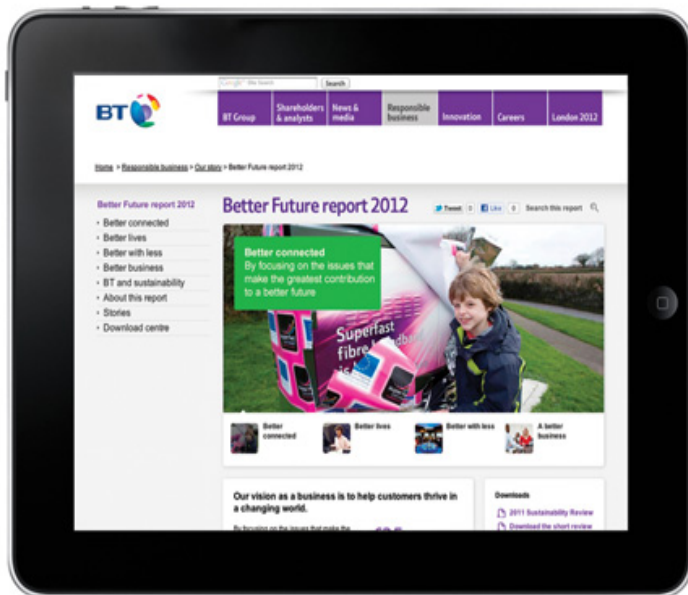


Better Future report 2012



Our Better Future report covers progress against our goal to be a responsible and sustainable business leader.

Online Better Future report
www.bt.com/betterfuture



Better connected

We believe that the greatest impact that we can have on society is by providing reliable and secure networks that help people and businesses to thrive. Getting this right is also essential for building trust in BT, which contributes to the value of our brand.

Customer experience

Customer service is core to our strategy and we continually work to improve the experience we provide to our customers.

In practice this means doing our very best to do things right first time - keeping our promises, being easy to contact and straightforward to deal with. It means keeping our customers informed and taking prompt action to put things right if they have cause to complain.

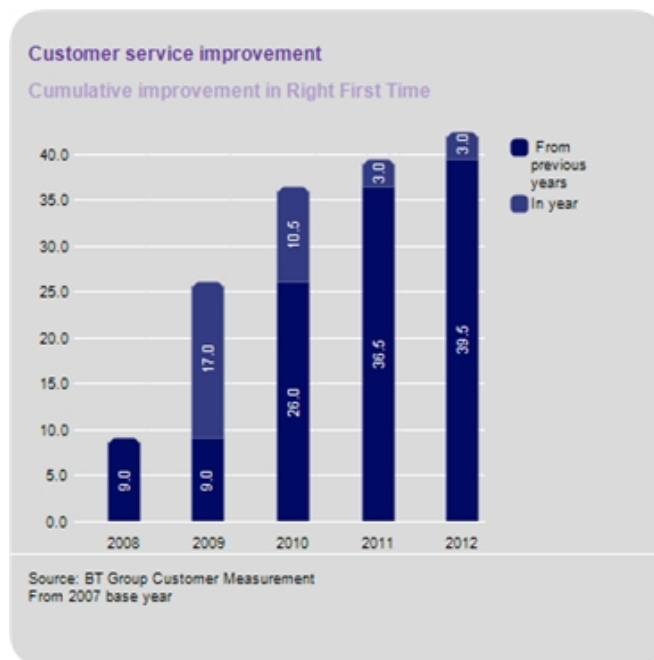
In this section of our report, we show how we're working hard to improve the service we deliver to customers. Our [materiality review](#) showed customer service to be our top priority as a business.

Right first time

Customer service is core to our business strategy and we always try to improve the experience we provide to our customers. In practice this means trying to do things 'right first time' – keeping our promises, being easy to contact and straightforward to deal with. It means keeping our customers informed and taking prompt action to put things right if they have cause to complain. 'Right first time' (RFT) is our key measure for customer service. It measures how often we keep the promises we make to customers. As well as improving service, keeping more promises reduces work needed to put things right and so reduces our costs.

In 2012 we achieved a 3.0% improvement in this measure, following a 3.0% improvement in 2011 and a 10.5% improvement in 2010.

We also focused on reducing faults and removing the need for customers to call us which not only improves the customer experience but also helps us with our cost transformation. Over the year we improved by 6% compared to 2011.



Target: For 2013 the Group Customer Service measure will consist of continuing RFT and Customer Issue Reduction. We will publish the result in our 2013 report.

Customer service challenges

During the year we had to cope with a number of issues. The theft of copper and fibre cable grew significantly in the first half of the year, increasing the number of faults suffered by customers. We have worked with the police, Government, media and other stakeholders to raise awareness of cable theft and to take action to reduce it. Cable theft declined in the later part of the year thanks to this collective effort, but more work is needed. We have invested in a number of innovations to help prevent cable theft and to catch the people who commit it.

The cable theft, together with increased repair work related to the demands of higher speed broadband and an increase in demand for new lines, led to a 19%

increase in engineer visits. We recruited additional engineers and improved our efficiency resulting in a reduction in the level of repair work outstanding, to on average, only one and a half days' activity. The average time taken to provide a connection also improved and at the end of March 2012, customers were consistently being connected well ahead of the standard 14 days.

We made progress in other areas. For example, in BT Retail we aim to deal with customer queries in one call, without the need for customers to call us back. We saw the number of queries dealt with in one contact increase by 20% in BT Consumer. As a result of our 'right first time' programme we reduced customer faults by 5.2% in BT Global Services and by 14.9% in BT Wholesale.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	The Group customer service measure will consist of continuing Right First Time and the new measurement of customer issue reduction. We will publish the result in our 2013 report.		New
April 2011	March 2012	The Group customer service measure will consist of continuing Right First Time and the new measurement of customer issue reduction. We will publish the result in our 2012 report.	In 2012 we achieved a 3.0% improvement in Right First Time. We also focused on reducing faults and removing the need for customers to call us which not only improves the customer experience but also helps us with our cost transformation. Over the year we improved by 6% compared to 2011.	Completed

Customer service

We aim to make it easy and straightforward for customers to contact us, by whichever means is most convenient for them.

Customer service is core to our strategy and we always try to improve the experience we provide to our customers. In practice this means trying to do things 'right first time' – keeping our promises, being easy to contact and straightforward to deal with. It means keeping our customers informed and taking prompt action to put things right when they have a fault. To improve our customer experience further we also focus on reducing faults and removing the need for customers to call us.

In this report we profile customer service improvement activities in one of BT Retail's divisions.

About BT Consumer

We are the leading provider of voice and broadband services for retail consumers in Great Britain and we also have a growing pay-TV service, BT Vision. We sell services under the BT brand as well as the Plusnet brand in order to reach a wider range of customers. Our BT-branded services have a range of extra features that set them apart from competitors while Plusnet provides simple voice and broadband services for more cost-conscious customers.

We're now helping customers through new channels like our @BTCare Twitter account, on top of the 500,000 calls and 27,000 emails we deal with each week. Our One Contact Resolution initiative also drives us to help our customers in a single contact.

Providing the best service we can

We want to deliver value for our customers by providing the best service we can, across our operations. Our customer service team receives 360,000 service calls and 27,000 emails a week, ranging from queries and complaints to troubleshooting questions and feedback. A further 170,000 calls a week are handled by our automated calls platform.

In order to resolve any issues as quickly and easily as possible, we offer round the clock support from our 27 UK and 7 international contact centres. These include new service contact centres opened this year in Sandwell, West Midlands and Manila, Philippines.

In order to deliver a positive customer experience, we focus on getting it right first time and proactively keeping customers informed, so that customers don't have to contact us more than once to get their query sorted out.

Improving contact journeys for our customers

Our priority is to reduce customer queries by making information clear, consistent and easy to access. When customers do contact us, we use active two-way dialogue to respond to issues more effectively and make sure we give them the right information. We've implemented a number of new ways to make it easier for customers to contact us over the course of the year:

- We've transformed our online Contact Us journey, resulting in a 60 percentage point improvement in 'easy' scores
- Because we know that LiveChat is often the quickest and easiest way for customers to get their query resolved, we have quadrupled the capacity of our chat team over the course of the year. We now deal with around 13,000 chat sessions a week, including billing and payment enquiries, faults and technical support
- Our social media team has also expanded to meet customer demand for service via Twitter and Facebook. This year the number of customer Tweets we've responded to has doubled, while the number of people following @BTCare for service updates has grown by 75% and those who 'like' BT on Facebook has increased by 280%
- Our BT Community provides a forum where customers can help other customers and discuss anything to do with their BT products and services. The Community is thriving, with over 40,000 registered users, around 2,500 new posts and 90,000 visits every week

- We provide a number of helpful videos on our YouTube channel. These have been viewed over 900,000 times this year, enabling many customers to resolve a problem without needing to contact us directly
- BT.com gets 1.9 million visits every week including 120,000 to Contact Us, 235,000 to billing / payment areas and over 200,000 to Help pages (where at least one answer is viewed)
- Counting visits to BT.com and calls to our automated services, 60% of all our service interactions are now 'self-serve', putting our customers in control of when, where and how they deal with BT
- Over the course of the year nearly 450,000 additional customers (net) have signed up for paper-free billing.

Resolving queries and complaints

We want to resolve issues as quickly as possible for our customers and continue to reduce the number of complaints we receive year on year. This year our complaints reduced by a further 16%. We also continue to put new processes in place to ensure we resolve complaints quickly and effectively at the first opportunity, through our One Contact Resolution programme.

Right first time

When customers do call us with an issue, complaint or dilemma, we aim to resolve it in the first email, chat or call. No-one should need to contact us twice about an issue.

In 2012, we improved our One Contact Resolution performance by a further 9%. This means we have eliminated 45,000 repeat calls per week, saving customers additional frustration and getting their issues resolved at the first opportunity.

Reducing the number of distressed customers

We've more than halved the number of customers getting into distress (measured by those who contact us over four times in seven days) over the course of the year, from 12,000 a week to just over 5,000. This has been achieved by changing our processes and systems to ensure we identify customers' needs earlier in the process and by helping our people develop the skills and knowledge to stop an issue turning into a repeat problem.

Improving advocacy

Based on our net promoter score (the number of customers willing to recommend BT, minus those who would definitely not recommend BT), we've improved advocacy from 24% to 33% over the year.

We've looked into what makes customers willing to recommend BT, and we've identified that the number one driver of advocacy (both positive and negative) is how easy or difficult customers find BT to deal with.

As a result of these findings, we've introduced a new measure to capture how Easy our customers find it to get help and support from BT. We plan to do much more work to improve in this area, but already we have delivered uplifts of 11% in calls, 12% in chat, 21% in email, 26% in BT.com and 60% through the changes we made to our online Contact Us journey.

What's next?

All parts of BT have plans in place to make sure we get things right first time, supporting the Group measure. Specific plans for BT Consumer include:

- Up-front capacity checks so that we only take orders for services where we know we have the capacity to fulfil our promise to the customer
- Proactive management of orders so that if something does go wrong, we can tell the customer about it before they need to call to tell us
- Improving our communications to make sure they are easy, useful and accurate
- Better fault diagnostics so that we can fix problems proactively before customers are even aware of them
- Building memory in our processes, so that we don't ask customers to repeat tests they have already done

Investing in our service capabilities

In order to consistently deliver on our customer service pledge, we continue to invest in our service capabilities and people. This year in BT Retail Consumer we've invested over £5.5 million to better our customer service offering.

Investing in our service capabilities

Although we've made great improvements to our customer service capabilities over recent years, we recognise that there is always more we can do. Without our customers we wouldn't be in business, so devoting time to addressing their needs and building strong relationships is crucial to ensuring our long-term success.

This year we've spent over £5.5 million on improving our service capabilities, so that our customers get the most from our products and services. Specific examples of where we've invested include:

- Completely redesigning our Contact Us journey on BT.com, to enable customers to find the right contact options quickly and easily
- A new way of handling customers in their first few weeks with a new product, to ensure that if they have any difficulties everything can be dealt with quickly and at a single point of contact

- Flags in our systems to identify when a customer has called us more than once recently, so that our advisors can take extra care to resolve the issue and make sure the customer doesn't need to contact us again
- New diagnostic tools to enable us to identify issues in the network as soon as they happen, and proactively resolve them
- Speeding up the rate at which we can notify customers of any network and service issues in their area, to avoid causing unnecessary frustration.

Investing in our people's service capabilities

We have around 6,000 customer service advisors, who are often the first people that come into direct contact with our customers. It's important that these people have the correct skills and knowledge to deal with any issues or queries that need addressing.

In order to build on our knowledge and expertise, we invest in training development and engagement activities to build our reputation for excellent customer service. In 2012, we invested in our people's service capabilities by:

- Delivering over 45,000 days of training, to build up our skills base and support the release of new products to market
- Converting 70 agency-employed customer service advisors to BT contracts over the course of the year to bring skills in-house
- Training over 900 new entrants to customer service
- Continuing our investment in apprenticeships, with 354 people completing our 'The Difference is You' management apprenticeship level 3
- Improving our engagement with employees, moving the CARE index from 3.68 to 3.85
- Increasing the scope of Business Assurance around product launches to help ensure a 'no surprises' launch for our customers and minimising the impact on our operations
- Introducing a Proof Of Delivery capability which mimics the home environment for 350 customers, to identify and resolve issues before they impact on customers

What happens next?

We've come a long way in investing in our service offering this year. We have developed the following targets to ensure our continued commitment:

- Further improving our success at resolving problems at the first opportunity
- Increasing the number of 'easy' interactions and reducing those that customers find 'difficult'
- Increasing the number of customers who are ready to recommend BT
- Improving our Right First Time performance and reducing the number of customers who have to contact us.

Investing for the future

Our industry has undergone radical change in recent years. Customers demand more from communications services and competition is increasing.

By being more efficient in customer service delivery and transforming our cost base, we can provide services on a more competitive basis and improve our cash generation, which in turn means we can invest in the future of the business and drive growth.

We are focusing our investments around three broad objectives across the business. These are to

Defend and grow the value we add for our customers

As well as providing basic communications products, we have made investments so that we can provide higher value services. For example: super-fast fibre-based broadband for consumer and business customers in the UK; managed networked IT services for large corporate and public sector customers; and managed services for our wholesale customers. BT Global Services is adding further value by offering industry-specific solutions and expertise to customers. We have also made investments in customer service and billing; and in our virtual data-centres.

Capture opportunities in converging markets

The way that customers buy our products and services is changing. Things which were once bought separately are increasingly bought together, in bundles. This convergence creates both threats and opportunities. We have been investing to broaden the range of services we provide to customers as we expand into converging markets. Examples include broadband and pay-TV in consumer markets and fixed and mobile services in SME markets.

Capture opportunities in international markets

We have continued to invest in high growth regions where customers want to expand. We have strengthened our position by investing in assets, people and technology to serve multinational and large domestic customers on a global basis. For example, as our customers have expanded into Asia Pacific and Latin America, so we have grown our capability in these regions. We have new technology showcases in New Delhi and Shanghai and a new Secure Operations Centre in Sydney. Network and customer service improvements have been achieved and we have hired new people in key markets. In February 2012 we announced plans to expand operations across Turkey, the Middle East and Africa.

Safe connections

Advances in ICT technology mean personal data is captured, stored and transferred more easily and frequently, than ever before. In this section of our report, we show how we're making these connections safer, to ensure

people's privacy is protected.

BT holds customers' personal and financial data and manages data for many of our public and private sector customers. Additionally, our servers and networks are a conduit for information controlled by others. This makes privacy and security of data particularly relevant for us.

We have robust standards on safeguarding data and keep these under continual review as trends and criminal tactics evolve. Recent changes include increasing governance around preventing breaches in data protection and raising standards in handling card payments to reduce the risk of theft and fraud.

Child safety

The growth in social networking has led to a rapid increase in the amount of personal information shared online, which increases the risks. Children, for example, are particularly vulnerable to predatory users and all users need to be aware of identity theft and internet fraud.

Open access to the internet

As a major internet service provider (ISP) in the UK, we believe our UK customers should be able to use their internet connection to access and run the content and applications of their choice (provided they are legal). There are many legal, consumer rights and technical issues that need to be considered in relation to our surveillance and web blocking policy. We support the [Broadband Stakeholder Group's](#) voluntary code of practice on traffic management. We provide our ISP customers with information on their usage and on the network management techniques we deploy. We will not block any legal service or seek to charge content or applications providers for basic service. More information on our [usage policies](#) is available on our website.

We work closely with government to prevent illegal activities online. Since 2004, we have provided UK residential customers with a content blocking system which targets websites on a list compiled by the Internet Watch Foundation. The accredited association was set up by the internet industry and helps us to track and block sites containing illegal images of child sexual abuse and adult content deemed criminally obscene.

Security and privacy

Many Britons feel they have lost control over the way their personal information is handled.

A survey by the Information Commissioner's Office (ICO) revealed more than two-thirds of people don't think that their personal data is sufficiently protected.

The Information Commissioner Christopher Graham has signalled the need to consider the damage that can be done to a brand's reputation when data is not handled properly, pointing out that

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Customers will turn away from brands that let them down

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Security and privacy

BT takes Security and Privacy very seriously and strives to protect employee and customer personal data, including all payment card transactions worldwide.

All our customers from individuals to major companies trust us to protect their data. For example, BT is the chosen communications partner for the London 2012 Olympic and Paralympic Games. We have put resources in place to play our part in meeting the security challenges this kind of event can pose.

Even the most sophisticated data security systems rely on people to implement them. We have rigorous policies which outline our requirements of all those who handle sensitive information. Ensuring our people understand and apply these policies remains a critical element of our approach, and all employees and contractors who work for BT receive regular training appropriate to their roles. Training completion by business unit is reported to our pan-BT data protection governance committee, the Data Protection Task Force.

Data protection

As part of our commitment to data protection, we have invested heavily to achieve compliance globally for all payment card processing. BT Security's approach is accredited by Visa and other major card brands. We conduct regular security audits to ensure compliance with the globally-recognised Payment Card Industry standards.

Underlying our systems and practices is a robust set of security policies, which are designed to align with and fulfil all the requirements of ISO27002 – the International Code of Practice for Information Security Management. We have certified in excess of 120 key sites and services to ISO27001, the internationally recognised standard covering information security.

We think that everyone has the right to know how their personal and private information is treated, so we make our privacy policy publicly available [online](#). Customers can also request the policy by telephone.

Data protection laws are evolving all the time. Following the introduction of new rules on how websites use cookies, we provided an easy to use solution to allow our customers to manage the cookies we use on our [website](#) in March 2012. BT is helping people manage their security settings in a user friendly way without detracting from their online experience.

Protecting electronic payments

BT is among the leading companies to be able to declare merchant compliance with the Payment Card Industry Data Security Standard (PCI DSS) standards. Our investment in being PCI-DSS compliant, using payment platforms such as BT Buynet, BT SafePay and MyDonate. BT supports the majority of the UK's telethon appeals, which in 2012 included BBC Children in Need, the Disasters Emergency Committee (DEC) East Africa appeal and ITV's Born to Shine

appeal in support of Save the Children.

Candice Pressinger, Head of BT Group PCI-DSS Compliance explained

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BT enables charities to significantly cut the cost of collecting telephone donations whilst reducing the risk of theft and fraud and is helping people support charities in the knowledge that their payments are safe and secure.

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Our platforms

BT Buynet is a secure credit and debit card processing service for payments being made over the internet or by phone. It affords real time authorisation and fast settlement. Buynet is used across BT to protect our Customers Cardholder data. Customers can purchase with confidence knowing their card data is secure. BT leads the market and employs the latest security technology: 3-D Secure, Verisign Certificates, Encryption and Firewall technology.

BT SafePay is a dedicated automated telephone interactive voice response (IVR) system for securely collecting credit or debit card donations using Charity Technology Trust's (CTT) card payment processing system. It enables charities and other organisations to avoid the expense of using call centres and guarantees every call is answered.

James Redhead, Development Director, Charity Technology Trust says;

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Telephone donations are a very important method of collecting donations for charities. Every missed call or human error is very costly and there is always the risk of card fraud when card details are being given over the telephone. BT SafePay will significantly reduce the costs of collecting telephone donations and ensure the supporter's card information is secure.

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Our systems allow the public to donate securely and confidently. Online transactions speed up donations going to the charities, which is particularly important for emergency appeals like DEC ones.

Beth Courtier, BT Group Community Investment Programme Manager sums up:

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BT's support for charity telethons is a key strand of our community support programme. BT is in a unique position to assist and we are proud to be using our PCI-DSS compliant technology and expertise to help those most in need around the world.

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London 2012 Olympic and Paralympic Games

BT physical and cyber security preparations for the Olympics have also been vital to its role as the Official Communications Services Partner for the 2012 Olympic and Paralympic Games.

BT's response for LOCOG (the London 2012 Organising Committee) to security threats has been to deploy the systems we use for our own networks. BT Assure Threat Monitoring, powered by BT Counterpane, provides our existing customers and now LOCOG with the industry's most complete, single-source enterprise cyber security solution.

Lord Coe commented for London 2012,

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BT's well-respected, safe pair of hands is critical. Delivering the London 2012 Olympic and Paralympic Games without BT would simply have been inconceivable.

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Tim Pamell, BT's London 2012 Security Programme Director, said that Security for London 2012 has focused not only on the new infrastructure BT has provided at more than ninety competition and non-competition LOCOG venues, but also on enhancing the security of our existing national and regional communications infrastructure.

Our plans

As customer concern around Data Privacy grows we are committed through our dedicated Data Protection Programme to maintaining high standards of data protection and security for the data we handle. Many countries are introducing new Data Protection (DP) laws and the EU has proposed a radical overhaul of DP requirements in its proposed draft regulations.

BT has engaged constructively in the debate on the final content of those regulations and we are already working to make sure we are ready for any resulting

new requirements as well as meeting the continually increasing challenges of a hostile data security environment.

Child Internet safety

Access to the internet is now part of family life and while it allows us to connect and educate, it also brings security and privacy challenges.

We work in partnership to promote child safety and provide parents with the relevant tools to control what their children are able to access online and on TV, helping to ensure our customers have peace of mind over what their children are viewing.

Working in partnership to promote child safety

As the UK's leading Internet Service Provider (ISP) we're committed to keeping families safe online.

We work in partnership with the UK Council for Child Internet Safety ([UKCCIS](#)), the Child Exploitation & Online Protection Centre ([CEOP](#)) and the Internet Watch Foundation ([IWF](#)) to educate parents on the practical ways they can protect their children.

In 2011 we developed a [code of practice](#) with other leading ISPs to improve the effectiveness of internet security information for parents and to ensure that customers can filter access to the internet upon purchase or installation.

This year we helped in the development of [UKCCIS industry wide guidance](#), to assist ISPs deliver consistent safety advice for parents and children.

In February 2012, we supported 'Safer Internet Day', an international day to promote more responsible use of online technology with activity for our customers and employees. The day focused on empowering all generations to benefit from the opportunities offered by the internet.

Shaping the regulatory landscape

We continue to play a role in shaping the regulatory landscape across the UK and Europe. We are a signatory to [Europe-wide industry principles](#) on best practice to improve awareness and provide clear information on the safety tools available. We are also working with Industry and the European Commission to develop five key issues, which promote online safety and the well-being of children. These are to:

- establish a "single-click" mechanism to report abusive content or behaviour
- provide high privacy settings by default for minors when joining social network-type services
- promote age-rating and content classification of Pan-European Game Information (PEGI) pictograms
- deploy parental control mechanisms with features independent of platform
- create faster processes to identify, notify and take-down child-abuse images

Promoting safety through our products and services

We offer technological solutions to all our customers to enable them and their families to browse the internet more safely. At BT Retail, this means that:

- All of our broadband products come with a free basic security package which will detect and block viruses when using BT Yahoo email
- Any broadband package with 40GB or unlimited usage comes with Net Protect Plus free of charge to protect against malicious software, hackers and ID theft
- We provide [BT Family Protection Software](#), a free parental control tool, to all out Total Broadband and BT Infinity customers. Parents can block up to 35 categories of online content - everything from pornography through to suicide promotion sites. Parents can also limit the time spent online by children every day; receive email and text alerts if children try to visit blocked sites or chat-rooms; control their children's use of social media; and get reports on children's online activity. Different settings can be chosen for children of different ages, and the settings can be easily adjusted by parents
- We have introduced a system where new customers using their broadband or Infinity installation CD have to make an "active choice" about the child protection settings. The CD takes them through a process where they have to make a choice about having individual filters on or off. Crucially, they are not able to delay or avoid making a choice on which filters they want
- We are evaluating the practicality and level of potential interest in an "active choice" solution which will apply child protection filters to all devices working off a customer's home wi-fi. If parents activate any child protection settings, they will then cover smartphones and iPads in the home, as well as laptops and desktops
- BT Vision provides a parental locking system that lets parents easily decide what their children can watch. Parents can choose to prevent unsuitable "on demand" content being ordered, while also blocking channels that are similarly inappropriate for children. Parental Controls within OnLive, our online gaming service, also put parents in charge of the OnLive activity associated with their account.



Living with technology

In addition to promoting safety through our products, we're very aware that some customers simply need help to understand the online world their families interact with. With this in mind our employees have been working with local schools in London, Northamptonshire and Newcastle running what we call 'living with technology' workshops. These sessions explain the basics on how to avoid threats and keep families safe online, as well as very practical advice on topics such as how to set privacy settings on Facebook, search the internet safely.

This is a trial programme that's received great feedback from the schools we've worked with so far.

Network management

We believe strongly in an open, competitive and innovative internet. We have said that we will not charge content providers for basic internet delivery, but we do believe that Internet Service Providers (ISP) and content providers should be free to strike deals over how traffic is delivered.

BT alongside other UK operators supports the Broadband Stakeholder Group's voluntary code of practice on traffic management. Find out more about this code from the [Broadband Stakeholder Group's website](#).

We have made four key public commitments:

- BT broadband customers will be able to access any internet-based service or applications.
- No legal service or application will be blocked on these products.
- Content and application providers will not be charged for basic internet conveyance.
- We will provide wholly transparent information to customers on our traffic management practices in line with industry best practice.

Broadband usage policy

To give all customers optimum service, irrespective of network demand, we have a usage policy covering Monthly Usage Allowances and Network Management of specific applications, which is measured each calendar month (from the first of the month to the end of the month).

We publish our Key Facts Indicators (KFIs) to enable consumers to compare the traffic management practices across these ISPs (which together represent over 90% of broadband customers). These KFIs are now published on each of the ISP websites (BT's is available at www.bt.com/broadbandusagepolicy) so people can find out what sort of traffic (such as e-mail, Voice-over-IP and peer-to-peer) is slowed down, blocked or prioritised and at what times of day this happens. The KFIs also show what data caps and download limits apply on their specific broadband products.

The aim of this transparency is to help consumers to make the right choice of ISP/product for their needs, and give them the tools to decide to switch providers should traffic management be important enough to them. We think people may be surprised to see that so few types of traffic are actually managed.

Broadband Speed

BT supports Ofcom's Code of Practice on Speed and is committed to providing the best information about what affects customers' speeds and managing our service to optimise the experience for all our customers. To find out more about Ofcom's Code of Practice on Speed visit [Ofcom's website](#).

Digital Inclusion

Connecting people is at the heart of BT. As the oldest communications company in the world, we have been helping people to communicate for a very long time.

We understand that it is increasingly important for people to have confidence in using technology, as well as good communications skills, to help enhance their lives. We recognise the enormous potential for information and communications technology (ICT) to make a positive difference, not only to the lives of individuals, but also to society as a whole.

In 2002, when BT began its UK programme to help people get online, 46% of households had access to the internet and 52% of adults had gone online. Ten years later, 77% of households and 84% of adults have been online. However this still leaves 8.2 million people in the UK who have never been online, leaving them excluded from the many benefits which the internet has to offer.

As the gap between the "haves and have nots" grows and the need to address the digital divide becomes more urgent, we are devoting greater resources to this area. Responsibility for directing these resources is vested in the Digital Inclusion Steering Group. This group consists of senior managers from across our Lines of Business under the chairmanship of the Director of strategy development. Its role is to support the development and implementation of BT's digital inclusion strategy, targets, reporting and improvement programmes worldwide.

Connections for all

The UK has one of the highest levels of broadband availability in Europe, with 99% of premises being able to receive a type of broadband connection and around 67% currently having a fixed broadband connection. It is a central part of people's lives. We believe this access should be available for all, so offer a range of packages and services to meet the needs of all kinds of customer.

In this section of our report, we explore how we're addressing some of the technological, social and economic reasons why they are not yet online.

- For our solutions to help customers that may be disabled or lack mobility see our Including You portfolio pages in this section
- For information on the value packages that we offer to UK consumers, read on.
- For our activities to help people who lack the confidence and skills to make the most of digital technology see our [digital inclusion](#) section.

Our service offering

Broadband-based consumer services

Driving broadband-based consumer services is a key element of our company's strategy. In part this is to;

- Offer competitively priced bundles of broadband services with telephony and TV
- Maintain our differentiation against competitors, and continue our dual-brand strategy through our lower cost [Plusnet](#) business.

Our business customers

We provide information on both our UK small and medium sized business offering and our Large UK and international business offering through our websites.

Our Get IT Together Programme

As the UK's leading Internet Service Provider (ISP), many people already enjoy the social and financial benefits of being connected to the internet through BT's network.

We see it as part of our role to help the 8.2 million people, in the UK, that aren't online by providing support through our Get IT Together programme. This brings together a wide range of activities which have a single common purpose – **to help people get online.**

The Get IT Together website

Our Get IT Together website provides information, advice and resources to help the digitally savvy help to get their friends and family members online by giving face-to-face support. Research by the Communications Consumer Panel shows that people prefer to be coached or helped by someone they know - we focus on making more of these conversations happen.

Launched in October 2010, over 54,000 people have visited the site's tips, tools and guides for getting started. Beginners can also register for online training courses or find the details of their nearest learning centre.

UK television presenter Gabby Logan is championing the campaign as BT's Get IT Together ambassador, and in October 2011 recorded a series of videos that share her tips and pointers on getting the most from being online.

We've pledged to get 100,000 people online by July 2012. Fuelled by our position as the UK's leading ISP, we estimate that, during the year, we have added over 110,000 people who are new to broadband. In addition, through our Get IT Together programme which includes partner activities, just under 11,000 people have taken part in an introductory training session (or online module) and of these, over 6,600 have gone on to become regular internet users.

Get IT Together resources

We have also produced a range of free downloadable resources which can be used to support both learners and helpers. These resources cover a range of topics from advice on how to get started through to specific hobbies/interests such as genealogy. There have been over 10,000 downloads from the site since these resources were formally launched in September 2011. They are also being translated into Welsh.

Get IT Together local projects

We know that in many cases a friendly face and local venue are needed to start people on their online journey, so we fund local projects to complement our UK-wide support. These projects seek to create a meaningful legacy over a two to three year period of investment.

We work with a number of local and national partners, including Nominet Trust, to deliver these projects. Citizens Online, a digital inclusion charity, manages the implementation of projects on our behalf. Citizens Online employs people in the selected communities to co-ordinate local activities, reaching out to individuals who need help to get online.

We undertake a mapping exercise to identify the communities that most need support from our investment. In selecting these areas, we take into account a range of factors such as levels of deprivation and low broadband take-up.

Following the success of our pilot project in Cornwall which started in 2011, projects have been now been started in 14 locations across the UK - namely Cornwall, Bristol, Northern Ireland, Caerphilly, Gwynedd, Leeds, Sutherland, Skye, Caithness, Barnsley, City of London, Glasgow, Kirklees and North Lincolnshire. For the majority of these projects, the appointment of local coordinators took place during September, October and November 2011.



Beyond financial support, BT also provides:

- a range of free Get IT Together resources as part of the start-up kit for project coordinators
- twelve months free broadband to two community groups nominated by coordinators, for each year of the project
- professional marketing resources and brand guidelines
- access to other parts of the Get IT Together programme: BT Volunteers, Internet Rangers, Community Connections, Education Programme resources and Community Web Kit.

Through our GetIT Together 'connected communities' project in Ireland, we have also developed partnerships with community organisations in Dublin and Limerick.

Measuring our impacts

We recognise that helping people to get online can have a profound impact on their lives but that this can sometime take months or even years to achieve. In order to measure the success of each project, we track the number of people who;

- participate in an initial introductory session

- go on to take part in a further three sessions (to help consolidate learning) and
- go on to become regular internet users

By March 2012, 1,014 had taken part in at least one session, 634 had attended four or more sessions and 24 reported that they had become regular internet users. This includes people who took part in the pilot phase of the Cornwall project in January 2011.

We are also conducting a longitudinal study to be able to monitor learner progress.

The first results from a pilot study showed that, of the 22 participants sampled at random from the project:

- 68% have gone on to become regular internet users
- 45% are encouraging friends and family to use the internet
- 36% are now users of online Government services.

We have arranged for [Corporate Citizenship](#) to carry out an independent review and assessment of the way we measure the impact of our programmes.

Jon Lloyd, head of LBG at Corporate Citizenship said,

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BT is to be commended on taking this step to ensure that its evaluation processes are effective. Undertaking such an exercise demonstrates that BT takes its responsibilities to the community seriously.

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Perhaps the best perspective on the difference this makes is through the eyes of one of the beneficiaries of the project.

Valerie's story

Valerie Rowe was determined to learn more about IT so she went to her local library to find out more. On that first visit to the library, she was thrilled to discover that the screen could be adapted for her, as she is partially sighted.

From that initial session, Valerie attended additional classes facilitated by Project Coordinator, Jay Chapman, at a local community centre. Valerie told us the session felt inclusive and that the learning was at the right pace for her experience. Among the many benefits from the sessions which included making made new friends locally was Valerie's discovery of Skype, which she now uses to keep in touch with her family in Thailand and South Africa.

Valerie says:

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It's lovely to keep in touch. It's like being in a room with my family. It feels like I'm contacting my family immediately and I feel that I'm closer to them. I can see my grandchildren growing up. Being online has made my life so much easier and I can converse with people even though my sight has been affected.

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Targets

Start	End	Description	Update	Target Status
April 2010	July 2012	We aim to get at least 100,000 more people who've never used the internet before online by London 2012 - part of our Race Online 2012 support (UK).	March 2012 update - Fuelled by our position as the UK's leading ISP, we estimate that, during the year, we have added over 110,000 people who are new to broadband.	On Target

Affordable access

Cost is a factor affecting the uptake of technology, so we strive to keep our services affordable, making the benefits of being connected as widely available as possible.

In the UK, we have a legal duty – the Universal Service Obligation – to make basic telephone services available to all consumers at affordable prices.

We have frozen many of our prices for UK residential customers until 2013. This follows a series of price updates that took effect from December 2011. Full details of our packages for Broadband, calls and TV can be found on our [website](#).

Affordable telephony and internet services

We provide a low-cost telephone service called [BT Basic](#) to UK customers who receive income support, income-based jobseeker's or employment support allowance or guaranteed pension credit. BT Basic also helps customers to manage what they spend through an automated 'Call My Bill' phone service and 'View My Bill' online service. BT Basic also offers a free call-barring option to block certain costlier types of calls, and the option to have broadband access.

[Plusnet](#), a BT business in the UK, provides a low-cost broadband service. Plusnet's success has been driven by a combination of competitively priced packages, self-care tools for customers, referral discounts and a country-wide marketing campaign.

Avoiding disconnections

We make every effort to avoid disconnecting customers. We offer flexible payment options to help people budget for their bills and work with customers having temporary payment difficulties to agree on payment over a longer period than usual. See our [Codes of Practice](#) for further detail on our procedures for requesting payment and the help customers can expect if they have problems paying.

BT Internet Rangers

By the time they reach teenage years, many young people have overtaken their parents, when it comes to digital skills.

The BT Internet Rangers scheme was set up to encourage and recognise the work of people up to the age of 16 who help bridge the digital divide between generations in their communities, either as individuals, or through their school.

These young people can help others who lack the skills, motivation and confidence to get online. Having a trusted person to help support them makes a big difference in trying to overcome what they see as a daunting challenge.

During 2012, we redesigned the BT Internet Rangers website to improve navigation and include new content. The website also offers a range of free downloadable resources and helpful videos about getting online for the first time, designed for scheme participants and the people they help.



2012 winners

In 2012, the overall UK award winner was Lydia Lake. For three years, Lydia has volunteered at Burlington House sheltered housing accommodation to help elderly residents get to grips with computers and the internet.

Lydia said,

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It is good for people my age to be encouraged to volunteer because it is really rewarding. I love talking to people from the local community and being able to give something back. To see how my simple IT lessons have affected the residents' lives so dramatically for the better is amazing. It makes me proud and I really look forward to coming each week to teach them new things about the internet that they would otherwise be unaware of.

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The BT Internet Ranger School award encourages schools to organise activities where pupils pass on their ICT skills to help people in their local communities get online. This year, Durrington High School in Worthing was the overall winner and used the award of £4,000 to purchase more laptops and put on extra sessions to help even more people.

Avonbourne School, a BT Internet Ranger School award winner in 2011, also received a [Big Society Award from the UK Prime Minister](#) for helping people to get online. They were also featured in an article in the Times Educational Supplement magazine as an example of innovative practise. Great Barr School, who also won in 2011, received a [Digital Leaders Award](#) from the Rt Hon Francis Maude MP at the National Digital Conference.

Details of other young people and schools who have won awards are available at the scheme's website, along with details of how to apply.

Getting our people involved

During the year, we have developed resources to enable BT employees to volunteer to lead BT Internet Ranger sessions in schools. Sessions have been held at Ash Manor Secondary School in Hampshire, Hastings Academy in Sussex, St Andrews High School in Surrey, and Windygoul Primary School in East Lothian.

Supporting older and disabled people

We believe that everyone should get the most from communications technology, regardless of ability, impairment or level of technical ability. We produced our first accessible telephone with extra-large dials and flashing lights in the 1930s, and have continued to innovate ever since.

How we're responding to the issue

The Inclusion Leadership Panel

We want to make sure we're doing all we can to be as inclusive as possible. In order to gather an independent view on our activities, an Inclusion Leadership Panel has been set up with external disability experts. Two meetings were held in 2012

Phil Friend, OBE, FRSA, Director, Phil & Friends Ltd, joint chair, commented that:

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Panel members are committed to working with BT and believe that the Panel has a useful contribution to make in supporting BT in its desire to be world class in the implementation of inclusive technologies. We have seen real evidence of BT colleagues taking members' concerns seriously and pursuing actions designed to deal with those concerns.

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One of the initial outcomes from the Panel has been improved communications with health and social care professionals (see below for more).

Support through our products and services

After two years of research and design, we launched a new big button phone in 2012. The spacing of the buttons has been increased and a new 'Loud' key has been added, which boosts the volume at the touch of a button.

We're also using our free Network Controlled Calling service to help people with conditions including memory loss, learning difficulties or dementia who make continuous repeat calls (also known as 'involuntary nuisance calls') lead independent lives. Find out more at www.bt.com/ncc.

Additional information on all of our range of inclusive products and services is available on-line at our [Including You website](#), which, since its launch in 2010, has received an average of 37,500 visitors a month. Our [BT Life Blog](#) also features regular posts from Dave Barrett, our resident expert in accessibility.

In 2012 we also attended a selection of major disability exhibitions and events, such as Naidex, the UK's largest disability homecare and rehabilitation event across the UK. These events, attended by over 28 thousand people, give our team the opportunity to give advice on communication issues as well as listening to suggestions and ideas.



Advising Health and Social care professionals

We recognise the importance of trusted third parties, and ensure health and social care professionals have information on our products and services to use in their day to day work. To this end we:

- produce a monthly newsletter, [Including You>Connections](#)
- have a dedicated service desk for health and social care professionals
- service a network of BT Try Before You Buy centres, where we provide telephones and leaflets at locations where people can visit and test the equipment before purchasing. See our [TBYB pages](#) on the Including You website.
- provide health and social care professionals with loan equipment to show customers (mainly in rural areas where transport isn't easily available)

Based on the advice of the Inclusion Leadership Panel, we enhanced the Including You website to include a community area for health and social care professionals and created a blog for professionals to share information.

Feedback from the 2012 perception survey shows over 76% of respondents passed the information on to clients and 17% reused it in newsletters.

Innovating for deaf customers

In 2006, we were the first FTSE100 company to provide content in British Sign Language (BSL) on a dedicated communications website. We developed this work further in October 2010 providing BSL video content as standard throughout our [Including You](#) site (for customers requiring extra help with their communications).

We recognise that customers have different preferences when it comes to how to contact BT. In November 2011 we extended our range of options by introducing a trial of BSL access to our customer services.

Minister for Culture, Communications and Creative Industries, Ed Vaizey, MP, said:

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This trial will offer people who are deaf and hard of hearing a greater choice in how they contact BT. I hope other organisations will recognise the importance of BSL and offer it as a way to communicate with them.

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Ruth Myers, chairman of TAG, the consortium of the main deaf organisations concerned with e-communications, said:

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TAG warmly welcomes BT's offer to make it possible for British Sign Language users to contact BT in their own language. Similarly we hope all businesses will make a range of contact options available for deaf consumers.

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We have also received positive feedback on the service from our customers:

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Just wanted to say how impressed I am with the trial with BT. I used it for the first time today and my query was dealt with in matter of minutes!!! If I was doing this via Tynetalk I would still be on the phone for ages, or be getting cut off!!

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Partnering to promote inclusion

We work with various partners to further our customer inclusion agenda. Our work in 2011-12 focused on hearing health and helping people make the most from technology and the internet,

- We partnered with [Action on Hearing Loss](#) to encourage more people to think about hearing in the same way they do sight and take a regular hearing check. We created new content on our [Including You](#) site, including a link to the charities hearing check. Our support has resulted in a 18% uplift in the number of people taking the hearing check online or over the phone since June 2011
- We worked with AbilityNet to deliver the inaugural [Technology4Good Awards](#), celebrating UK charities, businesses and individuals that use digital technologies to change our communities for the better. Lifelites, a charity that uses technology to help children in hospices, was named the overall winner in 2011.

Supporting communities

We are helping community groups connect and enhance their presence online,

We support community groups in a number of ways, including offering resources free of charge.

BT Community Connections

The BT Community Connections (BTCC) award scheme has been helping community groups get online since 2000. In November 2010, we re-launched the scheme to focus on community groups who help people to get online, particularly in areas of deprivation. In 2011, 239 community groups from across the UK (out of 664 groups which applied for an award) were selected by our judging panel to receive 12 months of free broadband which will help them to increase internet use in their communities. As a result of the rollout of fibre broadband, we were able to provide 22 community groups with 12 months free BT Infinity.

The 2012 judging panel included representatives from Race Online 2012, AbilityNet, UK Online Centres, Common Purpose, Charity Technology Trust and Business in the Community.

This year, we introduced the BTCC Plus award to encourage award recipients in 2011 to provide regular feedback on the number of people they have helped to go online, in turn helping us to understand the impact of our investment. To be eligible for these awards, groups had to provide a minimum of six monthly updates together with at least three testimonials from people who were being helped to get online. More information about the winning groups is available on our website.



The BTCC scheme received external recognition, winning the Best Corporate Social Responsibility category in the Best Business Awards. The citation read:

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This scheme has made a real difference to many of the nine million people who do not use the internet. BT discovered that many non-users, often from socially disadvantaged groups, would like to get online but don't know how. Through the 7,000 awards made, millions have learnt how to use the internet to find cheaper goods, jobs, get information and make friends.

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Community Web Kit

BT's Community Web Kit is a free service for charities and not-for-profit community groups who want to set up their own website but lack the technical skills to do it themselves. Since the kit was re-launched in November 2010, it has helped charities to build over 6,000 websites and attracted more than 33 million page views to these sites. The service also provides free website addresses and hosting and gives users layouts and design templates to choose from to give their sites a professional look and feel.

A MyDonate widget launched in January 2012 allowing registered charities to add to their home page a button to encourage people to make donations and fundraise via the MyDonate platform.

Supporting people with disabilities

We plan to develop technology which will help people with a range of complex physical and learning impairments to live more independent lives.

In 2012, we began work on a three year partnership with Scope, a UK charity that supports disabled people and their families. This builds on our successful

partnership with Scope on the Wheeltop project and "No Voice, No Choice" campaign.

Research and innovation

The project aims to use mainstream equipment to perform functions which are currently only available using more expensive specialist devices. Technologists working at Beaumont College have started to develop the use of tablet devices, to carry out tasks such as opening and closing doors, windows and curtains, and controlling heating and lighting. Students who are taking part in the project also want to be able to turn televisions on and off, change channels and read eBooks by using these media devices. These developments are being supported through close collaboration with the manufacturers of specialist equipment as well as academic partners.

We are preparing for the research element of the project which will take place during 2013. This will comprise two key strands:

- A review and analysis of existing research and policy - and how this has influenced the development of separate markets for specialist and mainstream devices.
- Developing a compelling vision of how fully inclusive technology can be used to improve the lives of disabled people through future modelling workshops with key stakeholders.

By sharing the learning with other excluded groups, we believe that the impact made will extend far beyond those who are directly participating in this project

Helping employability

Basic digital literacy is increasingly essential in the workplace. Where people lack the skills or confidence required to find work, we're exploring ways to share our knowledge.

Two of the projects we're involved with, aim to give people the digital skills they need to find or change jobs:

Citizens Advice Bureau

For some people who seek support from Citizens Advice Bureau (CAB), being able to improve computer and internet skills would improve confidence and employability. To help address this, we're supporting a pilot programme which has seen computer equipment installed across three sites.

In Greenwich, pilot activity has already begun and in Waltham Forest, an Information Assistant (who will deliver the project) has been recruited by CAB and is in post.

In Swansea, the search is on for a part time person to manage the project and we have a BT volunteer who is working with Swansea CAB to begin Digital Inclusion activity locally. We're also providing support to produce marketing resources that will help advertise the pilot.

St Giles Trust

St Giles Trust works primarily with ex-offenders to help with training and equipping them for life beyond prison. In January, a group of BT apprentices ran an IT workshop for St Giles Trust employees/volunteers to provide them with basic computing skills. They in turn passed on their new computing skills to ex-offenders coming out of prison - to help them apply for jobs.

Engaging our people

Using digital technology is part and parcel of work life in BT. Many of our people are happy to volunteer to share their skills and experiences with the community.

As part of our support for Race Online 2012, we have set a target to encourage and support 10,000 "Digital Champions" by December 2012. These are people who pass on their digital skills to help someone get online. By the end of the March 2012, 1,080 BT employees had done this. Through our programmes and partner activities a further 562 people also volunteered to share their skills. In addition, our free resources which were created to support people who want to share their skills were downloaded over 41,000 times.

The number of people who are willing to act as digital champions is increasing steadily as our programmes become more established. We recognise that this is essential if we are to achieve our challenging target.

Many of our employees take advantage of our volunteering policy to share their skills and experience to help others get better connected. There are examples of this throughout the report – but we have included a couple of additional stories with an employee angle below.

Give an Hour

As a Race Online 2012 partner, we supported the "Give an Hour" campaign which encouraged people to use the extra hour when the clocks went back at the end of October, to help someone they know to get online. Part of BT's contribution to this campaign was to commission a telephone poll which showed that one in five adults has never sent an e-mail, and that almost half of those who had lost touch with a close family member said they would like to reconnect with them.

We encouraged staff to help address this by supporting someone they know to get online. Over 200 people volunteered to do this, assisting nearly 400 people to get online for the first time. We publicised the event using our consumer communication channels and incorporated a registration form on our website to make it easy for people to pledge their support.

We also gave away an iPad to the volunteer that we felt made the most difference, which was awarded to Raj Pandya, an Openreach employee from Surbiton. Raj helped a group of elderly people with limited English to access the internet by creating instructions for them in their native Gujarati, supported by simple drawings.

Raj said:

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I showed them where they can read Gujarati newspapers and magazines and listen to Gujarati music and songs. This has already enhanced the quality of their lives and they are looking forward to receiving more support on how to get the most from the internet.

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Plusnet staff also volunteered to support the Go On Give an Hour event in Sheffield.

Love to Reconnect

In February, to coincide with Valentine's Day, we worked with Citizens Online to arrange free taster sessions to show how the internet could be used to help people reconnect with friends and family. As well as proving popular to people who want to get online, we organised a knowledge call for BT employees to encourage them to volunteer to support these events. Seventy-seven members of staff registered to support these sessions.

As not all employees live near to the event locations, we offered the opportunity to "give an hour" at a time and location which fitted in with their personal circumstances. A further 53 employees have helped someone get online as a result of this.

Targets

Start	End	Description	Update	Target Status
April 2011	December 2012	We aim to support another 10,000 'Digital Champions' by the end of 2012 - part of our Race Online 2012 support (UK).	March 2012 update - 1,080 BT employees had done this. Through our programmes and partner activities a further 562 people also volunteered to share their skills. Whilst the number of people who are willing to act as digital champions is increasing, we are taking additional steps to encourage more people to get involved as this is undoubtedly a very challenging target.	At Risk

Better with less

While we have been actively reducing our own carbon footprint since the early 1990s, we recognise that we can also make a big difference by working with customers and suppliers to deliver services with less dependence on natural resources.

We're engaging our customers and commercial partners in reducing their environmental impacts through innovative approaches to energy generation, water use, product design and lifecycle management, carbon emissions, waste management, travel and transport.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against 2011/12 outturn.		New
April 2011	March 2012	BT will reduce its refrigerant lost to atmosphere (kg) from 1.6% to 1.5% of its installed quantity (a reduction of 7%) from that lost during 2010/11.	We achieved 1.08% year to date based on routines completed. We will continue to monitor and report on our emissions as part of our environmental certification.	Failed

Helping our customers reduce their impacts

We believe that our biggest impact lies in providing our customers with lower impact solutions. We offer a range of products and services that help our customers reduce their environmental footprint.

Supporting the transition to a low carbon economy

The information and communications technology (ICT) industry will play a key role in the transition to a low carbon economy – estimates suggest there is the potential to reduce global carbon dioxide emissions by 15% for 2020.

ICT will enable other sectors to become more efficient, by streamlining their processes and providing transparent data for managing energy use.

Incentives for businesses to take advantage of ICT are growing, as government initiatives such as the UK Carbon Reduction Commitment Energy Efficiency Scheme require larger companies to monitor and report their energy use and purchase annual energy allowances based on this information.

BT already offers products and services that help customers to reduce their carbon footprint. For instance, services which help reduce business travel, such as video and audio conferencing, are well-established parts of our portfolio. More recent offers include energy management systems.

Helping our customers

We have provided an automated energy saving system for Banca Civica's 350 branches across Spain. The system controls air conditioning systems, lighting, computers, and other infrastructure inside buildings. It has achieved a 25 per cent reduction in CO2 output while cutting the bank's electricity bill by an average of €4 per branch per day – or €400,000 (£346,000) a year.

Miguel Ángel Castro, Director of Efficiency, Banca Civica

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Implementation of an inmotics system results in several benefits for Banca Civica. First of all, it demonstrates our company's commitment to care for the environment. Second, it reduces our exposure to increases in the price of electricity. Over the past two years alone, the price per unit went up by somewhere in the region of 33 per cent. The new system reduces levels of consumption by an average of 25 per cent depending on the branch – an excellent result.

