

BT Group plc – AGM July 2020

**RULES OF THE
BT GROUP PLC SAVESHARE PLAN**

**Authorised by shareholders on [●]2020
Adopted by the Board on [●] 2020
Registered with HMRC on [●] 2020 with reference number [●]**

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1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

The words and expressions used in the Rules which have capital letters have the meanings set out in the Appendix 1.

1.2 Interpretation

The headings in the Rules are for convenience and should be ignored when construing them. Unless the context otherwise requires, words in the singular include the plural and vice versa and words importing either gender include both genders.

Reference in the Rules to any statutory provisions are to those provisions as amended or re-enacted from time to time, and include any regulations or other subordinate legislation made under them.

2. APPLICATION FOR OPTIONS

2.1 Time when applications may be made

During the Plan Period, the Board may invite all Eligible Employees to apply for Options during an Application Period. While the Shares are Listed, the Application Date must be chosen so that each Dealing Day used to determine the Option Price is within the Application Period.

2.2 Form of application

The Board will specify the form of the applications for Options. The application form must:

- (a) state whether or not the Shares are subject to restrictions and if so, the details of the restrictions;
- (b) contain any undertakings and/or declarations that the Board requires for the Plan; and
- (c) be accompanied by a completed Proposal Form.

2.3 Option Price

The Board will decide the Option Price for an application. The Option Price will not be less than the higher of: (a) if the Shares are to be subscribed, their nominal value; and (b) 80 per cent. (or any other percentage permitted by Schedule 3) of the Market Value of a Share on the Dealing Day immediately preceding the Application Date or, if the Board decides, the average of the Market Values of a Share on the three Dealing Days immediately preceding the Application Date. The Option Price may be adjusted under Rule 9.

2.4 Shares available

The Board may specify a maximum number of Shares available for an Application Period.

2.5 Bonus available

The Board may allow Eligible Employees when applying for an Option to elect for the Three Year Bonus and/or the Five Year Bonus.

2.6 Applying for an Option

An Eligible Employee may apply for an Option in the form specified by the Board within 21 days following the Application Date (or any shorter period, but not less than 14 days, determined by the Board).

2.7 Employee's specification

An Eligible Employee must specify:

- (a) the Monthly Contribution which, subject to Rules 2.8 and 3, the Eligible Employee wishes to make; and
- (b) subject to Rule 2.5, whether the Savings Contract Repayment is to include the Three Year Bonus or the Five Year Bonus.

2.8 Limit on participation

A Participant cannot contribute monthly to a Savings Contract more than the Maximum Contribution or less than the Minimum Contribution.

3. SCALING DOWN

3.1 Method

If there are insufficient Shares available to satisfy all valid applications for Options, the Board may apply the following steps successively to scale down the applications to the extent necessary to eliminate the excess:

- (a) reduce pro rata the proposed Monthly Contribution of each Eligible Employee which is in excess of an amount chosen by the Board; or
- (b) treat the bonus of each Eligible Employee as wholly or partly excluded from the Savings Contract Repayment; or
- (c) reduce pro rata the proposed Monthly Contribution of each Eligible Employee, provided that this amount is not less than the Minimum Contribution; or
- (d) treat any applications for a Five Year Bonus as applications for a Three Year Bonus; or
- (e) select applications by lot, each based on a Monthly Contribution equal to the Minimum Contribution and no bonus in the Savings Contract Repayment.

3.2 Applications modified

If scaling down is necessary each application will be modified or withdrawn in accordance with the method chosen under Rule 3.1 and the Board will complete or amend, as appropriate, each Proposal Form to reflect any reduction in Monthly Contributions. The Board will then grant Options under Rule 4, but the period of 30 days in Rule 4.2 may be increased to 42 days if necessary.

4. GRANT OF OPTIONS

4.1 Option grant

Subject to Rule 3, each Eligible Employee who has validly applied for an Option will be granted an Option over the largest whole number of Shares that can be acquired at the Option Price with the Savings Contract Repayment related to their respective applications. An Option will be granted so that it constitutes a binding contract between the Company and the Participant. There will be no payment for the grant of an Option.

