



BT Social and Environmental report

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BT Social and Environmental report

Summary and highlights

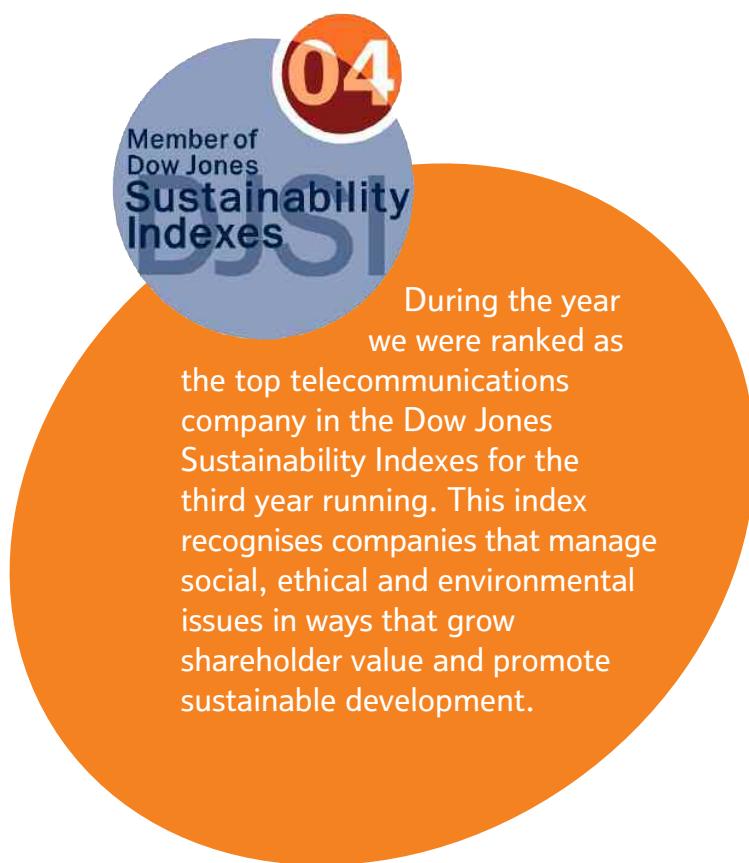


THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Who we are

BT Group is one of Europe's leading providers of telecommunications services. Our principal activities include local, national and international telecommunications services, higher-value broadband and internet products and services, and IT solutions.

In the UK, we serve over 20 million businesses and residential customers with more than 29 million exchange lines, as well as providing network services to other licensed operators.



Highlights

We have selected 11 non-financial key performance indicators (KPIs) to provide a quick overview of our social and environmental performance.

This performance relates to the 2004 financial year, compared with 2003:

- Customer dissatisfaction down 22%
- Broadband now available to more than 85% of all UK homes and businesses, up from 67%
- People Satisfaction Index increased from 67% to 71%
- Increase in the percentage of ethnic minority employees from 8.6% to 8.9% and disabled employees from 2.0% to 2.1%, though the percentage of women declined from 23.6% to 22.7%
- Global Warming CO₂ emissions now 42% lower than 1996
- Waste to landfill down 10,201 tonnes to 79,677 tonnes, percentage of total waste recycled up from 24% to 26%
- Health & Safety significant incident rate down from 113 to 87 per 10,000 full-time employees
- Percentage of suppliers stating they have a good working relationship with BT is 94%
- Ethical trading risk assessment questionnaires completed by 242 suppliers and 13 on-site assessments undertaken
- Awareness of our Statement of Business Practice in the UK up 1% to 84%
- Direct community investment of £5.6 million plus £12.4 million in further funding and support in kind.



Information and data on this page has been verified by Lloyd's Register Quality Assurance Ltd.

Chairman's introduction



increased connectivity. Our vision can be summarised by the phrase – **Connecting your world. Completely.**

BT's social responsibility is about doing this in a way that is caring and responsible, helping as many people as possible. Our goal is to help everyone benefit from improved communications and to spread the benefits of our technology as widely as we can.

For example, we are determined to spread the benefits of broadband as widely as possible. Our aim is to connect every UK community, even remote or rural ones, by 2005.

Setting up public-private partnerships across the UK will bring broadband to areas where exchanges have not yet been enabled. And existing partnerships – such as ActNow in Cornwall – show what can be achieved through broadband. This project has already delivered 1,200 jobs and a £20 million boost to regional gross domestic product. Our digital inclusion project Everybodyonline is finding ways in which more deprived communities can also benefit.

The UK Government has made a commitment to connect all primary and secondary schools to the internet using a broadband connection by 2006. We are delivering educational services such as online learning packages and interactive

Our purpose is to improve communications for our customers. Our ambition is for our customers to benefit fully from

applications which will enhance the learning experience. BT volunteers are helping schools take advantage of these opportunities.

Our Corporate Social Responsibility programme – described in the Better World website – is vital to encourage our customers to buy from us, investors to put their trust in us and the best people to work for us.

Our challenge

Our challenge is to manage social, ethical and environmental issues in a way that grows shareholder value and encourages sustainable development.

The Dow Jones Sustainability Indexes rank companies for their success in achieving this challenge – so I was delighted when we were ranked as the best telecommunications company for the third year running. I am proud of this achievement and thank all the motivated people across the whole of BT that made it happen.

The index recognises the approach we have taken to a broad range of issues – everything from business principles to customer service, and from work-life balance of BT people to ethical supply chain management. It reflects our ambition to create shareholder value by meeting the expectations of all our stakeholders.

I'm happy to report that we have won a number of prestigious awards in recognition of our efforts to be socially responsible – the Queen's Award for Sustainable Development, the 2003 Best European Corporate Pension Fund Award and the UK Chartered Institute of Purchasing and Supply's Award for Supply Management.

Our objective now as we transform our company for the years ahead is to maintain and improve this level of performance.

Sir Christopher Bland

Sir Christopher Bland
Chairman
13 May 2004



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Chief Executive's message



Our values

A year ago we established five new values to capture the essence of what BT people need to do and what they need to stand for:

Trustworthy
we do what we say we will

Helpful
we work as one team

Inspiring
we create new possibilities

Straightforward
we make things clear

Heart
we believe in what we do

Only by living these values can we transform our company for the challenges ahead.

And only by living these values can we fulfil our commitment to leadership in Corporate Social Responsibility.

Being trustworthy means acting with integrity, keeping our promises and implementing our business principles.

Being helpful means listening to the needs of our stakeholders and meeting their expectations.

Being inspiring means embracing new ideas that contribute to sustainable development.

Being straightforward means being clear and honest in our communications.

And heart is believing in what we do – being passionate about the power of communications to bring friends, families and colleagues together in the creation of a better world.

Our business case

We hear a lot about how preserving and enhancing a reputation for being socially responsible can improve customer satisfaction and increase revenue.

But the business case for Corporate Social Responsibility won't work unless it generates real, lasting trust with all stakeholders. And a company can't build trust on an amoral basis. We won't build value without our values.

Our performance

Our non-financial performance underpins the achievement of our financial goals, which is why we publish 11 non-financial key performance indicators and ten strategic targets.

Our headline target is to reduce the number of dissatisfied customers by 25% a year over three years.

We are committed to connect all UK communities to broadband by 2005 – but also to cap our CO₂ emissions at no more than 25% below 1996 levels by 2010. We have made excellent progress on health and safety in recent years and have doubled our target for a reduction in incidents to 50% of 2001 levels by 2005.

Transparency

This year we had to manage some hot social issues – not least the opening of two new call centres in India. Transparency in dealing with controversial issues is paramount. We will never satisfy everyone, so openness is key.

You can read more about our performance and our approach to these controversial issues throughout our Better World web site, which contains the BT Social and Environmental report.

The report has been prepared in accordance with the 2002 Global Reporting Initiative Guidelines and is independently verified. It represents a balanced and reasonable presentation of our economic, environmental and social performance. It also sets out our progress in implementing the United Nations Global Compact Principles.

Ben Verwaayen
Chief Executive
13 May 2004



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Stakeholder dialogue

The quality of our relationships with a range of stakeholders – including customers, employees, suppliers and local communities – is critical to the success of our business. The more positive and mutually beneficial these relationships are, the more successful our business will be.

Engaging with stakeholders deepens our understanding of what they expect from us and how we can meet – and exceed – their expectations. It also challenges how we work and inspires new ways of doing business.

For example, our online Social and Environmental report describes how:

- Our consumer liaison panels helped shape our call centre strategy
- BT managers work with their teams to analyse the results of our annual employee survey and implement improvements
- Our ethical trading forums with suppliers have led to an industry-wide approach to the promotion of human rights in the supply chain.

We recognise two trade unions, Connect and CWU, and run a European Consultative Works Council.

Customers, employees and shareholders were consulted during the identification of the 11 non-financial key performance indicators we have chosen to provide an overview of our social and environmental performance.

Our Statement of Business Practice, The Way We Work, sets out the aspirations and commitments that apply in our relationship with each stakeholder group.

We also run occasional online discussions about social and environmental issues, and welcome feedback on our performance through yourviews@bt.com.



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Customers

Key Performance Indicator

Customer dissatisfaction reduced by 22%

Strategic target

Reduce customer dissatisfaction by 25% a year over the 3 years to the 2005 financial year

Key Performance Indicator

Broadband available to more than 85% of all UK homes and businesses, up from 67%

Strategic target

Broadband available to exchanges serving over 99% of UK homes and businesses by summer 2005

In the UK, we serve 20 million businesses and residential customers with more than 29 million exchange lines, as well as providing network services to other licensed operators.

Our extensive global network and strategic partnerships enable us to serve multi-site corporate and government customers in all key commercial centres of Europe, North America and Asia. In Europe, this network links more than 250 towns and cities across 19 countries.

Customer satisfaction

Reducing customer dissatisfaction by 25% a year over 3 years is a key target in our drive to deliver the highest levels of customer satisfaction.

Customer dissatisfaction measures those customers who are fairly, very or extremely dissatisfied with BT.

In the 2004 financial year we achieved a 22% reduction in customer dissatisfaction. This follows a 37% reduction in the 2003 financial year.

The principal lines of business all reduced customer dissatisfaction levels during the year. We are working to remove barriers to providing customers with excellent service and to involve all our customer facing people in improving our service.

Broadband

Putting broadband at the heart of our operations is one of our strategic priorities. In the 2004 financial year we continued in our drive to enhance the awareness, availability and attractiveness of broadband.

Broadband is an always-on high-speed connection to the internet that uses standard telephone lines. Modifications at the exchange provide a much larger capacity (hence broadband) to send and receive data.

Broadband is expected to bring a range of economic, social and environmental benefits, such as:

- Enhancing the productivity of individual enterprises, industrial sectors, regions and the economy as a whole
- Increasing opportunities for teleworking, reducing the need to travel
- Remote diagnosis and in-home care, bringing health benefits
- Increased access to learning materials.

Our strategic aim is to bring broadband to all parts of the UK.

As at 31 March 2004, more than 85% of the UK's homes and businesses were connected to broadband enabled exchanges. We are committed to make broadband available to exchanges serving over 99% of UK homes and businesses by summer 2005.

We are working to improve the quality of online information and access to the internet. See Digital inclusion, page 25.



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Consultation

We carry out in-depth consultation to understand our customers' needs and concerns. For example, we run a number of consumer liaison panels across the UK. These consist of 12–15 consumers with a broad range of experience and usage of communications technology – as well as different needs, interests, ages and cultural backgrounds.

Panel members provide valuable insights into consumer thinking and inform policy-making within BT. The panels regularly discuss a range of issues including customer service, how we keep customers informed, mobile telephony, payphones, billing, access to and marketing of broadband technology, and the provision of services for customers with disabilities.

Consumer liaison panels have also helped us to understand consumers' perceptions of Corporate Social Responsibility, and to define our key performance indicators.

Customers who are older or disabled

Everyone should have the same freedom and opportunities to communicate.

For many years we have offered a wide range of products and services to elderly and disabled customers who might otherwise find it difficult to make the most of telecommunications.

For example, one of our major commitments is Typetalk, a national telephone relay service. Funded by BT since it started in 1990, and run by the RNID, a charity representing deaf and hard of hearing people in the UK, this service enables textphone users who may be deaf, deaf-blind, hard of hearing or speech-impaired to make and receive calls to and from hearing people.

Launched in July 2001, BT TextDirect is the world's first service to provide textphone users access to the telecommunications network. It helps Textphone users get access to RNID Typetalk operators and simplifies the making and receiving of calls between voice and Textphone users.

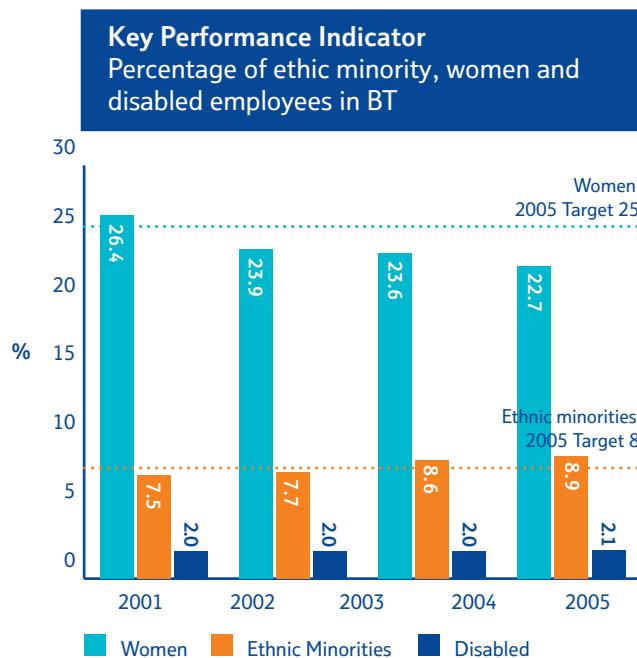


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Employees



*A new "Employee Engagement Index" is being introduced.
Results and a new target will be available during the 2005 financial year.



We employ approximately 99,900 people around the world, including 91,600 in the UK where we are one of the largest employers.

Our approach is to treat our people fairly and responsibly, helping them achieve their full potential, while respecting their personal and community commitments.

We believe this to be in the best interests of our employees, of society and of our business.

Recruitment

BT is a major recruiter, employing thousands of new people each year – and we need to be sure that we attract, select and retain the best.

During the 2004 financial year, we recruited 180 new graduates, 157 modern apprentices and 1,950 other new entrants. As part of our continuing programme to reshape BT, 4,514 people left the company voluntarily, by leaver payments or voluntary redundancy.

Training and development

We seek to encourage and provide people the opportunities for personal growth and professional development. In the 2004 financial year, BT successfully achieved re-accreditation as an Investor in People (IiP), a standard of good practice for training and development in the UK.



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Employees continued

People satisfaction

We run a number of formal employee surveys. The most important is the annual Communications and Attitude Research for Employees (CARE) survey. It provides an opportunity for all our people to express their views on a range of issues.

During the 2004 financial year, every BT employee in the UK was given the opportunity to complete a CARE survey during the working day. Anonymity was guaranteed and 80% of our people participated (up 2% on the previous year).

A key indicator in the CARE survey is the People Satisfaction Index, which indicates overall satisfaction with working for BT.

The People Satisfaction Index for the 2004 financial year was 71%, up from 67% in 2003 and exceeding our target of 69%.

During the 2005 financial year we will be introducing a new Employee Engagement Index.

Diversity

We seek to create an open, honest and unprejudiced workplace that encourages people to reach their full potential.

We want to create and sustain a diverse workforce where everyone's contribution is valued.

The tables show the percentage of our people who are women, have declared themselves from an ethnic minority or have declared a disability. These figures do not include around 10,000 people who work in our subsidiaries.

During the 2004 financial year, 15.3% of our new recruits came from an ethnic minority background, including 27.3% of new graduates, while 32.8% of new recruits were women, including 42.2% of new graduates.

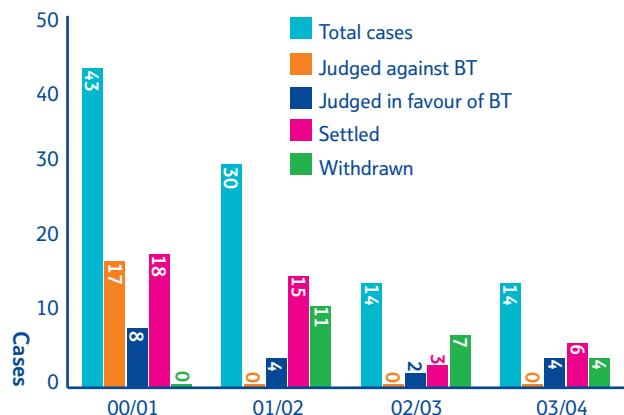
This means that we have achieved our target that by March 2004, at least 8% of our employees should be from an ethnic minority. Attaining our target for the representation of women employees is proving more difficult—the figures show that retention rather than recruitment is the main barrier.

These targets should not be taken to mean that BT is operating quotas, which are illegal under UK law. Each appointment is made on merit only.

There were a total of 14 discrimination-related litigation cases involving BT in the 2004 financial year. Four were withdrawn, none judged against BT, six settled and four judged in favour of BT.

Every discrimination litigation case is one too many. For this reason we carefully review our own cases and use real-life examples in our diversity training workshops.

Discrimination Litigation



	Senior	All BT	
Financial year	2003	2004	2003
Women	20%	21.0%	23.6%
Ethnic minority	7%	7.6%	8.6%
Disability	0.7%	0.7%	2.0%
	2004		2004

Data as of 31 March 2004



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Employees continued

Work-life balance

Because we want to provide a high-quality service to our customers, the working day for many BT employees extends beyond normal hours. One of our great challenges as an employer is to reconcile good customer service with the provision of a healthy work-life balance for our employees. We strive to get the balance right and believe our record is good.

Our work-life balance policies are in one portfolio called Achieving the Balance. It covers flexible working, home-working, part-time working, job sharing, maternity and paternity leave, adoptive leave, parental leave, special leave and leave for carers.

We have approximately 5,600 part-time employees and more than 7,900 homeworkers. Through the innovative use of communications technology, many other BT people are able to work flexibly without being formally recorded as homeworkers.

We have a flexible working initiative called Freedom to Work, which enables our people, wherever operationally practicable, to develop their own attendance patterns. They can achieve more balance through a mix of home-working, working long and short days, and by accruing blocks of non-working time for use during, for example, school holidays.

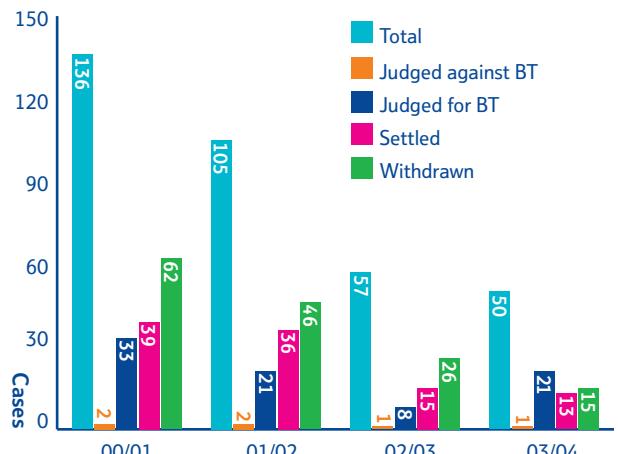
Employee relations

In the UK BT recognises two trade unions: the Communications Workers Union (CWU), which represents around 65,000 BT non-management grades, and Connect, which represents around 20,000 BT people, predominantly line managers and professionals.

We maintain a positive working relationship with both unions at local and national levels. In the 2004 financial year, no industrial action was taken. There were no cases of legal action against BT concerning anti-union practices.

The number of Employment Tribunal cases involving BT in the 2004 financial year was down to 50 from 57, with 15 withdrawn, 1 judged against BT, 13 settled and 21 judged in favour of BT.

Employment Tribunal cases



Call centres

We have completed a comprehensive two-year restructuring of our call centre operations.

Our Next Generation Contact Centre programme has transformed our original 104 call centre sites into a slimmed-down network of 33 larger, multi-functional contact centres.

The programme was designed to achieve the twin goals of reducing costs and providing improved customer service – for example, by providing a range of services for residential and



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Employees continued

small business customers without their being transferred from one call centre to the next.

The overall net effect on BT and agency jobs has been a reduction of 2,200 full-time equivalent posts – reducing the number of full-time equivalent posts in BT's call centre operations to around 13,600.

There were no compulsory redundancies and we remain committed to finding alternative work for every affected person that wishes to remain in BT. By the end of March 2004, more than 900 people had been redeployed to other roles in BT and over 1,000 had left BT voluntarily. In addition around 1,900 employees have been redeployed to the new, long-term sites.

Two of the new call centres are located in Bangalore and New Delhi in India.

The Delhi and Bangalore call centres employed around 800 people by the end of the March 2004, with capacity available to increase to around 2,200.

However, it has been suggested in the media that there is an incompatibility between these developments and BT's stance on Corporate Social Responsibility (CSR).

To address these issues we commissioned independent consultancy and think-tank SustainAbility to explore service sector offshoring through the lens of Corporate Social Responsibility.

Included in its report 'Good Migrations?' are:

- An examination of the global trend of offshoring and evaluation of its implications for CSR
- A study of the specific impacts of BT's offshoring decisions, both in the UK and in India
- Strategic advice to companies interested in exploring offshoring and Corporate Social Responsibility.

SustainAbility concludes that, on balance, offshoring's benefits outweigh its negative impacts. However, SustainAbility make some important reservations concerning the way that offshoring is handled and it is here that Corporate Social Responsibility has an important part to play.

Networks

We use a number of employee networks to communicate with our people worldwide. The networks – promoted by senior management – are there to support and advise our employees by providing mentoring and development programmes, information on websites and at conferences.

Health and safety

One of our business principles is to care for the health and safety of each other, our products and our operations. We have also made a specific commitment to promote a healthy lifestyle.

For this reason we have established our Significant Incident Rate as a non-financial key performance indicator and set the accompanying strategic target of a 25% reduction in incidents (from 2001 levels) by March 2005.

The Significant Incident Rate records incidences of injuries, diseases and dangerous occurrences, and stands as a good measure of our success in promoting health and safety.

We reached our target two years early and at that point doubled the reduction to be achieved by the financial year 2005. We have done the same for our target on reduction in sick absence due to workplace accidents (down 33% since 2001) and reduction in occupational ill health cases (down 36% since 2001).

We continue to focus on a number of major health and safety risks: driving, fire and incidents on BT property, international travel health, call centre health, injuries while working on the network and work-related stress.

These priorities illustrate the scope of our approach to health and safety: it is not just about avoiding accidents, we consider it very important to protect our employees' physical and mental health too.



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Investors

Investors are increasingly interested in the social and environmental dimension of business performance and how it relates to the business strategy.

The key issue for investors is the business case for sustainable development and Corporate Social Responsibility (CSR): how social, environmental and ethical risks and opportunities are managed to preserve and grow shareholder value.

Our business case for CSR demonstrates how good CSR performance helps implement key aspects of the BT strategy:

- Keep a relentless focus on improving customer satisfaction.

CSR is critical to optimising customer satisfaction. For example, we estimate that BT's CSR performance accounts for over 25% of the Image and Reputation driver of customer satisfaction. Further statistical analysis shows that a 1% improvement in the public's perception of our CSR activities means a 0.1% increase in our retail customer satisfaction figures.

Increasingly, we have to address social and environmental matters when bidding for new contracts – nearly £900 million in the 2004 financial year.

- Motivate our people and live the values.

Working conditions and our relationship with our employees is crucial to the success of our business. A proactive approach to, for example, flexible working, diversity, and learning and development improves employee satisfaction and helps improve customer satisfaction.

- Lead the world in network-based information and communications technology (ICT) solutions.

Long-term sustainability trends create new market opportunities. For example, the use of teleconferencing and flexible working reduce the need to travel and provide more flexible lifestyles. Another example is the sale of online environmental management systems.

- Achieve competitive advantage through cost leadership.

Our environmental programme, which includes energy efficiency and fuel savings, has saved BT more than £600 million over ten years.

- Put broadband at the heart of BT.

Local and regional partnerships with social inclusion objectives have been critical to the roll-out of broadband to the most remote and rural areas in the UK.

- Transform our network for the 21st century.

Climate change could lead to more extreme and unpredictable weather events. We need to build a robust network that meets this new challenge.

Ratings

A number of specialist CSR ratings agencies provide rankings based on information about a company's social, ethical and environmental policies and practices.

All are based on the premise that a company's management of these aspects will have a significant bearing on its ability to both preserve and grow shareholder value over the long term.

Our main ratings are:

- BT has been ranked as the world's number one telecommunications company in the Dow Jones Sustainability Indexes for three years running
- BT is top of the telecommunications sector in the Business in the Community Corporate Responsibility Index (Business in the Community is an independent business-led charity based in the UK) and ranked 11 in the top 100 UK companies who took part in the 2004 Index.
- BT is included in the UK, European and World FTSE4Good Indices.



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Suppliers

Key Performance Indicator

Ethical trading risk assessment questionnaires completed by 242 suppliers and 13 on-site assessments undertaken

Strategic target

Evidence that action has been conducted within 3 months on all contracts identified as high or medium risk

Key Performance Indicator

Percentage of suppliers stating they have a good working relationship with BT is 94%

We buy products and services, such as IT equipment, cables, software, design and disposal services, from thousands of suppliers worldwide. In the 2004 financial year, we spent over £8.2 billion on procurement.

At every stage of our dealings with suppliers – from selection and consultation, to recognition and payment – we are committed to behave according to the principles of fair and ethical trading. These are set out in our Purchasing Principles.

Our approach to these issues, along with a description of our supplier partnership, payment, relationship management, human rights, excellence awards and diversity activities are described in the Suppliers section of our online Social and Environmental report.



In the 2004 financial year, BT was the overall winner of the UK Chartered Institute of Purchasing and Supply's Supply Management Awards for applying ethical purchasing principles.

Supply-chain human rights

Sourcing with Human Dignity (SWHD), our supply-chain initiative, seeks to ensure that the working conditions in our supply chain are consistent with international guidelines. Chief among these are the UN's Universal Declaration of Human Rights (UNDHR) and the International Labour Organisation (ILO) conventions.

Training

It is crucial that our buyers have the awareness, knowledge and skills required to implement the SWHD standards.

A total of 176 BT buyers have attended half-day awareness training courses on Sourcing with Human Dignity. This training remained a key focus during the 2004 financial year.

We launched a computer-based training (CBT) package to enable all BT buyers to undergo the SWHD training. It is now mandatory for all those who have not taken the half-day course.

At the end of the 2004 financial year, 270 buyers had completed either the CBT or the half-day training session.

We have also delivered a two-day course to our procurement and quality professionals on how to conduct on-site assessments. At the end of the 2004 financial year, 21 BT people had been trained to conduct SWHD assessments.

2004 risk assessments

We undertake on-site assessments of supply-chain working conditions in those areas identified as being at the highest risk of falling short of our SWHD standards.

In the 2004 financial year, we conducted 13 on-site assessments in China, India, Sri Lanka, Turkey and the UK. Of these, 9 were assessments of facilities not previously assessed.

Further details, including the results of these assessments, are available in the Suppliers section of our online Social and Environmental report.

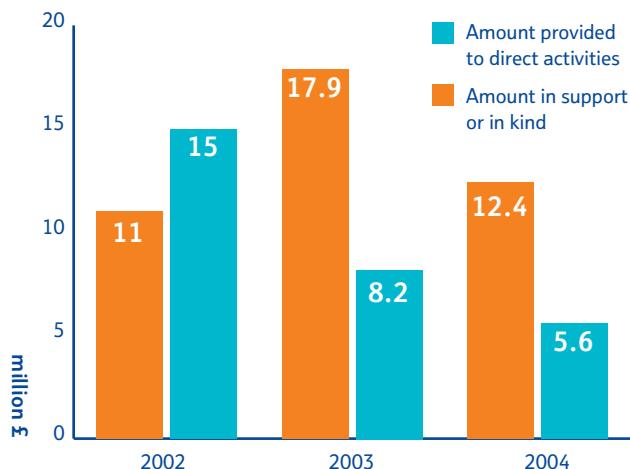


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Community

Key Performance Indicator

Amount provided to direct activities in support of society, and amount provided in support or in kind



Strategic Target

Contribute a minimum of 1% of our UK pre-tax profits to activities in support of society, either through direct funding or support in kind

We commit a minimum of 0.5% of our UK pre-tax profits to direct activities in support of society. This was £10 million in 1987; it peaked at £16 million in 2001; and was £5.6 million (including £1.2 million to charities) in the 2004 financial year.

BT operations provided a further £12.4 million in funding and support in kind in the financial year 2004.

We invest in communities to improve the quality of life and sense of well-being of the people who live there. The central theme of our community programmes is improved communications.

Education

BT's Education programme is one of the UK's most significant corporate investments in the education sector. It uses a number of techniques and media to promote communications in schools.

One of the main strands of the programme is a touring roadshow, a drama-based campaign helping children to improve their communication skills. By the end of the 2004 financial year, the roadshow had made 9,500 school visits and over two million children had been involved in the BT Education programme.

We have taken a number of initiatives to help young people around the world benefit from communications technologies. This includes a partnership in Delhi, India, with KITES, a local charity, and the Young Scientist Technology Exhibition in Ireland.

