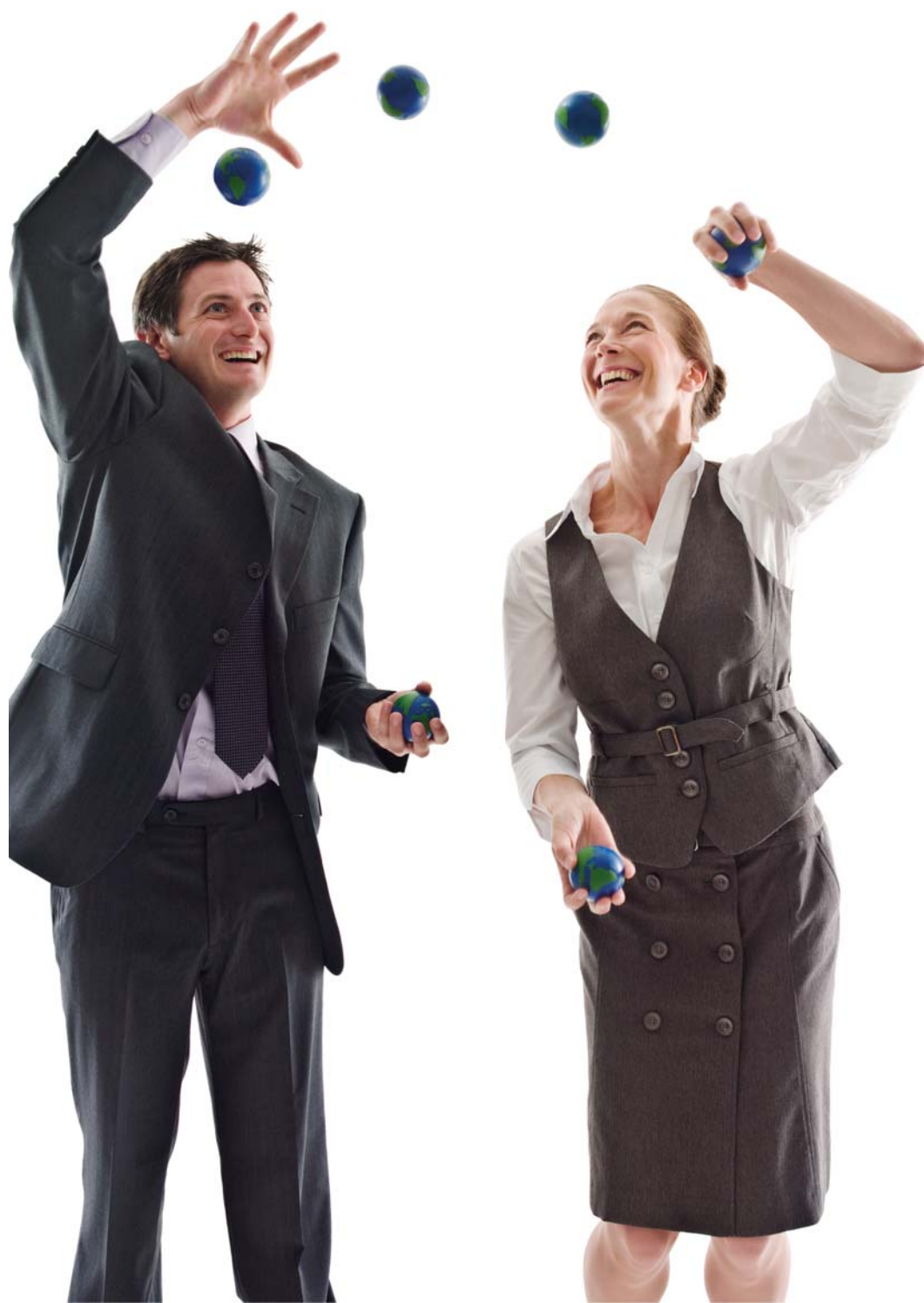




Bringing it all together

Regulation of Communications

BT's Compliance Report for 2008/2009



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Company Secretary's foreword and summary

BT's compliance report forms a key part of our social and environmental reporting (<http://www.btplc.com/societyandenvironment/>) and reflects the importance that BT attaches to its regulatory compliance programme and activities. The report complements the Equality of Access Board (EAB) annual report which can be found at <http://www.bt.com/eabreport>

