



Annual General Meeting 2020

Shareholder Question
and Answer Script

[Jan du Plessis:] This is Jan du Plessis, Chairman of BT.

The Covid-19 crisis unfortunately means we're unable to gather together in person this year. Instead we're holding a fully virtual AGM, but we still wanted to give our shareholders the opportunity to submit questions in advance of the AGM.

I'd like to personally thank those who got in touch. We will respond to each of the questions received in turn and to help me do this, and on this call, are: Philip Jansen, BT Group Chief Executive, Simon Lowth, our Chief Financial Officer and Nick Rose, our senior independent director who is also the Chair of our Remuneration Committee as well as our Audit and Risk Committee. In the interests of not sharing personal data, we have decided against naming the relevant shareholder who asked the question.

Sabine Chalmers, our Group General Counsel is going to read out the submitted shareholder questions so let me hand over straightaway to Sabine for the first question.

1. [SC:] Thank you Jan. Will the CEO and directors be reducing any benefits they receive in line with reduced profits and reduced dividends?

[JdP:] Thank you Sabine, I think I'm going to ask Nick Rose, our Remuneration Committee chair to answer that question

[Nick Rose:] Thank you Jan. The short answer is 'yes'.

The executive directors have both received lower incentive awards this year, in light of the tough but necessary decision to cut the dividend, and the share price performance during the course of the year. Following consultation with shareholders, we have taken the decision to reduce Philip and Simon's restricted share awards from 200% to 160% of salary, and we also took the decision that no cash bonuses will be paid to our executive directors this year or next. Bonuses paid to our executive directors this year have been deferred into shares held for three years and any bonuses awarded next year will also be deferred into shares.

[JdP:] Thank you Nick. So Sabine, next question please

2. [SC:] The next question has a number of parts and reads: This company is an absolute disgrace in terms of performance. I could do a far better job myself at getting results than the current board. Even as a previous customer of BT, the service was very poor. It is no wonder as a business we lose business. The experience I found was of poorly trained staff or outsourced call centres that offer customer experiences at the lowest common denominator. This company cannot blame COVID, the rot started long before that. The company cannot blame industry trends. There are many Telcos fairing much better than this one. I'd like to know:

- i. If dividends are to be cut. Directors pay and bonuses should be cut. The results of the company hardly warrant a bonus in any event. Will the board accept this?**
- ii. Outsourcing to poor quality offshore operations needs to stop. Degiro is an investment company that although based in Amsterdam operates from Sofia, but all operatives are native speakers of the country that they serve.**
- iii. This company needs to spin off the various divisions of the company that make a profit from those that are laggards with immediate effect. The profitable bits should become new businesses detached from the failing parts of BT. Will the board sign up to this?**
- iv. This company needs to seek mergers with more successful worldwide Telco's. Are the board looking for these partnerships and mergers? And lastly**
- v. If you really cannot stomach any of this, you need to put the company up for sale. I don't really see how the board could do a worse job than they are doing right now.**

[JdP:] Thank you for that long question, Sabine with lots of points, and let me first say that I am sorry that this shareholder is disappointed with the Board.

We acknowledge that the share price performance has been unsatisfactory and as both Philip and I mention in our speeches (which, by the way, are available to view on the BT website) we are working to remedy this for the long-term benefit of the company and its shareholders.

The first part of the question on pay and bonuses has just been answered by Nick when dealing with the prior question, so I will hand over to Philip to answer the question about outsourced call centres.

[Philip Jansen:] Thanks Jan. We know that our customers, like you, value a local feel to their interactions with us and we also know it was a source of frustration for many customers to speak to someone outside the country when they called us.

So in recognition of this, last year we set out to move all our customer call centres back to the UK and in January this year we completed this move one year ahead of plan. So all calls to BT are now routed to a call centre in the UK or Ireland.

[JdP:] Thank you Philip. In answer to the question about divestments and possible mergers, you should rest assured that the Board takes very seriously its duty to consider all options for value creation and realisation. To this end, we have been divesting non-core parts of our Global business and we will naturally consider other corporate opportunities should they arise.

That said, BT Group's current priority is in the substantial investments we will be making over the coming years in 5G mobile and full fibre broadband. These investments will strengthen BT for the long-term and drive future value for our shareholders, the UK and our customers.

Next question please, Sabine.

