

BT GROUP PLC (the “company”)

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

Approved by the BT Group plc Board on: 20 May 2025

The Audit & Risk 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 comprise at least three members, all of whom shall be independent non-executive directors, and at least one of whom shall have recent and relevant financial experience. The committee as a whole shall have competence relevant to the telecommunications sector. The Chair of the Board shall not be a member of the committee.
- 1.2. Only members of the committee have the right to attend committee meetings. However, the Group Chief Financial Officer, Group General Counsel, Company Secretary and Director Regulatory Affairs, Director of Group Audit, Risk and Controls and Director of External Reporting and Financial Control will be invited to attend meetings of the committee on a regular basis. Other non-members may be invited to attend all or part of any meeting as and when appropriate. BT Group’s external auditors will normally attend, although they will not be present at meetings when the committee discusses their performance and/or remuneration.
- 1.3. Members of the committee shall be appointed by the Board, on the recommendation of the Nominations Committee, provided members continue to be independent.
- 1.4. The Board shall appoint the committee chair who shall be an independent non-executive director. In the absence of the committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1. The Deputy 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 members.

4. Frequency of meetings

- 4.1 The committee shall meet at least four times a year at the appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of formal meetings, the committee chair will maintain a dialogue with key individuals involved in the company’s governance, including the Chair of the Board, the Chief Executive, the Group Chief Financial Officer, the external auditors, the

Director of Group Audit, Risk and Controls the Director of External Reporting and Financial Control and the Group General Counsel, Company Secretary and Director Regulatory Affairs.

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 recording the names of those present and in attendance.

7. Annual general meeting

- 7.1. The committee chair shall attend the annual general meeting of the company and be prepared to respond to any shareholder questions on the committee's activities.
- 7.2. 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 should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the company, major subsidiaries and the group as a whole, as appropriate.

8.1 Financial reporting

The committee shall:

- 8.1.1 monitor the integrity of the financial statements of the company to satisfy itself that they meet all statutory requirements, appropriate Financial Reporting Standards and, where applicable, the requirements of the Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code and that there are no unsettled issues of significance between the management and the external auditors which could affect the truth and fairness of the statements, including
 - i. the annual statutory financial statements;
 - ii. the half year financial results and quarterly trading updates;
 - iii. the annual report and accounts; and
 - iv. other announcements relating to the company's financial performance, including the going concern and viability statements;
- 8.1.2 assess and, if thought fit, recommend to the Board of British Telecommunications plc the approval of the Regulatory Financial Statements and associated documents

as required by Ofcom, taking into account the statutory and regulatory requirements set out in 8.1.1;

8.1.3 review and challenge where necessary:

- i. the application, appropriateness and consistency of financial reporting judgements and significant accounting policies and any changes to them;
- ii. the methods used to account for significant or unusual transactions where different approaches are possible;
- iii. whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditors;
- iv. the clarity and completeness of disclosure in the company's externally published financial reports and the context in which the statements are made; and
- v. all material information presented with the financial statements and trading updates, such as the strategic report and the corporate governance statements relating to the audit, systems of internal control and risk management.

8.1.4 where it is not satisfied with any aspect of the proposed financial reporting by the company, report its views to the Board.

8.1.5 receive regular updates on significant litigation, financial commitments and significant potential liability (including tax) issues involving the company through reports on major contentious matters and quarterly financial results papers.

8.2 Narrative reporting

Where requested by the Board, the committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

8.3 Risk Management systems and Internal controls

8.3.1 The committee shall on behalf of the Board (which retains overall responsibility for risk management):

- i. monitor the company's risk management and internal control systems that identify, assess, manage and monitor risks across the Group Risk Categories, including key controls and carry out an annual review of their effectiveness and report that review in the annual report and accounts;
- ii. through review of Group Risk Category Reports, ensure a robust assessment of the current point and emerging risks facing the company, the status of the risk appetite metrics and the key controls that manage the underlying risk; and
- iii. review and approve the statements to be included in the annual report and accounts concerning risk management, internal controls and the viability statement.

8.4 Internal Audit

The committee shall:

- 8.4.1 review internal audit, including plans and performance; and its reports on the systems of risk management and internal control;
- 8.4.2 review and endorse the annual internal audit plan to ensure it is aligned to the principal risks of the business;
- 8.4.3 review promptly all material reports on the company from internal audit and monitor actions taken by management to address issues arising from such reports;
- 8.4.4 review and monitor management's responsiveness to the findings and recommendations of internal audit;
- 8.4.5 review the activities, resources, organisational structure, objectivity and the operational effectiveness of internal audit, and where appropriate, make recommendations to the Board;
- 8.4.6 review and approve the Internal Audit Charter annually ensuring it is appropriate for the current needs of the company;
- 8.4.7 monitor and review the effectiveness of the internal audit function in the context of the company's overall assurance framework;
- 8.4.8 agree the appointment or dismissal of the Director of Group Audit, Risk and Controls; and
- 8.4.9 ensure the Director of Group Audit, Risk and Controls has direct access to the Chair of the Board and to the committee chair, providing independence from the executive and accountability to the committee.