4.2 Time of grant

Subject to Rule 3, Options will be granted within 30 days after the date on which the Option Price is determined or, if the Option Price is determined over three consecutive Dealing Days, within 30 days after the earliest of those Dealing Days.

No options may be granted at a time during which dealing in Shares is not permitted by statute, order, regulation, the Market Abuse Regulation or the Company's share dealing code.

4.3 Notification of grant

A Participant will be notified, in the manner specified by the Board, of the grant of an Option, the date on which the Option was granted, the number of Shares under the Option, the Option Price, the bonus (if any) and Bonus Date of the Option and whether or not the Shares are subject to restrictions.

4.4 Options personal to Participants

An Option may not, nor may any rights in respect of it, be transferred, assigned, charged or otherwise disposed of to any person, except that on the death of a Participant an Option may be transmitted to the Participant's personal representatives.

5. LIMIT ON NEW ISSUE AND TREASURY SHARES

5.1 The 10 per cent. limit over 10 years

The total number of Shares which may be allocated under the Plan at any time will not, when aggregated with the number of Shares allocated during the preceding 10 years under the Plan and any other Employees' Share Plan adopted by the Company, exceed that number of Shares that represents 10 per cent. of the ordinary share capital of the Company at that time.

5.2 Exclusion from limit

In calculating the limit in Rule 5.1, any Shares where the right to acquire them was cancelled, released or lapsed without being exercised, will be disregarded.

5.3 Meaning of allocation

References in the Rules to the "allocation" of Shares means, in the case of any share option plan, the placing of unissued shares or treasury Shares under option and, in relation to other types of Employees' Share Plan, means the issue and allotment of Shares, or transfer of Shares out of treasury.

5.4 Grants in excess

If an Option is granted in breach of the limit in this Rule 5, the number of Shares over which that Option has been granted will, together with the number of Shares over which all other Options have been granted on the same Date of Grant, be reduced pro rata to the largest lower number that complies with this Rule 5. An adjusted Option will take effect from the Date of Grant as if it had been granted on the adjusted terms and, for the purpose of Rule 8.2, the amount of the repayment made under the Participant's related Savings Contract will be adjusted as appropriate.

5.5 Adjustment of Shares to be taken into account

Where Shares issued under the Plan or any other Employees' Share Plan are to be taken into account for the purposes of the limit in this Rule 5 and a Variation in the equity share capital of the Company has taken place between the date of issue of those Shares and the date on which the limit is to be calculated, then the number of Shares taken into account for the purposes of the limit will be adjusted in the manner the Board considers appropriate to take account of the Variation.

6. TIME OF EXERCISE OF OPTIONS

6.1 General rules for exercise

Except as provided in Rule 6.2, an Option may only be exercised by a Participant while the Participant is a Qualifying Employee.

6.2 Timing of exercise

Subject to Rule 7, an Option can be exercised at any time during the period of six months following the earliest of:

- (a) its Bonus Date;
- (b) the Participant ceasing to be a Qualifying Employee because:
 - (i) of injury or disability, Redundancy or retirement;
 - (ii) of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006;
 - (iii) the Associated Company with which the Participant holds office or is employed ceases to be an Associated Company of the Company by reason of a change of control (as determined in accordance with sections 450 and 451 of the Corporation Tax Act 2010);
 - (iv) the business or part of a business to which the Participant's office or employment relates is transferred to a person who is not an Associated Company of the Company, where the transfer is not a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006; or
 - (v) more than three years after the Date of Grant, of any other reason (other than dismissal for gross misconduct); or

- (c) the passing of a resolution for the voluntary winding-up of the Company (other than where Rule 6.7 applies).

6.3 Death

Subject to Rule 7.2, any Option held by a Participant who dies can be exercised by the Participant's personal representatives within 12 months after the earlier of: (a) the date of the Participant's death; or (b) the Option's Bonus Date (if death occurs within six months of the Bonus Date), except where the Participant is a US tax payer, in which case the Board may determine that a shorter period of exercise will apply.

