued for the shares in question.

85.6. A transfer form must be signed, or **made effective** in some other way, by or on behalf of the **person** making the transfer.

85.7. The **person** making a transfer will be treated as continuing to be the **shareholder** until the name of the **person** to whom a share is being transferred is entered on the **Register** for that share.

86. More about share transfers

86.1. If **BT** registers a transfer, it can keep the transfer form. A transfer form cannot be used to transfer more than one class of shares. Each class needs a separate form.

86.2. No fee is payable to **BT** for transferring shares or registering changes relating to the ownership of shares.

86.3. Transfers cannot be in favour of more than four joint holders.

86.4. A transfer form must be properly stamped to show payment of any applicable stamp duty.

- 86.5. The **Board** can refuse to register a transfer of an **uncertificated share** in the circumstances stated in the **Regulations**.
- 86.6. If the **Board** decide not to register a transfer of a share, they must notify the **person** to whom that share was to be transferred giving reasons for their decision. This must be done as soon as possible and no later than two **months** after **BT** receives the:
- transfer (in the case of a **certificated share**); or
 - instruction from the *operator* of the *relevant system* (in the case of an **uncertificated share**).

People Automatically Entitled to Shares by Law

87. When shareholders die

- 87.1. If a **shareholder** who is a joint **shareholder** dies, the remaining joint **shareholder** or **shareholders** will be the only **people** who **BT** will recognise as being entitled to their shares.
- 87.2. When a sole **shareholder** (or a **shareholder** who is the last survivor of joint **shareholders**) dies, their legal *personal representatives* will be the only **people** who **BT** will recognise as being entitled to their shares.

88. Registering personal representatives

A **person** who becomes ***automatically entitled to a share by law*** can either be registered as the **shareholder** or can select some other **person** to have the share transferred to. The ***automatically entitled person*** must provide any evidence of their entitlement which the **Board** reasonably require.

89. People who want to be registered must give notice

If a **person** who is ***automatically entitled to a share by law*** wants to be registered as a **shareholder**, they must deliver a **written** notice to **BT** saying that they have made this decision. The notice must be in the form which the **Board** require. This notice will be treated as a transfer form. All the **Articles** about registering transfers of shares apply to it. The **Board** have the same power to refuse to register the ***automatically entitled person*** as they would have had in deciding whether to register a transfer by the **person** who was previously entitled to the shares.

90. Having another person registered

- 90.1. If a **person** who is ***automatically entitled to a share by law*** wants the share to be transferred to another **person**, they must do this for:
- a **certificated share**, by signing a transfer form to the **person** they have selected; and
 - an **uncertificated share**, by using a *relevant system*.

90.2. The **Board** have the same power to refuse to register the **person** selected as they would have had in deciding whether to register a transfer by the **person** who was previously entitled to the shares.

91. Rights of people automatically entitled to shares by law

91.1. A **person** who is ***automatically entitled to a share by law*** is entitled to any dividends or other money relating to the share, even though they are not registered as the holder of that share, on supplying to **BT** evidence the **Board** reasonably require to show their title to the share. However, the **Board** can send a **written** notice to the **person** saying that the **person** must either be registered as the holder of the share or transfer the share to some other **person**. If the ***automatically entitled person*** does not do this within 90 days of the notice, the **Board** can withhold all dividends or other money relating to the share until they do.

91.2. Unless registered as the holder of the share, the **person *automatically entitled to a share by law*** cannot:

- receive notices of **shareholders' meetings**, or attend or vote at these meetings; or
- *exercise* any other right of a **shareholder** in relation to any of these meetings; unless the **Board** decide to allow this.

Shareholders who Cannot be Traced

92. Untraced shareholders

92.1. **BT** can sell any shares if:

- for 10 **years before** the sale, **BT** has tried to **pay** at least three dividends and no dividend has been cashed;
- during this 10 **year** period, **BT** is satisfied that it has taken the steps it considers reasonable in the circumstances to trace the shareholder, engaging, if considered appropriate, a professional asset reunification company or other tracing agent; and
- during this 10 **year** period, a communication is sent to the shareholder (as **BT** considers reasonable in the circumstances) or, if known, to a **person** who is ***automatically entitled to the shares by law*** stating that it intends to sell the shares; provided that if this communication is sent less than three months before the end of the 10 year period, for three months after the date of sending the communication, **BT** has not heard from the person to whom the communication was sent.

92.2. **BT** can also sell any additional share issued during this 10 year period and (if applicable) three month period, in right of any share to which Article 92.1 applies (or in right of any such additional share), if a communication is sent to the shareholder (as **BT** considers reasonable in the circumstances) or, if known, to a **person** who is ***automatically entitled to the additional shares by law***, stating that it intends to sell the additional shares, provided that for three **months** after the date of sending the notice **BT** has not heard from the person to whom the communication was sent.

- 92.3. To sell any shares in this way, the **Board** can authorise a **person** to transfer the shares. This transfer will be just as effective as if it had been made by the registered holder of the shares, or by a **person** who is ***automatically entitled to the shares by law***. The ownership of the **person** to whom the shares are transferred will not be affected even if the sale is irregular or invalid in any way.
- 92.4. **BT** can keep any money which it has earned on the net sale proceeds and **BT** will not be liable in any respect to the registered holder of the shares or any **person** who was ***automatically entitled to the shares by law*** for the sale proceeds. **BT** can use this money for any purpose that the **Board** may from time to time think fit.
- 92.5. In the case of **uncertificated shares**, this Article is *subject to* any restrictions which apply under the **Regulations**.

Dividends

93. Final dividends

Shareholders can *declare* dividends by passing an *ordinary resolution*, but no dividend can exceed the amount recommended by the **Board**.

94. Fixed and interim dividends

- 94.1. If the **Board** consider that the profits of **BT** justify such payments, they can **pay**:
- interim dividends on any class of shares of any amounts, on any dates and for any periods which they decide; and
 - fixed or other dividends on any class of shares on the dates stated for the payment of those dividends.
- 94.2. If the **Board** act in good faith, they are not liable to any **shareholders** for any loss they suffer because a lawful dividend has been **paid** under this Article on other shares which *rank* equally with or behind their shares.

95. Distributions in kind

If the **Board** recommend this, **shareholders** can pass an *ordinary resolution* to direct all or any part of a dividend to be **paid** by distributing specific *assets* (and in particular **paid-up** shares or **debentures** of any other **company**). The **Board** must give effect to that resolution. Where a difficulty arises on the distribution, the **Board** can settle it as they decide. In particular, they can:

- issue fractional certificates;
- value the *assets* for distribution purposes;
- **pay** cash of a similar value to adjust the rights of **shareholders**; and/or
- transfer any *assets* to *trustees*.

96. No dividends are payable except out of profits

No dividend can be **paid** except out of profits available for distribution under the legislation.