We manage and maintain a wide-ranging regulatory compliance programme which includes a company-wide training programme, comprehensive monitoring and analysis and regular reporting. The main elements of our 2008-09 regulatory compliance programme were to:

- Train over 26,000 UK managers and over 53,000 UK team members in the key elements of compliance
- Publish a comprehensive series of key performance indicators relating to non-discrimination on our Group website at: <http://www.btplc.com/Thegroup/RegulatoryandPublicaffairs/Ourundertakings/KeyPerformanceIndicators/KeyProductPerformanceIndicators/index.htm>
- Continue our robust risk reduction programme by conducting risk reviews across all Lines of Business
- Survey over 7,500 employees on regulatory compliance issues
- Maintain an external website that enables industry bodies to raise compliance issues with us
- Monitor and analyse the number of closed Ofcom complaint and dispute cases involving BT, which have reduced from 30 in 2003-04 to 2 in 2008-09

We have continued to work to meet the demanding milestones set as part of the Undertakings and will continue to pursue deregulation of those markets where regulation is no longer justified.

Supported by the Board, the Director of Regulatory Compliance and the management team will continue to build on our compliance achievements in the year ahead.

Andrew Parker
Company Secretary and Group Compliance
Champion
27 May 2009

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1. Our compliance policy and the regulatory context

1.1. The context and general policy of compliance

BT's electronic communications networks and services in the United Kingdom are regulated under the Communications Act 2003. The provisions of this Act, and the regulations imposed under it by Ofcom, are derived from the EU Communications Directives.

In addition to its obligations under the Communications Act, BT agreed a series of legally-binding Undertakings with Ofcom in September 2005.

BT's activities in the UK are also subject to non-sector specific legislation, such as the Competition Act 1998, the Enterprise Act 2002 and the Data Protection and Privacy Act 1998.

BT's policy is to be fully compliant with all legislation, regulatory obligations and conditions imposed on it and to conduct its business with integrity. This commitment extends throughout BT - from directors and executives to managers, other employees and contractors.

It is BT's policy to be fully compliant with the regulatory regimes in which the BT Group operates whilst encouraging innovation, BT's competitive spirit and its willingness and ability to take informed and fully assessed commercial risks.

1.2. The legislative and regulatory environment

The key legislative and regulatory regimes in the UK governing BT's activities include:

- **The Undertakings**

<http://www.ofcom.org.uk/telecoms/btundertakings> given by BT to Ofcom came into effect on 22 September 2005. The Undertakings are designed to deliver equality of access, which includes both equivalence of inputs at the product level, and organisational and behavioural changes by BT (including the creation of a new access services division named Openreach). The EAB monitors BT's performance

in delivering the Undertakings and reports annually to Ofcom on BT's compliance. The EAB also publishes an annual report on its activities.

- **The Communications Act 2003**

<http://www.opsi.gov.uk/acts/acts2003/20030021.htm> provides the framework for the regulation of electronic communications networks and services in the UK. It gives Ofcom significant powers in connection with the setting, modification and enforcement of regulatory obligations. These obligations include General Conditions (which are generally imposed on all communications providers) and Universal Service Conditions and Significant Market Power Conditions (which are imposed on specific communications providers).

- **The Enterprise Act 2002**

<http://www.hms0.gov.uk/acts/acts2002/20020040.htm> makes participation by individuals in certain types of cartel activities a criminal offence punishable by imprisonment for up to five years and provides for disqualification for up to 15 years for directors of companies that breach competition law. It also enables the Office of Fair Trading and Ofcom (in relation to communications markets) to refer to the Competition Commission for investigation of significant issues of possible market distortion, or to accept undertakings in lieu of a reference. It was under this provision that BT gave Ofcom the Undertakings referred to above.

- **The Competition Act 1998**

<http://www.hms0.gov.uk/acts/acts1998/19980041.htm> prohibits anti-competitive agreements and abuse of a dominant position. A breach of the Competition Act can result in a penalty of up to 10 per cent of group world-wide turnover over the previous business year, the agreements being declared void and unenforceable, adverse publicity for the company and the possibility of being sued for damages. 'Dawn raid' powers are available to the Office of Fair Trading and Ofcom.

1. Our compliance policy and the regulatory context continued

Non-cooperation with an investigation and the deliberate or reckless provision of false or misleading information are criminal offences.