Charities and fundraising

We co-ordinate major national charitable events, including telethons for Children in Need and Comic Relief. BT manages the entire telephone network for these events, as well as providing call centres to take donations over the phone.

We are working with ChildLine, the UK children's charity, on a major campaign to help ensure that all young people can be heard. We are committed to raise funds to help ChildLine answer every one of the 4,000 children who call them every day.



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Community continued

Employee involvement

We encourage our people to volunteer in the community because of the mutual benefits this brings. Employees learn new skills that help them at work and the community benefits from their expertise.

There are many ways that our people can get involved: support a local school's activities as a BT Volunteer, answer telephones in a telethon, or donate money regularly via BT's Give As You Earn programme.

BT people personally gave £2 million directly to charities during the 2004 financial year through Give As You Earn, to which BT added a direct contribution of £1 million.

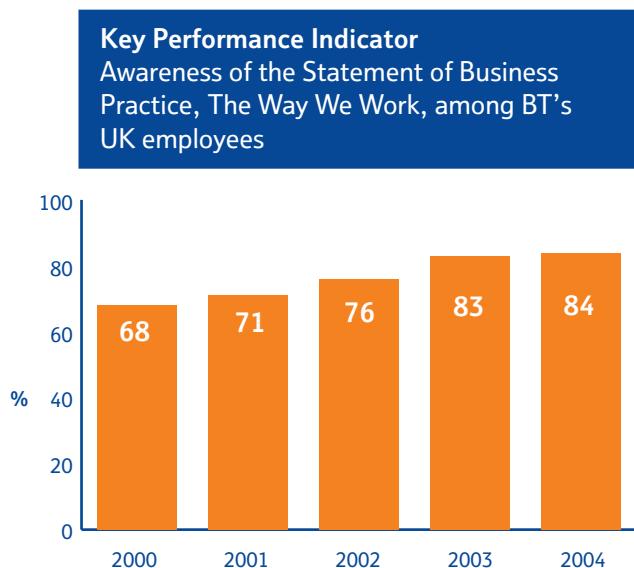
Arts and heritage

We are an enthusiastic promoter and supporter of the arts. The Tate Modern is the UK's leading modern art gallery and we sponsor Tate Online, a virtual gallery and the UK's most visited arts website.



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Business principles



Statement of Business Practice

We are committed to follow world-class standards of business integrity everywhere we operate.

Our Statement of Business Practice, The Way We Work, defines the business principles that apply worldwide to all employees, agents, contractors and others when representing BT.

It sets out specific aspirations and commitments that apply in our relations with our customers, employees, shareholders, partners, suppliers and in the communities where we operate.

Because this Statement is critical to the promotion of integrity and high standards of business practice across BT, we have made awareness of the Statement a key priority.

During 2004 we raised the number of our employees aware of the Statement from 83% to 84%, short of our 86% target.

Particular attention was paid in the 2004 financial year to further implement the Business Principles in BT Global Services, which manages BT's international operations.

Our priority for the 2005 financial year is to continue ensuring our Statement of Business Practice is effectively implemented by each line of business. BT Global Services will remain the main focus of these efforts. We aim to extend the survey to incorporate BT's wholly owned international activities by March 2005.

It is crucially important that our Statement of Business Practice is implemented throughout the business and that BT employees feel able to report non-compliance.

We have a confidential 24-hour helpline for people seeking help and confidential advice. This is available via phone and email and is dealt with by the Head of Group Business Practice. The helpline was relaunched during the 2004 financial year and a letter promoting the helpline was sent to every BT employee.

Corporate Social Responsibility governance framework

A Corporate Social Responsibility (CSR) governance framework is in place to manage CSR issues effectively and supervise the CSR relationship between BT and our individual lines of business.

Social, ethical and environmental matters have been incorporated into our Director's induction programme, to support the integration of CSR matters into the day-to-day management of the business.

An internal committee known as the Corporate Social Responsibility Steering Group (CSRSG) oversees the implementation of all social and environmental programmes across BT. Chaired by Alison Ritchie – a member of BT's top-level Operating Committee – the CSRSG makes regular reports to the Board.



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Business principles continued

CSR health checks

CSR health checks are used to ensure that CSR is embedded into BT's commercial operations.

Health checks examine how a cross-section of key CSR impacts may be affected by a particular commercial programme, and how CSR can help achieve the programme's commercial objectives. The checks are not audits but structured, informal conversations to identify CSR risks and opportunities.

Since the 2002 financial year, CSR health checks have covered broadband, call centres, new technologies, research and development, people policies and plans for the 21st-century network.

Our priority for the 2005 financial year is to undertake CSR health checks on our international operations.

Risk

We currently identify no social, environmental or ethical risks that would have a material impact on our business.

In the 2004 financial year, we developed a separate CSR risk register that sets out our most significant social, environmental and ethical risks (supply-chain working conditions, diversity, offshoring, business integrity, health and safety, climate change). Although important to our stakeholders, none is considered material to BT's future prospects.

Political involvement

BT has a strict policy of not giving cash to any political party. But we participate in public policy issues and regularly make contact with political parties, politicians and civil servants.

We undertake these activities directly and through many intermediary organisations such as:

- Our European trade association (ETNO)
- The Confederation of British Industry (CBI)
- Intellect, the trade body for UK-based information and communication technologies and electronics industry.

Our responses to important regulatory consultation documents are posted on our regulatory affairs website.

We are members of organisations that attempt to influence matters connected with Corporate Social Responsibility and sustainable development. These include:

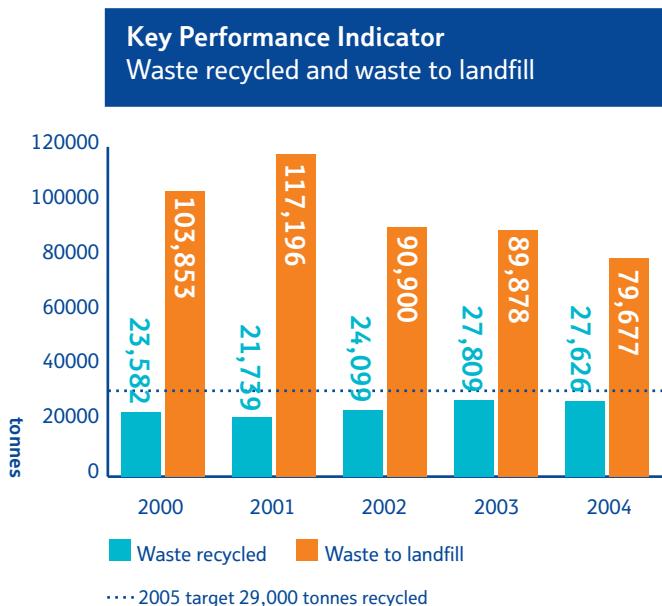
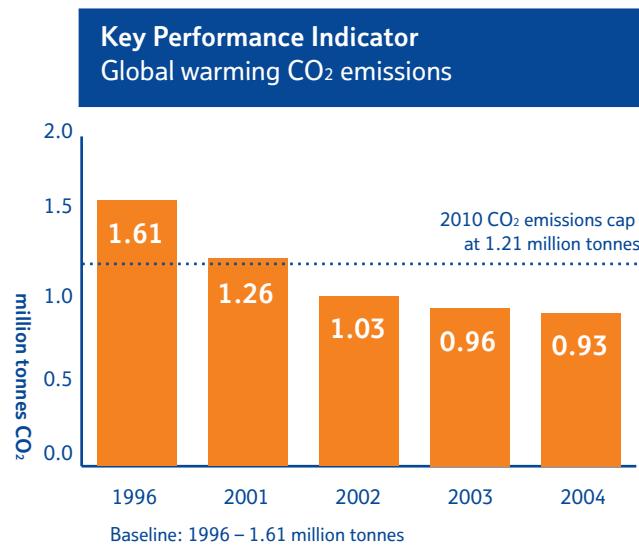
- Forum for the Future
- CSR Europe
- Employers' Forum on Disability
- Green Alliance.

We are keen for government to change legal and fiscal frameworks to enable business to survive and flourish from sustainable business practices. We believe there is an appropriate role for both regulation and economic instruments.



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Environment



Telecommunications is perceived as an environmentally friendly technology. But as one of the UK's largest companies – and biggest energy consumers – we have an inevitable impact on the environment. Since the end of 1999 our environmental management system has been certified to ISO 14001, the international management systems standard.

In the 2004 financial year, we were able, for the first time, to include international data in our performance figures.

We are establishing an environmental management system (EMS) that covers all BT Global Services' activities in every country of operation. As a first step we are running a pilot project in Ireland to produce an EMS that is transferable to all countries, cultures and activities.

Once our international EMS is in place, we will seek to obtain the ISO 14001 certification where appropriate, followed by registration with the EU Eco-Management and Audit Scheme (EMAS).

Fuel and energy

We are one of the largest consumers of commercial and industrial electricity in the UK and the growth of broadband is likely to increase our electricity use. However, during the 2004 financial year, investment in our energy conservation programme enabled us to reduce our electricity consumption by 1.5%, from 2,106GWh to 2,074GWh.

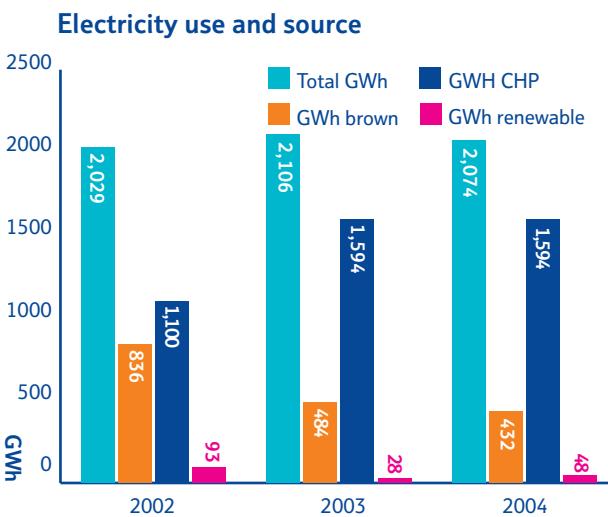
We are committed to meet and, where possible exceed, the UK Government's sustainability targets to buy renewable energy. We work with our suppliers to increase capacity and we are investigating housing our own renewable generation systems, such as wind turbines, at suitable sites.

In the 2004 financial year, special efforts were made to develop new technologies using wind energy.



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Environment continued



We created a partnership with the UK's Carbon Trust to investigate the suitability of using BT buildings to house wind turbines for trials in the 2005 financial year.

We support turbine specialist, Wind Dam, in its development and deployment of rooftop vertical wind turbines at two sites in Cornwall, UK. We are also considering the use of three large wind turbines to power one of our major satellite communications sites in the UK.

We are investigating the feasibility of new energy systems. These include systems that combine the use of solar energy and wind, and fuels made from plants (biofuels) to replace the diesel used in our emergency generators.

We have several thousand oil storage tanks, many of which are below ground. The oil is used for heating and to supply standby diesel generators to power our network if the electricity supply fails. Tank testing, repair and decommissioning of fuel tanks are vital components of BT's programme to reduce the risk of pollution to ground water and land from the storage of diesel fuel.

A project team has now visited 1,391 sites, tested 1,168 tanks, passed 714 (61%) and provided detailed recommendations for remedial action.

Emissions to air

We monitor the emissions to air of a number of substances that impact adversely on the environment, through their contribution to climate change or ozone depletion.

By the end of the 2004 financial year, our energy and transport programmes had saved almost 1.2 million tonnes of CO₂ annually. This includes:

- 62% reduction in CO₂ emissions since 1991 because of improved energy efficiency
- 38% reduction in CO₂ emissions since 1992 because of improvements to transport.

Our emissions savings already exceed the UK Government's target to reduce greenhouse gases emissions by 20% by 2010 (from a 1990 baseline). This goes beyond the Kyoto Protocol target of a 12.5% reduction by 2010.

During the 2004 financial year, our ozone depleting emissions (measured in CFC-11 equivalents) increased by 11%.

This is because we are now able to report the refrigerants used in our office buildings as well as in our network.

CFC-11 Equivalent emissions



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Waste

We produced 107,303 tonnes of waste in the 2004 financial year. Of this, we recycled 27,626 tonnes - 26%, up from 24% the previous year - and sent 79,677 tonnes to landfill, down by 10,201 tonnes from the previous year.

We had mixed success in meeting our waste improvement targets. Although we only managed to increase the amount of items we recycled by 2% - below our 10% target - we managed to reduce the amount of waste going to landfill by 11%.

Transport

We run a fleet of 32,663 vehicles, managed under contract by our subsidiary, BT Fleet. In the 2004 financial year, we achieved our target to use smaller vans and to remove 832 vans from our commercial fleet. This means we reduced both our commercial fleet - still one of the largest in the UK - and our fuel consumption by 4%.

BT's company car policy supports the key objectives of the UK Government's emissions-based company car taxation initiative. This includes:

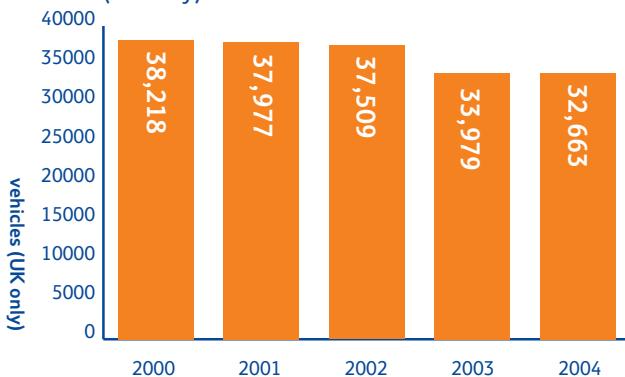
- Increased allowance to employees who choose to opt out of company car ownership
- Improved tax efficiencies for employees who opt for lower-emission cars
- Improved advice and communications to company car drivers, encouraging users to choose lower-emissions cars.

New tax rules have removed the incentive to travel more and we anticipate our overall company car mileage will continue to reduce.

Since April 2001, when our new car policy was introduced, our company car fleet has reduced by 25% (nearly 4,000 vehicles), with a reduction of over 19 million kilometres (8.5%) for company cars and private vehicles on BT business.

Transport

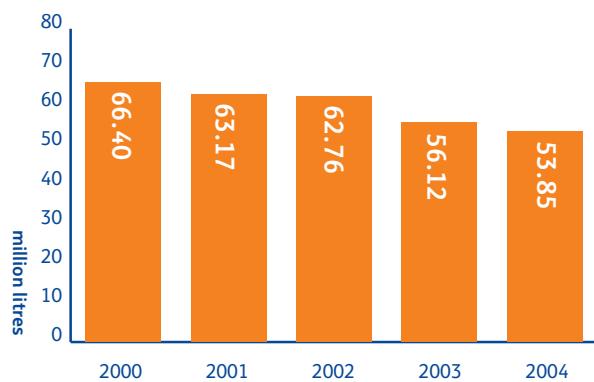
Number of vehicles in the commercial fleet (UK only)



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Transport

Commercial fleet fuel consumption



Environment continued

Product stewardship

BT is a major buyer and user of electronic equipment and subject to both new and pending legislation designed to encourage sustainability in industry. We strongly support this legislation and go beyond the minimum efforts required for compliance.

Key legislation includes EU Directives that became European Law on Waste Electrical and Electronic Equipment (WEEE) and the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS).

Both aim to minimise the use of hazardous materials in electrical and electronic equipment, to minimise the amount of hazardous waste going to landfill, and to encourage reuse of materials.

We require suppliers to provide information about compliance with WEEE. As part of our compliance with RoHS, BT is researching a number of alternative materials – such as lead-free solder – found in electrical and electronic equipment.

Procurement and the environment

As one of the UK's largest purchasers, we have an environmental influence that extends well beyond that of our own staff and workplaces.

We seek to influence our suppliers and contractors through our environmental purchasing policy. We have specific objectives to ensure appropriate supplier environmental data is collected, and to encourage improvement of poor performers in significant risk areas.

We use two supplier questionnaires to enable us to identify risk and take appropriate action if needed.



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Economics

BT is one of the largest telecommunications companies in the world and a significant economic force in its own right. In our Social and Environmental report we discuss some of BT's direct and indirect economic impacts, and highlight the links to their social and environmental consequences.

Direct impacts

Our direct economic impacts can be measured with traditional financial indicators, such as turnover, spend with suppliers, dividends, employee costs and tax paid.

These measures can be used to demonstrate how the economic status of each stakeholder group changes as a result of BT's activities.

The figures in the economics section of our website measure the financial flows between BT and our key stakeholders – customers, suppliers, employees and shareholders – as well as with governments.

Indirect impacts

Indirect economic impacts arise from the income and employment created in businesses that supply goods and services to BT.

For example, the expenditure of BT in the UK creates over £2.6 billion of income in the UK economy that in turn supports the employment of almost 135,600 people.

Further indirect impact is created when incomes created directly and indirectly by BT are spent in the economy – estimated by DTZ Pieda Consulting to be £3.4 billion of income and 173,780 employees.

When added to BT direct impacts, these activities generate income of £8.9 billion and support the employment of 431,753 people in the UK – almost 1.7% of all employment in the UK.

Further discussion of these and other significant economic issues in the communications sector, such as globalisation and the development of the knowledge economy, are in the Economics section of our online Social and Environmental report.

Total Income and Employment Impact of BT in the UK

	Income (£ billion)	Employment
Direct	2.974	122,423
Indirect	2.616	135,550
Induced	3.354	173,780
Total	8.944	431,753

Source: DTZ Pieda Consulting, February 2004

Notes

- These figures take account of 'leakages' of expenditure from the local economy in the form of non-UK purchases, savings and national taxes.
- The study is based on BT employing 122,423 people in the UK, either directly by BT or as contractors.



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Human rights

We base all our relevant policies and procedures on the principles set out in the United Nations Universal Declaration of Human Rights, which sets “a common standard of achievement for all peoples and all nations”.

We are committed to protect and enhance the human dignity of every BT employee and everyone who has dealings with BT. We are a signatory to the UN’s Global Compact, an initiative that strives to motivate business and industry around nine principles covering the environment, labour and human rights. See more in the Global Compact index section of the online Social and Environmental report.

Supply and use chain

We monitor the working conditions under which the products and services we purchase are produced. We also consider their effects on human rights after they’ve been sold. The main concern here is the misuse of our products and services, for example using the internet for crime. We have published two ‘Hot Topics’ on our Better World website exploring the problems of misuse of the internet.

Privacy

Privacy is not a new issue but developments in information and communications technology (ICT) have given rise to new dilemmas.

One of these is to balance our desire to give a tailored customer service with protecting customer privacy.

For example, BT customers in the UK who wish to use our website to manage their account, check their bill and buy various products or services, have to register first – which involves the disclosure of certain personal information. We have a specific privacy policy

covering this situation.

We also have a detailed Acceptable Use Policy that shows how we protect the privacy of customers who use our online services.

Privacy is important to all our customers – not just those online. BT complies with and is registered under the Data Protection Act in the UK, and we take all reasonable care to prevent any unauthorised access to personal data.

Freedom of expression

A key challenge is to balance the right to freedom of expression with the need to protect children online.

BT is a board member of the Internet Content Rating Association (ICRA), which aims to “protect children from potentially harmful material; and to protect free speech on the internet”.

Our own programme, BT Safe Surf, gives detailed information for parents and provides user-friendly training for children.

BT acts on complaints about content hosted on our servers. We sit on the funding council of the UK Internet Watch Foundation, which notifies us of illegal content stored on our servers and webspace.

We have contributed to the work of the Independent Committee for the Supervision of Standards of Telephone Information (ICSTIS).



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Sustainability

The concept of sustainable development has increasingly come to represent a new kind of world – where economic growth delivers a more just and inclusive society, at the same time as preserving the natural environment and the world's non-renewable resources for future generations.

We use the term Corporate Social Responsibility (CSR) more often than sustainable development and consider CSR to be the voluntary actions a company takes to contribute to the wider societal goal of sustainable development.

No individual country, business or other organisation can become sustainable on its own. But it can become more sustainable than it was, and it can make a valuable contribution to make the world more sustainable.

CSR requires a co-ordinated approach to managing social, economic and environmental issues across the company. However, sustainability is not just about having the right systems, checks and balances in place. We aspire to lead by example not only in addressing our own impacts, but also by raising awareness and by working with others through partnerships for action.

For example, we chair the Global e-Sustainability Initiative and were closely involved in its sector report for the 2002 World Summit on Sustainable Development and submissions to the World Summit on the Information Society. These contain a number of helpful recommendations to information and communications technology (ICT) companies and governments.

We also believe that ICT can act as an enabling technology for sustainable development – such as cutting energy and resource use through transport substitution and de-materialising physical products – thereby decoupling economic growth from resource use.

ICT sustainability impacts

Information and communications technology (ICT) brings many potential social, economic and environmental benefits to society.

ICT can support social and economic development by transforming communication and access to information, leading to powerful social and economic networks needed to bring sustainable development to emerging economies.

The use of BT's own products and services enables us to reduce our consumption of finite materials and to improve the work-life balance of our people.

Conferencing by video, phone or the web is not only more time and cost-efficient than meeting in person – it improves the quality of life for frequent travellers. It's also a major benefit for BT's 7,900 home-based workers and a growing number of teleworkers – those who occasionally work from home.

In a survey carried out within BT during the 2003 financial year, 66% stated that conferencing was essential to their job and over 80% that it had improved their performance.

The survey also showed clear environmental benefits, with each call avoiding travel of at least 91 miles a year for car users and 94 miles for train users. At a conservative estimate, each conference call saves a minimum 22.05 kg of CO₂. Taken together, all our conference calls save at least 20,060 tonnes of CO₂ a year.

Another survey into teleworking illustrated the social benefits that communications technology can provide, with the majority of respondents reporting a better life through teleworking than if they commuted to an office. Many reported an increased contribution to domestic and community activities, while a small number believed that they would be unable to do their present job if unable to telework.

Additionally, the increased use of electronic transactions has clear environmental benefits, such as paper-free billing.



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Digital inclusion

Access to information and communication technologies can improve people's lives and open doors to education, jobs, employment, entertainment and personal contacts with friends and family. But many people do not yet have the opportunity or the necessary skills to use the technology.

We want everyone to participate in the digital revolution. In our online Social and Environmental report we discuss how we promote digital inclusion, in three ways:

- **Connectivity** – provide greater access to communications technology. Broadband plays a central role in improving access to information on the internet. By 31 March 2004, we had upgraded more than 1,100 exchanges, making broadband available to more than 85% of UK homes and businesses. We have set out a road map that will see broadband available to exchanges serving over 99% of UK homes and businesses by summer 2005.

- **Content** – encourage communication and its use for social and economic benefit. While the amount of information on the internet is vast, there is still a great need for content that brings benefits to communities, small businesses and individuals. This is why we work with others to promote new content.

- **Capability** – help groups and individuals use technology. We have launched a digital inclusion campaign to support the UK Government's aim to give all citizens online access by 2005 and demonstrate how communications can help improve society. A key element is Everybodyonline, run by Citizens Online, a UK-based charity promoting the use of information and communications technology (ICT) for all members of the community, and supported by BT.



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Data and targets

Targets are essential if we are to improve our social and environmental performance and our contribution to sustainable development.

Our online Social and Environmental report includes:

- BT's 11 non-financial key performance indicators – an overview of our social and environmental performance
- All of our social and environmental performance data
- Social and environmental performance targets.

Our 2003 Social and Environment report included 47 targets. Of these, 33 were completed, 4 remain on target, 1 is delayed, 8 have failed and 1 has been abandoned.

We have introduced 39 new targets this year and progress on these, as well as our 5 ongoing targets, will be tracked on a quarterly basis.

Further details are available in the Data and target section of our online Social and Environmental report.

Hot Topics

Our online Hot Topics, written by guest authors, cover our more controversial social impacts.

Abuse of the Internet

Solitaire Townsend of independent consultancy Futerra considers the issue of abuse of the internet.

Good Migrations?

Judy Kuszewski and Kavita Prakash-Mani of independent consultancy SustainAbility consider the relationship between offshoring, Corporate Social Responsibility and the geography of jobs.

Virtual Vice

James Wilsdon and Paul Miller of the UK think-tank Demos examine BT's approach to internet activities of concern such as hacking, copyright infringement and spam.

Modern Communications and the Quality of Life

Written and researched by the Future Foundation, this examines the impact of modern communications technology on our daily lives.

E-business and the Environment

The UK Centre for Environment and Economic Development analyses the direct and indirect environmental impacts of e-business.



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Feedback

Your views on our Social and Environmental performance are important because they help us improve. Contact us with your questions and comments and we will reply within five days of receiving your message.

For feedback relating to:

Corporate Social Responsibility strategy, reporting and stakeholder dialogue
email Liz Cohen, sustainability advisor, at liz.cohen@bt.com

Digital inclusion

email digitalinclusion@bt.com

Education programme

email Helena Murray, project co-ordinator, at helena.murray@bt.com or visit the programme's website at www.bt.com/education.org/

Employee volunteering programme, BT Volunteers

email Ruby Trippet, Volunteering programme, at rubytrippet@volunteers.org or visit the BT Volunteers website at <http://www.btvolunteers.org/>

Employment equality and diversity

email Pam Farmer, HR manager, Equality and Diversity, at pam.farmer@bt.com

Environment programme

email Simon Paul, environment manager, at bt.environment@bt.com

Ethical and environmental supply chain management

email Liz Emerson, ethical trading and environment manager, at liz.emerson@bt.com

Fundraising and charities

email Beth Courtier, head of charities, at beth.courtier@bt.com or visit the BT/childline "I am Listening" campaign website at www.biglisten.co.uk

Shareholder enquiries relating to BT's social and environmental impacts

email Susan Morgan, sustainability manager, at susan.2.morgan@bt.com

If you have a question or comment that doesn't match any of these, please email yourviews@bt.com.



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Better World website



Our Social and Environmental report is part of our regularly updated Better World website.

The report covers all externally verified content (as indicated by a symbol at the bottom of the page) and our independently written Hot Topics.

The report is complemented by other content on our Better World web site – Latest news, our Occasional papers, Studies and reports, and our Better business game.



Offices worldwide

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Business principles

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Business principles

We are committed to follow world-class standards of business integrity everywhere we operate.

Our Statement of Business Practice, **The Way We Work**, defines BT's business principles that apply worldwide, to all employees, agents, contractors and others when representing BT. It sets out specific aspirations and commitments that guide our relations with our customers, employees, shareholders, partners, suppliers and local communities.

BT's overall approach to corporate governance is explained in our Annual Report and Accounts. Later in this section we describe our corporate social responsibility governance framework in more detail.

During the 2004 financial year, we established a corporate social responsibility risk register that sets out our most significant social, ethical and environmental risks. For more details, see the Risk section of this document.

We are publishing for the first time a report describing our approach to regulatory compliance during the 2004 financial year, which can be downloaded as a PDF in our online Social and Environmental report.

BT has a strict policy of not giving cash contributions to any political party. But we do participate in debates on public policy (see Public Policy below) and regularly make contact with political parties, politicians and civil servants.

All BT people are asked to respect a set of specific values that underpin everything we do and the vision of the world we share. These are set out at the end of this document.



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Statement of Business Practice

Our Statement of Business Practice, **The Way We Work**, defines BT's business principles that apply worldwide, to all employees, agents, contractors and others when representing BT.

Here we provide details on the level of awareness of the Statement within BT and the extent of implementation across the BT Group.

Use the Business practice site Index of our online report to assess our performance against the specific principles, aspirations and commitments of the Statement.

Awareness

In the 2004 financial year, a BT survey found that awareness of the Statement of Business Practice among employees in the UK stood at 84%, up from 83% in 2003.

We have set a target that, by March 2005, the indicators on the awareness of BT's Statement of Business Practice will be extended to incorporate BT's wholly owned international activities.

Awareness (UK Only)	Target	Actual
March 2004	86%	84%
March 2003	-	83%
March 2002	75%	76%
March 2001	70%	71%
September 2000	65%	68%

Over the past five years a comprehensive employee communications plan has helped improve awareness.

A printed copy of **The Way We Work** has been sent to every employee and is also available on the BT intranet. The Statement is available in eight languages – Chinese (Mandarin), English, French, German, Italian, Japanese, Korean and Spanish. It includes a question & answer guide to help managers brief their teams.

During the 2004 financial year we ran a number of pilot training sessions for senior managers to promote awareness and understanding of our Business Principles. This training will be further rolled out during the 2005 financial year, with effort focused on those areas of the business where we believe the risk of non-compliance is at its greatest.

Other elements of the communications plan include a training website and training videos for 2,000 managers. Senior managers are requested to write to their teams to explain the importance of complying with our Business Principles.

In collaboration with the UK's Institute of Business Ethics, we run an internal Business Practice Excellence award. Individuals are nominated by colleagues for demonstrating excellent business practice behaviour against one or more of BT's 12 business principles.

Implementation

It is crucially important that our Statement of Business Practice is implemented throughout the business and that BT employees feel able to report non-compliance.

A confidential 24-hour helpline to the Head of Group Business Practice is available via phone and email for people seeking help and confidential advice. During the 2004 financial year a letter promoting the helpline was sent to every BT employee.