97. Payments to shareholders

- 97.1. A dividend or other money payable in cash relating to a share can be **paid**:
- by cheque or *warrant* payable to the **shareholder** or **person** ***automatically entitled to the shares by law*** who is entitled to it or to another **person** named in a **written** instruction from the **shareholder** (or all joint **shareholders** or **people** jointly and ***automatically entitled to the shares by law***);
 - in the case of **uncertificated shares**, by using a *relevant system*;
 - by bank transfer, *electronic means* or by means of a website directly to an account named in a **written** instruction from the **shareholder** (or all joint **shareholders** or **people** jointly and ***automatically entitled to the shares by law***); and/or
 - in any other way agreed between the **shareholder** (or all joint **shareholders** or **people** jointly and ***automatically entitled to the shares by law***) and **BT**.
- 97.2. For joint **shareholders**, or **people** jointly and ***automatically entitled to shares by law***, **BT** can rely on a receipt for a dividend or other money **paid** on shares from any one of them.
- 97.3. Cheques and *warrants* are sent, and payment in any other way is made, at the risk of the **people** who are entitled to the money. **BT** is treated as having **paid** a dividend if a cheque or *warrant* is cleared or if a payment is made using a *relevant system*, bank transfer, *electronic means* or by means of a website. **BT** will not be responsible for a payment which is lost or delayed.
- 97.4. **BT** can send a cheque or *warrant* to **shareholders** who are employees of **BT** or any of its *subsidiary undertakings* through **BT's** internal post system.
- 97.5. Unless the **rights** attached to any shares, the terms of any shares or the **Articles** say otherwise, a dividend and any other money payable in respect of a share can be **paid** in whatever currency the **Board** decide using an appropriate exchange rate selected by the **Board** for any currency conversions required. The **Board** can also decide how any costs relating to the choice of currency will be met.
- 97.6. No dividend or other money payable by **BT** in respect of its shares carries a **right** to interest from **BT**, unless the **rights** of the shares say something different.

98. Deducting amounts owing from dividends and other money

If a **shareholder** owes any money to **BT** relating in any way to **BT** shares, the **Board** can deduct any of this money from any:

- dividend on any shares held by the **shareholder**; or
- other money payable by **BT** in respect of the shares.

Money deducted in this way can be used to **pay** the amounts owed to **BT**.

99. Unclaimed dividends and other money

99.1. Unclaimed dividends and other money payable in respect of a share that is unclaimed can be invested or otherwise used by the **Board** for the benefit of **BT** until they are claimed. The **Board** can decide to **pay** the unclaimed dividends and other unclaimed money into a separate account, but **BT** will not be a *trustee* of the money. If a dividend or other unclaimed money has not been claimed for 10 **years** after it was *declared* or became due for payment, or if **BT** sells the share to which the dividend or other unclaimed money relates in accordance with the authority in Article 92, it will be forfeited and belong to **BT** again unless the **Board** decides otherwise.

99.2. **BT** can stop paying dividends if cheques or *warrants* for two dividends in a row are sent back or not cashed or if payment by any other means has not been able to be made twice in a row through no fault of **BT**. **BT** must start paying dividends in the same way again if the **shareholder** or a **person automatically entitled to the shares by law**:

- claims those dividends **in writing** (before they go back to **BT** under Article 99.1); and
- does not ask **BT** to start paying dividends in some other way.

100. Waiver of dividends

All or any dividends can be waived by a document which is accepted by **BT** or on which **BT** acts. The document must be signed or authenticated in accordance with Article 104 by the **shareholder** (or the **person automatically entitled to the shares by law**) and delivered to **BT**.

101. Record dates

A dividend or distribution on, and an *allotment* or *issue* of, any shares can be **paid** or made to the holders of shares shown on the **Register** at whatever time on whatever day is stated in the resolution declaring the dividend or providing for the distribution, *allotment* or *issue*. If no time is stated in the resolution, the close of business applies. This Article applies whether what is being done is the result of a resolution of the **Board** or a resolution passed at a **General Meeting**. The date can be before the relevant resolution was passed. This Article does not affect the **rights** between past and present **shareholders** to payments or other benefits.

Scrip Dividends

102. Shareholders can be offered the right to receive new shares instead of cash dividends

102.1. The **Board** can offer **Ordinary Shareholders** the right to choose to receive new **Ordinary Shares**, which are credited as fully **paid**, instead of some or all of their cash dividend. Before they can do this, the **shareholders** must have passed an *ordinary resolution* authorising the **Board** to make this offer.

102.2. The *ordinary resolution* can apply to some or all of a particular dividend or dividends. Alternatively, it can apply to some or all of the dividends which are *declared* or **paid** in a specified period. The specified period must not end later than the end of the Annual **General Meeting** which is held in the fifth **year** after the *ordinary resolution* is passed.

102.3. The **Board** can offer **shareholders** the right to request new shares instead of cash for:

- the next dividend; or
- all future dividends (if a share alternative is made available), until they tell **BT** that they no longer want to receive new shares.

The **Board** can also allow **shareholders** to choose between these alternatives.

102.4. A **shareholder** choosing new shares is entitled to **Ordinary Shares** whose total relevant value is as near as possible to the cash dividend the **shareholder** would have received (disregarding any tax credit), but not more than it.

The **relevant value** of a share is:

- the average value of **BT's Ordinary Shares** for the five dealing days starting from, and including, the day when the shares are first quoted *ex-dividend* (this average value is worked out from the average middle market quotations for **BT's Ordinary Shares** on the **London Stock Exchange**, as published in its Daily Official List); or

a value worked out in accordance with the *ordinary resolution*.

A certificate or report by the **Auditor** stating the **relevant value** for a dividend is conclusive evidence of that value.

102.5. The **Board** can decide how any costs relating to making new shares available in place of a cash dividend will be met. For example, they can decide that an amount will be deducted from the entitlement of a **shareholder** under Article 102.4.

102.6. After the **Board** have decided to apply this Article to a dividend, they must give eligible **shareholders written** notice of their right to choose new shares. This notice should also say how, where and when **shareholders** must notify **BT** if they want to receive new shares. Where **shareholders** have already chosen

to receive new shares in place of all future dividends, if new shares are available, **BT** will not need to notify them of a right to choose new shares.

102.7. No **shareholder** will receive a fraction of a share. The **Board** can decide how to deal with any fractions left over. For example, they can decide that the benefit of fractions belongs to **BT** or that fractions are ignored or deal with fractions in some other way.

102.8. The **Board** can exclude or restrict the right of **shareholders** to choose new shares or make any other arrangements where they decide that:

- this is necessary or appropriate to deal with legal or practical problems;
- under the laws of any territory;
- under the requirements of any recognised regulatory body, or stock exchange, in any territory; or
- as a result of shares being represented by American Depositary Shares or Global Depositary Shares or other *instruments*; or
- it would be impractical or unduly onerous to give the right to any **shareholder** or that for some other reason the right should not be given.

102.9. If a **shareholder** chooses to receive new shares, no dividend on the corresponding **elected shares** will be *declared* or payable. Instead, new **Ordinary Shares** will be *allotted* on the basis stated earlier in this Article. To do this the **Board** will change into capital a sum equal to the total **face value** of the new **Ordinary Shares** to be *allotted*. They will use this sum to **pay up** in full the appropriate number of new **Ordinary Shares**. These will then be *allotted* and distributed to the holders of the **elected shares** as stated above. The sum to be changed into capital can be taken from any amount which is part of **BT's reserves** (including *premiums* received when any shares were *issued*, *capital redemption reserves* or other undistributable *reserves*) or which **BT** is holding as net profits. Article 122 applies to this process, as far as it is consistent with this Article.