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Our Sustainability Portfolio for business customers

During the first half of the year, the Sustainability Practice within BT Global Services has refined its "Build a Sustainable Organisation" portfolio of products and services. This aims to help business customers cut costs, power use and carbon dioxide (CO2) emissions.

The portfolio includes the following existing and emerging products and services:



Key highlights of the Sustainability portfolio include:

- video and audio conferencing services that enable employees to meet without travelling, cutting costs and CO2 emissions
- our Field Force automation solution, which provides real-time information and work schedules to employees 'on the road', helping to reduce journeys and related CO2 emissions by up to 20%
- services that make customer ICT more efficient, such as our virtual data centres. These provide efficient, on-demand virtual computing services for customers without the need for them to invest in their own infrastructure, cutting costs, power use and CO2 emissions
- flexible working solutions that improve customer service and reduce office space needs. Based on our own experience, customers can avoid up to 1.4 tonnes of CO2 emissions for every employee who works from home. This case study on the Smart 2020 website provides details
- intelligent buildings and energy management services, which centralise customers' building services to cut operational costs, improve environmental performance, and provide a more secure and comfortable workplace
- transport and supply chain solutions have recently been added to the portfolio, based around RFID technologies to drive efficiencies, visibility and maximising re-use of stock and assets.

New areas within Sustainability portfolio development include:

- Smart cities and communities
- wellbeing.

Our global professional services organisation, [BT Advise](#), has now established a sustainability advisory services consultancy specialism as part of its "business as usual" professional services offerings to our customers. The sustainability portfolio is being aligned and adopted into our global portfolio, moving

sustainability from a "cottage industry incubator" into an industrial strength delivery capability.

Smart metering

In 2010, BT along with Arqiva and Detica created SmartReach, a collaboration formed to respond to the UK government's intention to bring smart meters to 28 million homes and small businesses in Great Britain by 2019.

These will enable residential and small business customers to monitor and reduce their gas and electricity use and help utility companies improve efficiency in their networks.

SmartReach, working with Sensus (a US-based provider of specialist radio technology) is currently taking part in the procurement programme led by the Department of Energy and Climate Change. This programme will seek the solutions to underpin Smart Meter rollout in Great Britain, with the first deployments taking place from 2014. The unique SmartReach proposition includes a dedicated and secure long range radio network, proven in other Smart Meter applications. Trials with utilities (for water and electricity) in the UK have yielded very encouraging results for coverage to typical meter locations found in the UK, a key part of the requirement.

Smart Grids also continue to develop momentum. BT is engaged with key utility network operators and industry bodies in a number of countries to develop solutions to enable low carbon supply grids for the future.

Smart cities

In the UK, our existing networks and plans to provide two thirds of UK homes and businesses with access to fibre broadband by end 2014 make BT ideally placed to help cities, communities and citizens become smarter and reduce emissions from workplaces, homes and transport. We can provide wireless and fibre telecommunications, remote sensor and machine-to-machine technologies, 'cloud'-based services, conferencing and web technologies to transform the way people live, work, travel and use services.

BT's recognises that ICT is a key enabler for Smart cities and hence we are engaging with lead cities on the deployment of BT's ICT spine and applications capability.

BT is already partnering with the

[Milton Keynes Low Carbon Living programme](#) ,

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Milton Keynes has ambitious Low Carbon Living and Smart City programmes. These initiatives involve working with a range of public and commercial partners to develop whole city strategies and innovative pilot schemes. We are grateful to BT for their continued, enthusiastic support, including the expert input that has helped us envision the possibilities and address the practicalities.

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Geoff Snelson , Director of Strategy, Corporate Core, Milton Keynes Council

And the [Sustainable Glasgow](#) campaign to help them raise awareness of sustainability and encourage local businesses and residents to reduce emissions.

We hope this work will provide a model for the development of sustainable cities, which we can roll out with other partners in future.

Product stewardship

Product stewardship is the term we use to describe how we are reducing the environmental and social impacts of our products and services.

Product stewardship is not just good for the environment; it benefits our customers, our business and our suppliers. It also cuts costs by reducing the use of energy and other resources and waste disposal charges.

Product stewardship is an integral part of our environmental management system and involves making sure the products we buy, use and sell have the lowest possible impact on the environment when they are designed, manufactured, used and disposed of.

Our approach to product stewardship complements our business priorities from product idea to launch, sales lead to confirmed business, and customer problem to resolution.

A dedicated team coordinates product stewardship, supported by a business wide Forum. The Forum meets quarterly to discuss legal compliance with product related environmental legislation, to monitor and to manage and measure compliance processes and associated risks.

Product stewardship in practice

We are engaged in a number of product stewardship activities across BT, including:

- influencing our suppliers to consider, for example, their choice of materials and measures to reduce energy consumption
- extending end-of-life take back beyond legislative requirements and ensuring network equipment, such as routers is reused and recycled where possible
- ensuring the products and services we source on behalf of customers meet the latest regulatory standards
- advising current customers on product reuse, recycling and disposal
- ensuring that energy, material and waste concerns are considered in strategic product launches

- making our products and services accessible to as many people as possible, including older people and people with disabilities through our [Including You](#) portfolio.

Product stewardship in the supply chain

Our supply chain generic standards set the standards that we expect of our suppliers in regards to material content and environmental attributes of products.

Our product stewardship standard, Generic Standard 19 (GS19), is an integral part of our supplier sourcing process. GS19 also includes a blacklist of banned materials and a grey list of materials giving cause for concern, and suppliers must confirm whether they use these substances.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	BT will review and drive improvements in methodologies used for its product stewardship reporting obligations.		New

Design for the future

The design stage offers the greatest opportunity to improve a product's lifecycle environmental performance and credentials. Good design helps manufacturers to use fewer raw materials and avoid undesirable substances.

Designers also strongly influence how much energy a product will use during its life, and whether it can be easily reused, recycled or safely disposed of at the end of its life.

BT and the circular economy

The **"Take-Make-Dispose"** model of production and consumption is no longer feasible on a planet with finite natural resources and a growing population. BT recognises that organisations need to adopt an understanding of how smarter design can help eradicate waste.

Global consumption of key industrial materials is approaching critical levels. Furthermore, industrial and consumer waste generation is escalating faster than approaches to deal with it.

The [circular economy](#) – a phrase coined to explain how this challenge can be addressed – considers that our industrial systems should work like organisms, processing 'nutrients' (i.e. waste) that can be fed back into the manufacture/consumer cycle, adding and retaining value.

According to the circular economy approach, the biological and technical component parts of any product can have another useful life, thereby reducing reliance on precious – and finite – virgin raw materials.

It is ultimately a vision for a world in which waste is designed out of the manufacturing process. This is achieved through end-to-end lifecycle planning, where "closed loops" are created to protect the value of the material components used in a product.

We have been working closely with leading edge polymer recyclers, eco-packaging and industrial design agents, universities and other companies in the pursuit of trialling advanced recycled materials.

Our partnership with the Ellen MacArthur Foundation

We are a founding member together with Cisco, B&Q, Renault and the National Grid, of the Ellen MacArthur Foundation (EMF). The EMF is a charitable organisation which aims to accelerate the transition to a circular economy and through this inspire a generation to rethink, to redesign and build a positive future. The Foundation focuses on the three areas of education, communication and catalysing business innovation.

In January 2012, EMF issued a [report](#) on the potential of a circular economic model. The research, which includes analytics by McKinsey & Company, outlines major opportunities, both immediate and long-term.

Gavin Patterson, Chief Executive, BT Retail explains,

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The concept of the circular economy tallies completely with our thinking at BT about the importance of providing goods and services sustainably. As a company, we feel intimately involved with these ideas, because digital technology will play a crucial role in providing the information needed to create iterative logistics and restorative systems.

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Click [here](#) to see Jon Snow interviewing Ellen MacArthur about the work of the Foundation.

Designing Our Tomorrow toolkit

Optimising material usage and waste across the product life-cycle can enable carbon reductions by conserving the energy (and associated carbon emissions) required to make materials and by reducing the energy required to treat waste.

Prof John Clarkson, Director, University of Cambridge Engineering Design Centre says,

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Design is about solving real problems. Humankind faces the unprecedented challenge of creating a sustainable future, so that we can leave our planet as we would like to find it. The University of Cambridge, Engineering Design Centre is proud to partner with BT in leading a consortium to develop a toolkit for Designing Our Tomorrow, which will publicly launch in April 2013.



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Designing Our Tomorrow is about taking account of life-cycle impacts, with a particular focus on carbon emissions, and waste materials, and embedding these considerations into 'business as usual' decision making processes. This toolkit will be used to help embed circular economy principles into our product design processes.

The toolkit considers the following decision making criteria:

- **People:** is the product useful, usable, desirable and affordable? How does the product impact society, and how is this perceived?
- **Profit:** do the life-cycle costs to the business meet return on investment and risk criteria? Does the product conform to and enhance the brand?
- **Planet:** does the life-cycle of the product encourage and enable sustainable use of materials and resources, control of toxicity and emissions and efficient energy use?

To date, research has focused on trialling high recycled-content materials and innovative packaging concepts for our products, as well as developing techniques to assess lifecycle impacts and identify opportunities for improvement.

Product reuse and recycling

We aim to reduce all forms of waste, looking at ways to extend the life of network infrastructure and equipment first, and recycling equipment that cannot be reused.

Promoting reuse and recycling

BT is committed to reusing and recycling products. Where practical we repair and refurbish our UK network equipment which includes kit used in our exchanges and by our engineers.

For business customers

Our Global Customer Premises Equipment team works with companies that provide and maintain equipment to increase reuse and recycling levels.

BT-owned equipment used on customers' premises in several European countries is now returned to a recycling specialist facility in The Netherlands, where it is stripped down and the components reused.

This activity in Europe saved BT around £2.9m in 2012, by reusing components. In the US, this reuse initiative saved around £2.9m million.

We launched new technology products in the summer of 2011. As a result, the volume of BT-owned customer premises equipment available for reuse declined in the last quarter of 2012 due to the incompatibility of reusing old technology in new technology equipment. This trend in decline is expected to continue in to 2013. We anticipate that volume for reuse will increase in 2014 and beyond.

In 2012, BT's UK network equipment repair and refurbishment initiative saved £6.8 million compared to the cost of new equipment. This is in conjunction with the Ellen MacArthur Foundation (EMF) to look at products redesign in relation to the circular economy.

For UK consumers

We encourage our customers to return any unwanted BT Home Hubs (wireless routers) and Vision+ TV set top boxes to us for recycling. The service is free and can be arranged through our customer service number 0800 800150.

Our value chain footprint

Our environmental impacts extend beyond our own operations – from the impacts across our supply chain to how our products and services are used by our customers.

We have a long track record of managing the impacts of our operations on the environment. We are keen to understand the wider impacts that our products and services have, and have undertaken some analysis.

Read more in following sections

- to see how we are starting to measure the greenhouse gases associated with the full life cycle of products including raw materials, manufacturing, transportation, storage, use and disposal

- our analysis of the water footprint for three of our consumer products for the first time this year.

Carbon footprint

Carbon footprinting is an important part of BT's pursuit of carbon reduction opportunities including our supply chain and portfolio of products and services.

Carbon footprinting enables us to understand the full life cycle emissions of our products and services and identify the elements of a solution which are responsible for the highest carbon emissions.

What is carbon footprinting?

Carbon footprinting describes a process whereby BT's organisational, product and service greenhouse gas emissions are estimated. It gives us a sense of the size and scale of the carbon impact and allows us to focus our carbon reduction activities on where they will make the most difference.

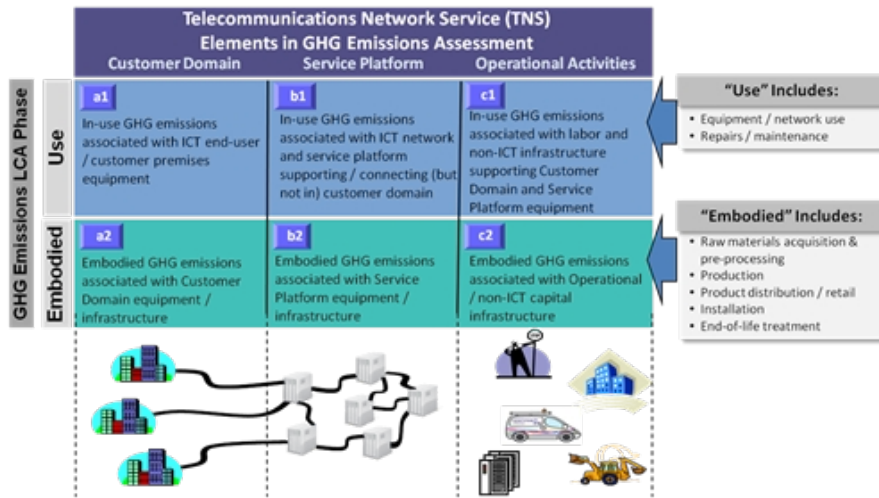
Carbon footprinting also enables assessment of the 'lost potential' when materials that take a lot of energy to create are thrown into landfill. This issue is considered in more detail within the [design for the future](#) section.

Where possible we consider:

- use-phase emissions from energy used while the equipment is operational
- embodied emissions associated with the manufacture, distribution and disposal of equipment
- emissions associated with the operational activities related to the service deployment and maintenance.

This enables us to understand the full carbon impact of our design decisions.

The diagram below shows the use stage and embodied emissions associated with a telecommunications network service.



Carbon footprint - services

BT's communication solution for the London 2012 Olympics

We have estimated the carbon footprint of the communications services that we are providing to the London 2012 Olympic and Paralympic Games. See our case study.

We are building on this methodology to use it when estimating carbon footprints for other large customers. We are also working on developing common global approaches and methodologies for carbon footprinting of ICT services.

Assessing the carbon impact of superfast broadband

Funded by the EU, BT and Cornwall Council, Superfast Cornwall is an ambitious £132 million partnership bringing superfast broadband to Cornwall and the Isles of Scilly, making it one of the best connected places in the world by 2014.

The programme is managed through a partnership with BT and the Cornwall Development Company (CDC) and aims to drive 50% take up of superfast fibre across Cornwall. It also aims to secure 4,000 new jobs, safeguard a further 2,000 and help attract new businesses to the area.

In addition to the ambitious aims of the programme and as part of Superfast Cornwall's Environmental Monitoring commitments, BT has led the development of a ground breaking study into the carbon impact of superfast. This study is aiming to quantify the net carbon impact of the superfast network by considering changes in the end users' carbon footprints from their pre-superfast base lines.

We commissioned development of online carbon calculators for both consumers and business users and are encouraging Superfast Cornwall users to start measuring the carbon emissions, as the first step towards minimising them (www.superfastcornwall.org/carbon-calculator).

We are keen to understand whether the take-up of carbon-friendly applications such as videoconferencing and cloud computing have a measurable impact on the carbon footprints of consumers and business users across the region.

Alongside this we are calculating the carbon impact of the Superfast Cornwall network itself in order to provide insights into the net impact of the superfast roll-out on the region as a whole. We hope to extend the learning from this study to other areas across the UK and, in so doing, start to deliver on the premise that ICT can play an important role in reducing carbon emissions from other sectors and activities.

Carbon footprint - products

Carbon footprinting in partnership with our customers

Working closely with our key suppliers, we have built a comprehensive database of power consumption data for many of the devices we specify in our customer solutions.

Our carbon footprinting tool has been used to estimate the use-phase carbon footprint of the global IT inventory we manage on behalf of one of our global customers and we have used the reports we have generated to identify the carbon hot-spots in the inventory and make recommendations which could help to lower our customer's IT carbon footprint.

We plan to revisit the carbon footprint on a 6-monthly basis to help inform our understanding of the carbon emissions resulting from our customer's IT estate. This will help us to identify targeted actions which could help to minimise these emissions in future.

Carbon Trust verification of flagship products

BT has become the first company in the world to have product carbon footprints independently verified by the Carbon Trust to the new GHG Protocol Product Standard.

The independent verification covers three of BT's most popular consumer products; the BT Home Hub, the BT Vision+ digital set-top box and the BT Graphite 2500 DECT phone. This latest achievement marks a further milestone in BT's commitment to carbon reduction.

The carbon footprints covered all stages of the products lifecycle from 'cradle to grave'. All the products assessed showed that the majority of the carbon emissions are from the electricity consumed when they are being used in the home.

The remaining carbon emissions, often referred to as 'embodied', occur in the upstream and downstream processes such as raw material acquisition and component production, manufacturing, distribution, and end of life treatment.

The carbon emissions for each product can be summarised as follows:

Product	Total lifetime carbon emissions (kg CO2e)	Ratio of in-use to embodied carbon emissions
BT Home Hub (3.0)	164	92% in-use, 8% embodied
BT Vision+ digital set-top box	354	87% in-use, 13% embodied
BT Graphite 2500 DECT phone	23	75% in-use, 25% embodied

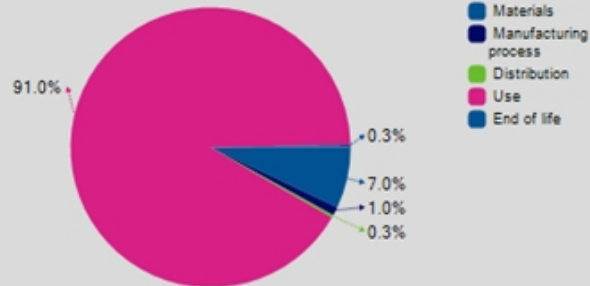
Note: A 5 year lifespan was assumed for the BT Home Hub 3.0 and Graphite 2500 DECT Phone and a 4 year lifespan for the BT Vision+ Set Top Box

A more detailed breakdown of the carbon emissions per year by lifecycle stage is shown below. [Contact us](#) for more information on our approach.

New generation Home Hub (wireless router)

BT Home Hub 3.0 (ADSL wireless router)

Carbon emissions

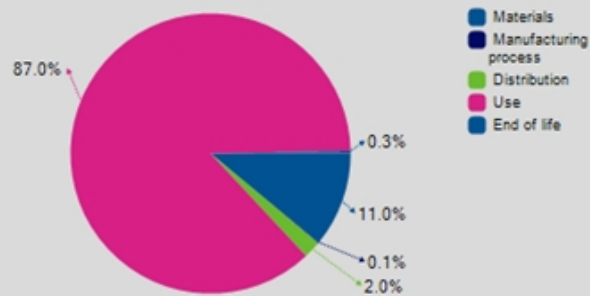


This product carbon footprint has been independently certified by the Carbon Trust to the new GHG Protocol Product Standard.
Inventory report - BT Product Footprint Report - Hub 3 v3 9FEB2012

New generation BT Vision (set top box)

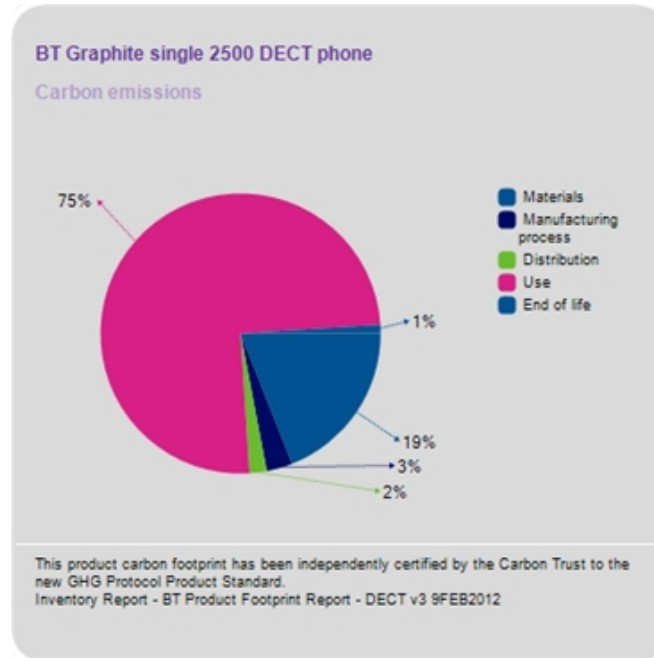
BT Vison+ (TV set top box)

Carbon emissions



This product carbon footprint has been independently certified by the Carbon Trust to the new GHG Protocol Product Standard.
Inventory Report - BT Product Footprint report - Visionbox v3 9FEB2012

New generation DECT telephone



International collaboration

Greenhouse Gas (GHG) Protocol initiative

We have been working for a number of years with the Greenhouse Gas (GHG) Protocol initiative. In March 2011, we were one of the companies instrumental in setting up an initiative to develop guidance on how to assess the greenhouse gas emissions of various information ICT services, such as telecommunications network services and desktop managed services.

Our rationale for involvement in the development of carbon footprinting standards is to develop and seek global agreement on a methodology that we can use when our large customers are asking for carbon footprinting information. A common approach to footprinting also promotes transparency and allows companies to prioritise reduction efforts.

The GHG Protocol ICT sector guidance initiative was set up to provide specific guidance on the GHG Protocol Product Life Cycle Accounting and Reporting Standard (the Product Standard). The objective is to provide a consistent approach for assessing the life cycle GHG impacts of ICT products and services.

The ICT sector guidance is jointly convened through the World Resources Institute (WRI), the World Business Council for Sustainable Development (WBCSD), the Carbon Trust and the Global e-Sustainability Initiative (GeSI).

BT, together with Alcatel Lucent, has been co-chairing the working group developing guidance for assessing the greenhouse gas emissions of telecommunications network services. Draft versions of this guidance document were released for public comment in early 2012.

European Commission

BT has been involved in a European Commission (EC) pilot to test various carbon footprinting methodologies. BT is participating in this pilot in a consortium together with our partners Alcatel Lucent and Cisco.

In order to undertake the EC pilot, BT's Wholesale Broadband Connect (WBC) service was used as a case study – notably because this makes use of ICT equipment from Alcatel Lucent, Cisco and BT and allows the footprinting methodologies to be fully exercised on a complex network service.

This study showed that the highest carbon impact per customer connection was the home router and the majority of that in the use phase.

Water footprint

BT recognises the challenge of water scarcity and increasing stakeholder concern around responsible water use.

Consistent with our approach to understanding and reducing carbon emissions for our customers as part of our climate change strategy, we believe there is also benefit in understanding the 'virtual water' footprint associated with our products and services.

Understanding the water footprint of our products

BT worked with environmental consultancy URS to complete a water footprint of two of our leading consumer products – the Home Hub and the Vision+ digital TV box.

In line with the Water Footprint Network guidance, a lifecycle approach was undertaken to water footprinting.

The study showed that the calculated water footprint of a:

- Vision+ box is 2,200 litres
- Home Hub 2 is 1,600 litres
- Home Hub 3 is 1,200 litres

It also highlighted the following as significant contributors to the product water footprint:

- water 'embedded' in raw materials such as metals, plastics and packaging
- the water consumed, and more significantly, the impact of wastewater discharged during the manufacture of the electronic components.

Understanding water risks in our supply chain

As is the case for many businesses, the water footprint from BT's supply chain is much larger than for our direct operations.

To understand our supply chain water footprint, URS carried out a high level study to understand and identify potential water supply and business continuity risks associated with 20 of BT's broader Tier 1 suppliers.

A key intended outcome from a water footprint, in contrast to a carbon footprint, is not necessarily to reduce water use, but to focus actions in locations where water resources are already, or are going to be, constrained.

Based on this study, it has been identified that a number of BT's component manufacturers are located in parts of Asia classified as low water availability which is expected to become more water scarce. Also, parts of Southern China which although currently classified as water sufficient, have a water quality issue restricting actual usable quantities.

The study also highlighted the need to work with our Tier 1 suppliers to:

- improve our understanding and traceability of priority component/equipment suppliers and
- engage with key equipment/component suppliers on water scarcity/climate change and water pollution risks.

The life cycle approach we have taken to water footprinting helps us understand the tangible and direct business continuity impacts that may be associated with water use in different areas of the world. It also enables us to begin to engage in the water debate at an early stage.

We intend to continue to raise awareness of water issues throughout our supply chain and build relationships with key suppliers. In the longer term we hope to be able to influence positive changes in respect of water use and conservation, particularly in water stressed regions.

We also intend to include water impact considerations into risk plans for flagship products and key suppliers of network equipment.

This study has informed our thinking and understanding on key water impact areas such as packaging and will be used to help influence our future design requirements.

Product related environmental legislation

We are affected by a number of European Union directives and regulations designed to reduce the environmental impacts of electrical and electronic equipment (EEE).

These include,

- The Waste Electrical and Electronic Equipment (WEEE) Directive
- The Restriction of the use of Certain Hazardous Substances (RoHS) Directive
- Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation
- Batteries and Accumulators and Waste Batteries and Accumulators Directive
- Eco-Design Requirements for Energy-related Products (ErP) Directive.

We monitor and manage these legislative risks through our Product Stewardship Forum, which brings together people from across the business and meets quarterly. The forum reviews and reports on product related environmental legal risks, raises awareness of product stewardship issues among our employees, and monitors and improves our product stewardship processes.

We manage risks from product related environmental legislation by:

- training our buyers in product stewardship, and offer computer-based EEE related product stewardship training for product managers
- running focused forums on topical issues as necessary to help our people have a deeper understanding of policy and legislation
- providing our Product Stewardship Generic Standard 19 (GS19) to potential suppliers during our tender process
- including in GS19, a blacklist of banned materials and a grey list of materials giving cause for concern, and suppliers must confirm whether they use these substances. The grey list provides a link to the REACH candidate list via the European Chemicals Agency website
- continuing to monitor reviews of EU legislation, such as the revision of the recent RoHS directive and any implications for our products.

Continual improvement

As part of our continuous improvement process we have identified opportunities to improve our product stewardship reporting systems. To address this we have initialised a full review to determine how best to improve our systems and processes. We have notified the relevant stakeholders that this review is underway.

Informing regulation

We work with industry bodies such as the UK Industry Council for Electronic Equipment Recycling (ICER) and the Information Technology, Telecommunications and Electronics Industries Association (INTELLECT) to monitor and inform the development of new and existing regulation.

Reducing our environmental impacts

Good environmental management saves money and improves business efficiency, as well as ensuring we do all we can to reduce the environmental impacts which result from our operations.

Our Environmental Management System (EMS)

Our EMS provides the structured framework for the management of the company's environmental impacts,

In the UK our EMS has been certified to the international standard ISO 14001 since 1999. Since then, we have extended certification to BT Belgium, BT Ireland, BT Germany, BT Netherlands, BT Italy and BT Spain. BT Spain is also certified to the European Eco-management and Audit Scheme (EMAS).

ISO 14001 requires us to demonstrate compliance with environmental laws and regulations, control environmental risks, and enhance our EMS through continual improvement. To ensure that we improve our performance we set improvement targets, and report publicly on our achievements and challenges.

Our EMS is regularly audited by external assessors Lloyds Register Quality Assurance (LRQA), and we are pleased to report that during the 2012 we maintained ISO 14001 certification across all operations that currently hold the standard. We also carry out our own internal environmental audits across all our operations on an annual basis.

Management system tool

Demonstrating that environmental impacts are adequately managed is a requirement of any EMS. To facilitate this, we use a web-based environmental management tool for internal management reporting and compliance called enviroMANAGER™.

The system records relevant environmental information, allowing us to record compliance with legislation, carry out risk assessments and document our environmental management processes and procedures.

The system is regularly updated with new and forthcoming environmental legislation, allowing us to consider any potential impact on current and future business operations and plan accordingly.

Keeping our people informed

We communicate our environmental policy and EMS requirements to our people by a variety of internal communications and engagement processes. This includes management forums with responsibility for different aspects of our environmental obligations. Recognising that our most significant impacts are energy related, this year we have focussed our communication and engagement activities with our people and our suppliers on this.

EMS improvements

Worldwide environmental reporting

BT was one of the first UK companies to publish an environment report in 1992. As BT's operations support a worldwide customer base, in 2008 we took the decision to include reporting on our international operations. This is essential as we seek to improve our environmental performance by setting targets designed to minimise the environmental impact of our business activities worldwide.

We collect and assess data from 19 countries, including the UK, where BT has a significant business presence. We've chosen these countries as over 97% of our people as based in them. We are focusing on minimising our energy use and carbon emissions as these are material issues to ourselves and our stakeholders.

Increasing the scope of our environmental reporting

We collect and analyse a wide range of environmental data from our international operations including waste and recycling, emissions to air, energy, fuel use and business travel. This will provide the foundation to improve our measurement and reporting processes. In 2012 we have extended recording of individual buildings data for most of our these countries. As a result, we are increasingly able to monitor changes within different areas of the business such as data centres, office buildings and network operations.

To ensure data is accurate, we request supporting evidence for the data provided, for example electricity bills, green energy certificates or waste collection invoices.

External verification

We review our reporting processes regularly with our data providers to ensure it remains current and fit for purpose. LRQA has for the second year provided a high level of assurance for the 2012 data, published in this report.

LRQA has acknowledged the improvements we have made in both reported data quantity and quality from our non-UK operations.

Environmental prosecutions

The number of environmental prosecutions can be used as an indication of how we management our environmental impacts. We are pleased to report that in 2012, BT received no environmental prosecutions.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against our 2011/12 outturn.		New
April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against 2011/12 outturn.		New

Carbon emissions

It is 20 years since we set our first carbon dioxide emissions reduction target

A proud track record of carbon reduction

In our first environment report in 1992 we calculated our carbon emissions for the use of energy to power our networks and building at 2 million tonnes. We also set our first target to stabilise energy related emissions by 1995.

Back then we were a large UK company with no international footprint. A lot has changed since then.

Performance against targets

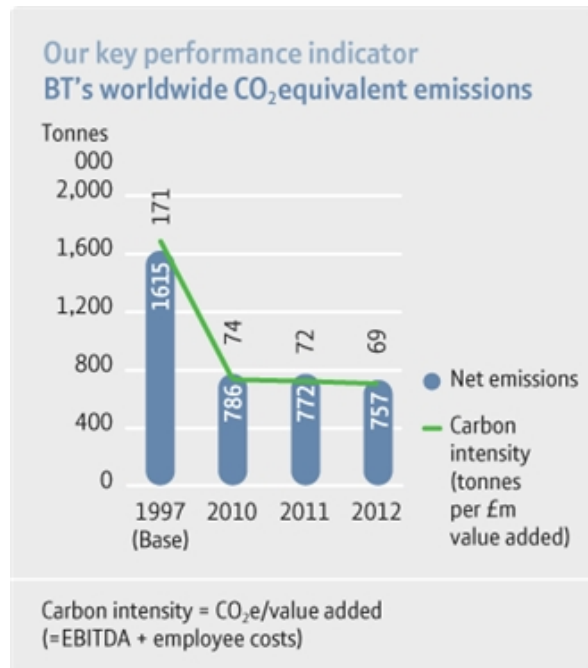
We have 2 targets related to our carbon emissions performance an absolute target for our UK emissions (set in 2007) and an intensity target (KPI) for our global emissions (set in 2008).

For full transparency, our carbon accounts this year show our gross footprint based on the 'grid average' carbon content of purchased electricity, and our net footprint which takes account of the carbon reductions achieved with the purchase of low and zero carbon electricity.

KPI: Reduce the carbon dioxide equivalent (CO₂e) intensity of our worldwide business by 80%, from 1997 levels, by December 2020.

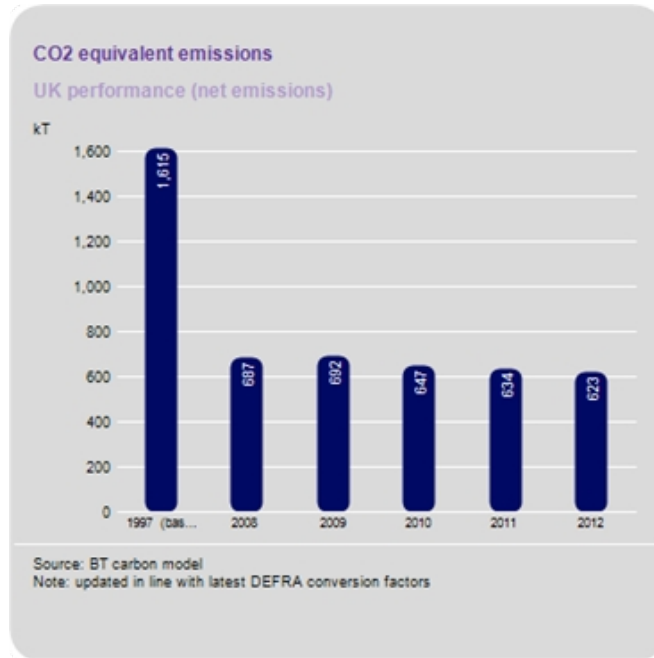
Update: In 2012 our worldwide emissions intensity (after the purchase of low and zero carbon electricity) was 69 tonnes CO₂e per £ million value added (EBIDA = employee costs), a 60% reduction from our base year.

Our Climate Stabilising Intensity (CSI) approach associates our emissions with the contribution our profits and employment costs make to the world economy. The CSI model is based on a converging scientific consensus that, from a 1990 base-year, CO₂e emissions worldwide need to be reduced by around 50% by 2050.



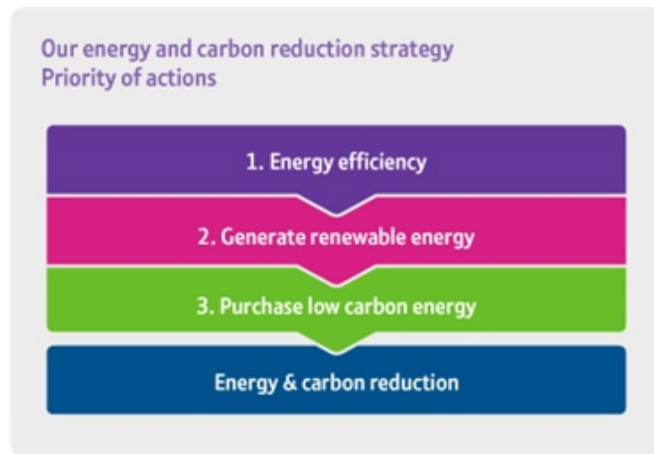
Target: To reduce our UK carbon dioxide emissions to 80% below 1997 levels by December 2016.

Update: In 2012 our UK emissions (after the purchase of low and zero carbon electricity) was 623 kilotonnes, a 61% reduction from our base year.



See our [carbon emissions](#) model for more details

Actions to reduce our energy emissions



Energy efficiency

The purchase of electricity, including from zero and low carbon intensity sources, makes up over 70% of our direct carbon emissions.

Last year, our energy efficiency programme succeeded in decoupling energy use from business growth. We reduced our energy consumption by 3.3% against our 2% target for 2011. The energy saving programme delivered savings worth £21.9m per year.

A number of initiatives contributed to this reduction, including the installation of more sophisticated smart meters in 1,900 BT sites, and in part through the ongoing efforts of our 1,500 energy champions. Overall, our carbon emissions intensity has reduced by 60% since 1997.

Investing in renewable energy generation

We aim to generate 25% of our energy consumption directly from renewables by 2016. Providing energy from wind, solar and biomass will reduce our carbon emissions and mitigate energy price rises.

The continuing uncertainty in UK policy on renewable energy is adversely affecting our planned investments in wind and solar electricity generation, as well as the impact of potential changes in government carbon reporting measures that will discourage companies from specifying low carbon energy supplies. An unambiguous government policy that supports efforts to produce and increase demand for low carbon energy is needed given our ambition to reduce our CO2 emissions by 80% by 2020 against our 1997 baseline.

Purchase low carbon energy

BT's renewable energy purchasing is significant, an annual global spend of around £256 million.

Over 84% of our energy is consumed within the UK, with the majority used to power our networks and data centres. We meet approximately 41% of our electricity needs in the UK by purchasing renewable energy, and have extended this contract until 2014. 54% of our electricity comes from combined heat and power generation. The limited supply of renewable energy in the UK means that we pay a premium for this energy.

However, we believe that this situation could be addressed if the Government changed the way energy utility companies sold energy to businesses and homes.

It is BT's view that energy is not accurately classified or labelled according to its actual carbon emissions at the point of production. The result is a largely crude categorisation of energy as either 'brown energy' (from fossil fuels) or green energy (from zero or low carbon sources) with no specification as to the 'grade' of green energy.

We believe that this inhibits the growth of the renewable energy market because there is little financial incentive for purchasers to buy greener forms of energy. This also compounds the complexity for organisations reporting on their carbon emissions in particular how to account for the purchase of energy with differing carbon emissions intensity at point of generation.

We are working closely with governments to help develop a consistent approach to reporting, and labelling at source, the carbon content of electricity. The certification of electricity at point of generation would provide consumers of carbon with the power and incentive to influence investments by suppliers using the usual market mechanism of exercising consumer choice through purchasing decisions. A coding system similar to energy labels for white goods or buildings, where a rating of A to G (high to low performance), would be easily understood by the businesses and consumers.

In the UK, we have had direct meetings with ministers and government including DECC, DEFRA, Treasury and Cabinet Office to discuss the idea of electricity labelling. We are also working with the Aldersgate Group (a coalition of environment agencies, NGOs, think tanks and industry representatives) to help create more buy-in to the idea across industry.

One of the challenges we face is engaging multiple policy stakeholders on this issue. Furthermore, we are aware that governments have their own energy priorities, such as the Energy Market Review in the UK.

Richard Tarboton, BT Operate, Director of Energy and Carbon explains;

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Given these challenges, we believe the best way to fast track the debate on energy labelling is to develop a voluntary labelling scheme in collaboration with energy providers, to trial the concept and work through the practicalities of implementing a solution. BT is committed to exploring a range of avenues in relation to carbon rating electricity at source. We are aware that the task at hand is an inherently complex one, but remain focused on developing a solution which works for businesses, government and the energy industry.

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Other emissions

Read our [travel and transport](#) section to see how we are reducing our impacts through use of audio and videoconferencing and trialling alternative fuel vehicles for example.

Reporting our wider carbon footprint

Increasingly businesses recognise that the impact of their business decisions impact downstream in its supply chain and upstream in its customer base. We are exploring our indirect carbon footprint – a measure of the indirect CO2 emissions from the whole lifecycle of products we use – from their manufacture and eventual disposal.

BT has developed a pioneering approach to estimate the carbon footprint of our telecoms network services. We used this approach to assess the emissions associated with the communications solution we are providing to the London 2012 Olympic Games and we are continuing to use it when estimating carbon footprints for other large customers.

Our plans

We continue to look for ways to innovate within the business and for our customers in ways to reduce the carbon intensity of our operations and their work and business lives. We have set a new energy target for 2013 and continue to deliver on our plans to meet both our UK and worldwide carbon emissions targets.

Targets

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April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against our 2011/12 outturn.		New
April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against our 2011/12 outturn.		New
April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against 2011/12 outturn.		New
April 2012	March 2013	We will reduce our, worldwide, absolute carbon emissions (after purchase of low and zero carbon energy) by 1.3% from 2012 levels.		New
April 2008	December 2020	BT Group will reduce its CO2e emission intensity by 80% against 1997 levels by December 2020. (KPI)	2012 update - we have reduced our CO2e emissions intensity by 60% from our 1997 base year.	On Target
April 2007	December 2016	BT will reduce its UK carbon dioxide emissions (measured in tonnes CO2 equivalent) to 80% below 1997 levels.	2012 update - we have reduced by 61% from our 1997 base year.	On Target

BT's CO2e emissions statement

We have reported our carbon emissions since 1992 and have followed the Climate Disclosure Standards Board (CDSB) framework which builds on the World Resource Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol (GHGP).

Our 2012 carbon emissions model

See the [methodology section](#) of our report for further details

Carbon emissions model 2012						
Emissions source (CO2e kilotonnes)	1997 (Base)	2008	2009	2010	2011	2012
Scope 1 - Stationary Combustion						
Oil Combustion - Electricity Generation	12	4	2	2	2	4
Gas Combustion	108	80	81	71	69	56
Oil Combustion - Heating	67	10	11	10	9	7
Refrigeration Gases (HFCs and SF6 only)	1	3	6	5	5	4
Commercial Fleet Diesel	167	124	115	101	103	104
Commercial Fleet Petrol	18	0.66	0.05	0.01	0.01	0.02
Company Car Diesel	24	29	30	21	17	19
Company Car Petrol	16	6	4	3	2	2
Total Scope 1 emissions	414	256	249	213	206	196
Scope 2- Purchased Electricity						
At grid average intensity (gross) - excludes 3rd party consumption	1,144	1,435	1,382	1,272	1,338	1,302
Less purchases of;						
Renewable electricity	na	528	577	516	547	529
CHP low carbon electricity	na	353	299	233	273	259
Scope 2 emissions (net)	1,144	555	506	523	517	514
Combined Scope 1 & 2 emissions (net) - excludes 3rd party consumption	1,558	811	755	737	724	710
Scope 3 - Other indirect emissions						
Homeworker emissions (estimate)	na	6	6	4	4	4
Cars on BT Business (Diesel)	1	13	11	9	8	8
Cars/ Motorcycles on BT Business (petrol)	5	0.02	1	0.02	0.02	0.02
Refrigeration Gases (CFCs and HCFCs only)	13	5	7	6	4	2
Rail travel	11	7	7	5	5	6
Air Travel (Domestic)	na	9	8	7	7	6
Air Travel (short haul)	8	5	3	2	2	3
Air Travel (long haul)	8	21	19	10	13	12
Hire Cars (All Fuels)	11	14	11	5	5	6
Total Scope 3 emissions	58	79	73	49	49	46
Total CO2e emissions (net)	1,615	890	828	786	772	757
Percentage change from base (net)		-45%	-49%	-51%	-52%	-53%
na - not available						

Targets

Start	End	Description	Update	Target Status
April 2008	December 2020	BT Group will reduce its CO2e emission intensity by 80% against 1997 levels by December 2020. (KPI)	2012 update - we have reduced our CO2e emissions intensity by 60% from our 1997 base year.	On Target
April 2007	December 2016	BT will reduce its UK carbon dioxide emissions (measured in tonnes CO2 equivalent) to 80% below 1997 levels.	2012 update - we have reduced by 61% from our 1997 base year.	On Target

Energy

BT consumes a significant amount of energy to operate our networks, data centres and offices – approximately 0.7% of total UK electricity consumed.

About BT's energy use

Over 84% of BT's energy is consumed within the UK, with the majority used to power our networks and data centres.

We meet approximately 41% of our electricity needs in the UK by purchasing renewable energy, and have extended this contract until 2014. 54% of our electricity comes from combined heat and power generation. The remaining 5% is from the grid.

Approximately 16% of energy is consumed outside the UK, and we expect this figure to increase as we expand our business globally.

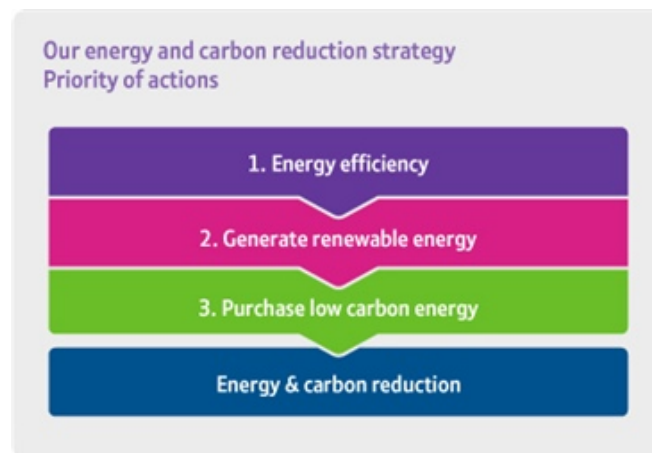
Key achievements in 2012

In 2012 BT delivered some notable achievements in energy and carbon reduction:

- **3.3% reduction** in global energy consumption
- 21MW consented of renewable energy supply
- a smart energy control network across 1,900 operational sites
- 1,500 energy champions across the world helped to promote energy saving
- Over **£21 million cost savings** per annum through energy efficiency.

Our energy and carbon strategy

Our energy and carbon strategy consists of three elements:

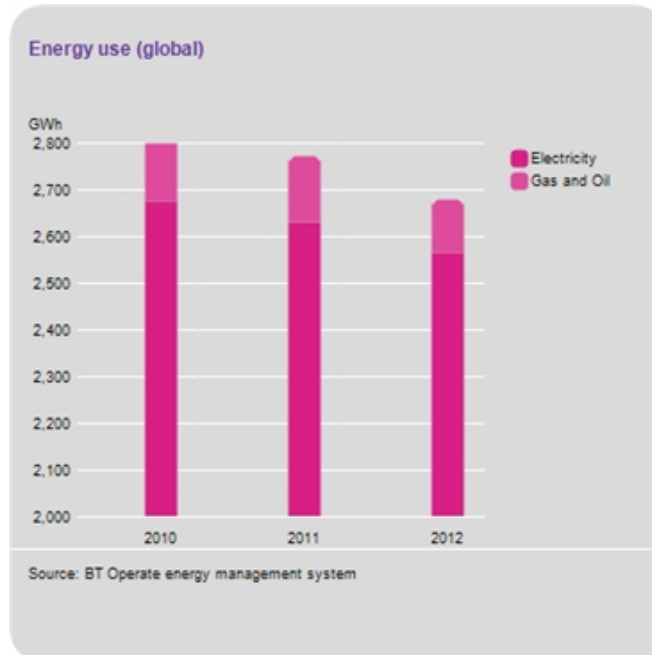


1. Reducing consumption and improving energy efficiency in our buildings and equipment is our highest priority.
2. Next we look for opportunities to generate new renewable energy either on site or through wind farms, adding to the renewable supplies available.
3. We purchase our electricity from existing renewable and low carbon energy sources.

We have short and long-term targets for reducing our energy use and the associated impact on climate change by improving energy efficiency and using renewable energy. As well as benefiting the environment, reducing energy use helps us cut costs and secure supplies of energy in the long-term.

Global energy consumption

BT has reduced global energy consumption by 3.3% this year with our total energy consumption (excluding metered tenants in BT UK properties) decreasing to 2,677GWh. This is in excess of our 2% target for the year and is the third consecutive year that we have reduced global consumption, despite additional business as usual growth driven by the introduction of new services and technologies.



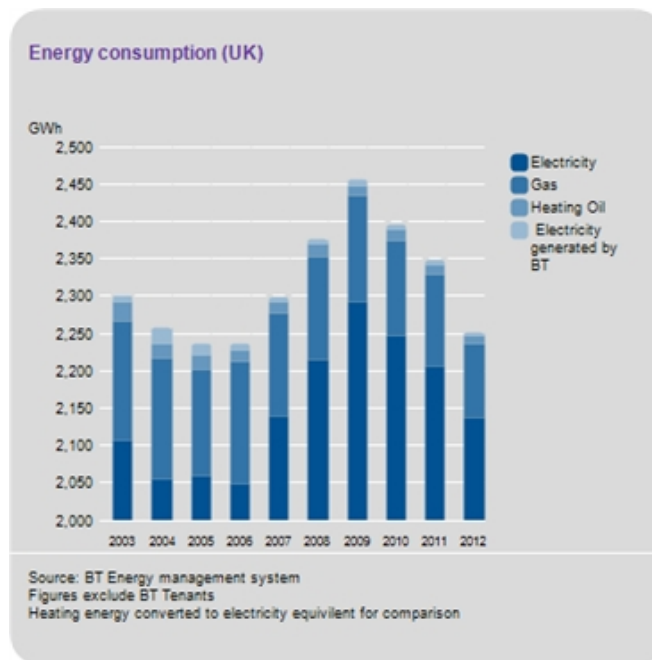
Our new target is to reduce absolute usage by 1.5% by the end of 2013 compared to 2012.

Outside the UK, we collect energy data from 18 countries where electricity usage is significant (currently greater than 250 MWh per annum per country). In 2012, we used 426 GWh of energy at these sites.

Energy reduction projects and investments will have saved us £21.9m per annum.

UK energy consumption

Energy use in our UK network and estate (excluding metered tenants) decreased by 4% during 2012, to 2,251 GWh. This is the third consecutive year that BT has reduced UK energy consumption.



Carbon Reduction Commitment (CRC) Energy Efficiency league table

BT has been ranked the leading UK telecommunications company in the Carbon Reduction Commitment (CRC) Energy Efficiency league table, published by the UK government.

We achieved a score of 95 out of a maximum 100 points, and ranked 44th out of 2,103 organisations for our energy efficiency, carbon management and implementation of smart metering.

Carbon Trust Standard

BT UK Operations has been recertified with the Carbon Trust Standard for successfully measuring, managing and reducing carbon emissions. BT has held the Carbon Trust Standard for the last three years. The award is valid for two years.

The Standard was developed by the Carbon Trust in 2008 to encourage good practice in carbon measurement, management and reduction by businesses and public sector organisations.



Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	BT will reduce its global net carbon emissions by 1.3% against our 2011/12 outturn.		New
April 2011	March 2012	BT will reduce its global energy consumption by 2% compared to 2011 outturn.	Last year, our energy efficiency programme succeeded in decoupling energy use from business growth, meaning that even though our business grew, we were able to reduce global consumption by 3.3% saving £21.9m per year.	Completed

Reducing our energy demand

Reducing energy use is a fundamental part of our carbon reduction strategy. It helps us to reduce our bottom line costs while supporting the UK's transition to a low carbon economy. It also ensures we meet our obligations under the UK Government's Carbon Reduction Commitment Energy Efficiency Scheme.

Our approach

Reducing energy consumption in our buildings, networks and data centres is business as usual at BT. We do this by implementing solutions to increase energy efficiency, encouraging employee behaviour change, improving and upgrading existing plant machinery and investing in new technology.

We also closely monitor energy consumption from electricity, gas and fuel oil in all our UK buildings and operations by using a network of electricity and gas smart-meter systems to collect and analyse data at half-hourly intervals from over 28,000 meters in the UK.

In addition to this, over 12,500 electricity sub-meters allow us to accurately monitor electricity consumption, to identify waste and give our operations detailed feedback about their usage.

Reducing energy demand

Our continued investment in energy reduction has enabled BT to reduce global energy consumption on an absolute basis while our business continues to grow.

Despite this growth, our global energy use reduced by 3.3% due to energy efficiency measures and investment in energy reductions in our networks, data centres and offices and our BT's energy reduction and investment programme.

In 2012, we delivered energy saving projects with savings worth £21.9m per year. We achieved these savings largely by switching off old network equipment, using server virtualisation, reducing office space and auditing building energy use to identify areas for action.

Our energy reduction programme has three main pillars which span our networks, data centres and buildings estate. These pillars are:

1. Smart energy control and equipment replacement

During 2012, our SMART control initiatives delivered savings of £11.37m per annum. The majority of BT's electricity consumption is now monitored through SMART meters giving us real time data on how much energy is being consumed and enabling us to identify and resolve any energy waste issues.

