

MEETING DATE	Thu, 30 Apr 2015 10:00 am	TYPE	EGM	ISSUE DATE	Mon, 20 Apr 2015
MEETING LOCATION	Old Billingsgate, 1 Old Billingsgate Walk, London, EC3R 6DX				
CURRENT INDICES	FTSE 100, FTSE EuroFirst				
SECTOR	Fixed Line Telecommunications				

COMPANY OVERVIEW

BT Group plc is a London-based international telecommunications company incorporated in England and Wales on 30 March 2001 as Newgate Telecommunications Limited. The company changed its name to BT Group plc on 11 September 2001 and following the demerger of O2 in November 2001, the continuing activities of BT were transferred to BT Group plc. British Telecommunications plc, a wholly owned subsidiary of BT Group plc, encompasses virtually all the businesses and assets of the BT group. The successor to the statutory corporation British Telecommunications, it was incorporated in England and Wales as a public limited company, wholly owned by the UK Government, as a result of the Telecommunications Act 1984. Between November 1984 and July 1993, the UK Government sold all of its shareholding in British Telecommunications plc in three public offerings.

PROPOSALS

ADVICE

1 Approve the Acquisition

For

On 5 February 2015 BT Group plc announced the proposed acquisition of the entire issued share capital of EE Limited from Deutsche Telekom and Orange for a total purchase price equivalent to £12.5 billion on a cash and debt free basis.

The consideration for EE will be payable as a combination of cash and new Ordinary Shares issued to both Deutsche Telekom and Orange. BT intends to finance the cash consideration to be paid to Deutsche Telekom and Orange of approximately £3.6 billion through a combination of the net proceeds of the Equity Placing, which closed on 17 February 2015 and raised net proceeds of approximately £1 billion, and new debt financing. The Share Purchase Agreement contains a cap and collar protection mechanism which provides for an adjustment to the cash element of the consideration where there is a movement in the price of an Ordinary Share, as detailed in the supporting information.

At Completion, Deutsche Telekom will hold a 12 per cent. stake in BT and Orange will hold a 4 per cent. stake. Deutsche Telekom will be entitled to appoint one board member to the BT Board of Directors.

The proposed acquisition would enable BT to accelerate its existing mobility strategy whereby customers will benefit from services that combine the power of fibre broadband, wi-fi and 4G. BT would own the UK's most advanced 4G network, giving it greater control in terms of future investment and product innovation.

Such transactions are considered on the basis of whether the transaction has been adequately explained and whether there is sufficient independent oversight of the recommended transaction. The circular contains full details of the transaction and there is a sufficient balance of independence on the board. This provides assurance that the decision was taken with appropriate independence and objectivity. Triodos supports this resolution.

2 Approval to enter into two contingent purchase contracts

For

The Buy-Back Resolution approves the buy-back of Ordinary Shares by BT from Deutsche Telekom and/or Orange in the event that BT exercises its right of first offer in respect of the sale of such shares. The resolution is conditional upon Resolution being passed.

The Company be generally and unconditionally authorised to enter into two contingent purchase contracts between (1) the Company, Deutsche Telekom AG and Deutsche Telekom and (2) the Company, Orange SA and Orange providing for the purchase by the Company of Ordinary Shares substantially on the terms of the CP Contracts, and to purchase Ordinary Shares in accordance with the CP Contracts, subject to the following conditions:

(a) the maximum price (exclusive of expenses) which may be paid by the Company for each Ordinary Share is the higher of an amount equal to the Closing Price of an Ordinary Share on (i) the date on which the Company makes an offer to buy-back the Ordinary Shares and (ii) the trading day before any such purchase; and

(b) this authority shall expire 18 months post-Completion and in any event no later than 29 April 2020.

In accordance with the vote recommendation on Resolution One, Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 1 - Approve the Acquisition

BT expects significant synergies mainly through network and IT rationalisation, back-office consolidation and savings on procurement, marketing and sales costs. In addition, BT expects to generate revenue synergies through selling fixed-line services to those EE customers who do not currently take a service from BT, and by accelerating the sale of converged fixed-mobile services to BT's existing consumer and business customers.

The Share Purchase Agreement contains a cap and collar protection mechanism which provides for an adjustment to the cash element of the consideration where there is a movement in the price of an Ordinary Share, subject to:

(a) a minimum share price per Ordinary Share of approximately 395.0 pence (being 4 per cent. below the reference price). A share price below this level would not result in further adjustment to the cash consideration and therefore the value of the Acquisition would fall below £12.5 billion; and

(b) a maximum share price per Ordinary Share of approximately 428.0 pence (being 4 per cent. above the reference price). A share price above this level would not result in further adjustment to the cash consideration and therefore the value of the Acquisition would increase above £12.5 billion.

COMPANY ENGAGEMENT

A copy of the draft report was sent to the Company for comments on 14 April 2015. No comments or suggested changes were made.

BOARD AND COMMITTEE COMPOSITION

DIRECTORS NAME	GENDER	PIRC	COMPANY	BOARD	AC	RC	NC	TENURE
Sir Michael Rake	M	Yes	Yes	Ch	-	-	Y*	7
Gavin Patterson	M	No	No	CEO	-	-	-	6
Tony Chanmugam	M	No	No	Exec	-	-	-	6
Nick Rose	M	Yes	Yes	SID	Y*	Y	Y	4
Tony Ball	M	Yes	Yes	NED	-	Y*	Y	5
Iain Conn	M	Yes	Yes	NED	Y	-	Y	<1
Warren East	M	Yes	Yes	NED	Y	-	-	1
Phil Hodkinson	M	Yes	Yes	NED	-	-	Y	9
Isabel Hudson	F	Yes	Yes	NED	-	-	-	<1
Karen Richardson	F	Yes	Yes	NED	Y	Y	-	3
Jasmine Whitbread	F	Yes	Yes	NED	Y	-	-	4
Number of Meetings				-	-	-	-	
Number of NED only Meetings				-				

BOARD OF DIRECTORS

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, C = Corporate Responsibility or Ethics Committee, * = Committee Chairman.