102.10. The new **Ordinary Shares** *rank* equally in all respects with the existing fully **paid Ordinary Shares** at the time the new **Ordinary Shares** are *allotted*. They are not entitled to share in the dividend from which they arose and do not allow the holder to choose new shares instead of that dividend.

102.11. Unless the **Board** decide otherwise or the **Regulations** or the rules of a *relevant system* require otherwise, any new **Ordinary Shares** which a **shareholder** has chosen to receive instead of some or all of their cash dividend will be:

- **uncertificated shares** if the corresponding **elected shares** were **uncertificated shares** on the record date for that dividend; and
- **certificated shares** if the corresponding **elected shares** were **certificated shares** on the record date for that dividend.

102.12. The **Board** can decide that new shares will not be available in place of any cash dividend. They can decide this at any time before new shares are

allotted in place of a dividend, whether this is before or after **shareholders** have chosen to receive new shares.

102.13. In this Article, **elected shares** means the shares in respect of which the **shareholder** has chosen to receive new shares.

Communications with shareholders

103. Delivering notices and other documents to shareholders

103.1. **BT** can, *subject to* and in accordance with the **Companies Act** and these **Articles**, send or supply all types of notice, document or information to a **shareholder**:

- by delivering it by hand to the *address* recorded for the **shareholder** on the **Register** or an *address* specified for the purpose by the intended recipient;
- by sending it by post in an envelope (with postage paid) to the *address* recorded for the **shareholder** on the **Register**; or
- by *electronic means* (except for share certificates) and/or by making such notices, documents or information (except for share certificates) available on a website.

103.2. *Subject to* the provisions of Articles 103 to 111, the **Company Communications Provisions** govern any provision of the **Companies Act** or those **Articles** that authorises or requires notices, documents or information to be sent or supplied by **BT** to its **shareholders** or to **BT** from its **shareholders**.

104. Signature or authentication of documents

Where these **Articles** require a notice, document or information, including a **proxy form**, to be signed or authenticated by a **shareholder** or other **person** then any notice, document or information sent or supplied in **electronic form** is sufficiently authenticated in any manner authorised by the **Company Communications Provisions** or in any other manner approved by the **Board**. The **Board** can designate mechanisms for validating any notice or document of this kind, and any document not validated by the use of these mechanisms can be treated by the **Board** as never having been received by **BT** or its agent.

105. Joint shareholders

105.1. Anything which needs to be agreed by joint **shareholders** will be treated as being agreed by all the joint **shareholders** where it has been agreed by the joint shareholder who is listed first on the **Register**.

105.2. When a notice, document or information is authorised or required to be sent or supplied to joint **shareholders** it must be sent or supplied to the joint **shareholder** who is listed first on the **Register** for the share but, *subject to* the **legislation**, ignoring a joint **shareholder** without an *address* in the **United Kingdom** under Article 106. A notice, document or information sent in this way is treated as delivered to all the joint **shareholders**.

105.3. The provisions of this Article relating to joint **shareholders** will have effect in place of the **Company Communications Provisions**.

106. Shareholders with foreign addresses or on branch registers

106.1. *Subject to the legislation*, **BT** does not have to send notices, documents or information to a **shareholder** whose *address* on the **Register** is outside the **United Kingdom** if the **shareholder** has not given **BT** an *address* in the **United Kingdom** where notices, documents or information can be sent.

106.2. For a **shareholder** registered on a branch register, notices, documents or information can be posted or despatched in the **United Kingdom** or in the country where the branch register is kept.

107. Notices when shareholders have died or are bankrupt or in liquidation

107.1. This Article applies where a **person** is registered as a sole or first-named joint **shareholder** but another **person** is ***automatically entitled to their shares by law***. The **person** who proves that they are ***automatically entitled to the shares by law*** to the reasonable satisfaction of the **Board** can give **BT** an *address* where notices, documents and information can be sent or supplied. If this is done, *subject to* Article 91.2, notices, documents and information must be sent to that *address*. Otherwise, if a notice, document or information is sent or supplied to the **shareholder** named on the **Register** in accordance with the **Articles**, this will be valid even though another **person** is ***automatically entitled to their shares by law***. This applies even if **BT** was aware of this. If notices, documents or information are sent in accordance with this Article, there is no need to send them in any other way to any other **people** involved.

107.2. The provisions of this Article relating to the death, bankruptcy or liquidation of a **shareholder** will have effect in place of the **Company Communications Provisions**.

108. When notices are delivered

108.1. If a notice, document or information is delivered by hand, it is treated as being delivered at the time it is handed to or left for the **shareholder**.

108.2. If a notice, document or information is sent or supplied by **BT** in **hard copy form**, or in **electronic form**, but not delivered by *electronic means* and which is sent by pre-paid post and properly addressed, it is treated as being received by the intended recipient:

- 24 hours after it was posted, if first class post was used; or
- 72 hours after it was posted, if first class post was not used.

It can be proved conclusively that a notice, document or information was received by post by showing that the notice, document or information was properly addressed, prepaid and posted.

108.3. If a notice, document or information (other than a share certificate) is sent or supplied by **BT** by *electronic means*, it is treated as being received by the intended recipient at the time it was sent. It can be proved conclusively that a notice, document or information was received by *electronic means*, by showing that the notice, document or information was properly addressed.

108.4. If a notice, document or information is sent or supplied by **BT** by means of a website it is treated as being received by the intended recipient when the material was first made available on the website or, if later, when the recipient received (or is treated as having received) notice of the fact that the material was available on the website.

108.5. The provisions of this Article relating to delivery of notices, documents or information will have effect in place of the **Company Communications Provisions**.

109. Undelivered notices

This Article applies where, on two consecutive occasions, notices, documents or information sent or supplied by post have been returned undelivered. If the **shareholder** gives **BT** a new *address* where notices, documents or information can be sent or supplied, the **shareholder** is entitled to have notices, documents or information sent or supplied to them at that *address*. Otherwise, the **shareholder** is not entitled to receive any notices, documents or information from **BT**.

110. If notices are accidentally not sent

110.1. If a notice, *proxy form*, other document or information relating to a meeting or other proceeding is accidentally not sent or is not received, the meeting or other proceeding will not be invalid as a result.

110.2. A **shareholder** present in person or by *proxy* at a **shareholders' meeting** is treated as having received proper notice of that meeting and, where necessary, of the purpose of that meeting.

111. Delivering notices and other documents to BT

111.1. **Shareholders** can *subject to* and in accordance with the **Companies Act** and these **Articles**, send or supply a notice, document or information to **BT**:

- by delivering it by hand to the **Registered Office**;
- by sending it by post in an envelope (with postage paid) to the **Registered Office**;
- by *electronic means* to the *address* notified by **BT** in its communications to **shareholders** for this purpose.