Data Protection and Privacy Act 1998

<http://www.ico.gov.uk/> To reinforce BT's rigorous approach to data protection processes and controls, BT endorsed a newly empowered Data Protection Taskforce in January 2009. The Data Protection Task Force is chaired by the Company Secretary and is made up of the data protection champions of all Lines of Business (LOBs) as well as key areas in BT (such as HR and Security). The Data Protection Taskforce will focus on establishing a clear data protection compliance programme and ensuring that the activities of all units and individuals in BT are co-ordinated to ensure a joined-up and structured approach to data protection compliance.

BT has also become one of the first companies in the UK to sign an official promise to protect the personal information of customers, employees and service users. By signing the Information Commissioner's Personal Information Promise, organisations demonstrate their commitment to safeguarding their personal information.

Results of the enhanced activities in 2008/2009 are:

- Corporate communications strategy to remind employees of these guidelines as part of the "Protecting Information" campaign
- Data Protection helpline
- Revised computer-based training package on Data Protection and Information Retention
- New Data Protection website providing comprehensive information on all aspects of privacy and data protection
- Enhanced roll out of a software programme called "SafeBoot", which encrypts data stored on hard drives
- Centralised Data Protection team to address all employee related Data Subject Access Requests

1.3. BT Group plc

BT Group plc is our listed holding company. See <http://www.btplc.com> for further details and information on our main businesses.

2. An effective compliance programme

2.1. The leading role of senior management

Our senior management team leads and supports our compliance policy. The team has established our compliance regime to ensure compliance is part of BT's culture at all levels of the company.

Our senior managers are subject to our high standards of compliance and lead by example to ensure that every member of BT learns and applies these standards appropriately. They are responsible for ensuring that BT business activities do not violate applicable legislation and regulations and are conducted fairly, legally and with integrity.

BT has undertaken a large number of compliance activities in 2008/09. We work to make sure that our regulatory compliance programme is consistent with the best practice set out in 'The Way We Work' (a statement of our business principles) and ensures we act commercially and ethically. Our programme consists of three main elements:

- Within BT
- With the Regulator
- With the industry at large

2.2. Within BT

Corporate governance

Regulatory compliance is embedded in our corporate governance and social responsibility principles. Regulatory Compliance reports to the Board Audit Committee to maintain the independence of the compliance team.

Risk Reviews and Health Checks

The compliance team includes a dedicated risk review group which conducts risk reviews across BT and provides reports and recommendations to management.

On-line health checks are carried out in conjunction with line management and allow us to gather data on particular teams and topics relating to compliance risks. The findings are covered in

our regular Compliance Summary Reports. During the year we surveyed over 7,500 people via on-line questionnaires covering a range of specific compliance areas.

The risk reviews and compliance health checks are built into compliance and audit workplans.

Confidential Hotline

Our confidential hotline enables all BT employees to raise any concerns about our ethical conduct, including any potential compliance issues. All compliance-related concerns reported through the hotline are managed by the compliance team independently from line management. Our policy is to ensure that no employee will suffer adverse action for honestly raising an ethical or legal concern.

In total, 40 issues were raised through the hotline, 14 concerned operational areas, 13 related to the Undertakings and 13 to other compliance issues.

Review of Potential Breaches

In January 2006 we introduced a process to deliver BT's obligation under Section 10.16 of the Undertakings to 'inform the EAB of any breaches of these Undertakings that it identifies'.

A review group, consisting of regulatory and legal representatives including the Director of Group Regulatory Affairs and the Group General Counsel, is notified of cases where there may have been a breach of the Undertakings. If the Director of Group Regulatory Affairs and the Group General Counsel, taking into account the views of the Review Group, agree that a breach has occurred, the Group General Counsel advises BT senior management and the secretary of the EAB is informed. In 2008/09, BT notified 20 breaches to the EAB and at year end a further 3 cases are under investigation. The EAB has concluded that 7 of the breaches reported were non-trivial and 13 were trivial.

2. An effective compliance programme continued

Training

We provide education and support on regulatory compliance for all our employees and contractors. This education is primarily provided using computer-based and, for our mobile workforces, telephone training. Where greater regulatory requirements exist teams are provided with supplementary tailored training via seminars, workshops, team briefings, etc. During the year we rolled out the revised training, reflecting modifications to the BT Undertakings. This training material was reviewed by the Plain English Campaign and awarded the Crystal Mark to help make the regulations easier to understand and apply in the workplace.