We take our Statement of Business Practice very seriously and instigate strong action against anyone abusing our business principles. During the 2004 financial year, 198 employees were dismissed or resigned for unethical behaviour, including fraud, conflict of interest and internet abuse. The following examples are illustrative:

Dishonest and corrupt behaviour by BT staff:

- A group of six people, led by a BT person, used the BT network to make free calls all over the world. All were arrested and the BT person sacked.
- Fictitious purchase orders were placed by a senior BT manager. Court action resulted in a suspended prison sentence, fines and compensation payments.

- A senior BT manager was sacked for ignoring internal financial procedures, and new processes implemented.

Inappropriate use of the internet:

- Over the past two years more than 200 BT employees have been dismissed or resigned having been identified accessing inappropriate, highly offensive or pornographic sites.
- A small number of BT people have accessed inappropriate sites leading to police investigation and jail sentences of up to three years.

Nuisance calls.

- A BT person was dismissed for making over 100 nuisance calls, and another was sentenced for making obscene calls.

Disclosure of these examples is intended to demonstrate the action that backs up our Statement of Business Practice. They reinforce the strong message to our own employees that such abuse will not be tolerated.

This tough action is recognised in benchmarking exercises that examine ethical business practices. In the 2004 financial year, Integrity Works – a consultancy that helps companies design and implement their business principles – undertook an Ethical Expression benchmark study of the UK's top 100 listed companies. It sought to establish the relationship between a company's stated ethical standards and best practice, with their effective implementation. BT came joint first (in the UK), alongside Shell and BP.

In the 2004 financial year, a survey found that 93% of our UK employees were aware of specific ethical risks they faced (see chart).

Awareness of ethical risks	BT in the UK
March 2004	93%
March 2003	95%
March 2002	92%



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Business principles continued

Lines of business

The Statement of Business Practice is a 'reserved power' of the BT Group Board, and all BT's lines of business are mandated to comply with it.

Implementing the Principles is the responsibility of each line of business – all have a designated senior manager to do this. An operational working group meets once a quarter to maximise the effectiveness of implementation.

Particular attention was paid in the 2004 financial year to further implement the Business Principles in BT Global Services, which manages BT's international operations. Andy Green, Head of BT Global Services, wrote a letter to all 5,500 managers, highlighting the Statement of Business Practice and enclosing a CD-ROM of The Way We Work in five European languages.

Our priority for the 2005 financial year is to continue ensuring our Statement of Business Practice is effectively implemented by each line of business. BT Global Services will remain the main focus of these efforts.

Wholly-owned subsidiaries and joint ventures

All BT's wholly-owned subsidiaries are expected to follow our Statement of Business Practice.

The Statement outlines how we will work with our international joint ventures to create added value for our customers and shareholders, while continuing to adhere to high standards of business practice.

We are committed to follow our values and principles in all our dealings with subsidiaries. A comprehensive Joint Venture Statement pack promoting The Way We Work, and a briefing on the importance of corporate social responsibility, have been distributed to all directors of BT's joint ventures.

Corporate Social Responsibility (CSR) governance framework

At least once a year the BT Board discusses our Corporate Social Responsibility (CSR) strategy. The Board is kept informed of any new developments or changing expectations that may affect its duties. This includes an identification of BT's main CSR risks and opportunities, along with key performance indicators and strategic objectives.

Social, ethical and environmental matters are included in the Directors' induction programme, to support the integration of CSR into daily management.

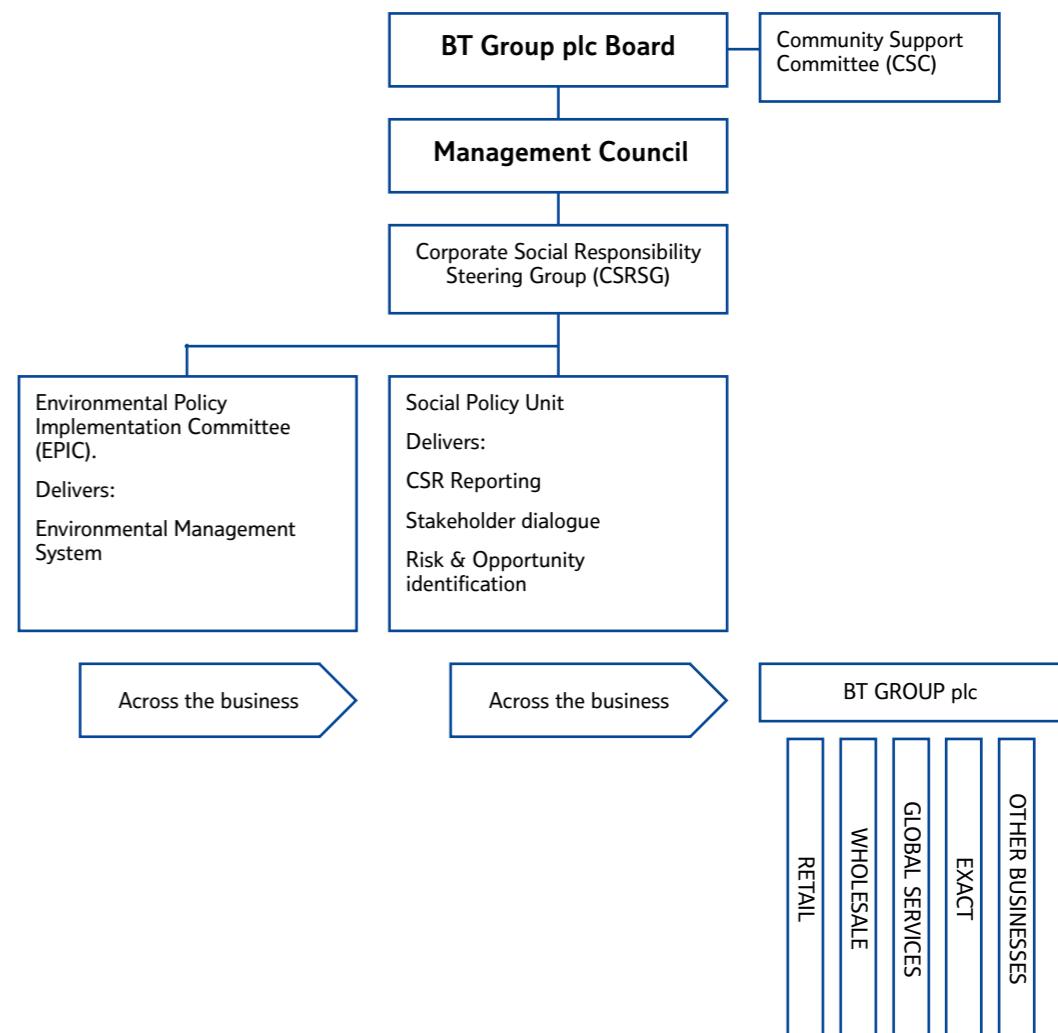
A CSR governance framework helps us manage specific environmental and social issues. A number of bodies supervise the CSR relationships between the BT Group and individual lines of business. These are:

- Management Council
- Corporate Social Responsibility Steering Group
- CSR health checks
- Environmental Policy Implementation Committee
- Social Policy Unit
- Community Support Committee
- Leadership Panel.

Management Council

BT's main strategy committee, the Management Council, is made up of business and functional leaders from across the BT Group. It meets monthly and contributes to the long-term strategic planning and direction of the BT Group.

This includes our approach to policy and reputation, such as ethics and values, corporate social responsibility, human resources, pensions, technology, branding and health and safety. The Council provides advice on critical matters such as regulation, media relations, public policy and public affairs.



Corporate Social Responsibility Steering Group

An internal committee known as the Corporate Social Responsibility Steering Group (CSRSG) oversees the implementation of all social and environmental programmes across BT. The Steering Group reviews activities such as ethical trading, environmental management, risk management and reporting.

The CSRSG is made up of CSR champions nominated by the BT lines of business and six support functions (Human Resources, Corporate Governance, Health and Safety, Finance, Communications and Procurement).

The CSRSG meets quarterly and regularly reports to the Board. It is chaired by BT's overall CSR champion Alison Ritchie, Chief Broadband Officer.

The main responsibilities of CSRSG are to:

- Ensure the BT CSR programme meets the needs of the business
- Champion major social and environmental initiatives and improvements
- Maintain BT's ISO14001 certification (environmental management)
- Agree company policy on specific social and environmental issues
- Assess risk
- Agree key performance indicators and strategic targets.



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Business principles continued

Examples of initiatives considered by the Committee during the 2004 financial year are:

- A BT CSR risk register
- Call centres in India
- CSR in Human Resources
- Product stewardship
- CSR in Board decision-making.

CSR health checks

CSR health checks are used to ensure that CSR is embedded in BT's commercial operations.

Health checks examine how key CSR impacts (such as integrity, environment or digital inclusion) may be affected by a particular commercial programme, and how CSR can help achieve the commercial objectives.

The checks are undertaken with commercial programme directors from BT's lines of business. They are not audits but structured, informal conversations to identify CSR risks and opportunities.

Since the 2002 financial year, CSR health checks have covered broadband, call centres, new technologies, research and development, people policies and plans for the 21st century network.

Our priority for the 2005 financial year is to undertake CSR health checks on our international operations.

Environmental Policy Implementation Committee

The Environmental Policy Implementation Committee (EPIC) – a sub-committee of the CSR Steering Group – meets monthly to ensure BT's environmental policy is implemented effectively.

The membership of EPIC consists of BT's environmental aspect group owners – senior operational managers from around the business whose responsibilities have environmental implications.

EPIC's main responsibilities are to:

- Meet the environmental improvement targets and objectives agreed by CSRSG
- Maintain the register of BT's environmental impacts.

Ben Verwaayen, BT's CEO, takes overall responsibility for BT's environmental performance.

Social Policy Unit

The BT Social Policy Unit is responsible for the overall co-ordination and maintenance of the BT social policy strategy and environmental management system. One of the Unit's duties is to promote awareness of BT's social and environmental policies among employees.

The Unit is made up of professional CSR experts who investigate long-term social trends, identify potential issues that might affect the business and support BT's commercial activities.

The Unit provides support to the CSR Steering Group, the Community Support Committee and the Leadership Panel.

Community Support Committee

This Board Committee oversees social investments and establishes the strategy for maximising our contribution to society. The Committee is made up of representatives from BT businesses and external non-executives who have a reputation for excellence in this field.

See more in the Community section of our online Social and Environmental report.

Leadership Panel

The Leadership Panel is an external advisory group of experts renowned for excelling in their field. The Panel has six members:

- Jonathon Porritt, Chair of the Panel and Director of Forum for the Future, a UK sustainable development think-tank
- Mark Goyder, Director, Centre for Tomorrow's Company, a UK think-tank.
- Rob Lake, Head of SRI Engagement and Corporate Governance, Henderson Global Investors
- Elizabeth Laville, Director of Utopies, a Paris-based sustainability consultancy
- Yve Newbold, independent adviser
- Jorgen Randers, Professor, The Norwegian School of Management, Oslo

The purpose of the Panel is to encourage innovation and leadership on sustainable development and corporate social responsibility in BT. It meets four times a year and provides independent guidance and expert advice.

Its responsibility covers key areas of CSR strategy and performance, including policy, performance measures, targets, future objectives, governance, stakeholder relationships and external communications.

The panel provides an annual independent comment for inclusion on our website. See the Leadership panel statement in the Assurance section of our online report.

Risk

BT is affected by a number of non-financial factors, not all of which are wholly within our control. These are described in the BT Annual Report and Accounts.

The BT Board is responsible for BT Group's systems of internal control and risk management, and for reviewing the effectiveness of those systems.

The processes for identifying, evaluating and managing the significant risks faced by the BT Group are described in the Internal control and risk management section of the Annual Report and Accounts.

CSR risks

The Board takes account of significant social, environmental and ethical matters that relate to BT's business.

In the 2004 financial year we identified no social, environmental or ethical risks that would have a material impact on our business.

In the same period, we developed a separate CSR risk register that sets out our most significant social, environmental and ethical risks.

These are the most significant:

CSR Risk	More details
Supply chain working conditions	Human rights in the supply chain
Climate change	Environment
Diversity	Diversity and inclusivity
Good Migrations?	'Hot topics' and Call centres
Breach of integrity	Business principles
Health and safety	Health and safety
	There is a person in charge of dealing with each risk – all have a mitigation strategy in place.
	None of these risks has been identified as material to BT's future prospects.

Regulatory compliance

It is our policy to be fully compliant with the regulatory framework in which we operate.

During the 2004 financial year, we reviewed our compliance activities. This was because we want to ensure that we meet the obligations imposed by the UK's Communications and Competition Acts, while competing fairly and vigorously within the rules.

Our main objectives are to:

- Maintain good standards of compliance
- Engage positively with the UK regulator, the Office of Communications (Ofcom)
- Engage positively with our industry sector.

Our Regulatory compliance governance framework includes:

- A Compliance Champion (Ian Livingston, BT's Finance Director)
- A Regulatory Compliance Steering Group that meets quarterly
- A Compliance Control Board that meets monthly to review performance and risks
- Compliance Control Boards in each line of business to ensure that compliance is embedded in working practices at all levels



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Business principles continued

- Annual reports to the BT Board and the BT Board Audit Committee by the Director, Internal Audit and Regulatory Compliance.

The data published by Ofcom shows that:

- Over the last two years, under half the investigations completed by Ofcom were concerned with BT
- Of the investigations into BT, 62% concerned alleged breaches of regulation, and 38% concerned disputes
- Of the investigations into alleged breaches of regulation, 85% resulted in no findings against BT
- Of the investigations into disputes, 75% resulted in no findings against BT

Our 2004 Annual Report on Regulatory Compliance provides a complete description of our regulatory compliance and performance, and can be downloaded as a PDF from our online Social and Environmental report.

Public policy

BT has a strict policy of not giving cash contributions to any political party.

But we engage with political parties, politicians and civil servants on a non-partisan basis to make them aware of key arguments, and trends in technology and industry.

We put forward our views on matters that affect our business interests and we make sure that those in government are fully briefed on issues affecting BT's activities.

We interact regularly with the European Commission and national and international regulators.

Trade associations

We communicate with government directly and through trade associations, which include:

- European Telecommunications Network Operators' Association (ETNO). For further information, please visit: www.etno.be
- Confederation of British Industry (CBI). (www.cbi.org.uk/home.html)
- Intellect, (www.intellectuk.org), the trade

body for UK-based information and communication technologies and electronics industries.

We believe these activities are a legitimate part of normal relationships between business and politics.

Consultation

Our responses to important regulatory consultation documents are posted on our regulatory affairs website at www.bt.com/regulate/otherresp/index.htm.

Here you can find our responses to CSR specific consultations:

- Proposals for an Operating and Financial Review
- EU Green Paper on Corporate Social Responsibility
- UK Government's consultation on sustainable development, including our position on environmental taxation.

Public policy and sustainable development

We are members of a number of organisations that attempt to influence public policy on corporate social responsibility and sustainable development matters. They include:

- Employers Forum on Disability (www.employers-forum.co.uk)
- CSR Europe (www.csreurope.org)
- Forum for the Future (www.forumforthefuture.org.uk)
- Green Alliance (www.green-alliance.org.uk).

There are two ways for government to stimulate changes in behavioural patterns that will lead society towards more sustainable lifestyles: regulation and economic instruments. We believe there is a role for the reasonable use of both.

Vision and values

Vision

Connecting your world. Completely.

Our purpose is to connect with our customers wherever they are irrespective of distance, time or complexity. Our role goes beyond simply providing a connection between people: we enable business partnerships to develop and flourish, we bring family and friends together. Communication technologies have an enormous impact on our customers' lives and on society in general. Because of this, we have an important responsibility to think forward, to develop and promote access to telecommunications around the world

Values

BT's activities are underpinned by a set of values that all BT people are asked to respect:

Trustworthy: We do what we say we will

- We build open, honest and realistic relationships with customers and with each other.
- We are reliable and act with integrity.
- We do whatever it takes to deliver.

Helpful: We work as one team

- We make complex things simpler for customers and for each other.
- We get straight to the point.
- We use our common sense and judgement.

Straightforward: We make things clear

- We pull together across BT to put the customer first.
- We support each other, without waiting to be asked.
- We help others succeed and celebrate their success.

Inspiring: We create new possibilities

- We are determined and passionate about delivering the very best for our customers.
- We come to work to make a difference.
- We set high goals and always give 100% of our energy.

Heart: We believe in what we do

- We create and deliver inspirational solutions for our customers.
- We have the ambition and confidence to do things in new ways.
- We are innovative, creative, and outward-looking.



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Community

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Community

BT is committed to making a difference in society. We invest in communities to improve the quality of life and sense of well-being of the people who live there. The central theme of our community activities is improved communications.

As a member of the Per Cent Club, we are committed to give a minimum of 0.5% of our UK pre-tax profits (before exceptional items) to direct activities in support of society. Our provision was £10 million in 1987; peaked at £16 million in 2001; and was £5.6 million in the 2004 financial year.

BT operations provided a further £12.4 million in funding and support-in-kind in the 2004 financial year, bringing the total contribution for the year to over 1.6% of BT's 2002 pre-tax profits.

We donated £1.2 million directly to charities in the year.

Our community activities are in four main categories:

- **Charities and fundraising.** We support a range of initiatives with a special focus on a campaign with the UK children charity, ChildLine. For more information, please visit: www.childline.org.uk.
- **Education.** We use a variety of techniques and media from live drama to web-based activities – to promote communication and citizenship in schools.
- **Employee involvement.** Through the BT Volunteers programme, we encourage BT people to volunteer and spend time for community activities. We also help others (companies, schools) to organise volunteering programmes.
- **Arts and heritage.** We have a pioneering partnership with the UK's leading modern art gallery, Tate, sponsoring its website Tate Online. We support the preservation of the UK's telecommunications heritage.

We also launched a digital inclusion campaign to support the UK Government's aim to give all citizens internet access by 2005. We believe that promoting access to information and communications technology can improve

people's lives and open doors to education, jobs and entertainment. For more information, see the Digital inclusion section of our online report.

Charities and fundraising

Surveys of our stakeholders suggest that we should support the most needy in society.

The use of telephone helplines, websites and national telethons shows how communications technology can help in charity fundraising.

Our guide, *Bidding for Funds and Resources*, gives charities information on how to secure support from businesses, trusts and public bodies. The document is not a guide on how to obtain funding from BT – it offers best-practice advice on how to prepare a general funding/resourcing case.

'Making It Happen: BT's Guide to Unlocking EU Funding' was published by BT in January 2003. This guide can assist UK public sector bodies such as schools and hospitals, as well as businesses and charities, gain access to European Union funding of €50 billion, much of which goes unclaimed.

It is available as a free PDF download or you can buy a copy from Politico's online bookshop (www.politicos.co.uk/item.jsp?ID=2863).

Charities

We believe that we can make the biggest impact from our charitable giving by focusing our resources on the causes that will benefit most from our communications technology and expertise.

ChildLine

ChildLine is the free 24-hour helpline for children and young people in the UK. We are working with the UK charity on 'Am I Listening?', a major campaign which aims to ensure that all young people are heard. BT is committed to raise millions to help ChildLine move closer to its goal of answering every child's call for help. Currently, 4,000 children call ChildLine every day but lack of funds means that only 1,800 can be answered.

BT is one of the founders of ChildLine (www.childline.org.uk). We gave it a simple and memorable number: **0800 1111**. Over

1.5 million children have been counselled by ChildLine since 1986.

We also give in-kind support to ChildLine, such as strategic and technical advice.

BT's support has included the donation of premises for several years, large-scale promotions and staff fundraising initiatives, and sponsoring the annual BT ChildLine Awards for Services to Children.

ChildLine was also the beneficiary of the BT Christmas Concert in 2002, and a joint beneficiary in 2003.

Community Network

The Community Network (www.community-network.org/) is a charity that provides teleconferencing facilities to the voluntary sector.

BT first funded the Network in 1989 as a six-month pilot project to research the social implications of this technology. More than 30,000 people now take part in Community Network telephone conferences.

FriendshipLink, a telephone-based social club for housebound people, and FaithLink, which takes people to church by phone, are two of the innovative ways the Community Network uses the telephone to meet social needs and promote social inclusion.

Telephone Helplines Association (THA)

The Telephone Helplines Association (THA) (www.helplines.org.uk) represents organisations providing telephone services including advice, information, listening support and counselling on a vast range of subjects.

BT has supported the development of both paper and internet versions of the Telephone Helplines Directory, which lists more than 900 national, regional and local telephone helplines throughout the UK.

Fundraising

BT is able to co-ordinate major national charitable events, including telethons for UK charities. BT manages the entire telephone network for these events, as well as providing call centres to take donations over the phone. Many fundraising programmes are initiated and organised by employees themselves with local charities as the main beneficiaries.

We are involved in international appeals through our support for the Disasters Emergency Committee, an organisation that supports UK charities working to alleviate suffering from disasters abroad.

Children in Need

BBC Children in Need started in 1980 to improve the lives of UK children who have experienced problems or hardships, such as abuse, serious illness and poverty.

The 2003 Children in Need appeal raised more than £15 million during a seven-hour television programme. BT took 370,000 calls (up by 150,000 on last year).

Comic Relief

Comic Relief is a charity set up by comedians and uses comedy and laughter to get serious messages across. It is committed to helping end poverty and social injustice worldwide. It is known for its biennial Red Nose day and the related television appeal.

On Red Nose day 2003 the BT network took more than 1 million calls, with £24 million of the total £61 million raised taken over the telephones on the night. To launch Red Nose Day 2003 we also lit the BT Tower red and ran a cause-related marketing initiative with the Speaking Clock. The Speaking Clock initiative helped secure a Gold Marketing Innovation Award in the 2004 Marketing Community Awards.



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Community continued

Jeans for Genes

Jeans for Genes raises funds for research into serious and often life-threatening genetic disorders affecting thousands of children. BT has supported the appeal since 1999.

All proceeds from the appeal are split between these eight UK charities, which help children affected by genetic disorders:

- The Great Ormond Street Children's Charity
- The Primary Immunodeficiency Association
- The Society for Mucopolysaccharide Diseases
- The Chronic Granulomatous Disorder Research Trust
- The Jennifer Trust for Spinal Muscular Atrophy
- Rett Syndrome Association UK
- Batten Disease Family Association
- The Haemophilia Society.

Awards

BT Community Connections

BT Community Connections is a UK-wide award programme that gives local community groups the opportunity to gain access to the internet.

Judging panels in Scotland, Northern Ireland, Wales and each of the English regions have awarded more than 3,400 internet-ready PCs to individuals and groups who plan to make a positive impact in their community.

Two examples of excellent use of the award are:

- **Croham Hurst Good Neighbours, Croydon, UK** are setting up a shopping programme to allow volunteers to order food over the internet for frail and housebound residents, helping to maintain their independence
- **Exmouth and District Youth Action Group, UK** is a voluntary group of young people who have set up a programme of fun educational activities that inform young people in South West England about the affects of bullying. The group has created a pioneering website where young people can chat and share their views and experiences.

See also BT Community Connections at www.btcommunityconnections.com.

Spreading and sharing the web

We share our internet expertise with our community partners and have helped many to develop their own websites. This helps information about their work and our investment to reach a wider audience.

BT won Gold Corporate Website Hallmark Awards in 2000, 2001 and 2002, and received a highly commended award in 2003. This was from the UK Charities Aid Foundation for demonstrating its corporate community involvement through websites.

The Telephone Helplines Association (THA) website (www.helplines.org.uk) is an outstanding example of a partner website developed with BT support.

The THA represents organisations providing telephone services, including advice, information, listening support and counselling on many subjects. BT has supported the development of the internet version of the Telephone Helplines Directory. This lists over 900 national, regional and local telephone helplines in the UK.

We have teamed up with ik.com, an internet services company, to make free, simple-to-build websites available to any UK charity or community group. For further details, see ik.com at www.community.ik.com, or phone **08711 28 50**.

Education

Surveys of our stakeholders have shown that education should be a top priority for our social investment.

These are BT's educational initiatives:

- In schools – we help to improve the communication skills of young people across the UK, and encourage good citizenship
- Online resources – we provide materials for teachers at BT Education (www.bt.com/education)
- Awards – for teachers and schools

- International – we help schools around the world benefit from Information and Communications Technology
- Lifeskills – we help to improve interpersonal communication skills in all areas of life.

We support more than 600 BT people who are school or college governors, or work experience supervisors.

Information about all our education activities can be found at: www.bt.com/education.

In schools

The BT Education programme is one of the UK's most significant corporate investments in the education sector.

BT School Events

One of the main strands of this programme is a touring roadshow. Teams of actors visit schools in the UK, giving drama presentations and communication skills workshops that bring the themes of good communication and citizenship to life.

By the end of the 2004 financial year, the roadshow had made 9,500 school visits and more than two million children had been involved in the BT Education Programme.

Specially developed curriculum resources and a dedicated website (www.bt.com/education) enable teachers to follow up in the classroom on the roadshow themes.

The BT Education Programme continues to focus on communication skills, but also now closely supports the Citizenship curriculum.

BT Volunteers

We have realigned our BT Volunteering Programme with our educational goals.

BT and ex-BT employees registered with the programme can now assist with all BT Education activity, including the Citizenship in-school events.

BT volunteers are helping to extend the reach of our Education programme by taking a DVD-based programme to schools that we are unable to fit into the roadshow schedule.

Online resources

BT Resource Bank

The Resource Bank is a collection of free teaching materials that includes exercises in speaking and listening skills and citizenship, as well as a unique set of Information Communications Technology (ICT) tutorials for primary and secondary schools. A new citizenship education DVD provides highlights for teachers.

Each ICT tutorial has a user-friendly animated exploration of an important area of ICT and includes teaching notes, activity sheets, certificates and pupil self-assessment forms.

There are 13 separate animated tutorials on the Resource Bank website, all aligned to the UK National Curriculum and Scottish Guidelines. The site contains regularly-updated programmes of work and activity sheets to support curriculum areas, including Citizenship, Literacy, Geography and History.

For more details see:
www.bt.com/education/resourcebank

Join our Teacher Network

By registering their school or organisation free of charge on BT's web-based Teacher Network, users can gain access to our rapidly growing community of educators.

Members can search for contacts with similar interests to help develop new projects or exchange ideas. All registrants receive the BT Education Programme newsletter informing them of new educational developments.

Talking Teaching

Talking Teaching (www.talkingteaching.co.uk) is a website providing an online forum for UK teachers and education professionals to share best practice.

Run by teachers for teachers, the site has been established through a partnership between BT, the Teaching Awards Trust and learn.co.uk. It features guest editorials and provides opportunities to air views, discuss hot topics and share information.



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Community continued

Connected Earth Education Centre

The Education Centre on BT's online museum, Connected Earth (www.connected-earth.com/learnit), provides free teaching resources based on the history of communications.

Awards

Teaching Awards

BT is an associate sponsor of the Teaching Awards. Designed to raise awareness about the profession, the awards celebrate the achievements of teachers in England, Wales and Northern Ireland. They culminate in a national event broadcast by the BBC.

BT Schools Awards

We re-launched the BT Schools Awards in September 2003 with increased funding. For further information, please visit: www.bt.com/education/schoolsawards.

All schools across the UK were invited to apply for grants of up to £2,000 each. A total of 238 projects will be funded.

Schools were asked to demonstrate how their project relates to the newly introduced Citizenship curriculum and how it helps improve young people's communication skills.

Regional media partners will help to promote the Awards, together with a UK national newspaper, The Guardian, which will continue to work with us on the new programme.

The 238 winning schools will all have a further opportunity to win one of three £10,000 awards, by submitting project progress reports in May 2004.

The Awards were re-launched on 28 May 2004. Deadline for submission for the 2004 Awards is 12 November 2004.

International

International Schools Network

BT has established a database to help schools in the UK and abroad to collaborate on projects related to citizenship. As a showcase of good practice, we feature a collaboration between two schools in Delhi and London. For more information, see www.bt.com/education.

Katha Information Technology and E-commerce School

In India, BT is working with Katha, a Delhi-based charity, to establish the Katha Information Technology and E-commerce School (KITES) in one of the city's slums.

KITES offers educational opportunities to young people who have not been in formal education, and provides literacy and Information and Communications Technologies (ICT) skills to young adults.

The project will provide opportunities for the teachers and parents to become computer literate, to help their personal and professional advancement.

Young Scientist & Technology Exhibition in Ireland

The Esat BT Young Scientist & Technology Exhibition is a high-profile academic event and competition for second-level students in Ireland. Esat is BT's service and solutions division in Ireland. The exhibition aims to foster greater participation in science at school and future study and research, by enabling young students to demonstrate their innovative capabilities.

Esat took over the title sponsorship in 1998 and in that year included Technology as a stand-alone category for the very first time. BT manages everything, including initial communication with schools, promotion of the competition, layout of the exhibition and the awards ceremony.

Now in its 40th year, the 2004 exhibition had a record number of 1,046 students representing 480 projects.

Life skills

TalkWorks

The TalkWorks package has been developed by BT to tackle the challenge of good communication. It helps people develop interpersonal communication skills, considering questions such as: 'Why do some conversations work well while others fail?' and 'Why is misunderstanding so common?'

BT has developed a range of products – books, audiocassettes, videos and workshops – to help people practise these skills.

All products can be ordered via the helpline on **0800 800 808**. Books can be borrowed from some public libraries. Workshops can be arranged by calling **0800 389 8255**.

Employee involvement

BT employs approximately 91,600 people in the UK. We encourage our people to volunteer in the community because of the mutual benefits this brings. Employees learn new skills that help them at work and the community benefits from their expertise.