6.4 Cessation of Plan related employment

- (a) For the purpose of Rule 6.2(b), a Participant will not be treated as ceasing to be an employee or Full-time Director of a Participating Company until the Participant is no longer employed by the Company or an Associated Company (which for these purposes is as defined in paragraph 35(4) of Schedule 3).
- (b) An employee who leaves employment because of maternity, paternity or parental leave will cease employment on the date on which the employee indicates either that the employee does not intend to return to work or that the employee will not be returning to work. If the employee gives no indication, the employee will cease employment on the day after the date on which the employee's statutory right to return to work expires, or if later, any other date specified in the terms of the employee's employment if the employee has not then returned to work.

6.5 Takeover

- (a) Subject to Rule 7 and provided the Option is not to be exchanged under Rule 6.8, an Option can be exercised in the period starting up to 20 days before and ending six months following the date on which an offeror (together with others, if any, acting in concert with the offeror) obtains Control of the Company as a result of making a general offer to acquire all the issued ordinary shares of the Company or all of the shares of the Company which are of the same class as the Shares and which, in either case, are not at the time owned by the offeror or any company Controlled by the offeror (and/or persons connected with the offeror) and any condition subject to which the offer was made has been satisfied. The exercise of any Option exercised in anticipation of a change of Control which does not occur within the period of 20 days following the exercise of the Option will be treated as having no effect.
- (b) If, as a result of the change of Control, the Shares no longer meet the requirements of Part 4 of Schedule 3, an Option may be exercised up to 20 days after the relevant date notwithstanding that the Shares no longer meet the relevant Schedule 3 requirements.

6.6 Compulsory acquisition

Subject to Rule 7 and provided the Option is not to be exchanged under Rule 6.8, an Option can be exercised during the period when a person is bound or entitled under sections 979 to 982 or 983 to 985 of the Companies Act 2006 to acquire any Shares (or who would be so entitled but for the fact that there were no dissenting shareholders).

6.7 Company reorganisation arrangement

- (a) Subject to Rule 7 and provided the Option is not to be exchanged under Rule 6.8, an Option can be exercised in the period starting up to 20 days before and ending six months following the date on which the court sanctions a compromise or arrangement under section 899 of the Companies Act 2006 (**Court Sanction**). The exercise of any Option exercised in anticipation of a Court Sanction which does not occur within the period of 20 days following the exercise of the Option, will be treated as having no effect.
- (b) If as a result of the reorganisation arrangement referred to in Rule 6.7(a), the Shares no longer meet the requirements of Part 4 of Schedule 3, an Option may be exercised up to 20 days after the relevant date notwithstanding that the Shares no longer meet the relevant Schedule 3 requirements.

6.8 Reorganisation or merger

This Rule 6.7 applies when:

- (a) a company (the **Successor Company**) has obtained Control of the Company;
- (b) at least 75 per cent. of the shares of the Successor Company are held by the same shareholders as the shareholders of the Company immediately after the Successor Company has obtained Control, and
- (c) the Successor Company consents to the exchange of Options under this Rule 6.7. If this Rule 6.7 applies, Options will not be exercisable but will (with the consent of the Participant if and to the extent required under the relevant HMRC guidance) be exchanged during the period set out in paragraph 38(3) of Schedule 3. The Company may determine that any Options not exchanged will lapse at the expiry of that period. Rule 10 will apply to an exchange under this Rule 6.7 except that references to the Acquiring Company in that Rule will be deemed to be references to the Successor Company as defined above.

7. LAPSE OF OPTIONS

7.1 Subject to Rule 7.2, an Option will lapse on the earliest of:

- (a) the expiry of six months from the Bonus Date;
- (b) the expiry of six months from the date on which the Participant ceases to be a Qualifying Employee in accordance with Rule 6.2(b);
- (c) the date on which the Participant ceases to be a Qualifying Employee in any circumstances other than those referred to in Rule 6.2(b);

- (d) the Participant's right to continue making Monthly Contributions lapsing under the provisions of the Savings Contract other than on death or for the purpose of exercising an Option;
- (e) subject to paragraph (f) below, the expiry of the period of six months following the occurrence of any of the circumstances permitting the exercise of Options in Rules 6.2(c), 6.5(a) and 6.7(a);
- (f) the expiry of the period of 20 days following the occurrence of the circumstances permitting the exercise of Options in Rule 6.5(b) and 6.7(b); and
- (g) the expiry of the period during which a person is entitled or bound to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006.