3. **[SC:] The next question is: Why are shareholder communications so poor? It is 3 years since the Italian accounting scandal (which started the collapse in the share price), but what has happened? (Have there been prosecutions or any recovery of losses?)**

The strategy that was launched over 2 years ago talked of delivering cost savings and organisational streamlining (including headcount reductions). Again: has any progress been made?

[JdP:] I'm sorry that this shareholder clearly thinks that the shareholder communications has been poor. In fact we've been telling the market everything we can, and naturally for something so significant we have devoted a lot of effort, time and money to sorting it out.

Can I ask that the first part of the question is dealt with by Nick Rose in his capacity as Chair of the Audit & Risk Committee; and the second part, on cost savings, is handled by Simon.

[NR:] Thanks Jan. Over the last three years we've had to deal with a number of things arising from the Italian accounting irregularities. However, with legal proceedings in Italy still ongoing, I'm afraid it's difficult to give you the specific details behind all of the issues.

However, what I can say is that immediately after the fraud was uncovered, a very full programme of investigation and remedial work was undertaken which was overseen by the Audit & Risk Committee and analysis of a huge quantity of data confirmed that the historic fraud was committed by, and

confined to, a number of people in Italy, and we remain confident that this is still the case. We have of course taken since then steps to improve our controls both within Italy, and our wider controls that monitor our overseas operations in our shared service centres, across Global and at a Group level.

[JdP:] Thank you Nick. Simon can I hand it over to you to talk about cost savings.

[Simon Lowth:] So we announced with our full year results back in May that we had completed the first phase of our cost savings programme which delivered £1.6 billion of annualised savings – we completed that one year ahead of schedule. We also announced our plans for a further £2 billion of annualised savings by early 2025 through a second phase of transformation. In this phase, the second phase, we are going to be taking fundamental action to create a much more efficient BT.

We're simplifying our product range, we're looking at simplifying automating our end to end customer processes and also streamlining and modernising our IT infrastructure.

We should be clear that this isn't just about cost cutting. It's also about creating a simpler set of products that we can bring to market faster, it's about automating customer journeys on new networks to give better customer experience and about moving our customers onto new networks and products for the future. So the actions are going to drive efficiency but they will also deliver a far superior customer experience.

[JdP:] Thank you Simon. Sabine next question please.

4. **[SC:] The next question also contains a number of parts: Why, according to page 78 of the Annual Report has the board lavished nearly £7 million remuneration on itself? Ten year Total Shareholder Return to March (shown on a graph on page 106) is a paltry 10%, sharply declining since 2016 spanning the tenure of the present Chairman and executive directors (and before the Covid - 19 pandemic of which much is made). Surely this shows incompetence.**

Why does the Board retain underperformers (like for over nine years Iain Conn, failure at Centrica PLC) and subordinate competence to gender? When and how will this be rectified?

As the dividend is cancelled, by how much has the £86 million spent on share repurchase (as shown on page 48 of the Annual Report) increased Total Shareholder Return, if at all?

Annual Report page 45 shows revenue, operating profit and profit before tax all down; why was this allowed, and how and when will it be rectified?

Was the situation so desperate as to necessitate selling your headquarters for £115 million (as Annual Report page 45 states), and is the replacement building as mentioned on page 22 bought or vulnerably leased, and for how much?

How and how soon will product proliferation (admitted by Annual Report page 23) be rectified?

Board effectiveness review suggests the Board has lost the wood for the trees; how and when will this be rectified?

Please will you elaborate on Annual Report page 21 to clarify how and how soon BT PLC will cease reliance on Huawei?

Please will you improve future annual report legibility by printing in black on white, avoiding pastel contrasts (such as white against purple prose)?

[JdP:] Well, Sabine, quite a number of points. I'm going to ask Simon in a moment to respond to some of them, but let me take the last question first. Our Annual Report is created in line with our brand guidelines, and anyone wishing to receive a black and white copy of the report is able to request one through our registrars Equiniti.

With that from my side, Simon can you respond please to the next few points.