111.2. If a notice, document or information is delivered by hand, it is treated as being delivered at the time it is left at the **Registered Office**.

111.3. If a notice, document or information is sent by post, it is treated as being delivered at the time it is received at the **Registered Office**.

111.4. If a notice, document or information is sent by *electronic means*, it is treated as being delivered at the time it was received.

111.5. A notice, document or information sent or supplied to **BT** by *electronic means* will not be treated as received by **BT** if it is rejected by computer virus protection arrangements.

111.6. This Article does not affect any provision of the **legislation** or the **Articles** requiring notices or documents to be delivered in a particular way.

Auditor

112. Attending General Meetings

The **Auditor** can attend a **General Meeting** and can speak there on any business which is relevant to them as **Auditor**.

113. Validity of the Auditor's actions

As far as the **legislation** allows, the actions of a **person** acting as an **Auditor** are valid in favour of a **person** dealing with **BT** in good faith, even if there was some defect in that **person's** appointment or that **person** was at any time not qualified to act as an auditor.

Secretary

114. Secretary, and deputy and temporary Secretaries

114.1. The **Secretary** is appointed by the **Board**. The **Board** decide the terms and period of the appointment. The **Board** can also remove the **Secretary**. This does not affect any claim for damages against **BT** for breach of any contract of employment the **Secretary** may have. The **Board** can appoint two or more **people** to be joint **Secretaries**.

114.2. The **Board** can also appoint one or more **people** to be deputy **Secretaries** or one **person** to be a temporary **Secretary**. The **Board** decide their terms and period of employment. The **Board** can also remove a deputy or temporary **Secretary**. This does not affect any claim for damages against **BT** for breach of any contract of employment they may have. Anything which the **Articles** require or allow to be done by the **Secretary** can also be done by a deputy or temporary **Secretary**.

114.3. Anything which the **legislation** or the **Articles** require or allow to be done by or to a director and the **Secretary** cannot be done by or to one **person** acting as both a director and the **Secretary**.

Seals

115. Seal and Securities Seal

115.1. The **Board** are responsible for arranging for the **Seal** and any **Securities Seal** to be kept safely. The **Seal** and any **Securities Seal** can only be used with the authority of the **Board** or a committee authorised by the **Board**. For the purposes of this Article, a committee authorised by the **Board** can consist solely of **people** who are not directors.

115.2. Every document which has the **Seal** stamped on it must be signed autographically by:

- one director and the **Secretary**;
- two directors;
- one director in the presence of a witness who confirms the signature of the director, or
- a **person** who is authorised to do so by the **Board** either generally or in relation to specific documents or documents of specific descriptions.

However, the **Board** can decide that specific documents or documents of specific descriptions can be printed, in any way, with a copy or representation of these signatures. The representation can be made or produced mechanically, electronically or in any other way the **Board** approve.

115.3. The **Securities Seal** can be used only for sealing *securities issued by BT* and documents creating or evidencing *securities issued by BT*. *Securities* and documents which have the **Securities Seal** stamped on them do not need to be signed.

115.4. The **Board** can use all the powers given by the **legislation** relating to official seals for use abroad.

Documents

116. Certifying copies of documents

116.1. A director or the **Secretary** has power to decide that any of the following are genuine and to certify copies of or extracts from them as true copies or extracts:

- documents relating to **BT's** constitution;
- resolutions passed by the **shareholders** or a class of **shareholders**, or by the **Board** or a **Board** committee; and
- books, documents, records or accounts which relate to **BT's** business.
- The **Board** can also give this power to other **people**.

116.2. A document which appears to be a copy of a resolution or an extract from the minutes of a meeting and which is certified as a true copy or extract as described in Article 116.1 is conclusive evidence for a **person** who deals with **BT** on the strength of the document that the:

- resolution has been properly passed; or

- extract is a true and accurate record of the proceedings of a valid meeting.

117. Destroying documents

117.1. **BT** can destroy all:

- transfer forms for shares, documents sent to support a transfer and any other documents which were the basis for making an entry on the **Register**, six **years** after the date of registration;
- *dividend* payment instructions and notifications of a change of *address* or name, two **years** after the date these were recorded; and
- cancelled share certificates, one **year** after the date they were cancelled.

117.2. A document destroyed by **BT** in accordance with Article 117.1 is conclusively treated as having been valid and effective in accordance with **BT's** records relating to the document. Any action of **BT** in dealing with the document in accordance with its terms before it was destroyed is conclusively treated as having been properly taken.

117.3. Articles 117.1 and 117.2 only apply to documents which are destroyed in good faith and if **BT** has not been informed that keeping the documents is relevant to any claim.

117.4. If the documents relate to **uncertificated shares**, **BT** must also comply with any rules (as defined in the **Regulations**) which limit its ability to destroy these documents.

117.5. This Article does not make **BT** liable if it:

- destroys a document earlier than the time limit stated in Article 117.1;
- does not comply with the conditions in Article 117.3; or
- would not be liable if this Article did not exist.

117.6. This Article applies whether a document is destroyed or disposed of in some other way.

Indemnity, Insurance and Defence expenditure

118. Indemnity

118.1. *Subject to*, and as far as the **legislation** and rules made by the **UK Listing Authority** allow, every director, former director and **officer** of **BT** and of each of the **Associated Companies** of **BT** will be *indemnified* by **BT** out of its own funds against the following:

- any liability incurred by or attaching to the directors or **officers** in connection with any negligence, default, breach of duty or breach of trust by the directors or **officers** in relation to **BT** or any **Associated Company** of **BT** other than:
 - any liability to **BT** or any **Associated Company**; and
 - any liability of the kind referred to in section 234(3) of the **Companies Act**; and
 - any other liability incurred by or attaching to the directors or **officers**:

- in actually or seemingly carrying out their duties;
- in *exercising* or seemingly *exercising* their powers; and
- in any other activity connected to their duties, powers or office.

118.2. *Subject to* the **Companies Act** and rules made by the **UK Listing Authority**, **BT** may indemnify a director and former director of **BT** and any **Associated Company** of **BT** if the director is the trustee of an occupational pension scheme (within the meaning of section 235(6) of the **Companies Act**).

118.3. Where a director or **officer** is indemnified against any liability in accordance with this Article 118, the indemnity will cover all costs, charges, losses, expenses and *liabilities* incurred by the directors or **officers**.

118.4. In this Article a **company** is an **Associated Company** of **BT** if:

- the **company** is a *subsidiary* of **BT**;
- **BT** is a *subsidiary* of the **company**;
- both **BT** and the **company** are *subsidiaries* of the same **company**.

119. Insurance

119.1. In this Article each of the following is a **Relevant Company**:

- **BT**;
- a *holding company* of **BT**;
- a body, whether or not incorporated, in which **BT** or its *holding company*, or a predecessor of **BT** or its *holding company*, has or had an interest, whether direct or indirect; and
- a body, whether or not incorporated, which is in any way allied to or associated with **BT**, or any *subsidiary undertaking* of **BT** or such other body.