7.2 An Option held by a Participant who dies will lapse on the expiry of 12 months from the earlier of the date of the Participant's death and the Bonus Date (if death occurs within six months of the Bonus Date), unless

- (a) there is a voluntary winding-up under Rule 6.2(c), in which case the Option will lapse on the expiry of the period of six months following that event; or
- (b) the Participant is a US tax payer, in which case the Option will lapse on the expiry of any period the Board determines under Rule 6.3.

8. EXERCISE OF OPTIONS AND ISSUE OR TRANSFER OF SHARES

8.1 Manner of exercise

An Option may be exercised in whole or in part by the Participant giving notice of exercise in a form approved by the Board. The notice will specify the number of Shares over which the Option is exercised and the Exercise Price and be accompanied by the form of withdrawal from the Savings Contract required by the Savings Body or by an appropriate remittance and evidence of withdrawal from the Savings Contract. If an Option is exercised in part the unexercised part will lapse.

8.2 Monies available for exercise

The Exercise Price payable on exercise of an Option cannot exceed the amount of the repayment made (including any interest) under the Participant's related Savings Contract. For this purpose, the repayment under the Savings Contract will exclude the repayment of any Monthly Contribution, the date of payment of which falls more than one month after the date on which the repayment is made.

8.3 Delivery of Shares

Subject to Rule 8.4, the Company will arrange for the delivery of any Shares to a Participant (or the Participant's nominee) within 30 days following the effective exercise of the Option.

8.4 Consents

The delivery of any Shares under the Plan will be subject to obtaining any necessary approval or consent.

8.5 Ranking of Shares

Shares acquired by a Participant under the Plan will rank equally in all respects with the Shares then in issue, except that they will not be entitled to any rights attaching to Shares by reference to a record date falling before the date on which the Participant is entered on the Company's register of shareholders in respect of those Shares.

8.6 Listing

While the Shares are Listed, the Company will apply for Listing of any Shares issued under the Plan as soon as practicable after their allotment.

9. ADJUSTMENT OF OPTIONS

9.1 Variation in equity share capital

If there is a Variation, the number and/or the nominal value and/or the description of Shares over which an Option is granted and the Option Price will, subject to Rule 9.2, be adjusted in accordance with the requirements set out in Schedule 3 and in the manner the Board determines so that (as nearly as may be without involving fractions of a Share or an Option Price calculated to more than two decimal places) the Exercise Price and the total Market Value of the Shares under Option remains substantially the same.

9.2 Nominal value of Shares

Apart from under this Rule 9.2, no adjustment under Rule 9.1 can reduce the Option Price to less than the nominal value of a Share. Where Options relate to both issued and unissued Shares, an adjustment under Rule 9.1 may only be made if the reduction of the Option Price in respect of both the issued and the unissued Shares can be made to the same extent. Any adjustment made to the Option Price of Options over unissued Shares to less than the nominal value of a Share will only be made if and to the extent that the Board is authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares subject to an Option exceeds the adjusted Exercise Price and apply that sum in paying up the Shares, so that on exercise of the Option the Board will capitalise that sum and apply it in paying up the Shares.

9.3 Notifying Participants

The Company will take the steps it considers necessary to notify Participants of any adjustments made under this Rule 9.

10. EXCHANGE OF OPTIONS

10.1 The Acquiring Company

If any company (the **Acquiring Company**):

(a) obtains Control of the Company as a result of making a general offer to acquire:

(i) the whole of the issued ordinary share capital of the Company; or

(ii) all the shares in the Company which are of the same class as the Shares,

in either case ignoring any Shares which are already owned by it or persons connected with it;

- (b) obtains Control of the Company as a result of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006 (or a non-UK company reorganisation arrangement within the meaning of paragraph 47A of Schedule 3 becomes binding); or
- (c) becomes bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006,

any Participant may, at any time within the Appropriate Period, by agreement with that Acquiring Company, release any Option which has not lapsed (the **Old Option**) in consideration of the grant to the Participant of a new option (the **New Option**) which (for the purposes of paragraph 39 of Schedule 3) is equivalent to the Old Option but relates to shares in a different company (whether the Acquiring Company itself or another company falling within paragraph 18(b) or (c) of Schedule 3).