Key achievements this year included:

- delivering Building Energy Management Systems (BEMS) to an additional 1,651 of our largest sites. This is set to reduce energy costs by a total £8.6m per annum. BT is now investigating rolling out equivalent micro BEMS to smaller buildings.
- improved boiler controls and analysing the data from 1,252 smart gas meters
- during the winter we ran 211 backup generators to reduce the electricity demand on the national grid. We are developing further remote control capabilities to participate in other demand response schemes (e.g. Short Term Operating Reserve), which will reduce carbon emissions in the UK power sector.

2. Infrastructure rationalisation

Through de-powering legacy IT systems and network equipment, optimising server utilisation and equipment cooling and rationalising our office estate we have saved £10.4m in energy reductions per annum.

Key achievements this year included:

- removing data centre equipment to save over £2.86m per annum in energy costs
- by rationalising our buildings estate we saved over £3.06m per annum
- by removing Network equipment and improving cooling efficiency we will save over £4.50m per annum

3. Employee awareness

Changing the way we live and work is essential if we are to tackle serious environmental challenges such as climate change. As a major employer, we can raise awareness among over 90,000 people directly, and reach many more by encouraging our people to pass on the message to their families and local communities.

Find out more about BT's employee engagement initiatives to reduce energy consumption [here](#).

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	BT will reduce its global energy consumption by 1.5% compared to 2012.		New

Supply from renewable sources

Renewable and low-carbon energy are important elements of our strategy for tackling climate change and securing future energy supplies.

We look for opportunities to generate renewable energy and purchase a high proportion of our electricity from renewable or low-carbon sources.

Purchasing renewable energy

We meet approximately 41% of our electricity needs in the UK by purchasing renewable energy, and have extended this contract until 2014. We have progressed to having low-carbon energy contracts in Germany, Italy, Belgium and Spain.

54% of our electricity comes from combined heat and power generation. The remaining 5% is from the grid.

In 2012, our use of renewable and low-carbon energy in the UK avoided approximately 830,000 tonnes of carbon dioxide emissions.

Generating renewable energy

BT's renewable energy programme aims to deliver on our publicly stated commitment to generate 25% of our consumption directly from renewables by 2016. Providing energy from wind, solar and biomass will reduce our carbon emissions and mitigate energy price rises.

Generating electricity on site is the most effective way of securing supplies and reducing carbon emissions. For example:

- our site in El Segundo, California, has installed photovoltaic (PV) solar panels, some of which move with the sun to maximise their output. The panels are designed to produce around 1,000 MWh of energy each year
- our Colombo House site in London generates renewable energy using a 15kW PV solar array. We are using the data to assess the potential of installing PV solar power at other BT buildings. We currently have planning consent for a large solar array on one of our main central London buildings
- we have been granted planning consent for biomass generators at three large BT sites in the UK.

It is not always possible to generate electricity at our own sites and we have looked for suitable locations elsewhere in the UK. Since 2007 we have been developing a series of small wind farms that can supply electricity for use by BT.

We have gained planning consent for 6 turbines at our Red Gap wind farm in Teesside and our Heysham site near Lancaster. These sites will produce 1.6% of our UK electricity needs, and we have started work to build these wind farms.

We have a pipe-line of other sites being brought forward to deliver part of our 25% target.

Employee awareness

Changing the way we live and work is essential if we are to help tackle environmental challenges such as climate change.

As a major employer, we can raise awareness of energy and climate change issues to over 90,000 people directly, and reach many more by encouraging our people to pass on the message to their families and local communities.

Our approach

We know that BT people already feel strongly about environmental issues. Our annual employee survey revealed that 87% of our employees thought that reducing BT's overall environmental impacts was important.

We constantly look for ways to inspire our employees to take action and make a difference. With the help of feedback from our employees, we review our engagement strategy to make sure that it is effective, inspiring and in line with our business priorities.

Energy employee engagement target

We have committed to working with our people to achieve major cuts in carbon dioxide (CO2) emissions. Our target is for 20% of employees to be actively engaged in reducing their carbon footprint at work and at home by December 2012.

As we were well ahead on this target last year, from 1 April 2011 we adopted a more challenging approach focused on BT people taking action on climate change by reducing BT's energy consumption. We measure engagement with energy saving via the CARE survey, a BT wide quarterly survey on employee satisfaction.

Energy champions

Our key employee awareness focus this year is the Switch to Saving Energy campaign which encourages all BT employees to help reduce energy waste through raising awareness of the environmental, social and financial implications.

The campaign now has over 1,500 Energy Champions who help to raise awareness and reduce energy use by switching-off lights and unnecessary equipment, reporting energy faults, such as faulty lighting, auditing energy use in their buildings and by networking and sharing ideas and best practices.

The Switch to Saving Energy campaign remains a key component of BT's overall target to reduce global energy consumption by 1.5%.

BT Energy Star

Another initiative which helps to drive engagement with our employees on energy issues is Energy Star. A BT Energy Star is someone who is committed and enthusiastic about saving energy at work. Individuals can nominate themselves or be nominated by a colleague.

The first BT Energy Star was Simon Jones from service development in BT Operate. Simon's colleague Paul Rudland, nominated him for always going the extra mile on energy saving.

Simon's successes included,

- Regularly reporting building faults that waste energy
- Arranging for unnecessary cosmetic lighting and daytime car park lighting to be switched-off
- Arranging for the installation of motion sensor operated lights in key areas.

Targets

Start	End	Description	Update	Target Status
April 2007	December 2012	20% of BT's employees will be actively engaged in reducing carbon footprint at work and at home.	We were well ahead on this target last year, from 1 April 2011 we adopted a more challenging approach focused on BT people taking action on climate change by reducing BT's energy consumption. This is in line to help us meet our overall energy programme.	On Target

Waste management

Waste is an important environmental issue for BT given the quantity that we produce annually and the increasing cost of landfill tax. We are committed to waste avoidance in the first place. And when we do create waste, we aim to recycle wherever possible, supporting a circular economy model.

Managing BT's waste

Our waste ranges from decommissioned network equipment, cabling and telegraph poles to used paper and general office waste. Our UK business creates around 43,000 tonnes (95%) of our waste per year.

We have processes for effectively managing the production and disposal of waste. This forms a vital part of our EMS and ISO 14001 certification.

As part of our approach to waste management we identify three categories of waste – category 1 represents the least risk to the environment, category 2 moderate risk and category 3 the highest risk.

All of our waste is handled by contractors, with whom we work in partnership to ensure effective waste management that meets all legal requirements as a minimum.

We have a named person responsible for coordinating waste management processes to ensure high standards across the company. This person chairs an internal waste forum, made up of the people directly responsible for our different waste streams. The forum's role includes considering new ideas for managing waste and setting and monitoring waste targets.

Non-hazardous waste disposal

We dispose of most of our general waste through material recovery facilities (MRFs) or waste transfer stations (WTS), which separate out recyclable materials like paper, cans, cardboard, plastic and paper cups. These recyclables are sent for reprocessing, while non-recyclable materials go to landfill.

We run schemes to collect recyclable materials at our sites. This not only reduces waste to landfill but also landfill costs and, in many cases, generates revenue, as we are paid for the materials collected.

Hazardous waste disposal

Some types of waste can harm people and the environment if not carefully treated and properly disposed of. The management of these wastes is governed by strict regulations.

To comply with these regulations, each year we register around 2,500 sites in England and Wales with the Environment Agency. These sites are mostly telephone exchanges. Each site may produce over 500kg of hazardous waste annually. Hazardous waste produced at these sites include;

- fluorescent lighting tubes
- refrigerants
- batteries
- clinical waste
- oil
- vehicle waste
- gas cylinders.

We have rigorous processes to ensure our waste management contractors handle our hazardous waste appropriately. These contractors are externally audited under our Duty of Care obligation.

Landfill reduction

In 2012, BT Group produced 45,115 tonnes of waste, a reduction of over 4,400 tonnes from the previous year. Of this, 8,146 tonnes went to landfill, 1,500 tonnes less than in 2011. ⁽¹⁾ We reduced our waste sent to landfill by 16% against our target of 20%.

(1) For non-UK waste data where no actual amounts are available we assume a 40%/60% split of recycled/landfilled based on headcount and average weight produced per person based on industry standard.

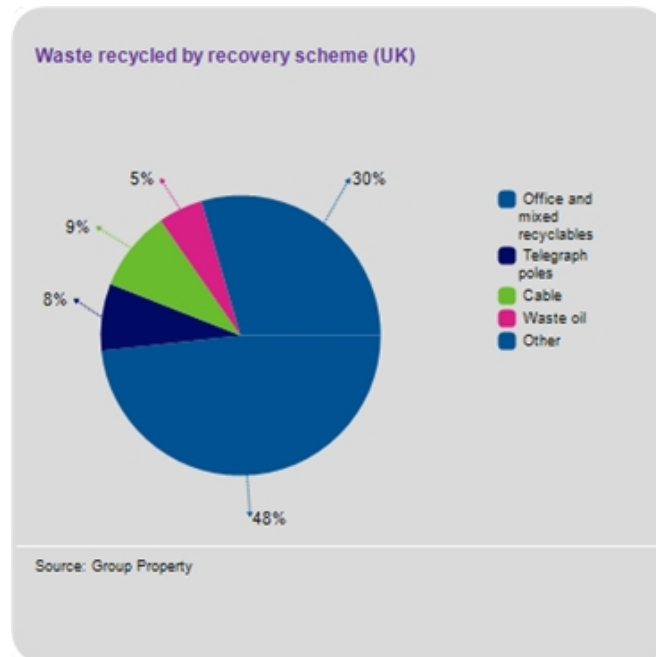


We won a Silver Category Green Apple Award from The Green Organisation in conjunction with Monteray and Biffa in recognition of our landfill reduction achievements in 2011.

In Belgium and The Netherlands zero waste is sent to landfill as all non-recyclable material is sent to plants that produce energy from waste, a total of 230 tonnes in 2012.

Recycling and recovery

In 2012 BT Group recycled 36,969 tonnes of waste or 82% of our total waste.



To improve our recycling rates, during 2012 we;

- reviewed our collection frequencies to produce a more efficient and cost effective pattern. Our strong partnership with our facilities management provider, Monteray and their specialist recycling waste management company Biffa enabled a smooth transition, reducing landfill tonnage in the process
- increased our onsite recycling scheme to over 300 of our office buildings.

Our full waste model details our performance, and can be found in this section.

As part of a national programme, we recovered around 58,000 tonnes of redundant cable from our network. This is excluded from our recycling figures as it is part of a special project rather than business as usual.

Waste minimisation

As part of our in-building waste minimisation programmes we reduced our office waste by 2,607 tonnes, an overall achievement of 13%.

Our plans

- We continue to seek opportunities to further reduce the amount of waste we generate across our business. We will continue to seek opportunities to increase the amount of waste we recover for recycling
- We will continue with our plans to ensure we reduce the amount of waste we send to landfill
- We have set a target to reduce by 10%, from 2012 levels, the amount of waste that we send to landfill.

Our waste model

Waste arising and management					
Tonnes	UK only		Worldwide		
	2008	2009	2010	2011	2012
Recycled	36,937	36,605	24,778	39,944	36,969
Landfill	42,822	36,705	31,139	9,646	8,146
Total waste	79,759	73,310	55,917	49,590	45,115
Recycled (percentage)	46%	50%	44%	81%	82%
BT UK waste (recycling) model - tonnes recycled by category					
	2008	2009	2010	2011	2012
Cable	8,550	7,092	3,418	3,088	3,347
Telephone exchange equipment	3,275	2,822	1,020	1,260	4,354
Office & packaging waste	9,411	8,830	5,811	19,856	17,288
Batteries	1,402	2,248	1,976	2,496	2,031
Transport related waste	1,114	1,069	909	784	825
Miscellaneous electrical equipment	1,843	1,609	536	602	20
General scrap metal	1,405	1,055	657	501	573
Telephone directories	168	120	50	17	49
Telegraph poles	4,984	8,282	8,298	4,419	2,769
Computing equipment	461	594	336	368	439
Catering oil	13	12	10	8	12
Catering equipment		3	10	15	3
Fluorescent tubes	43	36	11	9	31
Furniture	276	13	3	244	98
Waste oil	2,662	709	428	2,669	1,845
Wood		301	271	482	517
Other	1,330	1,131	148	2,083	1,620
Total recycled	36,937	35,926	23,892	38,901	35,821
Financial indicators					
£ millions	2009	2010	2011	2012	
Income from recycling	7.42	6.65	5.65	7.89	
Waste costs	-4.78	-4.75	-5.49	-7.81	
Landfill tax savings	1.15	0.96	1.87	2.00	
Net waste savings/ (cost)	3.79	2.86	2.03	2.08	

Targets

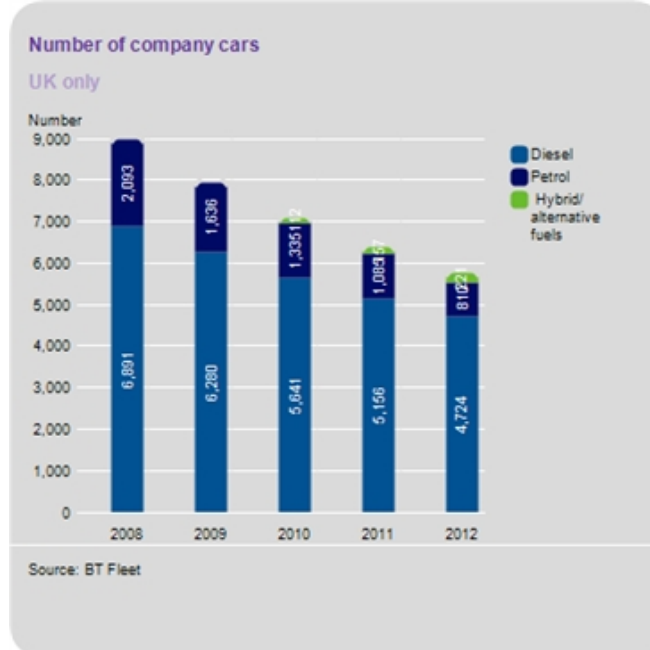
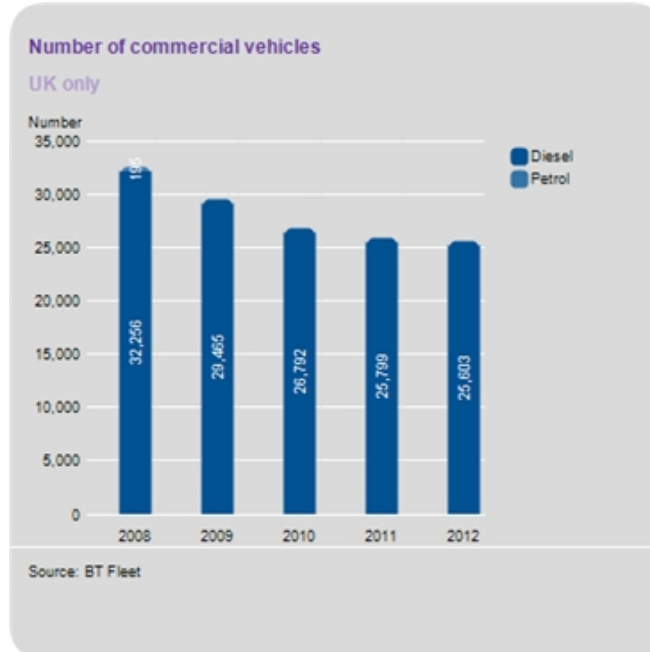
Start	End	Description	Update	Target Status
April 2012	March 2013	We will reduce the amount of waste sent to landfill by 10% based on the March 2012 outturn figure.		New
April 2011	March 2012	We will reduce the amount of waste sent to landfill by 20% based on the 2011 outturn figure.	We achieved a 16% reduction in the amount of waste sent to landfill against our target of 20%. "	Failed

Transport and travel

Our policy is to reduce the impact of our fleet and travel programmes by purchasing vehicles that have lower emissions and use fuel efficient technologies.

BT's UK vehicle fleet

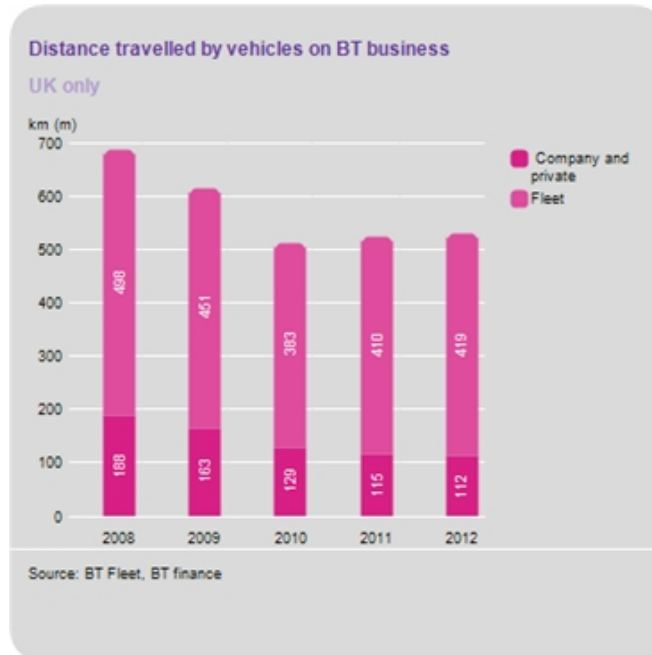
In the UK, our subsidiary BT Fleet Limited runs a fleet of 25,609 commercial vehicles and 5,755 company cars.



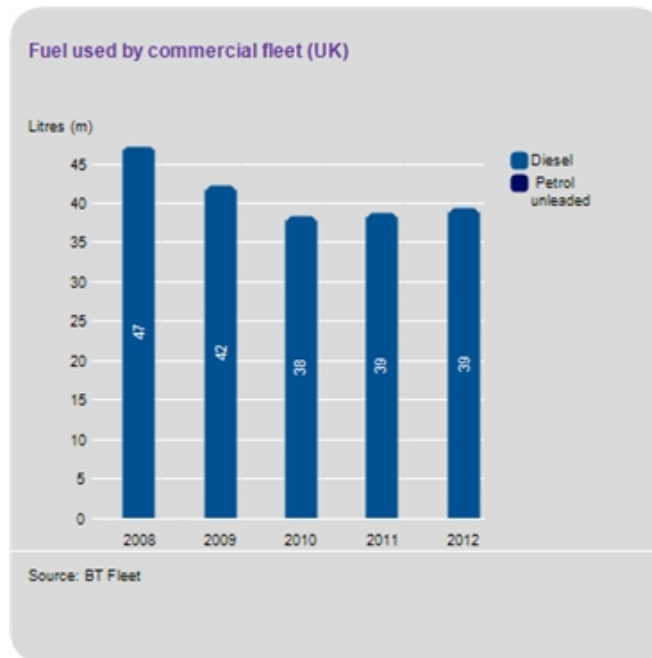
We encourage all our drivers to adopt fuel-efficient driving techniques and run a rolling driver training programme to support this.

We also have a rolling programme that replaces older vehicles with newer technologies and emission standards, ensures our fleet is efficient, reliable and requires less maintenance overall.

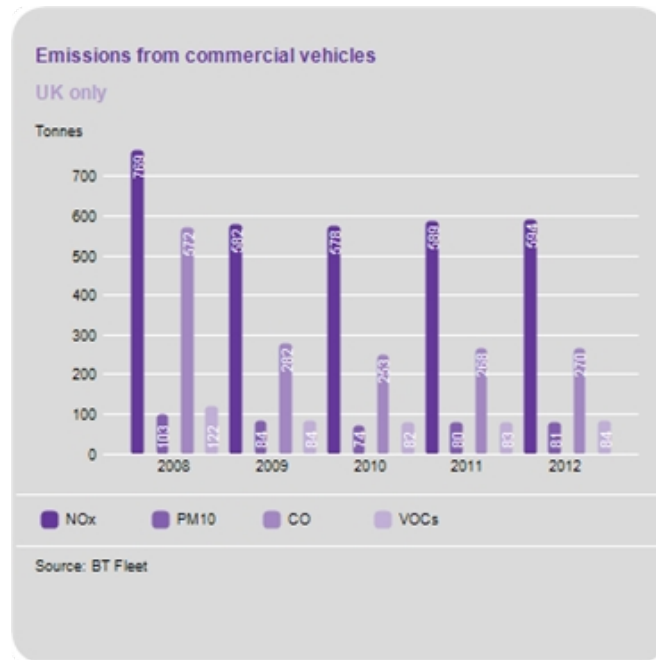
Our commercial fleet travelled 9 million more kilometres in 2012 compared with the year before, increasing fuel use by 1.6%.



We have seen increased fuel use despite a reduction in fleet size but this has been accompanied by an increase in the amount of jobs delivered. This means that we are delivering more to our customers with less vehicles, this is being achieved through careful management of work allocation and further optimisation of our fleet usage. The latter allowing us to accommodate an increase in the work force without the need for more vehicles through more effective use of our vehicle portfolio.



Emissions from BT vehicles



Company cars

Our company car policy supports the UK Government's emissions-based company car taxation initiative, which offers:

- cash alternative for employees who turn down a company car
- tax benefits for employees who choose lower-emission cars
- information about choosing lower-emission cars.

We have been recording the average carbon dioxide (CO₂) emissions of the company cars our employees choose since 2000. The average emissions factor of vehicles chosen in 2012 was 130 grams of CO₂ per kilometre a 14g/ km reduction on 2010. Overall the reduction from the year 2000 is 38%.

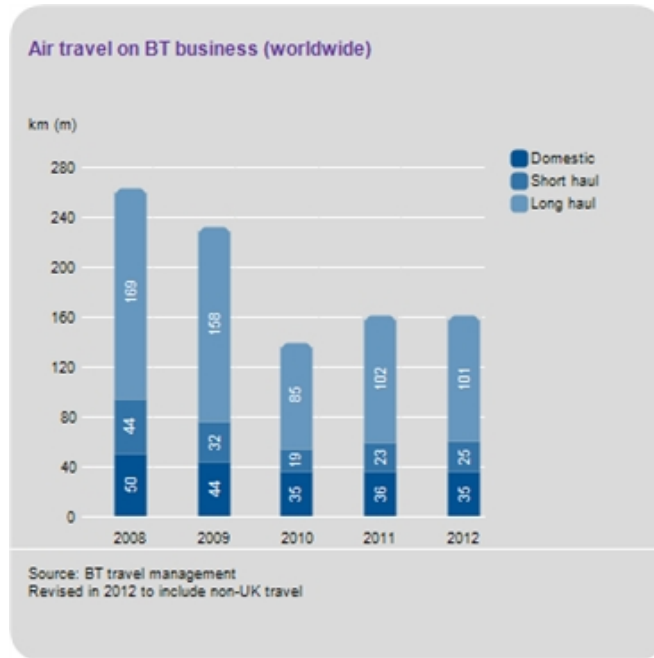
Reducing fleet emissions

In 2012, our efforts to reduce the environmental impacts of our vehicle fleet included:

- investigating fuel saving devices and accelerated roll out of a 60mph limit
- continue to limit the maximum speed to 60 miles per hour on any new vans
- Monitoring fuel usage of litres per job by using an i-phone app
- continued trials of four all-electric vans in London, Milton Keynes, Cardiff and Belfast
- introduction of more electric and hybrid vehicles to the company car list
- continuing to promote fuel saving tips to all drivers.

International business travel

We encourage our employees to use low carbon travel and to use BT's conferencing facilities wherever possible to avoid travel altogether. All business flights are booked via our travel management company and all air travel is pre-authorised.



Home working

Our conferencing services and flexible working policies have helped change our people's work styles. Home and remote working is standard business practice for many employees which helps to reduce the environmental impacts of employee commuting.

There are over 8,300 of our people in the UK (11%) who are home based workers). We estimate that each home worker avoids an average of 1.4 tonnes of CO2 emissions per annum.

Read more in the [flexible working](#) section.

Transport and travel data sheet

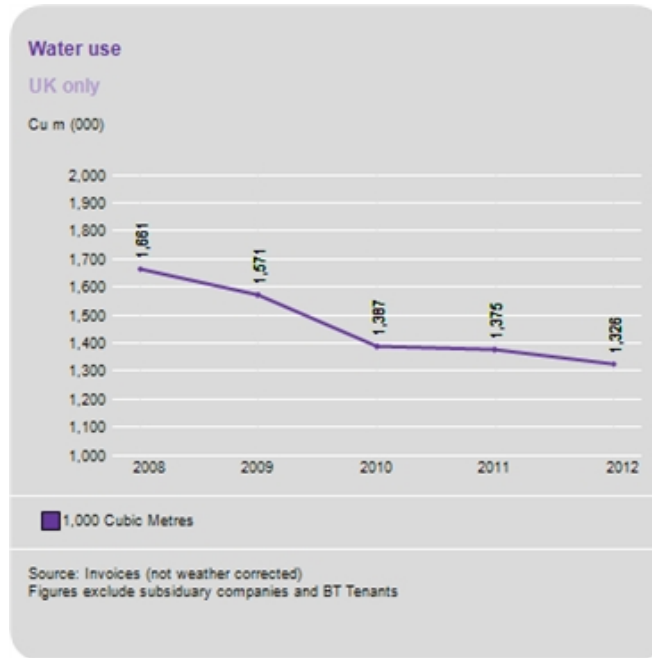
Travel and transport	2008	2009	2010	2011	2012
Number of commercial vehicles (UK only)					
Diesel	32,256	29,465	26,792	25,799	25,603
Petrol	195	15	4	4	6
Total number of vehicles	32,451	29,480	26,796	25,803	25,609
Fuel used by UK commercial fleet (million litres)					
Unleaded Petrol	0.29	0.02	0.01	0.01	0.01
Diesel	47	42	38	39	39
Total fuel used	47	42	38	39	39
Total number of vehicles in UK company car fleet					
Diesel	6,891	6,280	5,641	5,156	4,724
Petrol	2,093	1,636	1,335	1,085	810
Petrol/ electric	na	na	109	155	219
Disel/ electric	na	na	na	na	1
Petrol/ Bio-fuel	na	na	2	2	
Bio fuel	na	na	1	na	1
Total Number of Vehicles	8,984	7,916	7,088	6,398	5,755
Distance travelled on business in the UK					
Company cars & private vehicles	188	163	129	115	112
Commercial vehicles	498	451	383	410	419
Total (million km)	686	614	512	525	531
Air travel (global)					
Domestic	50	44	35	39	35
Short haul	44	32	19	23	25
Long haul	169	158	85	102	101
Total (million km)	263	233	140	164	161
na - not available					

Water

We do not use large quantities of municipal water. Our consumption is mainly confined to catering, toilet facilities and vehicle wash stations. The majority of our sites have water meters which enable us to monitor and report on usage.

In 2012, we achieved water efficiency improvements for the tenth consecutive year, decreasing water use by 3.67%, from 1.37 million cubic metres to 1.33 million cubic metres in the UK.

The savings were achieved by reducing our office space through our building rationalisation programme and installing water management systems by working with external agencies to ensure leaks are identified and are repaired quickly.



Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	BT will reduce its UK water consumption by 1% against 2012 outturn.		New
April 2011	March 2012	BT will reduce its UK water consumption by 1% compared to 2011 outturn.	We reduced water consumption in the UK by almost 3.7% in the year.	Completed

Emissions to air

Gases that escape into the air from some equipment and processes can reduce local air quality and contribute to climate change.

Our approach

At BT, refrigerant gases that accidentally escape from air conditioning equipment are our most significant emissions to air, after carbon dioxide emissions from our energy and fuel use.

Where possible, we use fresh air to cool our data centres and network equipment. On warmer days when fresh air cooling alone does not provide adequate cooling, we also use refrigeration based air conditioning.

All the refrigerant gases used in Air Conditioning systems to cool air are believed to contribute to climate change. We set a target for minimising the amount of refrigerant gases we emit from Air Conditioning systems and review our performance and approach.

Some refrigerants also deplete the ozone layer, and we are eliminating these gases (see below) in line with regulatory requirements.

Refrigerant replacement

We have almost entirely phased out the ozone-depleting refrigerants chlorofluorocarbons (CFCs) from our equipment, and are in the process of phasing out hydrochlorofluorocarbons (HCFCs).

European Union (EU) law forbids the purchase or use of virgin HCFCs after 31st December 2009. Reclaimed/ recovered HCFCs can be used until the end of 2014.

We are replacing HCFCs with hydrofluorocarbon (HFC) refrigerants, which do not deplete the ozone layer, but are powerful greenhouse gases. All our new refrigeration equipment uses HFC gases, and are manufactured to the new standards providing higher integrity sealed circuits to prevent leaks. We monitor the refrigerant pressure using electrical devices called transducers instead of refrigerant analyser gauges, through which leakage can occur.

F-Gas Regulations

We monitor compliance with the EU Ozone Depleting Substances and Fluorinated Gas (F-Gas) Regulations, which aim to reduce emissions of fluorinated greenhouse gases covered by the Kyoto Protocol.

We are progressing well with the training of our power field engineers to obtain the highest J11-F-Gas Cat 1 (See note) standard, and to date 82% of them have been awarded the required Construction Skills accredited certification. The remaining engineers are due to be trained by the end of 2012.

We are audited by REFCOM on an annual basis to monitor compliance with F-Gas Regulation processes such as refrigerant handling and training.

Note: J11-F Gas Category 1 certificate Holders may carry out all refrigerant handling activities for any size of Refrigerated Air Conditioning (RAC) systems containing F gases. This includes leakage checking, refrigerant recovery, installation, maintenance and servicing.

Targets

Start	End	Description	Update	Target Status
June 2011	March 2012	We will reduce refrigerant gases lost to the atmosphere (kg) from 1.6% to 1.5% of installed quantity (a reduction of 7% from that lost during 2011).	We achieved 1.08% based on routines completed. We will continue to monitor and report on our emissions.	Failed
April 2011	March 2012	BT will control the amount of HCFC/ CFC refrigerant lost to the atmosphere to no more than 1.5% of the total installed refrigerant capacity for operational areas, including BT catering.	Replaced by consolidated target (June 2011).	Completed
April 2011	March 2012	BT will control the amount of HCFC refrigerant lost to the atmosphere to no more than 2% of the total installed refrigerant capacity for the BT UK non-operational estate.	Replaced by consolidated target (June 2011).	Completed
April 2011	March 2012	BT will control the amount of HFC refrigerant lost to the atmosphere to no more than 3% of the total installed refrigerant capacity for the BT UK non-operational estate.	Replaced by consolidated target (June 2011).	Completed
April 2011	March 2012	BT will reduce its refrigerant lost to atmosphere (kg) from 1.6% to 1.5% of its installed quantity (a reduction of 7%) from that lost during 2010/11.	We achieved 1.08% year to date based on routines completed. We will continue to monitor and report on our emissions as part of our environmental certification.	Failed

Fuel storage

It is important to carefully store fuels for vehicles, heating and standby generation, as leakage can cause harmful pollution to land and water sources.

We monitor the condition of our fuel storage tanks using alarm systems, testing and inspections.

Stock management

During 2012, we decommissioned 251 underground network storage tanks at 242 sites and replaced them with new above ground bunded tanks (a secondary tank surrounding the main tank to contain any leaks). A total of 251 new internal tanks at 229 sites have been installed during the same period. This leaves only 290 underground tanks remaining, which will be replaced with new internal tanks next year.

Our facilities management contractor, Monteray, inspected an additional 463 heating storage tanks and none required replacing. An additional 6 sites have been upgraded to gas heating systems and the tanks have been decommissioned.

Following an assessment of the fuel stored in all bulk oil storage tanks at our UK sites, BT has continued to remove low-grade fuels with high sulphur content and also monitor the effects of fuel dilution. These cause greater environmental pollution than low-sulphur fuels. By 31 March 2012, we had replaced or diluted fuel in over 4,000 tanks. We plan to continue the initiative and aim to either dilute or replenish with low-sulphur fuel eventually.

Biofuel

Part of BT's energy reduction strategy is to generate 25% of our UK energy needs from renewable sources by 2016 we are investigating biofuel generation with the thought of adding this to our current renewables portfolio.

The technology being explored would run on an OFGEM accredited sustainable liquid biofuel source that is safe to use and easy to store and transport.

As well as delivering a sustainable source of energy, the biofuels that BT would consume are a by-product of existing waste produce, which other companies previously disposed of.

Incident reporting

Although best practice is utilised when handling hazardous liquids and gases, there will be cases of accidental spillage, leaks or when foul play is involved. BT is committed to transparency around pollution incident reporting and to investigating any incidents promptly to reduce their severity. We use the lessons learned to prevent recurrence.

BT classifies environmental incidents as:

- Serious – where the spill has entered, or is likely to enter, either the drainage system or topsoil
- Significant – where the spill covers a wide area but is confined to a hard standing area only and there is no evidence of entry into the drainage system or topsoil
- Minor – where a minor spill is contained within a very small area

A specialist contractor cleans up significant and serious incidents. We inform the Environment Agency (the regulator for England and Wales) or the Scottish Environment Protection Agency of all serious incidents.

In 2012 we experienced 30 incidents which were reported within BT. There was 1 classed as serious, 7 as significant and 22 as minor.

Targets

Start	End	Description	Update	Target Status
April 2011	March 2013	BT will replace existing underground fuel storage tanks, in the UK, through a structured programme.	The programme remains on track and we will provide a progress update in our report next year.	On Target

Better lives

We provide our customers, people and charities with networks and services that help them to enhance the quality of lives around the world.

As well as supporting essential services provided by the health and education sectors, our people and technology are also used to help our charity and telethon partners.

Finding solutions for our customers

From single homes and businesses in the UK, to multinational corporations across the globe, we provide voice and data solutions to customers in more than 170 countries worldwide.

By providing ICT infrastructure, we can help improve the health, education and day to day lives for our customers and communities.

By innovating through ICT we have the chance to positively influence our customers. From innovations that enable people to live healthier lives, through to innovations in efficiency that help reduce carbon emissions, we're finding new ways to deliver a better future for our customers. In this year's report we highlight how communications technology is being used to help with health care.

Improving health services

We're using our technological solutions and expertise to help improve health services for customers and communities across the globe. As one of the largest suppliers of ICT services to the National Health Service (NHS) in the UK, we offer a range of innovative solutions to address key health challenges. Here's how we used our technology to provide key health care solutions over the course of the year:

Remote diagnosis

With the advent of web-connected devices, we're providing technological solutions to monitor the health of patients with long-term health difficulties remotely.

- We're supporting a national campaign to help improve the lives and health of more than three million people over the next five years. The 3 million lives campaign – launched by Care Services minister Paul Burstow - will use telecare and telehealth technology to provide health and social care services remotely
- We've rolled out a high definition (HD) video conferencing technology in partnership with NHS Surrey and the N3 Service provider team. The service offers a centralised out-of-hours stroke assessment service across five hospitals in the region and makes for much faster and more effective diagnosis for stroke patients.

Our services have received positive feedback from a number of our customers and clients.

Adrian Blight, Clinical Director Surrey Teletstroke, Royal Surrey County Hospital.

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I can review scans and test results online, see and talk with the patient over the HD video link, and speak face-to-face with the onsite medical team and worried family members – all without leaving my home office.

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Improving data management systems for the NHS

Providing health care for roughly 50 million people across the UK comes with many challenges. We're using a number of innovative ICT technologies to help improve data management systems for the NHS in the UK:

- Our N3 broadband network connects all NHS locations in England, supports new applications and enables up to the minute data to be transferred quickly and easily across sites. In 2011, N3 won the IT Innovation category at the Health Business Awards and the Innovation and Progress - Sustainability category at the Guardian Public Service Awards.

- We worked with the NHS to deliver the Spine, a secure national database that consolidates key information relating to patient health and care. The service, which is set to be at the core of the NHS Care Records Service, has supported more than 899,000 registered users to date and has made transformational healthcare applications available to approximately 1.3 million NHS healthcare staff across England.
- We developed our Cerner Millennium solution in 2011 to improve patient safety and treatment paths through electronic records for patients with Haemophilia. The new technology places vital information at medical teams' fingertips and removes the inefficiencies of paper based record keeping.

Dr Dan Hart, Consultant haematologist, Barts and The London NHS Trust.

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Electronic note keeping ensures immediate access to clinical data, anytime, anyplace, any terminal in the institution. It's put an end to the traditional paper chase, which has certainly enhanced the patient journey and their safety.

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Internationally

We have been selected by the Farrer Park Company, a group of private medical and hospitality specialists, to be their IT partner for Connexion at Farrer Park, Singapore's first integrated healthcare and hospitality complex comprising a specialist medical centre, a private tertiary hospital, and a luxury hotel with state-of-the-art conference and wellness facilities.

We were chosen this year by SERCO to provide The Fiona Stanley Hospital in Western Australia with a complete suite of ICT services and helping create one of the most technologically advanced medical facilities in the world.

We have also successfully implemented a number of health programmes in Hungary, France, Spain, and the Netherlands

Improving work – life balance

The rise of flexible working has boosted career opportunities for women who aspire to top jobs while also wanting to enjoy their family life. The routine working habits of 20 years ago, when staff had to be in the office from 9 to 5, have given way to extraordinary adaptability.

There is a huge variety of working patterns, to help staff to cope with family responsibilities and also to give them time to study, take career breaks or to pursue hobbies.

Flexible working

Flexible working delivers many benefits to both businesses and employees. It helps to improve office/ desk usage and reduce accommodation costs. It increases employee productivity whilst improving their work-life balance. In addition, flexible working means that businesses are better able to cope in the event of major incidents, such as pandemics, transport disruptions or adverse weather conditions.

The ability to use our networks to support flexible work styles, means that employees are able to work from home or on the move.

Geoff Petty, Head of Finance and Corporate Performance, Powys County Council.

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BT's flexible working solution promises tremendous advantages to both the Council and its staff. It will allow the Council to maximise usage of its buildings and redirect resources to frontline services. Staff will benefit from a better work-life balance and reduced commuting costs.

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Investment in society

Our investment in society is made through time, cash and in-kind contributions – and totalled just over £31.9m in 2012. This equates to 1.5% of our pre-tax profits, meeting our target to invest a minimum of 1% of our 2010 pre-tax profits.

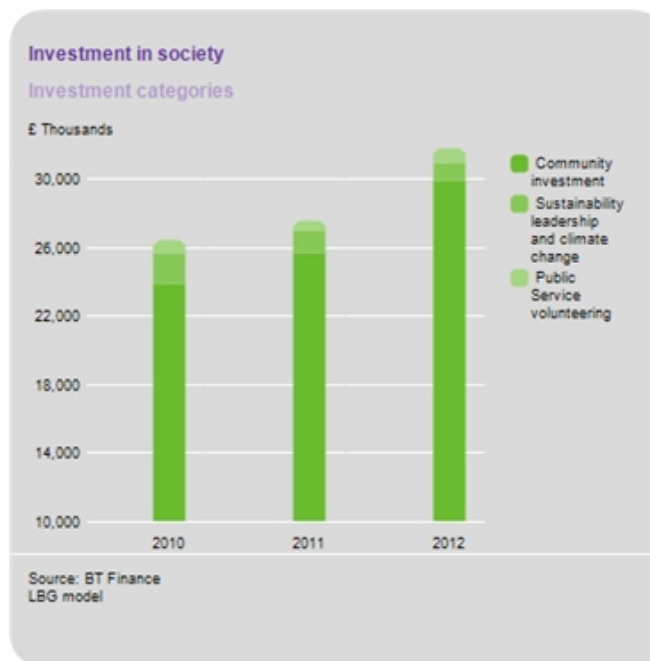
We focus our investment on areas related to our core business, using information and communications technology (ICT) to build stronger communities. The time, expertise and money that we give, supports our work with community partners, helps motivate our people and enhances our reputation.

Total investment in society



Of this, in 2012, £29.9m (94%) was focused on community investment.

Community investment categories

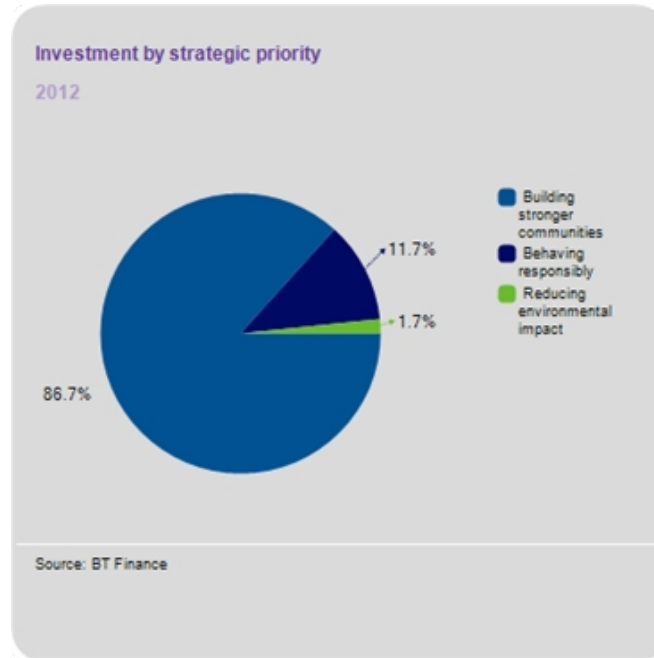


Investment in strategic areas

We have reported our total investment in sustainable and responsible business activities against the three strategic priorities we set out in our 2011 report.

- Building stronger communities - through the power of our technology and people
- Reducing carbon emissions and the impacts on the environment - of our operations and products
- Behaving responsibly - towards our customers, people and suppliers.

However, as we move towards implementing our Better Future strategy, we will be re-aligning our reporting against the new programme architecture for next year.



These figures exclude Better business (business as usual) activities such as the cost of environmental, ethical and safety management systems, and commercial investments, such as the roll out of fibre broadband and developing sustainable products.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will maintain a minimum investment of 1% of underlying pre-tax profits (based on our 2012 results)		New
April 2011	March 2012	We will maintain a minimum investment of 1% of underlying pre-tax profits (based on our 2011 results)	We invested 1.47% of underlying pre-tax profits (based on our 2011 results)	Completed

Charity partners

We work in close partnership with many charities and place value in maintaining strong, long-term relationships. At the end of March 2012 our customers and employees helped raise over £1 million for ChildLine and Cancer Research UK.

We work in partnership with many charities, but here we focus on relationships with the British Red Cross, who we support with direct funding, ChildLine and Cancer Research UK both of whom who our employees and customers raise funds for.

British Red Cross

We work closely with the British Red Cross as part of their global disaster management programme. Our involvement in 2012 included providing funding for IT and communications kits to help vulnerable global communities prepare for, respond to and recover from natural disasters. Our programme has a number of strands of activity, outlined below.

Responding to the Haiti Earthquake

On 12 January 2010, Haiti was struck by the worst earthquake it's seen in 200 years. Two years on, the Red Cross continues to re-build communities and

provide support for those affected by the disaster.

Through our funding, the British Red Cross was able to purchase and provide communications equipment and software to assist devastated communities in Haiti. Their coordinated approach supported 1.3 million people.

The British Red Cross said:

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Satellite phones funded by BT were critical to rapidly getting aid to survivors. Having the latest and most suitable technology meant that we could literally hit the ground running as we arrived in Haiti.

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Creating a coordination hub for emergency operations in the UK and overseas

After the Haiti earthquake and Pakistan floods, the need for a centralised hub to forecast, equip and co-ordinate emergency responses for natural disasters was identified. As a result, in 2012 we agreed funding to create a coordination hub to use during emergency operations both in the UK and overseas.

On completion, the hub will facilitate rapid decision making and efficient information dissemination. It will act as a centre to co-ordinate all those responding to the emergency, allowing emergency services to work closely together and to provide real-time updates. It will also help the British Red Cross emergency response units co-ordinate their efforts.

As part of its function, the hub will also help the UK coordinate emergency responses to situations like, flooding, or severe weather such as snow or high winds.

25 years of partnership with ChildLine

We have worked with ChildLine since its inception in 1986 and, a quarter of a century on, our partnership has gone from strength to strength. As well as providing the counselling service with the memorable 0800 1111 number,

The brainchild of journalist and broadcaster Esther Rantzen CBE, Childline has helped over three million individuals since its foundation.

She said of our role:

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Quite simply, without BT's support, ChildLine would not be the service it is today. In 25 years we have spoken to over three million children about concerns ranging from bullying to sexual abuse and our service is as vital today as it has ever been.

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Today thousands of children and teenagers phone or email ChildLine around the clock, to talk to confidential advisers about issues causing them concern.

One user of the online service said:

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I don't think I'd be here today if I didn't have ChildLine to talk to.

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Our partnership with ChildLine includes strategic and technological support, in kind support and fundraising through the business and by employees. For example

- BT pledged to donate £1 for every baby monitor it sold in July through September 2011, and raised £20,000 for ChildLine
- Our employees and customers raised over £75,000 through the support of ChildLine's Letter from Santa initiative.

As well as fundraising, our employees also volunteer for the service. For example, Christine Wray, has been a ChildLine counsellor for over three years.

Christine explains

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A typical shift is four hours a week, on a specific day and time slot. Every week I feel I have made a small difference to the life of a child. I may never know the outcome but I hope that for one small moment in time I held them safe, believed in them, and gave them the courage to make changes for the better.

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In 2012, Tara James of the agency Corporate Citizenship said:



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The relationship between BT and ChildLine is an example of best practice corporate-charity partnership, founded on a clear synergy between the two organisations. Its 25 years history is characterised by open and honest dialogue, the continual drive to add value and engage stakeholders, and an ongoing ambition to evaluate and challenge what can be achieved.

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Cancer Research UK

During the year, our employees also raised money for Cancer Research UK, the UK's leading cancer charity. Events included raffles, bike rides, cake sales and collections.



Our Country Charity partnership programme

Our Country Charity partnership programme was launched by BT Global Services to support communities across the world. To date we've funded projects in the United States, France, Spain, Germany, Benelux and India.

Investing in charity partnerships globally

BT provides services to our customers in over 170 countries, and we're committed to building strong partnerships with international charities as we have with UK based ones. Here are two examples of our Country Charity partnerships:

Promoting cross-generational digital inclusion in the United States

Research has shown that access to the Internet can create closer and more regulated contact with friends and family, to decrease feelings of isolation and loneliness. This is particularly true of the older community, who have more difficulty in accessing and using digital channels.

With this in mind, we partnered with [One Economy](#), an established and well respected organisation with a commitment to helping break down the barriers to broadband adoption. Our funding has supported the creation of a digital inclusion internet programme in the United States. The programme aims to give young people from low-income neighbourhoods the skills to support older adult family and community members to use information technology.

The programme leverages BT's existing [Internet Rangers](#) programme in the UK, as well as One Economy's Digital Connectors curriculum. Participants receive mentoring as well as leadership and workplace skills, equipping them to become digital literacy trainers within their own communities.

David Saunier, President of One Economy, said:

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We're delighted to collaborate with BT on this project, which combines two successful models from both our organizations to create a powerful, multi-generational digital literacy program. In addition to its cash investment, having BT employees volunteer their expertise and time is invaluable in helping One Economy improve the lives of low income youths and adults through the power of technology.

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One of the beneficiaries of the Digital Connector scheme, Desirae Douglas, said:

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I went from being a victim of the digital divide to full proficiency, helped by my eldest son who went through the program. He's now my go-to tech guy. Better still, he's got himself a job refurbishing computers.

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Providing computer education support in India

BT has been active in India for many years, as a provider of telecommunications services, as a customer of its IT industry, and as a partner in the local

community. In 2001 we started working with Katha, a non-profit organisation devoted to providing children in Delhi's poorest areas with literature and educational services to children and funded the Katha Information Technology and e-Commerce School (KITES) in the heart of Govindpuri – Delhi's largest impoverished area.

KITES is a unique school that works to make computer education fun relevant and enduring; emphasis is placed on skills that enhance the upward mobility of families and, through this, of a whole community. The project educates 1,350 students each year, including children from non-literate families, adolescent girls and many others who are interested in acquiring IT education to improve their lives.



Developing new Country Charity partnerships

In 2012 the following partnerships were agreed, and funded in:

- Hong Kong - to support programmes working with underprivileged children and young people
- Brazil - to provide computer workshops for children and young people at high risk in the country's favelas
- India - to support children through digital technology, with a focus on girls
- The United States - to provide support to returning veterans and aid their transition from the military to civilian work
- Spain - to provide women at risk, immigrants and other excluded groups.

Our employee giving schemes

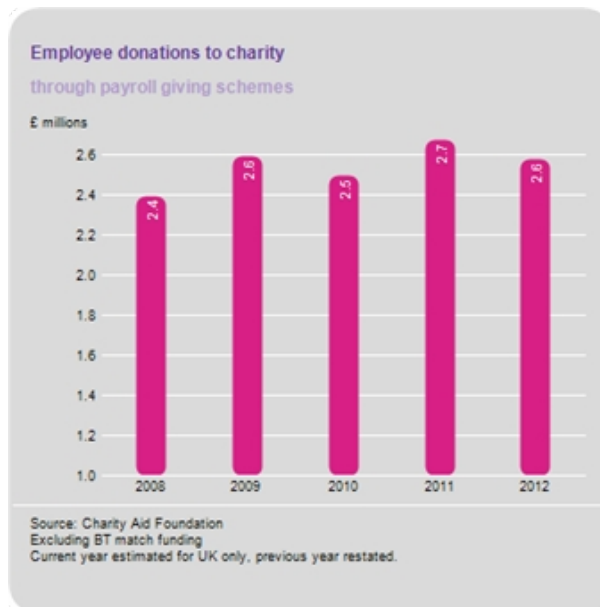
Over 10 per cent of our UK employees donate regularly through our Give As You Earn (GAYE) scheme – making it one of largest of its kind in the UK.

Our GAYE scheme provides win-win benefits for both our business and the charities involved. We also operate payroll giving programmes in Ireland and the United States. At BT these drive pride, for employees it allows them to donate to charities of their choice and for charities it provides a vital source of long-term funding.

The UK GAYE scheme

It is the generosity of our employees that makes the company's GAYE scheme one of the UK's largest and most successful. This year over 10,000 employees made donations to charities of their choice (whether national charities, local causes or overseas aid projects) by donating through their salaries.

By March 2012 over £2.5 million was donated by employees in the UK alone, with an additional £1million in matched contributions donated by BT.



Note: CAF (Charities Aid Foundation), administers GAYE on our behalf in the UK, distributing our UK employees donations to their chosen charities. Our annual statement for 2012 will not be provided until May 2012. We will publish the actual value in next years report, and we have updated last years value with the 2011 year end value provided by CAF.

Employees can sign up to payroll giving at any time during the year; a programme of communications and engagement activity takes place all year including face to face promotions in BT buildings.

One of the charities we helped through the scheme was WaterAid, whose

Corporate Account Manager, Anissa Msallem said:

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From everyone at WaterAid we'd like to say a huge **thank you** for your support of our work through payroll giving in 2011! The generous donations we receive will help some of the world's poorest people to take their first steps out of poverty through access to safe water, improved sanitation and hygiene.