8.5 External Audit

The committee shall:

- 8.5.1 review and make recommendations to the Board, to be put to the shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the company's external auditors, and make recommendations to the Board regarding tendering the external audit contract from time to time as required by best practice or regulation;
- 8.5.2 ensure that key external audit partners are rotated at appropriate intervals in line with best practice; and consider their resignation and removal and recommend appropriate action to the Board;
- 8.5.3 oversee the relationship with the external auditors including:
 - i. review and approve their remuneration, including both fees for audit and non-audit services, ensuring it is appropriate to enable an effective and high-quality audit to be conducted; and
 - ii. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit, including the audit plan;
- 8.5.4 review, at least annually, the effectiveness of the external audit process and the qualifications, expertise, resources, independence and objectivity of the external auditors, including the nature and extent of non-audit services. The committee shall also keep under review, the company's policy on the engagement of the external auditors to supply non-audit services (to ensure prior approval by the

committee of these services and assessment of the impact this may have on independence or objectivity);

- 8.5.5 review the scope and results of the external audit and any significant findings reported to the committee in the management letter, receiving updates from management on action taken; and
- 8.5.6 review and discuss any reports from the external auditors on critical accounting policies and the wider financial reporting process, including management's response.

8.6 Compliance, Speaking-Up and Fraud

8.6.1 The committee shall monitor the effectiveness of the company's arrangements for its employees, contractors and third parties to raise concerns in confidence about possible wrongdoing in financial reporting or other matters, including:

- i. concerns regarding accounting, internal controls or auditing matters;
- ii. the confidential, anonymous submission by employees, contractors and third parties of concerns ('whistleblowing' procedures), regarding questionable accounting or auditing matters; and
- iii. the confidential, anonymous submission by employees, contractors and third parties of concerns regarding potential or actual non-conformance with internal policies or external compliance obligations;

and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The committee will report to the Board on the effectiveness of the arrangements as appropriate including any issues raised through these arrangements.

- 8.6.2 The committee shall review reports from compliance, internal audit and risk teams on BT Group's key compliance policies and programmes (including mandatory training) worldwide.
- 8.6.3 The committee shall oversee the overall approach to securing compliance with laws, regulations and company policies in areas of risk, including monitoring the effectiveness of the global compliance programme.
- 8.6.4 The committee shall serve as an escalation point for the General Counsel, People, Ethics & Compliance, or any other equivalent role, on any relevant concerns.

8.7 Commitments Compliance, Governance Protocol and DCR Outcomes

8.7.1 On behalf of the Board, the committee shall:

- i. oversee BT Group's compliance with the Commitments and the Governance Protocol (extracts attached for reference in the Annex);
- ii. review alleged breaches of the Commitments and the Governance Protocol by BT Group and should determine in each case whether a breach has occurred and whether it is trivial or serious and if the committee determines that a breach relates to the Openreach Division, it shall notify the Openreach Board Audit, Risk and Compliance Committee ("**OBARCC**") of its findings;

- iii. be responsible for informing Ofcom if it identifies that there has been a breach of the Commitments or the Governance Protocol by BT Group;
- iv. assess whether the Commitments are delivering the outcomes anticipated by BT Group, Ofcom and other stakeholders; and
- v. carry out any other functions specified as being within the remit of the committee in relation to the Commitments or to the compliance framework surrounding the DCR as requested by the Board.

8.7.2 The committee may identify and nominate one of its members to monitor compliance with the Commitments on its behalf (the “**Nominated NED**”). The Nominated NED will work with management to consider information in the form of reports and evidence which may (at the Nominated NED’s discretion) include information covering the following:

- i. whether the culture in BT Group and the behaviours of BT Group people in relation to the Commitments and Governance Protocol are conducive to BT Group’s compliance with them and to delivery of the Digital Communications Review objectives (“**DCR objectives**”), as well as having regard to the Design Principles agreed by BT Group and Openreach;
- ii. the extent to which the DCR objectives are being met;
- iii. the content of the Code of Practice for BT Group Employees; and
- iv. complaints relating to BT Group’s compliance with the Commitments and the Governance Protocol including those made by: (i) British Telecommunications plc (“**BT plc**”) or Openreach employees; (ii) BT Group’s customers; and/or (iii) Ofcom, and report back to complainants regarding the outcome of their complaints.