119.2. As far as the **legislation** allows and without limiting Article 118 in any way, the **Board** can arrange for **BT** to purchase and maintain insurance against any *liability* for or for the benefit of:

- any **people** who are or were at any time directors or **officers** of a **Relevant Company**; or
- any **people** who are or were at any time a trustee of any pension fund or employees' share scheme in which employees of any **Relevant Company** are interested.

This includes insurance against any *liability* incurred by or attaching to those **people** through any act or omission:

- in actually or seemingly carrying out their duties;
- in *exercising* or seemingly *exercising* their powers; and
- in any other activity connected to their duties, powers or office;

in relation to:

- any **Relevant Company**;
- any pension fund; or
- any employees' share scheme;

and all costs, charges, losses, expenses and *liabilities* incurred by those **people** in relation to any act or omission.

120. Defence expenditure

120.1. *Subject to* and as far as the **legislation** and rules made by the **UK Listing Authority** allow, **BT** may:

- provide a director, former director or **officer** of **BT** or any **Associated Company** of **BT** with funds to meet expenditure incurred or which a director or **officer** may incur in defending any criminal or civil proceedings in connection with any negligence, default, breach of duty or breach of trust by the director or **officer** in relation to **BT** or an **Associated Company** of **BT** or in connection with any application for relief under the provisions mentioned in section 205(5) of the **Companies Act**; and
- do anything to enable any of these directors or **officers** to avoid incurring that expenditure.

120.2. The terms set out in section 205(2) of the **Companies Act** will apply to any provision of funds or other things done under Article 120.1.

120.3. *Subject to* and as far as the **legislation** and rules made by the **UK Listing Authority** allow, **BT** may:

- provide a director, former director or officer of **BT** or any **Associated Company** of **BT** with funds to meet expenditure incurred or which a director or **officer** may incur in defending an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by the director or **officer** in relation to **BT** or any **Associated Company** of **BT**; and
- do anything to enable any of these directors or **officers** to avoid incurring that expenditure.

120.4. In this Article a **company** is an **Associated Company** of **BT** if:

- the **company** is a *subsidiary* of **BT**;
- **BT** is a *subsidiary* of the **company**;
- both **BT** and the **company** are *subsidiaries* of the same **company**.

Reserves

121. Setting up reserves

The **Board** can set aside any profits of **BT** and hold them in a *reserve*. The **Board** can decide to use these sums for any purpose for which the profits of **BT** can lawfully be used. Pending their use, sums held in a *reserve* can either be used in the business of **BT** or invested in any way the **Board** decide. The **Board** can divide the *reserve* into separate funds for special purposes and change the funds into which the *reserve* is divided. The **Board** can also carry forward any profits without holding them in a *reserve*. The **Board** must comply with the restrictions in the **legislation** which relate to *reserve funds*.

122. Changing reserves into capital

122.1. If the **Board** recommend this, **shareholders** can pass an *ordinary resolution* to allow the **Board** to change into capital an amount which:

- is part of **BT's** reserves (including *premiums* received when any shares were *issued*, *capital redemption reserves* or other undistributable reserves); or
- **BT** is holding as net profits.

122.2. The **Board** will use the sum which is changed into capital by setting it aside for the **Ordinary Shareholders** on the **Register** at the stated time on the day the resolution is passed (or whatever day is stated in the resolution or fixed as stated in the resolution). If no time is stated in the resolution, the close of business applies. The sum set aside must be used to **pay** up in full shares of **BT** and to *allot* such shares and distribute them to **shareholders** as bonus shares in proportion to their holdings of **Ordinary Shares** at the time. The shares can be **Ordinary Shares** or, if the **rights** of other **existing shares** allow this, shares of some other class.

122.3. If a difficulty arises in operating this Article, the **Board** can resolve it in any way which they decide. For example, they can decide that the benefit of fractions of shares belongs to **BT** or that fractions are ignored or deal with fractions in some other way.

122.4. The **Board** can appoint a **person** to sign a contract with **BT** on behalf of those who are entitled to shares under the resolution. Such a contract is binding on all concerned.

123. Assets treated as revenue

If the **legislation** allows:

- where an *asset*, business or property is bought by **BT** as from a past date, the **Board** can decide that any of the related profits and losses as from that date can be added to **BT's** revenue account and treated for all purposes as profits or losses of **BT**; and
- where any *securities* are bought by **BT** with any dividend or interest, the **Board** can decide that the dividend or interest can be treated as revenue rather than capital.

Accounts

124. Accounting records

The **Board** must make sure that accounting records which comply with the **legislation** are kept.

125. Location and inspection of records

125.1. The accounting records must be kept at:

- the **Registered Office**; or
- any other place which the **legislation** allows and the **Board** decides.

125.2. **BT's officers** always have the right to inspect the accounting records.

125.3. No other **person** (including a **shareholder**) has a right to inspect any accounting records or other books or papers of **BT** unless the:

- **legislation** or a Court order gives that **person** the right;
- **Board** authorise that **person** to do so; or
- **shareholders** pass an *ordinary resolution* authorising that **person** to do so.

126. Sending copies of accounts and other documents

126.1. This Article applies to **BT's** annual accounts and report to be put to the **shareholders** at a **General Meeting** and any other documents which the **legislation** requires to be attached to them.

126.2. Copies of these documents must be sent to the **shareholders** and **debenture holders** and all other **people** to whom the **legislation** or the **Articles** require **BT** to send them. This must be done at least 21 days before the relevant **General Meeting**.

126.3. But **BT** need not send these documents to:

- **shareholders** who are sent summary financial statements in accordance with the **legislation**;
- more than one joint **shareholder** or **debenture holder**; or
- a **person** for whom **BT** does not have a current *address*.

Shareholders and **debenture holders** who are not sent copies can receive a copy free of charge by applying to **BT** at the **Registered Office** or an *address* that the **Board** has specified for that purpose.

Winding Up

127. Distribution in kind

If **BT** is wound up (whether the liquidation is voluntary, under supervision of the Court or by the Court) the liquidator can, with the authority of a *special resolution* passed by the **shareholders**, divide among the **shareholders** all or any part of the *assets* of **BT**. This applies whether the *assets* consist of property of one kind or different kinds. For this purpose, the liquidator can place whatever value the liquidator considers fair on any property and decide how the division is carried out between **shareholders** or different groups of **shareholders**. The liquidator can also, with the same authority, transfer any *assets* to *trustees* upon any trusts for the benefit of **shareholders** which the liquidator decides. The liquidation of **BT** can then be finalised and **BT** dissolved. No past or present **shareholder** can be compelled to accept any shares or other property under this Article which could give them a *liability*.

Interpretation

128. Meaning of certain words and phrases used in the Articles

128.1. The following table gives the meaning of certain words and phrases as they are used in the **Articles**. However, the meaning given in the table does not apply if that is inconsistent with the context in which a word or phrase appears.