Our e-learning system provides details of mandatory training required across BT as well as details of courses required for each part of the business. It identifies when refresher training is needed and enables all BT people to take personal responsibility for ensuring their training is up-to-date. The standard mandatory courses cover data protection and privacy, competition law, retention of information, the Communications Act and the requirements of the BT Undertakings.

We exceeded our targets with over 95% of all UK managers completing all four courses. We have also exceeded our target of 90% of all UK team members completing our new Basic Compliance course.

Our mandatory training programme covers the obligations that apply to everyone. Most courses provide variants tailored to the LOBs and specific business functions to help learners understand how the rules apply in their work area and put the learning into practice.

During 2008/09, we focused on higher risk contractors and agency people, who are now expected to achieve the same level of training as BT UK employees. We also launched regulatory compliance principles training for all our people based outside the UK, to reinforce the locally provided material for these teams.

Compliance messages are also included in other job-specific training, promoting compliance as integral to the way BT operates.

Our leadership capabilities, people values, brand values and business principles all include clear statements on the corporate and personal integrity we demand of all our people.

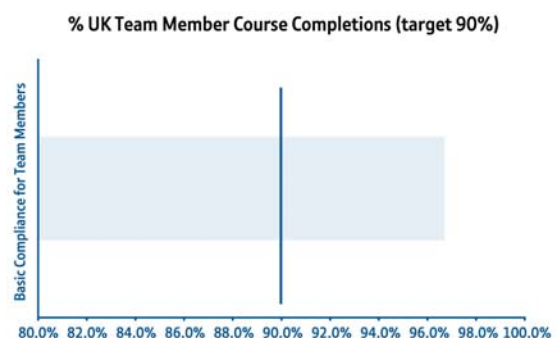
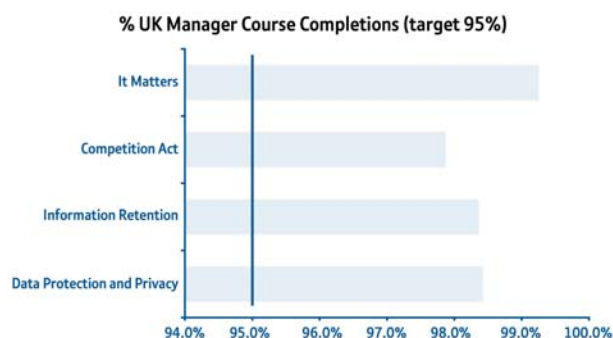
Leadership capability: Having personal integrity and ensuring compliance with all legal and regulatory requirements.

People value: Being reliable and acting with integrity.

Brand value: Being honest and delivering on commitments.

Business principle: Acting within the law and meeting our regulatory obligations.

It is mandatory for all our UK-based managerial and professional people to complete training on applicable rules and regulations. Managers are encouraged to pass on what they learn to their teams and/or ensure their teams undertake the training themselves, helping explain how the regulations apply to the team in their individual roles. Additional detailed knowledge and expertise are required for BT people who are engaged in key activities affected by regulation.



2. An effective compliance programme continued

We have tailored our compliance programme to recognise BT's company structure and business activities and we supplement the training with examples to aid application of learning as well as providing supplementary focused training for these key areas. This, along with the refresher programme, all helps BT people keep up-to-date to enable them to comply with BT's legal and regulatory obligations.

If the Code of Practice is violated, BT is committed to taking prompt and responsive action to correct the situation and to take appropriate disciplinary action. Training on the appropriate behaviour to be adopted and other relevant support is provided for BT people. Employees who violate this Code, condone misconduct, do not report misconduct or do not take reasonable measures to detect violations of the Code of Practice may be subject to disciplinary action - up to and including dismissal.

Internal communications

We use BT's normal internal communications channels to raise awareness of regulatory compliance throughout the business. These channels include our internal magazine, regular briefings and team meetings for all BT people including frontline engineers and call centre advisors.

2.3. With Ofcom

We meet with Ofcom and maintaining a good relationship with the regulator is a key element of our compliance policy. The EAB has a separate, independent relationship with Ofcom.