[SL:] Thank you Jan. So let me start with a review of the financial performance of the company historically and looking forward. Over the past four years, the company has faced material external headwinds to our profitability. Prices have been reduced materially through stringent regulation by Ofcom. Secondly, business rates and energy costs have almost doubled. Thirdly, we have faced decline in legacy fixed voice telephony as our customers move to mobile and digital voice applications. And of course, we have also been exposed to the wider macroeconomic pressures created by Brexit and now by Covid. While the Company has delivered £1.6 billion of cost savings from our transformation programme and seen growth in other products like mobile and networking, this has not fully offset those external headwinds and that has resulted in some revenue and profit declines over the last three years. I should say though that our results for the financial year 2019/20 were in line with our guidance, as indeed they have been for the past three years.

For this current year so 2020/21, we do face a financial impact from Covid-19. We have not issued an outlook for this year due to the uncertainty, but we will do so as soon as we have got sufficient visibility.

But looking ahead, we have got a clear strategy one that we are confident will reverse recent profit declines, drive longer term growth and it's got three key elements.

- i. We're investing in 5G and FTTP to maintain our clear network leadership in the UK
- ii. We're delivering really differentiated products and services to our customers at predictable and competitive prices, all underpinned by that leading network and by continuously improving our customer service
- iii. And thirdly, as I mentioned earlier we're delivering further cost reductions, with a gross savings target of £2 billion, through a programme to rationalise our product portfolio, simplify processes, upgrade our systems and switch off many of the legacy services.

We took the difficult decision to suspend and rebase the dividend to ensure that we've got the financial capacity to fund that strategy and indeed navigate through the Covid uncertainties. A more positive sentiment should return to the shares over time, now that we have provided clarity on our investment and funding strategy and as we deliver consistently against those plans.

On the specific question about BT Centre, we sold the property, which was too large for our future needs, for proceeds of £210 million and a realised profit of £115 million. We'll be moving our head office to a leased building at One Braham in Aldgate. The annual lease costs have not been disclosed, and are not yet on our balance sheet since the building is still under construction.

[JdP:] Thank you Simon.

Let me respond to the question regarding Board composition, we will continue to keep this under review and have welcomed a number of new directors since last year, including Leena Nair, Ian Cheshire, Adel Al-Saleh and just today, Sara Weller. We said farewell to Jasmine Whitbread last December and Nick Rose will step down at the conclusion of today's AGM after may I say more than nine years of exceptional service.

Each year, we carry out an effectiveness review of the Board and its Board committees. This year we carried out an internal evaluation. There was positive feedback and the Board is considered to be well balanced, with diversity of gender, skills and experience. As in previous years, the Board agreed a number of key areas of focus for the following year and we will report on progress against those agreed actions in next year's annual report. The 2020/21 Board and Committee evaluation will be externally

facilitated.

Philip, can I ask you to comment on Huawei please.

[PJ:] Yes of course Jan. Well as we've said many times, at BT the security of our networks is absolutely paramount. . It's the number one priority for us. So, the Government's revised proposals which were announced on Tuesday which essentially call for the removal of Huawei equipment from the 5G communications networks in the UK by the end of 2027, does give us enough time to make all the necessary changes without impacting on the coverage or indeed the resilience of our existing networks.

[JdP:] Thanks Philip. So Sabine back to you for the next question please.

5. **[SC:] The next question reads: The company performance is very poor. After a look at the website there appears to be a lot of political correctness. Being PC will not save the company. I'd like to know how the gender and race of the images featured on the website are decided? I have not seen any images of my gender and race and feel discriminated against. The numbers of certain groups far outweigh the percentage of those groups in the community. Alternatively, am I to assume from the website that I am now considered a second-class citizen and at best tolerated as an investor but in truth not wanted and discriminated against?**

[JdP:] Thank you also for that question. Let me assure you that the question of fairness and equality is something which BT and the Board take very seriously. It is also a topic which I addressed extensively in the formal remarks that will be posted on our website during the course of today . But let me perhaps ask Philip to expand on this.

[PJ:] As you say, we do take this very seriously at BT of course. At BT, we absolutely believe in respect for human rights and we want to build a business which is as diverse and vibrant as the communities in which we serve. So we select images that support the content on our website – and in our marketing – and there is a desire to reflect that and in line with our brand guidelines.

I should say that I'm extremely proud that our BT community is a diverse, and respectful and inclusive one; we operate in 180 countries, with over 100,000 colleagues supporting customers and communities all over the world. This carries a great responsibility which means that what we do and how we act really matters.

So, we don't view anyone as a second-class citizen at BT and nor do we merely 'tolerate' our investors. And this is really important to say. We value your support enormously and the same applies to all our shareholders no matter their gender, ethnicity or background.