There are many ways that our people can get involved. They can support a local school's activities as a BT Volunteer, answer telephones in a telethon or donate money regularly via BT's Give As You Earn programme.

Many employees are involved in their local communities through activities unrelated to BT's own initiatives. Our Community Champions Programme encourages and recognises their work by giving financial help to their organisations.

Employee volunteering

Many of our employees give their time to work as volunteers, helping causes of their choice, supported by BT.

We encourage our people to take part in company volunteering initiatives. If their line manager considers this part of their personal development, they are given paid time off.

BT Volunteers

Our employee Volunteer Programme enables more than 4,000 BT and ex-BT people to volunteer in schools. All volunteer activities are closely aligned with the company's focus on improving communication skills, and are related to the UK's National Curriculum and Scottish guidelines.

More than 150 Volunteer Clubs have been established across the UK. The programme is available to BT retirees and employees' family and friends.

The volunteers are working in hundreds of schools across the UK, giving classroom lessons on speaking and listening skills, and helping to develop free websites for schools, classes and projects. A number of events have been run for teachers and information technology co-ordinators to help them understand the technology available to them.

Employee giving

Give As You Earn

We operate one of the UK's largest payroll giving programmes, through which over 9,000 BT people donate money to the charity of their choice. BT matches funds to a maximum of £1 million.

The Charities Aid Foundation runs the programme on BT's behalf. Its figures show that in the 2004 financial year, the total amount raised by employees was more than £1.7 million.

BT pays all the administrative charges incurred by the Charities Aid Foundation.



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Community continued

Employee awards

BT Community Champions

Support for BT people's voluntary work in their local communities is recognised by the BT Community Champions Awards, open to all employees.

The BT Chairman, Sir Christopher Bland, who hosts the annual Awards ceremony, selects the overall winners in each category.

BT Awards for Quality

Employees who deliver excellent results for community causes may be acknowledged by the company's recognition programme, the BT Awards for Quality, which is championed by our Chief Executive, Ben Verwaayen.

Community volunteering

Our involvement in volunteering goes beyond the direct engagement of BT people. We also help bring people together for voluntary activities.

BT supports TimeBank, a national UK volunteering campaign that raises awareness of giving time through voluntary work. It provides a way for people to get involved locally by donating their time to community activities.

We believe that volunteering and working successfully in unfamiliar teams requires good communication and relationship skills.

Our support extends to server and website facilities, and we have developed a Corporate TimeBank – a packaged volunteering programme that will help companies develop volunteering programmes of their own.

We also have plans to help develop a Schools TimeBank to assist schools in running a programme to involve pupils in the local community. This will become one of the volunteering activities we offer via BT Volunteers.



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Arts & Heritage

Throughout history, art in its many forms has been one of the most powerful and enduring ways in which people have communicated feelings and ideas.

It is entirely appropriate that BT, a company dedicated to encouraging and sustaining a communicating society, should be an enthusiastic promoter and supporter of the arts.

Tate Online

Tate Modern in London is one of the foremost modern art museums in the world.

We sponsor Tate Online, the Tate's virtual gallery and the UK's most visited arts website (www.tate.org.uk). The site is powered by BT, which provides technical support, hosting and online broadcasting. The website is rich in content and interactivity and provides access to over 60,000 works of art in the Tate collection and displayed periodically in the four Tate Galleries.

Since September 2001, BT has worked with Tate to develop a number of innovative and exciting projects specifically for Tate Online and virtual methods of navigating Tate Britain and Tate Modern have been devised. In the autumn of 2002 BT worked with Tate to re-create the entire Turner gallery on the website in a visually stunning 3D representation.

BT's involvement with Tate has proved highly successful, with traffic to the Tate website increasing to more than two million visitors a year since our partnership began.

The Tate Online website has received two Interactive BAFTA Entertainment Awards (the most recent for best online factual site) as well as the London Tourism Award for best website, and has been rated the UK's top art site by independent analysts Hitwise.

The Tate sponsorship won an award for the best use of PR in a sponsorship campaign at the Hollis Sponsorship Awards, and has won a Golden World Award from the Institute of Public Relations.

Between 2002 and March 2003, BT also sponsored the Collection Displays at the Tate Modern museum in London.

BT's heritage collection

We believe it is important to preserve the nation's telecommunications heritage for educational and cultural purposes. We have both the means and the enthusiasm to spread awareness of this rapidly evolving technology.

Connected Earth

BT inherited a rich collection of historic telecommunications artefacts, documents, images and films. Working in partnership with a network of museums across the UK, we have made this significant collection available to the widest possible audience through Connected Earth exhibitions. For more information, see: www.connected-earth.com/learnit.

Connected Earth has two main strands:

- The distribution of BT's artefact collections to a UK-wide network of museums, who have the professional expertise to care for the collection, while providing the opportunity for people to see the artefacts for themselves across the UK
- The creation of a major museum on the internet which underpins the physical Connected Earth exhibitions, and allows virtual access to the BT collections, while telling the story of communications.

BT has retained its documentary, image and film collections, held at BT Archives (www.btplc.com/archives), which is open to the public by appointment.

Connected Earth was launched in April 2002, and has made significant progress since then.

By April 2003, Connected Earth exhibitions opened at Goonhilly Satellite Earth Station in Cornwall, Avoncroft Museum in the West Midlands and Amberley Working Museum in West Sussex.

Progress since April 2003 has seen:

- A Connected Earth gallery – Communicate! – at the Royal Museum in the National Museums of Scotland, Edinburgh, opened by BT Chairman Sir Christopher Bland in October 2003;



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- Two exhibitions featuring objects from BT's dispersed museum collection and documents loaned by BT Archives at the Museum of London;
- Galleries planned for the Museum of Science and Industry in Manchester (2005), Milton Keynes Museum (2005) and the Museum of London (2007);
- Appointment of Connected Earth Research Fellow at the Science Museum, London.

www.connected-earth.com

This on-line museum went live in June 2002, featuring more than 1,400 pages of content exploring the history of communications, and charting how – in the past 200 years – humans have radically extended their ability to transmit information, ideas, words, pictures and, most importantly, speech itself, across the globe.

Visitors to the site increased from 8,204 in March 2003 to 37,200 in January 2004.

The site also includes substantial educational content, aimed at primary and secondary stages of UK National Curriculum and Scottish Guidelines. There are a total of 15 projects on the site, comprising 74 downloadable worksheets. These are divided into general communication projects and projects designed to enhance a visit to one of the Connected Earth museums.

BT hosted the launch of the Museums, Libraries and Archives Council's Archives Task Force report in March 2004.



Offices worldwide

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Customers

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Customers

We intend to be the best provider of communications services and solutions:

- For everybody in the UK
- For corporate customers in Europe and
- With global reach through partnerships.

In the UK, we serve 20 million business and residential customers with more than 29 million exchange lines. We also provide network services to other licensed operators.

Our extensive global network and strategic partnerships enable us to serve multi-site corporate and government customers in all key commercial centres of Asia, Europe and North America. In Europe our network links more than 250 towns and cities across 19 countries.

Our strategic priority is to outperform competitors consistently and reduce the number of dissatisfied customers by 25% a year over three years.

Here we explain our approach to:

- Customer satisfaction
- Customer communications
- Customers who are older or disabled
- Services for customers
- Voluntary and mandatory services
- Mobile communications and health.

Customer satisfaction

Improving customer satisfaction is the cornerstone of BT's strategy.

We have established the strategic target to outperform our competitors consistently and reduce customer dissatisfaction by 25% a year over the three years to the 2005 financial year.

The quality of the service we provide – and our customers' satisfaction with that service – is fundamental to our business.

We are committed to listening to our customers through our millions of day-to-day interactions with them and through one of the largest customer-research programmes in the UK.

Here we describe:

- Our customer satisfaction measures
- Comparable Performance Indicators
- Initiatives to improve customer satisfaction
- Quality of Service report.

Satisfaction measures

In order to improve levels of customer satisfaction, a thorough understanding of what drives both customer satisfaction and dissatisfaction is required.

To achieve this, we carry out more than 3,000 face-to-face interviews with residential customers every month. We ask them about their overall perception of BT and quality of service. Customers who use competitors are asked about their satisfaction with these operators.

In addition to measuring satisfaction, these interviews examine many of its key drivers – image and reputation, price and value, contact and experience and products and services.

Our customers' views about the service we provide and our range of products is important to us, allowing us to continue to make improvements. A customer's view of their direct experience of BT is canvassed by an independent agency with approximately 9,700 business and residential customers interviewed each month. The interview includes such things as the provision or restoration of a service or how a complaint made to BT has been handled.

BT publishes these customer-satisfaction and quality-of-service measures every six months.

The perceptions and views of our business customers are surveyed by an independent agency. An average of 1,900 BT business customers and 450 corporate and government customers are interviewed every month by telephone.

BT Global Services also survey 100 international customers monthly. In the 2004 financial year, we launched a new BT Global Services customer satisfaction survey to increase the number of international customers we reach.

Customer dissatisfaction

Reducing customer dissatisfaction by 25% a year over the three years to the 2005 financial year is a key target in our drive to deliver the highest levels of customer satisfaction.

Customer dissatisfaction measures those customers who are fairly, very or extremely dissatisfied with BT.

In the 2004 financial year we achieved a 22% reduction in customer dissatisfaction. This follows a 37% reduction in the 2003 financial year

The principal lines of business all reduced customer dissatisfaction levels during the year. We are working to remove barriers to providing customers with an excellent service and to involve all our customer-facing people in improving our service.

Although we are well ahead of our competitors in most areas of business customer satisfaction, we will strive to make further significant improvements. A programme has been put in place that focuses on key areas of customer dissatisfaction.

Customer satisfaction

Customer satisfaction is a measure of those customers who are fairly, very or extremely satisfied with BT.

BT Retail's performance over the last three months of the past three financial years indicates that we are making progress.

Satisfaction scores for residential customers

	BT	Competition
1999/2000	86%	
2000/2001	80%	
2001/2002	77%	76%*
2002/2003	76%	75%*
2003/2004	79%	71%

Source: (Data Source NOP World)

Sample: Approximately 42,000

Satisfaction scores for business customers

	BT	Competition
1999/2000	82%	
2000/2001	79%	
2001/2002	64%	62%*
2002/2003	80%	73%*
2003/2004	83%	76%

Source: NOP (from September 2000), prior to that Market Insights

Sample: Approximately 21,000

*Accumulated average for the last three months of the year



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Customers continued

We carry out detailed surveys of satisfaction with different aspects of service and use the percentage of customers who are satisfied overall with the provision of service or service repair as a measure.

The results for the last three months of the 2004 financial year among BT Retail customers are:

	Consumer satisfaction with provision	Business satisfaction with provision	Consumer satisfaction with repair	Business satisfaction with repair
2000/2001	88%	83%	75%	82%
2001/2002	92%	84%	79%	84%
2002/2003	88%	85%	81%	85%
2003/2004	93%	86%	78%	84%

Comparable Performance Indicators

We are a founder member of the UK telecommunications industry's initiative on publishing Comparable Performance Indicators (CPI).

CPI is a voluntary, cross-industry initiative, supported by consumer representatives, the Office of Communications (Ofcom) and telecommunications companies. CPI helps customers compare the performances of telecoms companies in the UK and make an informed choice on the best deals available.

Since CPI was created seven years ago, participating operators have been publishing information on their performance in key activities: provision, repair, network faults, complaints and billing accuracy.

The data is collected by the telecoms companies using agreed procedures. It is checked initially by independent auditors and then by an independent body, the British Approvals Board for Telecommunications, to ensure a sufficient level of comparability in the application of the audit process.

The information published highlights the operators' internally measured performance and customer satisfaction with the specific service or activity.

BT's customer satisfaction in the area of service provision achieved over 90%, the strongest

performance of all participating operators. Our business customers are among the most satisfied with our performance in providing service, complaint handling and billing.

Initiatives to improve customer satisfaction

Listening to our customers has helped us understand what they expect from us:

- We must be easy to contact
- We must keep them informed (we shouldn't need to be chased)
- We must take ownership of their issues and champion their cause
- We must live up to the commitments we make to them.

These principles guide us in all our initiatives to improve customer satisfaction. They demonstrate that satisfaction depends not only on price but on the level of service.

We don't always get it right, but we're determined to reduce to a minimum the number of times we get it wrong.

In the 2003 financial year, we introduced a number of new initiatives for customers who reported faults:

- Ensure a high level of service, whatever the volume of reported faults

- Keep in touch with customers during repair work via SMS texting
- Offer call diversion to a mobile – the customer's own or one lent by BT.

These initiatives have already become common practice.

In the 2005 financial year, there will be a radical change in the way we deliver service to our customers with the introduction of a programme called *Promise Made, Promise Kept*. Our customers have told us that this is what they want.

The programme involves units from across the company working together to ensure we keep our promises.

Quality of Service report

The quality of the service we provide is fundamental to the success of our business. This is why we operate one of the UK's largest programmes of customer research. We talk to our residential and business customers regularly to gather their views about BT, the service we provide and our range of products, so that we can continue to make improvements.

The Quality of Service reports are available in our online report.

Customer communications

We need to know what our customers' concerns are if we want to keep them satisfied. We have established a number of consultation initiatives to help us identify these concerns.

We also provide ways for our customers to bring issues and complaints to our attention.

Consultation

We undertake in-depth consultation to understand our customers' needs and concerns.

Consumer liaison panels

We run a number of consumer liaison panels across the UK. These consist of 12-15 consumers with a broad range of experience and usage of communications technology. They also represent different needs, interests, ages and cultural backgrounds. The panels are recruited and chaired by independent external specialists.

Feedback from panel members provides valuable insights into consumer thinking and informs the policy-making process within BT. The panels regularly discuss a range of issues including customer service, how we keep customers informed, mobile telephony, payphones, billing, access to and marketing of broadband technology and the provision of services for customers with disabilities.

Specialist interest panels

We have also set up a number of specialist interest panels to explore the views of particular groups of customers – for example, small and medium-sized enterprises (SMEs), broadband users and young people.

Listening to consumers

We listen carefully to consumers' views and build feedback directly into policy-making and service provision. For example:

- The Milton Keynes consumer liaison panel is linked to the strategic development of our call centres, as part of a programme known as Next Generation Contact Centres. Concerns raised by panel members have caused us to review our plans and make them more responsive to customer needs.
- Feedback from panels in Manchester and Glasgow has contributed to continuous improvement of the BT bill as a useful and meaningful communications tool, which matches customer needs.
- Consumer liaison panels have also helped us to understand consumers' perceptions of corporate and social responsibility, and to define the key performance indicators used on this site.

Complaints

We are committed to providing the best telecommunications service. However, sometimes things go wrong, and when they do, we want to put them right as quickly as possible.

When a customer calls BT, an adviser will try to solve the problem as quickly as possible, preferably during the phone call and, if this is not possible, will agree a course of action. Billing queries are more complex and may take a little longer to resolve.



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Customers continued

If a customer is not happy with the response they receive they can ask for the matter to be referred to the appropriate senior manager. If the complaint still cannot be resolved, the case can be taken to the BT Complaint Review Service. The Service will review all aspects of the case and strive to resolve the matter to the customer's satisfaction.

More information on BT's complaints procedure is provided in the Service Guide 'Complaints about our Service'.

Ofcom, the regulator for the UK communications industry, publishes advice about how to make a complaint to a telecoms company.

Services for customers who are older or disabled

Our aim is that all members of society should enjoy the same freedom and opportunities to communicate. The Employer's Forum on Disability estimates that one in four customers either has a disability or is close to someone who has. In its 20th year since privatisation, BT continues to provide a wide range of products and services for older and disabled people. These customers often require additional support or advice to benefit from today's communication services.

BT TextDirect and RNID Typetalk

Launched in July 2001, BT TextDirect is the world's first service to provide textphone users access to the telecommunications network. Textphone users dial a special number before the number of the person they would like to speak to and a RNID Typetalk operator joins the line to relay the conversation. The Typetalk operator reads the text to the hearing person, and types the hearing person's reply so the Textphone user can read the response on the Textphone display panel.

This system has simplified the making and receiving of calls between voice and Textphone users. BT TextDirect also automatically calculates a rebate on these text calls, so those customers pay no more than for voice calls, even though text calls take longer.

Typetalk is the UK's national text relay service, funded by BT since 1990 and run by the Royal National Institute for the Deaf (RNID). The

service enables Textphone users who may be deaf, deaf blind, hard of hearing or speech-impaired to make and receive calls to and from hearing people.

Consultation

In the 2004 financial year, we set up the BT User Panel to consult with disabled people on key issues. The panel's members are BT people with an interest in disability, who provide us with early feedback on new products and services to ensure that accessibility is considered.

Payphones

All our existing payphones have inductive couplers that improve the clarity and audibility of incoming speech for people wearing compatible hearing aids. Our latest range of text payphones enables UK customers to send e-mails and SMS messages and to access BT TextDirect. There are 1,200 text payphones in UK airports, railway stations and motorway service stations.

Billing

BT has been providing bills in alternative formats since 1992. In the 2004 financial year, we improved our service for people who are visually impaired by ensuring that the required alternative format is provided at the same time as the standard bill.

The formats available are braille, large print, computer disk and our talking bill service. Many other BT publications and user guides are also available in alternative formats.

Our Protected Services Scheme enables vulnerable customers to nominate a third party to manage their bills on their behalf if, for example, they are hospitalised.

Directory enquiries

We provide the 195 free directory enquiry service for customers who cannot use a phone book because of a disability. Our website also offers an accessible, online directory enquiries service which has been designed to give all users easy access, including people with disabilities. It also enables people to set their own preferences, such as text and background colour, from the homepage.

Telephone products

BT has a variety of telephones with accessible features such as large buttons, voice amplification and headset sockets. We currently supply the only rental Textphone in the UK. We will soon be launching our latest Design for All phone, with new features such as voice-prompts and a keypad lock.

Product trial service

BT's Age & Disability Action Team works with healthcare and independent-living specialists in the UK to provide a unique product trial service. This enables older and disabled customers to find the right BT product for their needs.

Training

We provide disability awareness training to a number of our engineers who can offer advice on suitable services to customers with disabilities.

We also organise a disability awareness course, covering the legal, political and social aspects of disability.

Web accessibility

We are committed to making all BT services fully accessible, particularly our online services. Our Age & Disability Action website seeks to help old or disabled customers make the most of today's communication services. It is the first BT website to be awarded the Royal National Institute for the Blind (RNIB) See It Right logo. We are working to improve levels of web accessibility across all our websites.

For more information, see our Age & Disability Action website at http://www.bt.com/aged_disabled/index.jsp

Services for customers

We provide a number of services to enable customers on low incomes to benefit from communications technology. We have also introduced services to make payment easier and help prevent disconnection.

We have developed technology to help prevent nuisance calls and we run a Nuisance Calls Bureau that provides specialist help and support to customers.

Low incomes

A phone service can act as a lifeline. We provide a basic telephone service for all, including people on low incomes or those who have trouble paying their bills. The services are:

- Light User Scheme is designed to help those people in the UK who need to stay in touch but make few calls themselves. It is available to people whose quarterly call charges are below £15.95 (excluding VAT), who are not on any BT discount schemes, not using indirect access or don't have a telephone service provided by a mobile network operator. The scheme provides rebates of around 60% on line rental.
- In-Contact Plus Scheme enables customers to receive incoming calls and make outgoing calls to the emergency services, for a joining fee and quarterly line rental charge of less than £10. With a BT In-Contact card, customers can also make outgoing chargeable calls. Cards can be topped up at over 10,000 Paypoints in the UK, in convenience stores and petrol stations.
- Pay & Call is a pre-pay service allowing customers to make calls as long as their account is in credit. We recommend it to customers who find it difficult to pay their bill and where we consider there is an exceptionally high risk that payment may not be made. Using this service and topping up an account is straightforward. Pay & Call can also be used to pay off outstanding debts.

Disconnection

We regard a disconnection as a failure and make every effort to avoid it. We offer flexible payment options to help customers budget for bill payment. If customers do have temporary payment difficulties, we are eager to work with them to avoid the need to disconnect. For example, we are willing to agree payment plans to help customers pay over a longer period than usual.

If we do not receive payment after issuing the first reminder, we will give the customer a second reminder, usually by telephone. If we still do not receive payment, or have been unable to agree a payment plan, we restrict the customer's service to incoming calls only.



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Customers continued

(except for calls to BT and emergency numbers). We only consider temporarily disconnecting the service from outgoing and incoming calls if payment is still not forthcoming or we are unable to negotiate a realistic payment plan with the customer.

Our Bill Payment Code of Practice describes our procedures for requesting payment and the help customers can expect if they have problems paying.

We have updated the reporting measure used this year from 'telephone lines' disconnected to that of 'accounts' disconnected. Accounts are more representative of a single household or single business.

Total number of disconnections* (residential customers)

Financial Year	Total number of disconnections
1999	781,948
2000	1,067,972
2001	964,810
2002	1,061,036
2003	1,051,545
2004	981,336

Total number of disconnections* (business customers)

Financial Year	Total number of disconnections
1999	124,226
2000	182,651
2001	91,262
2002	292,432
2003	301,926
2004	132,528

* This includes those who pay after disconnection and reconnect before their service is formally terminated.

Nuisance Calls Bureaux

BT voluntarily operates a Nuisance Calls Bureaux (NCB) to help and support customers receiving malicious and nuisance calls.

Initial enquiries are answered by specially trained advisers who offer simple advice and solutions. The NCB is open 24 hours a day, 365 days a year.

Complex cases, which may require police investigation or call tracing, are passed on to NCB specialists who are trained in police liaison and may appear in court as prosecution witnesses if necessary.

The Nuisance Call team can be contacted 24 hours a day on **0800 661 441**.

Payphones and inclusion

In line with our Universal Service Obligation (our regulatory duty to ensure that basic telephone services are available to all UK consumers at affordable prices), we ensure that payphone services are provided to meet community needs, including rural communities.

We currently have around 72,600 public payphones in operation, with a further 24,100 managed sites. Call minutes from public payphones have fallen considerably in recent – a trend mainly due to increased mobile use – making many payphones unprofitable.

BT's challenge is to meet regulatory requirements on providing access, while ensuring that our payphone operations are financially viable.

During the 2004 financial year, we reduced the costs of our payphones operation through the removal of over 16,000 payphones. However, none of these removals resulted in the total removal of payphone service within communities.

E-payphones

We have installed more than 1,500 new e-payphones in the 2004 financial year. These kiosks enable customers to surf the internet, send emails and text messages and make payphone calls.

BT plans to increase the number of e-payphones to 20,000 by 2007, creating a nationwide network capable of accommodating around 60 million hits a week.

Voluntary and mandatory services

BT takes pride in pioneering services for customers and we seek to provide levels of service that go beyond the mandatory requirements. Some of the services that we have been offering voluntarily have become a licence requirement.

Voluntary services

Service	Notes
Publication of comparable performance indicators (CPI)	BT and other telecommunications companies participate in the CPI forum and provide comparable quality of service results, which are published every six months. Most of the information currently available was already published by BT before the CPI agreement.
Consumer liaison panels	BT has been running Consumer Liaison Panels since 1984 to help identify and understand consumer concerns.
Nuisance Calls Bureau	BT set up this facility voluntarily to offer expert advice and practical action to help victims of malicious and nuisance calls.
Production of telephones for disabled customers	BT supplies a wide range of equipment for disabled people.

Mandatory services

Typetalk/TextDirect	BT provided significant financial support to Typetalk voluntarily, before this became a licence condition. The text users rebate scheme is a regulatory requirement for BT.
Free priority fault repair service for some customers	BT is obliged to provide a priority fault repair service to disabled customers. We extend this service to customers at risk because of age or other factors.
Directory enquiry information for those unable to use a phone book	BT is obliged to provide a free directory enquiry service to disabled customers who cannot use a phone book.
Billing and general information for disabled customers in braille, large print or on audiotape	BT has voluntarily provided bills and some of its publications in alternative format to disabled customers for many years. It is now part of BT's operating licence requirements to provide contracts and bills in an acceptable alternative format upon request. Under the Disability Discrimination Act 1995, BT also has wider obligations to provide any customer contact in alternative media.
Public payphones with inductive couplers	BT is required to provide inductive couplers in public payphones.
Light User Scheme	This scheme was designed to reduce the number of disconnections and the number of people without access to a telephone. It enables BT to meet its Universal Service Obligation to accommodate consumers with special social needs.
In-Contact Plus	This is another service that enables BT to meet its Universal Service Obligation towards consumers with special social needs.
Provision of emergency services	BT provides a free emergency assistance service that handles over 30 million calls a year. We aim to ensure a high quality of service by answering 95% of calls within five seconds.



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Customers continued

Mobile communications and health

With the demerger of mm02 in November 2001, BT ceased its mobile network operations but retained a number of mobile services, products, activities and interests. These include:

- BT markets its consumer mobile phone offering online at www.bt.com/homeplan and sells mobile voice and data products into the business market through direct sales channels. BT offers a range of mobile phones from several phone manufacturers
- BT phones operate on the T-Mobile network for consumer mobile services and on the O2 network for business
- BT operates an extensive Public Wireless Local Area Network (LAN) network and a number of Private Wireless Local Area Networks (WLANS) in its own buildings
- BT installs Private Wireless LAN networks in business locations and sells the components for BT customers to install their own Wireless LAN networks at home or in their offices
- BT infrastructure (including some BT exchanges, buildings and telegraph poles) is used to house mobile phone base stations and aerials.

Handsets

All mobile phones sold by BT fully conform with the international safety standards on exposure to radio frequency (RF) emissions set by the International Commission on Non-Ionising Radiation Protection (ICNIRP) and the National Radiological Protection Board.

BT also monitors all relevant scientific findings relating to mobile phone health issues and follows the advice of the World Health Organisation (WHO) and other leading health organisations.

It is also possible to measure how much radio wave energy your body receives from each model of mobile phone. This is called the specific absorption rate or SAR. There is a European Standard method for measuring the SAR and this information is provided to consumers for each model of mobile phone sold in the UK. BT offers a range of mobile phones from several manufacturers, who all apply these standards.

Additionally, following the May 2000 Stewart

Report on the possible health effects posed by mobile phone technology, including base stations, the UK Department of Health produced two advice booklets which BT and all mobile operators make available at their retail shops:

- Department of Health Mobile Phones and Health booklet (available at www.doh.gov.uk/mobilephones/mobilephones.pdf)
- Department of Health Mobile Phone Base Stations and Health booklet (available at www.doh.gov.uk/mobilephones/basestations.htm)

Mobile base stations

BT follows the highest industry standards and code of practice relevant to its operations. For example, BT requires that the ICNIRP guidelines on radio frequency (RF) emissions are applied on all BT sites used by mobile operators.

In addition to ICNIRP standards a number of other measures relating to RF and base station deployment are built into an industry code of practice, known as the ten industry commitments. BT was a signatory of this code of practice and adheres to all its core principles. Further details of these practices can be found on the mobile operators' website (www.mobilemastinfo.com/planning/best_practice.htm).

Although no longer a mobile operator in its own right, BT offers mobile operators a service called Microconnect. Microconnect is a network of small low-powered antennas mounted on street furniture – such as lighting columns and lamp posts – designed to provide mobile phone coverage to city centers. The exposure levels from these small devices will be hundreds of times below the ICNIRP guidelines at street level. Before installing the new Microconnect antennae we undertake consultations in line with the industry commitments.

The WHO advises that "RF field levels around base stations are not considered a health risk". It also states that "in many urban areas television and radio broadcast antennae commonly transmit higher RF levels than do mobile base stations". More information on WHO guidance and fact sheets is available on the WHO website.

Wireless LAN

BT owns and operates one of the largest Public Wireless LAN networks in the UK (BT Openzone). Public WLAN require considerably lower power and radiation levels than the GSM standards.

Additionally, the main application of Public Wireless LAN is for data devices (such as laptop, PDA or tabletop device) with the transmitting antenna positioned some way away from the user's head. This was the main area of concern with mobile telephony power absorption.

Therefore, the radio power levels near Public Wireless LAN sites are significantly lower than around mobile phone antennae and devices, all of which are well within the guidelines and recommendations of the UK Government Health advisory bodies.

Similarly, any Private Wireless LAN site, which uses exactly the same technology, standards, equipment and power radiation levels as the Public sites, are deemed to be significantly well within all current and known standards and guidelines for safe usage.

RA audits and industry consultation procedures

BT makes public the locations of existing antennae on the Radiocommunications Agency (RA) Sitefinder website (www.radio.gov.uk). Additionally, the RA has concluded a number of audits of sites near schools and hospitals in 2001 and 2002. The results, published on the website, show that exposure levels are many hundreds to thousands of times below the ICNIRP public exposure guidelines.

BT liaises with relevant local development authorities about network growth and the planning of mobile phone antennae deployment, as recommended by the industry code of practice. A number of different consultation models were agreed by the industry partners in the framework of the ten commitments. BT – and all mobile operators in the UK – apply these models according to a range of criteria on a site-by-site basis. One of the commitments we made is to share masts wherever possible. More information can be found on the mobile operators' website at http://www.mobilemastinfo.com/planning/best_practice.htm



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Offices worldwide

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Employees

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Employees

We employ approximately 99,900 people around the world, including 91,600 in the UK, where we are one of the largest employers.