Words	Meanings
Articles	BT's articles of association, including any changes made to them
Auditor	The auditor of BT and, where two or more people are appointed to act jointly, any one of them
Board	All or any of the directors of BT acting as a board
BT	BT Group plc
business day	A day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London
Companies Act	The Companies Act 2006
company	A corporate body
Company Communications Provisions	The meaning of this term is given in the Companies Act . These provisions have effect for the purposes of anything in the Companies Act or these Articles that authorises or requires notices, documents or information to be sent or supplied by or to BT
electronic facility	Any device, system, procedure, method or facility providing an <i>electronic means</i> of attendance at or participation in (or both attendance at and participation in) a General Meeting determined by the Board pursuant to Article 8.5
electronic form	This is a term used in the Companies Act . It covers a document or information sent or supplied by <i>electronic means</i> or by any other means while in an electronic form (such as by email, text message, fax or sending a disk by post)
existing shares	Shares which are <i>in issue</i> at the relevant time
face value (of a share)	The <i>nominal value</i> of the share

General Meeting	A meeting of shareholders held in accordance with the Articles . This includes any General Meeting which is held as BT's Annual General Meeting
hard copy form	This is a term used in the Companies Act . It covers documents or information sent or supplied in paper copy or a similar form which can be read
Interested Directors	Directors who have or could have a direct or indirect interest in a matter which conflicts, or could conflict, with the interests of BT
legislation	The Companies Act , the Regulations and all other laws and regulations applying to BT
London Stock Exchange	London Stock Exchange plc or the principal stock exchange in the United Kingdom
month	Calendar month
officer	Includes a director, manager and company secretary but does not include an Auditor
ordinary business	All the following business (if it takes place at an Annual General Meeting): <ul style="list-style-type: none"> • declaring and approving dividends; • considering the accounts, reports of the Board and Auditor and any other documents which the legislation requires to be attached to them; • electing directors in place of those retiring for any reason; and • appointing the Auditor (when <i>special notice</i> of the resolution for the appointment is not required by the legislation) and deciding either the remuneration that the Auditor will be paid or the way in which this remuneration will be decided
Ordinary Shareholders	Holders of Ordinary Shares
Ordinary Shares	BT's ordinary shares of 5p each
paid-up (share or other security)	Includes a share or other <i>security</i> which is treated (credited) as paid-up
pay	Includes any kind of reward or payment for services
person or people	Includes companies and <i>unincorporated associations</i>
proxy form	Includes any document (including in an electronic form) which appoints a <i>proxy</i>

recognised clearing house	A clearing house recognised under the Financial Services and Markets Act 2000
recognised investment exchange	An investment exchange recognised under the Financial Services and Markets Act 2000
Register	BT's register of shareholders
Registered Office	BT's registered office
Regulations	The Uncertificated Securities Regulations 2001
rights (of a share)	The rights attached to the share when it is <i>issued</i> , or afterwards
Seal	BT's common seal or Securities Seal
Secretary	A person appointed by the Board to do work as the company secretary, including an assistant (who does not need to be appointed by the Board under Article 114), deputy or temporary company secretary. Where two or more people are appointed to act jointly, it includes any one of them
Securities Seal	An official seal kept by BT under section 50 of the Companies Act
shareholders	Holders of BT's shares
shareholders' meeting	A General Meeting of BT or a meeting of a class of holders of BT's shares
special business	All business at General Meetings except for ordinary business
UK Listing Authority	The Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
United Kingdom	Great Britain and Northern Ireland
written or in writing	In writing or any way of representing or copying words legibly so that they are permanent (including anything in electronic form) or partly one form and partly another
year	Calendar year

- 128.2. The singular includes the plural, and the other way around.
- 128.3. When an *Act* is referred to, this includes an amendment to the *Act* (before or after the adoption of these **Articles**) as well as its inclusion in a later *Act*. This principle of interpretation also applies to other kinds of **legislation**, and to any section, paragraph or similar in any **legislation**.
- 128.4. A word which is defined in the **legislation** means the same in the **Articles**, unless the **Articles** define it differently, or the way in which the word is used is inconsistent with the definition in the **legislation**.
- 128.5. Where the **legislation** or the **Articles** say that something can be done by passing an ordinary resolution, this can also be done by passing a special resolution.
- 128.6. A **person** who is **automatically entitled to a share by law** includes a **person** who is entitled to the share as a result of the death or bankruptcy of a **shareholder**.
- 128.7. Where the **Articles** refer to certificated shares, this means that ownership of the shares can be transferred using a **written** transfer document (rather than in accordance with the **Regulations**) and that a share certificate is usually issued to the owner.
- 128.8. Where the **Articles** refer to **clear days** the number of days does not include the two days between which the interval is measured. For example, if notice is required to be given a number of **clear days** before a meeting, neither the date notice is delivered, or treated as being delivered, nor the date of the meeting is taken into account.
- 128.9. A **debenture** includes debenture stock and a **debenture** holder includes a debenture stockholder.
- 128.10. Where the **Articles** refer to a document being **made effective** this means being signed, sealed or executed in some other legally valid way.
- 128.11. Where the **Articles** refer to a **show of hands**, a **shareholder** may vote in person at a meeting (including by *electronic means* or any other method which the **Board** approves).

Where the **Articles** refer to uncertificated shares, this means that ownership of the shares can be transferred in accordance with the **Regulations** without using a **written** transfer document and that no share certificate is issued to the owner.

Explanation of Terms

The aim of this explanation of terms is to help readers understand **BT's Articles**. It explains words used in the **Articles** – the words might mean different things in other documents. This explanation of terms is not legally part of the **Articles** and it does not affect their meaning. The explanations are intended to be a general guide – they are not precise. Words which are printed in italics have their own heading in the explanation. The **Secretary** welcomes any suggestions for extra words to include, or improvements. **Shareholders** can write to the **Secretary** at BT Centre, 81 Newgate Street, London EC1A 7AJ.

accounting reference date

This is the date on which **BT's** financial year ends, which is 31 March.

Act

An Act of Parliament, including the **Companies Act**, any statute, statutory instrument, order, rule, regulation or directive.

address

This includes any number or address (including in the case of a **proxy** appointment, an identification number of a participant in the **relevant system**) used for the purposes of sending or receiving notices, documents or information by *electronic means* and/or by means of a website.

adjourn

Where a meeting has a break, to be continued at a later time or day, at the same or a different place.

allot

When new shares are set aside for the **person** they are intended for, they are *allotted*. This will normally be after the **person** has agreed to **pay** for new shares, or has become entitled to new shares for any other reason. As soon as a share is *allotted*, that **person** gets the right to have their name put on the register of **shareholders**. When the **person** has been registered, the share has also been *issued*.

asset

Anything which is of any value to its owner.

attorney

An *attorney* is a **person** who has been appointed to act for another **person**. The *attorney* is appointed by a formal document, called a *power of attorney*.

automatically entitled to a share by law

In some situations, a **person** will be entitled to have shares which are registered in somebody else's name registered in their own name. Or the **person** can require the shares to be transferred to another **person**. When a **shareholder** dies, or the sole survivor of joint **shareholders** dies, their *personal representatives* have this right. If a **shareholder** is made bankrupt, their *trustee* in bankruptcy has the right.

beneficial interest or beneficial ownership

The **person** to whom something really belongs has the *beneficial* interest in it. This **person** may not be the registered (or legal) owner of the thing. For example, if a parent holds shares for their child, the child is the *beneficial* owner, and the parent is the legal owner. See also *trustees*.