[JdP:] Thank you Philip. Sabine, next question please.

6. **[SC:] The next question is: I have heard a rumour that the dividend is not being paid for one year. Is this correct? And is the business intent on blaming Covid-19 for its continued poor annual results?**

[JdP:] Thank you for your question. Yes, this is indeed correct: we took the decision to suspend last year's final dividend and any dividends in this financial year. We plan to reinstate dividends in the financial year 2021/ 22 at half its previous level.

Recognising the importance of dividends to our shareholders, the Board's decision in relation to the dividend was exceptionally difficult. However, it will provide us with a cash saving totalling £2.5 billion over the next two years which we will make available for investment into our next generation networks – 5G mobile and full fibre broadband – and which we remain confident will prove value enhancing over

time.

It will also provide greater financial flexibility to manage the business with confidence through the Covid-19 crisis. So, Covid-19 is part of the answer, yes, but it's not the whole picture. We took this decision in the best interests of shareholders and with the long-term future success of BT Group at its heart and I continue to believe firmly that this was indeed the right decision.

Next question please, Sabine.

7. **[SC:] The next question is: I note that in the Articles of Association, 41.2 says that extra fees can 'also include any kind of benefits for the directors' dependants'. I fail to see why such a provision should be regarded as appropriate and wonder what kind of benefits might be in mind. The same question is raised by 42.2.**

[JdP:] Thank you for the question Sabine. Articles 41.2 and 42.2 could cover benefits such as dependents pension/life cover and/or private medical insurance if, for example, we're unable to provide this via a funded pension scheme or medical scheme that did not exist in a specific country. Any decision in relation to this would be made in line with the Directors' Remuneration Policy as approved by shareholders.

Also, just to clarify, these Articles are in BT's current Articles of Association and are not new provisions that have been introduced this year.

8. **[SC:] The next question says: Why has the board appointed Sir Ian Cheshire as a Director of our company when he is contractually obligated to commit at 80% of his time to the Chairship of Barclays Bank UK PLC and has signed a contract with Barclays that guarantees he will prioritise Barclays Bank UK PLC over any other role?**

In addition to Sir Ian's Chair commitment at Barclays Bank UK PLC, he is also on the board of parent company Barclays PLC, and Chairman of Menhaden PLC as well as a number of other private companies and has further public service responsibilities. It is unacceptable that the Nomination Committee of BT PLC should appoint a director who is contractually committed to deprioritise our company in favour of another. Will the Nominations Committee now withdraw the invitation for Sir Ian Cheshire to join the board, so he can focus on Barclays UK PLC, Barclays PLC and Menhaden PLC and we can have a fully engaged non-executive director at BT PLC?

[JdP:] Thank you, Sabine.

Let me firstly say that the fundamental assumption on which this question is based is indeed not correct. Sir Ian's contract as Chair of Barclays Bank UK PLC does not have a contractual obligation to commit 80% of his time to that role.

When recommending Ian be appointed to the Board as a non-executive director, the Nominations Committee considered his other appointments and engagements of course, and both the Nominations Committee and the Board were satisfied that he would be able to allocate sufficient time to his role at BT.

I would also like to confirm that Sir Ian has stepped down from his role as the lead non-executive director for HM Government and the Cabinet Office, a decision on his part of which he made us aware when we considered his appointment. Therefore Ian no longer holds these public service responsibilities.

As Chairman, I personally have no doubt that Ian will prove to be an outstanding director of the company and I can confirm that we continue to recommend that shareholders vote in support of his election at the AGM.

Next question please Sabine

9. **[SC:] The next question asks: Will the Board agree to abolish CPI charges which I regard as an Unfair Contract Term in that customers commit to a 2 year contract without knowing the exact sum that they will be paying?**

[JdP:] Philip, can I ask you to take this one please?

[PJ:] Price changes are necessary in order to keep up with inflation and the rising costs of both running and upgrading our networks, whilst also providing the best possible products and services. And what we believe is that the fairest way of doing this is to make them clear and predictable, so that's why we link them to a recognised index, like the CPI, and the price review happens once a year for our mobile, broadband and phone customers.

[JdP:] Thank you Philip. Next question please.