10.2 The New Option

The New Option will only be regarded as equivalent to the Old Option if the conditions set out in paragraph 39(4) of Schedule 3 are satisfied. Where that is the case, the New Option will be treated as an Option granted under the Plan at the same time and on the same terms as the Old Option except for the purpose of the definition of "Participating Company" in Appendix 1, and:

- (a) the Rules will be construed in relation to the New Option as if references to Shares were references to the shares over which the New Option is granted and references to the Company were references to the different company referred to in Rule 10.1; and
- (b) Rule 12.2 will be omitted.

For the purposes of satisfying the conditions set out in paragraph 39(4) of Schedule 3, the market value of any Shares must be determined using a methodology agreed with HMRC in accordance with paragraph 39(8) of Schedule 3.

For the avoidance of doubt, the Plan remains that of the original Plan organiser after the release.

11. ADMINISTRATION

11.1 Administration and interpretation

The Plan will be administered by the Board. The Board has full authority, consistent with the Rules, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt any regulations for administering the Plan and any documents it thinks necessary or appropriate. The Board's decision on any matter concerning the Plan will be final and binding.

11.2 Costs

The Company will bear the cost of introducing and operating the Plan (including but not limited to, stamp duty, stamp duty reserve tax and any other costs relating to the issue or transfers of Shares on the exercise of Options). The Company may require any Participating Company to reimburse the Company for any Plan costs borne by the Company, directly or indirectly, in respect of that Participating Company's officers or employees.

11.3 Shares to cover Options

The Company will ensure that sufficient Shares will be available to satisfy all outstanding Options.

11.4 Notices

Any notice or other communication in connection with the Plan will be in writing and may be given:

- (a) by personal delivery; or
- (b) by sending it by post:
 - (i) in the case of a company, to its registered office or other address that it notifies in writing; and
 - (ii) in the case of an individual, to the individual's last known address or, where the individual is a Qualifying Employee, either to the individual's last known address or to the address of the place of business at which the individual performs the whole or substantially the whole of the duties of the individual's office or employment; or
- (c) by sending it by email or any form of electronic transfer acceptable to the Board:
 - (i) in the case of a company, to the email address or other number or address that the company notifies; and
 - (ii) in the case of an individual, to the individual's last known or email address, or where the individual is a Qualifying Employee, to the individual's workplace email address.

11.5 Time of service of notice

Any notice under Rule 11.4 will be given:

- (a) if delivered, at the time of delivery;
- (b) if posted, at 10.00am on the second business day after it was put into the post; or
- (c) if sent by email or any other form of electronic transfer, at the time of despatch.

In proving service of notice it will be sufficient to prove that delivery was made or that the envelope containing it was properly addressed, prepaid and posted or that the email or other form of electronic transfer was properly addressed and despatched, as appropriate.

11.6 Documents sent to shareholders

Copies of any notice, or document sent by the Company to the holders of Shares may be circulated to Participants and/or made available on the Company's website.

12. AMENDMENT

12.1 Board's power to amend

Subject to the provisions of this Rule 12, the Board can at any time amend any provisions of the Plan in any respect.

12.2 Shareholder approval

Subject to Rule 12.4, no amendment can be made to the advantage of Participants or Eligible Employees to:

- (a) the persons to whom Options may be granted;
- (b) the limit on the number of Shares which may be allocated under the Plan;
- (c) the maximum entitlement for individual Participants;
- (d) the rights attaching to Options and Shares;
- (e) the determination of the Option Price;
- (f) the rights of Participants in the event of a Variation; or
- (g) the terms of this Rule 12.2,

without the prior approval by ordinary resolution of the members of the Company in general meeting.