bond

A promise to pay issued by a borrower to a lender.

brokerage

Commission which is paid to a broker by a **company** issuing shares, where the broker's clients have applied for shares.

capitalise

To convert some or all of the *reserves* of a **company** into capital (such as shares).

capital redemption reserve

A *reserve* of funds which a **company** may have to set up to maintain its capital base when shares are *redeemed* or bought back.

company representative

If a **company** owns shares, it can appoint a *company representative* to attend a shareholders' meeting to act as its representative. **BT's Articles** permit a **company** to appoint several people as its representatives.

consolidate

When shares are consolidated, they are combined with other shares. For example, every three £1 shares might be consolidated into one new £3 share.

debenture

A typical debenture is a type of long-term borrowing by a **company**. The loan usually has to be repaid at a fixed date in the future, and carries a fixed rate of interest.

declare

Generally, when a dividend is *declared*, it becomes due to be paid.

divide

When shares are divided they are split into shares which have a smaller **face value**. For example, a £1 share might be divided into two 50p shares.

electronic means

Any notice, document or information sent or supplied by means of a system where it is in **electronic form** (such as by email, text message, telephone recording or fax). This is defined in more detail in the **Companies Act**.

equity securities

In section 560 of the **Companies Act**, this means:

- ordinary shares of a **company** except shares which only have a limited right to share in the **company's** income or *assets*, for example, preference shares; or

- *securities* which can be converted into ordinary shares, or which allow their holder to *subscribe* for ordinary shares.

ex-dividend

Once a share has gone ex-dividend, a **person** who buys the share in the market will not be entitled to the dividend which has been *declared* shortly before it was bought. The seller remains entitled to this dividend, even though it will be **paid** after they have sold their share.

executed

A document is executed when it is signed, or sealed or made valid in some other way.

exercise

When a power is *exercised*, it is put to use.

face value

The **face value** of one **Ordinary Share** is 5p. This value is shown on the share certificate for a share, if there is one. When **BT** issues new shares this can be for a price which is at a *premium* to the **face value**. When shares are bought and sold on the stock market this can be different from the **face value**. The **face value** is sometimes also called the *nominal value* or *par value*.

holding company

A **company** which controls another **company** (for example, by owning a majority of its shares) is called the holding **company** of that other **company**. The other **company** is the *subsidiary* of the holding **company**.

indemnity

If a **person** gives another **person** an *indemnity*, they promise to make good any losses or damage which the other might suffer in particular circumstances. The **person** who gives the *indemnity* is said to indemnify the other **person**.

in issue

See *issue*.

instrument

A formal legal document.

issue

When a share has been issued, everything has been done to make the **shareholder** the owner of the share. In particular, the **shareholder's** name has been put on the register of **shareholders**. Existing shares which have been *issued* are *in issue*.

liability

A debt or other financial obligation.

negotiable instrument

A document such as a cheque, which can be freely transferred from one **person** to another.

nominal value or par value

See **face value**.

operator

CRESTCo Limited or any other operator of a *relevant system* under the **Regulations**.

ordinary resolution

A decision reached by a simple majority of votes – that is by more than 50 per cent of the votes cast.

personal representative

A **person** who is entitled to deal with the property (the estate) of a person who has died. If the person who has died left a valid will, the will appoints executors who are person representatives. If the person died without a will, the courts will appoint one or more administrators to be the personal representatives.

poll

A *poll* vote is usually a card vote but could be an electronic vote, for example, where **people** present at a meeting press a keypad. On a *poll* vote, the number of votes which a **shareholder** has will depend on the number of shares they own. An **Ordinary Shareholder** has one vote for each share they own. A *poll* vote is different to a *show of hands* vote, where each **shareholder**, *proxy* or *company representative* who is entitled to vote has just one vote, however many shares they own or represent.

power of attorney

A formal document which legally appoints one or more **people** to act on behalf of another **person**.

premium

If **BT** issues a new share for more than its **face value** (for example, because the market value is more than the **face value**), the amount above the **face value** is the premium.

proxy

A *proxy* is a person who is appointed by a **shareholder** to attend a meeting and vote for that **shareholder**. A *proxy* is appointed by using a **proxy form** or in any other way the **Board** decide. A *proxy* does not have to be a **shareholder**. A *proxy* can vote on a *poll* and on a *show of hands* under **BT's Articles**. A *proxy* can speak at a **General Meeting**.

proxy form

A form which a **shareholder** uses to appoint a *proxy* to attend a meeting and vote for them. **BT's Articles** permit this form to be sent by *electronic means* or a

shareholder to appoint a *proxy* by telephone. The **proxy form** or appointment must be received by **BT** at least 48 hours before the meeting to which it relates.

quorum

The minimum number of **shareholders** or directors who must be present before a meeting can begin. When this number is reached, the meeting is said to be quorate.

rank or ranking

When either capital or income is distributed to **shareholders**, it is paid out according to the *rank* (or *ranking*) of the shares. For example, a share which *ranks* before another share in sharing in **BT's** income is entitled to have its dividends paid first, before any dividends are paid on shares which *rank* after it. If there is not enough income to pay dividends on all shares, the available income must be used first to pay dividends on shares which *rank* first, then on shares which *rank* next. The same applies for repayments of capital. Capital must be paid first on shares which *rank* first in sharing in **BT's** capital, then on shares which *rank* next.

recognised clearing house

A clearing house which has been authorised to carry on business by the UK authorities. A clearing house is a central computer system for settling transactions between members of the clearing house.

recognised investment exchange

An investment exchange which has been officially recognised by the UK authorities. An investment exchange is a place where investments, such as shares, are traded. The **London Stock Exchange** is a **recognised investment exchange**.

redeem and redemption

When a share is *redeemed*, it goes back to **BT** in return for a sum of money (the **redemption price**) which was fixed before the share was *issued*. This process is called *redemption*. A share which can be *redeemed* is called a *redeemable* share.

relevant system

This is a term used in the **legislation** for a computer-based system which allows shares without share certificates to be transferred without using transfer forms. The CREST system for paperless share dealing is a *relevant system*.

renunciation

Where a share has been *allotted*, but nobody has been entered on the share register for the share, it can be renounced in favour of another **person**. This transfers the right to have the share registered to another **person**. This process is called *renunciation*.

remainder

The interest in property that is left after another interest in the property ends, such as full title after a life estate (the right to use the property until death). A *remainder* is different from a *reversion* which gives title back to the grantor of the property or to the grantor's descendants.

reserve fund or reserve

A fund which has been set aside in a **company's** accounts – profits which are not paid out to **shareholders** as dividends, or used up in some other way, are held in a *reserve fund* by the **company**.

reversion

The return to the grantor or their heirs of property after all interests in the property given to others have terminated.

rights issue

A way in which **companies** raise extra share capital. Usually the existing **shareholders** will be offered the chance to buy a certain number of new shares, depending on how many they already have. For example, **shareholders** can be offered the chance to buy one new share from the **company** for every four they already have.