10. **[SC:] The next question is: At the last AGM you forecast a 2% decline in revenue for 2019/2020 but not the actual drop in pre-tax profit of 20%. Page 27 of the annual report indicates what your shareholders want you to deliver. Having had your own business review at the end of June, do you expect to avoid similar declines in 2020/2021?**

[JdP:] I think this question is for our CFO. Simon, please over to you.

[SL:] For the financial year 2019/20, we issued external guidance on a number of key metrics these included adjusted revenue, adjusted EBITDA, and normalised free cash flow. Our performance last year was in line with our outlook on EBITDA and cash flow, it was slightly below on Revenue. We don't provide annual guidance for pre-tax profit, which generally follows the movement in our EBITDA – other than for any significant one-off specific items in the year, which we do strip out of our adjusted EBITDA to provide clarity to the underlying operational performance.

But on a reported basis, pre-tax profits did decline 12% in FY20. This decline reflected the external trading headwinds that I described earlier plus higher interest charges that were in part associated with the introduction of IFRS16, that's a new lease accounting standard which increases interest costs in the short term.

Turning to this financial year, because of the uncertainty created by Covid-19, we haven't provided an outlook for Financial Year 2020/21. The full effect of Covid-19 will depend on the duration of this unique situation and indeed the scale of the economic impact that follows.

[JdP:] Thank you Simon. Sabine, next question please.

11. **[SC:] During the enforced lockdown of small clubs, etc. in the hospitality sector wouldn't it have been possible to suspend their account until their business became active once more? These businesses receiving no income are expected to pay for facilities that will not possibly be used.**

[JdP:] Thanks to this shareholder for getting in touch. BT has played a tremendous role in stepping up to support a huge number of people and organisations – large and small – across the UK and around the world during the Covid-19 crisis.

This sounds to me like a billing question and what steps we've taken to help small businesses during these uncertain times so let me hand over to Philip to say more on this. Philip.

[PJ:] Just building on what you said, we're very conscious of the challenging circumstances facing many of our customers, particularly in the hospitality industry.

So what we've done is, for customers in financial difficulty, we've introduced alternative ways to ease their financial burden during the current crisis. These include flexible payment plans for those who are most in need of assistance. These will obviously be agreed in discussion with each customer and are dependent on their individual circumstances.

We also understand that it's an extremely difficult and worrying time for many SMEs and we encourage any business which is concerned about paying their bill to contact us and we'll try and be as flexible as we possibly can.

Clearly we understand that by suspending an account for example can trigger a negative customer experience, including loss of phone number and business identity, so we thought it was far better for SMEs to keep their connection in place so that they can get back online straight away when they restart their operations. That's what we've done.

[JdP:] Thank you Philip. Next question please Sabine.

- 12. [SC:] The next question is: Would it be possible for BT to purchase a software company, or go in with Ericsson, to produce its own system instead of relying on Huawei? I am sure the majority of shareholders would willingly accept reduced dividends in exchange for a long term high quality BT 5G network.**

[JdP:] Philip, I'm handing this back to you.

[PJ:] As I said before, the security of our networks is our number one priority. BT already uses multiple suppliers and vendors to diversify and de-risk our network infrastructure and, ultimately, to ensure the highest levels of service and continuity to our customers.

Whilst I personally don't believe that we should be setting ourselves up as an equipment vendor, I'm delighted to say that BT has already signed a deal with Ericsson as the provider of our 5G core network. They'll be providing our next generation converged 4G and 5G core, which is essentially the brains of the network, so we're excited about the possibilities this will create for our customers as we collaborate with them and unlock all the capabilities of 5G.

[JdP:] Thanks Philip. Next question please, Sabine.

- 13. [SC:] The next question is: Is there any truth that BT and Openreach are on the same journey together or will you sell off the engine to continue the journey?**

[JdP:] Let me say that despite the recent media speculation, Openreach remains an important part of the BT Group. We're investing heavily in network infrastructure and recently announced plans to accelerate our full fibre build, with a target of reaching 20 million premises by the mid- to late-2020s, subject to the right political and regulatory support.

Next question please

- 14. [SC:] The next question is: On page 139 of the Annual Report, note 5, why had the emergency services network been recategorized? How much is involved? Why is no explanation given please?**

[JdP:] Philip, over to you.