12.3 Participants' approval

No amendment will be made under Rule 12.1 which would abrogate or adversely affect the subsisting rights of a Participant unless it is made:

- (a) with the written consent of the number of Participants that hold Options under the Plan to acquire 75 per cent. of the Shares which would be delivered if all Options granted and subsisting under the Plan were exercised; or
- (b) by a resolution of a meeting of Participants passed by not less than 75 per cent. of the Participants who attend and vote either in person or by proxy,

and for the purposes of this Rule 12.3 the provisions of the articles of association of the Company relating to shareholder meetings will apply with the necessary changes.

12.4 Permitted amendments

Rule 12.2 will not apply to any amendment which is:

- (a) necessary or desirable in order to obtain or maintain the status of the Plan as a Schedule 3 Plan;
- (b) minor and to benefit the administration of the Plan;
- (c) to take account of any changes in legislation; or

- (d) to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any Participating Company or Associated Company, or any present or future Participant.

12.5 Notice of amendments

Participants will be given written notice of any amendments to the Plan made under this Rule 12 as soon as reasonably practicable after they have been made. Notification under this Rule 12.5 may be made by way of publication on the Company's intranet or website.

12.6 Overseas Eligible Employees

The Board may adopt additional sections of the Plan applicable in any jurisdiction, under which Options may be subject to additional and/or modified terms and conditions, having regard to any securities, exchange control or taxation laws, regulations or practice which may apply to the Participant, the Company or any Participating Company. Any additional section must conform to the basic principles of the Plan and must not enlarge to the benefit of Participants the limits in Rule 2.8 or Rule 5. Any additional section and all Options granted under that section shall not form part of the Plan for the purposes of Schedule 3. Any additional section and all Options granted under that section will be governed by and construed in accordance with the laws of England.

13. GENERAL

13.1 Termination of the Plan

The Plan will terminate at the end of the Plan Period or at any earlier time determined by the Board. Termination of the Plan will not affect Options granted before termination.

13.2 Funding the Plan

The Company and any Participating Company may provide money to the trustees of any trust or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent permitted by any applicable law.

13.3 Rights of Participants and Eligible Employees

The rights and obligations of any Participant under the terms of his office or employment with a Participating Company or Associated Company will not be affected by the Participant's participation in the Plan nor any right which the Participant may have to participate under it. A Participant holding an Option will not have any rights of a shareholder of the Company with respect to that Option or the Shares subject to it.

13.4 No right to compensation or damages

A Participant waives all and any rights to compensation or damages for the termination of the Participant's office or employment with a Participating Company or Associated Company for any reason whatsoever (including unlawful termination of employment) insofar as those rights arise or may arise from the Participant ceasing to have rights under or to be entitled to exercise any Option under the Plan as a result of that termination or from the loss or diminution in value of such rights or entitlements. Nothing in the Plan or in any document executed under it will give any person any right to continue in employment or will affect the right of any Participating Company or any Associated Company to terminate

the employment of any Participant without liability at any time, with or without cause, or will impose on any Participating Company, any Associated Company or the Board or their respective agents and employees any liability in connection with the loss of a Participant's benefits or rights under the Plan for any reason as a result of the termination of the Participant's employment.

13.5 The benefit of Rules 13.3 and 13.4

The benefit of Rules 13.3 and 13.4 is given for the Company, for itself and as trustee and agent of all the Participating Companies and Associated Companies. The Company will hold the benefit of these Rules on trust and as agent for each of them and may assign the benefit of this Rule 13.5 to any of them.

13.6 Articles of association

Any Shares acquired on the exercise of Options will be subject to the articles of association of the Company from time to time.

13.7 Withholding for tax and social security contributions

Any member or former member of the Group may withhold any amounts and/or make any arrangements it considers necessary to meet any liability to taxation or social security contributions for which it or any other member or former member of the Group is liable to account in connection with the exercise of an Option.

13.8 Severability

The invalidity or non-enforceability of one or more provisions of the Plan will not affect the validity or enforceability of the other provisions of the Plan.

13.9 Third parties

This Plan confers no benefit, right or expectation on a person who is not an Eligible Employee. No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Plan. Any other right or remedy which a third party may have is unaffected by this Rule 13.9.