Data published by Ofcom in the Competition Bulletin http://www.ofcom.org.uk/bulletins/comp_bull_index/ shows a reduction in the overall number of cases referred to Ofcom. Cases involving BT (complaints and disputes) closed by Ofcom have also fallen from 30 in 2003-04 to 2 in 2008-09, with none resulting in a breach notification against the company.

Telephone Preference Scheme (TPS)

During the year the Direct Marketing Association and customers raised 661 complaints with BT, of which 313 (47%) were proper to BT. The remaining 348 complaints had insufficient evidence to show that the calls were made directly by BT.

Of the 313 cases proper to BT, 295 were either not sales or marketing calls and therefore not covered under the TPS, or our records show that the account holder was an existing BT customer who had specifically given consent for BT to make sales and marketing calls to their number, over-riding the TPS listing.

All findings have been passed back to the Direct Marketing Association, which passes them on to the Information Commissioner's Office. BT contacted all the individuals once the case had been investigated and closed.

2.4. With the industry at large

We meet with Ofcom and also with Industry Representatives. In addition we provide information on our external website, <http://btcompliance.co.uk/>.

Complaints from Communications Providers

Each month we provide the EAO with a summary report and analysis of complaints received from communications providers about the Undertakings and complaints related to the Undertakings received through our confidential Hotline. During 2008/09 we investigated and reported 19 complaints from communications providers. Of these, 8 concerned equivalence, 4 concerned compliance with the 'spirit' of the Undertakings, 1 related to information Sharing and the remaining 6 were predominantly concerned with processes. Openreach was the subject of 13 of the complaints, BT Retail had 5 and the remaining 1 related to BT Wholesale. Following internal investigation it was found that none of the complaints involved activities that breached the Undertakings. The number of complaints has fallen from the 40 reported last year.

3. Organising our compliance regime

3.1. BT Group's compliance structure

Our regulatory compliance structure aims to ensure that compliance is the responsibility of all BT people right up to and including the BT Board. The regulatory compliance team is integrated in our corporate social responsibility (CSR) governance structure and is part of our CSR Practitioners Forum and CSR Steering Group. The CSR Steering Group monitors targets, performance measures, compliance issues and Ofcom rulings.

3.2. BT's compliance operating framework

To ensure common and shared objectives across the Group we have created the compliance framework set out below. Our compliance team monitors progress against the framework:

Principles

- **Compliance Policy, Vision, Structure & Scope** - An integrated and effective business wide compliance framework, measured against best practice principles and standards, which supports BT's strategy embodied in both our brand and values
- **Identification of Compliance Obligations** - Identification of key situations created by the activities of the business that result in compliance obligations
- **Code of Conduct** - High corporate and personal standards of honesty and integrity supported by internal disciplinary procedures
- **Liaison with the Regulator & the Industry** - Maintain effective communications to ensure understanding, not necessarily agreement, on legal and regulatory issues
- **Industry & Regulator Complaints** - Complaint-handling system is systematically reviewed to identify compliance issues for resolution and future risk reviews.

Organisation

- **Allocation of Responsibility** - Heads of business units are responsible for establishing and maintaining effective compliance programmes

- **Appropriate Resources & Budget Allocation** - Resources are provided to implement and maintain an effective compliance management programme.

Training & Communications

- **Monitoring & Communicating Changes in Regulatory Obligations** - Structured arrangements to ensure that substantive changes to relevant legal and regulatory obligations are communicated to and understood by relevant parties
- **Visibility & Regular Communication** - Effective communication of key messages reinforcing our commitment to compliance
- **Education & Training** - Managers and team members are trained on key compliance obligations.

Process

- **Assessment of Operational Implications** - Identification of business and operational activities exposed to the greatest compliance risk and linked to BT's risk register
- **Continuous Improvement & Business Excellence** - Active promotion of both the efficiency and effectiveness of compliance practices
- **Product Development & Change Management Controls** - A structured approach to embed compliance issues in new product and service development and other change management initiatives
- **Risk Control & Self-Assessment** - Integration of self-audit requirements within general business improvement initiatives to embed regulatory compliance throughout the organisation
- **Independent Monitoring & Validation of Control Effectiveness** - Adequate levels of independence are established to monitor the effectiveness of compliance