Our approach is to treat our people fairly and responsibly, helping them achieve their full potential, while respecting their personal and community commitments.

Here we describe how we manage:

- Employment
- Employee relations
- Diversity and inclusivity
- Learning and development
- Health and safety.

Employment

Here we present our approach to:

- Recruitment
- Diversity
- Education
- Retention
- Work-life balance
- Pay and benefits.

Recruitment

We employ thousands of new people each year, so we need to make sure that we attract, select and retain the best.

During the 2004 financial year, we recruited 180 graduates and 157 modern apprentices in the UK, and 1,950 other new entrants.

As part of our continuing programme to reshape BT, 4,154 people left BT voluntarily, by leaver payments or voluntary redundancy.

BT supports the UK Government's New Deal for Young People employment programme.

Diversity

It is crucial that our people reflect the diversity of our customers and are able to meet their ever-changing needs. We work with a range of employment agencies, universities, schools and college careers offices. We inform them of the variety of jobs available in BT and that we welcome a wide diversity of people into our business.

For example, representatives of BT's diversity networks attend careers fairs to promote BT as a place to work. These efforts – which have focused predominantly on graduate recruits – are reflected in our recruitment diversity figures for the 2004 financial year:

- 15.3% of our new recruits are from ethnic minorities – including 27.3% of new graduates and 11.5% of modern apprentices – compared with 8.9% of BT's total workforce.
- 32.8% of our new recruits were women – including 42.2% of new graduates and 11.5% of modern apprentices – compared with 22.7% of BT's total workforce.
- 0.2% of our new recruits had a disability as defined by the UK Disability Discrimination Act (DDA) – including 1.1% of new graduates and 0.6% of modern apprentices – compared with 2.1% of BT's total workforce.

These figures do not include the people who work in our subsidiaries – around 4% of our workforce.

We are very encouraged by these figures. It shows that the profile of our company is beginning to reflect our efforts to promote equality and diversity.

Progression

Opportunity to make career progress is very important. In the 18 months to September 2003, of those promoted to management positions, 43% were women and 12% from ethnic minorities.

Education

To help maintain a good supply of talent, we encourage young people to enter higher education, especially in Information and Communications Technology (ICT) subjects.

To help address Europe's continued shortage of people with good ICT skills, BT co-chairs the Career Space consortium, a European public/private partnership that encourages people, particularly women, to get engineering and computer skills. We work with 25 European universities to develop and launch new ICT job profiles and curriculum guidelines. We also offer hundreds of undergraduate placements each year.

We support the UK Government's initiatives to encourage women into work and the annual Take our Daughters to Work Day. The event gives young men and women the opportunity to experience working life in a job traditionally done by the other gender.

In the UK, we support the Oxford Access programme that provides access to science summer schools for students from inner city and ethnic minority backgrounds seeking university places.

For more information see Career Space (<http://www.career-space.comand>) and the Oxford Access Summer School programme (www.oxford-access.org)

Retention

Attracting the best people is one thing – keeping them is another. It is in our best interest to be as flexible as possible and to provide continuous learning opportunities in an environment of exciting, challenging teamwork.

Work-life balance

Because we want to provide a high-quality service to our customers, the working day for many BT employees extends beyond normal hours. One of our great challenges as an employer is to reconcile good customer service with the provision of a healthy work-life balance for our employees. We strive to get the balance right and believe our record is good.

The company has approximately 7,900 employees working from home and approximately 5,600 people working part-time.

We recognise that flexible working is not only about location and hours but about balancing work and home commitments. This is why our policies, including emergency leave, maternity and paternity leave and sickness pay, far exceed the UK minimum legal requirements.

We realise that there are still too many cases where the balance is not as we would like it to be. Our challenge is to promote best practice across the whole company.

Work-life balance in practice

Our work-life balance policies are in one portfolio called Achieving the Balance. It covers flexible working, home-working, part-time working, job sharing, maternity and paternity leave, adoptive leave, parental leave, special leave and leave for carers.

In March 2004, we had approximately 5,600 part-time employees and approximately 7,900 home-workers. Using innovative communications technology many more BT people can work flexibly. For example, employees can do a mix of home- and office-working, work long and short days, and save blocks of non-working time (e.g. to use during school holidays).

This is made possible by the use of ICT technologies such as hot-desk office share, laptops with wireless internet connections, and handheld personal organisers.

Flexibility, particularly in attendance patterns, is inclusive: it opens opportunities for people with disabilities, carers and those returning to work after a career break.

Initiatives

We participate in a number of initiatives to learn and share our experience with others.

- We are members of Employers for Work-Life Balance, a group of major UK employers who share work-life balance best practice
- We sponsor the Work-Life Balance week events in the UK, organised by the charity Work-Life Balance Trust



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Employees continued

- With the theme Agile Business – Balanced Life, we encourage employees to assess our achievements and identify new ways to promote a healthy work-life balance.

Our CEO Ben Verwaayen chaired the UK Government's Lone Parent Task Force, which looked for ways to break down barriers preventing lone parents from taking formal work. He submitted their conclusions in a report, Work Works. Elements of the report, including BT's leading role in promoting work-life balance programmes, were incorporated in the UK Budget Statement in April 2003.

Since then, BT has been lead sponsor for two successful pilot events, called Discovery Weeks, to show lone parents the choice and lifestyle options work offers, and supported innovative lone-parent employment initiatives in London and Glasgow.

We chair the UK Employers for Carers organisation, launched in December 2003 at the BT Tower in London. The organisation's website presents a list of activities undertaken during the year to accommodate the needs of working carers and to stimulate public debate on the issue. We sponsored the BT Carers in Employment Award in 2003, as part of our continuing support for the charity, Carers UK.

Working parents

Working Families, a UK campaign organisation, reviewed our Work-Life Balance policies in 2002, endorsed our activities and suggested a number of improvements.

One was to gain the Tommy's Pregnancy Accreditation by demonstrating that we meet its criteria for creating a supportive environment for pregnant employees. This was achieved in the financial year 2004.

In March 2003, a scheme to help parents reduce their childcare costs was introduced in the UK. BT Childcare Salary Direct is an employee benefit programme that employees can use for all types of approved childcare. During the 2004 financial year the programme, in conjunction with discounts we have negotiated with childcare providers, helped many employees reduce their childcare costs by approximately 20% (saving on average around £1,100 a year).

During the 2003 financial year, we made significant improvements to maternity, paternity and adoptive leave for parents with children born after 6 April 2003. We continue to offer parental leave benefits far greater than the legal minimum. These benefits are also available to those in same-sex relationships.

Our enhanced maternity leave provides 18 weeks' basic pay and regular allowances (excluding overtime). This is followed by eight weeks at half pay or lower-rate Statutory Maternity Pay, or £100 per week – whichever is the greater. After that employees get £100 a week for 26 weeks.

Paternity leave is now two weeks at full pay and two weeks' unpaid leave, to be taken within 56 calendar days of the birth of the child.

Pay & benefits

Our benefits package must be competitive if we are to continue to recruit and retain the best talent. Here we set out our approach to:

- Employee benefits
- Equal pay
- Pensions.

Employee benefits

In addition to a competitive basic remuneration package, we offer a range of benefits that promote employee ownership:

- SaveshareBT** – an option to buy shares at a discounted rate over three or five years. More than half of BT employees participate, including 43% of our international employees.
- AllshareBT** – gives employees the right to receive free shares based on company-wide performance.
- DirectshareBT** – employees may buy BT Group shares from their pre-tax salary each month. More than 14% have done so.

Flexibility

Special paid leave is available to employees caring for relatives or working in their communities. We shortened the working week to 36, down from 37 hours, for non-management grades in 2002.

In the 2004 financial year, our lowest main scale starting salary was £9,518 for a 36-hour week (£5.07 per hour).

In 2005, we will introduce a flexible benefits programme for about 28,000 managers and professionals in the UK. We hope to extend this to a wider group of employees, in the UK and abroad. This will have to take into account local market conditions and be subject to agreement with unions/work councils.

Equal pay and equal value

Our approach to equal pay encompasses gender, ethnic origin and disability.

We have played an active and constructive role in the gender pay debate over a number of years. For example:

- Our UK Human Resources Director chaired the Equal Opportunities Commission Equal Pay Task Force
- We were members of the UK Equal Opportunities Commission Working Group on the Equal Pay Audit Tool and Equal Pay Guidelines

Our detailed pay-gap audits undertaken in recent years have revealed a persisting gap in pay between the genders. This is a legacy from the days when our workforce was split between engineers (primarily male) and clerks and operators (mainly female). Pay levels for the two groups were largely developed separately.

This, combined with the old incremental approach that linked pay to management seniority, created a pay gap between those reaching management positions from engineering grades, as opposed to those taking the clerical route.

We have Board support to close the gap and our pay review processes include guidance on equal pay.

All team members (non-managerial grades) are now on the same pay structure and this has eliminated the scope for inequality.

Equal-pay activities

In the 2004 financial year we established plans to introduce in the 2005 financial year a new reward framework for around 34,000 employees, based on a set of job families across BT.

This framework will allow more consistent reward decisions to be made, based on an individual's value in the job market combined with their contribution to BT's success. It will also form a key component of our analysis of equal pay issues for this group of employees. In addition, over recent years we have:

- Published an equal pay/equal opportunities policy which is reviewed annually.
- Carried out an audit to ensure that performance-related pay does not inadvertently support discrimination.
- Changed our promotion remuneration procedures, particularly in management grades, from a percentage of base salary to a comparison with peers and the market.
- Restructured our non-management grading system to a skill-based approach taking into account equal pay. This has provided levelling across the engineering grades which typically attract men, and clerical grades which typically attract women.
- Focused our pay review on the lower end of our pay scales, where there are likely to be more women.
- Included statements about equal pay and the avoidance of discrimination in our annual pay guidance. We specifically briefed our senior managers, who have ultimate ownership of the pay budget.
- Carried out a pay audit following each pay review and agreed the key measures with our unions, maintaining a dialogue on all equality matters.
- Recognised work-life balance as a key enabler to eliminating some of the barriers that may be slowing the progress of women in the workforce.
- Supported the development of women throughout BT, with the introduction of women-only development courses.



Employees continued

- Extended our focus to include ethnicity and disability pay monitoring.

Equal value

The concept of equal value is explained by the UK Equal Opportunities Commission:

"Equal value is that jobs, which at first sight may be very different, can turn out to be of equal value when analysed in terms of the demands made on the employee."

Equal Value for equal work is starting to make an impact as an issue.

In the UK, the landmark Enderby v National Health Service court case had a significant influence on the way organisations view this question. The court concluded that collective bargaining and market value could not justify the difference in pay between men and women and that equal work must go with equal value.

In addition, the work of the Equal Opportunities Commissions (EOC) and the Kingsmill Report on Women, Employment and Pay in the UK have made a priority of the issue.

Equal Pay to Equal Value will remain high on the BT agenda and we believe we are making good progress on the matter of equal pay.

Pension scheme

The BT Pension Scheme, now closed to new entrants, is one of the largest funds in the UK, with assets of around £26 billion. The scheme has over 87,000 contributing members, about 178,000 pensioners and around 96,000 deferred beneficiaries. Most of our employees have chosen to belong to the scheme and contribute 6% of their salary, with BT paying the balance of costs (currently 12.2% of salary) necessary to provide the promised level of benefits.

The BT Pension Scheme is a defined benefit scheme, with the pension benefits linked to the members' final salary in BT (rather than to the performance of the pension fund). The normal retirement age is 60.

On 1 April 2001, BT closed the BT Pension Scheme to new entrants and introduced the new BT Retirement Plan. The Plan is a defined contribution scheme for new employees, with the pension that members receive linked to the contributions paid, the performance of

the Fund, and annuity rates at retirement (rather than their final salary in BT). Members have a choice of seven different funds in which to invest. There are around 5,000 contributing members.

This change is in line with the practice increasingly adopted by major UK groups and is designed to be more flexible for employees. It enables BT to determine its pension costs more precisely than with defined benefit schemes.

Hermes Pensions Management Limited

The BT Pension Fund is managed on behalf of the Fund trustees by Hermes Pensions Management Limited, a wholly-owned subsidiary of the BT Pension Scheme. The Fund is controlled by trustees who are BT and Trade Union nominees, with an independent chairman.

The trustees look after the assets of the pension fund, which are held separately from those of BT. The pension scheme funds can only be used in accordance with its rules and for no other purpose.

The Annual Report of the BT Pension Scheme includes a description of the appointment, removal and responsibilities of the pension fund trustees.

Corporate governance

Hermes' corporate governance programme is founded on a belief that companies with interested and involved shareholders are more likely to achieve superior long-term financial performance.

Hermes is considered a leader on issues of corporate governance and shareholder involvement. It has a track record of working with company boards to ensure that companies are run by managers and directors in the best long-term interests of shareholders.

For example, the BT Pension Scheme was awarded the 2003 Best European Corporate Pension Fund Award, partly in recognition of leadership on corporate governance and shareholder engagement issues.

Hermes has produced a number of corporate governance policy statements that are available on the Hermes website at www.hermes.co.uk

These policies apply to the BT Pension Scheme and the BT Retirement Plan:

- The Hermes Principles set out the principles and expectations that should exist between shareholders and companies. In summary, a company's primary consideration should be the generation of long-term shareholder value, and this should be based on appropriate financial disciplines, competitive advantage and within a framework which is economically, ethically and socially responsible and sustainable.
- The Hermes Statement on UK Corporate Governance and Voting Policy sets out how Hermes will exercise its clients' ownership rights and is intended as a basis for dialogue between companies and shareholders. This covers issues such as the composition of the Board, remuneration and guidelines for reporting on social, ethical and environmental matters.
- The Hermes International Corporate Governance Principles apply to all publicly quoted companies in which Hermes' clients invest outside the UK.

Hermes exercises its voting rights at annual general meetings (AGMs) and extraordinary general meetings (EGMs) and employs a dedicated corporate governance team that maintains a high level of contact with companies through correspondence and meetings. This is particularly the case where persistent failure to meet the Hermes corporate governance policy results in under-performance.

Socially responsible investment

In July 2000, a new Disclosure Regulation was introduced under the UK 1995 Pensions Act stating that trustees of occupational pension funds must declare in their statement of investment principles *"the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments"*.

In response to the regulation, the Trustees of the BT Pension Scheme agreed that every investment should consider the following when selecting the shares in which they invest the scheme's assets:

"A company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard for the environment and society as a whole."

[Extract from the BT Pension Scheme Statement of Investment Principles].

Hermes' active approach to corporate governance includes the implementation of this statement.

Employee relations

Good employee relations are vital to a strong, healthy and successful company. Here we explain our approach to:

- Our annual employee survey
- Our relationship with trade unions
- The European Consultative Works Council
- Employee communications
- Call centres.

Employee survey

We conduct a number of formal employee surveys. The most important of these is the UK annual Communications and Attitude Research for Employees (CARE) survey, which provides an opportunity for all our people to express their views on a range of issues.

At the start of 2004, every BT employee in the UK was given the opportunity to complete a CARE survey during the working day. Anonymity was guaranteed and 80% of our people completed the survey (up 2% on 2002).

People satisfaction index

A key indicator in the CARE survey is the People Satisfaction Index, which indicates overall satisfaction with working for BT.

The People Satisfaction Index for the 2004 financial year was 71%, up from 67% in 2003 and exceeding our target of 69%.

See the Data and targets section of our online report for comprehensive CARE survey results since 1999.

The CARE survey does not cover the 4,200 BT Syntegra employees (part of BT Global Services).



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Employees continued

Employee engagement index

During the 2005 financial year we will be introducing an Employee Engagement Index, to reflect our commitment to keep people engaged with their colleagues, work and customers. In particular there will be a greater emphasis on employee behaviour in accordance with BT's new values and engagement with the BT strategy.

The results will be published before the end of 2004.

Follow-up action

All managers with teams of eight or more people receive individual CARE feedback reports. This helps them monitor the impact of their decisions and review their management style.

Managers are encouraged to work with their teams to analyse the CARE feedback and carry out action plans. These plans are monitored through the normal line management structure.

We often carry out smaller-scale surveys or run focus groups to find out our employees' attitudes towards specific circumstances.

Trade unions

In the UK, BT recognises two trade unions: the Communications Workers Union (CWU), which represents over 65,000 BT people in non-management grades and Connect, which represents around 20,000 BT people, predominantly line managers and professionals.

The CWU is the biggest union for the communications industry in the UK, with around 280,000 members working for the Post Office, BT and other telephone companies, cable TV, the Alliance & Leicester and Girobank. Their members' expertise includes engineering, computing, clerical, mechanical, driving, retail, financial and manual skills.

Connect is a specialist union run for and by managerial and professional people. Representing managers and professionals, Connect works with BT to improve the terms of employment for its members and to manage change effectively.

We maintain a good working relationship with both unions.

Managers are expected to consult their employees and relevant trade union officials before introducing significant employment change. The unions have a good ten-year track record of co-operation with BT. Very few days have been lost through industrial action.

In the 2004 financial year, no industrial action was taken. There were no cases of legal action against BT concerning anti-union practices.

We have a grievance procedure that provides all employees with an appeal process against certain management decisions. This is available to all our employees.

In the financial year 2004, the number of Employment Tribunal Cases involving BT was down to 50 from 57, with 15 withdrawn, 1 judged against BT, 13 settled and 21 judged in favour of BT. The outcome of each case is analysed by the management team concerned, and learning points are reviewed within the appropriate policy group.

See the Data and targets section of our online report for employment tribunal case data since 1999.

BT European Consultative (Works) Council

Every six months the European Consultative Council (BTECC) provides an opportunity for transnational dialogue and exchange of views between management and employee representatives in the UK and Europe.

We believe that the interests of our business – and all those involved in it – are best served if there is a common understanding of our performance, operating environment and market places.

The BTECC focuses principally on the performance and overall strategy of the BT group, on jobs and employment plans, and on the commercial and regulatory factors affecting its operations. Other relevant transnational employee issues such as training, health, safety and the environment may be included.

BTECC is chaired by BT's CEO and attended by other senior executives. Employee representatives are drawn from BT's operations across Europe. Participants are chosen according to the practice and legislation in place in each country. The representatives chosen must reflect BT's equal opportunities policies.

Representatives serve on the Council for two years, long enough to follow up and understand the issues.

BTECC meets twice a year – normally within three months of the announcement of the group's annual results. In exceptional circumstances, the Chairman may convene an extraordinary meeting.

Employee communications

Our people are crucially important to our reputation and success. They are our ambassadors and our public face while on business and out of hours too.

We strive to keep our people informed of company activities. This is essential if we want to keep everyone motivated and supportive of BT. Equally, we strive to listen to and act on our people's views and ideas.

Strategy Action Meetings

The Strategy Action Meetings (SAMs) aim to communicate BT's strategy and engage employees in strategy implementation. At each meeting, a BT manager describes the strategy and progress made. Delegates – 18 to 20 people representing all levels and lines of business – are asked to discuss the potential barriers to implementation and make suggestions. In the financial year 2004, 22 meetings were held in the UK and nearly 240 people from all levels in BT participated.

Comments are noted anonymously and collated every three months for our CEO Ben Verwaayen and the BT Management Council.

Topic-specific reports are also produced for the relevant senior manager.

The findings of the meetings are being shared with an increasing number of people. We seek to ensure that the proposed solutions are considered by the appropriate part of the organisation.

In October 2003, 33 meetings based on the SAM model were held in specific parts of the UK business, with 287 people participating. The feedback is being used to shape strategic direction. We hope to organise similar meetings in other parts of the business.

Communication channels

We communicate with our employees regularly through a variety of channels:

- The BT intranet, one of the largest in Europe, is available to over 100,000 people. It contains a wealth of information on a vast range of topics. With an extensive index and search capability, it is easily accessible.
- BT Today, our in-house newspaper, is sent to more than 184,000 employees, pensioners and opinion formers each month. Described as 'the glue that holds BT together' it helps make sense of what's going on in the company for employees and their families. The paper contains a letters page where our people can express their views.
- Newsdesk, the BT Today intranet news site, is available to everyone in BT who has intranet access. It is updated every day and features a constant flow of news about BT and our industry. It contains information to help people do their jobs. The site covers all media releases, comment and features about BT.
- Talking Point – part of the BT Today Newsdesk – offers a forum for employee opinion, feedback and debate on a wide range of important topics, such as work-life balance, driving safety and broadband.
- BT Newsline, a telephone news service, attracts thousands of calls a month.

We also provide webcast, video, audio and other on-line facilities, such as live internet chatrooms, to make key announcements. These enable people to ask questions and get answers directly.



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Employees continued

To keep our employees informed of key announcements, we use a number of additional channels:

Enterprise email, an email facility we operate to make key announcements to all of our employees or to a selection

- A number of internal marketing communications media to deliver key messages to targeted audiences.

Call centres

We have completed a comprehensive two-year restructuring of our call centre operations.

Our 'Next Generation Contact Centre' programme has transformed our original 104 call centre sites into a slimmed-down network of larger, multi-functional contact centres.

The programme was designed to achieve the twin goals of reducing costs and providing improved customer service – for example, by providing a range of services for residential and small business customers without their being transferred from one call centre to the next.

The 33 Next Generation Contact Centre sites benefit from excellent working environments and leading-edge technology.

However, the programme has involved the closure of 57 call centres over a two-year period, resulting in significant changes for a large number of employees.

The overall net effect on BT and agency jobs has been a reduction of 2,200 full-time equivalent posts – reducing the number of full-time equivalent posts in BT's call centre operations to around 13,600.

There were no compulsory redundancies and we remain committed to finding alternative work for every affected person that wishes to remain in BT. By the end of March 2004, more than 900 people had been redeployed to other roles in BT and over 1,000 left BT voluntarily. In addition around 1,900 employees have been redeployed to the new, long-term sites.

More details of support provided by BT to employees during times of change are provided in the New Start section of Employees.

India

Two of the new call centres are located in Bangalore and New Delhi in India.

The Delhi and Bangalore call centres employed around 800 people by the end of March 2004, with capacity available to increase to around 2,200.

Owned by two suppliers but managed by BT people, the call centres handle parts of BT's directories and conferencing work and operate to the same blueprint as facilities in the UK. This is aligned with the 'Next Generation Contact Centre' programme which seeks to ensure that our customers' experience of us is indistinguishable high quality irrespective of which centre or advisor they deal with.

However, it has been suggested in the media that there is an incompatibility between these developments and BT's stance on corporate social responsibility (CSR).

Developments in technology have always changed working patterns – both in type of work and geography of the workplace. The question is whether the movement of employment opportunities is in itself a socially irresponsible activity.

Many developing countries will often argue the opposite, accusing the developed world of using social and environmental performance for protectionist reasons.

To address these issues we commissioned independent consultancy and think-tank SustainAbility to explore service sector offshoring through the lens of corporate social responsibility.

Included in Good Migrations?, one of our 'Hot Topics':

- An examination of the global trend of offshoring and evaluation of its implications for CSR
- A study of the specific impacts of BT's offshoring decisions, both in the UK and in India
- Strategic advice to companies interested in exploring offshoring and corporate social responsibility.

SustainAbility conclude that, on balance, offshoring's benefits outweigh its negative impacts. However, SustainAbility do put forward some important reservations concerning the way that offshoring is handled and it is here that corporate social responsibility has an important part to play.

SustainAbility propose practical things that companies can do to assist those in the UK who lose jobs to manage their transition – in terms of training, skills and local job development.

SustainAbility also put forward critical improvements that offshoring companies can introduce in the new areas of operations – such as good working conditions, training and development and sharing skills and technology.

We agree with the thrust of these conclusions. For us, CSR is about companies making effective commercial decisions in ways that take account of their responsibility to society.

In this case, our ethical trading manager visited the call centres with an independent assessor from an Indian non-governmental organisation before the announcement was made.

The assessors looked at all aspects of working conditions against BT's Sourcing with Human Dignity ethical trading standard and concluded that the companies assessed met and exceeded BT's standards in the vast majority of areas.

Pay for those employed in the call centres is in the top quartile of the local labour market. The working environment, training and technology are of the same standard as those in the UK.

None of BT's permanent employees in the UK has been made redundant as a result of the new centres opening.

Diversity and inclusivity

We seek to create an open, honest and unprejudiced workplace that encourages people to reach their full potential.

We want to create and sustain a diverse workforce where everyone's contribution is valued.

This table shows the percentage of our people who are women, have declared themselves from an ethnic minority or have declared a disability.

It does not include employees in our subsidiaries – 4,200 of our overall workforce of 99,900.

	Senior	All BT		
Financial year	2003	2004	2003	2004
Women	20.0%	21.0%	23.6%	22.7%
Ethnic minority	7.0%	7.6%	8.6%	8.9%
Disability	0.7%	0.7%	2.0%	2.1%

See the Data and targets section of our online report for comprehensive data on diversity going back to 2001.

This means that we have achieved our target that at least 8% of our employees should be from an ethnic minority. Attaining our target for the representation of women employees is proving more difficult – the figures show that retention rather than recruitment is the main barrier.

These targets should not be taken to mean that BT is operating quotas, which are illegal under UK law. Each appointment is made on merit only.

Here we describe our approach to the main equality and diversity issues:

- Equal Opportunities policy
- Leadership
- Ethnic minorities
- People with disabilities
- Age
- Women
- Networks
- Litigation.

Equal Opportunities policy

Our Statement of Business Practice includes a specific principle on diversity: we will *"treat all individuals fairly and impartially, without prejudice, and never tolerate harassment in any form"*.

This principle is supported by our Equal Opportunities policy:

Our aims:

We are an equal opportunities employer. The aim of this policy is that everyone should have the same opportunities for employment and promotion based on their ability,



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Employees continued

qualifications and suitability for the work. We will need to keep to, and go beyond, equal opportunities legislation.

We have designed this policy to make sure that no job applicant or employee receives less favourable treatment because of their race, sex, religion/belief, disability, marital status, age, sexual orientation, gender identity, gender expression or caring responsibilities, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

It is our policy to develop and maintain positive measures so we recruit, develop and hold on to people with disabilities, keep to the law and encourage best practice.

Our guiding principles:

- Equal opportunities and diversity cover all aspects of working life. The understanding and views of people on related issues are shown through their behaviour.
- You must not discriminate against any person or group when recruiting, choosing, training, promoting or paying people.
- Harassment is also a type of discrimination, and we will treat it as such under the terms of this policy. We will not tolerate any type of harassment or bullying, including offensive remarks, at work.
- We will encourage you to tell us about any disability you may have and your ethnic background.
- We will take positive measures (which are allowed by legislation for suitably qualified people) so that we recruit and employ any under-represented minority group, for example, the Government's Two Ticks Policy for registered disabled people.
- We will follow the Disability Discrimination Act and will make reasonable adjustments for people with disabilities. If you become disabled while working for us, we will do everything possible to make sure you can keep working for us.
- You must keep to this policy. If you do not, we may take disciplinary action against you.
- If you consider that you are suffering from

harassment or have been discriminated against, you should make your complaint in line with our grievance procedure.

Leadership

BT's equality and diversity champion in the UK is Clive Ansell, Group Strategy Director, who chairs our Global Equality and Diversity Forum.

The forum is composed of Diversity Champions, senior managers from each of our business units. Senior managers also lead specific groups, including race, gender, age, disability and sexual orientation.

The Forum has five main functions:

- To create, sustain and deliver our global equality and diversity strategy
- To provide highly visible and inspirational leadership on equality and diversity
- To promote processes, practices and behaviours that actively drive equality and diversity in the BT group, relentlessly opposing inequality, prejudice and unethical behaviour
- To agree and implement equality and diversity initiatives across the BT group and within individual lines of business
- To be spontaneous, open, honest, challenging, forward-looking and change-embracing role models for equality and diversity in business.

We are also members of the following organisations in the UK:

- Business in the Community [www.bitc.org.uk]
- Employers Forum on Disability [www.employers-forum.co.uk]
- Opportunity Now [www.opportunitynow.org.uk]
- Race for Opportunity [www.raceforopportunity.org.uk]
- Employers for Work-Life Balance [www.employersforwork-lifebalance.org.uk]
- Employers Forum on Age [www.efa.org.uk]
- Stonewall [www.stonewall.org.uk]
- Parents at Work [www.parentsatwork.org.uk]

New Equalities Legislation

In December 2003, new legislation was introduced in the UK to cover religion and belief, and sexual orientation.

BT set up and chairs the Employers Forum on Belief, which brings together leading employers to exchange and develop knowledge and best practice in this field. We reviewed our policy and its implementation to ensure that religion and belief issues are incorporated. An online booklet was produced outlining the major religions of the world. It also includes personal accounts of employees who follow a particular religion.

BT has already made known its commitment to equal rights for the Lesbian, Gay, Bi-sexual and Transgender (LGBT) community and set up BT Kaleidoscope network in 2002 (see Networks). No policy amendments were required to meet the needs of the new legislation.

Ethnic minorities

Here we look at our ethnic minority representation and the measures taken to improve.

Profile

Among BT people, 8.9% have declared themselves to be of ethnic minority origin. This represents 8.7% of non-managers, 9.4% of managers and 7.6% of senior managers.

In the 2004 financial year, 15.3% of our new recruits came from an ethnic minority background – including 27.3% of new graduates and 11.5% of modern apprentices.

These rising figures are the consequence of continuing collaboration with employment agencies, universities, schools and college careers offices. We have achieved our target that 8% of our employees will be from an ethnic minority background, and are committed to maintaining this level.