13.10 Data protection

Eligible Employees acknowledge that personal data in relation to them may be held by a Participating Company and/or a trustee and passed on to a third party broker, registrar, administrator and/or future purchaser of the Company for the operation or administration of the Plan. Further information about how the Company processes personal data of Eligible Employees is set out in the Company's privacy notice, available [in the Company's employee handbook/privacy policy / on the Company's intranet at [x]].

Eligible Employees agree, as a condition of their participation in the Plan, to the processing described above in relation to the processing of personal data which is outside the scope of EU data protection laws (i.e. not processed in the context of the activities of a controller or processor established in the European Union and not otherwise within the scope of European Union data protection laws, or the laws of a jurisdiction deemed to be adequate for the purposes of European Union data protection laws).

14. GOVERNING LAW

These Rules and any dispute arising out of or in connection with them (including non-contractual disputes or claims) will be governed by and construed in accordance with the law of England. All Participants, the Company, and any other Participating Company or Associated Company, will submit to the jurisdiction of the English courts in relation to any dispute arising under the Plan.

SCHEDULE 1

NON TAX-ADVANTAGED

1. Demerger or distribution in specie

In the event of a demerger, exempt distribution under section 213 of the Taxes Act or other distribution in specie, Options may be adjusted in the manner described in Rule 9 provided that, at the time of making the adjustment, the Plan is no longer a Schedule 3 Plan and the relevant legislation permits such adjustment.

APPENDIX 1

DEFINITIONS

Act	the Income Tax (Earnings & Pensions) Act 2003;
Application Date	the date on which all Eligible Employees are invited to apply for Options under Rule 2;
Application Period	the period of 42 days commencing on any of the following: (a) the day after the date on which the Company releases its results for any financial period; (b) any day on which the Board resolves that exceptional circumstances exist which justify the grant of options; (c) any day on which any change to the legislation affecting tax-advantaged savings-related share option Plans is announced or made; and/or (d) the day immediately following any general meeting of the Company;
Appropriate Period	the relevant period referred to in paragraph 38(3) of Schedule 3;
Associated Company	the meaning given by paragraph 47(1) of Schedule 3 except in Rule 6 where it has the meaning given by paragraph 35(4) of Schedule 3;
Board	the board of directors for the time being of the Company or a duly constituted committee of the board;
Bonus Date	with respect to an Option the date on which the bonus becomes payable under the terms of the related Savings Contract;
Company	BT Group plc, registered in England and Wales under no. 4190816;
Continuous Service	the same meaning as for "continuous employment" given in the Employment Rights Act 1996;

Control	<p>in relation to a body corporate, the power of a person to secure:</p> <p>(a) by means of the holding of shares or the possession of voting power in or in relation to that or any other body corporate; or</p> <p>(b) by virtue of any power conferred by the articles of association or other document regulating that or any other body corporate,</p> <p>that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of that person;</p>
Date of Grant	with respect to an Option, the date on which it is granted under Rule 4;
Dealing Day	any day on which the London Stock Exchange is open for the transaction of business;
Eligible Employee	<p>any person who at the Date of Grant is either:</p> <p>(a) an employee or Full-Time Director of any Participating Company:</p> <p style="padding-left: 40px;">(i) whose earnings from his employment are (or would be if there were any) general earnings to which section 15 or section 21 of the Act applies; and</p> <p style="padding-left: 40px;">(ii) who has the qualifying period (if any) of Continuous Service (not exceeding five years prior to the Date of Grant) that the Board determines; or</p> <p>(b) any employee or executive director of a Participating Company not within paragraph (a) above who the Board determines to be an Eligible Employee in respect of any particular invitation;</p>
Employees' Share Plan	<p>a plan for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of:</p> <p>(a) the employees or former employees of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company; or</p> <p>(b) the wives, husbands, widows, widowers or children or step-children under the age of 18 of such employees or former employees;</p>