3. Organising our compliance regime continued

Measurement

- **Reporting Standards & Criteria** - Structured and effective control framework to notify senior management of material compliance issues
- **Performance Management** - Integration of compliance obligations into divisional performance evaluations
- **Management System** - Clear guidance on compliance obligations integrated with BT's business principles, The Way We Work
- **Performance Measurement** - Establishment, monitoring and review of a robust and comprehensive set of regulatory compliance metrics

3.3. BT's approach to compliance in its separate lines of business

BT consists of four lines of business (BT Wholesale, BT Retail, BT Global Services and Openreach) plus BT Design and BT Operate. Each of these parts of the business has a dedicated compliance team within BT Group responsible for ensuring that compliance is part of day-to-day business activities and that these activities meet best practice standards.

The compliance team for each part of the business is responsible for:

- Promoting a culture where compliance with BT's regulatory commitments and competition law requirements is recognised as an essential element of all activities
- Identifying the risks of non-compliance with BT's regulatory commitments and competition law
- Putting in place any processes and programmes to mitigate those risks
- Helping meet our commercial goals within the compliance framework
- Ensuring that all mandatory compliance training is completed
- Maintaining registers of risk and appropriate actions taken
- Reviewing major processes to ensure compliance is achieved
- Providing communications on compliance

Compliance within BT Wholesale

BT Wholesale

(<http://www.btplc.com/Thegroup/Ourcompany/Companyprofile/Groupbusinesses/BTWholesale/index.htm>)

is the part of BT that supplies communications providers including BT Retail and BT Global Services, with large-scale voice, data and mobility capabilities. BT Wholesale offers a large and growing portfolio of communications products and services as well as bespoke solutions.

In 2008/09, the BT Wholesale compliance programme included:

- Training over 900 UK based managers and 1,300 UK based team members in regulatory compliance
- Roll out of bespoke programme of behavioural training to those working in regulated areas.
- Comparing key performance indicators showing internal and external customer performance to demonstrate no undue discrimination
- A programme of regular "one shot" sampling exercises to ensure that awareness and understanding of compliance remains at the forefront

Compliance within BT Operate

BT Operate

(<http://www.btplc.com/Thegroup/Ourcompany/Companyprofile/Groupbusinesses/BTOperate/index.htm>)

is responsible for deploying and running communications services for customers over BT's core network and systems and is responsible for implementing BT's global 21CN platform. It implements and operates the software, hardware and networks that drive BT's services to its Retail, Global Services and Wholesale customers, and their customers.

3. Organising our compliance regime continued

Operate is made up of units previously in other parts of BT particularly BT Wholesale. A framework for Compliance has been put in place.

In 2008/09, the BT Operate compliance programme included:

- Training over 3,000 UK based managers and 8,200 UK based team members in regulatory compliance
- Undertaking a series of Compliance Reviews to ensure that BT Operate remains a compliant organisation
- Running a series of bespoke training sessions for those working in higher risk areas.
- Roll out of awareness package for BT Operate people focusing on Information Sharing

Compliance within BT Retail

BT Retail

(<http://www.btplc.com/Thegroup/Ourcompany/Companyprofile/Groupbusinesses/BTRetail/index.htm>)

BT Retail is a major force in the communications industry. Its 18.3 million customers are consumers as well as small and medium enterprises throughout the UK. For the consumer market, BT Retail develops and delivers innovative propositions, such as BT Vision, BT Talk Together, Entertainment, BT Answer and BT Broadband. For business customers, this means developing bespoke solutions and giving advice on important areas of business strategy.

There has been a continued focus within the industry and from Ofcom on consumer protection and the issue of mis-selling. In May 2005, BT introduced its Sales and Marketing Code of Practice, which sets out standards for our sales people. The Code is available on our website <http://www.btplc.com/thegroup/RegulatoryandPublicaffairs/Codeofpractice/Salescodeofpractice/Salescodeofpractice.htm?Terms>

In 2008/9 the, BT Retail compliance programme included:

- Training over 5,300 UK based managers and 10,700 UK based team members in regulatory compliance
- Operating call quality monitoring for call centre staff
- Running a mystery shopper programme with an independent company designed to test call centre agents on aspects of compliance
- Continuing to work with outsourcing partners in deploying relevant compliance training amongst their employees who helped deliver and support BT Retail's products and services
- Carrying out detailed compliance reviews in key parts of BT Retail to ensure that staff understood the requirements and adhere to them
- Monitoring and resolution of complaints, to Ofcom and direct to BT, of regulatory compliance issues
- Monitoring of compliance with silent calls requirements
- Monitoring adherence to codes of practice