40% of the world's population still lack access to clean water and sanitation. By working together we can change this, as we have done for 10 year old Honorin in Madagascar. Thanks to the donations we receive through payroll giving, her community now has access to a safe water supply. She says "Before the water was yellow and gave me stomach ache. Now the water is sweet and I don't get ill any more.

Regular and matched donations enable us to plan long term projects to reach as many people as possible, and so the regular gifts we receive through payroll giving mean a great deal to us.

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25 Years of Payroll Giving

April 2012 marked the 25th anniversary of payroll giving in the UK. At an event at the UK Prime Minister's home, Number 10 Downing Street, BT joined representatives from both companies and charities to celebrate the £1.2billion tax free total we've collectively raised for charities. We were at the event as we have supported payroll giving since its inception.

Supporting our telethon partners

Our people and services have played an integral role in the operation of telethons since 1980. In 2012 we helped to raise £38.5 million for our charity partners through our telethon efforts.

Televised fundraising campaigns, or telethons, have been a fixture of our charity work for over three decades. We use our core expertise to provide infrastructure, network management, online giving platforms (MyDonate for Telethons), contact centres and volunteers— as well as contributing to donations through our people's fundraising efforts. We regularly support the BBC's Children in Need, as well as Comic Relief and Sport Relief. In addition, we provide support to the Disasters Emergency Committee (DEC) when required.

Helping raise £26million for Children in Need

Children in Need's mission is to make a positive change to the lives of disadvantaged children and young people across the UK. We've supported the charity since they held their first telethon in 1980. Despite the challenging economic climate, the country united behind this year's telethon to make it a record breaker.

David Ramsden, Children in Need's Chief Executive said:

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BT is vital to ensuring that our donors can give efficiently, effectively and with security and confidence. I hope that you and your whole business are proud of the real difference you are continuing to make. Thank you.

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Continuing our 23 year relationship with Comic Relief

BT has supported Comic Relief since its first Red Nose Day back in 1988. Comic Relief's mission is to promote 'positive change through the power of entertainment' and their vision is to create 'a just world free from poverty'. Money raised by Comic Relief is spent to help poor, vulnerable and disadvantaged people turn their lives around across the world's poorest countries as well as the UK.

Comic Relief now happens biannually, with Sport Relief, created in 2002, occupying same slot in the other year. Sport Relief, which last took place in March 2012, aims to promote fundraising for similar causes through sport.

Sport Relief 2012

As part of the UK's biggest year of sport, we sponsored three epic BT Sport Relief celebrity challenges beating our aim to raise over £1m. See our [case study](#) and web site for the final total.

- The first saw TV personality David Walliams swim 140 miles down the River Thames from Lechlade, Gloucestershire to Westminster Bridge
- The second saw comedian John Bishop bike, row and run from Paris to London in a "Week of Hell"
- While the third saw cricketer Freddie Flintoff attempt to break 12 world records in a single day.

In total, we helped Sport Relief to raise a record breaking amount of over £50m (so far) in 2012 through our telethon support.

Supporting the Disasters Emergency Committee (DEC)



DEC is a coalition of 14 member agencies (including Oxfam, the British Red Cross, and Plan) that provide humanitarian aid in times of disaster. DEC appeals are reserved for major disasters and emergencies which cannot be dealt with by the usual in-country mechanisms; DEC agencies have the profile to ensure successful national appeals and expertise in the delivery and provision of aid.

We have been involved with DEC since its first broadcast appeal. In July 2011 DEC launched its East Africa Crisis appeal after millions of people in Ethiopia, Kenya, Somalia and the newly-formed Republic of South Sudan were left in need of food, water and emergency healthcare after one of the worst droughts in 60 years.

When the appeal closed on 31 January 2012; DEC had collected £37.5million directly, with a further £37.5million being collected through member agencies. DEC's fundraising has helped in many ways, including providing drinking water for nearly 600,000 people, treatment for severe malnutrition for 360,000 people and food for over 250,000 people.



Learning and skills

Given our core business, the ability to communicate clearly is a cause close to our heart. Our learning and skills programme helps young people to develop their speaking and listening skills and get the best possible start in life

We work with education professionals and partners on a number of projects that aim to:

- grow young people's communication and collaboration skills
- help them to use these skills to improve their future
- support them in the transition from learning to the world of work.

Providing free learning resources

Our **learning and skills website** for teachers, young people and their families provides free, high quality resources including videos, workbooks, online activities, and games for use in schools and at home. During 2012, we attracted over 420,000 visits to the site and more than one million downloads.

Learning through London 2012

We're aiming to create a sustainable legacy through our sponsorship of the London 2012 Olympic and Paralympic Games, and one of the ways in which we can do this is by supporting projects that develop the skills of young people

Through London 2012 inspired education projects, we're aiming to help to create a generation of young citizens with the skills to communicate and collaborate in ways that bring about positive changes to our society.

Initiatives include:

Big Voice is a story telling competition for 11 to 19 year olds, with the winning entries being turned into a short film that will be shown online and at Live Sites in the lead up to London 2012. Students and young people from across the UK were asked to create a story about what diversity and inclusion means to them, using our on-line tools and resources to help them work as teams, define the issue and, ultimately, be able to provide a high quality storyboard. Over 500 schools and institutions from across the UK got involved throughout 2011.

Rachel Bunce, who encouraged students from the Three Ways Special Educational Needs School in Bath, said:

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We are delighted by the selection of our students and their work has already featured in our local newspaper. Most strikingly, their work was shown on regional TV news as an example of what schools and young people are doing to promote cultural diversity and community cohesion.

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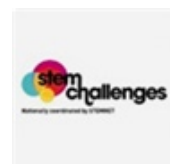
Coaching for Life is aimed at 6 to 11 year olds, and encourages parents, grandparents and carers to use coaching principles to help children try different sports. The importance of sport in children's lives was revealed in a BT poll that showed 44 per cent of teachers surveyed said sporty children concentrate more and are better behaved in class. With tens of thousands of downloads, the resources and mobile app are hitting the target – 98 per cent of those responding to our online survey find them useful.

Communication Triathlon is an Olympics-inspired Openreach campaign for 4-11 year old to encourage children to become better at expressing themselves. All of the activities are linked to the national curriculum and have been developed in partnership with children's communication charity experts at ICAN. The campaign was launched in April 2011 and involves more than 1,200 schools and 200,000 children.

The **STEMNET Design an App Challenge** asked teams of young people aged 11-14 across the UK to design a smartphone app that provides useful information, to contribute to a great Games experience for all. Launched in May 2011, this was the seventh in a series of challenges coordinated by STEMNET, the National Science Technology Engineering and Maths Network, and LOCOG. Entries covered every region of the country, and the national final was held at the Natural History Museum in London in October 2011.

Getting involved in the 2011 Year of Communication

Difficulties with communicating can have profound and lasting effects on children's lives. Over one million children and young people in the UK have some form of speech, language or communication need – equivalent to two or three in every classroom. This puts them at a huge disadvantage to their peers as they struggle to learn and make friends.



As the lead sponsor of **Hello, the 2011 National Year of Communication**, BT is helping to raise awareness of the importance of communication in children's development. Hello is run by the Communication Trust and aims to improve children's communications skills through online resources and a series of monthly themes. Highlights of the year have included:

- publishing the Small Talk booklet. This provides information about what helps children aged 0-5 learn to talk and listen, whether they are on the right track and what to do if the parents have concerns about their child. So far over 45,000 copies have been distributed to families
- launching our Talk Gym resource in July 2011. This aims to help young people aged 14-19, to build verbal communication skills so that they can express themselves more effectively. We have also developed a Facebook application that allows young people to take a mini test and get feedback from their friends. These resources have already been downloaded over 16,000 times
- sponsoring the young person's category of the Shine a Light good communications awards. Read more about the courage of the winner - Jack Marshall, who has a rare neurological disorder - on The Communications Trust's website.

In total over 320,000 resources have been distributed by the Hello campaign so far.

Support to English GCSE and A level students: All Talk

Launched in September 2011, **All Talk** is a set of multimedia resources to support English GCSE and A level students in the study of spoken language, speaking and listening. The resources were developed by BT in close consultation with AQA (the leading provider of GCSEs and A-level qualifications), NATE (the National Association of Teachers of English), and individual teachers and students across the UK.

Professor Ronald Carter, from the School of English Studies at the University of Nottingham said:

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A fantastic resource, brilliantly conceived and executed. It's an inspiration (on so many levels) to everyone interested in language study in schools.

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To date over 3,100 teachers have registered to use these resources.

Tips for young adults to get a start in life: Moving On

We launched the **Moving On** resource in April 2011 (November 2011 for the Welsh version) to help young adults aged 14-19 and beyond to learn more about themselves, the skills they need in life and work, and how best to demonstrate these as they identify and apply for jobs. The resource gives insights from employers, tips on CVs, job applications, interviews and careers.

There is also a smartphone application for young people to review their strengths and weaknesses and pick up handy interview tips from the experts. The resource is aimed primarily at teachers and parents to use with young people but has also been adopted by the BT Work Inspiration [link] and volunteer teams.

Our support for academies

As the lead partner for Manchester Communication Academy we were delighted to receive a National Education Business Awards, by winning the Academy Partnership Award. The award was made in recognition of the academy's collaborative working and partnerships which deliver benefits for the students of the academy and its local North Manchester community. In particular partners support the innovative STEM centre established at the academy to inspire students in science, technology, engineering and mathematics, using a very practical problem-solving approach. This facility is also available to local primary schools.

With partnership support from BT, the University of Brighton and East Sussex County Council, Hastings Academy opened in September. We are proud to provide teaching staff and students with expertise and experience in education, communication, ICT, and the world of work. As well as the resources which are available to all schools, we arranged for the developers of "All Talk" to give a Continuing Professional Development session for staff on developing speaking and listening skills, and also an Internet Ranger [link] session which was led by BT volunteers.

We look forward to supporting the opening of a Hackney University Technical College (UTC) in September 2012. The two specialist subject areas to be offered at the Hackney UTC are digital media, and the health/ medical sectors which link with a range of local opportunities that the students will be able to progress to. His Royal Highness the Duke of York has recently confirmed that he is to become the patron for Hackney UTC.

Celebrating Innovation and Skills: WorldSkills

BT was a Bronze Sponsor for the overall WorldSkills event and a Supporting Sponsor for IT Software Solutions for Business competition. In October 2011, over 930 young people from 51 countries/regions took part in the largest WorldSkills event in its sixty year history at ExCel London. The main element of this event is a competition where young people compete for gold, silver and bronze medals in a wide range of skill areas. Both the UK Prime Minister and Secretary of State for Business, Innovation and Skills attended the event to emphasise the importance of developing young people's skills.

Sharing the BT case study: Times 100

Times 100 business case studies use real information from companies to provide both a valuable insight and resource to support teachers and students of business studies. The BT case study, which was published in September, highlights the importance of managers taking into account the different needs of a range of stakeholders. 6,000 UK secondary schools, colleges and universities have received a copy of the case study in print and online formats.

Other resources

Elsewhere in the report, we show how our Get IT Together and Young Scientists programmes are helping young people.

Emergency response

Our highly specialist Emergency Response Team (ERT) is trained to work in hazardous and high risk environments.

They're called in to fix the most critical challenges, and work in co-operation with other emergency services to train and share best practice.

Our ERT is tasked with responding to major incidents in the UK when we need an enhanced level of capability in order to urgently restore service. Their role is particularly vital for urgent restoration of UK-critical network infrastructure in higher risk situations.

The ERT is made up of specialist engineers from across our lines of business to make sure we're covered in a wide range of situations. They're also externally accredited to provide training within BT on how to work in hazardous environments.

The ERT in action

The ERT work in challenging environments to restore our services.

This image shows a burst water main in Bradford that damaged our infrastructure

They were also involved with the urgent power enhancement work at the BT Tower in London. The work involved BT's power teams and the ERT specialist power group.



Preparing for London 2012

The ERT have worked throughout the last 18 months to gear up for the London 2012 Olympic and Paralympic Games. The team have put in extra communications capability and run exercises to make sure that we can restore service rapidly should such a requirement arise.

Read more about how we're involved with [London 2012](#).

British Red Cross

BT is working with the British Red Cross as part of a global disaster management programme. BT provides funding for IT and communications kit to enable the Red Cross to help vulnerable global communities prepare for, respond to and recover from disasters.

Haiti Earthquake – Two Years On

On 12 January 2010 Haiti was struck by the worst earthquake it's seen in 200 years. Two years on, the Red Cross continues to build a sustainable future for those affected by the disaster, emphasising the long-term nature of recovery work in a country like Haiti. Through our funding, the British Red Cross was able to purchase and provide communications equipment and software to assist devastated communities in Haiti. Their coordinated approach supported 1.3 million people.

The British Red Cross said:

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Satellite phones funded by BT were critical to rapidly getting aid to survivors. Having the latest and most suitable technology meant that we could literally hit the ground running as we arrived in Haiti.

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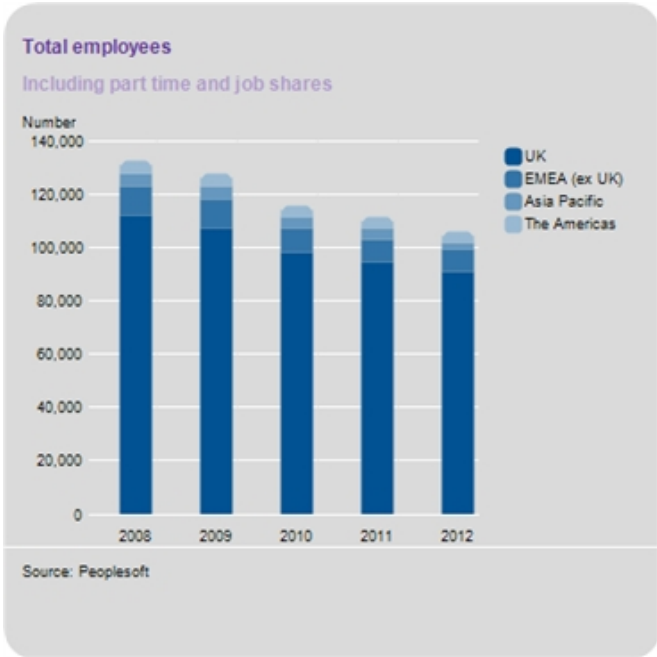
Better business

We have focused on improving our performance in key foundation areas as part of our long-term efforts to become a more responsible and sustainable business leader.

Great place to work

Only through our people's commitment and creativity can we maintain and strengthen our success. By building on our people's talent we strengthen our core capabilities, by listening to our employees we better address their needs and by promoting wellbeing we help our workforce live healthier lives. All of this helps us to deliver a better service for our customers.

We employ 90,520 people (full, part-time and job share) worldwide of which 75,217 people are employed in the UK. Our people are crucially important to our reputation and success.



This section of our Better Future report is the basis of our Business in the Community Workwell reporting.

Our people – data summary

Employees	2008	2009	2010	2011	2012
Total employees (Group)	111,858	107,021	97,798	94,158	90,520
Employees (UK)	91,342	86,521	79,832	77,096	75,217
Part-time employees (UK)	4,984	4,967	4,782	4,370	4,216
Job sharers (UK)	404	352	277	232	210
Homeworkers (UK)	10,228	10,168	9,641	9,460	8,376
Homeworkers (UK)	11.2%	11.8%	12.1%	12.3%	11.1%
Employees (Non-UK)					
EMEA (excluding UK)	11,202	10,866	9,294	8,823	8,733
Americas	4,714	4,967	4,411	4,146	4,082
Asia Pacific	4,600	4,667	4,159	4,040	2,488
Recruitment (Group)					
2008	2009	2010	2011	2012	
Graduates	343	277	139	105	112
Modern apprentices	435	319	65	476	210
Age profile (UK)					
2008	2009	2010	2011	2012	
Under 20	553	420	214	266	243
20-29	9,734	8,563	7,447	6,684	6,781
30-39	18,819	17,109	15,455	14,201	13,471
40-49	33,305	31,182	28,776	26,979	25,719
50-59	27,197	27,121	26,078	26,561	26,137
Over 60	1,480	1,923	1,858	2,403	2,844
Unknown	254	203	4	2	22
Total	91,342	86,521	79,832	77,096	75,217
Gender profile - women					
2008	2009	2010	2011	2012	
Managers (UK)	23.8%	24.2%	24.5%	24.1%	24.3%
Team members (UK)	20.8%	20.6%	20.2%	19.7%	19.1%
All BT (UK)	21.8%	21.9%	21.8%	21.3%	21.0%
Ethnic profile (UK)					
2008	2009	2010	2011	2012	
Managers	9.8%	10.9%	10.9%	10.7%	10.8%
Team members	9.3%	9.8%	10.2%	10.3%	10.5%
All BT (UK)	9.4%	10.2%	10.4%	10.4%	10.6%
Disability profile (UK)					
2008	2009	2010	2011	2012	
Managers	1.9%	2.1%	3.0%	3.3%	3.6%
Team members	3.1%	3.3%	4.0%	4.3%	4.7%
All BT (UK)	2.7%	2.9%	3.6%	4.0%	4.4%
Health and Safety					
2008	2009	2010	2011	2012	
Lost Time Injury Rate	1.88	1.6	2.09	2.25	2.13
(per million working hours)					
Sick Absence Rate	2.43%	2.17%	2.46%	2.41%	2.16%
(calendar days lost)					

Source: HR people system					
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What we offer

Competitive rewards mean that we can attract and retain the talent we need.

In this section of our report, we provide information on pay and pensions. We also provide information on our flexible working arrangements..

Benefits, reward and pensions

While benefits and reward is just one driver of employee engagement, they are undoubtedly a key part for many of our employees, especially in the current economic climate.

Salaries

We benchmark salaries in all markets, and believe we pay a fair salary. For those who are eligible, we pay bonuses based on business success and personal contributions.

This year, we gave pay increases of 3% in the UK, in line with Group performance and marketplace benchmarking. Elsewhere, pay increases were similarly awarded in line with local salary benchmarking and increases being made in each country.

We also monitor our fairness from an equal pay perspective and in the UK an additional 0.3% of the value of management population salary increases was set aside to reduce any differentials.

Pensions

Beyond this, we offer pension schemes in more than 50 countries that aim to provide fair levels of retirement benefits.

The largest of these schemes is in the UK, where the BT Retirement Savings Scheme (BTRSS) provides employees with the flexibility to determine their own level of contribution and to choose from a range of investment alternatives. This gives considerable ownership to the members to determine their own level of retirement benefits.

The BTRSS replaced the BT Pension Scheme (BTPS) which is now closed but still has considerable financial implications for BT Group. BT and the Trustee of the BTPS reached agreement on the approach to the 2011 triennial funding valuation and recovery plan. The funding deficit has provisionally been agreed by BT and the Trustee to be £4.1bn at 30 June 2011. This is based on the same methodology as the previous valuation at 31 December 2008, when the deficit was £9.0bn.

Under the recovery plan BT has made a lump sum payment of £2.0bn into the scheme and this will be followed by nine payments of £325m in March of each year from 2013 to 2021.

Other benefits

Similarly, other benefits are provided in line with local practice, such as life insurance, healthcare and company car schemes. We offer these schemes in the countries in which we operate to maintain a fairness and competitiveness of overall reward package compared to the local employment market.

How this made a difference

A fair reward and benefits package is a critical basis for developing a harmonious working environment where people can achieve their best. The overall improvements in our employee survey results give us an assurance that we are getting the basics right.

Flexible working

Flexible working offers many benefits: it meets the needs of many employees, enabling us to retain skills and experience that we may otherwise lose. But beyond this, it can help with business continuity and delivers environmental benefits.

Our approach

Our employees are equipped to work flexibly, everyone can access their emails remotely and 69,000 of our employees are equipped to enable them to access systems remotely. Our flexible working policies enable employees to work productively alongside their personal commitments or interests. It also makes it a lot easier for people with disabilities and/or caring responsibilities to keep working.

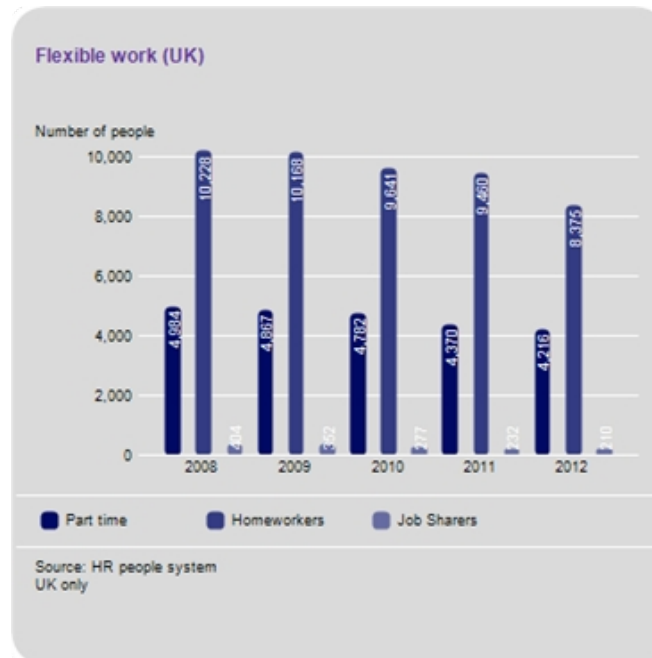
When employees' personal commitments make it difficult for them to work full-time, job sharing arrangements (where two people share one full-time role) can help them to work at a level that suits their schedule.

A solid business case

Flexible working supports us in a number of ways beyond employee engagement. A key secondary benefit is to business continuity: when bad weather such

as snow and ice threatens to disrupt our operations, for instance, flexible working means employees can continue to work remotely, where available and appropriate.

At the end of the 2012 financial year, BT had approximately 4,200 part-time employees, 210 job sharers and around 8,400 registered home workers among its 75,217 UK employees.



Home working also has environmental benefits; we calculate the net annual saving per home-based employee is 1.4 tonnes of CO₂e, as a result of reduced commute travel emissions (primarily) and reduced office energy use, accounting for some increase in home energy use. See our [SMART 2020](#) study for more information.

Communications and engagement

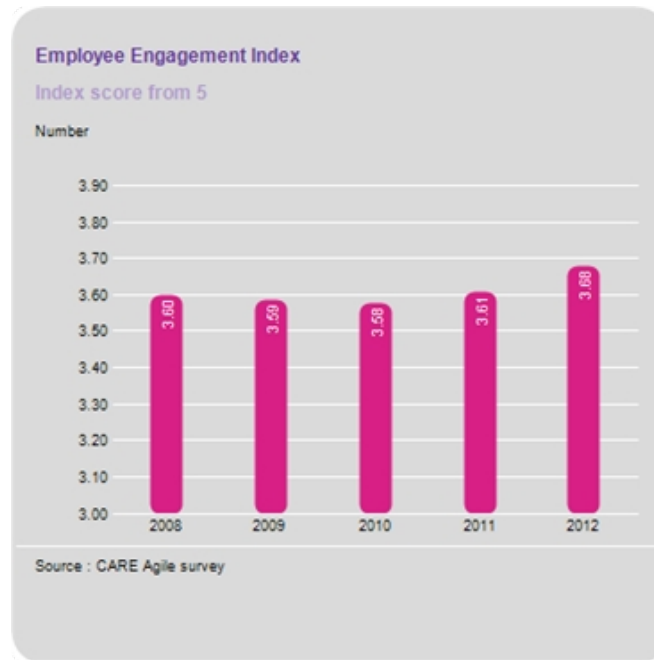
By listening and talking to employees, we boost engagement – and company performance.

We are passionate about the engagement of our people. We want everyone to understand our company's priorities and be engaged in their work so they can do an excellent job for our customers. In turn, we will benefit from increased productivity, lower absence rates and lower employee turnover and these all help improve our customer' experience.

In this section of our report, we show:

- How we use communications to keep people up to date and informed
- How we engage with unions and the BT European Consultative Council (BTECC)
- Other ways we boost employee engagement and how we measure our performance

Employee engagement is one of our KPIs for measuring progress on our journey to being a responsible and sustainable business leader. In 2012, our people's engagement improved from 3.58 to 3.61 (out of 5) according to our CAREagile survey. This Index measures the success of BT's relationship with its employees giving a score out of five. We run the survey annually and aim at improving – or at least maintaining- our score next year.



Communications

We think effective internal communication is two-way – which means sharing our priorities with employees and listening to what they have to say.

Our approach

We try to make all our employee communications as clear to understand as possible – for instance, we avoid using technical jargon and acronyms where we can.

Print and online channels

Internal communications are delivered in a number of ways although BT Today is our main group-wide print and online channel. The quarterly BT Today magazine is sent to all employees' and BT pensioners' homes, while the website is updated daily with news and features.

The BT Today website includes the functionality for readers to feedback on the stories, share and bookmark content – as well as introducing a 'like' function (similar to that found on Facebook). This functionality is part of a longer-term shift towards more social forms of internal communication: to this end, we're continuing to trial social media tools, as well as internal versions of Twitter and Facebook.

Leadership communications

We also recognise that dialogue with leaders helps people feel connected to the business and engaged with our strategy, which we make happen through

- Face to face forums in the UK and internationally with senior leaders
- Online chats – for example with Ian Livingston, our Chief Executive
- Video interviews

We share the outputs from these sessions after the events themselves, so that people can access them at a time that suits them.

Local communications

These group-wide channels are supplemented by local communications in our lines of business. One of the tools we provide to communications teams around the business is 'Newswire', a tailored weekly email bulletin. Newswire content is personalised in two ways: firstly, local communications teams filter relevant information to specific teams within the business; and secondly, employees themselves can choose to receive the information they're particularly interested in.

Our performance

We regularly ask our people about work-related issues through our quarterly CARE Agile survey. In 2012, we saw improvements in the following questions relating to senior leaders and communication:

- They give everyone a clear sense of direction
- They communicate openly about our progress
- They inspire people about the future of the company.

What next?

Moving forward, we want employees to be able to personalise BT Home in the same way they can personalise their Newswire content.

Consultation

By treating people fairly and working with the unions to help ensure that this is done consistently across all the parts of the business, we can develop a mutual trust and understanding that benefits everyone – BT, its people and its customers. We use consultation to address issues ranging from business restructuring to dispute resolution.

Our approach

Working with Unions

BT is committed to working with the unions and appreciates the value they bring. Our constantly changing sector sometimes makes it difficult to agree on changes, but we maintain a good track record of cooperation with both unions.

We have collective bargaining arrangements in place with two unions to achieve good outcomes for our people:

- Around 55% of our people are members of [CWU](#), representing our engineering and call centre people
- A further c20% are members of [Prospect](#), which represents people in managerial and professional roles

The current economic downturn requires BT to operate more efficiently and effectively. We need to employ flexible working practices to remain competitive and provide excellent customer service, so we're currently discussing a new contractual arrangement for those who no longer wish to work full-time. We match their requirements for reduced working with the business need during the busy summer period and then provide other work up to the number of weeks we have agreed with them. We will continue to work with the unions to ensure we consider all options and agree the necessary changes.

We also work with both unions on other common goals such as employee wellbeing and equality.

Our consultative council

The BT European Consultative Council (BTECC) supports dialogue among employees, their representatives and management in the UK, Ireland and continental Europe. It has been in place for 17 years.

The BTECC focuses on BT Group performance and strategy, jobs and employment plans, as well as the commercial and regulatory factors affecting our operations. It also discusses other relevant issues such as training, health and safety, environmental stewardship and corporate responsibility.

The Council meets up to four times per year, usually following Group financial results announcements. Our Chief Executive and other senior executives regularly attend meetings with employee representatives who are chosen according to local legislation and practice. The representatives hold their positions for a minimum of three years.

BT also has separate works councils in the European countries we operate in.

Resolving Disputes

BT takes employee concerns very seriously. Our employee assistance team provides 24-hour specialist support to BT people involved in workplace conflict, while our team of equality and diversity experts provides support and advice on serious issues such as bullying, harassment and discrimination.

Wherever possible, we encourage employees to discuss and resolve their issues informally, and we provide tips for managing conflict. Mediation has been introduced across all lines of business: a total of 115 cases were received across the business in 2012. We have an internal team of accredited mediators who are able to help employees in all parts of the business to resolve disputes without the use of the formal grievance procedure. The emphasis is on early resolution.

Occasionally, informal resolution is not possible. In these cases, employees' complaints and issues are fully and professionally investigated through a formal grievance procedure which includes an appeal stage for anyone who remains concerned.

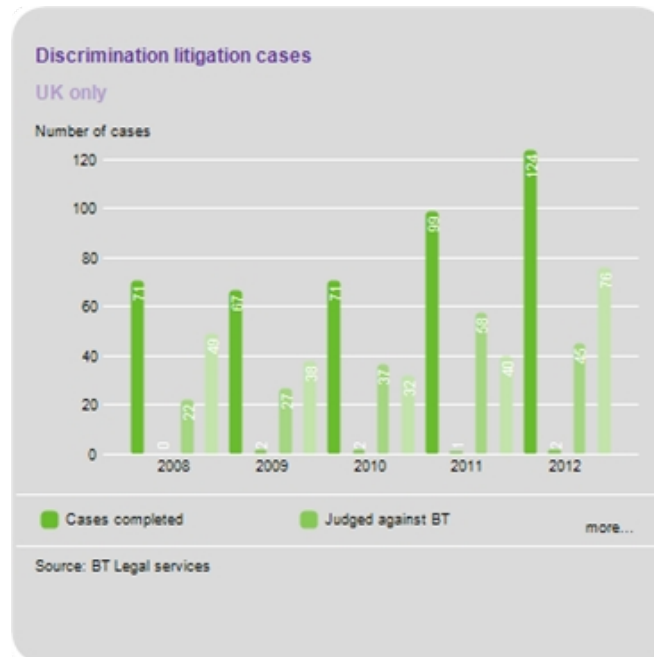
Restructuring our business

As our business develops and grows, there can be a mismatch between the people or skills that we have, and the people or skills that we need. We have an agreed way of dealing with this in order to try and find alternative work for those affected by taking people away from the jobs that are no longer required and providing the opportunity to re-skill and look for alternative roles. Since we started these arrangements six years ago, over 19,000 people have successfully found alternative employment within BT. Around 4,100 of these successes have been during the last year. We have also reduced the time it takes to find an alternative role.

Discrimination cases

We believe that even a single discrimination litigation case is one too many. To reflect this, our policies forbid discrimination and harassment of any kind.

In 2012, BT faced 183 new discrimination-related cases in the UK. Of the 129 cases closed, 80 were won or withdrawn, 47 settled and 2 lost. The increase in claims over the past year was primarily due to two separate lines of business where claimants co-ordinated their claims and put in Employment Tribunal claims at the same time.



What happens next?

We continue to talk to the unions about what is happening. We'll agree on some things, but not on others, but overall we look to maintain a relationship that provides the right environment for growth and success.

Employee engagement

We employ a diverse range of people around the world. We want them all to feel energised and motivated to do their best work.

It's important that we listen to their views so we can give them more of the things they need and value and remove any barriers that get in the way. This helps people to be more productive, give better service and feel good about working for the company.

Getting the basics right

As a basic, we making sure that all employees have a clear understanding of what is expected of them in their job and how this helps the organisation to succeed. Our managers provide clear job standards and personal objectives for everyone in their team and give feedback and support , through a regular cycle of one to ones and coaching discussions. People can develop their skills and grow their careers through the coaching offered, training provided and working on stretching projects and roles. Employees work with their managers to plan their development, using an individual development plan to document and track their progress.

Staying connected

We ask people to tell us about their employee experience every three months through our employee engagement survey. Their managers and senior leaders listen to this feedback and follow up with focus groups, roadshows, interviews and site visits to learn more about what's working in the organisation and what's not. All managers leading teams work to improve the engagement of their teams by building on the positives in this feedback and addressing the things that get in the way. We also gather deeper insights through our Organisational Health survey and use a wide range of two way communications channels to tune into how employees are feeling.

Supporting leaders

Our leaders and managers are the ones who create the conditions for people to feel engaged. They have plans to improve levels of engagement that are specific to the teams they lead. Some of the things we are doing to support leaders in improving engagement include:

- Offering coaching and support to managers who need help to improve engagement and wellbeing in their teams
- Setting clear expectations with managers and senior leaders about the role they play in improving their employees' experience and making sure engagement is a key criterion in performance and appointment decisions for leaders
- Recognising and rewarding our leaders as role models through our Best Boss campaign
- Boosting visibility with the top 600 leaders running workshops, focus groups and talking to people on a 3 monthly rolling cycle about our priorities, progress and future direction
- Training managers to build engagement skills through our Difference is You training.

Creatively building engagement

BT people work hard, and have fun doing it. That's why we inject some fun, competition and sport into our engagement initiatives. There are many ways people can do good for the company and the community. They can:

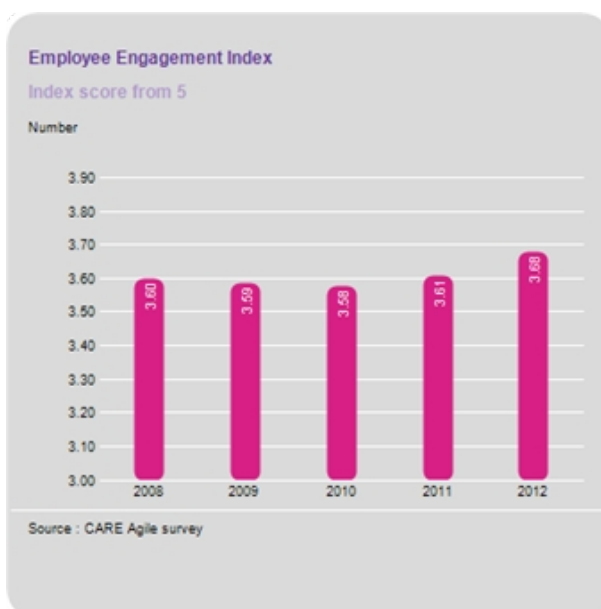
- get involved in our 2012 Team Challenge Sprints focussed on accelerating our strategy
- join a Challenge Cup team to compete against other teams with an innovative idea or proposal about how to improve service to customers
- take part in our Olympic sponsorship by carrying the torch, hearing from inspiring Olympic athletes and taking part in sporting challenges
- work with their teams to do volunteering in the community
- simplify our processes and ways of working with lean techniques
- submit an idea through our New Ideas scheme
- raise money for charity through our Sport Relief sponsorship.

Taking part in these activities brings people together across the company who wouldn't normally get a chance to work together and it gives them a real sense of ownership around improving the business.

We also expect many of this year's high profile sports events to drive engagement. We believe our sponsorship of London 2012 and charitable support of Sport Relief helps to build pride in BT as a good employer through high-profile initiatives. London 2012 has also offered employees more volunteering opportunities and chances to win tickets to the games, which again offers people different ways to engage with the organisation.

We're making a difference

Overall, engagement has been improving steadily. People are feeling more proud to work at BT and have greater confidence in the future and are feeling more healthy and well. All this has helped to drive an improvement in financial performance despite some challenging economic conditions, particularly in the UK. Creating the conditions where people can thrive at work is a constant challenge but with our senior leaders supported by nearly 12,000 people managers working hard to improve it, we expect and hope for our positive track record of improvement to continue.



At BT we don't just feel a responsibility to improve employee engagement in our own company, but we also feel a strong social obligation to improve it across the UK. That's why we have played a significant role in supporting the Engage for Success movement, which is committed to the idea that there's a better way to work. BT continues to sponsor the endeavour with direct involvement of our CEO and our Group People Director in the Task Force work. In addition BT funds a full time secondee to support the initiative and the Employee Engagement team have been instrumental in setting up and developing a national practitioner group of more than 500 members.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will improve or maintain the level of employee engagement from 2012 result (3.68 from 5).		New
April 2011	March 2012	We will improve or maintain the level of employee engagement from 2011 result (3.61 from 5).	We exceeded our target with an index score of 3.68	Completed

Valuing diversity

Fostering an inclusive culture helps us to increase employee engagement and a diverse workforce helps us to

see things through the eyes of our diverse customers more easily.

In line with our equal opportunities policy, we specifically consider disability, gender, race, age, families, carers, sexual orientation, and religion and belief in this section of our report.

We also show how we engage widely with organisations like the Employers' Network for Equality and Inclusion, of which we were founding members, to ensure our approach on diversity and equal opportunities is leading-edge.

What we achieved:

Our target for 2012 was to maintain a top 10 placement in four of five diversity benchmarks.

We are in the top 10 for

- Opportunity Now - Gender
- Race For Opportunity
- Employers Forum for Disability
- Working Families

In 2012, we successfully won several awards:

- We were named Employer of the Year at the Multiple Sclerosis Awards
- We were in the top 30 of Employers for Working Families
- We were in the Times top 50 Employers for Women

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will maintain a top 10 placement in four of five major diversity benchmarks.		New
April 2011	March 2012	We will maintain a top 10 placement in four of five major diversity benchmarks.	We are placed in the top 10 benchmarks; Opportunity Now - Gender Race For Opportunity Employers Forum for Disability Working Families	Completed

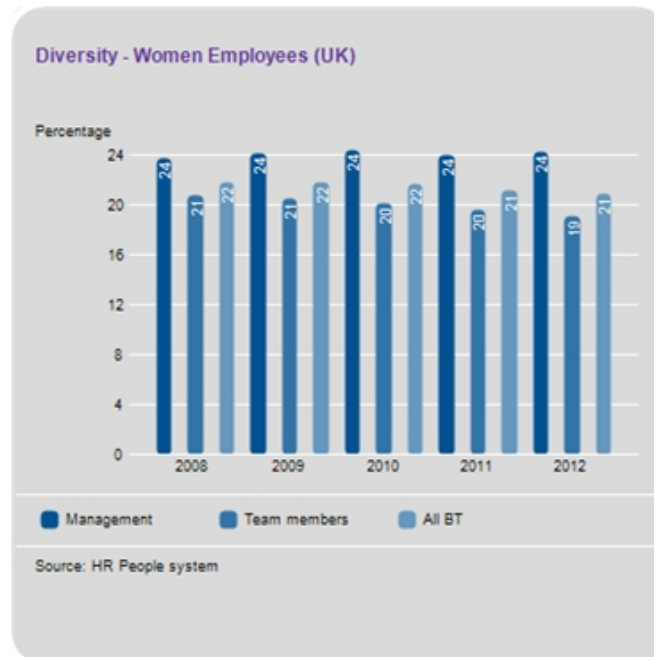
Gender

At BT, we believe women and men should be treated fairly at work, regardless of their gender.

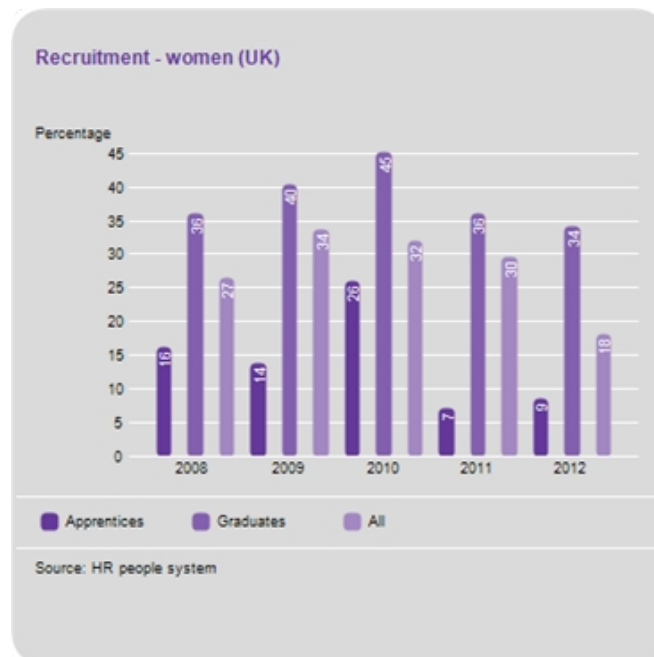
We continue to ensure that men and women have equal opportunity to work and advance their careers at BT and so we look at our processes from a gender perspective, such as recruitment, maternity and paternity. We also engage externally in current debates on issues like boardroom diversity.

Gender balance

Worldwide 21.8% of our employees are women. In the UK 21% of our employees are women around 24% of managers and 19% of team members.



Of new recruits in 2012, 18.25% were women.



Initiatives in 2012 included:

We have worked particularly hard to engage with government and wider society on the issues of senior women in business. Work in this space includes:

- We considered the recommendations made by Lord Davies on diversity on Boards and indicated a strong support for the principle of diversity in its widest sense. We have since adopted a diversity policy for the Board. Currently BT has 27% female representation on the Board and our aim is to continue to have at least 25%. We believe strong and effective leadership in the attraction and appointment process will make sure that BT remains an organisation based on merit and provides the opportunity for talented individuals, whatever their background, to lead our business
- Signing up to the government's framework for voluntary equality reporting, the **'Think, Act, Report' initiative**, aimed at improving transparency on gender equality issues. We also engaged with government by hosting a roundtable discussion at the House of Commons with MPs and members of the House of Lords, on the role of women within organisations
- Running a series of internal calls on **International Women's Day 2012** on gender balance and the role of women on boards. Our Global Services and Openreach divisions also ran local workshops on this subject

- Encouraging 10 people to join the first year of the **Pearls Programme**, a new external programme which is part of the 'Inspirational Journey' initiatives for talented women. The programme is designed to help women access senior executive positions within the organisation, offering learning and growth opportunities with other talented women from different sectors across the UK and was created to address some of the issues highlighted in the Women on Boards report.

Other activity in the last twelve months has included:

- The **BT Women's Network** continued to help all employees (including men) to achieve their career potential. In 2012, this saw the UK network running two 'Hand Up The Ladder' events where senior female executives shared their knowledge and experience. Meanwhile the Asia Pacific Network focused on sharing best practice with other multinationals in the region by hosting roundtables and establishing a LinkedIn group - [APAC Diversity & Inclusion/Women's Action Network](#)
- Continuing our relationship with Business in the Community's [Opportunity Now](#) as a Corporate Champion.

Families

In 2012, 99% of women returned to work at BT following maternity leave.

Our maternity and paternity policies provide more than the statutory minimum support, for instance through our Additional Paternity Leave policy. Families also benefit from savings of up to £933 a year on the cost of childcare through our BT Childcare Salary Direct scheme.

Many parents take advantage of BT's [flexible working practices](#), covered elsewhere in this report.

Age

BT employs people of all ages and our equal opportunity statement confirms that people should be treated the same regardless of age

Supporting our people

While all our policies are age neutral, we recognise that people's needs change in later life. To reflect this, we:

- Make reasonable adjustment in the event of disability, chronic or acute illness that is likely to occur in later life
- Offer flexible working for those with caring responsibilities or who want to 'wind down' before retirement
- Developed a 'Planning for Retirement' seminar, attracting 14,300 employees aged 50 and above, offering guidance on subjects like pensions, capital investment, making a will and tax efficiency.

Helping young people

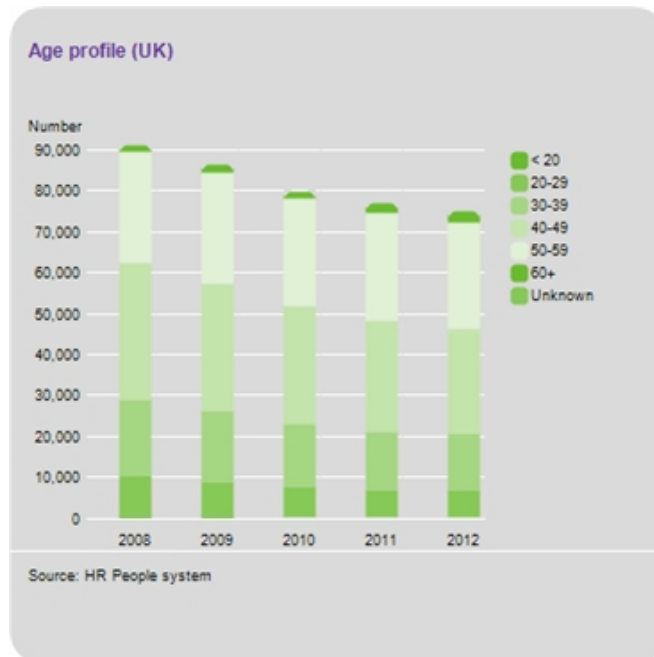
Beyond this, we also run programmes to connect young people to our business, including:

- [Work Inspiration](#) programme which brought around 7,000 school-age young people into our business to give them experience of the workplace
- Our **IT Ambassadors Volunteering programme**, which helps demystify technology and excite young people into considering technical careers

We also work with the Skills Councils and the education sector to influence the curriculum and encourage 'work readiness.'

We also are members of the [Age and Employment Network](#) and the [International Longevity Centre](#) (UK).

BT Age profile (UK only)



Race

The key aim of our Race strategy is to have a workforce which reflects the diversity of our customer base in the UK and worldwide.

Our ethnic profile



Recruitment in 2012



Supporting our people

The Ethnic Minority Employee Network established a mentoring scheme for its members in 2012 following a successful pilot. The pilot was short listed for the [Race for Opportunity Mentoring award](#) in October 2011. There are currently 108 mentees registered and 83 mentors. The scheme has been very successful with one of the mentees quoted as saying how it helped them develop their career and that their recent promotion was helped significantly by the mentoring that they had received via the scheme.

Teams are also encouraged to celebrate cultural events like Diwali and Black History Month to promote understanding of different cultures.

Supporting our customers

Our external offering includes the Asian Language Helpdesk (0800 401 000), supported by teams that speak Urdu, Punjabi, Gujarati and Hindi.

Disability

We actively encourage the recruitment, development and retention of disabled people. We guarantee an interview to disabled applicants who meet the minimum criteria for any vacancy

In 2012 - 4.36% of BT people have declared a disability – this has increased for the 6th year in a row and reflects our efforts to increase awareness of disability.

During 2012 - 1,170 BT people benefited from advice and support on adjustments to keep them productive at work.



We work in partnership with external organisations to hone our approach. During the year we developed two new disability factsheets in partnership with the Migraine Trust and Parkinson's UK, and we hosted a number of expert sessions with external parties on subjects including dementia, dyslexia and disability hate crime.

We also continued to work with the UK Government through the Department for Work and Pensions Disability Employer Engagement Steering Group becoming clear assured in 2012 and Department for Work and Pensions Autism and Employment Round Table, which seeks to double employment rates amongst people on the autistic spectrum from 15% to 30%

In preparation for London 2012, we offered opportunities to disabled people as part of our Games Maker volunteering programme and hosted a conference that highlighted BT's leadership approach to disability through the ages, and encouraged others to do more for greater inclusion as the legacy of the 2012 Olympics. We also sponsored the Paralympic World Cup.

Other initiatives included:

- Running work inspiration programmes for wounded injured or sick MOD personnel to show how skills might transfer into the private sector.

Carers

A changing demographic reality means that the UK is seeing a rapid increase in the numbers of working carers. Many carers struggle to cope and, according to Carers UK, 1 in 5 people give up work to care.

We believe this often leaves carers facing financial hardship and businesses without experienced people – but we're thinking ahead to stop this happening.

Carers are indispensable in providing care to someone they know who is ill, frail or disabled. Despite the prevalence of carers in society, they often face a lack of recognition in all areas of their lives - from employers, doctors and social workers, even friends and family.

The main consequence of this lack of recognition, we think, is that carers can suffer more than they need to – and we're committed to raising awareness to stop this happening. We do this by raising awareness and offering flexible working solutions for our people who need to care for others.

BT is a founding member of Employers for Carers which is chaired by our People & Policy Director, Caroline Waters OBE.

Our approach

BT's Carers Network aims to connect and support people within the company who have caring responsibilities. At 31 March 2012 there were just over 500 members of the BT Carers Network and we hope to double this in 2013.

Carers' week at BT

BT supports Carers' Week each year, an annual event which aims to achieve greater recognition and support for carers, and to inform those who are not aware of the services and benefits they are entitled to.

In 2012 BTs objectives were to

- raise awareness of carers within BT
- promote the BT Carers Network and grow the existing membership – by 100 per cent
- ensure the correct interpretation of BT Policy to enhance the lived experience of BT Carers

- facilitate networking and knowledge sharing amongst BT Carers during Carers Week 2011 and beyond.

Keith Edwards, founder of the BT Carers Network, and Helen Chipchase, Carers lead in the diversity centre of expertise, hosted a phone in 'radio show' for BT people to share their hints and tips on managing care. We also published an article about carers in BT Today featuring BT people talking about their caring responsibilities.

Downloadable resources

We have wide ranging toolkit of support, on our intranet, already in place to support BT carers including a New to Caring factsheet, the BT Carers Passport, our Helping you Care booklet, and our Managing Carers - Top Tips for Line Managers factsheet.

During the year BT facilitated a series of expert master classes for BT people with external experts such as Professor Alistair Burns, National Clinical Director Dementia and Professor David Oliver, National Clinical Director Older People.

Sexual Orientation

BT Kaleidoscope, our Lesbian, Bisexual, Gay and Transgender (LGBT) network, celebrated its tenth birthday in 2012, showing our long-standing commitment to removing workplace taboos around sexual orientation.

BT is a Stonewall Diversity Champion, and in the last year, we supported LGBT History Month, the International Lesbian, Gay, Bisexual, Trans and Intersex Association and Doncaster Pride.

Religion and Belief

At BT we believe that faith is an important issue for many of our employees and customers and our Equality of Opportunity Policy recognises the need to minimise any barriers that they may face.

We therefore support Christian and Muslim Networks and 14 of our largest UK buildings provide quiet rooms for prayer, meditation or contemplation.

We also promote our religious diversity through information to employees through internal publications.

Bullying and harassment

We have a zero tolerance to workplace bullying and harassment. It is unacceptable behaviour and should not be tolerated because we believe it humiliates and damages the health and self-esteem of those affected, which in turn affects attendance and job performance.

While we perform well in this area when benchmarked against peers, we are not complacent and recognise there is more we can do.

Our approach

We have a number of initiatives in place to continuously monitor cases of bullying and harassment. This includes the provision of a quarterly survey and the development of a confidential hotline to report perceived bullying & harassment in most of the countries we operate in as well as a regular programme of activities to engage with management, which includes;

- Providing calls and a podcast to help managers to understand the results of this monitoring.
- We also deliver Dignity & Respect workshops throughout the year to support our people managers.
- Running knowledge calls on behavioural approaches, which reached 1,000 people managers.

Additional activity during 2012 included:

- Developing a dedicated internal microsite with supporting tools and contacts to provide guidance and advice on addressing symptoms of bullying and harassment.
- Development of short case study videos that give an insight into what it is like to be bullied in the workplace.

What next?