See the Data and targets section of our online report for comprehensive data till 2001.

Our data do not include those people who work in our subsidiaries, approximately 4,200 of our total workforce.

Declaration of ethnicity is restricted in some countries where BT operates. BT Global Services has committed to take steps to ensure that, wherever legally possible, BT people are able to declare their ethnicity and national origin.

One of the key initiatives supporting this is the Ethnic Minority Network for BT employees. The programme includes an annual conference, development courses, and participation in the national debate on diversity.

Additional initiatives are taken in higher education. The Oxford Access Summer Science School, for example, encourages students from inner city schools and ethnic minorities to seek university entrance, particularly in science subjects.

Benchmarking

We take part in independent benchmarking of ethnic minority issues. In the 2004 financial year, Race for Opportunity (RFO) awarded us Gold Standard for our approach to ethnic minority issues. In 2003 BT ranked third overall and was the top-ranking organisation in the ICT sector in the UK.

Race for Opportunity benchmarking 2003 (ethnic minorities) – BT results

Ninety-nine member organisations from the public and private sector took part in the RFO benchmarking. We achieved top performance in our sector (Information Technology) and came top of all private sector organisations taking part.



Employees continued

Category	BT score %	Sector average %	Network average %
Leadership	92	48	56
Making the investment	89	35	44
Planning and policy	95	54	67
Communication	94	44	58
Marketing	91	51	54
Sharing Ownership	92	31	48
Employment	85	44	58
Community Involvement	92	51	59
Working with ethnic minority businesses	91	32	32
Results/ Impact	91	51	56
Overall performance	92	44	54

BT received a Gold Standard for our overall average score.

Platinum standard indicates a score of 95-100, Gold indicates a score of 80-94, Silver 70-80 and Bronze 60-70.

People with disabilities

A significant number of people in our society have disabilities. As part of our policy to ensure we meet the needs of all our customers, BT encourages applications from people with disabilities and supports their professional development.

BT qualifies as a 'two ticks' disability employer. This is a label used by UK employers to indicate a commitment to disabled potential employees and customers. This means that BT guarantees a job interview to any suitably qualified applicant who has a disability.

BT also won the Henry Fawcett award in the 2003 First Class Supplier awards from the Royal Mail. This award recognises achievement in the areas of disability and action in the community.

Profile

2.1% of BT people have declared themselves to have a disability. This represents 2.5 % of non-managers, 1.2% of managers and 0.7% of senior managers.

In the 2004 financial year, 0.2% of our new recruits had a disability as defined by the UK Disability Discrimination Act (DDA) – including 1.1% of new graduates and 0.6% of modern apprentices.

Our target is for 2.5% of our employees to be people with a disability.

Initiatives

The European Year of People with Disabilities was 2003. In March 2003, we hosted an event called Agile Business – Changing Lives, examining the inclusion of disabled people in product advertising and marketing, and in the workplace.

In November 2003, we organised a special event, Agile Business – A Glimpse of the Future, to help shape a vision of a world where our products, services and work environment are truly inclusive.

We are a founder member of the UK's Employers' Forum on Disability. In the 2004 financial year, BT was ranked top UK organisation in the Forum Global Inclusion Benchmark. This assesses how companies communicate their commitment to disabled people through their social reports. It does not evaluate how the companies actually perform in each area.

Another initiative is Able2, an employee network for BT people with disabilities. This provides impartial and confidential advice and runs a series of roadshows to enable people to discuss their needs with senior BT managers.

A key issue for people with disabilities is their loss of state benefits when working. We are seeking to address this problem through a trial recruitment of people with no loss of benefits. In the 2004 financial year, we supported the Remploy work experience initiative. Remploy is an organisation that helps find work for people with disabilities. We are working together to provide opportunities for unemployed people with disabilities to experience work at BT.

AccessAbility Roadshows

A number of AccessAbility Roadshows were organised in the UK during the 2004 financial year, with more planned for 2005. They are hosted by the Able2 network and provide a forum for discussion between BT employees with disabilities and their managers.

The roadshows promote ability, not disability, challenge stereotypes and focus on possibilities and ways to break down barriers faced at work by people with disabilities.

eNable

Our 'eNable' project is designed to improve the working life of all disabled people within BT. The objective is to provide guidance and consistency of approach and deliver timely reasonable adjustments to help realise the full potential of all people. It is a key part of the BT's approach to Valuing Ability. eNable provides a package of existing and new services, consultancy and dedicated specialist support which includes:

- A helpline to provide expert advice and assistance to people who are, or become, disabled, or whose capabilities are restricted
- Guidance on job re-design, suitable alternative duties and provision of equipment and services
- Improved advice to managers on their responsibilities under the UK Disability Discrimination Act
- Support to new recruits with disabilities so they have a good experience on joining BT and feel valued and supported.

Partnerships

AbilityNet

We are committed to make our workplace as accessible as possible. BT supports AbilityNet, based in one of our central London buildings. The charity brings the benefits of computer technology to adults and children with disabilities, in BT and the communities in which we operate.

New BT people benefit from pre-recruitment assessments designed to ensure they have the

most productive and comfortable equipment available as soon as they join the company.

Existing BT people benefit from easier access to expert assessment and advice, and earlier provision of appropriate reasonable adjustments to their working environment. People in the community also have access to expert assessments and advice.

Back-Up

In the 2004 financial year, we worked in partnership with the Spinal Injuries Association, Back-Up. BT sponsored sports which received UK Government funding to help promote greater integration and independence for people with spinal injuries.

In collaboration with the Association, BT Retail Marketing produced a booklet that promotes the benefits of broadband and how it can improve the lives of disabled people, particularly those with spinal injuries.

Age

Age discrimination is unique in that it may affect everyone in society, old and young.

In the UK we have worked with the Employers Forum on Age for a number of years and have contributed to the Government's Age Advisory Group, which is developing legislation on age discrimination.

As part of a broad review of our policies and procedures in relation to age diversity, we undertook a survey to find out the views of our people on policies on retirement and the new legislation, changing demographics and changing needs of people and the business.

At the end of the 2004 financial year, of the 99,900 people working for BT, 5,200 were over the age of 55.

Women

We believe that diversity is the lifeblood of our business. In this section we look at our current gender representation and measures we are taking to improve it.

One measure we took last year was the introduction of guidance to our employees



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Employees continued

about Domestic Violence. We were pleased to work with Women's Aid and the UK Department of Trade and Industry to help design, produce and host the launch of the Employers Guide to Domestic Violence.

Profile

22.7% of people who work for BT are women – 22% of non-managers, 23% of managers and 21% of senior managers.

In the 2004 financial year, 32.8% of our new recruits were women – including 42.2% of new graduates and 11.5% of modern apprentices.

The number of women in BT is declining – down from 23.6% in the 2003 financial year – and below our 25% target. The figures show that retention rather than recruitment is the main barrier to achieving our objective.

See the Data and targets section of our online report for comprehensive data from 2001.

Our data do not include those people who work in our subsidiaries, approximately 4,200 of our total workforce of 99,900.

Benchmarking

In the 2004 financial year, we took part in an independent benchmarking on gender issues in organisations:

Opportunity Now benchmarking 2003/4 (gender) – BT results

219 organisations from the public and private sector took part in the Opportunity Now benchmarking exercise. BT's sector classification was Information and Communication.

Sector norm	BT score	Standard
Motivate	97	96
Act	96	Platinum
Impact	76	98
Overall	90	96

Platinum standard indicates a score of 95-100, Gold indicates a score of 80-94, Silver 50-79 and Bronze 20-49.

Retention of women

Retaining the skills and experience of women is important. In the 2003 financial year we undertook a comprehensive review of our maternity package, benchmarking it against other companies. The review led to important changes, including:

- A new maternity leave package
- Promotion of flexible working, to address the difficulties often experienced by families with very young children.

Our maternity package provides 18 weeks' basic pay and regular allowances (excluding overtime) followed by eight weeks at half pay, lower rate Statutory Maternity Pay or £100 per week (whichever is the greater), followed by 26 weeks at £100 per week.

One of our key initiatives is the Women's Network for BT employees.

Progression of Women

In the 2004 financial year, the issue of boardroom diversity became more prominent.

The Tyson Report, commissioned by the UK Government, presented a number of recommendations to promote greater diversity on UK Boards.

The UK Department of Trade and Industry held a series of meetings with senior executives of major businesses to discuss boardroom diversity. In December 2003, BT Chairman Sir Christopher Bland hosted a breakfast meeting for the Minister for Women, Jacqui Smith, and senior executives from a number of companies that work with BT.

The BT Women's Executive Network was launched by Sir Christopher Bland. He welcomed the creation of the network as a useful forum to share experiences, views and ideas.

The BT Executive Assistants/Personal Assistants' Network (BT EA/PA) was launched in the 2004 financial year (see the Networks section).

Pay structures

In addition to pay equality, concern remains that women are more likely to be employed in lower-paid jobs. We must address the barriers that prevent women from undertaking higher-value roles.

While we believe it is critical to keep data-based gender targets and diversity policies, inclusivity must be part of all our activities, including our relationships with employees, suppliers, customers and investors.

Most of our graduate and skilled recruits are needed by our expanding IT, multi-media and e-commerce units. It remains a major concern that we are not attracting more females to this fiercely competitive and well-paid job market. The general shortage of people with ICT skills presents an opportunity to attract more women.

Networks

We have six employee networks to support and advise our employees worldwide. The use of the networks is promoted by BT's most senior management and provides:

- Mentoring programmes
- Development programmes
- Annual conferences
- Information websites
- Regular roadshows
- A conduit to senior managers
- Contributions to the national and international debate.

Able2 for employees with disabilities

Able2 seeks to portray a positive image of disability by working with all stakeholders. The network is a central point of contact for advice and support to all disabled employees within BT.

BT Ethnic Minority Network (EMN)

EMN provides support and development for ethnic minority people within BT, through a variety of internal and external activities.

The Events Programme is the key element of EMN's activities: it covers the organisation and management of Personal Development and Weekend Workshops, Open Days, Roadshows and Annual Conferences.

In the 2004 financial year, the Events Programme held events in the North and South of the UK and sought to ensure that as many ethnic minorities as possible were able to attend.

The workshops are designed to work on interpersonal and management skills.

BT greatly benefits from these workshops as they encourage ethnic minorities to realise their full potential. In addition, it also helps BT in its commitment to increase the representation of ethnic minorities in senior management.

BT Women's Network (BTWN)

BTWN encourages self-development through sharing experience, information and advice. It has communicated ideas to management.

BTWN was started in 1986 by a small group of BT women who attended the Cranfield School of Management Programme in the UK.

At the time, the group felt a BT internal network dedicated to women would bring significant added benefits. The BTWN was created with the aim of increasing women's sense of involvement within BT, and encouraging them to develop career potential to the benefit of the individual and BT.

The network has nearly 4,000 members and many non-members regularly attend BTWN meetings and events. It is run by volunteers, funded and fully backed by BT.

Members are kept informed through the newsletter, hersay and the BTWN website.

BT Women's Executive Network

The BT Women's Executive Network was set up in 2003 to increase the proportion of women in senior level management. The network's aims are to:

- Support members to achieve their maximum potential
- Drive change within BT on executive gender diversity issues
- Challenge BT to provide more executive opportunities for women.



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Employees continued

The Action Plan includes:

- Tackling the barriers to women's career progression
- Increasing the visibility of role models and mentors, to support and encourage women to progress through BT
- Designing a programme of events with internal and external speakers to promote the Executive Network
- Providing networking and support

BT Executive Assistants/ Personal Assistant Network

This network was created during the 2004 financial year. It aims to demonstrate the value that personal assistants at all levels add to the business while raising their profile as a distinct professional group within BT. It is chaired by the personal assistant to the Chairman.

The network helps its members develop a broad range of skills, enabling them to take on more advanced work while also increasing the overall effectiveness of our management teams.

BT Kaleidoscope

BT Kaleidoscope is a network for our gay, lesbian, bisexual and transgender employees.

About 7% of the UK population is lesbian, gay, bisexual or transgender. Launched in 2002, the network offers community support to its membership and provides BT with insight and knowledge about a potentially significant market.

BT Kaleidoscope held its first annual conference during the 2004 financial year.

BT sponsored the London Pride in the Park festival in August 2003, as well as regional Mardi Gras events.

Litigation

There were a total of 14 discrimination-related litigation cases involving BT in the 2004 financial year. Four were withdrawn, 0 judged against BT, 6 settled and 4 judged in favour of BT. There were 14 cases involving BT in the 2003 financial year, 30 in the 2002 financial year and 43 in the 2001 financial year.

See the Data and targets section of our online report for data relating to discrimination-related litigation since 1999.

Learning from discrimination cases

Every discrimination litigation case is one too many.

We carefully consider our own cases at practitioner and senior management levels. We also review developments in discrimination law as it emerges.

We ensure that our case management continues to be robust and, at the same time, that our educational inputs address any issues that arise.

For example, real-life case studies based on BT experience are used by our Diversity Coach trainers in training workshops across our business where applicable.

Learning & development

We seek to encourage and provide opportunities for personal growth and professional development.

Here we present our approach to learning and development:

- Principles and commitment
- Career development
- Investors in people
- Education
- Career-life plan.

Principles & commitment

We have made the following commitment to promote learning and development for our people:

We will set up a partnership with each individual who makes the most of their personal performance, commitment and prospects for employment. We will give our people the appropriate opportunities to develop business capabilities and will evaluate how effective our investment is.

We will do the following:

1. Give our managers the necessary resources and personal development to enable them to support their people's learning and development.
2. Give our employees ongoing information on the skills and behaviour which we believe are essential to future success and how these can be developed.
3. Analyse needs at a business level and an individual level to see what development is appropriate and to assess the value to our business.
4. Give our employees opportunities to develop their capabilities and prospects for employment so they can deal confidently with organisational and commercial change.
5. Offer a broad range of solutions including work-based activity, formal and informal learning, encouraging the use of group-wide learning solutions through the BT Academy and taking account of individual learning styles.
6. Provide an appropriate induction programme for all new employees and those who are changing jobs to make sure they can be effective in their new work as soon as possible.
7. Provide a range of support and information to enable the career development of our employees. We will encourage learning by setting up and developing formal and informal communities.
8. Manage actively the way we develop identified groups or individuals (with the

group or individual involved) so we can make the best use of the talent across BT.

9. Make the best use of learning and development suppliers so we can get the best commercial value possible across BT.
10. Evaluate our investment in learning and development at all levels of the business.

Career development

There are many opportunities for promotion within BT. We have established a centralised application system and an online Job News facility.

To develop their career in BT, employees take on challenging tasks in daily activities and can participate in 'buddying', mentoring, job shadowing and secondments.

Initiatives such as the UK Management Insight programme enable team members to assess their skills and develop plans for the future.

Regular monthly meetings and annual development reviews help employees and their managers communicate directly on career development.

In the UK, our NewStart initiative provides a comprehensive toolkit to enable our employees to plan and address career changes constructively.

Investors in People

During the 2003 financial year, BT successfully achieved re-accreditation as an Investor in People (IiP). IiP is a standard of good practice for training and development devised by UK leading business and employee organisations. We remain one of the largest companies to pass this challenging outcomes-based test.

The Assessment Network (TAN) evaluated about 600 BT people from across all lines of business in a variety of structured and informal settings. They also observed business meetings and witnessed the BT Management Council's review of our 2002 annual employee survey.

Their report highlighted the following best practices:



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- A striking improvement between this and the previous reassessment, in the alignment of strategic goals and targets to measurable activities undertaken by individuals and groups. Considering the degree of strategic change, the complex activities of BT, the geographical spread and the flexible working conditions, acknowledged as 'an extraordinary accomplishment'
- Webchats and webcasts direct from the most senior managers to all levels of the organisation
- Knowledge-gathering exercises such as our annual employee survey, Strategic Action Meetings and 'Back to the Floor' initiative
- Performance-management process including one-to-ones, annual development and performance reviews and management by objectives
- Depth and breadth of technical training
- Well-established culture of training and development.

Education

BT Academy is a web-based corporate learning portal that provides BT UK employees with an extensive range of learning programmes and facilities.

More than 70% of our people have accessed the BT Academy Learning System in the 2004 financial year, leading to over 415,000 transactions for courses.

The Academy is a key part of our commitment to lifelong learning. It uses the latest technology to deliver instructor-led and e-learning to all BT people via our intranet. BT Academy is one of the largest corporate learning management systems in Europe.

Accredited programmes leading to professional and post-graduate qualifications are available through the Academy. For example, we have an internet-based Computer Science degree and access course, developed and run in partnership with the Communications Workers Union (CWU) and Queen Mary and Westfield College. In its seventh year, the course enables BT people to study part-time from home, at

work and at residential schools run at CWU Education centres.

The BT Masters programme provides work-based development for BT people, leading to a Master of Science (MSc) degree in telecommunications after

20 months of part-time study. We support, through the use of technology, studying for professional qualifications from bodies such as the Chartered Institute of Management Accountants (CIMA).

The BT Academy helps people acquire skills useful to their job. It also helps them take advantage of future career opportunities in an industry where the skills required change rapidly.

We believe that people at the start of their careers will increasingly want to work in companies that commit to the long-term development of their employees.

Career-life plan

We are committed to creating an environment where change can be anticipated and dealt with constructively.

We use two main tools to implement our long-standing policy of expanding our people's skills and capabilities: New Start and Achieve the Balance initiatives.

NewStart enables employees to consider and plan ahead for their career. It provides a comprehensive toolkit and the framework necessary to help employees and managers discuss these issues.

NewStart offers a number of services:

- Professional career counselling
- One-to-one coaching
- Online advertised vacancies
- On-the-job development through job shadowing and agency secondments.

NewStart is supplemented by Achieving the Balance, an intranet site promoting flexible working and presenting the range of work-life options available to BT people.

Health & safety

One of our business principles is to care for the health and safety of people across all BT's operations and products. We have made a specific commitment to promoting a healthy lifestyle by providing a health and wellbeing programme.

This is why we made our Significant Incident Rate a non-financial key performance indicator, with a strategic target of a 25% reduction in incidents by March 2005. The indicator records incidences of injuries, diseases and danger occurrences. It is a good measure of our success in promoting health and safety.

We reached the target two years early and at that point doubled the reduction to be achieved by the 2005. We have done the same for our targets on reduction in sick absence due to workplace accidents (down 33% since 2001) and reduction in occupational ill health cases (down 36% since 2001).

The revised targets are challenging. We will seek to achieve them by ensuring a commitment to zero avoidable accidents throughout the company. We continue to focus on a number of major health and safety risks:

- Driving
- Fire and incidents on BT property
- International travel health
- Call centre health
- Injuries while working on the network
- Work-related stress.

These priorities illustrate the scope of our approach to health and safety: it is not just about avoiding accidents – we consider it very important to protect our employees' physical and mental health too.

See the Data and targets section of our online report for health and safety performance data – on rate of absence, sick absence due to accidents and ill-health referrals.

Here we discuss:

- Our health and safety guiding principles
- Implementation by our lines of business
- Stress management

- Occupational road risk management
- Our partnership with the BT Unions on improving safety.

Guiding principles

BT's Health and Safety Guiding Principles

This policy acknowledges the commercial advantages and the humanitarian necessity of robust and effective health and safety performance.

Health and safety performance is a key indicator of our success in managing the business. Implementing the policy effectively will yield financial and social benefits which will contribute to our vision of being the most successful worldwide communications group.

Achieving the aims of the policy will be the responsibility of line management.

The Group Chief Executive accepts overall responsibility for Safety Performance within BT. The Chief Executive Officer of each line of business will be responsible for safety performance within their sphere of control. Implementation of the policy will be carried out by line managers.

Everyone within BT must contribute and feel able to contribute if we are to succeed.

Everyone within BT has a responsibility to ensure they take reasonable care of their own health and safety and the safety of others. It is essential that managers and their people seek to work in ways where safe behaviour is seen as normal and unsafe acts are not acceptable. No one will be disadvantaged as a result of raising health and safety concerns or adopting reasonable safe practices. Mechanisms will be established to ensure that all employees and their representative bodies can fully contribute to the safety culture of the business. The provision of information, instruction and training in the most appropriate form will be assigned the highest priority so that all employees understand the risks they face and how to control those risks to a level which is consistent with the objectives of this policy.



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Employees continued

We will strive to achieve excellence in our health and safety performance wherever we work.

Internationally accepted best practice will be adopted as a group-wide minimum level of performance. Assessments of risk will form an integral part of the operational management process. Risks will be reduced to a level which is as low as is reasonably achievable.

Competent specialist support and clear technical information will be readily available to all who need it.

Appropriate levels of specialist support will be available to managers so that uncertainty about legal or technical aspects of health, safety and welfare issues will not hinder performance. Health and safety solutions will be developed by those who work with the risks. Guidance on safe working practices will be presented in an easily understood style using a format accessible to everyone who needs the information.

We expect our partners and others who work with us to share our aspirations in the area of health and safety performance.

The health and safety performance of contractors will represent a key criterion used in the selection process. Wherever contractors seek to work for BT, their health and safety policy and performance must equal or better the standards achieved within BT.

Implementation

These processes and structures support the implementation of our Health and Safety Guiding Principles.

Each of BT's lines of business will:

- Appoint a health and safety champion who is a direct report of the line of business CEO.
- Produce an annual health and safety plan, with objectives, targets and responsibilities
- Prepare an annual health and safety report demonstrating the work done towards meeting its health and safety commitment

and measuring its performance against the standards set in the annual plan

- Maintain a comprehensive inventory of physical, chemical and psychosocial hazards
- Carry out formal risk assessment and profiling of all hazards within the inventory, and ensure that a system is in place to implement competent task-based risk checks
- Put systems in place to ensure that managers, employees, contractors and customers receive appropriate advice on relevant hazards that have not been eliminated and the potential risks from them
- Ensure risk awareness training and risk management systems are in place to successfully implement risk control measures
- Ensure that arrangements are in place for the health surveillance of those identified by risk assessment as requiring it
- Arrange for sufficient competent support in the areas of safety, health and hygiene
- Ensure compliance with the reporting requirements laid down by the BT health and safety champion
- Ensure the safety champion has the responsibility to undertake an adequate independent audit of the management of health and safety, commit to an action plan to deal with recommendations and have the completion of actions verified
- Communicate health and safety strategy, planning and performance to all employees and others involved, and involve them in the continuous improvement process.

Stress management

We are committed to help BT people recognise and deal effectively with everyday pressure and work-related stress.

BT's strategy for mental wellbeing

People feel stressed when they cannot cope with pressure in their lives – at work and at home. We are committed to ensure that unreasonable demands are not made on our people and that

they lead balanced lives.

We do this through job design, resourcing (making sure jobs are done by people with the right competences), training and development, and people management. We provide support to employees affected by stress caused by pressure in their private lives.

Our strategy is in three phases: primary, secondary and tertiary.

Primary – Reducing stress at source through workplace and job design

We use a number of tools to identify, manage and, where possible, eliminate the causes of work-related stress. To do this, we provide our employees and their managers with comprehensive guidance on the causes of stress and how to avoid problems, at the personal and organisational level.

We launched the Dealing with Stress internal website during the 2004 financial year. This includes BT's stress management-related resources and access to specialist teams.

Secondary – Identifying early signs of stress and supporting individuals

STREAM, BT's Stress Assessment and Management tool, provides us with organisational stress profiles and reports. It helps us identify work pressures that cause stress and recommends control measures that employees and their manager can use. STREAM also provides BT with essential (but anonymous) management information on the mental wellbeing of our employees.

Tertiary – Assisting established cases cope and recover.

Work can play an important part in recovery from mental health problems.

We consider it very important that managers and colleagues keep in touch with individuals during stress-related absences because it helps minimise the problems of isolation and de-motivation.

In the 2004 financial year, as part of BT's Total Health Management (THM), we introduced a new initiative. Absence Case Advisors send letters of support to people who are absent with a stress-related illness on behalf of BT's

Employee Assistance Programme. This includes women with post-natal depression.

Formal support for people with work-related or private problems is also offered through the Employee Assistance programme (EAP) – a confidential service that is available online or via the 24-hour helpline. Line Managers can get support from the Employee Assistant Management Team (EAM) – a confidential service available online or via the helpline.

Occupational road risk management

BT operates a fleet of about 32,600 vehicles in the UK. This means there is a significant risk of injuries to our people and the general public from road accidents.

We are developing a groundbreaking approach to the management of occupational road risk. Drivers are individually assessed and the factors contributing to higher risk of accident are identified. Drivers are then offered tailored support to minimise those risks. In the 2004 financial year, around 25,000 BT drivers took part in our Starting Point programme. The initiative was commended by the UK-based national road safety charity, BRAKE.

Working with our Partners in the BT Unions

In the 2004 financial year, we made a new agreement with the Communication Workers Union and Connect on the role of safety representatives. The agreement formalises the arrangements for the training of safety representatives and establishes a framework to promote co-operation between BT managers and the employee representative bodies. This partnership enables us to deal with health and safety issues in a non-political and non-confrontational manner. This ultimately helps us improve the protection of our people.



Offices worldwide

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BT and the environment

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

BT and the environment

Telecommunications is perceived as an environmentally friendly technology. But as one of the UK's largest companies – and biggest energy consumers – we have an inevitable impact on the environment.

We have a duty to manage this and to report on our performance – as we have done since 1992.

Here we explain:

- Our Environment management system
- Our Environmental Policy
- Environmental prosecutions (none in the 2004 financial year).

Environmental management system (EMS)

Our experience shows that good environmental management saves money and improves business efficiency. BT's environmental management system complies with ISO 14001, an international standard for the certification of environmental management systems. These are three of its key requirements:

- The organisation shall identify and assess the significance of the impact its activities can have on the environment. These impacts are described as environmental aspects
- Objectives and targets designed to reduce the organisation's environmental impact shall be established and a programme for achieving these objectives and targets shall be in place
- The company's Environmental Policy must contain a commitment to continuous improvement, prevention of pollution and compliance with relevant environmental legislation, regulations and other requirements.

ISO 14001 certification helps keep us focused on reducing the environmental impact of our operations during a time of very significant business, organisational and cultural changes for BT.

Our main environmental impacts in the UK are:

- Benefits
- Emissions to air
- Fuel, energy and water
- Local impacts
- Procurement
- Product stewardship
- Transport
- Waste

We used to have a separate impact category for environmental risk, to ensure that a special effort was put into reducing the major risks from fuel storage and hazardous telephone exchange materials. These risks have been minimised and we have integrated them into the other categories.

Our decision to classify our environmental impacts by category, each with an 'owner' (rather than by location), has proved sound. Since 1999, BT has undergone radical structural changes, but we have retained the ISO 14001 certification for all UK operations.

BT Openworld and BT Global Services are not currently certified. But we have completed an initial health, safety and environmental impact identification assessment of all our BT Global Services' operations. This has helped us develop systems to collect environmental performance data from our international operations so that we can incrementally include them in our environmental reporting.

We are establishing an EMS that covers all BT Global Services' activities in every country of operation. We are running a pilot project in Ireland (ESAT BT) to produce an EMS that is effective, robust and transferable to all countries, cultures and activities. We are hoping to integrate BT Openworld into the EMS early in the next financial year.

Once our international EMS is in place, we will seek to obtain the ISO 14001 certification and/or registration with the Eco-Management and Audit Scheme (EMAS), where appropriate. EMAS is an EU voluntary initiative designed to help companies and other organisations evaluate and report their environmental performance.

Our Environmental Policy

Our Environmental Policy establishes our targets in sustainable environmental improvement and compels us to measure and monitor our performance regularly.

We communicate the Group's environmental objectives, action plans and achievements because we want to help every BT person understand and implement the policy in their daily work.

Policy extract

BT is committed to preventing pollution and minimising the impact of its operations on the environment by means of a programme of continuous improvement. In particular BT and its wholly owned subsidiaries will:

- Meet all relevant legislative and other requirements, and where appropriate exceed or supplement these by setting our own exacting standards
- Seek to reduce consumption of materials in our operations, reuse rather than dispose of whenever possible, and promote recycling and the use of recycled materials
- Design energy efficiency into new services, buildings and products and manage energy wisely in all operations
- Reduce wherever practicable the level of harmful emissions
- Market products that are safe to use, make efficient use of resources, and use resources that can be reused, recycled or disposed of safely
- Work with our suppliers to minimise the impact of their operations on the environment through a quality purchasing policy
- Site our buildings, structures and operational plant so that we minimise visual, noise and other impacts on the local environment
- Support through our community programme the promotion of environmental protection by relevant external groups and organisations

- Include environmental issues in discussions with the BT unions and in BT training programmes; encourage all BT people to implement sound environmental practices.

As a minimum, we will monitor progress and publish details of our environmental performance in our Social and Environment report, on an annual basis.

For more information, see our full Environmental Policy in the Environment section of our online report.

Environmental prosecutions

BT recognises that it has clear legal obligations for the management of its environmental programmes.

During the 2004 financial year, there have been no environmental prosecutions in the UK.



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Fuel, energy and water

We are one of the UK's biggest energy users. Here we describe how we manage our fuel and energy use.

This section covers:

- Energy consumption
- Energy initiatives
- Energy benchmarking and surveys
- Energy management
- Premises energy (offices and buildings)
- Process energy (networks)
- Fuel tanks
- Water use.