[PJ:] On the 3rd July 2019, we announced that responsibility for the very important emergency services network contract would be transferred from our Consumer operating unit to our Enterprise unit, and this basically just reflects the fact that the major customers on this network are looked after by our

Public Sector teams who obviously sit in the Enterprise division.
So indeed this change was referenced in our 2020 annual report and the change has no impact on the reported Group financials.

[JdP:] Thanks Philip. Sabine next question please

- 15. [SC:] The next question is: In note 20, it suggests that BTPS (which is the BT Pension Scheme) member nominated trustees are not in fact nominated, let alone voted on, by the membership. Why is there not a shortlist of candidates, whether put forward by unions or self-nominated, who once reviewed for their suitability (in other words competence, skills & knowledge, conflicts, time availability etc.) are voted on periodically by the membership?**

[JdP:] Thank you for your question. Simon, may I ask you to take this one please?

[SL:] Yes, Jan, thank you. When selecting the member nominated trustees for the BT Pension Scheme, the unions establish a selection panel which, having consulted with the National Federation of Pensioners then puts forward its recommended candidates for BT to appoint.

Given that the unions represent both active (and many deferred) members and the National Federation of Pensions represents pensioner members, this is currently considered to be the most appropriate and practical approach.

Ultimately, it is the BT Pension Scheme Trustee that's responsible for the selection process for member nominated trustee directors and it reviews the process from time to time, with input from us at BT, to ensure that it remains appropriate.

[JdP:] Thank you Simon. Next question please

- 16. [SC:] The next question is: Given that there are likely to be many shareholders in rural areas with low levels of broadband service, and that the AGM reports are around 14MB, could printed copies be made available and posted directly to shareholders? I would note however that I would not need this if the chair can confirm fibre rollout to Sunderland in Cumbria in the imminent future.**

[Jan:] Shareholders can choose how to receive their communications from us and this includes printed copies of our Annual Reports. We regularly engage with our shareholders to update their mailing preferences and for anyone who would like a printed copy of our Annual Report, these are available on request from our registrar, Equiniti.

More than 94% of premises across Cumbria can access superfast broadband speeds of 30Mbps and above thanks to the partnership between BT and [Connecting Cumbria](#), which is great news, but we recognise that there's more to do to connect some of the more rural areas.

As we continue to rollout, faster, more reliable broadband, we're working with Ofcom, the independent communications regulator, to deliver a new initiative called the broadband universal service – giving customers the right to request a decent and affordable broadband connection. If your address is eligible, we can upgrade your local network so you can order faster broadband. You can find out more information on our website and we have a dedicated team in place to help guide you through the process.

Alternatively, the [Community Fibre Partnership](#) scheme, run by Openreach, works with local communities to build a customised fibre broadband solution through a joint funding arrangement. Openreach will cover part of the cost with the community funding the rest. Openreach will also advise the community on any available grants from local and central Government to help bring down the costs so I hope that is a full answer to this very important question.

Next question please

17. [SC:] The next question is: As long-standing individual shareholders, we ask why we are unable to get discounted broadband and telephone from the company we hold shares in?

We have attempted to resolve this issue but Equiniti and Shareview state that it is not within their remit, suggested we contact BT investor services who don't know either. The BT Shareholder shop state they only deal with current offers for shareholders, which are accessories to your current system, but what about the basics: a broadband and telephone line to put them onto. Is there no shareholder services within BT that could resolve issues like this?

[JdP:] Let me say that we value the support of this shareholder and of course the support of all our shareholders. And I understand why discounted landline and broadband would be appealing, but with almost 800,000 individual shareholders, I'm sure you can see the complexity and considerable cost to the business of offering this, which is why we cannot offer this to shareholders, I'm afraid.

Next question please

18. [SC:] The next question is: LAPFF welcomes BT Group being a leader in setting science-based targets. Can you give more granularity on what further measures you are taking to reach your scope 3 goal? The UN IPCC 2018 report noted that to remain within 1.5 degrees warming, emissions should be reduced by about 45 percent from 2010 levels by 2030. Are any current initiatives providing sufficient progress for BT to be able to set a more challenging target to be in line with the Paris Agreement?

[JdP:] BT has led on climate change for over 25 years and now we've pledged to become a net zero carbon emissions business by 2045, aligning ourselves with the most ambitious aim of the Paris Agreement to limit a rise in global temperatures to 1.5°C.

We've made some great progress over the last year, which we outlined in our Digital Impact and Sustainability Report – which we published in May.