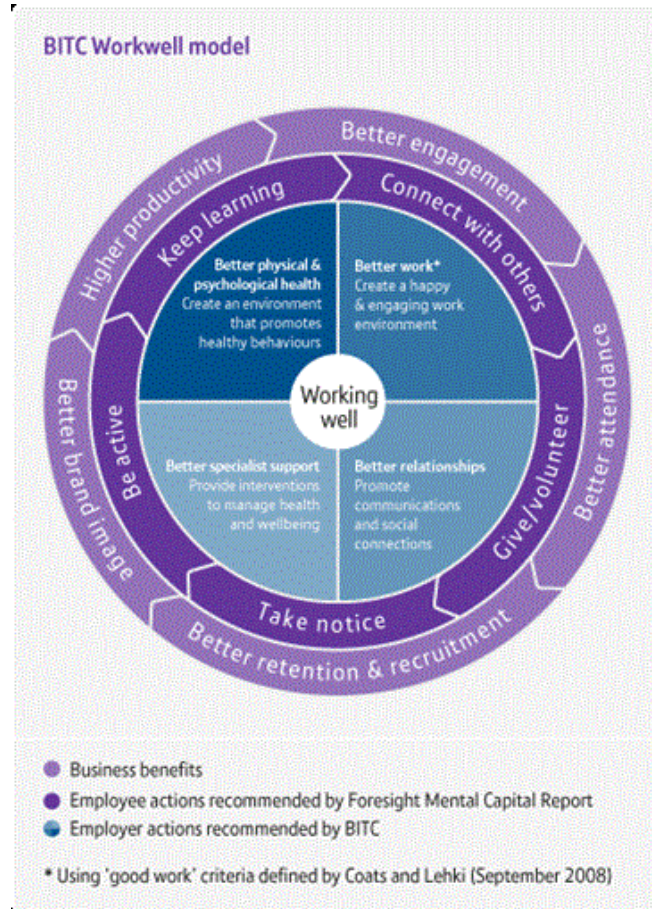
BT takes a zero tolerance approach to bullying and harassment in the workplace. Our continuous improvement will only be ultimately successful when no BT people perceive they have been bullied & harassed.

We will also deliver Dignity & Respect workshops throughout the year to support our people managers.

Health, safety and wellbeing

We revised our health and safety policy in 2012 to explicitly identify health, safety and wellbeing as key components of our people strategy and as essential contributors to our future commercial success.

To support this change, BT will be expanding its public reporting to include measures which are consistent with the recently published Business in the Community (BITC) public reporting guidelines for employee wellness and engagement. The structure of this section is therefore aligned to BITC's *Workwell* model and, over time, should facilitate comparison with other organisations adopting the same approach.



Our strategy

Ultimate responsibility for delivery of the Health, Safety and Wellbeing strategy rests with the Chief Executive. Our operational management teams are responsible for the performance of the business in this area. Managers are supported by a network of health and safety champions who provide guidance and challenge on the health, safety and wellbeing implications of operational decisions.

The aims of our Health, Safety and Wellbeing strategy are:

- To promote good health
- to prevent illness and injury to our people and others affected by our activities
- to identify early signs of illness and intervene or offer support where we can
- to provide effective rehabilitation for those who become ill and need help to return to work.

Health, safety and wellbeing governance

There are also a variety of governance forums and professionally qualified advisers which work to develop BT policies and ensure shared learning across the business, namely:

- Group Health, Safety and Wellbeing forum
- Line of Business Health, Safety and Wellbeing forums
- Health and Wellbeing leads group
- Occupational Health Service user group
- Motor Risk Management working group
- Attendance forum

Management system

The first and foremost principle for any organisation should be to avoid doing harm to its people. We have a well-developed framework for health, safety and wellbeing that sets prevention at the heart of what we do, with early intervention when problems are identified and the effective rehabilitation of people who become injured or ill. These principles have been extended from solely the management of work related ill health and injury to dealing with the epidemic of

chronic disease in an ageing society and to safety issues outside the workplace.

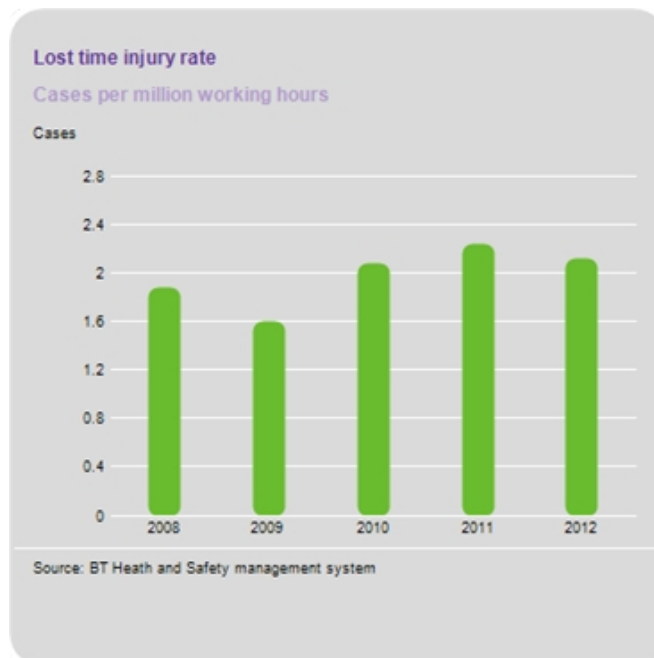
We operate a non-accredited health and safety management system based on the requirements of the UK Health and Safety Executive guidance note HSG65 (Successful Health and Safety Management). We are currently working to align our processes and documentation to the ISO 18001 management standard and have recently achieved accreditation in our Italian business. We operate internal audit and management oversight activities to provide assurance in relation to the management of health and safety risk.

Areas of focus

Better physical and psychological health

The introduction of new technology and products like fibre-optic broadband has changed our risk profile over the last decade. However the traditional hazards associated with the external network remain – for example, working at height or working in confined spaces. These challenges along with occupational road use continue to pose the most significant risks to the safety of our people and others who could be affected by our operations.

Over the last four years accident rates have settled to a relatively steady state, having seen significant reductions in the early 2000s. (see chart below) This now means we're seeking new ways to drive future improvements, such as the behavioural engagement programmes outlined above.



In the last financial year there has been no formal enforcement action or prosecutions in relation to health and safety within any of our businesses. We operate a policy of positive engagement with both regulators and employee representative organisations and seek to resolve any issues in collaboration with these important stakeholder groups.

Our mental health framework considers several elements, and is supported by resources including our mental health toolkit, and our stress risk assessment and management tool.

We focus on training and informing people at the front line to help themselves and each other. We have trained almost 5,000 people managers in mental health support since 2008: by focussing on educating this community, we aim to normalise mental health and reduce stigma.

Specialist support is also available, and we have continued to improve the service offered when people become unwell. Here, we offer a comprehensive Employee Assistance service and consultancy for managers and HR, combined with a service specialising in the delivery of Cognitive Behavioural Therapy for common mental health problems.

Work Fit is BT's vehicle for health promotion, with the aim of "helping you to help yourself." It is a joint initiative with the BT unions and works councils which aims to promote small behavioural changes which, if sustained, will have a long term impact on health and wellbeing. Each campaign focuses on a specific health issue and uses a modular approach to "drip feed" messages to employees.

2012 saw a year-long programme to increase physical activity. *Work Fit - Get Active* invited BT people to buddy up with a small team of colleagues to get active, with the aim of taking 10,000 steps a day over the year. At its peak, over 4,600 people signed up to Work Fit with more than a quarter drawn from the international businesses, using the dedicated Work Fit tracking site to log their steps.

Better work and engagement

We believe that our health, safety and wellbeing performance is dependent on encouraging behavioural change. Helping our people to understand and comply with safety and wellbeing requirements remains an important part of our overall strategy, but we also encourage the actions that protect their colleagues and the interests of the business.

We continue to encourage and facilitate engagement with the strategy through communications, training and education programmes. In 2012 initiatives included *Work Fit - Get Active* and mental health training for people managers, which has resulted in over 4,600 BT people becoming engaged with our London 2012 Olympic themed physical health promotion programme. In addition, just under 5,000 managers gained an appreciation of the skills necessary to manage mental wellbeing in the workplace. They attend a 1 day course for people managers across our business. In follow-up surveys, over a third of managers say they have had cause to apply the learning in the course of their job within 6 months of attending and two thirds say that the content has been helpful in their life outside of work

Better relationships

We have a range of channels for communication and dialogue around Health, Safety and Wellbeing, including:

- seeking employees' views through internal communications and as part of our health promotion campaigns
- our **Family & You portal**, which offers information on all BT's family friendly policies and practices, and our portfolio of external 'Family' support organisations
- an agreement with our employee representative bodies to work together to promote health safety and wellbeing issues.

In addition, initiatives like our [employee volunteering programme](#) promote the principles that inform our Health, Safety and Wellbeing strategy.

In the future, we plan to use our [Employee Engagement survey](#) to assess health and wellbeing indicators, in line with the BITC *Workwell* model. This will help us to understand proactively how health safety and wellbeing performance is progressing.

Better support and rehabilitation

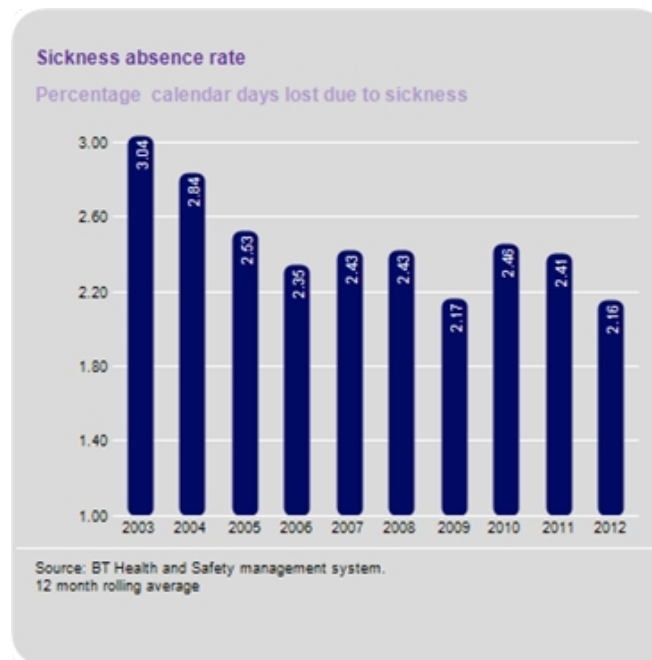
Over recent years we've seen the age of our UK workforce rise and chronic disease become more prevalent. This situation is likely to continue into the foreseeable future and we now have specialist internal and external support mechanisms, as well as company funded rehabilitation services, to help our people manage changes in their health status.

We achieve this through the provision of adjustments, education and treatments which help people to continue working productively when disabilities and ill health arise. These principles align closely with our belief that good work contributes to good health and that healthy engaged people are a great asset to our business.

The interventions support an attendance management policy, implemented by our line managers, who have access to appropriate specialist support co-ordinated through an in-house case management service. Decisions on attendance are based on the businesses capability to sustain attendance patterns using processes which support consistent application.

We're currently reviewing how these measures are applied to make sure that the services and information we offer are simple to access and effective for our people and management teams who need them.

Over the last four years, sick absence rates have remained at a relatively steady state, with a reduction of around 10% this year.



We focus on training and informing people how to help themselves and each other – specialist support is available, but only as a back-up. We believe that when considering getting people back to work, human contact is the most powerful therapy – calls and home visits during sickness absence show the person we care. Return to work needs to be planned – that's why we talk about it while people are still off. Line managers are responsible for constructing appropriate return to work plans, which makes them relevant on an individual basis.

Some people only need temporary adjustments to help them back. For those with more serious or relapsing conditions we have the Health and Wellbeing Passport, a voluntary initiative to help individuals manage health and wellbeing conditions, or Managing Changing Capabilities policy on disability or long-term health conditions. We provide company-funded specialist services for musculoskeletal disorders and mental health and a specialist advice service for more complex adjustments. If individuals are unable to resume their own work, the priority is for internal redeployment.

Health and safety data table

Health and Safety	2008	2009	2010	2011	2012
Lost Time Injury Rate (incidents per million working hours)	1.88	1.6	2.09	2.25	2.13
Sick Absence Rate (percentage calendar days lost)	2.43%	2.17%	2.46%	2.41%	2.16%
Incidents of work related ill health (cases per 10,000 people in post)	62	42	35	24	20

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will reduce to 2.05% calendar days lost to sickness absence (SAR) expressed as a 12 month rolling average.		New
April 2012	March 2013	We will reduce the number of lost time injury cases (LTI) to 2.02 cases per million working hours on a 12 month rolling average.		New
April 2012	March 2013	In 2013 BT will have no successful health and safety prosecutions or prohibition notices served against the company worldwide		New
April 2011	March 2012	In 2012 BT will have no successful health and safety prosecutions or prohibition notices served against the company worldwide	There were no health and safety prosecutions or prohibition notices this year.	Completed
April 2011	March 2012	We will reduce the number of lost time injury cases (LTI) to 1.8 cases per million working hours on a 12 month rolling average.	We have reduced our LTI to 2.13 incidents per million working hours (a 5.3% reduction from 2011)	Completed
April 2011	March 2012	We will reduce to 2.21% calendar days lost to sickness absence (SAR) expressed as a 12 month rolling average.	At the end of March 2012 our SAR was 2.16%, a 10.4% reduction from 2011, reversing a 2 year trend.	Completed

Training and talent

We aim to attract the best people we can to BT, and to make more of the potential of all our employees.

Our long-term sustainability depends on us having the right people with the right skills to manage our network, get it right first time for customers and continuously rethink our systems, processes and products.

In this section of our report, we explore:

- How we recruit, train and develop apprentices and graduates
- How we identify, retain and develop talent
- The learning and growth opportunities open to all our people
- The role that volunteering plays in developing our people
- How we're giving students a flavour of working life at BT

Volunteering hours contribute to our overall targets for community investment; this totalled a combined cash, time and in-kind value of £31.9m in 2012.

Attracting apprentices and graduates

We believe that apprentices and graduates bring us energy and new thinking we need to thrive. BT is strongly committed to this agenda and has, for instance, recruited more than 1,400 people onto its Apprenticeship scheme in the last five years in the UK. The Apprenticeship programme also benefited over 10,000 of our workforce in up-skilling and re-skilling.

Apprenticeships

Our apprentices follow a range of Frameworks at intermediate (equivalent to GCSE qualification), advanced (equivalent to A level qualification) and higher (equivalent to foundation degree) that support both the core operations of the business (Engineering, IT, Customer Service) and also more peripheral but critical operations (e.g. Vehicle Maintenance.)

In 2012, the scheme attracted 24,000 applications – thousands more than we can accept – which we believe highlights the importance of this kind of initiative. Beyond the energy, new skills and innovative ways of thinking we believe apprentices can bring to our business, we're conscious of our role in helping young people get a job we in this economic climate.

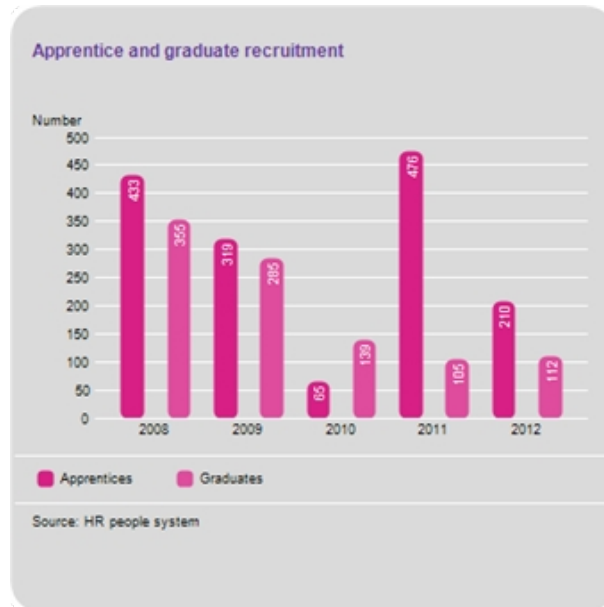
We recruit apprentices as BT employees first and foremost and, as with other recruitment, we gauge apprentices' expectations of the scheme via a self-assessment survey prior to the course. We then use this feedback to inform their programme of learning. The completion rate of our Apprenticeship scheme is 90%.

Graduates

Our Graduate programme is dedicated more specifically to university graduates. We plan to hire over 220 new recruits this year, 45 of whom are based outside of the UK. This programme is one of our streams to hire and train future leaders in key functions across the business.

Beyond this, we offer around 10 graduates from the world's best business schools a place on our MBA programme. Selected people complete an 18 month rotational programme. We find that these MBA graduates are likely to become future change agents for our business.

This year, we piloted an executive coaching programme for the apprenticeship scheme, run from September to December 2011 in association with the social enterprise InSync.



What's next?

We want to expand both our Apprenticeship and our Graduates schemes, in number of beneficiaries but also in the number of our lines of business involved. For example, next year, we plan to recruit 500 new apprentices into our customer services and telecom engineering at giving high specialist IT qualifications.

Developing our talent

Finding the right people in the right functions in all our countries of operations is essential to delivering our growth strategy over the next 5 to 10 years. We need to grow our pool of talent from inside and outside the business, at all levels of the organisation

Growing careers within BT

We identify people within the business that we feel have the potential to lead the fast changing needs of BT's global business through our talent identification process.

This process is:

- Representative of BT's diverse businesses, employees, shareholders and customers
- Reflective of BT's current global presence and growth strategy with the international population in all lines of business
- Focused on strong performance (what and how) and high potential (future capability)
- Conducted without bias and based on meritocracy
- Designed to identify the potential of people who are at an early career stage
- A key part of building a strong talent pipeline for the future.

Over the last year, our talent pool members have asked specifically to have greater visibility of career progression opportunities, and in response we introduced a number of initiatives to showcase relevant vacancies within BT. These include:

- weekly distribution of talent role vacancies to allow talent pool members to proactively seek out new roles
- fortnightly calls for talent to hear about roles directly from line managers.

These initiatives have proved effective as a way of managing role moves below executive level, and has increased the talent pool members' overall

satisfaction about visibility of opportunity by 10%.

In addition, we held four Talent master classes last year, presented by senior managers, including our CEO and Chairman, resulting in over 95% satisfaction rate with the talent pool membership.

Attracting more of the right people internationally

To support our international growth plans, we need talented local experts in place around the world.

This means that, at Group level, we make sure our local operations have the right support, and that our global talent programme delivers value. Locally, the varying needs of each line of business' markets and customers mean they're best placed to manage recruitment regionally.

BT is growing rapidly in Asia Pacific, Middle East & Africa and Latin America, and it's here that we find our biggest recruitment challenges, with many companies competing for the best talent. Initiatives such as the expansion of our graduate programme outside of the UK is helping us to address this – with more than 1 in 5 graduates from our 2012 intake being based outside of the UK.

We also use our Fast Track Leadership programme, a 3-year rotational programme, to hire 20 to 25 talented professionals each year. This is aimed at people with an existing professional track record.

Unlocking Talent programme

BT's Unlocking Talent programme, sponsored by the Chairman, is designed to identify how BT can best encourage sustainable behaviour amongst its 100,000 employees. It comprises a set of pilot schemes:

- **Action for Happiness**, a pilot scheme designed to help employees understanding about building resilience.
- **Henley Responsible Leadership programme**, which will train BT leaders to understand why the triple bottom-line is important to our business.
- **Let's Talk About CR Lunches**, run in association with Connect, CWU and Ashridge.

How this made a difference

Overall satisfaction with being in the BT Talent Pool has increased to 92% in 2011 (91% in 2010) and 88% were satisfied with the development support they received in 2011 (86% in 2010).

What happens next

We are reviewing our talent strategy to make sure that our priorities for leadership, and our demand for talent in qualities and quantity, are totally aligned to our business growth agenda. We are also trialling approaches to enable us to compete successfully for the best talent globally and better develop our talent for our most critical roles.

Training and development

To compete effectively in the rapidly changing ICT sector we need to continually invest in our people, helping our workforce to keep up with changing technology and customer requirements. Through initiatives like the BT Apprentice Scheme, our Graduate and MBA programmes and our learning and development plan, we also help our people to be the best that they can be.

Training begins when people join BT, and continues throughout their careers, equipping them with the knowledge and skills to do their jobs well today and in the future. We focus on helping our people to develop their own skills throughout their BT career, personally and professionally – as well as ensuring that our people are equipped to deliver BT's future success.

We are a recognised Investor in People – a business improvement framework that encourages good practice for training and development. This widely used external benchmark continues to challenge us to continually improve our approach to developing our people.

Our approach

We provide opportunities for our employees to develop across a broad range of skills throughout their career.

Company-wide learning

Our **online learning portal**, R2L, is a comprehensive learning resource that provides employees and their families with access to online and offline training programmes for their own personal and professional development.

In addition to formal learning, we offer **networking & knowledge-sharing** to provide help and guidance. We have 20, BT-wide, professional communities with over 40,000 members, who share best practice and knowledge and offer opportunities for networking and connecting subject matter experts.

New skills for changing technology

The BT Learning and Development team ensure alignment of expenditure on learning to strategic business objectives.

In order to maintain and defend our traditional marketplace and grow new market opportunities, we need continuously grow new sets of skills with higher and more consistent levels of capability.

In response to this challenge the Learning and Development team in BT Innovate and Design (BTID) developed and implemented a number of strategic skills development programmes known as **Accredited Learning Pathways (ALP)** which combine external best practice and accreditation with unique BT

knowledge.

The pathways have been central to the acceleration of specialist skills for BTID people during 2012, helping to support BT's growth in key technology areas including on Content (TV), Cloud, Superfast Broadband, Networks, Voice and Mobility.

To date over 4,000 people have completed at least one Accredited Learning Pathway (ALP) at Bronze level, over 700 people have completed a Silver level ALP and over 100 people have completed a Gold level ALP. In addition to supporting the upskilling of people in existing roles, Accredited Learning Pathways have contributed to the retraining of over 220 employees who have taken up roles that were previously undertaken by contractors.

Our performance

We were delighted to get external recognition for our approach to learning and development over 2011.

BT Retail became a Training Accreditation Programme learning and development partner – an accreditation from the Training Foundation awarded for excellence in learning design and delivery.

We were also recognised for our innovative approach to learning – BT Retail won an e-Learning award for creating a series of short videos and podcasts designed to provide quick bites of learning at the point they were needed. The most significant impact of these was an 11% improvement in Call centre agents' ability to resolve customer issues in one contact.

With customer service being a key element of BT's strategy, keeping our customer facing people up-to-date with product knowledge and sharing best practice is a key challenge, and we implemented a new knowledge sharing system – i-Tool – to help with this. To embed this and to get the most from our investment, significant effort was made to ensure that end-users were equipped and confident to use this tool, and this particular learning intervention was award winner – this time from the National Training Awards. More importantly, however, it had a direct impact on our ability to serve customers well, for example, reducing call times for business customer reporting faults.

We also encourage our people to work towards external accreditation for their training/ career development. For example, during the last year over 700 people achieved National Vocational Qualifications at levels 2 & 3 – the majority of which were in management skills. Over 2,700 people are currently working towards their adult apprenticeships and will complete them next year.

What happens next

We can always improve, so next year, we are creating a new infrastructure for learning and development. We plan to simplify access to learning, offer a standardised curriculum and ensure clearer learning pathways. Our aim is to create a more impactful and efficient learning offering to all of our people.

Employee volunteering

Time donated to good causes by employees through our volunteering schemes in 2012 had an estimated value of £15.9m.

Beyond the benefits created for charities and communities, this activity promotes and enhances BT's brand. Our employees also benefit by building their skills through giving to a greater cause, and have increased levels of employee engagement and motivation.

Using our insight to support charities

As telecommunications professionals, BT employees can add real value in helping charities perform better and be more efficient. Some of the ways we help include:

- The [BT Trouble-Shooter](#) programme, which involves BT employees offering pro-bono advice to charities (14 since May 2011) to help improve their delivery of services
- We also offered 152 short term secondments to 88 Charities in the UK in 2012, where charities like St John's Ambulance Wales and the World Wildlife Fund benefitted from the full-time support of BT people.

Volunteering for charities and communities

All BT employees can use at least three days per year of work time to volunteer on initiatives that complement other aspects of the Better future agenda, such as supporting local communities and projects to promote digital inclusion.



Some of the initiatives BT people supported in the UK were:

- **The Adult Work Placement scheme**, launched in May 2011 across the UK in partnership with Job Centre Plus, offers long term unemployed people (6 months +) a 10 week placement in industry, helping them build the skills and confidence needed to get a job. Two initial pilot schemes provided 24 places and 13 long-term unemployed people found jobs in Cardiff and London. By the end of April 2012 a total of 117 people had participated in the scheme
- **The Digital Champions programme**. Launched in May 2011 this programme aims to recruit a total of 10,000 Digital Champion Volunteers from within BT and outside by December 2012 to help more people get on line. This has involved a set of campaigns including "Give an Hour" in which BT people helped family and friends get online for the first time and "Love to Reconnect" in which our volunteers helped member of the local community get online in conjunction with charity partner, Citizens Online. BT has expanded the scheme to the US involving its people in this beneficial community programme.

Elsewhere our people are supporting community projects in the US, Colombia, India and other countries – see [in-country partnerships](#) for more.

Fundraising

BT people and systems are used behind the scenes to support high-profile [fundraising](#) initiatives such as Childline and Sports Relief.

Recognising contributions

Our Chairman's Awards scheme - now in their 18th year - and [Community Champions](#) awards recognise and reward BT employees who actively participate in voluntary work in their local communities.

In 2012 a total of 641 community groups have been awarded where our people have individually chosen to volunteer and many of them report that it has increased their pride in working for BT.

This year BT was selected by the British Prime Minister David Cameron to receive a Big Society Award in recognition of its extensive Volunteering Programme.

The Prime Minister said,

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BT's employee volunteering scheme has quickly grown to provide millions of pounds worth of support to charities and community groups every year. This is invaluable for groups which would not be able to afford the type of skilled help BT staff provide.

I would like to congratulate the senior staff and BT who have worked to create a culture where employees feel supported in giving time from their working week to support local causes. I would also like to thank the thousands of staff who have taken part and I hope that their experience will inspire others to look at how they can give their time to support organisations in their area.

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BT's Director of Volunteering, Helen Simpson was given the award by the Economic Secretary, Chloe Smith during a visit to Clare School in Norwich in March

2012, where BT Volunteers in partnership with the Lord Taverners, have installed a sensory room to help children who have severe communication difficulties.

Picture: Presentation of Big Society Award to BT

From the left: Simon Minter, Clare School, Gloria Hurn, The Lady Taverners, Matthew Patten, The Lord's Taverners, Chief Executive, Chloe Smith MP, Dave Hughes BT, Gary Towers, The Lord's Taverners, Glynis Billett, The Lady Taverners, Helen Simpson, BT.



The difference BT people are making

This our people gave over 50,000 days of volunteer time, and we achieved the highest participation rates (around 11% of our workforce) since we started to record this information. This was the equivalent of a donation of an estimated £15.9m.

We also recorded the engagement benefits associated with our volunteering activity. Our online survey records the success of each Community Champions review, with the latest research from January 2012 showing:

- 84% of respondents bring skills the personal skills from their community work back to BT
- 97% of respondents feel more proud to work for BT because of the scheme
- 91% of respondents think that the award scheme is very important to community groups.

In addition to this, our quarterly CARE Survey results 2012 show that our Employee Engagement Index scores (a BT CR KPI) are consistently higher for BT people who are volunteers than for the general BT population

What's next?

Our plans for 2013 include:

- Partnership with the Transformation Trust to create 5,000 digital champions in around 400 schools in deprived communities in the UK
- Partnership with Crisis (homelessness charity) including proposals to run a Christmas shelter staffed by BT volunteers and a digital inclusion project to connect homeless people to services that can get them into accommodation, training and jobs.

Work Inspiration

Our flagship Work Inspiration programme seeks to show 4,000 young people (as well as many adults) each year insight into what it's like to work at BT.

Young people from all walks of life engage with the scheme in a number of ways. Here we outline just a few.

Disadvantaged, disabled or minority young people

Many of these young people are currently engaged with charities that seek to broaden horizons for those with disabilities or learning difficulties, those from challenging life circumstances, or from ethnic minorities.

Take our sons and daughters to work

BT employees are also encouraged to bring their children, grandchildren or friends children to work as part of this scheme.

In partnership with other organisations

We also work in partnership with other organisations to maximise the benefit of the scheme. Partner organisations included Microsoft, where young people spent time with both organisations, and the National Literacy Trust, as part of their Words for Work campaign.

Work inspiration also reaches many unemployed young adults each year. Some of the ways in which adults engage with the Work Inspiration are shown below:

Openreach offer a 10 week BT placement for people who are not in education, employment or training through the Adult Placement Programme. This involves shadowing an Openreach engineer while gaining additional coaching on skills like CV writing, interviewing and presentation skills. Participants have the opportunity to present themselves to BT and external companies with a view to getting a permanent role at the end of the programme.

We are working in Glasgow to support offenders gain employment on their release, an event is scheduled for May

We have also been invited to share our Work Inspiration practices more widely. Our programme director, Mick Keay, was invited to Australia to promote the concept to businesses and the government through the Schools Industry Partnership.

Ethics, anti-corruption and bribery

Behaving responsibly is fundamental to our approach to business. Whether it's with our customers, employees or suppliers, we always aim to do the right thing and act within the law.

We have stringent measures in place to prevent improper conduct such as bribery, corruption and fraud.

Andrew Parker, Company Secretary

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BT's zero tolerance of bribery is vital to protect our reputation for doing business ethically. Wherever we work, everyone is required to act responsibly, as expressed in our ethical code, 'The Way We Work', and BT's anti-corruption and bribery policy.

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This can create many challenges. For example, economic growth in emerging markets presents many commercial opportunities for BT, but these are sometimes in countries where local business practices vary from the ethical standards in developed economies. Our ethics programme helps mitigate such risks.

Our [vision and values](#) define the kind of company we want to be, underpinning our commitment to ethical business practices.

The introduction of the UK Bribery Act, in July 2011, paved the way for us to further strengthen our approach. We have implemented a comprehensive anti-corruption and bribery programme to build on our ethical culture and ensure that we have adequate procedures in place to prevent bribery and corruption by BT people and those who act on our behalf.

A range of ethics-related processes are in place to help BT people to do the right thing every time, including:

- Signing-up to our ethical code of conduct; '[The Way We Work](#)', which is an umbrella for several related policies, and a supplementary [code of ethics](#) which applies to senior directors.
- Training and communications to ensure employees are aware of their ethical responsibilities and that they know when and how to seek advice.
- Ongoing monitoring and reviews of the effectiveness of our processes.
- [Risk assessments](#) and regular reviews.
- Mechanisms for reporting and investigating concerns about our business practices, including whistleblowing procedures.
- Performance metrics for tracking our progress.

Governance and responsibilities

Our governance structures are designed to help us achieve best practice and drive performance from the boardroom through to all our global operations

Ethics governance comprises:

- An Ethics Steering Committee, chaired by the Company Secretary. The Committee oversees the development, implementation and monitoring of our ethical policies
- Regional Governance Boards, which were introduced in 2011, and are now well established, reinforcing ethical behaviour throughout all BTs regional operations
- BTs Nominating and Governance Committee, a main board committee led by the BT Chairman, whose remit was extended in 2011 to include the determination and review of BT's governance policies, particularly with regard to corporate governance, ethics, business principles, international trading regulation issues and data protection.

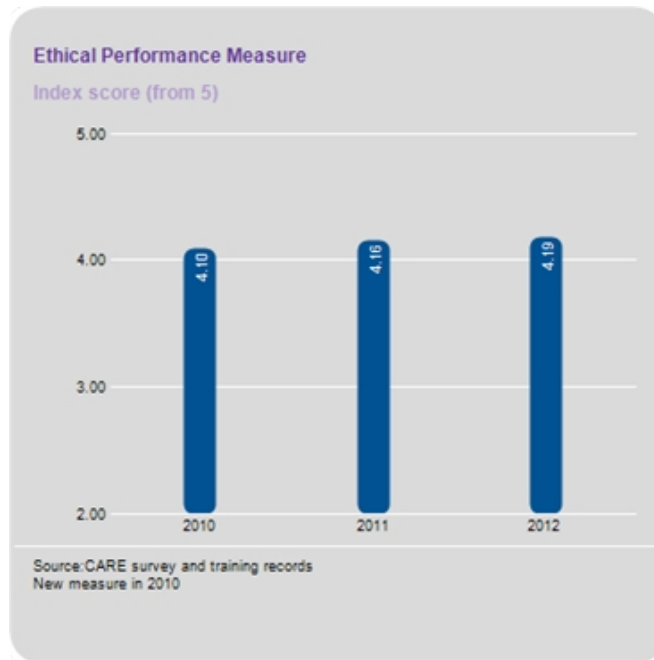
Our performance in the year

The Ethics programme continues to strengthen anti-corruption and bribery procedures across all the regions where BT operates. We use a range of measures to monitor the effectiveness of our ethical policies, training and awareness programmes.

Our ethical engagement performance measure is one of our corporate responsibility (CR) key performance indicators. It uses results from our quarterly employee survey to assess:

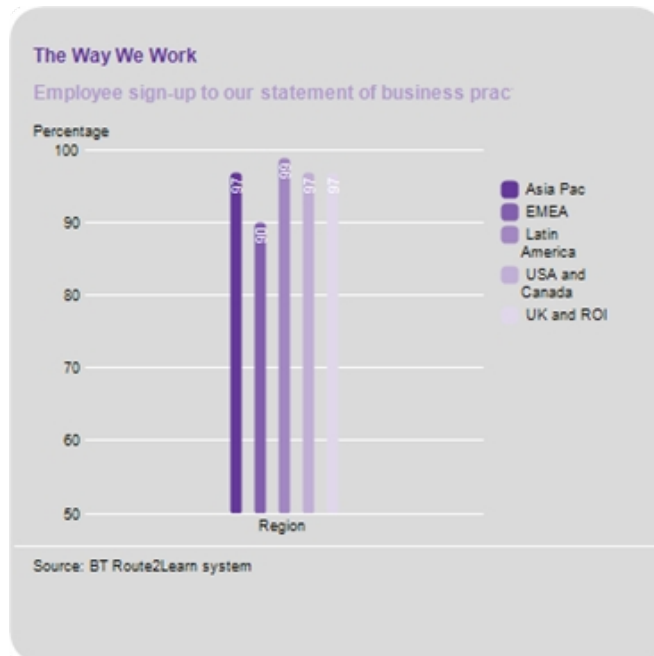
- How well employees understand and comply with our ethical code of conduct, 'The Way We Work'
- The extent to which our senior managers behave with integrity
- How successful our training on ethical issues is.

The results are combined to create an index out of five. Our target for the 2012 financial year was to maintain or improve our 2011 score of 4.16, and we actually achieved a score of 4.19. Our aim for 2013 is to maintain or improve this score.



An ethical culture relies on setting the right tone at the top. We expect senior managers to lead by example and reinforce the importance of high standards of business conduct – and the legal risks to both our business and consequences to individual employees if they fail to comply.


We also ask all BT employees to sign-up to BT's ethical code of conduct, 'The Way We Work'. The sign-up is regularly refreshed to ensure awareness of the key principles is maintained. New recruits are also required to sign-up promptly upon joining BT. The 2012 year-end figures are:



We also target BT people in higher risk roles and locations with an additional tailored eLearning course. To date more than 20,000 people have received this supplementary training helping them recognise and mitigate the ethical risks pertinent to their role. This training is followed up by monthly refresher messages.

Our ethics helpdesk also has a steady stream of enquiries, on average 40 a month, as people seek guidance to ensure compliance in their specific business situations.

In addition to a number of internal measures, we also sought an independent view on the ethical temperature of the organisation. BT commissioned the market research company, ICM, to conduct an independent survey across a representative sample of BT people to gain insight into the attitudes towards our zero tolerance approach. As with any such exercise, the survey identified some areas for targeted attention but, overall, the findings were positive as indicated by the feedback below.



- "Awareness of The Way We Work is high and is largely known to cover ethical issues".
- "Acting lawfully and with integrity in all working environments, are keenly observed practices".
- "Employees are in little doubt that corrupt activities would likely result in serious disciplinary action and criminal prosecution".

Extract from independent survey of BT's culture by the ICM market research company, Spring 2011

In the year, we outsourced our confidential hotline to help increase confidence in the system and make it more accessible for our global teams. The service is now operational in 62 countries providing 96% coverage of BT's employee population. The hotline caters for 21 languages and offers voice and web-based reporting options. Reports are low in number, and quite often involve HR disputes between employees and the company. All matters raised are evaluated and investigated.

BT is committed to ensuring that its employees are fully engaged with its ethics programme and that any non-compliance is a serious disciplinary offence. A number of BT employees have been dismissed or have resigned from the company during the course of the year for failure to meet these standards. The way that this is measured is currently under review to ensure it accurately reflects the steps that have been taken.

What happens next

Working ethically isn't a programme with an end date. It's here to stay as a part of our business culture and a key factor in all our business dealings. Our focus for 2013 includes:

- Maintaining effective anti-corruption and bribery controls
- A review of 'The Way We Work'
- A campaign to embed the anti-corruption and bribery behaviours as a natural part of all BT business decision making.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will maintain or improve our 2012 index score (4.19 from 5).		New
April 2011	March 2012	We will improve or maintain our 2011 index score (4.16 from 5)	We achieved an index score of 4.19 (from 5)	Completed

Procurement and Supply Chain

We spend £10.6 billion each year on a wide range of services, from network and IT hardware to waste disposal services and corporate clothing.

We work with around 18,200 suppliers the top 100 suppliers account for around 65% of this spend.

Like most large organisations, we can encourage suppliers to adopt more sustainable practices, and factors such as energy usage and labour standards affect supplier selection. Long-term relationships with suppliers can help us reduce the risk of brand damage caused by the actions of others working on our behalf.

In this section, we look specifically at

- How we manage procurement and our supply chain
- Our assessment of environmental and social risks
- Our onsite supplier assessments
- How we work with our suppliers to help address climate change issues
- Our approach to diversity in the supply chain.

Managing our procurement and supply chain

Robust supply chain governance means we stand the best chance of managing supplier risk and encouraging them to adopt more sustainable behaviours.

Training our own people is a key part of ensuring our own supplier management standards are consistent across our diverse operations.

In 2012 we spent £10.6 billion on products and services with around 18,200 suppliers worldwide. These suppliers are a mix of large multinational companies and smaller companies that provide specialist products such as software. In all our dealings we are committed to treating suppliers fairly, and to acting in an ethically and commercially responsible way.

About our team

Our procurement governance and CR team works with over 300 purchasing professionals to maintain and meet our standards in our supply chain.

Our buyers are responsible for implementing our programmes, supported by procurement CR managers and responsible individuals within each procurement area. We have procurement teams located across the world.

Our chief procurement officer, Hari Sundaresan, has overall responsibility for our supply chain programmes and reports to the Group Finance Director. Our procurement CR strategy and policy team oversees programme implementation and provides advice and direction on CR issues.

Reducing risk and driving sustainability

We have a well-established CR risk management process which ensures the risks our supply chain poses are addressed and so are not of material significance to our business.

It's important to us that we understand who we are doing business with and who is acting on our behalf. This is particularly pertinent – and challenging - where we're sourcing skills, products and services from regions where environmental and labour regulations may be poorly enforced, and where local standards are sometimes lower than we consider acceptable. The importance of this engagement is further reinforced by the recent introduction of the UK Bribery Act.

Our spending power means that we can influence suppliers' behaviour. We have detailed labour and environmental standards for suppliers. We assess suppliers against our standards to establish the level of risk they pose, and work with them to raise awareness of our requirements and improve their performance. We will not contract with suppliers that are not prepared to work towards our standards and we recognise that sourcing from a diverse range of suppliers brings flexibility and innovation to BT. Our procurement and diversity teams collaborate to expand opportunities for smaller and minority-owned suppliers.

In 2012 we have been shortlisted for the Ethical Corporation CSR awards for supply chain excellence.

Offering training

To maintain standards in procurement teams, we provide web-based training on issues such as product stewardship, climate change, and how to follow up with medium and high risk suppliers. We also offer one-to-one sessions and specialist training to people who join us.

We employ our own assessor based in Shanghai and have invested in her training and coaching, both remotely from the UK and face-to-face in China.

Training our own people helps them to pass on their expertise to suppliers. In 2012 our assessor in China participated in a number of training and awareness programmes for suppliers, and presented about CR at a conference organised by a key supplier. While the impact of this kind of activity can be difficult to quantify, this particular supplier has recorded an increase in the percentage of workers that returned after the Chinese New Year break, which we hope that we played a part in.

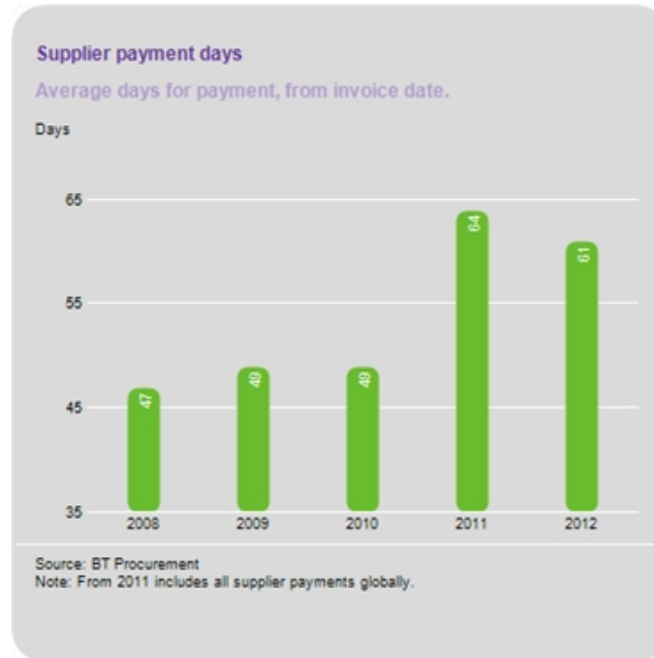
Following on from our 2011 Climate Change workshops for suppliers in 2012 we held an update webinar for suppliers on climate change engagement.

Fair treatment of suppliers

We aim to operate a fair procurement process and administer our tendering and contracting procedures with integrity and good faith. Our [purchasing principles](#) provide a framework to ensure that we act in an ethically and commercially responsible way towards our suppliers. These principles are an integral part of our procurement process.

Our supplier payment policy is to pay promptly and as agreed. Our minimum standard payment terms for contracted suppliers are to pay each due, valid and undisputed invoice within 60 days of receipt.

In 2012 the average number of days between the invoice date and the date of the payment run for the invoice, both UK and worldwide, was 61 compared to 64 days in 2011.



In the UK, BT provides access to a supplier financing scheme which offers contracted suppliers the opportunity to get paid in advance of the agreed terms. Since April 2010, we have subscribed to the Better Payment Practice Code, an initiative that promotes a responsible payment culture in the UK and encourages companies to pay on time.

Working with others

We recognise that we cannot tackle the environmental and social issues in our supply chain alone, so work with a broad range of stakeholders to help develop our practices.

In 2012, we actively worked with the following organisations:

We are a founding member of the **Global e-Sustainability Initiative** and we participate in its Supply Chain Working Group. The Group is developing common supply chain standards and assessment processes.

We worked with **URS Scott Wilson** to understand the impact of water in BT's supply chain and the water footprint of key products.

We also engaged with a [group of NGOs based in China](#) seeking to provide guidance to companies sourcing from the country; as a result, we have started using its supplier/environment watch website as part of our assessment approach.

Measuring our performance

We measure the success of our supply chain initiatives through our targets and Key Performance Indicators. We met our target that 80% of suppliers participating in our annual supplier survey rated the quality of their relationship with BT as 'excellent' or 'good' (87% agreed). We will continue to measure supplier attitudes, however have not set a target for this year. You can see our performance by following the target and KPI links on this page.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will achieve 100% follow up within 3 months, for all suppliers identified as high or medium risk through our ethical standard questionnaires.		New
April 2012	March 2013	We will survey our suppliers to determine the percentage that agree with the statement 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'.		New
April 2011	March 2012	BT will survey its suppliers to determine the percentage that agree with the statement 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'.	This is measured through the BT Supplier Survey issued to contracted suppliers, 84% of suppliers who responded to the survey agreed with the statement.	Completed
April 2011	March 2012	To achieve a rating of 80% or more based on the question: 'How would you describe the quality of your company's relationship with BT?' In annual supplier survey.	The percentage of suppliers participating in our annual supplier survey that rate the quality of their relationship with BT as 'excellent' or 'good' was 87% in 2012.	Completed

Assessing environmental and social risks

As one of the largest purchasers of goods and services in the UK, we recognise that our environmental impact extends beyond our own people and workplaces.

In recognition of this, we have detailed labour and environmental standards for suppliers. These standards help us to reduce risk and drive performance through our supply chain.

We source from thousands of suppliers worldwide. It is not possible to work closely with all of these companies, so we adopt a risk-based approach to focus our efforts. A supplier may present a higher risk to BT because of its location or the product or service it provides. In some countries, labour and environmental regulations may be poorly enforced and suppliers may operate to standards below acceptable norms.

Areas of focus

We have three main sets of standards on this agenda: environment and climate change; human rights and supplier diversity. We assess performance in these areas through our supplier risk assessment.

We require all new suppliers to complete our environmental (GS13) and labour standards (GS18) self-assessment questionnaires via our procurement website. This helps us to establish whether there is a high, medium or low risk that a particular supplier will not meet our standards. These questionnaires also ask for information on companies' own suppliers, to help us identify risks further down our supply chain.

More information on these focus areas can be found in our report, or online:

- Read more about our work with suppliers on [Supplier Risk Assessment](#), where we also describe the principles we use to inform our approach
- For more on Human Rights, see the Human Rights section of our report, or on the [Sourcing with Human Dignity](#) pages of our website.
- Find out more about [Supplier Diversity](#) in our report

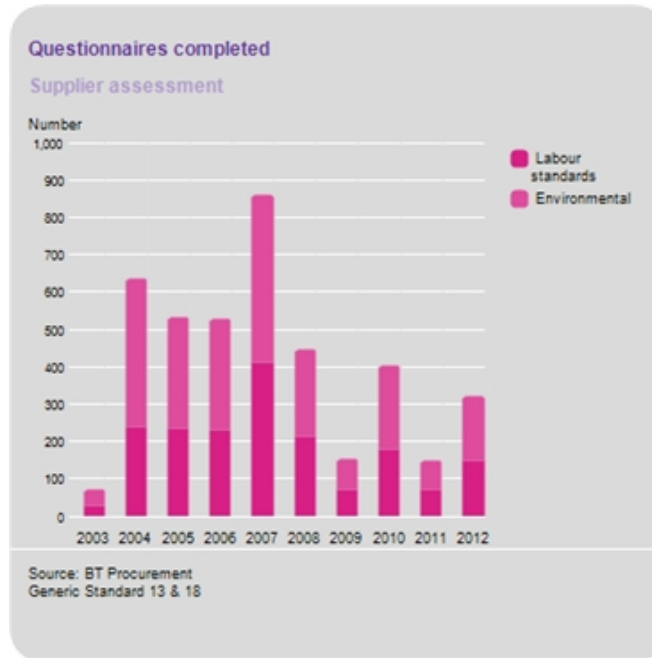
How we follow up on risk assessments

We follow up with medium and high-risk suppliers within three months. This can range from a simple discussion to clarify their questionnaire responses, to a full onsite assessment.

The number of suppliers completing labour standards questionnaires and the percentage we follow up within three months is one of our key performance indicators.

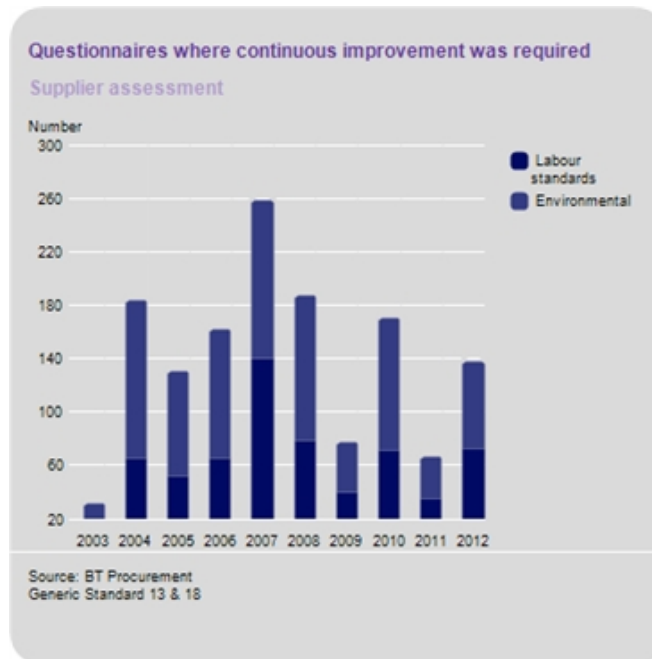
How this made a difference

In 2012, 320 suppliers completed our self-assessment questionnaires. We are currently working with 65 suppliers on environmental standards, and 73 suppliers on labour standards. 238 suppliers have now filled in our climate change questionnaire



Working with suppliers on environment and labour standards

We met our target to follow up with 100% of suppliers identified as high or medium risk, through our ethical standard questionnaires, within three months. We also met our target to follow up within three months with 100% of suppliers that needed to improve their scores on our environmental questionnaires.



What happens next?

We use the results of these questionnaires to focus further engagement, including onsite assessments.

Targets

Start	End	Description	Update	Target Status
April 2011	March 2012	We will achieve 100% follow up within 3 months for all suppliers identified as high or medium risk through our ethical standard questionnaires.	We have detailed labour and environmental standards and monitor compliance using questionnaires and site assessments. In 2012 149 suppliers completed self assessment questionnaires and we carried out 54 on site assessments.	Completed

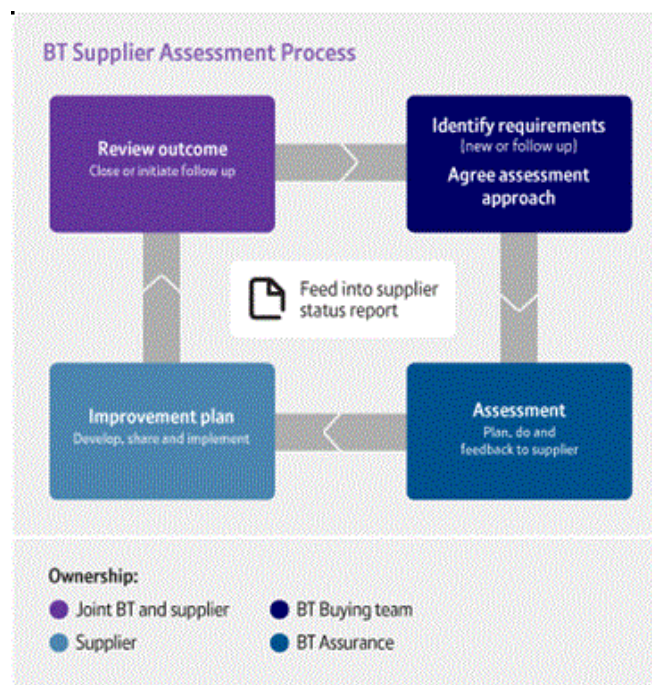
Onsite supplier assessments

We carry out detailed follow up activities and engage with suppliers identified as high or medium risk through our corporate responsibility (CR) self-assessment questionnaires.