Compliance within BT Northern Ireland

BT Northern Ireland (BTNI) is part of BT Retail, providing communications products, services and solutions to both retail and wholesale customers in Northern Ireland. However, in the context of UK Regulation, there are significant differences between BT's operations in Northern Ireland and the rest of the UK, and it was agreed with Ofcom that organisational changes that have been implemented in the rest of the UK would have been inefficient, costly and disproportionate. Although BT's Undertakings broadly do not apply to BTNI, BT has voluntarily extended some of the Undertakings to NI.

The BTNI and BT Ireland organisations were brought together under a single management structure, now known as BT Ireland, in April 2006.

Compliance within BT Global Services

BT Global Services

(<http://www.btplc.com/Thegroup/Ourcompany/Companyprofile/Groupbusinesses/BTGlobalServices/index.htm>) is responsible for managing the customer relationship with BT's global enterprise customers across four regional market units: UK, EMEA & Latin America, Asia Pacific and the Americas.

In 2008/09, the BT Global Service compliance programme included:

- Training over 8,000 UK based managers, and 3,300 UK based team members in regulatory compliance
- Developing Compliance training for people outside of the UK. To date over 10,000 people have completed the "Getting It Right" training
- Ensuring compliance is embedded in the BT Global Services outsourcing programme
- Working in conjunction with the Acquisitions team to ensure, where necessary, new acquisitions receive the requisite compliance messages and training.
- Managing the BT Global Service compliance risk register and reviewing the associated systems and process
- Undertaking a series of risk reviews to ensure Compliance with Data Protection and Privacy (DP&P) as well as other Telecoms related legislation

Compliance within BT Design

BT Design

(<http://www.btplc.com/Thegroup/Ourcompany/Companyprofile/Groupbusinesses/BTDesign/index.htm>) was created to deliver faster, better, simpler and cheaper solutions for BT's customers, focussing on three key customer experiences: concept-to-market, lead-to-cash and trouble-to-resolve.

In 2008/9 the BT Design compliance programme included:

- Training over 4,800 UK based managers and 800 UK based team members in regulatory compliance
- Delivering an enhanced awareness programme targeted at identified higher risk teams, completed by over 1,400 people.
- Sending out tailored communications to remind BT Design people of their key compliance obligations

Compliance within Openreach

Openreach (<http://www.openreach.co.uk>) is a separate business unit within BT responsible for maintaining, repairing and developing the 'first mile of the network' that links every home and business in the country to the main network. The role of Openreach is to provide equality of access to the network for all communications providers.

In 2008/09, the Openreach compliance programme included:

- Training 2,800 UK based managers and 28,000 UK based team members in regulatory compliance
- Continuation of the communications and training programme ('Living the Spirit') delivering an equivalence awareness campaign, a communications campaign to share important learning about the changes to the Undertakings and a "train-the-trainer" programme to upskill Openreach's external training vendors around equivalence
- Project Ariel involved high levels of engagement with Openreach business units to develop tools to assist with the application of Equivalence and raise people's awareness of the concept of Equivalence
- Conducting a programme of compliance checks within Openreach business units to assess their state of regulatory compliance health with regard to key regulatory requirements including the Competition Act, Data Protection & Privacy and the Undertakings to Ofcom
- Working closely with Group Compliance, Internal Audit, Risk Management, Business Integrity and the Equality of Access Office to assess Openreach's progress in meeting the milestones and ongoing compliance with the Undertakings

4. BT's risk reviews and measures

4.1. Our risk review procedures

The Group Internal Audit team independently reviews the effectiveness of BT's systems and processes, and the controls over them. It assesses whether these can deliver what is required effectively and reliably. Audit reviews evaluate whether risks have been properly assessed and adequate safeguards are in place to protect assets and the integrity of information. The audit team also checks that compliance requirements are met, including organisational changes, system and process changes and controls.