We've helped our customers save 13 million tonnes of carbon and have reduced our own carbon emissions intensity by 42% since 2016/17. But there's more to do and that's why we've launched two new initiatives. Our Green Tech Innovation Platform aims to uncover the latest green technologies from UK-based tech scale-ups that could support BT and its public sector customers transition to Net Zero and we've also joined forces with The Climate Group to launch a new partnership – The UK Electric Fleets Coalition – to help us and others transition towards a low carbon fleet.

When it comes to scope 3 emissions from our supply chain, our goal is to reduce them by 42% from the 2016/17 levels by 2030 – in line with a 1.5 degree science based target pathway. So far, we've worked with suppliers to achieve an 8% reduction to 3 million tonnes, mainly by encouraging them to report progress, benchmark their performance and drive emissions reductions.

Next question please

19. [SC:] The next question asks: Although often unreported, pair pinching brings Openreach and by association BT a bad press. When are you going to:

- A. Put a halt to this practice**
- B. Introduce mechanisms to assure customers that they have use of the equipment they are paying for**
- C. Make a register of infrastructure and its usage**

[JdP:] Thank you Sabine, Philip can I ask you to pick this up.

[PJ:] ‘Pair pinching’ is where one customer’s line is taken to service another customer. And I’m pleased to say that instances of this are actually very rare on the Openreach network, but it does, unfortunately, occur very occasionally.

Clearly, this is something that we take very seriously when it does happen, and we’ve put processes in place so that our engineers have to verify the circuit they’re working on to avoid copper pairs from being misplaced. We also have systems in place to enable engineers to report any pairs they suspect of being pinched.

I should just say also that Openreach is fully focused on connecting new customers and helping restore service to those experiencing a fault and I’d encourage anybody with any evidence of this activity to report it to Openreach immediately and we will investigate it.

[JdP:] Thank you Philip. Sabine next question please

20. [SC:] The next question asks: What has happened to BT's attempts to enter the wind turbine field, and what has been the financial outcome of this?

[JdP:] I think this question may be referring to plans we outlined back in 2007 – 13 years ago – to develop our own wind farms to provide the business with a ready supply of renewable energy. BT consumes nearly 1% of the UK’s entire grid electricity supply and back in 2007 the renewable energy market in the UK wasn’t what it is today.

The rapid growth of renewable energy in the UK over recent years means that BT no longer needs to develop its own wind farms and can instead purchase renewable energy from existing suppliers. I’m pleased to say that 100% of the electricity we directly purchase in the UK is renewably sourced. We’ve signed five Power Purchase agreements with UK wind farms - accounting for 16% of the electricity we use.

Worldwide, 92% of our total electricity consumed is renewably sourced, an increase from 86% last year. By the end of 2020, we’re aiming for 100% - wherever possible.

This year we invested £45 million in energy management projects in the UK, and since 2009/10 these investments have saved us almost £350 million.

Next question Sabine.

21. [SC:] The final question is: What are the ESG ratings for BT and how much more are they scheduled to reduce in the next 2/3/4/5 years?

[JdP:] As the final question, I will also take this one which is really about our environmental, social and governance credentials – often referred to as ESG.

BT is a longstanding champion on climate change. We continue to take steps to improve our ESG performance and disclosures. This year we reported under the Taskforce for Climate related Financial Disclosures (TCFD) framework for the first time in our 2020 Annual Report and in future we will be including progress on carbon reduction and on digital skills training in the calculation of bonuses for eligible employees – accounting for 10% of the annual target bonus.

Our environmental, social and governance credentials are included in a number of external ratings and indices. I won’t go through all of them today, but some worth mentioning include:

- Firstly, making the Corporate Knights Global 100 annual ranking of the 100 most sustainable corporations in the world
- Two, coming fourth in the latest Tortoise Responsibility 100 index (of the FTSE 100)
- Three, I can also say we made the 2020 Clean200 list of the world’s largest publicly traded firms, ranked by total clean energy revenues.

[JdP:] So, ladies and Gentlemen, as there are no more questions, that brings the question and answer

session to a close. Thank you to my colleagues and fellow directors for joining me today and, once again, thank you to everyone who submitted a question. A transcript of this recording, as well as the recording itself, will be available on our website for 30-days from the 16th of July.

Thank you.