We also have an ongoing programme of site assessments for a number of high-risk suppliers.

Our approach

The model below shows our approach to onsite supplier assessments, carried out by our in-house team of auditors.



These assessments help us to work with suppliers to identify areas for improvement and resolve issues identified. We have found that the most effective way to create lasting improvement is to help suppliers build the knowledge and skills to manage risks in their own operations and supply chains. Assessments also raise awareness of our standards and emphasise the importance of corporate responsibility to BT.

Onsite assessments may also include an assessment of a subcontractor jointly with a company that supplies us directly. This joint approach helps our direct supplier to understand our requirements and increases our influence with the subcontractor.

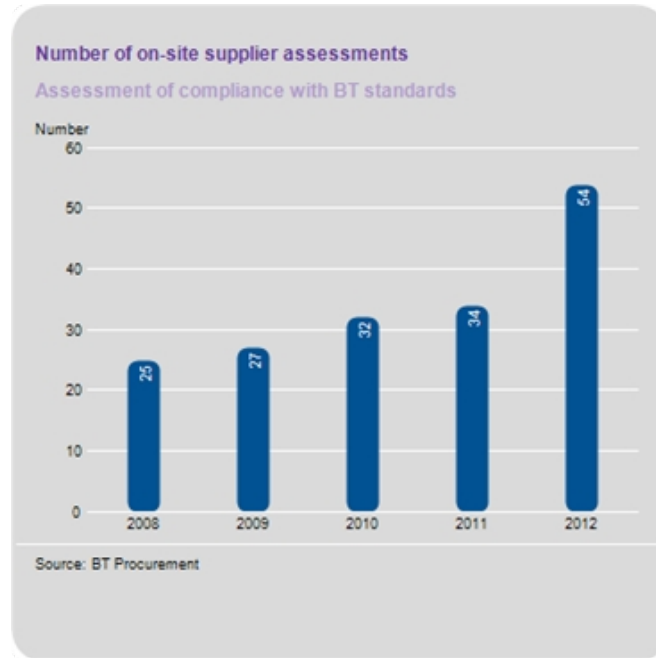
Site assessments check compliance with our [Sourcing with Human Dignity](#) standard and our [Environmental](#) standard. A typical assessment includes:

- A review of documentation such as payslips, accident reports and personnel records
- An assessment of the premises, including canteen and accommodation, as well as the office and production facilities
- Interviews with managers
- Worker interviews
- Consideration of environmental and safety factors including safe storage and handling of hazardous materials and preventative measures to protect the environment.

We discuss assessment findings with suppliers and agree appropriate improvement plans. We monitor progress against these plans through follow up reports, review meetings, or return visits.

Our assessments in 2012

We completed 54 site assessments during 2012, compared with 34 in 2011, 32 in 2010 and 27 in 2009. The majority of assessments were in China, as well as India, Sri Lanka, Poland, Romania, Slovakia, Israel and the UK. We employ our own assessor based in Shanghai, which has enabled us to focus on suppliers in China.



The suppliers assessed included:

- 36 existing or potential tier one suppliers
- 18 existing tier two suppliers
- 18 joint assessments (tier two suppliers jointly assessed with tier one)

The most common significant issues found during site assessments related to health and safety, working hours and employee welfare. In 2012, we did not stop using any suppliers due to their CR standards.

Making a difference at Flextronics

In 2012, we continued to work with Pace, a technology development partner, and Flextronics, a Singapore-based supplier, to improve sustainability-based management at Flextronics' manufacturing facility in Zhuhai, China.

Recent work built on a visit to Zhuhai by BT and Pace in 2009, where we reviewed Flextronics' Corporate Social and Environmental Responsibility (CSER practices). The visit prompted mutual interest on how we could do more by working together to develop Flextronics' CSER plan.

From here, BT and Pace ran a CSR masterclass for the Flextronics leadership team looking at the challenges and opportunities around sustainability, which led to a number of actions being identified. These included:

- Focusing on employee wellbeing through upgrading facilities, introducing rest breaks, implementing an employee assistance programme and managing paid overtime more closely.
- Retraining the Environmental Health and Safety team to develop a more robust process for identifying, correcting and preventing health and safety risks.
- Improving internal communication and strengthening training programmes
- Partnering with community resources to provide employee assistance programs and other support services.
- Forming a management council to regularly monitor and evaluate CSR performance.

This has helped deliver a number of benefits for Flextronics, which has in turn improved BT's confidence in Flextronics as a strong part of our supply chain. These benefits included

- Increased employee engagement and a lower attrition rate – for instance, the percentage of employees returning after the Chinese New Year in 2011 was 98%, in stark contrast to the industry norms of between 50-60%.
- Decreasing the accident rate to 0.29 against a target of zero – again, well below the electronics industry average of 2.0 as published by the US Occupational Health and Safety Administration.

Richard Wong, VP of Global CSR & Employee Relations, Flextronics, said

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The productive outcome is a testament to BT and Pace's consultative approach and relentless support given to suppliers. Their constructive feedback and regular communications with us played a major role in helping Flextronics Zhuhai become an employer of choice and industry leader in the CSER realm.

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Suppliers and climate change

BT does not directly manufacture products, but we do source equipment and services from a network of suppliers. It is vital to work with our supply chain to encourage them to reduce emissions and create innovative products that use less energy and have a reduced lifecycle carbon footprint.

Our approach

When considering climate change from a procurement perspective, we ask different types of information depending on the nature of the contract:

- All suppliers must complete our [environmental impact online questionnaire](#) , which looks at policies and performance, and agree to take action to improve their performance if required.
- Suppliers of electrical and electronic equipment (EEE) must complete our product stewardship questionnaire (GS19) to aid compliance with environmental legislation. Supply chain influence is key here as we do not manufacture anything ourselves, but purchase branded products and equipment for our networks from suppliers.
- All waste contractors must provide a statement on their waste disposal procedures and a selected number of contractors are audited as part of an annual Duty of Care requirement.

The BT Procurement Principles on Climate Change state that:

- We will harness the capability, diversity and innovation of our supply base to add value to our business and encourage suppliers to offer solutions which have a reduced environmental impact.
- The energy consumption and environmental impact of a product or service (from manufacture, through usage, to disposal) is a mandatory criterion in all tender adjudication.
- The energy consumption and environmental impact of any replacement product (from manufacture, through usage, to disposal) is less than its predecessor.

In 2012 we introduced a new procurement standard on Climate Change (GS20) which addresses supplier engagement on climate change. This is being included in new contracts and suppliers' progress is assessed via a [climate change questionnaire](#).

Our performance

We set targets to embed these principles in our procurement activities:

- By March 2012, 85% of contracts placed should have used energy consumption and/or environmental impact considerations in the process to award business.
- By March 2012, 100% of BT 'product replacement contracts' awarded should be able to demonstrate an improvement in energy efficiency and/or reduced environmental impact.

To measure progress against these targets we have developed a process to assess suppliers' climate change efforts during tenders and replacement contracts, and tools which buyers can use to measure the environmental impact and energy consumption of products.

In 2012;

- 87% of contracts placed as a result of competitive tenders considered energy consumption and/or environmental impact to award business, exceeding our 85% target.
- 100% of 'product replacement contracts' awarded demonstrated an improvement in energy efficiency and/or reduced environmental impact, meeting our 100% target.

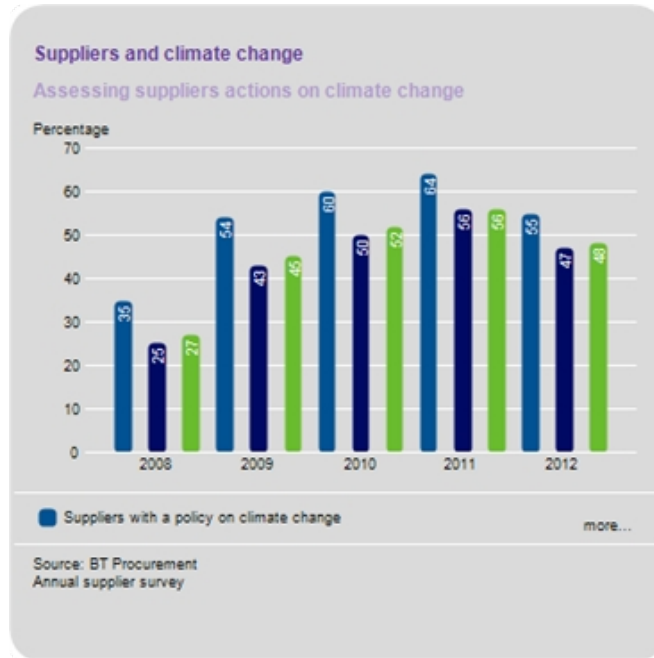
Supplier action on climate change

In 2012, we assessed the extent of the action suppliers are taking to address climate change using our supplier survey, and during a supplier engagement project conducted with the Carbon Trust.

In 2012, of the suppliers who responded to our survey assessing action taken to address climate change:

- 55% said they had a policy on climate change, compared with 64% in 2011
- 47% monitor their CO2 emissions, compared with 56% in 2011
- 48% have climate change targets in place, compared with 56% in 2011
- 26% measure their total water use, and 15% have targets or a water management plan, compared with 30% and 15% respectively in 2011.

The 2012 results reflect the increased number of SMEs who responded to the survey and one of our challenges for this year will be to improve engagement on climate change across our SME supply base.



Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	90% of competitive contracts in the year will include energy use /environment impacts as part of adjudication criteria.		New
April 2011	March 2012	100% of replacement products sourced in the year will have improved energy efficiency and/ or reduced environmental impact.	100% of 'product replacement contracts' awarded last year demonstrated an improvement in energy efficiency and/or reduced environmental impact,	Completed
April 2011	March 2012	85% of competitive contracts in the year will include energy use/ environmental impacts as part of adjudication criteria.	87% of competitive contracts in the year will included energy use/ environmental impacts as part of adjudication criteria.	Completed

Supplier diversity

We believe that doing business with diverse suppliers enables us to reach more customers and helps us create innovative new products and services.

There is growing interest in supplier diversity in the UK and across the globe and we frequently receive enquiries on our approach from potential public sector and corporate customers.

Our procurement team works closely with our diversity team to expand opportunities for minority businesses and to increase the diversity of our supply chain. Using our supplier survey we identified that we spent £11million with diverse suppliers in the 2012 financial year.

Assessing the diversity of our supply chain

Our labour standards questionnaire for new suppliers (GS18) includes a number of questions relating to whether the supplier considers themselves to be a Minority Business Enterprise (MBE). This is a company which is at least 51% owned, controlled or operated by people who are members of an ethnic minority group, women, lesbian, gay, bisexual or trans-gender, or are disabled or supporting disabled people into work. We also ask whether the supplier monitors the diversity of its people and its own supply chain.

In addition we use an annual survey to help us understand the diversity of our global supply chain and identify how we can help more small and minority owned businesses work with BT.

In 2012, 341 contracted suppliers completed the survey (out of 1683 that we contacted). 12% of respondents identified themselves as an MBE.

Engaging with others

We are working with others to improve our understanding of supplier diversity and to find ways to increase the diversity of our supply base. For example, we are a founding and board member of [Minority Supplier Development UK \(MSD UK\)](#), an organisation that provides a link between UK businesses and diverse suppliers. The organisation hosts a website which lists diverse suppliers. BT is a member of the MSD UK certification team that enables ethnic minority

businesses to seek and gain certification of their ethnic minority owned business status.

In 2012, we also;

- Maintained our supplier diversity policy and implementation plan agreed by the Chief Procurement Officer and HR Director.
- Hosted a supplier diversity event for MSD UK in BT Centre for 15 corporate companies and other organisations interested in our approach to supplier diversity.
- Spoke at the BT Ethnic Minority Network and Afro Caribbean Business Network Conference in December 2011.
- Developed a working group to focus on how we can increase the diversity of suppliers that we use for products and services we will supply to the London 2012 Olympic and Paralympic Games
- Developed a toolkit for buyers on engagement on accessibility and supplier diversity in their procurement activities.

Innovation

Innovation has always been at the core of our business – and we backed this commitment with a £560m investment in 2012.

BT Innovate and Design manages and delivers our long-term technology strategy, as well as our global research and innovation activities. But our people provide some great ideas and suggestions to improve customer service, reduce cost and help identify investment opportunities.

We show examples of innovation throughout our report, though we should point out that many new practices are in the testing and development phase, which may or may not lead to full scale implementation

BT Innovate and Design

BT Innovate and Design (BTID) designs, develops, tests and deploys IT systems, processes, networks, products and services. These are either used by, or sold through, the customer-facing lines of business to end customers in the UK and around the world. In addition, BTID manages and delivers our long-term technology strategy and our global research and innovation activities. In 2012 we invested £560m (2011: £684m) in global research and development to support our drive for innovation. The reductions in this spending in 2012 compared with 2011 have been delivered through better procurement, systems rationalisation, efficiency improvements and platforms reaching maturity.

Our global development centres are currently located in the UK, US, Europe and India, to help us find the skills and resources (both internal and third-party) we need.

We also run innovation showcases around the world to give customers access to the latest technology enabling them to see the sort of products and services that could be provided in the future.

BT New Ideas

Our New Ideas scheme was re-launched in October 2005 and has delivered millions of pounds in new revenue, cost savings and cost avoidance. BT people submitting new ideas can win up to £30,000.

This year, for example, two Openreach engineers – Colin Wright and Michael Prosser - entered the scheme winning £2,500 each. They created an application which more than halves the time it takes to install and test an Ethernet circuit.

Their manager Mark Head, (their sponsor who helped get the idea implemented), explained:

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They developed the computer-based tool after becoming frustrated by the amount of time and complexity involved in installing and testing a circuit.

Colin and Michael wanted to create an application which could help engineers install a circuit more quickly and 'right first time'.

The new tool called EAD Easy automates part of the process and incorporates templates that cut the amount of data that engineers need to input by 80 per cent.

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Other innovations

Other innovations for sustainability in 2012 included:

Research on carbon footprinting methodologies and metrics

Increasingly businesses are being asked to measure the end to end impacts of their businesses – from supplier through to customer. Our work on carbon footprinting has addressed issues such as the balance between the appropriate level of accuracy versus the feasibility of calculation; and the availability of data in this embryonic field.

We have considered the pros and cons of 'top-down' versus 'bottom-up' calculation methods.

We have used the techniques developed used a BT broadband product as a case study subject, with the techniques and learning being fed through into the BT Group CR standards initiative to jointly develop an ICT Sector Supplement for the Greenhouse Gas Protocol

Designing our tomorrow

The Circular Economy (CE) is a vision for a world in which waste is engineered out of the economy – specifically considering product design and manufacture, by using end-to-end through product lifecycle thinking. This envisages creating “closed loops” that maintain the value of material resources and components used to make a product.

Researchers from BT are working closely with their peers at the University of Cambridge to jointly develop a toolkit for 'Designing our Tomorrow'. This toolkit will subsequently be used to help embed CE principles into BT's product design processes.

The research to date has focused on trials of novel high recycled-content materials and innovative packaging concepts for BT products. We are also developing techniques to help assess whole lifecycle impacts and identify opportunities for improvements.

Cool Broadband

BT is currently undertaking a service trial of 'cool broadband', a new approach to energy management that could significantly reduce the carbon footprint of broadband lines. Our aim is to enable next generation copper broadband lines to automatically switch to a low-power mode when user or network traffic is low and return to full speed when traffic picks up.

TV white space

Subject to the successful completion of customer testing, we propose to introduce this during the coming year. Trials using TV white space for faster broadband

Following the near-completion of the UK's switchover to digital television, Openreach is currently involved in a trial on the Isle of Bute in Scotland to explore the potential of using the 'white space' previously used by analogue television signals to bring faster broadband to areas that are difficult to serve by more traditional means.

The UK government has an ambition to get at least 2 megabits per second (Mbps) to virtually every premises in the UK that won't be covered by fibre – which will be about 10% of the UK. Typically these locations are very hard to reach with fixed infrastructure. So we need to look to alternative technologies including white space, long-reach fibre, 4G and satellite.

We're currently involved in trials on Bute, where we've achieved speeds of between 4-8Mbps routinely, with some residents seeing higher speeds of 10Mbps and above depending on location.

The early results of the Bute trial are encouraging and indicate that TV white space can help deliver broadband to areas that are hard to reach. A clear and supportive regulatory regime is also required so we're working closely with Ofcom and the rest of industry to move things forward.

Super shovel

Openreach is speeding up the time it takes to install fibre broadband around the UK - thanks to a new super-shovel being used by engineers.

Andy Pilejko, Openreach general manager for next generation access programme supplier management and innovation, said:

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The shovel has extra sharp edges and can be used by an engineer to cut through tarmac and remove a blockage during the fibre network installation.

This enables the engineer to complete the job without waiting a number of days for a separate civil engineering team to dig up the pathway.

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It can reduce the time it takes to install fibre from a week to two days.

Respect for human rights

Respecting human rights is not only fundamental to being a better business; it is rooted in our values and practices as a business.

Any breach of human rights in our own or our partners' activities is unacceptable to us. Preserving the dignity, individual liberty and personal equality of our employees and those we deal with has to be our minimum standard, to the benefit of all our stakeholders.

However, we believe there is more we can do to enhance human rights around the world, and continue to push for the development of better standards. We also believe businesses need to redouble their efforts to engage with all stakeholders with consideration of the guidelines, to better understand their impacts on human rights and take action to eradicate suffering.

In this section of our report, we explain our frame of reference for Human rights, show in more detail how we can be a force for good in this area on complex challenges such as child labour and sourcing conflict minerals.

BT's human rights frame of reference

Human rights is a complex, wide ranging topic which is full of dilemmas, yet we embrace them as a whole, with a focus on risks that are most material (relevant and significant) to our business and stakeholders.

As an information and communications technology (ICT) service provider our impacts on human rights are currently most material in three areas:

- working conditions throughout our supply chain
- how we safeguard customers' data

- the way our products and services are used.

All relevant BT policies and procedures incorporate human rights and apply across all our dealings with employees, suppliers, customers and communities. This is a longstanding commitment for us, but increasingly we also seek to apply our skills and technologies in ways that enhance human rights in a number of areas, for instance, freedom of expression.

Our actions in respecting human rights reflect the maturity and materiality of the risks and opportunities we face. Our actions are always grounded in and guided by our statement of business practice – [The Way We Work](#) – which applies the principles of the United Nations Universal Declaration of Human Rights and International Labour Organisation (ILO) Conventions.

We are one of the original signatories to the [United Nations Global Compact](#), a set of ten principles relating to corruption, environment, labour and human rights. As a signatory, we are committed to:

- Supporting the protection of human rights within our sphere of influence
- Ensuring we are not complicit in human rights abuses.

We also support the increased attention to human rights brought into focus by the United Nations *Protect, Respect, Remedy* policy framework on business and human rights, and the associated Guiding Principles. The Principles were launched in 2011 to provide guidance for companies on due diligence in respecting human rights.

Our policies and processes are reviewed regularly and informed by stakeholder dialogue to make sure we address new challenges that arise as our business develops and legislation changes.

Human rights in our supply chain

As described in our supply chain section, BT does not directly manufacture products, but we do establish the minimum working conditions we expect our suppliers to provide for their employees. Our [Sourcing with Human Dignity](#) global standard, which is part of our contract with all suppliers, promotes our high standards among those we purchase goods or services from, and seeks to gain their support in requiring the same standards in their own supply chain.

More information on our on-site supplier assessments are described in the supply chain section of our report, but here we focus on two issues that have a particular link to the human rights agenda: child labour and sourcing conflict minerals.

Child labour

We respect and support the rights of all children, and we are committed to preventing their harm and actively safeguarding their interests. We acknowledge and welcome the guidance on [Children's Rights and Business Principles](#) which were launched in March 2012 supported by the United Nations Global Compact, Save the Children and Unicef. We share their commitment to go beyond eliminating child labour.

As described in the principles, children under 18 years old account for nearly one third of the world's population. Crucially, adverse impacts on children are often invisible to society, in part because they generally lack a collective public voice and platform to represent themselves. Yet they are a stakeholder of business; as consumers, family members of employees, young workers and future adult workers. We want to help them voice their points of view, respecting their right to learn and develop to their greatest potential.

We are committed to improving the communication and collaboration capabilities of young people in the UK and around the world, to enable them to have the skills they need to both succeed in life and to help improve their world. With better access to education, we hope that these children will further contribute to a world where human rights are respected and protected.

Conflict minerals

We are worried by continuing expert reports of a connection between the mining of certain minerals used in electronic products and human rights abuses. The minerals of concern - tantalum, tin, tungsten and gold - are used in components used to make electronic and ICT devices. For example, tungsten makes an electronic device vibrate, while tantalum is used in capacitors to store electrical power. Nearly all electrical products contain tin-based solder.

The Democratic Republic of Congo (DRC) is only one of the countries extracting and exporting these minerals, but mineral mining activities in the DRC are funding armed conflict, leading to abuses of human rights. Any association of complicity between human rights abuses and BT products is unacceptable to us but we do not want a ban of minerals coming out of the DRC and adjoining countries. There are hundreds of thousands of legitimate miners and many more people that depend on artisanal mining originating from the DRC for their livelihood. A ban would lead to further human suffering, not less. We believe transparency is the key to unlocking the responsible approach to this human rights dilemma.

The traceability of these minerals to their source is a huge challenge to the companies who need to use them, and who want to do so in a responsible way. We believe this issue will be most effectively addressed by working collaboratively with our industry peers. As a member of the [Global e-Sustainability Initiative](#) (GeSI) BT is supporting a joint initiative by GeSI and the [Electronic Industry Citizenship Coalition](#) (EICC) to establish validated conflict-free global sources of these minerals through the Conflict-Free Smelter (CFS) assessment program.

The CFS is a voluntary program in which an independent third party evaluates smelter or refiner procurement activities to determine if the raw materials used originates from conflict-free sources. The CFS assessment program began in 2011 and discloses publicly the results of its assessments at www.conflictreesmelter.org. Over time the EICC and GeSI anticipate that a significant portion of the world's smelters of tantalum, tin, tungsten and gold refiners will choose to undergo a CFS assessment.

The EICC and GeSI have also been supporting the tin and tantalum industries in the development of sourcing programmes such as the Tin Association's supply chain initiative ([iTSCI](#)) in the DRC region. The iTSCI project traces and certifies minerals from the mine of origin to the smelter.

Essentially, minerals are 'bagged and tagged' at the conflict-free mine of origin and have accompanying certified documentation throughout each step of the minerals logistical supply chain. This allows the end customer to have confidence that the material was sourced responsibly. Once validated by an independent third party, iTSCI minerals are considered eligible for assessment in the CFS program.

How people use our products and services

We believe a more connected society is a better society, where ICT serves as a catalyst for global change.

The events of civil unrest seen in the Middle East during 2011 are a clear example of how access to ICT can help to promote freedom of expression, and serve as a source of openness in otherwise closed societies. Conversely, Government censorship of communications can be used to stifle political opposition, activism and other forms of criticism.

We do not provide consumers with landline, mobile or internet services outside the UK – our international business provides end-to-end service to our

multinational business customers through our alliance of around 100 national telecommunications companies.

We will not interfere with our customers' freedom of expression (other than as necessary to deal with legal requirements). It is extremely challenging to navigate the tensions present in stakeholder perceptions of legitimate and illegitimate restrictions on freedom of expression and privacy.

The area of lawful government interception of data is a particularly contested debate across stakeholder groups. We have operational processes and routines to evaluate and handle government requests that may have an impact on freedom of expression and privacy. In particular we make sure that any government demands are reviewed and interpreted by appropriately qualified and experienced personnel, in order to assess their compliance with legal and due process.

We believe the advancement of freedom of expression and privacy globally can be best achieved through actively engaging in multi-stakeholder dialogues at international, national and industry level. We will continue in this approach, investing time and resources to understand and promote the impacts and obligations different stakeholders have with regard to freedom of expression and privacy.

Sales and marketing practice

We aim to communicate openly and honestly with our current and potential customers and sell our products fairly. This includes setting and communicating our prices clearly.

Through our sales and marketing practices, we aim to not only grow our business, but also gain the long-term trust and support of our customers.

Advertising

BT is one of the UK's largest advertisers. Our spending of £79.4m in the 2011 calendar year places us as the ninth largest according to [Nielson Media research](#).

Our Statement of Business Practice commits us to being truthful and accurate in all our communications with customers, and helpful and honest in all our dealings with them.

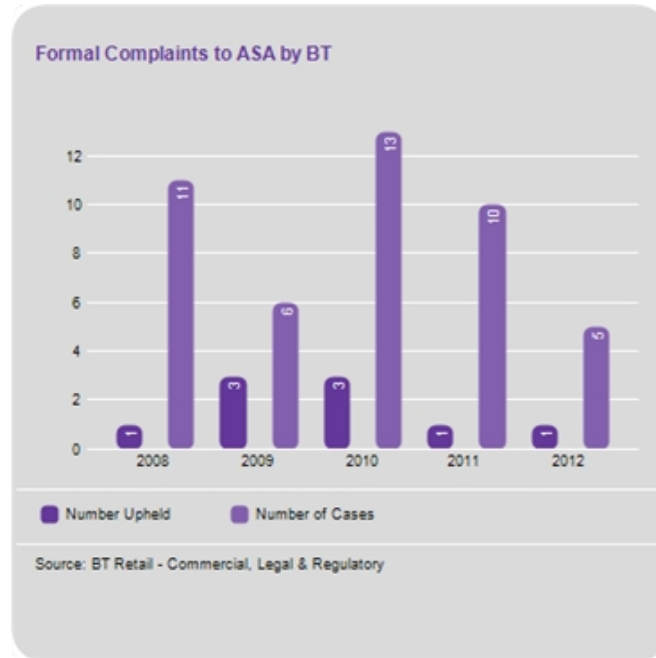
Our [sales and marketing practices](#) aim to ensure our sales people follow the rules and regulations, so customers are sold the right product for their needs and know exactly what they're buying.

In the UK, the Advertising Standards Authority (ASA) regulates advertising practices.

In 2012, 25 complaints were made to the ASA about BT and 2 of these were upheld.



In 2012 BT made 5 complaints to the ASA, of which 1 was upheld



Mis-selling

Sometimes, customers tell us they've been transferred to another phone company without their knowledge or consent - known as mis-selling. We have published general advice on mis-selling including tips on prevention and what to do if it happens. This is available to all customers on our [website](#).

BT also works with the industry and Ofcom to establish better protection for customers who switch suppliers.

Pricing

Across our businesses, we aim to make our prices as clear as possible so customers know what they will pay to use our services.

UK Consumers

We publish a [tariff guide](#) explaining the costs for residential customers' telephone lines and calls, discount plans, broadband internet and BT Vision.

UK businesses

Our [business packages](#) include pricing details, which can include telephone, broadband, wi-fi minutes and other IT support services, help UK companies to plan their costs.

Large customers and wholesale services

Because [BT Global Services](#) tailors its services to meet the needs of its large customers, the price of these services varies.

BT is the major provider of telecommunications networks and services in the UK. Control of the access network in the UK is with Openreach, a business within BT, specifically set up to provide access network services and products on an equal basis to all the UK communications industry. Pricing for these services are agreed with the UK regulator and published on [www.openreach.co.uk](#).

BT and sustainability

We make many positive contributions to society, the economy and the environment through our products and services, employment practices, community involvement, and responsible resource use.

BT has worked hard to be a responsible and sustainable business for years. We can demonstrate this in many ways, including our consistently high ranking in the Dow Jones Sustainability Indexes for our sector.

Our business strategy

Our strategy, described in our [Annual Report](#), is composed of six key areas of focus. Five areas relate specifically to our products and services, while a sixth specifically outlines our ambition to be a responsible and sustainable business leader. This recognises the role that long term sustainability thinking has to play in creating business value and underlines our belief that this is essential for BT to achieve long-term profitable growth.

Our Better Future strategy

Our Better Future (CR) strategy sets out how we will become a responsible and sustainable business leader. This is continually evolving, as our operating environment and the opinions of our stakeholders will always change and we need to respond.

In 2012, we have carried out an internal review of our approach. The result is a simple framework consisting of three focus areas:

The first focuses on the creation of a **Better Connected** society. We want everybody to enjoy the benefits of a more connected society, no matter who they are or where they live

The second focuses on doing **Better with Less**. We believe that BT can be a force for net good by providing services which help us to live within the environmental constraints of our planet.

And the third focuses on creating **Better Lives**. We believe our technology and people can be powerful enablers which help support people all over the world to improve their lives.

Underpinning these areas is our commitment to **Better Business Practices**. These 'foundation' areas include the issues that we believe all businesses that consider themselves to be responsible and sustainable need to consider and manage. These include ethics and compliance, creating a great place to work and supplier engagement.

Other developments in 2012

As well as developing this new framework for responsible and sustainable business at BT, we also ran a two-day hothouse in February 2012. These sessions were led by our new Chief Sustainability Officer, Niall Dunne, and were used to define how our new strategy might work in each of our lines of business. Outputs from these sessions are currently being explored by management teams in each line of business.

Our values

We aim to deliver our strategy in line with our publicly stated values. These give us a common language and understanding of what good looks like, and will support the delivery of our business and CR strategies.

- **Trustworthy:** we do what we say we will
- **Helpful:** we go out of our way to make a difference
- **Inspiring:** we do things that excite and amaze
- **Straightforward:** we make things simple and clear
- **Heart:** we give it everything we've got

A message from our Chairman and Chief Executive

A year ago, being a 'responsible and sustainable business leader' joined our list of strategic priorities. What have we done since? What's still to do?

You'll find the answers here, in our second annual Better future report. You'll also discover some of the ways we're busily creating a better future through our people, products and services. And there are stories of how we're helping people be better connected; growing while cutting our carbon footprint; contributing to better lives in our communities; and developing better ways of running our business.

Helping people be better connected

Fibre is our future. We think our £2.5b investment in it is money well spent. Fibre broadband for the whole of the UK means people and businesses can share and work together much more easily.

There is evidence of strong demand for fibre broadband wherever we make it available. We've been laying the fibre faster than pretty much anyone else in the world. Which means businesses can make video calls, use conferencing and work at home - working smarter, and cutting CO2 emissions. And as fibre arrives in new neighbourhoods, more will do the same.

To get fibre broadband to people at the fastest possible pace, we've had to commit investment and develop and deploy new technologies. We've also recruited hundreds of former Armed Forces personnel to join a mobile team of engineers to help speed up the roll-out.

We're co-investing with central and local government and the EU to reach areas that would otherwise not be economic. Putting that money to work will mean that in roughly five years' time, 90 per cent of UK properties should be able to get fibre broadband. Go to Cornwall, the Scilly Isles or Northern Ireland and you'll see that private-public cooperation is working really well.

Getting fibre broadband to the other 10 per cent is even more tricky. We're busy working out how we can use our technology in new ways to get faster there as well. So people and businesses across the UK can share in a more connected future.

Cutting our carbon footprint

We're now growing our business but using less energy to do it. Last year, we used 3.3 per cent less energy than in 2011 (our target was two per cent) and that saved us £21.9m. How did we do it? We installed smarter meters in 1,900 of our sites. And our 1,500 energy champions campaigned tirelessly in their own communities for people to get smarter about the way they use energy.

Since 1997, our carbon emissions intensity has dropped by 60 per cent. Back then, we promised 80 per cent by 2020. We still do. But it's getting harder to push ahead with the wind and solar power plans which will help us hit that number, because we need more clarity from policy makers. We are in dialogue with government, seeking changes to things such as the way that companies report on their carbon emissions.

Better lives in our communities

We help the neighbourhoods we work in, too. Every day, there's a new story about our people raising money for a charity somewhere in the world. On top of that, we still support UK charities like Children in Need and Sport Relief. We helped the latter raise more than £50m this year – through our technology, through 700 BT people taking donations over the phone on telethon night and through sponsoring three Sport Relief challenges.

All over the world, more than one-in-ten of us volunteered to help build better local communities last year. That's over 50,000 days with a value of roughly £15.9m.

But it's not just our people improving the communities we work in. Our MyDonate platform is the UK's only donation website with no service or commission charge. It only launched last year, but already more than 3,000 charities are benefiting.

We're also still pushing for better lives for the people across our global supply chain, through fighting for better labour and environmental standards from suppliers, and progress against our UN Global Compact commitment.

Better ways of running our business

We want to be a healthy, inclusive and nourishing place to work. That's why we never stop investing in our next generation – from apprentice engineers to future leaders. And through our Work Inspiration programme, more than 4,000 young people got to experience BT, and the world of work, for the first time. We hope a few will one day be BT people themselves.

What happens next?

Society is still facing some monumental challenges. To help meet them, we'll be unveiling some long-term goals after the London 2012 Olympic and Paralympic Games, of which we are proud sponsors. These new goals will be bold, hopefully inspiring and certainly measurable. They'll bind the best of what we do to some of the greatest social and environmental challenges of our time.

We need to think big – which means ensuring we take our customers, partners and suppliers with us. However difficult that may be, it will be the only way to succeed for shareholders, keep our customers happy and motivate our people while sustaining the societies we all rely on.



Sir Michael Rake
Chairman
14 May 2012



Ian Livingston
Chief Executive Officer
14 May 2012

Governance

We have a structure in place to ensure there is clear accountability for achieving our Better Future strategy. This helps us to ensure that, from the boardroom to the people that deliver for customers every day, we create benefits for the company, its people, customers, society and the environment.

Executive responsibility

Our Board committee

Our Committee for Sustainable and Responsible Business (CSRB) is chaired by Sir Michael Rake (our chairman) and sets the corporate responsible and sustainable business strategy for BT group globally (including wholly owned subsidiaries) for approval by the Board. It includes two non-executive directors: Phil Hodgkinson, Jasmine Whitbread and three independent members: Baroness Margaret Jay, Lord Michael Hastings, Dame Ellen MacArthur, as well as key executives. Clay Brendish retired from the Committee on 31 August 2011. Jonathon Porritt, chairman of our external Leadership Advisory Panel, attends on an annual basis.

The Committee met 4 times in the 2012 financial year and reviewed items such as;

- Our Better Future strategy
- Key CR performance indicators
- Key CR programmes
- CR governance

The committee has close links with BT's Leadership Advisory Panel (the Panel); Jonathan Porritt (chair of the Panel) attended the December 2011 meeting of the Committee. Gavin Patterson, CEO BT Retail, provides a permanent link between the committee and Leadership Advisory Panel.

Our Chief Sustainability Officer

In June 2011, we appointed a new Chief Sustainability Officer, [Niall Dunne](#). Niall is tasked with delivering against our strategic priority to be a responsible and sustainable business leader. Niall has been named a Young Global Leader for 2012 by the World Economic Forum

Before joining BT, Niall spent a decade leading sustainability practices in Saatchi & Saatchi and Accenture. He has also chaired the Sustainable Consumption Project Board for the World Economic Forum (2009) and the Board for the Green Awards (2010), and was recently a judge for The Guardian's Sustainable Business Awards.

Our external Leadership Advisory Panel

BT's Leadership Advisory Panel is a group of external experts renowned for excellence in their field. The Panel members in 2012 were:

- Jonathon Porritt, Chair of the Panel and Director of Forum for the Future, a UK sustainable development think tank
- Mark Goyder, Founding Director, Centre for Tomorrow's Company, a business think tank
- Elisabeth Laville, Founder-Director of Utopies, a Paris-based sustainability consultancy
- Jørgen Randers, Professor of climate strategy at the Norwegian Business School.
- Nick Robins, Head of Climate Change Centre of Excellence at HSBC in London.

The panel has encouraged innovation and leadership on CR and sustainability in BT. It met four times in 2012 and has provided valuable independent guidance and expert advice on the development of our Better Future strategy and governance. As part of this governance review the Panel stood down in May 2012. Their annual statement can be found [here](#).

Stakeholder engagement

Across the year we engage with our stakeholders to understand their expectations of BT as a responsible and sustainable business, and how we are performing against these expectations in their eyes.

This understanding gives us valuable insight to help us shape our future strategy, approach and activities and it also helps us better communicate what we do, in ways that are most relevant for our stakeholders.

Some feedback comes through surveys whilst other feedback comes through two-way dialogue with stakeholders. We also gather insight from ad-hoc dialogue, including online discussion forums, telephone calls, one-off meetings, focus groups or through social media such as blogs.

We engage with stakeholders regularly and through various channels. Many of the views on particular activities or programmes are included in the other sections of this report. Key insights from our wider stakeholder research and engagement are detailed below.

Global stakeholders

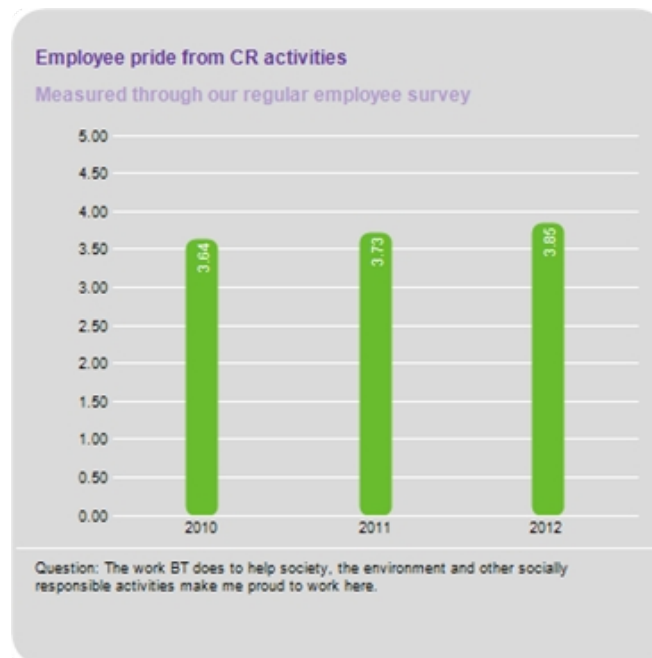
Global research into CR trends shows that, in the last decade, there has been a widening gap between the general public's expectations of companies' CR activities and perceptions of their performance, although this has narrowed for the first time in many years during 2012. Expectations, at a global level, are no longer rising—perhaps in response to tougher economic circumstances—while there has been a rise in perceived CR performance across a number of sectors.

People across the world continue to expect companies to maintain performance on their core responsibilities—especially around product safety, environmental integrity, responsible supply chains, and employee treatment. Public expectations around employee treatment and applying high standards globally have intensified over the past two years.

In terms of the specific expectations of companies in the UK, product health and safety is the most crucial, with employee welfare, environmental impact, consistent application of high standards, and responsible supply chain management also scoring highly.

Employees

We regularly ask employees through surveys and focus groups for their views. 86% of our employees think BT takes its responsibility to society, community and the environment seriously - up from 85% last year and 69% (index score of 3.85 out of 5.0) of employees say they are proud of BT's activities for society and the environment - up from 64% (index score of 3.73) last year.



Our people consider the most important things for BT to focus on (with equal weighting) are

- Offering apprenticeships to young people
- Reducing BT's environmental impact and
- Creating more sustainable products.

This is closely followed by reducing energy use, helping recycle BT products no longer in use, providing support for telethons and encouraging employees to volunteer for charity.

Our employees have also suggested how we can improve further, with the most recommendations relating to

- Reducing travel and enabling more homeworking
- Promoting and communicating our corporate responsibility activities more widely and
- Encouraging managers to offer more support to take part in volunteering activities during work time.

We also have on-going dialogue with trade unions, our People networks as well as networks of employees who are engaged with elements of our Corporate Responsibility programme. The BT Your Views discussion forum is a moderated online area for employees, which regularly covers corporate responsibility and sustainability topics.

Opinion leaders

In addition to our regular dialogue with journalists, analysts, politicians and charities, our independent research company MM Eye held telephone interviews with 277 key opinion leaders around the globe, to understand their views of BT. We were pleased to hear that 74.7% said we take our responsibility to society, community and the environment very seriously - up from 67.8% in 2011.

Sustainability Experts

We also review GlobeScan's Sustainability Survey which monitors spontaneous mentions of sustainability leaders among 559 sustainability experts across 66 countries. BT is mentioned by 3% of respondents in Europe which has remained constant to findings in previous years (this was the 11th highest rating in Europe).

Sustainability experts, when given reasons for sustainability leadership among companies, cited "commitment to sustainability values" (integrated long-term commitments and taking action on sustainability promises). This indicates that, in order to be considered a leader in this area (especially by those who work in the field), it is vital for companies to be committed to sustainability for its own sake rather than as a market differentiator.

Sustainable products and supply chain management, although experiencing a drop since 2010, is still the second-most important factor in determining sustainability leadership and, as seen in the Radar survey, is of high importance among the general public.

Communication and transparency and integration of sustainability into the core business model also score highly

We also describe our engagement with policy makers elsewhere in our report.

UK stakeholders

Residential customers

67% of our UK consumer customers gave BT a positive corporate responsibility rating in 2012 (down from 74% last year) and the general public rating remained unchanged at 62%. BT was named – unprompted – as the joint sixth most responsible company in the UK, down from joint third position in 2011.

The main factors behind positive perceptions of BT's CR are wide-ranging but frequently involve BT's customer service (increased mentions), products, prices and personal experience. People increasingly recognise the need for BT to take CR seriously in order to remain a market leader – it is seen more as a minimum standard rather than a differentiator.

The top reasons behind negative ratings for CR include poor customer service (increased mentions), profit focus, and high prices.

Specific expectations of BT

When asked how BT could have a better impact on society, these customers and potential customers said we should focus on

- Reducing prices and giving better value
- Talking about our societal programmes more, and
- Improving broadband, network reliability and speed.

Top actions identified for BT to have a better impact on the environment were:

- Using underground cables (and consequently having a less disruptive effect on landscapes)
- Lowering emissions and creating a lower carbon footprint, and promoting recycling of old equipment.

We have established a Customer Inclusion Leadership Panel of independent experts in the field of age and disability. This Panel drives BT Retail's inclusion strategy by scrutinising our approach and priorities and making recommendations for further improvements. You can read more about this [here](#).

Business customers

Our business tracker survey also shows that providing better customer service is seen as the most important social and environmental issue that BT should be taking action on, followed by reducing our carbon footprint and price reductions.

[Consult 21](#), a programme of dialogue with business customers and industry stakeholders gives us regular feedback on BT's 21st Century Network rollout.

Our [Equality of Access Board \(EAB\)](#) regularly meets external communications providers which provides regular feedback on our performance. The EAB is a BT Group plc board committee with a majority of independent members. It monitors and reports annually on BT's compliance with its Undertakings and associated Code of Practice.

We also have regular dialogue with CR leaders in other organisations through industry fora such as Governing Board of Corporate Responsibility Officers

Association, Accountability Global Leadership Network and BSR.

How this feedback is making a difference

We are using this feedback to drive our current work to refresh BT's strategic approach and vision for a Better Future.

Specific examples of our feedback in action can be seen in many other sections of our Better Future report, including:

- Customer experience
- Employee engagement
- Environmental performance
- Supplier management

We are increasingly using social networking sites, CR blogs and Twitter to engage with customers, wider society and other CR practitioners. Our [CR blog](#) on the BT website encourages debate and discussion with all stakeholders around responsible and sustainable business.

This real-time dialogue is something that our stakeholders see as really important and which we plan to extend significantly over the next years.

What's next?

We are in the process of formulating plans to enhance our communications around responsible and sustainable business. Both our approach and our areas of focus will reflect the feedback we have received from stakeholders, in order to provide them with the information they care most about. We will also use this feedback to inform our own management processes, with the aim of driving performance on the issues that matter most to them.

And we welcome your views, across this site you will find ways of getting in touch with us. Please do!

Our economic impacts

BT makes a considerable contribution to the UK economy, and also generates wealth in the other markets where we operate.

We have direct economic impacts through the jobs we provide, the goods and services that we buy from suppliers, the products and services we sell to customers, the taxes we pay, and the financial returns we deliver to investors. These issues are explored in this section of our report.

Sector impacts

In addition, the information and communications technology (ICT) industry fuels economic growth by improving efficiency and productivity.

According to the Boston Consulting Group latest '[Connected World](#)' report.

66

'The economic impact of the internet is getting bigger – just about everywhere – and it already has an enormous base. In the UK, for example, the Internet's contribution to 2010 GDP is more than that of construction and education.

99

The OECD's Communications Outlook 2011 added that:

66

Communication technologies and broadband, in particular, are increasingly perceived as a critical factor in social and economic development. They provide the underlying connectivity for a range of innovative applications in areas like smart energy, electronic health services, e government, and so forth.

99

While the World Bank's Little Data Book on Information and Communications Technology 2011 stated:

66

The impacts of information and communication technologies cross all sectors. Research shows that investment in information and communication technologies is associated with such economic benefits as higher productivity, lower costs, new economic opportunities, job creation, innovation, and increased trade and exports. Information and communication technologies also help provide better services in health and education and strengthen social cohesion.

99

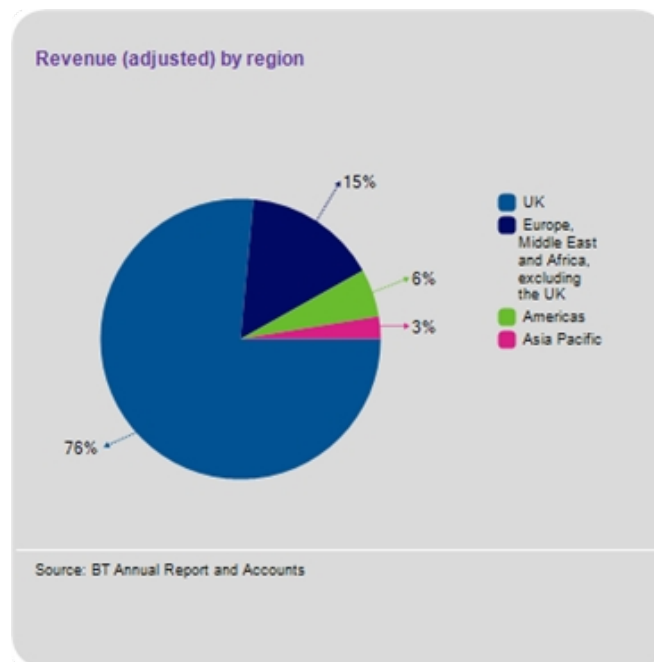
Our direct economic impacts

We make a direct economic contribution through our payments to employees, suppliers, investors and governments.

These are the key financial figures for the 2012 financial year, find more details in the BT Group 2012 Annual Report and Form 20-F.

BT revenue

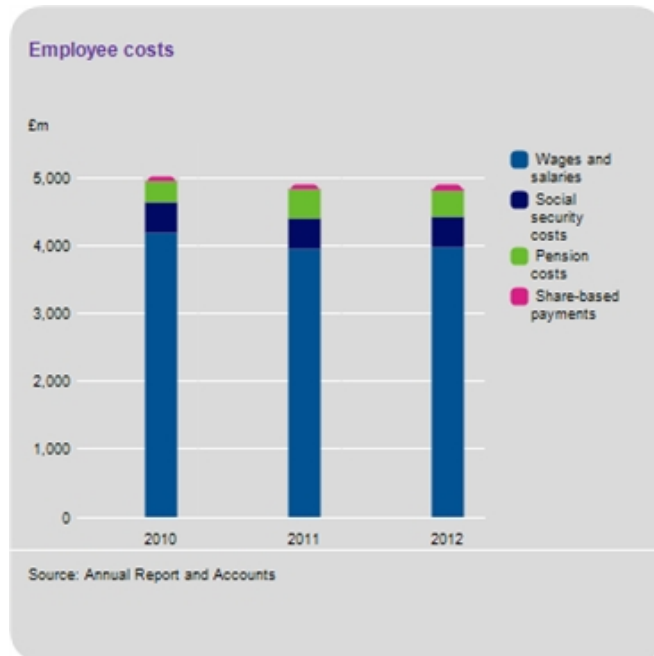
BT revenue of £19,307m, distributed as follows:





Employees

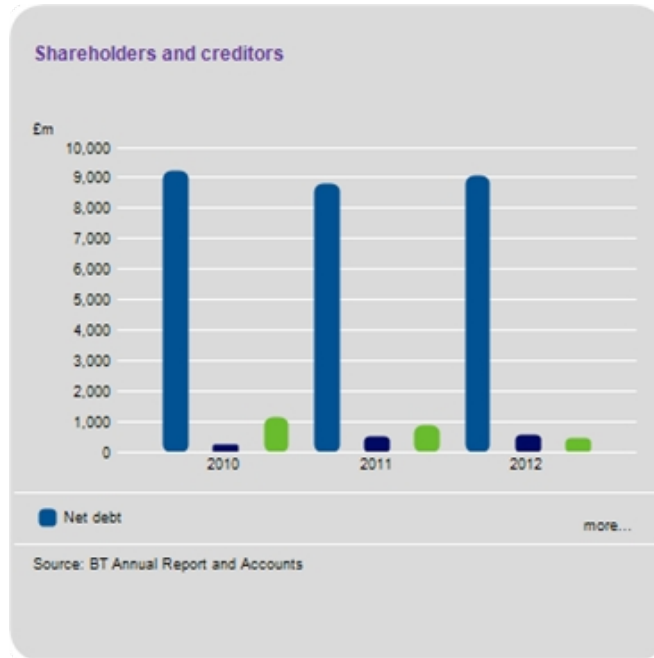
Our economic impact is most significant in the UK, where most 83% of our employees are based.



Suppliers

- Total spend with suppliers: £10.6 billion
- Total capital expenditure: £2.6 billion.

Shareholders and creditors



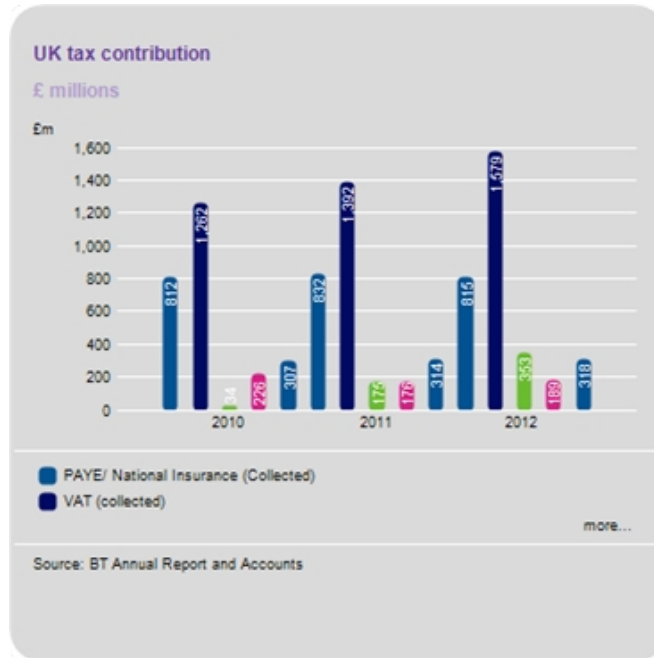
Tax

BT has historically, and continues to be, based in the UK for tax purposes, allowing its business profits to be taxed where they arise.

