

## BT GROUP PLC (the “Company”)

### REMUNERATION COMMITTEE

#### TERMS OF REFERENCE

Approved by the BT Group plc Board on: 18 March 2021

The Remuneration Committee is a committee of the Board of Directors of BT Group plc (the “**Board**”), from which it derives its authority.

#### 1. Membership

- 1.1 The committee shall be made up of at least three members, all of whom shall be independent non-executive directors. In addition, the Chair of the Board may also be a member of the committee if he or she was considered independent on appointment as Chair.
- 1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chair of the Board (if not a member of the committee), the Chief Executive, the Group HR Director, the Director of Reward, Employee Relations and Health Safety and Wellbeing, and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 Members of the committee shall be appointed by the Board on the recommendation of the Nominations Committee, provided members (other than the Chair of the Board, if they are a member of the committee) continue to be independent.
- 1.4 The Board shall appoint the committee chair who shall be an independent non-executive director who has served on a remuneration committee for at least 12 months. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of the Board shall not be the committee chair.

#### 2. Secretary

- 2.1 The Company Secretary or their nominee shall act as secretary of the committee.

#### 3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two.

#### 4. Meetings

- 4.1 The committee shall meet at least three times a year and otherwise as required.

#### 5. Notice of meetings

- 5.1 Meetings of the committee shall be called by the secretary of the committee, at the request of the committee chair or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the committee and any other person required to attend before the date of the meeting. The agenda of items

to be discussed and supporting papers shall be sent to committee members and to other attendees as appropriate.

## 6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.

## 7. Annual general meetings

- 7.1 The committee chair shall attend the annual general meeting and be prepared to respond to any shareholder questions on the committee's activities. In addition, the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

## 8. Duties

The committee shall:

- 8.1 Determine the remuneration policy for the remuneration of the Chair of the Board, all executive directors, members of the Executive Committee and the Company Secretary. The remuneration of non-executive directors shall be a matter for the Board, the Chair of the Board and the executive directors of the Board and be within the limits set in the Articles of Association. No director or executive shall be involved in any decisions as to their own remuneration.
- 8.2 In determining such remuneration policy in 8.1, give due regard to all factors it deems necessary including:
- i) any relevant legal requirements, the provisions and recommendations of the UK Corporate Governance Code (the "**Code**") and the UK Listing Authority's Rules and associated guidance;
  - ii) workforce remuneration and policies;
  - iii) alignment of incentives and rewards with BT's purpose, values, culture and strategy; and
  - iv) the objective of the remuneration policy in supporting attracting, retaining and motivating executive management of the quality required to run a company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.
- 8.3 Within the terms of the agreed remuneration policy and in consultation with the Chair of the Board and/or Chief Executive as appropriate, determine the total individual remuneration package of the Chair of the Board, the executive directors, each member of the Executive Committee and the Company Secretary including:
- i) salary or fee levels;
  - ii) bonuses including deferred bonuses (whether in cash or shares);
  - iii) long-term incentives (whether in cash or shares);
  - iv) benefits including any expatriate benefits or allowances; and
  - v) pensions.
- 8.4 In determining the total remuneration packages in 8.3, the committee will oversee the operation of any bonus and long-term incentive plans that relate to the aforementioned executives, including the review and approval of awards, setting performance targets, the approval of any vesting, performance periods, holding periods, the application of clawback and malus, and determining if and, to what extent, an individual should be treated as a