SIR MICHAEL RAKE				CHAIRMAN
AGE	66	TENURE	7 Years	COMMITTEES
OTHER POSITION	N*,C*			
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY	Y	
COMMENT	Independent upon appointment.			
GAVIN PATTERSON				CHIEF EXECUTIVE
AGE	46	TENURE	6 Years	COMMITTEES
OTHER POSITION	C			
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY	N	
SEVERANCE	12 months rolling			
COMMENT	Chief Executive since September 2013. He was previously CEO, BT Retail.			
TONY CHANMUGAM				EXECUTIVE DIRECTOR
AGE	60	TENURE	6 Years	COMMITTEES
OTHER POSITION	C			
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY	N	
SEVERANCE	12 months rolling			
COMMENT	Group Finance Director.			

NICK ROSE		SENIOR INDEPENDENT DIRECTOR			
AGE	56	TENURE	4 Years	COMMITTEES	A*,R,N
OTHER POSITION	BAE Systems plc [NED]; CCMP Capital [Adv]; Loch Lomond Scotch Whisky [Ch]; Williams Grand Prix Holdings [Ch]; ex-Diageo plc [FD]; ex-Ford Finance; ex-Ford Motor Company; ex-Scottish Power plc [NED]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by company, independent by PIRC.				
TONY BALL		NON-EXECUTIVE DIRECTOR			
AGE	58	TENURE	5 Years	COMMITTEES	R*,N
OTHER POSITION	ONO [Dir]; Portland PR [Ch of Adv council]; Providence Equity Partners [Snr Adv]; PureGym [Dir]; ex-BSkyB [CE]; ex-Kabel Deutschland GmbH [Ch]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by company, independent by PIRC.				
IAIN CONN		NON-EXECUTIVE DIRECTOR			
AGE	n/d	TENURE	<1 Years	COMMITTEES	A,N
OTHER POSITION	BP [MD, CE]; Energy and Climate Change [Board Mem]; Imperial College Business School [Ch of Adv Board]; Imperial College Council [Mem]; ex-Rolls-Royce [NED]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by company, independent by PIRC.				
WARREN EAST		NON-EXECUTIVE DIRECTOR			
AGE	52	TENURE	1 Year	COMMITTEES	A
OTHER POSITION	De La Rue [SID]; Dyson [NED]; Micron Technology [NED]; Rolls-Royce [NED]; ex-ARM Holdings [CE]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by company, independent by PIRC.				
PHIL HODKINSON		NON-EXECUTIVE DIRECTOR			
AGE	56	TENURE	9 Years	COMMITTEES	N,C
OTHER POSITION	Action Medical Research [Trust]; BBC Children in Need [Trust]; Business in the Community [NED]; Christian Aid [Adv to Finance committee]; Community Mark Independent Approvals Panel [Ch]; Travelex [NED]; ex-HBOS [FD]; ex-HMRC [NED]; ex-Insight Investment and Clerical Medical [Ch]; ex-Resolution [SID]; ex-Zurich Financial Services UK Life [CE]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by the company, independent by PIRC.				
ISABEL HUDSON		NON-EXECUTIVE DIRECTOR			
AGE	n/d	TENURE	<1 Years	COMMITTEES	None
OTHER POSITION	Phoenix Group [NED]; The Pensions Regulator [NED]; ex-MGM Advantage [NED]; ex-Prudential Assurance Company [Exec]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
KAREN RICHARDSON		NON-EXECUTIVE DIRECTOR			
AGE	51	TENURE	3 Years	COMMITTEES	A,R
OTHER POSITION	Exponent and Convercent [Dir]; MITA Institute [Adv Board Mem]; Stanford University Technology Venture Program [Adv Board Mem]; ex-Epiphany Inc [CE]; ex-i2Group [Dir]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by company, independent by PIRC.				

JASMINE WHITBREAD		NON-EXECUTIVE DIRECTOR			
AGE	50	TENURE	4 Years	COMMITTEES	A,C
OTHER POSITION	Dragon School Trust [Governor]; Save the Children International [CE]; ex-Oxfam; ex-Thomson Financial (now Thomson Reuters) [MD]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Independent by company, independent by PIRC.				

BOARD COMPOSITION

BOARD COMPOSITION FOLLOWING THE EGM

	CURRENT YEAR		FTSE 100 MEAN	
	Number	% of Board	Number	% of Board
Executive Director	2	18.18	2.9	26.7
Independent NED's	8	72.73	5.9	55
Connected NED's	0	0.0	0.9	8.5
Other	1	9.09	1.0	9.4

BOARD COMMITTEES FOLLOWING THE EGM

	CURRENT YEAR			FTSE 100 MEAN	
	Number of Members	% Independent by PIRC	% Independent by Company	Number of Members	% Independent by PIRC
Whole Board	11	72.73	81.82	10.7	54.7
Audit	5	100.0	100.0	3.9	92.5
Remuneration	3	100.0	100.0	4.2	89.0
Nomination	5	80.0	100.0	5.0	81.5
CSR	5	40.0	60.0	-	-

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