BT makes a significant contribution to the UK Exchequer, where most of our businesses operate. We collect and pay taxes of over £3 billion in a typical year. We also pay a smaller amount of tax in other countries where we operate.

Total tax contribution

In 2012, we paid £3,254m in tax in the UK in total. This comprises £1,579m of Value Added Tax (VAT), £815m of Pay As You Earn (PAYE) Employees National Insurance collected, £318m of Employers National Insurance borne, £353m of UK Corporation Tax, and £189m of UK business and UK network rates.



Elsewhere our corporation tax payments were:



Tax strategy

Our strategy is to comply with all relevant regulations whilst managing our tax burden and seeking to maintain a stable effective tax rate. We seek to achieve this through engagement with our stakeholders including HM Revenue and Customs (HMRC) and other tax authorities, partners and customers.

We are committed to reporting our financial performance in line with leading practices and with the maximum possible transparency, without compromising our competitiveness.

We maintain good relations with tax authorities – including HMRC in the UK – and are committed to prompt and transparent disclosure to them in all tax matters. We recognise that sometimes our interpretation of the law may differ from that of the authorities, and discuss any such discrepancies with them to resolve matters as quickly as possible.

Our policy is to lobby government directly on tax matters likely to affect our business, and to respond to consultation documents where the impact could be substantial. We also lobby the government indirectly through the Confederation of British Industry, various working groups and committees and leading professional advisors.

Tax accounting

It can take several years to agree the exact amount of tax we will pay with the authorities. We have settled all years up to and including 2008.

For more information on our tax policy and strategy, see our Annual Report and Form 20-F.

BT's wider economic impacts

Our contribution to the UK economy amounts to £17bn gross value add (GVA) – or £1 in every £70 of the UK's total GVA.

Understanding our economic impact in the UK

For the third year we have produced '[the Social Study](#)' – "The Economic Impact of BT across the UK". Produced in partnership with [Regeneris](#) the study demonstrates the economic contribution of BT to national and regional economies in terms of jobs, output and Gross Value Add (GVA) supported.

It shows that BT's total impact across the UK amounts to £17 billion GVA which accounts for £1 on every £70 of the UK's total GVA. A proportionate, positive impact is enjoyed by the economies of Scotland, Wales, Northern Ireland and all the English Regions.

The report shows that, in England, Northern Ireland, Wales and Scotland, for the financial year 1 April 2010 to 31 March 2011 (2011):

- We directly employed just over 77,000 people living and working in the UK and a further 8,900 contractors
- The total wage and salary bill of these employees was more than £3billion
- We spent a total of £7.6 billion with suppliers based in the UK in 2011
- Including direct and knock-on effects, BT is estimated to support some 274,000 jobs in the UK with a total value of £8.5 billion in 2011.

This study updates research from 2010. It analyses the overall UK position and each of the regions and nations of the UK

The full report, alongside individual versions for each of the English Regions, Scotland, Wales and Northern Ireland are available to download in PDF format.

Increasing employment

About 900 people will be based in a new business centre in West Bromwich, Sandwell. This includes 400 employees of Transform Sandwell (Sandwell Metropolitan Borough Council's partnership with BT) and a new 300-strong BT customer service team. It will also be the new base of [BT Fresca](#), which provides specialist technology services to major retailers.

We are also creating up to 280 new jobs at a new £10.5m flagship office to help handle increasing sales activity. The consumer sales roles are being created at our Harton Staithes complex in South Tyneside, to promote calls, lines and broadband packages to UK customers.

Around the world

Suppliers play a key role in helping us deliver our products and services to customers and as such play an important role in helping us deliver our strategy. We work with around 18,200 suppliers; spending approximately £10.6bn per year with them, with the top 100 suppliers accounting for around 65% of this spend. For more information on these relationships see the supply chain section.

International employment

In 2012, we announced plans to support customers and to grow our business in key regions. We plan to

- expand in Latin America - doubling business in key countries over the next three years. There will be 250 new staff, new centres of excellence and a wide range of network and customer service improvements
- expand operations across Turkey, the Middle East and Africa with the aim of doubling business in these regions and creating 170 new jobs
- create 60 new jobs in India and open a technology showcase in New Delhi. The new jobs - in sales, delivery and implementation of services for customers - were announced as an update of BT's investment plan in the Asia Pacific region.

Our case for responsible business

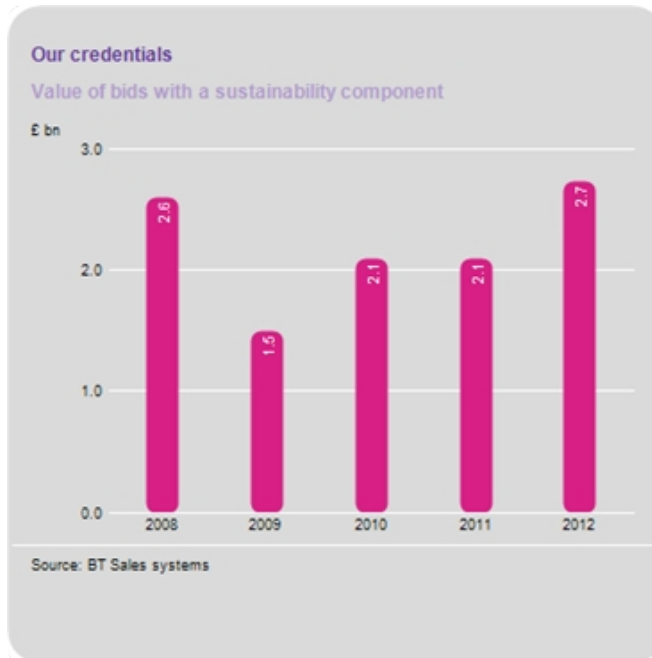
We're proud to have been an early adopter of many responsible and sustainable business practices that are now commonplace – including reporting on environmental and social issues.

But our decisions to invest in these activities have never been entirely driven by the desire to do good in the world. Our Better Future agenda brings our business many benefits.

In this section of our report we explore the four key business drivers for corporate responsibility

- Understanding the social and environmental context and challenges for our business helps us manage material risks more effectively
- External stakeholders, particularly investors, expect us to manage extra-financial issues – and use our placing in ratings and benchmarks to inform their assessment of our business
- We reduce costs by running a more efficient and productive business
- Employee pride and motivation is built through our commitment to creating a Better Future.

In addition, the ability to demonstrate that we have strategies in place to become a more sustainable company is now a basic requirement of doing business. The chart shows the total value of the contracts with large business and governmental customers we bid for in 2012 that requested information on sustainability.



Note: We have excluded Broadband Delivery UK bids which have a total bid opportunity value around £1bn over 2012-2015

Our approach

It is our aim to manage risk so that we can successfully deliver our objectives, creating shareholder value while promoting the interests of our many stakeholders through the safeguarding of our assets and reputation.

We have in place group wide risk management processes for the identification, evaluation, response and subsequent monitoring of risks which may significantly threaten the accomplishment of our objectives and long-term strategic aim.

Managing CR Risks

We quantify the most significant social, environmental and ethical risks to BT in our corporate responsibility (CR) risk register, part of our companywide risk management system. This is updated twice a year by our CR Risk Forum, which comprises experts from across our business, and is reviewed annually by our Board. In 2012, we identified no new CR risks that would have a material financial impact on our business. We have been monitoring emerging risks such as conflict minerals, read more [here](#).

We currently have seven CR risks which we monitor and report on.

Climate change adaptation

Our networks and infrastructure around the world are subject to both floods and wind damage. Damage to our networks can impact on customer service and related service restoration costs. Our Business Continuity teams are well versed in responding to catastrophic events effecting customer service regardless whether these are weather related – for example fire in a critical network centre.

We site our facilities in areas of lower risk and are making our networks more weather resilient.

Climate change mitigation

Our risk reflects damage to reputation should we not deliver our emissions reductions targets. We manage this through a comprehensive energy and carbon reduction strategy.

Diversity

Our risk is that our activities and their outcomes do not meet our legal or ethical standards for a diverse workforce. We continue to monitor our performance regularly. Read more [here](#).

Supply chain labour standards

Suppliers play an important part in helping us to deliver our products and services to our customers. Whilst not all of our suppliers provide products or services that are critical to our operations, there are a number that would result in significant harm or disruption to our operations and brand damage if they were to fail on their commitments. See our [Annual Report](#) for more information.

Health and safety

The Health, safety and well-being of our people is critical to us delivering our strategic objectives.

Our [health and safety strategy](#) has delivered significant reductions in our overall exposure to regulatory and business risk in this area. Small scale incidents remain relatively common and we continue to monitor and raise awareness of our policies and practices.

Business integrity and ethics

The global nature of our operations means that we have to comply with a wide range of local and international legislative requirements. Our legal compliance obligations include antitrust and anti-corruption legislation, competition law, data privacy, trade sanctions, import and export controls, taxation and telecommunications regulatory requirements. See our [Annual Report](#) for more information.

Privacy and data protection

Our strong reputation for secure and resilient services relies on the quality, integrity and reliability of our global information systems, transmission networks and infrastructure. Significant volumes of personal and commercially sensitive information are stored and transmitted to meet our own business purposes and those of our customers. See our [Annual Report](#) for more information.

Ratings and recognition

Being a responsible and sustainable business leader enhances our reputation and builds trust among our stakeholders. In 2012 our activities continued to achieve broad recognition through ratings and awards.

We have participated in sustainability ratings for many years as a means of independently demonstrating our strengths in this area. The landscape of ratings has over recent years become crowded with competing ratings and organisations seeking to prove their credentials. Whilst we welcome the mainstream focus on excellence across all aspects of corporate responsibility, the diversity and variability of rating criteria make it increasingly difficult for stakeholders to determine with clarity the leaders from the followers.

In May 2010 the think-tank [SustainAbility](#) embarked upon a research project — entitled Rate the Raters — which attempted to better understand the universe of external sustainability ratings. As part of their research they asked their survey respondents to rate the credibility of 21 well-established ratings. The broad, investor-oriented ratings - Dow Jones Sustainability Index, CDP, FTSE4Good Index – were top amongst those cited as most well-known and considered most credible, reflecting their history and prominence in the field. As institutional investors around the world put increasing focus on environmental, social and governance (ESG) practices of the companies they invest in, ESG risk measures are increasingly important part of the investment process and a driving force behind these ratings.

We continue to focus on these investor ratings which are most credible in the eyes of our stakeholders, and which best demonstrate a rigorous and balanced approach to assessing performance.

BT's performance in sustainability ratings

Rater	Ratings	BT's 2012 Rating	BT's 2011 Rating	BT's 2010 Rating	Rating focus
SAM (Sustainability Asset Management)	Dow Jones Sustainability Index	90%	85%	83%	Investor focus - All aspects of economic, social and environmental sustainability
		SAM Gold Class	SAM Gold Class	SAM Gold Class	
Business in the Community	Corporate Responsibility Index	Platinum Plus and Sector leader	Platinum Plus and Sector leader	Platinum Plus and Sector leader	All aspects of corporate responsibility
Carbon Disclosure Project	Carbon Disclosure/ Performance Leaders Indices (CDLI/CDPI)	84%	89%	65% CDLI member	Investor focus - Evaluation of risks and opportunities in the industry as well as company policies and strategies related to climate change
		Ranked 3rd in sector for CDLI and "B" rated in sector for CDPI	CDLI Sector leader (Global 500 and FTSE 350)	See note	
		(listed in FTSE 350 report)	"A" rated CDPI Sector leader		
Ethical Investment Research Service (EIRIS)	FTSE4Good Index ESG ratings	4.8 out of 5 (equivalent to 96%) and supersector leader (Sept 2011 and Mar 2012)	100% and supersector leader (Apr 2011 – inauguration)	Listed in FTSE4Good Index	Corporate governance, social aspects (including human rights) and environment

Recognition

March 2012

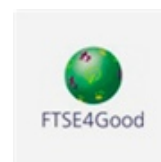
We retained "platinum plus recognition" from Business in the Community for our impact on society. Only companies that rank highest in BITC's annual corporate responsibility index are eligible for Platinum Plus status.

We retained our No.1 position as leader in our sector in the FTSE4Good ESG rating with a score of 4.8 out of 5.



November 2011

We achieved the highest ranking of any Telecommunications & IT company in the UK Carbon Reduction Commitment Energy Efficiency scheme with a score of 95%, ranking us 44th overall out of 2,103 companies.



October 2011

We achieved sixth overall and top telecommunications company in the 2011 Green Rankings of Global 500 companies.



September 2011

We achieved a consistently high performance in the Dow Jones Sustainability Index for 11th year in a row with our highest best ever score of 90%. We led the fixed telecommunications sector for eight years from 2001 to 2008 and have been Gold Class recipients since 2009.

We achieved third place in our sector in the Carbon Disclosure Project's leadership Index 2010.

June 2011

We were recognised as a leader by Verdantix in their European Green Quadrant for Sustainable Telecoms and the industry leader in Green ICT sustainability consulting.

Increasing efficiency

Transforming our cost base is one of the three key areas of our strategy. By managing resources more carefully, we contribute to this company-wide goal.

Saving energy

Last year, our energy efficiency programme decoupled energy use from business growth. This means that even though we delivered more for customers, we were able to reduce global energy consumption by 3.3%, saving £21.9m per annum. We have set a target for a further 1.5% reduction this year.

Waste and recycling

This year has once again seen our recycling activities, in the UK in particular, generate savings. Recycling income has increased from £5.65m in 2011 to £7.89m, helping (after costs and landfill tax) to save over £2m in the year.

Employees

Our investments in employee wellbeing and engagement activities have resulted in reductions in sickness absence, and increases in employee engagement. While these factors increase employee productivity, these factors are often linked to lower recruitment costs. Similarly, innovation in recruitment practices increases our efficiency.

Employee motivation

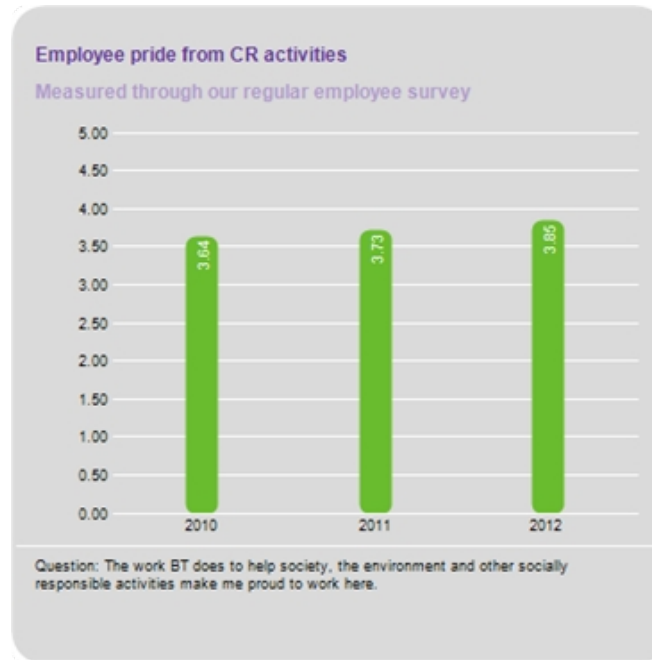
Employee motivation is critical to the success of our business. Corporate responsibility (CR) helps to engage employees with BT and their work.

Throughout this report you will find examples of our people getting involved to help BT become a better business. For example:

- Helping the communities we live and work in through employee volunteering.
- The Team BT 2012 Challenge - an internal programme to help everyone in the company focus on the future. The challenge is a simple one – to make BT a better business with a better future.
- Reducing energy use in our business.

Since 2010 we've measured how important our CR activities are to our employees by including a question in our regular, group-wide employee survey rather than using an annual survey with a small group of our people.

We have seen an increase in our score this year.



Public policy

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Lobbying standards

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It is important that we take a consistent approach in all our public policy work. Our Communications Council meets regularly to discuss public policy issues and ensure consistency across the Group. It is made up of representatives from Group Communications, Group Regulatory and all lines of business. Positions on key public policy issues are referred to our Operating Committee for sign off.

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- Metal theft and;
- Climate change

Fibre broadband and, in particular, extending its provision beyond those parts of the UK that are commercially viable – with the aim of avoiding a digital divide relating to the speed of the broadband service available to customers. Our £2.5bn investment will deliver fibre broadband around to two-thirds of UK premises by the end of 2014. Looking beyond this, we believe that Broadband Delivery UK (BDUK) funds, together with funds from local government and other sources, as well as further private investment, could see more than 90% of UK premises having access to fibre broadband in approximately the next five years.

We are working on other solutions to improve speeds for remaining properties. 99% of premises being able to receive a type of broadband connection and around 67% currently having a fixed broadband connection. For broadband availability, the UK already leads Europe. The challenge is to increase speeds and take up to drive economic activity, and work on this is well under way.

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BT has been working with law enforcement agencies and with other companies affected by this problem in order to develop ways in which the situation can be improved. We have been discussing options with Government and are pleased that it has been announced that cash payments for scrap metal will be banned and penalties increased for all offences under the existing Scrap Metal Dealers Act.

We believe further action would help; we have made suggestions to Government as to what these might be, and will continue to share our ideas with them.

Our position on **climate change** reflects BT's role as a major energy user, and future [carbon reporting](#) arrangements. We have continued to engage with Government on all related issues. In particular, we have been discussing with Government what we see as the deficiencies of the current arrangements under the Carbon Reduction Commitment (CRC) and the Climate Change Levy (CCL).

The Government announced in the Budget in March 2012 that it is to consult on simplifying the CRC energy efficiency scheme to reduce administrative burdens on business. If significant administrative savings cannot be made then it will introduce proposals to replace CRC revenues with an alternative environmental tax. The current CRC scheme is complex and confused and we look forward to a consultation in the hope that it will allow simpler and more relevant measures to be adopted. We will use the opportunity to press our proposals for combining the CRC and CCL schemes and for introducing an A-G colour-coded label. We believe that such a change would provide consumers of carbon with the power and incentive to influence investments by suppliers using the usual market mechanism of exercising consumer choice through purchasing decisions.

Other markets

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Further, BT is member of a number of policy think tanks and networks, which for instance promote wider policy ideas in the context of European Integration, the Internal Market, the digital agenda or transatlantic relations.

In the European Union

In Brussels, we have signed-up to the voluntary Code of Conduct for Interest Representatives and the register of interest representatives under the joint Transparency Register of the European Commission and the European Parliament. – see: <https://webgate.ec.europa.eu/transparency/regin/welcome.do>

Priorities and activities in the EU

In 2012, our activity in Europe has included:

- Influencing the shape of the new European Commission's Digital Agenda for Europe as well as the further development of the Single Market more generally in favour of an open and competitive level playing field in Europe
- Ensuring that the European Commission's strategy for Next Generation Networks favours competition at infrastructure and services level
- Favours an open approach towards Net Neutrality based on competition at whole sale access level and transparency for consumers
- Avoiding anti-piracy measures, which would impose undue burden on communications services providers and innocent users
- Promoting a new European data protection regime adapted to the digital environment and which strikes the right balance between the need to protect the privacy of citizens and the ability of business to operate
- Expressing continued support for the multilateral trade system under the World Trade Organisation and as well as for bilateral free trade negotiations with key markets outside the EU
- Contributing to the regulatory dialogue between the EU and the United States under the framework of the Transatlantic Economic Council (TEC) and the newly created High Level Working group on Jobs and Growth, which aim for a closer economic integration of the two markets.

In the United States

Lobbying standards

The US legal definition of lobbying includes all time BT employees spend meeting with government officials or preparing for these meetings. In 2012, our US lobbying investments will total around \$93,000. We do not operate any Political Action Committees (PACs) in the United States. However, we are a member of trade associations that operate PACs and spend money on lobbying as defined by the US Government. We never directly support these PACs financially or attend their events.

Priorities and activities

- Ensuring communications providers are subject to fair wholesale access rates. We have encouraged the Federal Communications Commission (FCC) to complete a market review of special access services – dedicated high capacity lines for business users and competitive mobile operators.
- Reforming the collection of Universal Service Funds (USF), into which carriers pay a percentage of their interstate and international communications revenue. The FCC recently completed a review of how USF money is distributed and the types of services it provides. We have encouraged the FCC to now move forward on the review of how money is collected. As a contributor to the fund, we feel the collections process should be simplified and spread over a wider number of providers in the communications eco-system.

Memberships in the United States

Bodies we are members of in the United States include:

- The NoChokePoints Coalition, a group of like-minded business users, competitive telecommunications providers and public interest groups seeking

pricing reform

- The United States Council for International Business (USCIB)
- The British American Business Association (BABA)
- The European American Business Council (EABC)
- The Transatlantic Business Dialogue (TABD)
- The VON Coalition
- The Organization for International Investment (OFII)

Asia-Pac

Priorities and activities in Asia Pacific

- Influencing the early stages of liberalisation in China, to ensure an open and competitive market , particularly for foreign operators
- Influencing the regulatory regime in India, particularly the new Unified Licensing Framework, to ensure a more even playing field for competitive operators and healthy competition in the service based segment
- Seeking to make the Japanese market more open and promote the benefits of competition at a wider policy level.
- Encouraging further openness and predictability at all times in Singapore and Australia and seeking to influence the regulation of the national Next Generation Broadband frameworks, including that business market needs are catered for

Memberships in Asia Pac

- Chairing the telecoms carriers committee with the European Business Council (EBC) in Japan
- Chairing the [Asia Pacific Carriers' Coalition](#) (APCC)
- Participating in the regional Regulators' Forum, APEC TEL and Asia Pacific Telecommunity, APT
- Chairing the [Association of Competitive Telecom Operators](#)
- Membership of European and British business groups in India
- Membership of EuroCham chapters in the region, particularly those dealing with ICT and free trade agreements
- Participation in regional activities of the International Telecommunications Union (ITU) pertaining to development of next generation networks
- UK India Business Council (UKIBC)

Stakeholder engagement

Across the year we engage with our stakeholders to understand their expectations of BT as a responsible and sustainable business, and how we are performing against these expectations in their eyes. This understanding gives us valuable insight to help us shape our future strategy, approach and activities and it also helps us better communicate what we do, in ways that are most relevant for our stakeholders.

Some feedback comes through surveys whilst other feedback comes through two-way dialogue with stakeholders. We also gather insight from ad-hoc dialogue, including online discussion forums, telephone calls, one-off meetings, focus groups or through social media such as blogs.

Our approach

We engage with stakeholders regularly and through various channels. Many of the views on particular activities or programmes are included in the other sections of this report. Key insights from our wider stakeholder research and engagement are detailed below.

Global stakeholders: Global research into CR trends shows that, in the last decade, there has been a widening gap between the general public's expectations of companies' CR activities and perceptions of their performance although this has narrowed for the first time in many years during 2011. Expectations, at a global level, are no longer rising—perhaps in response to tougher economic circumstances—while there has been a rise in perceived CR performance across a number of sectors.

People across the world continue to expect companies to maintain performance on their core responsibilities—especially around product safety, environmental integrity, responsible supply chains, and employee treatment. Public expectations around employee treatment and applying high standards globally have intensified over the past two years.

In terms of the specific expectations of companies in the UK, product health and safety is the most crucial, with employee welfare, environmental impact, consistent application of high standards, and responsible supply chain management also scoring highly.

UK stakeholders: 67% of our UK consumer customers gave BT a positive corporate responsibility rating in 2012 (down from 74% last year) and the general public rating remained unchanged at 62%. BT was named – unprompted – as the joint sixth most responsible company in the UK, down from joint third position in 2011.

The main factors behind positive perceptions of BT's CR are wide-ranging but frequently involve BT's customer service (increased mentions), products, prices and personal experience. People increasingly recognise the need for BT to take CR seriously in order to remain a market leader – it is seen more as a minimum standard rather than a differentiator.

The top reasons behind negative ratings for CR include poor customer service (increased mentions), profit focus, and high prices.

Specific expectations of BT

When asked how BT could have a better impact on society, these customers and potential customers said we should focus on

- Reducing prices and giving better value
- Talking about our societal programmes more, and
- Improving broadband, network reliability and speed.

Top actions identified for BT to have a better impact on the environment were:

- Using underground cables (and consequently having a less disruptive effect on landscapes)
- Lowering emissions and creating a lower carbon footprint, and promoting recycling of old equipment.

We have established a Customer Inclusion Leadership Panel of independent experts in the field of age and disability. This Panel drives BT Retail's inclusion strategy by scrutinising our approach and priorities and making recommendations for further improvements. You can read more about this [here](#).

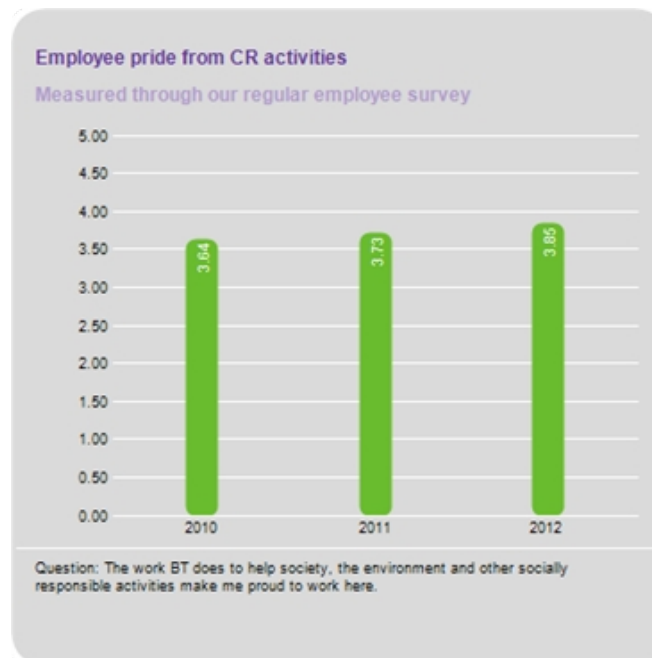
Business Customers: Our BT Business tracker survey also shows that providing better customer service is seen as the most important social and environmental issue that BT should be taking action on, followed by reducing our carbon footprint and price reductions.

[Consult 21](#), a programme of dialogue with business customers and industry stakeholders gives us regular feedback on BT's 21st Century Network rollout.

Our [Equality of Access Board \(EAB\)](#) regularly meets external communications providers which provides regular feedback on our performance. The EAB is a BT Group plc board committee with a majority of independent members. It monitors and reports annually on BT's compliance with its Undertakings and associated Code of Practice.

We also have regular dialogue with CR leaders in other organisations through industry fora such as Governing Board of Corporate Responsibility Officers Association, Accountability Global Leadership Network and BSR.

Employees: we regularly ask employees through surveys and focus groups for their views. 86% of our employees think BT takes its responsibility to society, community and the environment seriously - up from 85% last year and 69% (index score of 3.85 out of 5.0) of employees say they are proud of BT's activities for society and the environment – up from 64% (index score of 3.73) last year.



Our people consider the most important things for BT to focus on (with equal weighting) are

- Offering apprenticeships to young people
- Reducing BT's environmental impact and
- Creating more sustainable products.

This is closely followed by reducing energy use, helping recycle BT products no longer in use, providing support for telethons and encouraging employees to volunteer for charity.

Our employees have also suggested how we can improve further, with the most recommendations relating to

- Reducing travel and enabling more homeworking
- Promoting and communicating our corporate responsibility activities more widely and
- Encouraging managers to offer more support to take part in volunteering activities during work time.

We also have on-going dialogue with trade unions, our People Networks as well as networks of employees who are engaged with elements of our Corporate Responsibility programme. The BT Your Views discussion forum is a moderated online area for employees, which regularly covers corporate responsibility and sustainability topics.

Opinion Leaders: in addition to our regular dialogue with journalists, analysts, politicians and charities, our independent research company MM Eye held

telephone interviews with 277 key opinion leaders around the globe, to understand their views of BT. We were pleased to hear that 74.7% said we take our responsibility to society, community and the environment very seriously - up from 67.8% in 2011.

Sustainability Experts: we also review GlobeScan's Sustainability Survey which monitors spontaneous mentions of sustainability leaders among 559 sustainability experts across 66 countries. BT is mentioned by 3% of respondents in Europe which has remained constant to findings in previous years (this was the 11th highest rating in Europe).

Sustainability experts, when given reasons for sustainability leadership among companies, cited "commitment to sustainability values" (integrated long-term commitments and taking action on sustainability promises). This indicates that, in order to be considered a leader in this area (especially by those who work in the field), it is vital for companies to be committed to sustainability for its own sake rather than as a market differentiator.

Sustainable products and supply chain management, although experiencing a drop since 2010, is still the second-most important factor in determining sustainability leadership and, as seen in the Radar survey, is of high importance among the general public.

Communication and transparency and integration of sustainability into the core business model also score highly

We also describe our engagement with policy makers elsewhere in our report.

How this feedback is making a difference

We are using this feedback to drive our current work to refresh BT's strategic approach and vision for a Better Future.

Specific examples of our feedback in action can be seen in many other sections of our Better Future report, including:

- Customer experience
- Employee engagement
- Supplier management

We are increasingly using social networking sites, CR blogs and Twitter to engage with customers, wider society and other CR practitioners. Our [CR blog](#) on the BT website encourages debate and discussion with all stakeholders around responsible and sustainable business.

This real-time dialogue is something that our stakeholders see as really important and which we plan to extend significantly over the next years.

What happens next

We are in the process of formulating plans to enhance our communications around responsible and sustainable business. Both our approach and our areas of focus will reflect the feedback we have received from stakeholders, in order to provide them with the information they care most about. We will also use this feedback to inform our own management processes, with the aim of driving performance on the issues that matter most to them.

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[Our detailed responses to various policy consultations can be found here \(note: links to wider BT Group site\).](#)

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Further, BT is member of a number of policy think tanks and networks, which for instance promote wider policy ideas in the context of European Integration, the Internal Market, the digital agenda or transatlantic relations.

In the EU

In Brussels, we have signed-up to the voluntary Code of Conduct for Interest Representatives and the register of interest representatives under the joint Transparency Register of the European Commission and the European Parliament. – see: <https://webgate.ec.europa.eu/transparency/reg/in/welcome.do>

Priorities and activities in the EU

In 2012, our activity in Europe has included:

- Influencing the shape of the new European Commission's Digital Agenda for Europe as well as the further development of the Single Market more generally in favour of an open and competitive level playing field in Europe
- Ensuring that the European Commission's strategy for Next Generation Networks favours competition at infrastructure and services level
- Favouring an open approach towards Net Neutrality based on competition at whole sale access level and transparency for consumers
- Avoiding anti-piracy measures, which would impose undue burden on communications services providers and innocent users
- Promoting a new European data protection regime adapted to the digital environment and which strikes the right balance between the need to protect the privacy of citizens and the ability of business to operate
- Expressing continued support for the multilateral trade system under the World Trade Organisation and as well as for bilateral free trade negotiations with key markets outside the EU
- Contributing to the regulatory dialogue between the EU and the United States under the framework of the Transatlantic Economic Council (TEC) and the newly created High Level Working group on Jobs and Growth, which aim for a closer economic integration of the two markets.

In the United States

Lobbying standards

The US legal definition of lobbying includes all time BT employees spend meeting with government officials or preparing for these meetings. In 2012, our US lobbying investments will total around \$93,000. We do not operate any Political Action Committees (PACs) in the United States. However, we are a member of trade associations that operate PACs and spend money on lobbying as defined by the US Government. We never directly support these PACs financially or attend their events.

Priorities and activities

- Ensuring communications providers are subject to fair wholesale access rates. We have encouraged the Federal Communications Commission (FCC) to complete a market review of special access services – dedicated high capacity lines for business users and competitive mobile operators.
- Reforming the collection of Universal Service Funds (USF), into which carriers pay a percentage of their interstate and international communications revenue. The FCC recently completed a review of how USF money is distributed and the types of services it provides. We have encouraged the FCC to now move forward on the review of how money is collected. As a contributor to the fund, we feel the collections process should be simplified and spread over a wider number of providers in the communications eco-system.

Memberships in the United States

Bodies we are members of in the United States include:

- The NoChokePoints Coalition, a group of like-minded business users, competitive telecommunications providers and public interest groups seeking pricing reform
- The United States Council for International Business (USCIB)
- The British American Business Association (BABA)
- The European American Business Council (EABC)
- The Transatlantic Business Dialogue (TABD)
- The VON Coalition
- The Organization for International Investment (OFII)

Asia-Pac

Priorities and activities in Asia Pacific

- Influencing the early stages of liberalisation in China, to ensure an open and competitive market , particularly for foreign operators
- Influencing the regulatory regime in India, particularly the new Unified Licensing Framework, to ensure a more even playing field for competitive operators and healthy competition in the service based segment
- Seeking to make the Japanese market more open and promote the benefits of competition at a wider policy level.
- Encouraging further openness and predictability at all times in Singapore and Australia and seeking to influence the regulation of the national Next Generation Broadband frameworks, including that business market needs are catered for

Memberships in Asia Pac

- Chairing the telecoms carriers committee with the European Business Council (EBC) in Japan
- Chairing the [Asia Pacific Carriers' Coalition](#) (APCC)
- Participating in the regional Regulators' Forum, APEC TEL and Asia Pacific Telecommunity, APT
- Chairing the [Association of Competitive Telecom Operators](#)
- Membership of European and British business groups in India
- Membership of EuroCham chapters in the region, particularly those dealing with ICT and free trade agreements
- Participation in regional activities of the International Telecommunications Union (ITU) pertaining to development of next generation networks
- UK India Business Council (UKIBC)

About our reporting

We produce this report to provide an honest and transparent assessment of progress against our goal to become a more responsible and sustainable business. We believe that doing so helps enhance our reputation and motivate our people.

We produced our first environmental report in 1992, and our first social report shortly after. In 2001, we combined these to produce our first corporate responsibility report, and this has evolved over a decade into this comprehensive annual sustainability (Better Future) report.

Our report is primarily aimed at meeting the needs of customers, employees, investors and wider society.

With increasing stakeholder interest in businesses non-financial performance, we also use our report as a repository of information to help us respond to requests for information, for instance in tenders, throughout the year.

Our [materiality analysis](#) helps us to assess which issues to include in the report.

Scope of the report

This report provides information relating to our material social, economic and environmental issues for the financial year ending 31 March 2012 (2012), unless stated otherwise. Our previous report covered the year to 31 March 2011.

The report and data within it cover all BT's wholly-owned activities in the UK and internationally, unless otherwise stated. In 2012, our UK operations accounted for approximately 76% of turnover and around 75,000 (83%) of employees.

In this report, references to 'BT Group', 'BT', 'the group', 'the company', 'we' or 'our' are to BT Group plc (which includes the activities of British Telecommunications plc) and its subsidiaries and lines of business, internal service units, or any of them as the context may require.

References to '2012', '2011' and '2010' are to the financial years ended 31 March 2012, 2011 and 2010, respectively.

References to 'the year' and 'the current year' are to the year ended 31 March 2012 except in relation to our fibre roll-out plans, which are based on calendar years, not financial years.

Measuring our progress

We set ourselves improvement targets in the areas where our stakeholders tell us they want to see improvements. We have a mix of both short term and long term targets, and provide an annual update on our progress, and indicate some of the challenges that we are facing.

Sitting above these we have been reporting on our CR Key Performance Indicators (KPIs) for a number of years. They are designed to provide a quick overview of our success, and challenge, in the year. These sit above this more comprehensive set of performance indicators (PIs) which you will find throughout this report. Alternatively see our download centre, where you can see our 5 year trend (in most cases) in table format.

In 2011 we said that we would review our KPIs to ensure that they are the most material metrics for our stakeholders and align with our better future strategy.

Our Better Future strategy is still evolving so we have decided stick with the seven KPI that we said we would maintain. As our strategy evolves over the coming months we will better understand the metrics that we need to measure our performance. We will report on our progress in our 2013 Better Future report.

We welcome any thoughts that you may have to share with us on the Indicators that you feel are most important, no promises that we'll be able to provide them but we will consider them.

Material issues

We use a formal process to identify the aspects of being a responsible and sustainable business that are most material (relevant and significant) to our business and stakeholders. This process is a key principal of the AA1000 Assurance Standard 2008, which we use in our reporting.

Our approach

BT was an early pioneer in the development and use of formal processes to assess the environmental and social risks and opportunities facing an organisation, contributing to the 2006 Materiality Report, produced in partnership with AccountAbility.

We review peer companies' sustainability reports each year to assess important issues and reporting best practice in our sector. Key findings from this year's review showed that our peers are increasingly focusing on the wider impacts of business across their value chains. Assessing their environmental (and social) impacts; from supply chain through to customer use and disposal.

We also review the issues our stakeholders said were important during the year and assess how significant they are to BT. We believe this helps us to reflect their needs, interests and concerns in our reporting.

Our stakeholders are our customers, employees, shareholders, suppliers, governments and regulators, and the communities where we operate. In 2012, we assessed the issues important to each group by,

- **Customers** – we included two CR-related questions to our regular retail customer tracker surveys. We also monitor related queries from our larger customers, particularly during bid processes
- **Employees** – we regularly ask for our people's views in various ways, including online surveys and our Chief Executive's regular online chats
- **Shareholders and investors** – we analyse the questions asked by ratings agencies and investors in questionnaires and meetings
- **Suppliers** – we ask suppliers where BT should take action in an annual questionnaire
- **Governments** – we consider all relevant legislation as well as public policy issues that governments raise with our public affairs teams.

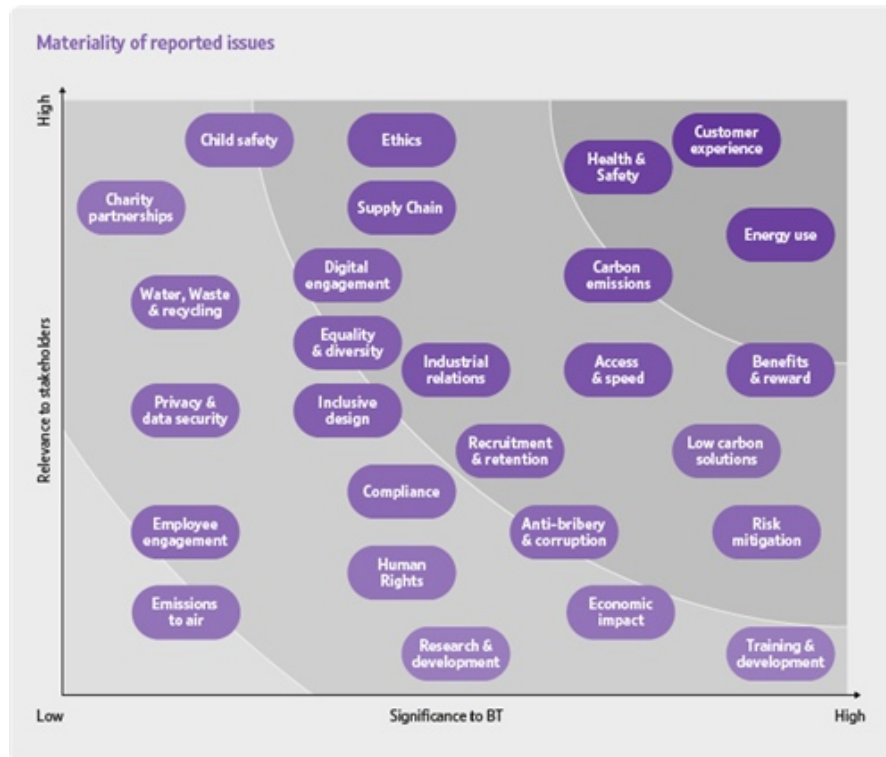
We then review the outcome with our Leadership teams to consider the importance to BT (financial, reputational or strategic) as well as any exceptions or surprises. This process shapes the issues we report on and helps shape policy and the development of our strategy.

This process runs throughout the year, to give us the time needed to engage with internal stakeholders, gather data and so forth, issues identified after December in any year may not be included in the current years report.

Material issues in 2012

This year's materiality study showed largely consistent findings with previous years.

Our most material issues appear at the top right hand section of the chart below.



The issues of greatest priority were shown to be:

- Customer service and satisfaction
- Energy use and related carbon emissions
- Health, Safety and well-being

The second tier of relatively high priority issues were (listed in alphabetical order):

- Anti-bribery and corruption
- Child internet safety
- Community and charity investment and partnerships
- Compliance with legislation
- Connectivity to our networks, both access and speed
- Digital engagement - helping people use the internet to access services etc
- Employee benefits and reward
- Employee engagement
- Employee recruitment and retention
- Equality and diversity
- Ethics
- Industrial relations
- Privacy and data security
- Provision of low carbon solutions for our customers
- Research and development
- Risk management
- Supply chain standards
- The economic impact of BT
- The provision of inclusive/ accessible services
- Waste and recycling

Issues that are not reported, but still managed, include (listed in alphabetical order):

- Biodiversity
- Paper use
- State subsidies
- Telecoms heritage and archives
- Visual impacts of infrastructure
- Wireless health and safety

Leadership Panel statement

The Panel's remit

Since the inception of the Panel 12 years ago, our purpose has been to encourage innovation and leadership on sustainable development and corporate responsibility (CR) in BT by providing independent guidance and expert advice on BT's activities, including:

- Advising on key areas of CR and sustainable development strategy and performance, including future objectives, targets, performance measures, policy, stakeholder relationships, governance and external communications
- Making sure BT doesn't dodge difficult or uncomfortable issues
- Bringing independent scrutiny to bear on BT's understanding of critical societal issues, and
- Advising on new or significantly altered social and environmental report content.

2012 statement

In this statement, prepared for inclusion in BT's 2012 Better Future report, we comment on the level of progress made during the 2012 financial year by BT on sustainable development and CR. The statement covers all areas of CR strategy and performance and includes our consideration of the main challenges ahead.

During the year we met four times, including the use of Telepresence allowing our members in Paris and Oslo to reduce their travel. At each Panel meeting we have the opportunity to understand the decisions and activities discussed at BT's Board Committee for Sustainable and Responsible Business (CSRB) and the CSRB is updated on the discussions following Panel meetings.

Panel meetings are conducted with frankness, constructive criticism and fresh thinking. Divergent views around the table reflect the varied backgrounds and experience of the Panel members.

Over the year:

We have followed and commented on BT's Better Future strategy development throughout the year. In our 2011 Statement, we commented that BT should constantly seek to raise its game on corporate responsibility and sustainable development challenges. It's good to see that this report is structured to support BT's aims: to help create a better connected society; to do better with less; and to create better lives under the Better Future banner.

We welcomed the opportunity to comment on the potential governance frameworks that BT will need to support the Better Future strategy.

We have discussed the 'Balanced Communication Diet' research that BT commissioned from . This looked at the use of technology in homes in four countries to assess the impact on lifestyles. The research has shown that communications technology is seen by most as a positive tool, but there are examples where people are not managing usage as well as they could. BT has produced recommendations for families to develop and maintain "a Balanced Communications Diet".

We also welcomed the opportunity to discuss BT's recent safety performance with Paul Litchfield, BT's Chief Medical Officer. He presented BT's new 5 year Health, Safety and Wellbeing strategy. BT has improved its performance significantly over the last 10 years, and remains in the top quartile of benchmarked companies, despite its failure to meet its health and safety targets in 2010 and 2011. We are pleased to see that BT met its sickness absence target in 2012.

We commented regularly on performance against BT's KPIs in this area, which has, on the whole, been very good.

Challenges for the Future

This is a time of enormous change within BT regarding Corporate Sustainability: a much clearer, high-level Strategic Priority (to be "a responsible and sustainable business leader"); a new Better Future strategy, to be announced later in the year, with appropriate internal governance structures; the welcome decision by the CEO to make it part of his personal leadership; and the appointment of a Chief Sustainability Officer.

These are all things we've been keen to see brought forward for at least the last five years, and we've been delighted to see good progress here.

Part of the change in the governance structure is the closure of the Leadership Panel, a decision with which we have been completely comfortable since we first asked for a review of governance arrangements in 2011.

As such the main governance mechanism for implementing the new strategic priority is the CSRB. We believe it is important that it will now take on the remit of the Leadership Panel, including these two key functions:

- Making sure BT doesn't dodge difficult or uncomfortable issues
- Bringing independent scrutiny to bear on BT's understanding of critical societal issues.

In that regard, we believe that there are five priorities the CEO and Chairman will need to address to fulfil BT's sustainability ambitions:

1. Ensure that the revamped CSRB includes genuinely independent experts from outside the company, who will not be hesitant in holding BT to account
2. Develop a comprehensive stakeholder engagement strategy which enables BT to understand and meet the sustainability expectations of its key stakeholders
3. Reconsider the challenge that we have constantly raised with BT colleagues that it should better align its corporate purpose (currently "to drive shareholder value by making BT a better company with a better future") with its commitment to the Better Future strategy.

4. Review the arrangement for the Directors' remuneration, where 10% of bonuses are currently ear-marked for performance on ESG (Environment, Society and Governance) matters, and design a transparent mechanism that drives superior sustainability performance.
5. Rethink its overall reporting strategy. As we move into the era of integrated reporting, the way BT reports on the delivery of the new strategic priority will be critical. We are concerned that some of the detail on BT's KPIs in this area has been lost in this year's Executive Summary. Looking ahead, the company will need to be ready to acknowledge its difficulties and failures as well as its many successes.

It has been a privilege to serve BT as members of the Leadership Panel, and we would like to take this opportunity to thank our BT colleagues (past and present) for the trust they have placed in us and for their openness to new ideas and robust challenge. BT has paved the way on stakeholder engagement for many other companies, establishing that any company serious about leadership on sustainability matters will always need that kind of external challenge.

This Statement covers our work as a Panel up to the on-line publication of the report in May 2012. Previous statements of the Panel are available in the [archive](#) section of this site and it will be our final statement.

Jonathon Porritt, Mark Goyder, Elisabeth Laville, Jørgen Randers, Nick Robins

4 May 2012

The Panel members

The Advisory Panel members acted in a personal capacity – the organisational affiliations below are listed for identification purposes only.

Jonathon Porritt chaired the Leadership Panel from its inception. He is one of the UK's leading environmentalists, founded [Forum for the Future](#) in 1996, together with fellow Founder Directors Sara Parkin and Paul Ekins. He is closely involved in the Forum's Business Programme, in addition to involvement in a wide range of other Forum activities. He was Chairman of the [UK Sustainable Development Commission](#) between 2000 and 2009. He's a non-executive Director of Wessex Water and Willmott Dixon Holdings, and is Co-Director of The Prince of Wales's Business and Sustainability Programme, and the newly-appointed Chancellor of Keele University.

Mark Goyder is Founder director of [Tomorrow's Company](#) a business think-tank which was established in 1996 following the RSA's Inquiry, "Tomorrow's Company; the role of business in a changing world". He is the author of *Living Tomorrow's Company* in which he sets out the philosophy behind Tomorrow's Company and is a regular contributor to newspapers such as the Financial Times and the Times. He was a member of the DTI Working Party on Materiality for the Operating and Financial Review.

Elisabeth Laville is one of Europe's leading experts on corporate, social and environmental responsibility. She created the leading French sustainability strategies consultancy and think-tank, Utopies, in 1993, working for an extensive range of corporate clients in France and abroad. Elisabeth Laville was given several awards for her work and vision, including the Synopsis Prize for the Best French Business Book in 2002 (for her bestseller "L'entreprise Verte") and both the Veuve Clicquot Business Woman of the Year award and the Légion d'Honneur in 2008. She has been included in many honours lists including: L'Express Magazine's list of "100 French people who will shape 2003", L'Usine Nouvelle's magazine list of "50 visionaries who are changing industry" in 2006 and Le Figaro's list of "50 Women who are changing the world 2011".

Jørgen Randers (born 1945) is professor of climate strategy at the Norwegian Business School, where he works on climate issues, scenario analysis and system dynamics. He lectures widely at home and abroad on sustainable development issues – particularly climate change - for all types of corporate and non-corporate audiences. He is non-executive member of several corporate boards in Norway, including the state owned Postal Service. He also sits on the "sustainability councils" of British Telecom in the UK and The Dow Chemical Company in the US. He chaired the Commission on Low Greenhouse Gas Emissions who reported in 2006 to the Norwegian cabinet on how Norway can cut its climate gas emissions by two thirds by 2050. He was President of the Norwegian Business School BI 1981 – 89, and Deputy Director General of WWF International (World Wide Fund for Nature) in Switzerland 1994 – 99. He has authored a number of books and scientific papers, including "The Limits to Growth" (1972) and "Limits to Growth – The 30 Year Update" (2004). His newest book is "2052 - A Global Forecast for the Next Forty Years" (2012).

Nick Robins is Head of the Climate Change Centre of Excellence at HSBC in London. Prior to joining HSBC in October 2007, Nick was Head of SRI Funds at Henderson Global Investors, designing the strategy for its Industries of the Future portfolio fund and launching the world's first carbon audit of an investment fund. Nick has extensive experience of the financial, business and policy dimensions of corporate responsibility and sustainable development, working for the Business Council for Sustainable Development, the European Commission and the International Institute for Environment and Development. He is author of numerous reports and articles, including a recent history of the East India Company, *The Corporation that Changed the World – How the East India Company Shaped the Modern Multinational* (2006) as well as co-editor of *Sustainable Investing – The Financial Challenge of the 21st Century* (2008).



Assurance Statement

Terms of Engagement

This Assurance Statement has been prepared for BT Group plc.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by BT Group plc (BT) to assure its web-based 'Better Future report 2012' for the financial year ending 31st March 2012 (hereafter referred to as "the Report"). The Report relates to the sustainability performance data and information for BT's global operations.

Our terms of engagement exclude data and information:

- Accessed through links that take the reader out of this Report, including video streams.
- Presented by BT but originates from a second party. Here LRQA corroborated only that data and information was transcribed accurately or the correct reference was provided.
- Communicated via social networks.

Management Responsibility

BT's management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with BT.

Ultimately, the Report has been approved by, and remains the responsibility of BT.

LRQA's Approach

Our verification has been conducted against AA1000 Assurance Standard 2008 (AA1000 AS), where the scope was a Type 2 engagement.

The objective of the assurance engagement was to review adherence to the AA1000 AS Accountability Principles of Inclusivity, Materiality and Responsiveness and evaluate the reliability of the specified sustainability performance information.

To form our conclusions the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewing BT's stakeholder engagement process and related information collected from these various stakeholder forums.
- Evaluating BT's material issues against our own independent analysis of stakeholder issues.
- Carrying out a benchmarking exercise of material issues by reviewing sustainability reports written by BT and its peers.
- Understanding how BT determine, respond and report on their material issues.
- Interviewing senior management to understand BT's reporting processes and use of sustainability performance data within their business decision-making processes.
- Interviewing key personnel to understand BT's processes for setting performance indicators and for monitoring progress made during the reporting period.
- Auditing BT's data management systems and reviewing supporting evidence made available by BT's section owners.

Note 1: With the exception of telephone interviews with selected personnel in UK offices, our verification was undertaken at BT's headquarters in London, UK. LRQA did not visit any international locations.

Note 2: Economic performance data was taken direct from the audited financial accounts.