Energy consumption

We continuously monitor energy consumption, using one of the UK's largest computer-based monitoring and targeting systems. This has been significantly expanded, using data collected at half-hour intervals from over 6,000 sites.

Our investment in new electricity meters – these monitor consumption every half-hour – has helped us identify wastage earlier rather than relying on a monthly bill.

Energy consumption for BT's network and estate during the financial year 2004 was 2,624GWh. This is made up of:

- 1,711GWh electricity (approximately) to run our networks
- 363GWh electricity (approximately) used at our office premises
- 550GWh (gas and oil use) for all our sites.

For data on emissions, see the Data and targets section of our online report.

Trends in energy use

Investment in energy management has enabled us to halt the increase in electricity consumption, despite a growth to our networks. This year, we have reduced consumption by some 32GWh. This is made up of a 5GWh decrease in the electricity used to power our networks and a 27GWh decrease in the

electricity used by our offices. Total consumption was 2,074GWh compared with 2,106GWh in the 2003 financial year. We are working hard to improve our network growth forecasting and to accurately assess the impact of broadband on energy demand.

We are continuing to reduce our use of heating fuel (gas and oil) with improvements shown when the data is corrected to take into account weather conditions throughout the year. Gas consumption continues to rise because of oil to gas heating conversions.

Energy initiatives

Here are some of the ways we try to improve our energy efficiency.

Plant replacement

We look at the whole life of our plant when we assess its cost, including its energy efficiency, which influences the cost of running the machinery. Buying more efficient equipment helps save energy and can reduce demand for cooling, cutting the cost of the plant over its whole life. Further cost savings can be made by replacing refrigerant-based cooling (air conditioning) with automated fresh-air cooling systems (which also reduce the use of refrigerant gases, such as HCFCs and HFCs).

Heating, ventilation and air conditioning (HVAC) investment

We continue to improve our equipment. For example, we are installing:

- Liquid pressure amplification (LPA) pumps in the air conditioning chillers of central refrigeration plants. This further improves their efficiency and has cut costs by up to 32% a year
- Building management systems that integrate heating and cooling, further eliminating waste.

Energy awareness

We have continued our energy awareness programme, through in-house publications, and an intranet guide to our ISO 14001 certification. Workshops with our suppliers and

contractors help us jointly to maximise our environmental performance. In the financial year 2004, BT won a Liveable City award in the contribution to air quality and climate change category. The judges acknowledged BT's commitment to lessen the impact of its operations on air quality, by reducing its carbon dioxide emissions worldwide. Our initiatives in this area include research on the use of urban wind turbines, government lobbying on global warming and moving to low emission and renewable energy sources.

Renewable energy

We are committed to meet and, where possible exceed, the UK Government's sustainability targets to buy renewable energy. We work with our suppliers to increase capacity and we are investigating housing our own renewable generation systems, such as wind turbines, at suitable sites.

Using renewable energy has major environmental benefits, including reductions in:

- Air emissions
- Greenhouse gas emissions, particularly CO₂, SO₂ and NO_x
- Particulates that contribute to breathing problems.

Taken together, the use of new green and low-CO₂ electricity delivers a reduction in CO₂ emissions of 187,000 tonnes a year compared with electricity generated from fossil fuels.

In the 2004 financial year, we participated in a number of initiatives to promote the use of renewable energy. Special efforts were made to develop new technologies using wind energy.

The Carbon Trust partnership

We created a partnership with the UK's Carbon Trust to investigate the suitability of using BT buildings to house wind turbines for trials in the 2005 financial year. The Carbon Trust has listed the 250 windiest sites, including microwave towers, radio stations and telephone exchanges in rural areas.

Rooftop wind turbines

We support turbine specialist, Wind Dam, in its development and deployment of rooftop vertical wind turbines. This innovative system is not as popular as traditional horizontal wind turbines that use propellers. The outer blades of the Wind Dam turbine follow the prevailing wind and guide the energy towards the inner blades. It is discreet and ideal for use on rooftops.

In the 2004 financial year, we made a strategic alliance with Wind Dam, commissioning the company to build and test two 2.5kW turbines in Cornwall, UK.

If successful, this turbine could be used in cities, where it would be less visible and noisy than traditional wind propellers.

Powering major UK sites from wind

Three large wind turbines, according to the Carbon Trust, would be sufficient to power one of our large satellite communications sites in the UK. We are in negotiations with the authorities to install the turbines there and at a redundant radio transmission site in the UK West Country.

Both sites would become tourist attractions and provide an opportunity to demonstrate the benefits of renewable energy while celebrating the history of radio and satellite communications.

Photovoltaics and biofuels

Using sunlight to power small telephone exchanges holds great promise but the cost of photovoltaics is prohibitively expensive. Nevertheless, in the 2005 financial year we will investigate the feasibility of new systems, including those that combine the use of solar energy and wind.

We will also explore the use of fuels made from plants (biofuels) to replace the diesel used in our emergency generators. Biofuels are considered to be carbon neutral because the plants store as much carbon in their growth as that emitted when the fuel is combusted.



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Energy benchmarking and surveys

Our contracted facilities management team continues to conduct energy surveys at poorly performing sites, to minimise energy and water consumption. Web-based electricity reports, updated every half-hour, have helped our building facilities supplier to focus further on waste. This has been supported by energy surveys from BT within our network buildings, and surveys carried out by specialist consultants as part of the government Actionenergy programme.

Home working

BT continued its home-working programme. This enables many of our people to travel less and allows us to close some of our older, less efficient offices.

Contract and supply strategy

Like many UK organisations, we have found that imprecise electricity bills have hampered our energy efficiency programmes because poor data makes it difficult to judge progress. We are tackling this problem at a supplier, industry and regulatory level and have seen a slow improvement.

Eliminating waste

Energy targets help us to cut waste. They cover:

- Purchase of green/renewable energy
- Process energy (networks)
- Premises energy (offices and buildings)
- Metered water use
- Bio-fuel investigation.

In the financial year 2004, BT Wholesale invested £657,000 in its energy conservation programme. This has resulted in savings of over 14GWh.

Our three-year investment programme in electricity metering and action plan to improve the quality of electricity data has significantly increased data accuracy to over 97%. This data is the baseline that provides the basis for all future monitoring and targeting.

See the Data and targets section of our online report for details.

Energy management

Our energy management programme helps us maintain our:

- Energy efficiency accreditation (with the UK National Energy Foundation)
- Fuel storage tank environmental testing and remedial works programme
- ISO 14001 certification.

A key objective has been to consolidate our energy management and plant replacement strategy, and build on the delivery mechanisms within our supply chain in property, facilities management and energy supply.

Throughout the financial year 2004, we continued to invest in energy efficiency and embedding it in our business. This integrated approach makes it more difficult to isolate the cost savings we make through energy efficiency initiatives.

Our most significant achievement in the financial year 2004 was the continued roll-out of half-hour metering, now installed at over 6,000 sites. This means 95% of all our electrical energy is remotely metered every half hour, which allows us to identify and eliminate waste energy more effectively. We no longer have to rely on imprecise billing.

In addition, our energy management team is still working effectively in partnership with the owners of the BT estate. This will help us speed up our energy efficiency improvements.

See the Data and targets section of our online report.

Premises energy

Premises energy includes all the electricity, oil and gas required for more than 1,000 offices, warehouses and depots.

As we rationalise and refurbish our premises, our overall energy use is decreasing. Although it is a fact that air conditioning increases energy consumption per square metre, our rationalisation and refurbishment programme enables us to use our office buildings more efficiently (more people, less empty space). This helps us reduce energy use per person.

In the financial year 2004, premises energy consumption decreased by 3.8%, compared with the previous year. In the same period, degree-day corrected heating energy was down by 1.3%, the equivalent of 3,428KWh per degree-day. Average degree-days for the year were 0.18% higher than in the previous year.

For more, see the Data and targets section of our online report.

Process energy

Process energy includes all the electricity to power more than 6,300 transmission stations, satellite earth stations and telephone exchanges that support our voice, data and internet networks.

We generate electricity on site using our own generators. This is done to provide extra electricity at peak times and during supply failures. In the financial year 2004, we generated 21GWh of electricity.

We still expect to see an increase in the demand for energy to power our fast-expanding networks but are working hard to improve our network growth forecasting and to accurately assess the impact of broadband on energy demand.

Fuel tanks

We have several thousand fuel storage tanks, many below ground. The fuel is used for heating and to supply standby diesel generators used to power the network during a power failure. If spilled, the fuel poses a threat to drinking water supplies, particularly in sensitive areas close to water abstraction points. This is a highly regulated issue.

Testing, repair and decommissioning of fuel tanks are a vital part of BT's programme to reduce the risk of pollution from fuel storage.

Four years ago, we began a programme to test all our fuel tanks. At the end of the financial year 2004, we had spent £11 million on the testing and remedial work. This has substantially reduced the risk of pollution from our oil storage tanks.

A specialist company visited 1,391 sites, tested 1,168 tanks, passed 714 (61%) and provided detailed recommendations for remedial action. Over 324 remedial sites were identified, 157 of which resulted in the decommissioning of the existing tank and replacement with a new internal tank. The remainder required either pipe-work repairs or other minor works. The testing programme has also identified 91 tanks that no longer pose a risk to the environment.

Incident reporting

Even with good controls, spills happen. To reduce the number and severity of these incidents, it is important that they are investigated promptly, lessons are learned and any changes are made quickly. 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
- **Local** – where a minor spill is contained within a very small area.

For significant and serious incidents, a specialist contractor cleans up.

For serious incidents in the UK, the Environment Agency (EA) or the Scottish Environment Protection Agency (SEPA) are also informed.

Investigation process

The BT Wholesale Power Technology Support team now investigates fuel-related serious environmental incidents. The team's investigative skills, technical understanding and legal/regulatory awareness are helping to improve our performance in this area.

In the financial year 2003, we established a new process that required details of incidents to be recorded on a database. In the financial year 2004, eight actual, or potential, spillage-related incidents were investigated, with recommendations made for improvement.



Fuel, energy and water continued

Of these, four were classified as serious, three as significant and one as local. Additionally, one case was investigated where conditions found on site required remedial work to avoid any potential incident occurring in the future.

The approximate known quantity of diesel fuel lost as a result of these incidents was 507 litres.

Site questionnaires

A comprehensive site questionnaire has been developed to improve our detailed understanding of the environmental risks associated with each of our facilities. It covers information such as drainage plans, the proximity of the fuel delivery points to drains, and whether the site has oil interceptors that are regularly maintained.

We completed questionnaires for all of our sites in 2002 and have an ongoing programme whereby assessments are completed annually on our behalf by BT's contracted facilities management supplier, Monteray.

Oil recovery

In the financial year 2004, over two million litres of oil have been removed from tanks that have been decommissioned as a result of our fuel tank integrity testing programme or conversions from oil to gas-fired heating systems.

Of this, 30,000 litres have been reused for heating purposes at other BT sites, and 620,000 litres have been reused in replacement generator tanks. Where it has not been possible to reuse internally within BT, other external reuse options have been considered. As a result, 1.34 million litres of recovered oil have been sent for reuse in the manufacture of road surface material. As a last resort, we disposed of 33,500 litres as controlled waste so that the fuel tank decommissioning programme would not be delayed.

For more, see the Data and targets section of our online report.



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Water use

We use water mainly for catering, washing and toilets. All our sites have water meters.

A concerted effort to reduce our water consumption (leak detection, underground pipe replacement and water-saving devices) has led to a reduction in consumption of 3.15%, (from 2.1 million cubic metres in 2002-03 to 2.04 million cubic metres in 2003-04). The year 2003-04 has been very dry, causing a larger number of underground water leaks from fractured supply pipes.

We are now close to the economic benchmark for optimising water efficiency in most of our buildings. Despite this we will continue to target metered water use.

For more information, see the Data and targets section of our online report.

Waste

We produced around 107,303 tonnes of waste in the 2004 financial year. Of this, we recycled 27,626 tonnes and sent 79,677 tonnes to landfill (11.35% less than last year).

To retain our ISO 14001 certification we must run an efficient and effective waste management system. We are tenants in much of our property and our building facilities are managed by a contractor. We work in partnership with them to ensure effective waste management.

Here we describe:

- The type of waste generated
- The BT Waste Forum
- Performance against key waste targets
- Working with our property partners.

For further details, see the Data and targets section of our online report.

Types of waste

We generate different types of waste.

- Category 1 – does not present a danger of environmental pollution, such as paper
- Category 2 – not toxic or hazardous in unmodified form, but which has the potential to become so if not treated properly on disposal, such as cable
- Category 3 – inherently toxic or hazardous and requires the most careful handling at all stages of the disposal process, such as diesel oil.

The BT Waste Forum

We have a waste forum – made up of key people across BT. Its role is to:

- Set and monitor waste environmental targets
- Review contractors' environmental performance
- Ensure we comply with all environmental legislation
- Manage our packaging obligations
- Promote and communicate environmental initiatives and awareness
- Consider any new ideas on waste management.



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Waste continued

Performance against key waste targets

Target by March 2004	Achievement	Comment
Increase the amount of items recycled (recorded in tonnes) by 10%, measured against the March 2003 outturn figure	No	Unfortunately, because we successfully reduced the overall amount of waste we generated – down by 10,000 tonnes this year – we did not meet this target. However, as reduction is a preferred option to recycling, we are very pleased with this outcome.
Introduce improved disposal routes and processes for spoil/rubble from BT field operations using BT engineering sites	Yes	After trials at four UK sites, users at nominated sites have agreed to provide dedicated skips for this waste.
Develop new disposal and recycling routes and processes for site-level fluorescent tubes in line with current regulations	Yes	A new procedure to recycle fluorescent tubes (about 1,200 a year) will be used throughout BT from 1 April 2004.

For further details, see the Data and targets section of our online report.

Working with our property partners

Over 6,700 of our buildings are owned by Telereal and our facilities management is carried out by Monterey. We work closely with them in partnership to ensure that our waste is properly managed, ensuring our continued certification to the ISO 14001 environmental management systems standard.



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Transport

We run a fleet of 32,633 vehicles, managed under contract by our subsidiary, BT Fleet.

We use our considerable purchasing power to ensure we achieve the best possible value for money and lowest costs for the full life of our vehicles. BT Fleet is responsible for the management of our transport environmental impacts. This is part of BT's UK certified ISO 14001 environmental management system (EMS).

Here we discuss:

- How we operate our commercial vehicle fleet
- Our company car policy
- The use of alternative fuels and fuel efficiency devices
- Noise suppression efforts
- Electric vehicle trials
- Awards.

Commercial vehicle fleet

In the financial year 2004, our commercial fleet has reduced by 4%, with a corresponding reduction in fuel consumption of 4%. See full details in the Data and targets section of our online report.

We achieved our target to use smaller vans and to remove 832 (actual achievement was 878) vans from the commercial fleet. These improvements were achieved because of a number of initiatives and policies, such as:

- Engineering productivity targets and systems, which improved vehicle routing to eliminate unnecessary travel
- Operational policies, optimising vehicle use
- Vehicle replacement cycles, which ensure the fleet benefits from latest technologies and emission standards, while delivering greater reliability and lower maintenance frequency and costs

- Vehicle pools, which provide services for those people who cover few miles
- Utilising pools of larger or specialist vehicles to help reduce the number of these vehicle types.

In the financial year 2005 we will:

- Reduce our commercial fleet by 2,000 vehicles
- Test potential fuel savings from a new speed limiter function on vans, and get driver feedback
- Participate in the UK Transport Energy Best Practice programme. It provides vehicle operators with free specialist advice on fleet efficiency (eg, fuel management, fleet mileage, driver training) and helps develop action plans to improve.

See further details in the Data and targets section of our online report.

Company car policy

Our company car policy supports the key objectives of the UK Government's emissions-based company car taxation initiative. It offers the following benefits:

- Increased allowance to employees who opt out of company car ownership
- Improved tax efficiencies for employees who opt for lower-emission cars
- Improved advice and communications to company car drivers, encouraging users to choose lower-emission cars.

Reducing fuel consumption

The UK's new tax regime – it no longer rewards high mileage – has helped us to reduce mileage. We penalise company car drivers with cars that return less than 23 miles per gallon with a £20 per month surcharge.

Since April 2001, when our new car policy was introduced, the company car fleet size has reduced by 25% (nearly 4,000 vehicles) with a combined mileage reduction of over 19 million kilometres (8.45%) for company cars and private vehicles on BT business.



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Transport continued

Online ordering

Our company car ordering system for car drivers is completely web-based, with links to all the vehicle manufacturers and to all new vehicles' fuel consumption and CO₂ emission data. Information to help drivers minimise their impact on the environment is included. This enables drivers to make fully informed choices when buying cars and supports the UK Government's aim to encourage the use of lower-emission cars.

Alternative fuels

Our fleet is mainly medium and large vans – nearly all diesel powered. There are alternative fuels, but each has its drawbacks:

- We could replace diesel with petrol vehicles, but this would reduce fuel economy because petrol vehicles are less efficient than diesel equivalents
- Liquid Petroleum Gas (LPG) is the cleanest-burning fossil fuel, but supplies are limited. Furthermore the additional space needed for LPG tanks on the vehicles would mean replacing existing vehicles with larger, less fuel-efficient models
- Vehicles using both LPG and petrol (duel fuel) are being assessed as we await clarity from the UK Government on fuel duty.

Further details are available in the Data and targets section of our online report.

Fuel efficiency devices

Tests on a fuel economy device found it produced average fuel savings of 12% and reductions in diesel smoke emissions of 36%. But it risked damaging the fuel injection system and the device was rejected.

Noise suppression

We have worked hard to develop specifications that minimise noise for our operators and those in the vicinity of our specialist cabling vehicles. Over the years we have:

- Developed the vehicle specifications to include higher horsepower engines (allowing operation at lower engine revs)

- Introduced sound-deadening panels behind the engine
- Revised the hydraulic valve component to reduce noise.

Despite increased power demands, we have reduced noise to a level where operators no longer have to wear ear defenders.

We specify that all vehicles fitted with hydraulic systems return to tick over when not powering the system. This reduces fuel usage and exhaust fumes, and keeps operating noise to a minimum.

Electric vehicle trials

BT is taking part in the TH!NK@bout London mobility project, originally launched and supported by motor manufacturer Ford. This project helps businesses and environmental groups in London join forces with local, regional and central governments to introduce electric vehicles to the city's streets.

Phase 1 began in August 2001 when London Mayor Ken Livingstone presented BT Fleet with the keys to a new electric vehicle for the company to use around the capital. Phase 2 began on 9 April 2003 when BT Fleet was again presented with a Th!nk car to use in London for 18 months.

The silent, zero-emission electric car provided by TH!NK@bout London will again be used by a network planning team for light delivery work and site visits in and around the capital. The electric car, which replaces a Ford Fiesta van, is fitted with telemetry systems to check performance. The data is sent directly to Ford for analysis.

Like phase 1, phase 2 of the project was heavily over-subscribed and BT was one of 15 companies chosen to participate. This is because we were considered an environmentally aware, high-quality and innovative organisation that reflects the diversity of transport users in London.

There are now 88 Th!nk cars on the UK roads, as part of various programmes, including Th!nk@bout London, Th!nk@bout London Boroughs and Th!nk@bout Edinburgh.

The Th!nk electric car will continue to be rigorously tested in London every day.

Awards

In the 2004 financial year, BT received two London Liveable City Awards, which recognise and promote sustainable business.

BT won the award in the Air Quality and Climate Change category. The judges recognised our efforts to reduce the impact of our worldwide operations on air quality and cut our CO₂ emissions.

We were also 'highly commended' in the Traffic Reduction and Transport Management category for our innovative conferencing technologies and flexible home-working initiatives. The award recognised the significant reduction in the amount of travel by BT people, including in and around the congested area of London. The judges also praised our efforts to encourage business customers to reduce the environmental impact of their transport activities.



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Emissions to air

Emissions to air are gases released into the environment, such as car exhaust fumes. This is a highly regulated area because some emissions are harmful and others, such as carbon dioxide from our vehicles, contribute to climate change.

We closely monitor our air emissions. Here we explain our:

- Action on climate change
- Ozone depletion and refrigerants.

Action on climate change

Since August 2000 we have been reporting on our impact on global warming, using the UK Government guidelines. These recommend that the impact is measured in equivalent tonnes of CO₂. We have achieved:

- A 62% reduction in CO₂ emissions since 1991 because of improved energy efficiency
- A 38% reduction in CO₂ emissions since 1992 because of improvements to transport.

This is equivalent to an annual saving of almost 1.2 million tonnes of CO₂.

Our emissions savings already exceed the UK Government's target to reduce greenhouse gases emissions by 20%, by 2010 (from a 1990 baseline). This goes beyond the Kyoto Protocol target of a 12.5% reduction by 2010.

For more on the CO₂ Model and a CO₂ equivalent emissions chart, see the Data and targets section of our online report.

Ozone depletion and refrigerants

Wherever possible, we use fresh air to cool our telecommunications equipment. But on warm days we have to use air conditioning. We are working to improve electronic equipment so that it needs less cooling.

We report on our ozone-depleting emissions – as defined by the Montreal Protocol – in accordance with the requirements of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

In the 2004 financial year, installed volumes of refrigerant gas increased by 1,078 kg and gas emissions by 21 kg. This is because we have, for the first time, included office buildings in our reporting. These buildings are managed by our facilities contractor Monteray.

We control the net amount of refrigerants purchased (the quantity purchased minus the quantity returned or recycled) so that it is no higher than 4% of the total refrigerants held. The end-of-year total was 2.9%.

For further details and a CFC-11 equivalent emissions chart, see the Data and targets section of our online report.

Fresh air cooling

Where possible, our communications equipment complies with the requirements of the European Telecommunications Standards Institute. This means we can make full use of fresh air cooling – with its inherent lower energy and maintenance costs – for about 70% of the year.

Refrigeration cooling

Our key environmental concern here is to prevent the accidental release of refrigerant gas.

All cooling units purchased since February 2000 use an ozone-friendly, chlorine-free refrigerant gas, R407C. All refrigeration units are hermetically sealed.

In addition, air conditioning units are fitted with pressure transducers, a new control system, and are designed to be operated without the need for refrigerant analyser gauges through which refrigerant gas can escape.

We also recently introduced a newly designed type of fan (the EC-motored fan) that brings considerable energy savings compared to the usual fan.

We continue to monitor available refrigerants that comply with the requirements of the European Union 2000/2037 Regulation on the use of ozone-depleting substances. Where possible, we will use ozone-friendly HFC refrigerants in new and existing plants.

For further details, see the Data and targets section of our online report.

Product design

Through our active participation in the European Telecommunications Standards Institute (ETSI), we continue to explore opportunities to improve the energy/cooling efficiency of the equipment we purchase. We try to influence the design of future communication equipment to ensure that standard cooling practices can be applied.

One of these initiatives addresses the problem of increasing heat dissipation out of communication equipment racks and cabinets. BT has been instrumental in the process of updating the current ETSI standards and in the proposal to include a thermal management standard for equipment installations.



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Procurement and the environment

In the 2004 financial year, BT spent over £8.2 billion on products and services. Our purchases range from telephone exchange equipment and vehicles to accommodation, fuel and energy, stationery, office machinery and postal services.

In the UK, this makes us one of the largest purchasers, with an environmental influence that extends well beyond that of our own staff and workplaces. In recognition of this, and to comply with the ISO14001 standard, we identified Procurement as one of eight company activities that affect the environment.

Environmental objective

Our environmental objective in procurement is to seek to influence the environmental performance of our suppliers and contractors through our purchasing policy.

We have set specific objectives to ensure appropriate supplier environmental data is collected. After evaluating our suppliers' environmental impacts, we encourage poor performers to improve.

We have adopted a risk-based approach focusing attention on improvements in the areas where the greatest impact can be made.

Methodology

The implementation of our procurement environment objective has three main strands:

1. Assess suppliers' general environmental policies and procedures. We do this with our environmental impact online questionnaire (GS13). The supplier must complete this after agreeing a mandatory pre-contract award commitment to work towards continuous improvement, if required. In this way we can identify and drive continuous improvement with

those suppliers who do not have the procedures needed to manage the environmental risks of the product or service we buy.

2. Managing the environmental impacts of electrical or electronic equipment (EEE).

We have a pre-contract product stewardship online questionnaire (GS19), which is mandatory for all potential EEE suppliers. This provides information on materials used and compliance with forthcoming environmental legislation. The information is assessed and sent to our buyers and product managers so that they can make informed decisions.

3. Auditing Waste Management Suppliers.

All our waste contractors must provide a statement on their waste disposal procedures. We assess this for legal and environmental compliance. Contractors are audited by us (using an external specialist) every year. Audit reports are sent to the relevant BT buyer and progress on any required improvements monitored by the auditor.

Training

• Buyers

In the financial year 2004, three training workshops were held, primarily to brief BT's overseas buyers on their environmental responsibilities. A total of 47 buyers attended these training sessions. A further 3 conference calls were held with overseas buyers who were unable to attend a face to face event, to go over the same training material attended by 30 buyers. This training was in addition to training conducted in the financial year 2003, when 11 training seminars were held and attended by 182 of BT's buyers.

Two seminars on continuous improvement were also held to give buyers extra guidance.

In 2003 we assessed the effectiveness of the buyer training by conducting a soft audit of their implementation of the environment processes. Key aspects were then reinforced through environment presentations at their team meetings. This assessment is being re-conducted in 2004.

• Suppliers

In the financial year 2004, we hosted a training programme to help BT suppliers implement environmental management systems compatible with the ISO14001 management systems standard. Seven BT suppliers took part in the four-day course, partly funded by the European Union. Participants committed to spend 120 hours on project implementation in their companies.

Monitoring and Driving Improvements – Performance at a glance

The Table below provides key data concerning BT's monitoring and driving environmental improvements with suppliers

Implementation of GS13 Environmental Impact Process	In Yr 2002/03	In Yr 2003/04
Number of new BT contracts	879	1,199
GS13 requirement included in new BT contracts	879	1,199
GS13 risk assessment questionnaires requested by BT to be completed by supplier*	70	568
GS13 supplier risk assessment questionnaires completed	43	410
Number of questionnaires where continuous improvement was required	18	129
Number of questionnaires where continuous improvement was being driven	7	131
Number of contracts where continuous improvement completed	0	33

*One supplier questionnaire response may cover multiple contracts if for the same environment risk category

In the financial year 2004, we have also assessed 233 Product Stewardship Questionnaires (GS19) and audited 33 waste contractors.

Other environmental initiatives

In the 2004 financial year, we made a commitment to the Mayor of London's Green Procurement Code. This promotes demand for recycled products in London. We are exploring ways to buy more products made from recycled materials, such as:

• Aggregates. This is crushed rock used to repair roads after laying underground cables.

• Paper and stationery. We are investigating the possibility of increasing the use of recycled content in paper and stationery used in the UK.

• Carpet. We have identified that we currently don't use carpet with recycled content and are exploring this possibility.



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Product stewardship

Why product stewardship is so important

Our world runs on electronic products. The drive to make these better, faster and cheaper is good for customers and business, but it creates waste.

When we buy products for our own business or for resale, we place demands on the Earth's resources.

For example, we may not mine minerals ourselves but through our supply chain we inevitably support the extraction of minerals. The products and services we sell inevitably lead to consumption and waste.

This is why we share responsibility for:

- Reducing the use of hazardous materials in the manufacture of our products
- Minimising the energy consumed during their life
- Enabling their reuse, recycling and safe disposal.

Product stewardship is a set of principles designed to reduce the environmental impact of a product (or service) throughout its life.

Practising product stewardship brings benefits to the environment and to business. For example, designing products to use the minimum resources during manufacture, use and disposal can reduce costs and environmental impacts. Refurbishing used products for reuse can increase revenues and reduce landfill.

Here we report on the legislative and business initiatives that are driving product stewardship.



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Why we have to manage our products

How product stewardship supports sustainability

Product stewardship reduces the environmental impacts of products, particularly electrical and electronic equipment.

The approach considers the entire life-cycle impacts of a product and its packaging by:

- Minimising the actual amount of material used
- Reducing or eliminating the use of toxic materials
- Minimising the energy used in sourcing, processing, manufacturing and transport
- Extending product life by incorporating 'future-proofing' into product design to maintain/enhance functionality
- Enhancing durability.

We do not make products ourselves (those that bear our name, such as telephones, are made by others) but we use electrical equipment in our own network and in our customers' premises (eg, routers, servers, modems, telephones).