Exercise Price	the total amount payable on exercise of an Option being an amount equal to the relevant Option Price multiplied by the number of Shares over which the Option is exercised;
Five Year Bonus	the amount of bonus payable under a Savings Contract following the fifth anniversary of the start date of that Savings Contract and the payment of 60 monthly contributions under that Savings Contract;
Full-Time Director	a director whose terms of appointment require him to devote not less than 25 hours per week (excluding meal breaks) to his duties under the appointment;
Group	the Company and all companies which are under the Control of the Company;
HMRC	Her Majesty's Revenue & Customs;
Listed	admitted to trading on a Recognised Stock Exchange and Listing will be construed accordingly;
London Stock Exchange	the London Stock Exchange plc or any successor body carrying on the business of the London Stock Exchange plc;
Market Value	in relation to a Share on any day: <ul style="list-style-type: none"> (a) if the Shares are not Listed, an amount equal to its market value determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed with the Shares Valuation Division of HMRC in advance of the invitation date; (b) if the Shares are Listed, its middle market quotation as derived from the Daily Official List of the London Stock Exchange; and (c) if the Shares are subject to a restriction, the Market Value is to be determined as if they were not subject to the restriction;
Maximum Contribution	the lesser of: <ul style="list-style-type: none"> (a) a Monthly Contribution of £500 or, if different, the maximum amount permitted under paragraph 25 of Schedule 3 as the maximum amount of a Monthly Contribution; and (b) the maximum Monthly Contribution determined by the Board;

Minimum Contribution	the lesser of: <ul style="list-style-type: none"> (a) a Monthly Contribution of £10 or any other amount stipulated under Schedule 3 as the minimum amount of a Monthly Contribution; and (b) the minimum Monthly Contribution determined by the Board, not being less than £5;
Monthly Contribution	the monthly amount agreed to be paid by a Participant under a Savings Contract;
Option	a right to acquire Shares under the Plan;
Option Price	the price determined by the Board under Rule 2.3 at which a Share subject to an Option may be acquired on the exercise of that Option, subject to any adjustment under Rule 9;
Participant	any person who has been granted an Option including, if relevant, that person's personal representatives;
Participating Company	the Company and any other company in the Group to which the Board has resolved that the Plan will extend;
Plan	the BT Group Saveshare Plan, as amended from time to time in accordance with the Rules;
Plan Period	the period starting on the date the Plan is approved by the Company in general meeting and ending on the 10th anniversary of that date;
Proposal Form	the form of proposal to enter a Savings Contract with the Savings Body;
Qualifying Employee	a participant who is a director or employee of a Participating Company or an Associated Company;
Recognised Stock Exchange	the London Stock Exchange and any other stock exchange outside the United Kingdom that is for the time being designated for the purpose of section 841 of the Taxes Act as a recognised stock exchange;
Redundancy	termination of the Participant's employment by reason of redundancy within the meaning of the Employment Rights Act 1996;
Rules	the rules of the Plan as amended from time to time;
Savings Body	the savings body designated by the Board for the purpose of the Plan;

Savings Contract	a contract under a certified contractual savings Plan within the meaning of section 703 of the Income Tax (Trading and Other Income) Act 2005 which meets the requirements of Schedule 3;
Savings Contract Repayment	<p>(a) the aggregate repayment which corresponds to any particular rate of saving under a Savings Contract, being the repayment of all the Monthly Contributions plus the Three Year Bonus or the Five Year Bonus, as applicable, payable on the Bonus Date; or</p> <p>(b) to the extent that Rule 3 or 5 applies to adjust the number of Shares under Option, the amount applied to calculate the number of Shares comprised in the Option;</p>
Schedule 3	Schedule 3 to the Act;
Schedule 3 Plan	a Schedule 3 SAYE option Plan as that term is defined under Schedule 3;
Share	a fully paid ordinary share in the capital of the Company which satisfies the conditions of paragraphs 18, 19, 20 and 22 of Schedule 3;
Taxes Act	the Income and Corporation Taxes Act 1988;
Three Year Bonus	the amount of bonus payable under a Savings Contract following the third anniversary of the starting date of that Savings Contract and payment of 36 monthly contributions under that Savings Contract; and
Variation	in relation to the equity share capital of the Company, a capitalisation issue, an offer or invitation made by way of rights, a subdivision, consolidation, reduction or any other variation of the Company's share capital.