We also used BT's Internal Audit Division (IAD) to review the validity of data and information in some sections of the Report. IAD reviewed the following sections and specific contents disclosed within:

- Better connected – Customer experience; Safe connections & Connections for all
- Better business – Innovation; Procurement and supply chain; Sales and marketing practice & Great place to work
- BT and sustainability - Our economic impacts

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a high level of assurance and applying professional judgement for materiality.

LRQA's Opinion

Based on LRQA's approach, BT has adhered to the AA1000 AS Accountability Principles. It should be noted that for the principles of:

Inclusivity - BT has effective processes in place to identify stakeholder groups and actively encourages them to participate in the determination of material sustainability issues.

Materiality - The process for determining materiality is robust, dynamic and the evaluation criteria are aligned with both business and stakeholder needs. BT uses the results of its materiality evaluation and feedback from peer reviews to present information on the most relevant and significant sustainability issues in the Report.

Responsiveness - BT has developed a comprehensive and balanced business response, in the form of strategies, plans and actions, for addressing their material sustainability issues. BT is also involved in public forums developing policies which will influence evolving sustainability issues.

It is also our opinion that the specified performance information is reliable as nothing has come to our attention that would cause us to believe otherwise.

LRQA's recommendations

BT should

- Ensure as it progresses organizational change and builds its new governance structure that sufficient attention is given to the management of sustainability performance data and information. This includes the planning of resource to ensure report content and associated evidence is provided to LRQA in a timely manner.
- Review whether their long-term plan to reduce the carbon dioxide equivalent intensity of its worldwide business by 80% is still realistic; provide annual updates of progress against the key milestones and, if applicable, explain any obstacles identified.

It is LRQA's opinion that our recommendations made in 2011 have been addressed as BT has improved the collection, version control and checking of non-UK environmental data.

Dated: 9th May 2012

S M Fletcher, LRQA Lead Verifier

G Farmer, LRQA Verifier

On behalf of Lloyd's Register Quality Assurance

Hiramford, Middlemarch Office Village, Siskin Drive, Coventry, UK.

LRQA Reference: LRQ0772591

LRQA's Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on a rigorous appraisal of their training, qualifications and experience. The team conducting the assurance of the Report was multi-disciplinary and has been involved in numerous assurance engagements. LRQA's internal systems have been designed to manage and review verification and certification assessments. This involves independent review by senior management of the outcome derived from the process applied to the assurance of sustainability reports.

Independence of LRQA from BT

LRQA is BT's ISO9001, ISO14001, ISO27001 and ISO20000 certification body. We also provide BT with a range of training services primarily related to Management Systems. The assurance and certification assessments, together with the training are the only work undertaken by LRQA for BT.

Independence of BT's Internal Audit Division

The role of Internal Audit (IA) is to provide independent and objective assurance to senior management and the Board, via the Board Audit & Risk Committee (BARC), as to the adequacy and effectiveness of key controls and of risk management activities across the organisation. The Director IA reports to the Group Finance Director and has access at all times to the Chair of the BARC and the Chief Executive. The Director IA has a responsibility to report to the BARC on the quality of the assurance, internal controls and risk management operating within BT, independently of the influence of management.

This document is subject to the provision below:

This Assurance Statement is only valid when published with the Report to which it refers.

Lloyd's Register Quality Assurance Limited, its affiliates and subsidiaries and their respective officers, employees or agents are, individually and collectively, referred to in this clause as the 'Lloyd's Register Group'. The Lloyd's Register Group assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd's Register Group entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

Because of the inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this statement is the only valid version. The Lloyd's Register Group assumes no responsibility for versions translated into other languages.

Reporting methods

Standards and guidelines

We applied the Global Reporting Initiative (GRI) guidelines and telecommunications sector supplement to level A in producing this report. On pages that feature disclosures required by GRI, we provide an icon on the right of the screen identifies which links to the GRI Index for full details.

We also use this report as our United Nations Global Compact Communication on Progress.

Our report is externally assured against the AA1000 AccountAbility Assurance Standard 2008. See the assurance section for full details.

Restatements of information

We have made no material restatements of information this year.

All financial information has been adjusted in line with reported numbers in our 2012 Annual Report and Accounts and Form 20-F.

CO2 equivalent emissions have been restated for this year and previous years to reflect changes in emissions factors published by government and other non-material corrections

People data

All employee numbers relate to 'People in Post' rather than Full Time Equivalent employees.

Data on disability and ethnicity is self-declared and voluntary.

We have calculated the value of volunteering time to our communities by; using the salary of the volunteer multiplied by the number of hours volunteered. To this we have applied a multiplier to take account of other pay related costs (e.g. pension and other benefits).

Unless stated otherwise all data represents our worldwide employee base.

Environmental data

We have stated the sources of data within each section of our report.

We collect and assess data from the 19 countries, including the UK, where BT has a significant business presence. These countries represent over 97% of BT's full time employees.

Unless stated otherwise, data refers to worldwide data from these 19 countries.

Our approach to carbon reporting

We have reported our carbon emissions since 1992 and this year have followed the Climate Disclosure Standards Board (CDSB) framework which builds on the World Resource Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol (GHGP). We also report our emissions for the Carbon Disclosure Project, EU Emissions Trading Scheme and will be reporting under the UK Government's CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment).

For full transparency, our carbon accounts this year show our gross footprint based on the 'grid average' carbon content of purchased electricity and our net footprint which takes account of the carbon savings associated with the purchase of zero and low carbon intensity electricity.

At the core of our approach are the following principles:

- to report consistently internationally
- to provide as true a picture of our emissions as possible
- to handle all emissions (or lack of them) in a similar way
- to use our reporting to drive behaviour that helps to deliver a low carbon economy.

Greenhouse gases

All greenhouse gas (GHG) emissions figures are in thousands of tonnes of carbon dioxide equivalents (CO₂e) and include all six greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO₂), methane (CH₄), Nitrous oxide (N₂O), Perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and sulphur hexafluoride (SF₆) emissions, plus other greenhouse gases not covered under the Kyoto protocol.

Organisational boundary

Both the CDSB and GHGP allow a company to define the organisational boundaries for carbon reporting according to definitions of 'equity share', 'financial control' or 'operational control'. The CDSB and UK Government guidance both recommend use of the 'financial control' approach.

Taking the financial control approach would omit most of our buildings which would not be a proper reflection of our business. Therefore, to give the most representative footprint for BT we take a hybrid approach. In essence we report on the emissions associated with energy that we buy or generate worldwide. Where the energy is provided by landlords as part of a full service contract we have not included these emissions. We take a consistent approach where we are the landlord. We do not report on countries that have never reached 250MWh per annum electricity use, nor where we do not have a controlling interest in any joint ventures or partnerships.

Operational boundary

Direct emissions under scope 1 which we include in our reporting are:

- fuel used in back-up generators
- fuel used in the commercial (liveried) fleet
- fuel used in company cars when driven on BT business
- loss of refrigeration gases covered under the Kyoto protocol
- fuel used to heat BT premises

Indirect emissions under scope 2 includes; all purchased electricity, which means

- electricity purchased at grid average carbon intensity
- electricity purchased at low carbon intensity
- renewable electricity purchased at zero carbon intensity

This includes electricity used by suppliers on BT premises (for example catering) but excludes tenant electricity where separate metering is in place (for example where we bill Communication Providers for Local Loop Unbundling).

Other indirect emissions under scope 3 which we include are:

- employee business travel (rail, air and car hire)
- non-Kyoto refrigerant gases (e.g. CFCs)
- a proxy for home workers' carbon footprint

Scope 3 emissions that we currently do not report on are:

- extraction and production of purchased materials and fuels
- transport-related activities
- transportation of purchased materials or goods
- transportation of purchased fuels
- employees commuting to and from work
- transportation of sold products
- transportation of waste

- electricity-related activities not included in scope 2
- extraction, production, and transportation of fuels consumed in the generation of electricity (either purchased or own generated)
- purchase of electricity that is sold to an end user (appropriate to utility companies)
- generation of electricity that is consumed in a T&D system (reported by end-user)
- leased assets
- franchises
- outsourced activities
- waste disposal
- disposal of waste generated in operations
- disposal of waste generated in the production of purchased materials and fuels
- disposal of sold products at the end of their life

Geographic scope

CO2 equivalent emissions that fall within the organisational and operational boundaries have been reported for all worldwide operations.

Conversion factors

For our UK reporting we use conversion factors published by Department for Environment Food and Rural Affairs annually. As electricity fuel mix and associated carbon intensity differ from one country to another, we use the Greenhouse Gas Protocol or International Energy Agency (IEA) conversion factors unless specific national or contract factors exist.

For our home worker emissions in the UK we have derived the impact using the non-taxable allowance (tax-free payments that BT home workers claim from the company) permitted by UK tax authorities and applied that to average home gas/ electricity mix.

Restatements of information

In 2012 we made [xx] restatements to data published in our Key Performance Indicators (KPI):

- CO2 equivalent emissions have been restated for this year and previous years to reflect changes in emissions factors published by government and other non-material corrections

Contact us

Your views

Your views on our Better Future strategy and reporting are important because they help us improve.

Let us know what you think by [emailing](#) us.

Your feedback will then be forwarded to one of our Corporate Responsibility specialists.

Other BT enquiries

Please note this page is only for feedback on BT's Better Future approach and reporting. Please do not use this site to register complaints regarding BT services or network.

Using the appropriate channel enables BT to deal with your comment, query or complaint quickly, follow it up and keep you informed.

BT general enquiries and complaints

- For help with your Home service, call 150 from a BT landline or 0800 800 150 from non-BT lines or mobiles
- For help with your Business service, call 152 from a BT landline or 0800 800 152 from non-BT lines or mobiles
- Or complete the online form on the [BT.com help pages](#).

BT Property

For; building maintenance, graffiti etc.

Call 0800 223388 or email support.hc@telerealtrillium.com

BT Network

For; unsafe works, damage to cables, telegraph poles, cabinets or manhole covers etc.

Call 0800 0232023 or [tell us about unsafe or damaged cables or poles](#).

BT Payphones

Call 0800 661610 or visit the BT Payphone [website](#)

Our stories

A sustainable legacy for London 2012

We have a critical role to play in creating a sustainable legacy for London 2012. Every image from the Games, every sports report, every visit to the London 2012 website as well as millions of calls, emails and texts will be delivered through our networks.

We want to create a sustainable legacy by using our technology to reduce our environmental impact and by working with our partners to make a difference.

Official communications services provider and a sustainability partner

As the official communications services provider and a sustainability partner to the London 2012 Olympic and Paralympic Games we have pushed for a sustainable legacy further and faster than ever before. This legacy will be delivered by working with our partners to reduce environmental impacts and maximise the lasting social and economic benefits of our services and supporting activities. We aim to achieve positive long term impacts by helping communications to be more sustainable through our infrastructure and community engagement. These will be felt most in East London but also more widely across the UK, and globally through all our employees.

Creating a sustainable legacy for London 2012



We see London 2012 as a 'once in a lifetime' opportunity to inspire and support people to change the way they live, learn, work, do business and travel to create a more sustainable society. A focus on sustainability was a key promise at the bid stage and has guided our involvement ever since. We believe the London 2012 Olympic and Paralympic Games should only be called sustainable if there is a sustainable legacy.

London 2012 also provides a unique mix of challenges that can benefit our peoples' experience and skills in delivering large scale complex solutions to customers.

We're creating a sustainable legacy in a number of different ways.

Doing more with less through technology

We'll be using our technical knowledge and sustainability experience to connect athletes, organisers, spectators, media and businesses across 94 UK event locations, delivering the Games to the world.

We are delivering both voice and data traffic more efficiently through a single converged infrastructure – the first of its kind for a summer Olympic Games. This brings a number of benefits, including:

- minimising waste by avoiding the need for separate voice and data networks
- reducing the diversity and amount of spare equipment we need to maintain service levels in the event of a technical failure.

- lowering energy consumption and carbon emissions including those associated with field support and logistics.
- reducing carbon emissions from travel by providing conference call services (as well as through a trial of electric vehicles serving the Olympic Park)

Challenges include

- multi-stakeholder engagement within specific business ecosystems
- unusual operating models
- high service expectations
- challenging locations and
- delivering people-centric solutions at scale.

Sharing knowledge and understanding across our people and delivery partners is essential in meeting these challenges. This will continue to benefit our customers as we continue to bring the lessons learned to new projects and major programmes.

Recognising the unique experience our people have had working on London 2012, we have invested significant time and effort in a coordinated programme to redeploy these highly skilled employees into positions of influence and leadership within BT to push our business transformation more widely within BT and the communities we touch.

Increasing efficiency

Our innovative approach to the 'staging' of equipment, where each component was centrally configured, tested and installed before being delivered to venue, cuts down on multiple deliveries and faults from inconsistent configurations.

We have applied our next generation of network and service management tools in managing the communications services at venues, minimising the need for engineers to go to the equipment site to check how the service is performing. These efficiencies and others have meant we expect to deploy no more than 800 people in total to support the communications services we provide for London 2012 – a huge reduction in resource use compared with the Beijing Summer Olympics Games where over 4,000 people were needed to support their communications services.

Minimising waste was part of our solution design criteria. For example, an artificial intelligence tool, developed by BT at its UK research laboratories, optimised requirements for new equipment and cabling while making maximum use of existing cable routes and conduit. Called BT NetDesign, it uses a digitalised drawing of the location of communications services within a venue to create the optimum network infrastructure layout. It is estimated that this will enable a five per cent reduction in the volume of equipment required by the London 2012 communications network. Where new cabling is required, BT blown-fibre technology will minimise digging.

Waste is also managed to a minimum through a new Physical Inventory Management System (PIMS), to label, store and track all the equipment and packaging on their journey from manufacturer to venue and back again, reuniting thousands of individual pieces of equipment with their original packaging for reuse after the Games. We expect PIMS itself will be reused many times after London 2012 in new business solutions to help reduce waste.

Mapping the carbon footprint of the Games

Understanding the impacts of the products and services we are providing was an important early step to reducing them. In 2011 we piloted our new carbon footprint methodology to calculate the total impact of our London 2012 solution, the first time this has been done for a complex, long-term ICT solution. The carbon footprint of BT's London 2012 communications solution is estimated to be approximately 5% of the total LOCOG carbon footprint of 420,000 tonnes CO₂e. After the Games, we plan to reuse or recycle all of the equipment directly supporting our solution. We are actively seeking opportunities to re-use cabling and racking in existing venues, and in new venues as the owners become known. We are also working with Olympic Delivery Authority and the London Legacy Development Corporation to negotiate legacy use of our mobile and wi-fi networks after the Games both on the park and at other venues.

We have shared our methodology with the ICT industry and various trade and standards organisations. We are working with the ICT industry as well as the WRI and WBCSD to develop an ICT Sector Supplement to the Greenhouse Gas Protocol Product Standard. We continue to use the methodology ourselves when calculating carbon footprints for a number of our major customers and by doing so helping to identify carbon hot spots and carbon reduction opportunities.

Strengthening our long-term economic legacy through communities

As a champion of digital inclusion for many years and a partner of the UK Race Online 2012 we know that helping people get online and making the most of being part of the connected society has a real impact on peoples' well-being. Studies show that 96% of Internet users actually say the access it brings has improved their life (UK online centres, Nov 2010).

As Martha Lane Fox, UK Digital Champion and founder of Race Online 2012 confirmed,

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The ability to access and use the Internet and the digital products and services therein influences every domain: our social and family life, our financial situation and material living standards, our health, education and work – both what job we get and how satisfied we are with it – our ability to forge new communities and involve ourselves in our neighbourhoods.

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That's why it is important that the Openreach fibre and copper networks installed outside of the venues for London 2012 will be left where they are after the Games. They will become part of our national infrastructure and be made available to all Communication Providers (CPs) for the benefit of local businesses and communities. In particular, we are making a substantial investment in the east end of London and the local businesses, for example

- those at the new Westfield shopping centre site are already using fibre to receive next generation services.
- the London borough of Newham (hosting 60% of the Olympic Park including the athletes' Village) stands to benefit from a legacy infrastructure which would more than fulfil the needs of a borough of 250,000 people bringing Newham's digital communications capacity into line with its regenerated physical infrastructure.

We are working with small and large business customers to prepare for the Games and to provide solutions for flexible communications, smarter working and in winning and retaining new customers.

Strengthening our long-term commitment to the Paralympics

Just as the Games are about more than sport, BT is about more than technology. We are committed to using the Games to inspire social change. In particular, building on our 20-year involvement in Paralympic sport, we have a vision of our involvement in London 2012 helping to drive a fundamental shift in how disability and disabled sport is perceived.

Paralympians are amazing elite athletes and BT celebrates that. We are maintaining our support to GB's Paralympic team beyond 2012 all the way to Rio 2016. We also support a number of Paralympic athletes who are BT ambassadors, including multiple world record holder Oscar Pistorius, wheelchair racer Hannah Cockroft, and nine-times Paralympic Gold medallist Lee Pearson.

We are the title sponsor of the BT Paralympic World Cup, the only annual world-class, multi-sport disability event for elite athletes.

Strengthening our long-term social legacy through education

We're passionate about communities and the people who create them. We want people everywhere to thrive in whatever they choose to do, and support them not just by building communications networks but by building communications skills too.

Our work to develop the skills of young people is a hugely important learning legacy for a generation who will need to fully realise their potential to lead their communities to a more sustainable society and a better future. Through London 2012 inspired education projects, we're aiming to help to create a generation of young citizens with the skills to communicate and collaborate in ways that bring about positive changes to our society.

Our community initiatives include:

- **Big Voice**, a story telling competition for 11 to 19 year olds on the theme of diversity and inclusion, with the winning entries getting the opportunity to translate their story into a short film that will be shown on line and in public arenas in the lead up to London 2012.
- **Coaching for Life**, a scheme aimed at 6 to 11 year olds which encourages parents, grandparents and carers to help children try different sports
- **The Communication Triathlon**, an Openreach campaign for 4-11 year olds based around Olympic inspired activities to encourage children to become better at expressing themselves, which was launched in April 2011 and involves more than 1,200 schools and 200,000 children.
- **TheSTEMNET 'Design an App' Challenge**, which asked teams of young people aged 11-14 across the UK to design an smartphone app that provides useful information, to contribute to a great Games experience for all.

More information on these projects can be found in the Learning and skills section of this report.

Encouraging BT people to get involved

Many of these activities have provided BT employees with volunteering opportunities. Hundreds of BT employees have made a practical difference this year by volunteering to work on London 2012-inspired community initiatives, ranging from cleaning waterways in London to advising charities on how to grow and develop their organisations.

Improving digital inclusion for Colombian schools

Over 40 employee volunteers from BT Latin America and its partners have been developing information and communications technology (ICT) skills for 180 students and 27 careers in rural Colombia.

Working with local community partners over the last 18 months, the team has volunteered over 500 hours of their time to improve digital literacy through the JIRIRA project.

JIRIRA means "to communicate" in the native language of the Indian tribe Huitoto, of the Colombian Amazon.



The JIRIRA project

The JIRIRA project was born in July 2010, when a team from BT Latin America (LatAm) submitted a proposal to promote inclusive digital education through our annual Challenge Cup [link].

The project, based in Colombia, aims to increase digital inclusion in remote public schools by offering teachers, students and the community the opportunity to engage with digital technology for the first time.

To date, the project has provided technology, equipment, learning resources and refurbishment to ICT rooms for two public schools in Colombia.

Our impact

40 volunteers from BT LatAm Colombia, our collaborators and partners contributed their knowledge, time and resources to deliver key ICT hardware, training and solutions to the Soledad Educational Institution INOBASOL and the AEROMAR District Educational Center in Colombia. As a result of our efforts we were able to:

- Increase the interest, expertise and use of ICT in both schools.
- Improve technological infrastructure by providing new computer tools and applications.
- Implement ICT solutions to develop future educational activities

Here's how we made a difference:

In the **Soledad Educational Institution INOBASOL**, we used technology to help children with hearing difficulties learn a foreign language.

Soledad Educational Institution is located in the Colombian Caribbean coast. The school teaches 60 children with hearing impairments and other related disabilities between the ages of 3 and 16.

There are a number of challenges in educating children with hearing impairments, one of which includes teaching children how to write in a second language.

In order to facilitate this difficult learning process, we developed a 'language laboratory' for the school, which involved supplying equipment and working in partnership to develop two innovative learning software tools. These were:

- **Compuseñas Software**, to facilitate the assessment of mathematical, reading and writing skills through play. In order to make the technology accessible for those with hearing impairments, we worked to develop an audio-visual component that provided sign language videos.
- **Sueñalettras software**, designed to support the reading and writing process for children. In partnership with the CEDETI (Centro de Desarrollo de Tecnologías de Inclusion) of Universidad Católica de Chile, we helped develop a Colombian version of the software for the hearing-impaired population.

As a result of the successful implementation of the technology in the school, we made the software available as a free download for the broader hearing impaired community. As a result, the project was selected as one of the six winners of the WISE Awards 2011 initiative, granted by the Qatar Foundation.

In addition to developing language software, we:

- Improved the school's infrastructure to facilitate the language laboratory. Installed a visual bell system for the school.
- Donated a computer and a video camera for as part of our Christmas donation activities.
- Sent teaching materials and a playground for the children's physical development and entertainment.

Since implementation, the software has made a huge difference in the schools.

Teacher Fanny Gomez said:

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This morning, seeing the beautiful playground gave me mixed feelings: I felt nostalgia, admiration, happiness, satisfaction, and many other feelings. I was standing in the school yard and I thought about how one company, BT, fulfilled the dreams we'd had for the past ten years of the things we wanted to have at the school, which we thought were impossible. The hearing-impaired community will never stop saying THANK YOU BT.

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Meanwhile, in the AEROMAR District Educational Center, we provided tools for digital inclusion

The AEROMAR District Educational Center is located on the Colombian Caribbean coast and teaches 215 students from disadvantaged backgrounds.

Coming from less wealthy backgrounds, the majority of students attending the school had limited access to technology or ICT to help support their education. Our aim was to provide the appropriate tools, resources and training needed to help promote digital inclusion in the classroom.

Following a study to confirm AEROMAR's needs, we carried out the following actions:

- making alterations to the training room
- developing an ICT training programme for teachers
- supporting the creation of the school's website to allow teachers and students to now further master online ICT tools.

Our efforts at promoting digital inclusion at AEROMAR have had lasting changes on both the school and local community:

Teacher Eliú Fajardo said:

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My commitment with this community will continue and thanks to your intentions, resources and volunteer time I won't be alone and I know the teachers will be motivated with the use of the computer room and equipment.

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The ripple effects of these projects have also inspired many of our volunteers to stay committed to their communities. In the words of **Nestor Rincon, a BT Helpdesk operator who volunteered on the project:**



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Living and sharing with the children of the institutions makes me feel that the work I do as an operator in the Compartel area is very important; seeing that Colombia has a lot of institutions that have difficult surroundings motivates you to work harder; seeing that these children, with the limitations and the difficult environment in which they live, are capable of doing things as if they did not have any limitation at all, motivates me even more to work harder; I invite you to participate in this experience and to contribute with your ideas and your time.

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MyDonate

Launched in April 2011, MyDonate is BT's online fundraising service for charities, introduced to help grow the online giving market and raise more money for good causes.

MyDonate is fundamentally different to other fundraising services. The service is free to use for charities, fundraisers and donors because BT doesn't charge a subscription fee or commission and makes no charge for collecting Gift Aid.

As a result, fundraisers and donors can have the confidence that all of their money (excluding bank charges) will go to the charity of their choice. For charities, this means receiving up to five per cent extra in donations compared to what they might receive via other online services. Therefore, in a tough economic climate, MyDonate is in a unique position of being able to bring additional money to good causes.

For BT, MyDonate represents an opportunity for the company to contribute its unique combination of technology, expertise and people and is a natural extension of our support for telethons over many years.

The rise and potential of online fundraising

According to the Charity Commission there are now more than 160,000 charities in the UK. For an increasing number of these charities, large or small, online fundraising is playing an increasingly strategic role.

Peter Lewis, Chief Executive Officer at The Institute of Fundraising said:

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Online fundraising is growing fast and is now a reliable and staple part of any fundraising strategy. In particular, it is young people that are increasingly responsive to online methods of fundraising with 20 per cent of respondents ages 18-24 from a recent Accenture survey saying they donated more money to charity as a result of technology. A further 30 per cent also said that a failure to supply a way of digital donation would mean they would forget about the charity cause and not donate at all.

As online technology has such a significant impact on donation behaviour, fundraising services such as BT MyDonate are vital in helping to cater for this demand and can therefore bolster fundraising efforts for even more good causes.

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What they say about us

In its first year since launch, MyDonate has had a positive impact on a number of charities. Here's what a couple of charity CEOs have to say:

David Cosham, Chief Executive, KidsOut

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The timing of MyDonate was perfect for us as it coincided with the launch of our new website. It gave us something new and exciting to talk about, and our supporters have reacted very well to the promise of no administration costs being deducted from their donations.

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Firoz Patel, Chief Executive Officer, Childreach International

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Last year we switched to MyDonate as our fundraising platform as it provided the best value for money combined with a high quality service. By switching to MyDonate we will save around £100,000 over the course of a year. This saving is already funding some of our projects overseas – providing thousands of children in the developing world with access to education, health and protection, putting resources where they belong, in small grassroots projects transforming the lives of children.

MyDonate also provides our fundraisers with a high quality of service that allows them to track and monitor their fundraising in a clear and accessible way. Since switching to MyDonate, our fundraisers are not just hitting their targets, but surpassing them.

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Significant partnership

In December 2011, MyDonate signed a major partnership with Nova International, organiser of some of the UK's leading televised mass-participation sporting events including the world's biggest half-marathon, the BUPA Great North Run.

More than 450 charities and over 200,000 participants in this year's BUPA Great North Run and British Gas Great Swim events – which span from Edinburgh down to Portsmouth, via Birmingham, Manchester and Newcastle – will be able to benefit from the MyDonate online giving platform.

Last year, participants in these events raised in excess of £50 million. If all charities and fundraisers had used MyDonate as the donation and fundraising service, an extra £2.5 million more would have gone to charities and good causes.

Accessibility recognition

In early 2012, MyDonate's website became the first online fundraising site to be recognised by disability and e-accessibility charity AbilityNet for being accessible to people of all abilities, enabling everyone regardless of impairment or ability to fundraise and donate online. This aligns with our goals to make online services accessible to all.

Engaging, listening and responding

Engagement with and support from charities has been the key to the success of MyDonate so far.

BT developed and launched MyDonate after working closely with a number of leading charities including Cancer Research , Changing Faces, KidsOut, NSPCC and Women's Aid.

The charities were able to feed back to us throughout this development phase using tools such as surveys, face-to-face forums and usability workshops. It was all about collaboration. As a result, we believe our service meets the needs of charities, fundraisers and donors more effectively.

The momentum of engagement has continued since the launch. For example, in 2012 we talked to the 's top ten charities and surveyed fundraising managers from various charities of all sizes via the Guardian Fundraising online charity community hub. The results told us that there was a lot of excitement around the MyDonate service – particularly the 'free' aspect. However, we also learned that fundraisers wanted to hear more a little more detail from us about plans for the future of the service.

We have also recently organised a survey from the MyDonate site itself asking charities, fundraisers and donors what they want to see on the MyDonate site. The feedback will be analysed so that we can prioritise the introduction of new features and functionalities and use the findings to help devise our future strategy for MyDonate.

The difference we have made

Since its launch in April 2011, more than 3,000 charities have registered with MyDonate ranging from national organisations that are household names to local community groups – with around 100 new charities joining us every week.

Overall, we've had more success with smaller and medium-sized charities including pace-setting 'early adopter' organisations such as Childreach and KidsOut which have chosen to move their online fundraising completely across to MyDonate.

Strategically, we've come to recognise just how valuable partnerships are in helping us to spread the message. For instance, our partnership with Nova (organisers of the BUPA Great Run Series and British Gas Great Swim Series) is helping us to reach out to more charities, show them the benefits of our service, and get them to join us.

David Cosham, Chief Executive, KidsOut

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There is still a way to go to get the 'free' MyDonate message across more widely but, once people understand it, there is no turning back.

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What happens next?

As online fundraising grows and services mature, we will see the continued progression in the introduction of new and enhanced service functionalities and features.

Research with fundraisers and donors will help us to prioritise new functionalities and new mobile and tablet functionality has just been launched, while other future developments include team sign up and multiple charity features. Users of the site will also notice an increased potential for using social media related to MyDonate.

We are also aiming to build on our partnership strategy and reach a position where we can announce further innovative and game-changing partnership opportunities in the near future.

Sport Relief 2012

This year our people helped BT fulfil its pledge to raise £1 million for Sport Relief 2012, with efforts like those from the 19 people in Newcastle who've raised more than £6,200 cycling the famous Coast to Coast route.



Making a difference in the UK and overseas

Since 2002, when the charity Comic Relief launched Sport Relief, it has taken place every other year to raise money for people living tough lives, both in the UK and in some of the world's poorest countries. Much of the fundraising is focused on getting people active through initiatives like the Sainsbury's Sport Relief Mile, that takes place in towns and cities across the UK. The campaign culminates with an evening of televised fundraising, which encourages people to get involved by making a donation.

BT has been a major supporter of Sport Relief since the very first campaign, and we donate both money and in-kind services to the event.

Money raised goes a long way. In the UK, you can normally find a project supported by Comic Relief within 30 miles of wherever you are. So, whether transforming the lives of people in the UK's most disadvantaged communities or those living with poor mental or physical health, to protecting street children and providing life-saving healthcare abroad, people living incredibly tough lives across the world are helped by Sport Relief.

Performing under pressure

BT's technology and network expertise mean that we are in a unique position to assist charities raise vital funds through telethons.

We never want to lose the opportunity of a donation because a frustrated caller can't get through, so in the run up to the telethon, our teams pull out all the stops to make sure our network can handle the many calls it has to process all at once. In 2012, calls peaked, across our network, at 134 calls a second, and a total of 260,000 calls made the Sport Relief telethon the biggest single event the BT network has dealt with.

And of course we play our part taking pledges on the night too. Alongside other Sport Relief supporters we provided seven call centres staffed by BT people, including a team at the BT Tower in London. We also make sure that our MyDonate platform is ready to receive fundraising pledges online.

This all helped Sport Relief to reach a record breaking total of more than of £50 million on the night.

TV host Davina McCall commented:

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The BT volunteers at the Tower and others all around the UK do a great job answering the donation calls and are so amazing for giving up their evening to answer the phones. Sport Relief is really making a difference to people's lives both in the UK and around the world, so it was a pleasure to be part of such an important night. Thank You.

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Pulling together to help change live

BT and Sport Relief have worked closely over the last few years to develop a number of high profile sponsorship and fundraising opportunities. This year as part of BT's biggest year of sport we sponsored three BT Sport Relief challenges, making these fundraising opportunities bigger than ever before.

Three famous faces were cajoled into undertaking some death-defying, daring and downright daft challenges to raise much needed funds for the cause:

TV personality David Walliams took part in the first challenge in September 2011. Walliams vs the Thames saw David swim the River Thames from Lechlade, Gloucestershire to Westminster Bridge.

In February 2012, comedian John Bishop took part in a Week of Hell, during which he cycled, rowed and ran all the way from Paris to London.

And in Flintoff's Record Breakers, which took place on March 19 2012, cricketer Freddie Flintoff attempted to break 12 world records in 12 hours. He reached his Sport Relief goal of 12 world records in 12 hours, plus two bonus extras.



Our people, customers and partners

But it's not all about celebrity sporting challenges. In 2012 we set ourselves a challenge too. Our goal was to inspire and mobilise our people, our customers and our partners to rally together and help BT raise £1m for Sport Relief.

People from across the business got involved, running, swimming and cycling as well as less 'sporty' activities such as auctions and baking cakes.

One of the joys of Sport Relief is that you don't have to be sporty to get involved, and over the years our customers have helped to fundraise just by using our services. This year they joined in with these BT initiatives for Sport Relief:

- **making calls from their BT line on 'Buzz for Bishop Day'** – when we donated 1p to John's campaign for every call made from a BT payphone, home or business phone line on Thursday 1 March. We also donated 25p for every call made to BT's Directory enquiry service 118500
- **moving to paper-free billing** - we donated £1 to Sport Relief for every customer who signed up in February 2012
- **ringing the BT Speaking Clock** between March 7 to April 9 2012 and hearing David Walliams and other celebrity voices tell the time. BT donated 10p for every call made during this time
- Our suppliers, corporate customers and other friends came together for the first **BT Sport Relief Ball** at the Grosvenor House Hotel in London on March 28. This landmark fundraising event raised over £400,000 through ticket sales and on the night fundraising.

With the help of our people and our customers, so far this year (by May 2012) we have raised £1.1m for Sport Relief 2012.



The ultimate reward

We know that our technology helps people keep in touch with family and friends, and helps businesses and organisations perform to their very best.

But telethons like Sport Relief really show how our people and network can come together to help to change lives. That's why putting our technology to good use is something we're passionate about.

We're proud that by supporting Sport Relief, thousands of people around the world hopefully have the chance of a better future.

Carbon footprinting the London 2012 Olympic and Paralympic Games

Using a methodology developed by BT, in 2011 we estimated the carbon footprint of the communications services that we are providing to the London 2012 Olympic and Paralympic Games (the Games).

BT has demonstrated leadership in carrying out carbon footprinting of complex communications technology solutions. Carbon footprinting enables us to identify the components of a solution which are responsible for the highest carbon emissions. Where possible we consider both the 'use-phase' emissions from energy used while the equipment is operational, and the 'embodied' emissions associated with the manufacture, distribution and disposal of equipment. This enables us to understand the full carbon impact of our design decisions.

Using a methodology developed by BT, we estimated the carbon footprint of the communications services that we are providing to the London 2012 Olympic and Paralympic Games (the Games). We are building on this methodology and also working on developing common global approaches and methodologies for carbon footprinting of ICT services.

London 2012 Olympic and Paralympic Games

The London 2012 carbon footprinting methodology excludes embodied emissions associated with assets not owned by the London Organising Committee for the Olympic Games (LOCOG). However, for completeness, BT has considered the relative impact of both use-phase and embodied emissions associated with the following components of BT's communications solution:

- Equipment dedicated to London 2012
- BT people dedicated to the design, delivery and operation of the London 2012 solution
- The contribution of BT's existing shared network services which will carry Games traffic.

Approximately 58% of the emissions are expected to occur during the use-phase, while 28% result from the manufacture, distribution and disposal of equipment. It is important to note that 'use-phase' refers to the entire period during which the equipment is live, including the run-up to the Games – not just the period of the Games themselves. The remaining 15% of emissions are associated with the BT people involved in designing and delivering the communications services for the Games.

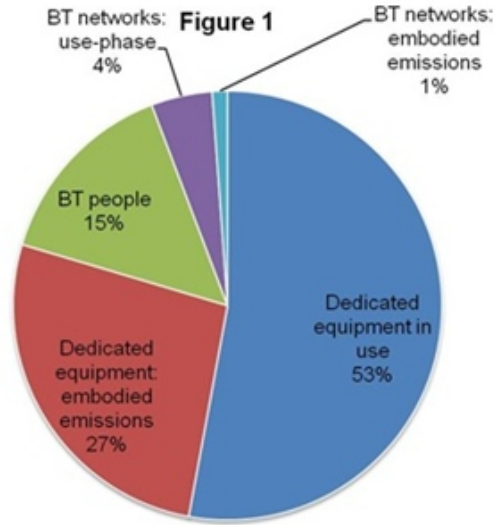


Figure 1: Breakdown of CO₂e emissions associated with BT's London 2012 communications services.

The carbon footprint of BT's London 2012 communications solution is estimated to be less than 5% of the total LOCOG carbon footprint of 438,000 tonnes CO₂e.

Supporting Ireland's next generation scientists

For the last 12 years, our Irish business has supported the BT Young Scientist & Technology Exhibition. In 2012, secondary schools from across Ireland submitted a record breaking 1,743 ideas around the theme of Creating Tomorrow for the annual science fair, where over 100 BT people volunteered in January 2012.

The [BT Young Scientist & Technology Exhibition](#) is one of the longest-running and largest events of its kind in Europe, if not the world. Since 1965, the event has aimed to stimulate secondary school students' interest in the sciences, and give them a platform to showcase their projects at both a national level and an international level.

BT's role in the exhibition

BT organises the exhibition end-to-end and has done so for the past 12 years. We have an in-house team that organises the exhibition, and over 100 BT employees work at the exhibition in January as part of our volunteering programme. We see the BT Young Scientist & Technology Exhibition as a powerful, grassroots campaign to raise schools' engagement in science, technology, engineering and maths (STEM) – the kinds of expertise we need from future generations of employees.

2012 winners

This year's winners were Eric Doyle and Mark Kelly, both aged 17, from Synge Street CBS, Dublin 8, for their project 'Simulation accuracy in the gravitational many-body problem.'

Professor Pat Guiry, Head Judge, Chemical, Physical & Mathematical category said,

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The project develops a novel mathematical approach which has a diverse range of applications from satellite placement to predicting network congestion in telecommunications. In the opinion of the judging panel, an exceptional level of mathematical proficiency was demonstrated. Starting from Euler's investigation in 1760 on the motion of planets, they simulated this complicated "many-body" problem using advanced computation and evaluated the accuracy of the solutions. Of particular note, they included an in-built accuracy estimation in their solution.

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Eric and Mark's idea will now go forward to the 24th European Union Young Scientist competition taking place in Bratislava in September 2012. Many former winners and participants in the scheme have gone on to further education and careers relating to science and technology.

The impact of the exhibition

This year's event attracted a record number of entries from school students: from the 1,743 projects from entered, 550 were pre-judged to qualify to exhibit at the competition. About 45,000 people visited the exhibition, including 130 journalists, and 80 VIPs that included the Irish President and Prime Minister.

As organiser, BT has also created an eco-system that brings together key players in the public and private sectors, with the common agenda of nurturing skills in STEM, commercialisation, critical thinking, and innovation in order to help Ireland (Northern Ireland and the Republic of Ireland) become more sustainable. Our partners include the Departments of Education in the Republic and Northern Ireland, Intel, Analog Devices, RTE.

Three years ago, BT in Ireland devised an additional element to the exhibition by coming up with a new business programme to give the students the commercial skills to turn their ideas into potential enterprises. The programme is called the BT Young Scientist Business boot camp, and it is delivered with University College Dublin. 32 students were chosen from the programme, with winners being awarded university placements.

Recruiting to deliver fibre broadband

Fibre broadband is lighting up the UK. More than 10 million homes and businesses already have access to it. By 2014 we'll have rolled out superfast fibre to around two-thirds of UK premises. By then, 6 million children will also be able to learn at the speed of light, at home and at school. Working alongside local communities our aspiration is that 90 per cent of Britain has fibre broadband by 2017.

With the specialist skills to undertake this work in short supply and a demanding timetable for delivery, we've had to find innovative ways grow our Openreach workforce – including looking to ex-servicemen and women.

We've done this in a number of ways, including through our apprenticeship scheme. But some of our best results have been seen through our work with the Career Transition Partnership (CTP), a partnership the Ministry of Defence (MoD) and Right Management, a global talent and career management expert.

Lt Cdr Mark Walker, from MoD's Training, Education, Skills and Resettlement staff said:

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We are delighted that Openreach has recognised the talent, skills and versatility of our Service leavers, especially targeting them for recruitment. We strongly welcome this initiative, and its promise of rewarding employment and career opportunities for many former Armed Forces personnel.

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Through the CTP, we've recruited over 440 ex-servicemen and women to help deliver super-fast broadband in the UK.

David Duffy, Managing Director, Career Transition Partnership charity (CTP), said:

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We have had an amazing success rate with this project, and have received tremendous feedback about the high calibre of the Service leavers who have applied for the roles on offer. The CTP offers a no cost recruitment solution, supporting organisations with their workforce strategy by understanding their recruitment needs and matching the transferable skills of Service leavers.

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Openreach carried out 667 interviews specifically for Service leavers with an 85% pass rate. This unusually high pass rate of 85% reflects the highly sought after skill-sets, abilities and attitude of those leaving the Armed Forces, and represents significantly lower recruitment costs for BT.

Olivia Garfield, CEO Openreach concludes:

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It's fantastic that we've been able to recruit so many ex-armed services personnel. These people have served their country well and so deserve the chance of full-time employment with a generous reward package. They are highly skilled, motivated and disciplined and have experience of complex engineering tasks in challenging environments. Our "fast-track" recruitment programme should see the majority of them join us by the end of May and given their experience, we will be able to train them up quickly and get them straight out where we need them.

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Working with the Carbon Trust and our supply chain

We engage with suppliers on key sustainability challenges, with carbon being an area where we've made particularly good progress in 2012. We built on our relationship with the Carbon Trust to find more innovative ways to run our own business efficiently, and use our influence to help suppliers and customers to do the same.

Supply chain management presents us with a real opportunity to improve standards around the world – especially since we do not manufacture our own hardware, so we rely on them to deliver on our behalf. Carbon reduction is just one of our areas of focus in this space. Where possible, we use our influence to work with suppliers to share our insight and experience in this space.

Leading on global standards

In 2012, BT became the first company in the world to have product carbon footprints independently verified by the Carbon Trust, a not-for-profit organisation with the mission to accelerate the move to a low-carbon economy, to the new GHG Protocol Product Standard. The independent verification covers three of BT's most popular consumer products; the BT Home Hub wireless router, the BT Vision+ digital set-top box and the BT Graphite 2500 DECT phone.

Working with suppliers on carbon reduction

We also worked with the Carbon Trust to engage with BT suppliers on their carbon reduction measures and generate action in our supply chain.

This experience has given us a good understanding of the steps suppliers can take to reduce emissions, particularly those companies who are near the start of their journey to becoming more efficient. In 2011, we launched an engagement programme to share our experience with suppliers, and encourage them to take action on climate change in their businesses and their own supply chains. In 2012 we continued our engagement with the Carbon Trust in delivering a webinar for over 50 suppliers on climate change engagement.

Supply chain carbon

In 2012, we also undertook a pioneering project with the [Carbon Trust](#), the Carbon Disclosure Project and Small World Consulting, to measure and report the carbon emissions from our supply chain. Ultimately we would like to collaborate with our suppliers to reduce the emissions associated with the products and services that we procure and draw mutual benefits for both BT and our suppliers.

The project trialled three different methodologies looking at the carbon footprint data of the products and services that we procure, carbon footprint reporting by our suppliers and economic input output analysis of our supplier spend. As a result of this work we now have a working estimate of the carbon associated with the manufacturing of our products, and of the scale of carbon emissions generated by our supply chain calculated using the Economic Input-Output model based on 2011 spend data.

BT's 2010 carbon footprint (kilotonnes)		
Actual (reported)	CO2e	% of total
BT Scope 1	212	3%
BT Scope 2	1,413	19%
BT Scope 3 (reported exc Supply Chain)	49	1%
Estimate		
BT Scope 3 (Supply Chain)	5,584	77%
Total	7,258	

Keeping the UK safe and secure

Information and communications technology helps to keep the UK safe and secure in a many ways.

We handle around 80% of all calls to the UK emergency services each year and, beyond this, work with the UK government to protect public safety and security. With a series of riots hitting the UK in 2012, managing our services helped the emergency services cope with exceptionally high demands from the public.

Our 999 service

In 2012, our 999 service has handled over 31 million calls – 9.5% more than last year. We're the first point of contact for around 80% of all calls to the emergency services in the UK, with a specially trained team of accredited operators working behind the scenes for other fixed line and mobile providers, all of whom are required to provide this vital service.

We aim to make the 999 service is quick and reliable, and this year we answered 98.3% of all calls within 5 seconds. The only occasion our time to answer fell below our target of 97% in 5 seconds was during the UK riots in summer 2011, when demand for the emergency services reached an all-time high.

This emergency prompted teams across BT to pull together to restore the speed of response and maximise our support for the emergency services and the public at this critical time. Advisors from other BT service areas were moved on to the 999 service to help with the extra calls. Staff cancelled planned days off, and managers worked through the night in centres that aren't usually open 24 hours.

Faced with an exceptional level of calls, we also used our @BTCare Twitter account to explain the pressure on the service, asking people to dial 999 only in cases of absolute emergency. Our message reached over 300,000 people after being re-Tweeted by several high profile Twitter users, and contributed to a reduced wait time on 999 calls from 41 to 0 seconds.

Our broader role

Our Business Principles equally commit us to use our influence to reinforce the liberating and empowering potential of our technology. ICT is an essential enabler of emergency support in life after natural disasters, where a victims' ability to meet their most basic human needs – such as food, water and sanitation – often are compromised. See our role in [responding to disasters](#).

It can also be a critical tool for governments to lawfully intercept or block communications to help protect public safety or security in certain exceptional circumstances. We strive to deliver the most secure and reliable ICT infrastructure possible, and to ensure that our services are always available.

Innovating through the Challenge Cup

Our annual Challenge Cup is a team competition that encourages teams of our people to pick a problem and sort it out to make something better for customers.

Innovations from the Challenge Cup come in all shapes and sizes – with one sustainability-related suggestion from 2012 currently being trialled to halve the carbon impact of our roadside cabinets.

The Challenge Cup

BT's annual Challenge Cup gives our people the opportunity to help our customers and the business, and also fix the systems or processes that cause frustration. Teams of people from across our business come together across functions to work through these challenges, proving that there's a better way for us to approach any given issue.

In 2012, over 460 teams entered, with a grand final taking place in Berlin in December 2011.

This year's winner was Plug and Play who enhanced customer experience when delivering Openreach's flagship Ethernet product - Ethernet Access Direct (EAD). Meanwhile, the team that placed second in this year's competition made a suggestion that directly supports our 'Better with Less' objectives.

Polybase

Craig Chapman, Next Generation Access Re-works manager, led a team whose project has the potential to reduce the carbon impact of our roadside cabinets by more than 50%.

The new design, developed in partnership with supplier Permashutter, uses a 60% recyclable polymer, is itself 100% recyclable and uses crushed stone in place of concrete, to create a solid base for our street cabinets. It is in field trial now;

Craig said:

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The Polybase is unique. It's not an 'off the shelf' product– it does not exist in any other format, anywhere else in the world, which is a great achievement. Following my initiative and initial thoughts, the guys at Permashutter have worked tirelessly on their innovation.

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We have already trialled Polybase with BT's Chief Engineers, at our test site, who have granted Polybase technical approval for a live field trial. Openreach ordered 100 Polybase units and an additional 100 Polylics, which were delivered at the end of February 2012. This has enabled BT's Next Generation Access programme to conduct a field trial to assess technical and commercial viability, and delivers the benefits which have been highlighted. The trial will need to be successful in these elements before the business is able to pursue it further with our delivery agents and the manufacturer.

The Polylic is also being trialled as alternative solution when we are unable to install either a concrete pre-cast plinth or Polybase due to limited space in the pavement; typically we have to use a poured concrete plinth. Using a Polylic will enable us to remove the toxic resins and cement from this particular operation.

The pilot has started and we have installed 2 live DSLAMs (street cabinets) and 1 in a controlled environment to date. These have shown that we are able to remove the concrete and toxic resins by using type1 aggregate (crushed stone) to fill Polybase. We will be looking to test whether the waste from the excavation will be suitable material, with the right density to reuse and fill Polybase during the pilot. This has the potential to enhance our carbon savings by reducing waste to landfill and minimising truck rolls.

A final decision on national roll-out will be dependent on the results from the pilot during Q2 2013.

Students experience life as Openreach engineers

Around 240 students became Openreach engineers for the day in a programme designed to bring science and technology lessons to life.

A team of Openreach apprentices supervised the students, aged 11 and 12, at the event at Manchester Communication Academy where BT is the lead partner.

The apprentices took them through every step of providing a new voice connection, and helped them get hands-on with the telecoms equipment. The students were taking part in a programme called Engineers 2020 as that is the year they will become eligible to embark on an Openreach apprenticeship.

Sue Webster, BT programme director for the academy, said:

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The students worked with Openreach engineers to set up a new telephone connection, starting at the exchange. They were excited by their achievement and some of them may be inspired to become part of the next generation of Openreach engineers when they leave school.

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Natalie Hewitt, Developing leader for Science said:

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The Exchange shows students how the telephone works in real life and how important it is in the modern world. It's far better than learning from a book!

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Year 7 students at MCA have been studying communication during their Scientific and Technical lessons. They have been learning all about amps, volts and resistance and how to draw complex circuit diagrams and build simple circuits. They have also been making telegraph sender and receiver in their Technology lessons and used the telegraphs to send messages in Morse code.



The Manchester Communication Academy

BT is the lead partner in the Manchester Communication Academy, a high school in North Manchester. The Academy offers a full range of subjects and specialises in communication – speaking and listening, languages, drama, media and presentation skills, and information communication technology.

Niall Dunne, Chief Sustainability Officer, BT PLC

Niall Dunne is Chief Sustainability Officer (CSO) of BT Plc, one of the UK's pioneers in sustainability and corporate responsibility.

Having joined BT in July 2011, Niall works with the company's Chief Executive, Chairman and executive management team to advance BT's leadership as a business, ensuring sustainability practices are embedded into BT's strategy, products and services.

Recognised within industry, by peers and clients alike, as one of the top young global leaders, Niall is known for championing and leading change and aligning the commercial integrity of businesses towards resolving humanities greatest challenges. Niall speaks regularly on the critical issues facing humanity and the vital role that businesses need to play in shaping the next era of our evolution.

Before joining BT, Niall spent a decade leading sustainability practices in Saatchi & Saatchi and Accenture. He is a well known and respected speaker on technical topics, such as sustainability, smart cities to green technologies, to more emotive topics such as the lessons we can learn from social movements, people empowerment and radicalism to create the next era of human evolution .

Between January 2008 to December 2010, Niall was Managing Director for Saatchi & Saatchi S in Europe, the Middle East & Africa where his experience in "next generation marketing" helped drive demand and create markets for sustainable products and services. Niall worked with some of the world's largest and most forward thinking businesses to turn their brands into platforms to drive convergence internally and support activation and advocacy externally.

Prior to Saatchi, Niall spent eight years at Accenture, where he founded its Climate Change & Sustainability practice. He is also the founder of Bluvolution Ltd, a sustainability consultancy focused on the consumer foods and agricultural industries

Niall's passion for change goes back to his days as one of Ireland's top 800 metre runners. His pursuit of excellence as an athlete led to a lifelong fascination for how an individual, a team, an organisation or entire network can change for the betterment of others.

From Glenageary in Dublin, Niall Dunne is 36 years old and holds a Bachelor of Science degree from Manhattan College in New York. He has chaired the Sustainable Consumption Project Board for the World Economic Forum (2009), and the Board for the Green Awards (2010), and was recently a judge for The Guardian's Sustainable Business Awards. Niall was named a Young Global Leader for 2012 by the World Economic Forum.

Thank you

for reading what we have to say –
now we want to listen to you.

Email us at crreporting@bt.com and tell us what
you think of this review and sustainability at BT.



If you'd like more details about our corporate responsibility
and sustainability activities and performance please visit our
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