The Group Compliance Risk and Investigations team undertakes independent group-wide reviews of compliance risks, including risk identification, management processes and Undertakings milestones. It provides formal reports to both the business and, on request, the EAO and gives support through risk recovery and by implementing action plans. The role of the Risk Review team includes:

- Monitoring ongoing compliance across BT, identification and assessment of risks, and support to operational management
- Compliance and risk reporting, generating action plans and monitoring progress to resolution
- Undertaking investigations and implementing recovery and improvements, including compliance breach case work
- Supporting the business and the EAO in monitoring the delivery of Undertakings milestones and embedding them into business as usual
- Supporting Internal Audit and coordinating reviews of compliance areas
- Managing both internal and external relationships.

The audit and compliance teams co-ordinate their efforts to deliver a service to all parts of the business. We agree an annual work plan with the EAO that focuses on reviewing certain aspects of the delivery of Undertakings milestones as requested by the EAO. An annual plan of work provides all parts of BT with an independent view of how well controls and risks are being managed to meet compliance requirements and manage risks. It also provides the EAO with an independent statement of the effectiveness of BT's activities to meet the requirements of the Undertakings, validation of the requirements met and a review of activities for ongoing compliance. The EAO uses this information as part of its reporting to the EAB on the Undertakings and as a source of input to their annual external report. Group Regulatory Affairs and Group Legal receive regular updates on the implementation of the Undertakings and any general compliance risk issues. The team also undertakes investigations, recovery work and improvement programmes as well as capturing risk information to enable root cause analysis and wider business improvements.

5. Summary of plans for the coming year

We have taken into account the findings from compliance surveys, senior manager training courses and feedback from meetings with both Ofcom and industry in setting our plans for 2009/10. We shall continue to improve our compliance performance by:

- Continuing compliance update meetings with Ofcom
- Continuing to work closely with the EAO to further support its monitoring of BT's delivery of the Undertakings
- Working closely with all part of BT to deliver the compliance aspects inherent in the Undertakings
- Continuing to focus on ensuring the right behaviours relating to regulatory compliance
- Increasing the level of involvement with business process outsourcing
- Ensuring we meet our current and future compliance obligations with regard to the 21st Century Network (21CN) <http://www.btplc.com/21cn/> and Next Generation Access (NGA)

6. Independent Assurance Report to BT Group plc

Respective responsibilities of the company and PricewaterhouseCoopers LLP

We have been engaged to express an independent opinion on certain information contained in the report entitled Regulation of Communications - BT's Compliance Report for 2008/2009 (the "Report"). The preparation of the Report is the sole responsibility of the management of BT Group plc ("BT", the "Company" or the "Group").

Scope and approach

Our engagement was designed to provide reasonable assurance on whether the following aspects of the Report (the "Selected Information") are properly compiled from the underlying management information and policy documentation of the Group:

- The statement of BT's compliance policy show in the box on page 4;
- Section 2.2, An effective compliance programme – within BT on pages 6 to 8;
- The information relating to the Competition Bulletin and Telephone Preference Scheme shown in the shaded boxes on page 8;
- Section 2.4, An effective compliance programme – with the industry at large on page 8;
- Section 3.1, Organising our compliance regime – BT Group's compliance structure on page 9;
- The statement of BT's compliance operating framework show in the shaded boxes on pages 9 to 10;
- The information relating to compliance activities in each BT Line of Business shown in the shaded boxes on pages 10 to 12.

In this regard, we completed, in conjunction with BT's internal audit department, tests over data extraction, consolidation and reporting. In addition, we discussed with management the processes to collate the Report and read the remainder of the Report for consistency with our knowledge of the Group in order to report whether anything came to our attention to

indicate that the remainder of the Report is inconsistent with the findings of our work.

We have not undertaken any work to confirm that all relevant issues are included or that the balance of the Report is appropriate.

We planned and performed our evidence gathering procedures to obtain a basis for our conclusions in accordance with the International Standard on Assurance Engagements 3000 (Revised) - "Assurance Engagements other than Audits or Reviews of Historical Information". We have not performed an audit, and therefore do not express an audit opinion, in accordance with International Standards on Auditing (UK and Ireland).

We believe that our work provides a reasonable basis for our conclusions.

Conclusions

In our opinion the Selected Information is properly compiled from the underlying management information and policy documentation of the Group. Further, nothing has come to our attention to indicate that the remainder of the Report for the period ended 31 March 2009 is inconsistent with the findings of our work. This report, including the conclusion, has been prepared for and only for the Directors for management purposes and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
London
27 May 2009