8.7.3 Should the committee choose to appoint a Nominated NED, this individual should report back to the committee on its findings on a regular basis to enable the committee to discharge its responsibilities under 8.7.1 above, including forming a view on Commitments compliance and reporting on any breaches.

9. Reporting responsibilities

9.1 The committee chair shall report to the Board on its proceedings after each meeting, on all matters within its duties and responsibilities, including:

- i. significant issues that it considered in relation to financial statements and the annual report and accounts, and how these were addressed;
- ii. any issues considered with regards to the systems of risk management and internal controls;
- iii. its assessment of the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;
- iv. in relation to Commitments compliance, the Governance Protocol or any DCR outcomes matters; and
- v. any other issues on which the Board has requested the committee’s opinion.

9.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 9.3 The committee shall compile a report on its activities to be included in the annual report, including:
- i. the significant issues the committee considered in relation to the financial statements and how any issues were addressed;
 - ii. an explanation of how it assessed the independence and effectiveness of the external audit process; and
 - iii. an explanation of how auditor independence and objectivity are safeguarded, if the external auditors provide non-audit services.
- 9.4 The committee shall conduct an annual review of BT Group's compliance with the Commitments and the Governance Protocol, and its handling of Commitments and Governance Protocol related customer complaints and representations which the committee chair shall present to the Board.
- 9.5 The committee shall publish a report annually on its activities in relation to compliance with the Commitments and the Governance Protocol.

10. Other matters

The committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretarial team for advice and assistance as required;
- 10.2. be provided with appropriate and timely training, including an induction programme for new members and on an ongoing basis for all members;
- 10.3. give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 10.4. oversee any investigation of activities which are within its terms of reference; and
- 10.5. arrange for periodic reviews of its own performance and terms of reference and recommend any changes it considers necessary to the Board.

11. Authority

The committee is authorised:

- 11.1 through the Company Secretary or their nominee to seek any information it requires from any employee of the company in order to perform its duties;
- 11.2 in consultation with the Company Secretary or their nominee, to obtain where necessary to fulfil its duties any external legal, accounting or other professional advice on any relevant matter;
- 11.3 to call any employee to be questioned at a meeting as and when required; and
- 11.4 to publish in the annual report and accounts details of any issues that cannot be resolved between the committee and the Board. If the Board has not accepted the committee's recommendations on the external auditors' appointment, reappointment or removal, the annual report and accounts should include a statement from the committee explaining its recommendation and the reasons why the Board has taken a different position.

Definitions

Words and expressions used in these Terms of Reference shall have the following meanings:

- **BT Group** means BT plc and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, as defined by section 1159 Companies Act 2006, but excluding Openreach Limited and the Openreach CFU when in relation to Commitments compliance responsibilities;
- **Commitments** means the Commitments annexed to BT Group’s Notification to Ofcom pursuant to section 89C Communications Act 2003, dated 10 March 2017 and as varied from time to time thereafter;
- **Design Principles** means the Design Principles agreed by BT plc and Openreach as set out in the guidance notes;
- **DCR Objectives** mean widespread availability of fibre broadband, decent broadband for all and a step-change in quality of service, as described in the statement “Delivering a more independent Openreach”, published by Ofcom on 13 July 2017;
- **Governance Protocol** means the Governance Protocol annexed to BT Group’s Notification to Ofcom pursuant to section 89C Communications Act 2003, dated 10 March 2017 and as varied from time to time thereafter; and
- **Openreach Division** means Openreach Limited and the Openreach CFU.

ANNEX**Extract from the 'Commitments of BT plc and Openreach Limited to Ofcom'**

19.4 BT shall identify a compliance body (which shall not be the OBARCC) with the role of reviewing compliance by BT with these Commitments and the Governance Protocol, as set out in the Governance Protocol.

Extract from Part A of the 'Governance Protocol'

- 7.13 The BT compliance body identified pursuant to paragraph 19.4 of the Commitments (the BT Compliance Body) shall have a majority of independent members and be chaired by a non-executive director of BT Group plc.
- 7.14 An extract of the minutes of each meeting of the BT Compliance Body in relation to compliance with the Commitments and this Governance Protocol shall be sent to Ofcom within a reasonable time of each such meeting. Such minutes shall be a fair, true and accurate summary of each meeting.
- 7.15 BT plc shall inform the BT Compliance Body and the BT Compliance Body shall inform Ofcom if it identifies that there has been a breach by BT plc of the Commitments or this Governance Protocol. The BT Compliance Body shall notify the OBARCC if it determines that there has been a breach of the Commitments or this Governance Protocol, in so far as such breach relates to the Openreach Division. The OBARCC shall include the details of any such breach in the Openreach Report.