- 'good leaver' or 'bad leaver' within the scope of the relevant plan rules and the approved remuneration policy. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Company and individual performance, and wider circumstances.
- 8.5 Independent judgement and discretion should be exercised when authorising remuneration outcomes. The committee has discretion to override formulaic outcomes and should determine incentive payouts in the context of broader Company performance (including the value created for shareholders over the relevant period) and the individual's performance.
  - 8.6 Review the ongoing appropriateness and relevance of the remuneration policy in light of business strategy and BT's purpose and values.
  - 8.7 Recommend to the Board, when appropriate, seeking shareholder approval for any new share-based plan (including all-employee plans) where executive directors are eligible to participate and the giving of any financial assistance. The committee shall also oversee the administration of such executive share-based incentives plans and any all-employee plans including agreeing or amending the rules, authorising the establishment of trusts and changes, agreeing when to operate such a plan, , monitoring share plan dilution within the plan rule limits, the terms of operation and selecting the people to participate, agreeing performance conditions, underpins and determining whether they have been achieved; and approving and authorising execution of all relevant documents.
  - 8.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee. Exercise independent judgement when evaluating the advice of the remuneration consultants and when receiving views from executive directors and senior management. The committee shall keep abreast of external remuneration trends, market conditions and corporate governance best practices, and have authority to obtain reliable, up to date information regarding remuneration in other companies and to commission any reports or surveys which it deems necessary to help fulfill its obligations.
  - 8.9 Review and approve the remuneration provisions of the service agreements of all the executive directors (in line with the approved remuneration policy), members of the Executive Committee and the Company Secretary.
  - 8.10 Determine the policy for shareholding requirements for executive directors and members of the Executive Committee that promotes long-term shareholdings by executive directors and supports alignment with long-term shareholder interests, with share awards for executive directors being subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
  - 8.11 Within the terms of the agreed remuneration policy, agree terms for cessation of employment and ensure that any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
  - 8.12 Determine the policy for pension arrangements for executive directors, members of the Executive Committee and the Company Secretary. In determining such policy, have due consideration to the pension arrangements available to the wider workforce.

- 8.13 Review wider workforce remuneration and related policies, including gender and ethnicity pay gap reports.
- 8.14 Authorise execution by the Company of all relevant remuneration or share plan related documents.
- 8.15 At least once a year, review the remuneration paid to the Chair and all the Trustee directors of the BT Pension Scheme ("**BTPS**"), taking into account the views of the Chair of the BTPS on the remuneration of each Trustee (with the exception of his or her own remuneration), either by written submission or attendance at the relevant meeting of the committee.

## **9. Duties – Openreach Limited Board**

The committee shall:

- 9.1 agree the remuneration policy and the terms of service contracts/employment contracts (as relevant) of the Openreach Chair and the Openreach CEO;
- 9.2 receive and consider recommendations from the Openreach Remuneration Committee regarding the total remuneration package of the Openreach Chair and the Openreach CEO. The final decision on their remuneration shall rest with the committee; and
- 9.3 agree the framework and policy for remuneration, the remuneration and terms of service contracts for the non-executive directors of the Openreach Limited Board.

## **10. Reporting responsibilities**

- 10.1 The committee chair shall report to the Board on its proceedings after each meeting, on all matters within its duties and responsibilities.
- 10.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The committee shall:
  - i) ensure that the provisions regarding disclosure of information as set out in the Companies (Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled;
  - ii) include a description of the work of the committee in the annual report in accordance with the Code;
  - iii) identify appointed remuneration consultants alongside any statement about any other connection it has with the Company or individual directors in the annual report; and
  - iv) produce an annual report on remuneration, and a report of the Company's remuneration policy which will form part of the Company's Annual Report and be put to shareholders for approval at the annual general meeting, as necessary.
- 10.4 If the committee has appointed remuneration advisers, they shall be identified in the annual report alongside a statement about any other connection they have with the company.

## **11. Other matters**

The committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including advice and access to the company secretarial team as required;

- 11.2 be provided with appropriate and timely training, including an induction programme for new members and on an ongoing basis for all members;
- 11.3 give due consideration to relevant laws, regulations and published guidelines or recommendations, including the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate; and
- 11.4 arrange for periodic reviews of its own performance and terms of reference, and recommend any changes it considers necessary to the Board for approval.

## **12. Authority**

The committee is authorised by the Board:

- 12.1 through the Company Secretary to seek information it requires from any employee of the BT Group in order to perform its duties; and
- 12.2 in consultation with the Company Secretary, where necessary to fulfil its duties, to obtain any relevant external legal or other professional advice and secure the attendance of external advisers at its meetings.