securities

Financial *instruments* such as shares, *bonds*, and **debentures**.

share premium account

If a new share is *issued* by **BT** for more than its **face value** (because the market value is more than the **face value**) then the amount above the **face value** is the *premium*, and the total of these *premiums* is held in a *reserve fund* (which cannot be used to pay *dividends*) called the *share premium account*.

show of hands

A **shareholder**, *proxy* or *company representative* raises their hand to vote at a meeting. Each **shareholder**, *proxy* or *company representative* who is entitled to vote has just one vote, no matter how many shares they hold or represent.

special notice

If *special notice* of a resolution is required by the **legislation**, the resolution is not valid unless **BT** has been told about the intention to propose it at least 28 days before the meeting at which it is proposed.

special resolution

A decision reached by a majority of at least 75 per cent of votes cast. **Shareholders** must be given at least 14 days' notice of a proposal to consider a special resolution.

special rights

These are the **rights** of a particular class of shares, as distinct from **rights** which apply to all shares generally. Examples of *special rights* are rights to income or *assets* and voting rights.

subject to

Means that something else has priority, or prevails, or must be taken into account. When a statement is *subject to* another statement, this means that the first statement must be read with the other statement, which will prevail if there is a conflict.

subscription or subscribe for shares

To agree to take new shares in a **company** (usually for a cash payment).

subsidiary

A **company** which is controlled by another **company** (for example, because the other **company** owns a majority of its shares) is called a subsidiary of that **company**. This is defined in more detail in the **Companies Act**.

subsidiary undertaking

This is also a term used in the **Companies Act**. It has a wider definition than *subsidiary*. Generally speaking it is a **company** which is controlled by another **company** because the other **company**:

- has a majority of the votes in the **company**, either alone or acting with others;
- is a **shareholder** who can appoint or remove a majority of the directors; or
- can *exercise* dominant influence over the **company** because of anything in the **company's** articles or because of a certain kind of contract.

takeover offer

An offer to acquire all the shares, or all the shares of any class, in a **company** (except shares already held by the **person** making the offer). The terms of the offer must be the same for all the shares to which the offer relates. This is defined in more detail in the **Companies Act**.

tenant in common

Where two or more **people** hold title to property in which each has an 'undivided interest' and an equal right to use the property, even if the percentages of interests are not equal. If one of the tenants in common dies, the remaining tenant(s) do not automatically become entitled to the property. Each interest can be separately sold, mortgaged or willed to another.

treasury shares

Shares which are held by a **company** as treasury shares in accordance with sections 724 to 726 of the **Companies Act**.

trustee

A **person** who holds property of any kind for the benefit of one or more other **people** under a kind of arrangement which the law treats as a trust. The **people** whose property is held by the trustee are called the *beneficial* owners.

uncertificated proxy instruction

A properly authenticated instruction sent by means of a relevant system, in line with the rules of the *relevant system*, to a person acting on **BT's** behalf, on terms decided by the **Board**.

underwrite or underwriter

A **person** who agrees to buy new shares if they are not bought by other **people** *underwrites* the share offer.

unincorporated associations

Associations, partnerships, societies and other bodies which the law does not treat as legal **persons** separate from their members.

warrant or dividend warrant

Similar to a cheque for a dividend.

wind up

The formal process to put an end to a **company**. When a **company** is wound up its *assets* are distributed. The *assets* go first to creditors who have supplied property and services and then to **shareholders**. Shares which *rank* first in sharing in **BT's** *assets* will receive any funds which are left over before any shares which *rank* after them.

Index

Subject	Article
Accounts	123-126
Appointment and Removal of Directors	30-34
Directors can act if there are vacancies	34
Electing two or more directors	33
Filling vacancies and appointing or electing directors	31
People who can be directors	30
Removing and electing directors by ordinary resolution	32
Auditor	112-113
Attending General Meetings	112
Validity of Auditor's actions	113
Board Committees	52-53
Board Meetings	43-51
Chairman of	45
Minutes of meetings	49
Notice of	44
Quorum	46
Validity of Board's actions	50
Video conference and telephone meetings	48
Voting at	47
Written Resolutions	51
Borrowing Powers (of Directors)	68-69
Changing Share Capital	76-79
Buying back shares	79
Fractions of shares	78
Power to change capital	77
Power to reduce capital	76
Communications with shareholders	103-111
Company Representatives	27
Directors	28-69
Appointment and Removal	30-34
Borrowing powers and restrictions	68-69
Disqualification	38
Expenses	40
Interests	54-58
Management powers	59-67
Number of directors	28
Pensions	42
Remuneration	39-42

Rotation	35-37
as Shareholders (directors need not be)	29
Dividends	93-102
Deducting amounts owing from dividends and other money	98
Distributions in kind	95
Final Dividends	93
Fixed and interim dividends	94
No dividends are payable except out of profits	96
Payments to shareholders	97
Record dates	101
Scrip dividends	102
Unclaimed dividends and other money	99
Waiver of dividends	100
Documents	116-117
General Meetings	2-3
Adjourning meetings	10
Amending resolutions	11
Annual	2
Chairman of meetings	6
General meetings	3
Meeting in different places	8
Notices	4-5
Proceedings at	6-11
Polls	13-15
Quorum	9
Security and other arrangements	7
Voting at	12-16
Indemnity, Insurance and Defence expenditure	118-120
Interpretation	128
Liability	70
Management powers (of directors)	59-67
Appointing directors to executive positions	60
Delegation of powers	61
Management powers	59
Overseas branch registers	65
Positions with titles including the word "director"	64
Power to appoint agents	63
Power to establish local boards and agencies	62
Power to provide for the benefit of employees and former employees	67
Signatures on cheques etc.	66
Meetings (see General Meetings)	

Notice of General Meetings	4
Moving or postponing at short notice	5
People automatically entitled to shares by law	87-91
Proceedings at General Meetings	6-11
Proxies	22-26
Quorums:	
for General Meetings	9
for Board Meetings	46
Record dates	101
Removal of Directors	32
Reserves	121-123
Assets treated as revenue	123
Changing reserves into capital	122
Setting up reserves	121
Remuneration of Directors	39-42
Directors' expenses	40
Directors' fees	39
Extra fees	41
Pensions and other benefits	42
Representatives (see Company Representatives)	
Retirement of Directors	35-37
When a director retires	37
Seals	115
Secretary	114
Scrip Dividends	102
Shares	71-75
Board's authority to allot shares and "equity securities" and to sell treasury shares	71
Buying back shares	79
Changing share capital	76-79
No trusts or similar interests recognised	75
Power to pay commission and brokerage	74
Renunciations of allotted but unissued shares	73
Uncertificated shares	72
Share Certificates	83-84

Share Rights	80-82
Shareholders' Voting Rights	17-21
Shareholders who cannot be traced	92
Signature or authentication of documents	104
Transferring Shares	85-86
Voting at General Meetings	12-16
Effect of declaration by Chairman	16
How votes are taken	12
Polls	13-15
Winding up	127

BT Group plc

Registered Office: 81 Newgate Street, London EC1A 7AJ

Registered in England No: 4190816