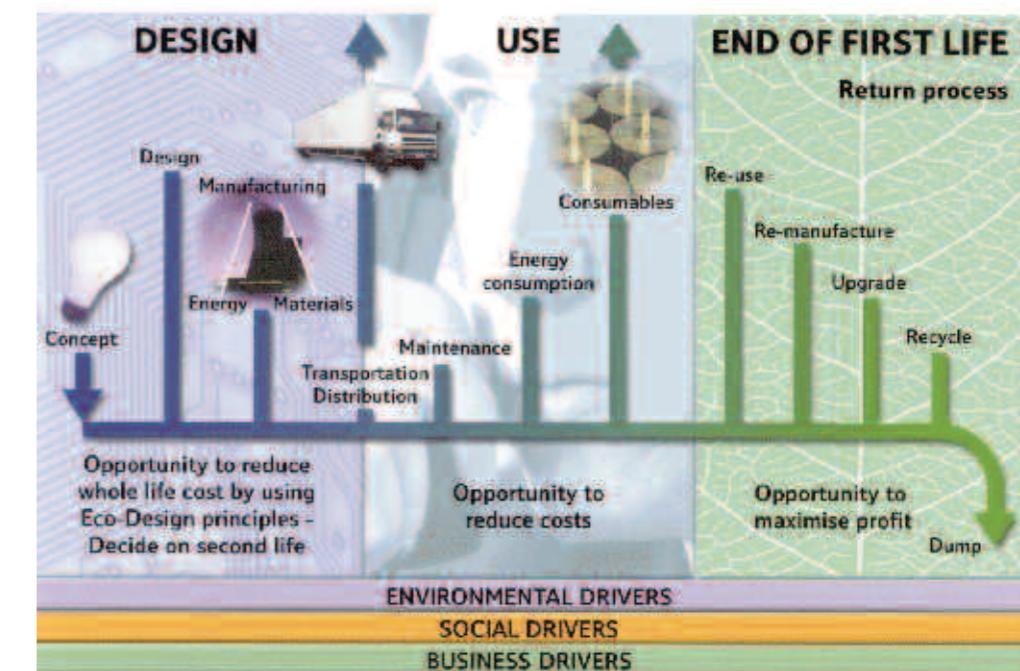
Product stewardship – the height of the indicator shows environmental benefit, eg, reuse has a greater benefit than remanufacture.

Legislative drivers

Electrical and electronic equipment (EEE) waste is growing three times as fast as municipal waste in the European Union. It makes up 4% of municipal waste today and this proportion will grow by up to 28% every five years.

Two EU directives address the problem: Waste Electrical and Electronic Equipment (WEEE) and the Restriction of the use of certain Hazardous Substances (RoHS).

Both directives aim to minimise the use of hazardous materials in electrical and electronic equipment, to minimise the amount of hazardous waste going to landfill, and to encourage reuse of materials.



This will be achieved by setting targets for collection, treatment, recycling and recovery of waste EEE. The directives embrace the concept of extended producer responsibility, requiring manufacturers to finance the cost of taking back equipment at the end of its life.

The directives ban the use of hazardous materials, including lead-based solders, mercury, cadmium and brominated plastics. These materials will have to be treated before landfilling, which will significantly reduce pollution and their potential to enter the food chain and potentially affect human health. We welcome this groundbreaking legislation because it supports our desire to contribute to a more sustainable society.

A more demanding directive, called Energy-using Products (EuP), was published in August 2003. It proposes that any new EuP must have its environmental impact assessed using life-cycle analysis and will have to follow eco-design principles, before it can carry the CE mark and be sold in the EU. The CE mark will apply to all EuP and will define minimum safety and environmental standards.

Our pre-tender process (GS19) requires suppliers to provide information about their products and how they propose to comply with EU legislation.

Find out how BT is preparing to adapt to the new legislation in A Guide to the marketing, product development and manufacturing actions you need to take, which you can view at: www.envirowise.gov.uk/. The guide was produced by Envirowise in support of the UK Government initiatives on the WEEE and RoHS directives. Envirowise is a UK Government-funded programme, helping companies to comply with the directives.

Contributing to legislation

BT continues to contribute to legislative developments by working with industry bodies, such as the UK Industry Council for Electronic Equipment Recycling (ICER). ICER provides forums for discussion with trade associations and gives feedback to the UK Government.

As an active member of ICER (www.icer.org.uk), we work closely with manufacturers and recyclers with similar responsibilities on ways to solve issues such as how the various targets will be met, data provision and how to organise waste collection.

Find more on the EU legislation at: <http://europa.eu.int/comm/enterprise/> and http://europa.eu.int/comm/energy/index_en.html.

Product stewardship continued

Product stewardship in action

Broadband and home energy use

Following a study completed in the financial year 2002, which assessed the energy used in our broadband-enabled exchanges, this year we looked at the energy consumption of equipment used to connect to broadband in the home.

The findings emphasised the need to make environmental decisions based on fact, not assumption. For example, we found that older computers use up to half as much energy as new models with higher specifications. Furthermore, applications that use the graphics card extensively, such as online gaming, consume considerably more energy than downloading and viewing files or working on a document.

Among the key findings are:

- Users could reduce their energy consumption (and contribution to carbon dioxide emissions) by using computers with energy-saving features and making sure they are set up correctly
- Home computer and related equipment could contribute up to 60% of the emissions when doing nothing (standby mode)
- While the impacts of broadband energy used by consumers on climate change are significant when compared with BT's annual CO₂-equivalent emissions, its overall contribution is very small – less than 0.1% of the UK's total yearly emissions
- Home users could cancel their increased emissions by reducing their car trips by between 100 and 1,000 kilometres a year.

Improving what we do

Carefully setting our targets each year helps us improve. In the 2004 financial year, we worked closely with our buyers, product specifiers and suppliers to improve the way we gather information on the products that we buy. This helps us comply with new legislation and make better buying decisions.

In the financial year 2005, we will continue with this important work and we have set another target to make sure that our process is effective.

EEE suppliers invited to tender are asked to complete an online questionnaire, GS19, which asks about material content and other environmental characteristics of their products.

We work with our suppliers to ensure they complete the questionnaires with all the information necessary. Since November 2002, we have assessed 227 GS19 responses from 95 separate suppliers. We requested additional information for 25 of the completed questionnaires.

This information is needed to ensure that BT meets its obligations under EU law, intended to encourage suppliers to design products that have less environmental impact, increase recovery and recycling, and reduce hazardous materials in new equipment.

The questionnaire asks if products contain materials described in the RoHS directive and if suppliers have programmes to phase out:

- Lead
- Mercury
- Cadmium
- Hexavalent chromium
- PBB brominated flame retardant
- PBDE brominated flame retardant.

Now that we have completed our product stewardship target to monitor the effectiveness of the GS19 process, it was decided to not only redesign it but also to tailor it to fit in with other Generic Standards.

Encouraging BT's suppliers to reduce the environmental impact of their products is critical to BT achieving its own targets of minimising energy and resource use. We are working to seek to influence the design of products by non-

European suppliers. We are recording and monitoring the data on materials in products. This will help us comply with the law and will enable environmentally responsible disposal options to be considered at end of life.

Training

We are planning to organise a series of training seminars for BT buyers in the near future. Our procurement department is checking to see if the correct procedures are followed.

Our Computer-Based Training package (CBT), used in our first product stewardship awareness programme, is still available to BT people. It is especially relevant to buyers and suppliers of electrical and electronic equipment.

Reuse

We are working to ensure that we reuse as much equipment as possible. This reduces costs and wastage by maximising the life of our equipment. We use a database that lists switch equipment available for reuse and allows it to be reserved and tracked until it is delivered.

Our partnerships

e-Living – Life in a Digital Europe

We worked with the EU's e-living – Life in a Digital Europe initiative, a partnership of nine organisations which aims to generate quantitative data on the environmental impact of information and communications technology (ICT).

ICT usage and the environment is one of five areas under investigation in the e-Living research programme. We evaluated the direct environmental impacts of the use of ICT equipment by:

- Gathering data on the contribution of ICT equipment on waste, including hazardous materials and emissions of greenhouse gases through energy use
- Reporting on the influence of EU policies and regulations, especially the WEEE and RoHS directives. We also researched other EU initiatives, such as the Integrated Product Policy (IPP) and the adopted proposal for the

Framework for Eco-design of Energy Using Products directive.

The projections revealed that the ICT waste stream in Europe is likely to be larger than initially anticipated. See e-living initiative (www.eurescom.de/e-living) for more information and the draft report.

Sustainability through producer responsibility

We are working with the Green Alliance, a UK-based environment organisation, on the Sustainability through Producer Responsibility project. This is a collaboration between business, government and non-governmental organisations. Its objective is to examine the potential impact of producer responsibility programmes on the use of resources. It also seeks to develop a set of widely agreed guidelines to design and implement producer responsibility initiatives in the UK.

For more information, visit the Green Alliance website: www.green-alliance.org.uk/.

To find out more about the UK Government guidelines on sustainability, see DEFRA (<http://www.defra.gov.uk/environment/sustainability/index.htm>).

Environmental standards

We are working with a world-renowned environmental standards organisation to produce the first worldwide environmental and ergonomic standard for telephones.

Achievements

Our achievements in the 2004 financial year were:

1. Setting up a database of all the hazardous materials (as required under the WEEE Directive) for all telephones made since 1970
2. Training over 80% of BT buyers in the principles of product stewardship
3. Providing BT's response to the first and second round of consultations carried out by the DTI on the implementation of the WEEE and RoHS directives



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Product stewardship continued

4. Incorporating our innovative product assessment process (GS19) into our procurement policy as a mandatory requirement
5. Improving our core network installation requirements to include product stewardship principles
6. Completing a second study on broadband services – reporting on end-user equipment, and its energy impact and equivalent CO₂ emissions.

Plans

In the financial year 2005, we will carry out environmental impact assessments on a number of our products. This will help establish where improvements can be made at the design and manufacturing stage and minimise the products' use of energy and material resources.

A major objective is to ensure that using the GS19 questionnaire becomes a common activity within our procurement system.

Our awareness training of BT buyers and the procurement department will raise the profile of product stewardship and help reduce the associated environmental and business risks to BT.

We will support the phase-out of lead solder, hexavalent chromium, brominated flame-retardants and all the other materials covered in the RoHS directive (we ended the use of cadmium as a pigment in all telephones in 1989).

We will continue to contribute to the dialogue on the EuP directive within the stakeholder group co-ordinated by the UK Government.



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Local impacts

The impact of our activities, such as the visual intrusion of telephone wires or the disruption caused by construction work, affects people's immediate surroundings.

The infrastructure supporting our 28 million customer lines in the UK includes around four million telegraph poles, millions of manhole covers, thousands of roadside cabinets, 24 tunnels running under cities and hundreds of radio stations. Our network is expanding and changing as technology progresses. We are conscious that this has a potential impact on the environment – on the countryside, on skylines and cityscapes – and concerns all our stakeholders.

Our approach to local impact is embedded in our network planning rules and procurement policies. We have established channels to help customers communicate with us about these issues. We support the four principal elements set out in the UK Government's sustainable development agenda:

- Social progress which recognises the needs of everyone
- Effective protection of the environment
- Prudent use of natural resources
- Maintenance of high and stable levels of economic growth and employment.

Here we discuss:

- Visual amenity
- Street furniture
- Street works
- Wires and cables
- Radio masts
- Biodiversity
- Biodiversity action
- Environmental management
- Campaigning and public debate
- Environmental complaints
- Special projects in the UK.



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Visual amenity

The UK Government defines visual amenity as '*the preservation of a view or prospect available to a member of the local community from a public location which is designated as protected*'.

It can be difficult to strike the right balance when installing equipment. For example, replacing overhead wires with buried underground cables has both benefits and drawbacks. Underground cables may have less visual impact, but burying wires consumes much more energy and materials.

Our telephone poles are made from timber grown in sustainably-managed forests and can be regarded as a renewable resource. Underground installation requires plastic ducting, concrete and metal manhole covers, which are made from non-renewable sources.

We work with our customers and the authorities to achieve a balance between visual impact, cost and the use of resources.

We also recognise the unique value of the UK's national parks, their breathtaking scenery, rare wildlife and cultural heritage providing a haven for quiet enjoyment for all. BT is a founding member of the Corporate Forum for National Parks (www.cnp.org.uk/corporateforum) and is committed to work with the Council for National Parks (www.cnp.org.uk) to help them meet their objectives.

Street furniture

Our roadside cabinets are sometimes vandalised with fly posters and graffiti. We are working with many local authorities and community groups to improve streetscapes and find commercially viable solutions to the problem.

The UK law on antisocial behaviour has been changed and will be fully in force in our financial year 2005. We will report on how it affects our work in improving streetscapes.

Street works

We are committed to follow the UK Government's revised framework on street works. We work closely with developers of housing estates to minimise the impact of construction activities when extending our

Local impacts continued

network. Our agreement with the House Builders Federation ensures a co-ordinated on-site approach by all service providers.

Wires and cables

Complaints about our wires and cables range from the visual intrusion in the landscape to the noise and mess created by birds sitting on wires.

In the 2003 financial year, we began a major initiative to follow up on reports of overhead wires and cables at the incorrect height. Remedial work continues.

When installing new telephone poles or replacing old ones, we consider environmental impacts, such as tree roots and hedgerows. This is particularly important in areas of outstanding natural beauty, on listed buildings and in other protected areas.

Radio masts

Radio communication remains an important part of our network, particularly in rough terrain, such as the Scottish Highlands. We have around 300 radio stations in the UK.

Radio masts can impair the beauty of the landscape. We are experimenting with the use of satellite communications, but radio masts will have to be used for some time.

We continue to share space on radio masts and towers with many other radio operators. This prevents unnecessary structures and minimises the number of antennas. We are also working with other service providers to use existing street equipment – lamp posts, telephone kiosks and telegraph poles – when installing local mobile telephone networks in cities and towns.

Biodiversity

Biodiversity is the variety of life on Earth and is protected by UK law. Its conservation is a key test of sustainable development, because biodiversity:

- Enhances quality of life
- Provides natural assets from which economic benefits can be derived (eg, pharmaceuticals)
- Demonstrates that the environment is in good health

- Enables future generations to meet their needs.

We have an impact on biodiversity through our use of natural resources, energy and transport. These impacts are covered by our environmental policy and environmental management systems. For more information, see the BT and the environment section of our online report. We take every opportunity to promote and encourage biodiversity.

Biodiversity action

Protecting biodiversity is integral to our environmental management system. This ensures that all our activities, from procurement to waste management, take biodiversity into account. We also campaign for the protection of the environment and participate in the public debate on biodiversity.

Environmental management

Here are some examples of our actions to conserve biodiversity:

- Our procurement policy specifies that we only buy telephone poles from sustainably-managed forests
- We continue to phase out the use of volatile organic solvent paints and use water-based alternatives on our radio towers in areas high in biodiversity
- We have a comprehensive recycling programme for BT and our customers, preventing nearly 28,000 tonnes of waste a year ending up in landfills (26% of our total waste). Operational plants, cable, batteries, oil, mobile phones, paper, toner cartridges and telephone directories are all recycled
- Many of our new office buildings and telephone exchanges use fresh air rather than refrigerated cooling, to minimise the use of ozone-depleting gases. Many buildings have bird and bat boxes to encourage local biodiversity.

Campaigning and public debate

We work with others to ensure that we implement our policy and stimulate debate and learning about biodiversity.

We published Variety and Values to advance the discussion of global cultural and biodiversity issues. (See Original Thinking on our Better World website.)

We commissioned Forum for the Future, a UK-based sustainable development charity, to study the impact of the telecommunications sector on biodiversity and best-practice business approaches to manage biodiversity. The studies showed that nearly all major companies manage some of their biodiversity impacts in broader environmental, social or sustainability management strategies without drawing these together under the biodiversity umbrella.

We work with UK schools to promote biodiversity. In the 2004 financial year, we sponsored GLOBE UK (www.globe.org.uk/), which is part of an international environmental education project that encourages pupils to explore and measure their local areas, and report their findings on the internet.

The initiative links students and scientists in 104 countries as they exchange and collect data about their environment and enter it on the GLOBE database.

Classroom activities encourage the scientific gathering of data, which can be compared over time, between schools and between countries. The data serves as a basis for discussions on how we can change our lifestyles to promote sustainable development.

Environmental complaints

The number of environmental complaints received represents less than 1% of the total complaints received by BT (based on our data for 2002). However, we continue to review our data collection to decide how best to identify any possible trends and issues.

Special projects in the UK

We work with appropriate conservation organisations to protect biodiversity at our sites with significant biodiversity importance. These sites include:

• Goonhilly Downs SSSI

One of our satellite communications centres, which is 171 acres in area and a component of the Lizard Special Area of Conservation, is located on Goonhilly Downs, designated a Site of Special Scientific Interest (SSSI) for its rare lowland heath habitat. We have an agreed site management statement with English Nature (EN) to maintain and improve the site's biodiversity. We received the English Nature SSSI Award for Outstanding Achievement for the site management statement and follow-up work plan in 1997. Examples from the work plan are in the Earthwatch booklet Case Studies in Business and Biodiversity. This is available as a PDF from: www.earthwatch.org/europe/publications/bandbcasesstudies.

• Madley Environmental Education Centre (MESC)

The MESC is a UK-based facility for environmental educational studies. (See www.wetlands-study-centre.co.uk/ for more information.) The centre, which is part of 218 acres of land owned by BT, has made available 11 acres of wetland, woodland and meadows where children and adults can study or just enjoy the wildlife. MESC is supported by the Environment Agency (EA), Hereford Council and BT. We manage the land's wildlife and provide technical facilities, purpose-built, innovative classrooms and a lecture auditorium on the site.

• Adastral Park

Adastral Park is a 99-acre site in the Suffolk Coast and Heaths Natural Area. The BT site at Adastral Park shows that development can contribute to local socio-economic stability without loss of biodiversity if good environmental management practices are adopted. To ensure we optimise biodiversity at Adastral Park, we have partnered with English Nature on their Lifescapes initiative. This aims to achieve landscape-scale changes to support wildlife through habitat re-creation, wildlife-friendly land use and generally by building a landscape that encourages biodiversity.



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Benefits

The use of Information and Communications technology (ICT) not only benefits business but also the people doing business and the environment. ICT can support social and economic development by transforming communication and access to information and is part of BT's approach to sustainability. For more information, see the Sustainability section of our online Social and Environmental report.

The use of our products and services enables us to improve the work-life balance of our people and to reduce our consumption of finite materials.

We identify some of the key sustainability impacts of ICT, using quantified examples from our own experience. These include:

- The economic, environmental and social impacts of phone and video-conferencing.
- The social and travel implications of more flexible workstyles. We discuss the pros and cons of teleworking as identified by the SusTel BT Pilot Report and the SusTel UK Survey.
- The social and environmental impact of e-Business, such as paper-free billing.

For further information, see the ICT sustainability impacts section of our online report. For more on work-life balance, see the Employees section of the report.



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Payphones

Our 98,000 payphones are a highly visible part of our operations. Every year about 18 million people – 37% of the UK population – use them.

We are committed to good environmental practice and our payphone business, BT Payphones, was the first in BT to gain certification to the ISO 14001 environmental management system (in May 1999).

Here we explain how we deal with the main environmental issues of payphones:

- Siting of kiosks
- Materials purchase and maintenance
- Payphones and the community
- Cleanliness, vandalism and security.

Siting

When we site a payphone we always consider the environmental impact it will have on its surroundings. We often work with local authorities to ensure that a wide range of options are considered.

Because of the popularity of mobile cellular telephones, we are reducing unneeded kiosks in the UK, in consultation with local authorities and parish councils. This helps reduce street clutter.

Materials purchase and maintenance

All our suppliers must demonstrate their commitment to our efforts to mitigate environmental impacts. For example, we agree recovery and refurbishment contracts with our main suppliers. Payphone spares and housings must be refurbished and reused wherever possible. Where this is not possible, secure disposal routes are established with the relevant supplier – for example, to granulate polycarbonate and recycle stainless steel. This helps us minimise waste and saves money.

In the 2004 financial year, we recovered approximately 7,000 kiosks.

The use of vehicles used to maintain payphones is closely monitored and we look for ways to reduce trips, which saves fuel and reduces emissions and congestion.

Payphones and the community

We operate about 73,000 public payphones and 25,000 phones located on private land, such as train stations.

We maintain about 15,000 traditional red boxes, including kiosks recognised for their historical value, even though this costs more than using modern boxes.

We are very aware of the importance of payphones in society and we are committed to safeguard them. Payphones help raise local amenity standards by promoting social inclusion, particularly in poor areas.

Payphones are also critical to community safety – 8.4% of genuine emergency calls are made from payphones (based on 2001 data) – and increase the sense of security.

With local authorities and the police, we are investigating the possibility of siting closed-circuit television cameras in or on the roofs of kiosks. This could help reduce street crime.

Cleanliness, vandalism and security

We adhere to the highest standards of maintenance and cleanliness. A dedicated BT team oversees the contractors who clean the payphone network.

Our customer satisfaction research shows that dirty and vandalised phones, as can be expected, deter customers. We spend about £24 million annually on maintaining and cleaning payphones.

The frequency of cleaning depends on usage and need – it ranges from four times a week to once a month. Our National Contracts Office monitors the special requests made by customers or local authorities for cleaning.

If, for example, noxious substances are present, we will clean the facility within four hours. Badly damaged kiosks are repaired the next day. If a facility is reported as dirty, we will visit it within five working days, or the next scheduled visit.



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The value of cleaners' contracts depends on the quality of their work. We motivate cleaners by recognising their work with excellence awards.

Fly-posting

We funded trials on ways to discourage fly-posting (illegal advertising), in co-operation with UK local authorities.

Fly-posters tend to avoid sticking their advertisements over well-designed kiosk advertisements. In areas badly affected by fly-posting, we are investigating the use of a special anti-stick coating, but the cost could be disproportionate to the benefits. We prosecute fly-posters where possible.

If you witness fly-posting, please phone BT Payphones Security on 0800 169 4058.

BT Payphones operates its own security team, helped by a 24/7 Crime and Support Unit. The unit provides crime monitoring/reporting service (on payphones and street crime in general) and administrative support to the police. Every year there are between 1,500 and 2,000 arrests for payphone crime offences.

Prostitute cards

BT led the campaign to criminalise the act of placing prostitute cards in payphone kiosks. Our dedicated security team works with police and local authorities to log and share the telephone numbers on the cards for enforcement action. We are the only operator willing to bar offenders' telephone numbers.



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Offices worldwide

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Suppliers

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Suppliers

We buy products and services – such as IT equipment, cables, software, design and disposal services – from thousands of suppliers worldwide. In the 2004 financial year we spent over £8.2 billion on procurement.

At every stage of our dealings with suppliers – from selection and consultation, to recognition and payment – we are committed to behave according to the principles of fair and ethical trading.

In April 2004, we provided our suppliers with the opportunity to give their views on how well BT lives up to these commitments and principles via a confidential and on-line supplier stakeholder survey.

A total of 213 suppliers responded, with 94% stating that they had a good working relationship with BT.

In the 2004 financial year, BT was the overall winner of the UK Chartered Institute of Purchasing and Supply's Supply Management Awards.

The award recognised our efforts in applying ethical procurement principles. The judges said: "Where other organisations use fine words, this one has taken real action...[BT] demonstrated excellence in purchasing and supply management."

Here we discuss key aspects of our relationship with suppliers:

- **Selection** – how we choose our suppliers
- **Development** – how we work in partnership with our suppliers
- **Payment** – our commitment to pay our suppliers promptly and as agreed
- **Supplier Awards** – our Investing in Excellence supplier awards
- **Corporate Social Responsibility** – our commitment to be socially responsible and minimise our impact on the environment throughout our supply chain

- **Human Rights in the supply chain** – how we apply our Sourcing with Human Dignity standards in our supply chain
- **Diversity** – how we promote diversity in our supply chain
- **Procurement and the environment** – how we promote environmental good practice in all our purchasing activities.

Selection

BT operates a fair procurement process – administering our tendering and contracting procedures in good faith.

Our supplier selection process seeks to ensure that high safety, environmental and social standards are met. We value the diversity of our suppliers. They do not have to be existing customers of BT.

Our Purchasing Principles provide a framework to ensure that we act in an ethically and commercially responsible way in our dealings. Adhering to these principles is an integral part of our procurement process. For further information, see: www.selling2bt.com/working/purchasing/default.asp

Authority to form a contract is restricted to our authorised procurement professionals, trained to world-class standards and who apply BT's Purchasing Principles.

In the UK, where they exist, BT plays its part in a number of Government and commercially-sponsored initiatives designed to enhance small suppliers' awareness of total quality. This will help them compete more effectively in the global market.

Development

We use a range of tools to assess and develop our suppliers. These range from basic desktop evaluations to sophisticated supplier capability assessments and partnership evaluation processes (PEM).

A PEM evaluation is only undertaken where both parties agree that it will be mutually beneficial. Currently, in one instance this involves each party evaluating the other.

PEM enhances our suppliers' understanding of

how to work in partnership. This benefits BT and also helps suppliers when they compete for non-BT work. For example, one of our partners is exploring several new business opportunities after an evaluation identified potential growth areas for them.

We share learning and expertise in quality, the environment, diversity and ethical trading.

Payment

BT's policy is to use its purchasing power fairly and to pay promptly and as agreed. BT has a variety of payment terms with its suppliers.

The terms for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers.

It is BT policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the company in a timely fashion and is complete.

BT's payment terms are printed on the company's standard purchase order forms or, where appropriate, specified in individual contracts agreed with the supplier.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the 2004 financial year and the amounts owed to its trade creditors at the end of the year was 35 days.

Supplier awards

The exceptional standard of submission to our Investing in Excellence supplier awards in the 2004 financial year underlines the importance we attach to the awards.

Award categories, which reflect our key strategic objectives, were:

1. Quality
2. Innovation
3. Value
4. Customer delight
5. Commitment to social responsibility
6. Breaking the mould

We received more than 80 entries. The overall winner was Computer Sciences Corporation.

Quality:	A Novo UK Limited
Innovation:	Motorola Inc
Value:	Computer Sciences Corporation
Customer delight:	Sprint Communications
Commitment to social responsibility:	Belden Communications Division
Breaking the mould:	Yahoo! Inc
Further information on the suppliers awards is available at http://www.selling2bt.com/initiatives/lie/default.asp	

Corporate social responsibility

We are committed to be socially responsible and to minimise our impact on the environment.

We promote our principles and values when working with others. Our corporate social responsibility (CSR) programmes seek to apply human rights and environmental good practice within our supply chain.

Scope

Since 30 April 2004, our CSR supply chain programmes are applied by BT Group's entire purchasing operations. Prior to this date they were only applied by BT UK purchasing teams.

Governance & resource

BT's Chief Procurement Officer, who reports to a BT Board member, has ultimate responsibility for these CSR supply chain programmes.

Our buyers – supported by a procurement CSR manager, product stewardship experts and product managers – implement the programmes.

Since April 2004, CSR has been incorporated as a key measure in BT's procurement's "scorecard" and buyers' objectives. This acts as an incentive for the procurement community to fulfil their CSR obligations - achievement of CSR objectives impacts on annual bonuses.



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Suppliers continued

Awards for CSR

In the 2004 financial year, BT was the overall winner of the Chartered Institute of Purchasers and Suppliers (CIPS) Supply Management Awards. This was received for converting ethical procurement principles into practice. BT also received the Best Contribution to Corporate Responsibility award.



The judges said: *"Where other organisations use fine words, this one has taken real action".*

We also encourage and recognise our suppliers with our Commitment to Social Responsibility Award. This is one of six award categories in our annual Supplier Investing in Excellence Awards (liE).

Case study:

Belden Communications wins BT liE 2003 Commitment to Social Responsibility Award.

Belden Communications, the manufacturer of metallic cables, was recognised for its commitment to social responsibility and environmental management.

Belden was praised for its efficient use of copper, saving hundreds of tonnes a year of the scarce resource. Belden has also had a formal environmental management system since 1996 and has long held the ISO14001 standard certification.

When the company started working in China, it pro-actively assessed the labour standards of prospective suppliers. Belden carried out on-site audits and developed improvements plans before awarding new contracts.

Belden's policy on labour conditions is based on international conventions and is in line with BT's own GS18 Sourcing with Human Dignity Standard. Belden was also the first company in the world to achieve the Occupational Health and Safety Management System standard (OHSAS 18001).

GeSI Supply Chain CSR Working Group

BT is a member of the Global eSustainability Initiative (GeSI), supported by the United Nations Environment Programme (UNEP) and the International Telecommunication Union (ITU). GeSI promotes the use of technology to foster sustainable development.

In the 2004 financial year, GeSI established a CSR Supply Chain Working Group.

The group aims to develop or improve tools, management practices, processes and systems to help member companies deal with CSR issues in the supply chain. It seeks to promote efficient CSR supply chain management by helping to eliminate duplication within the Information and Communications Technology (ICT) industry.

The Group has commissioned a study to identify what would be considered best practice in CSR supply chain management for an ICT company. This will be used as a benchmark. The findings, expected in the 2005 financial year, will help decide priorities in the group's future work plans.

Another initiative is to develop a self-assessment questionnaire to help suppliers assess their own environment and labour standard risks, while raising their awareness of the issues. The group plans to consult key non-governmental organisations (NGOs), trade unions and suppliers on the development of the questionnaire.

Future Plans

In the future, we plan to:

- **Amalgamate the existing supply chain CSR processes.** Where feasible, we will seek to create a single, cohesive and efficient process for BT's buyers and suppliers.
- **Set up an NGO/Trade Union Advisory Panel.** This will give panel members an opportunity to contribute to BT's future supply chain CSR strategy. It will hold a one-day session every six months.



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Human rights in the supply chain

Working conditions

Society expects us to buy and use products that are manufactured under working conditions consistent with international guidelines. Chief among these are the UN's Universal Declaration of Human Rights (UNDHR) and the International Labour Organisation (ILO) conventions. Further information on these can be found at: www.unhchr.ch/udhr/index.htm and www.ilo.org/public/english/standards/norm/whatare/fundam/.

Through our supply chain initiative Sourcing with Human Dignity (SWHD), we seek to ensure that the working conditions in our supply chain meet internationally accepted standards.

We need the collaboration and support of all our suppliers. Since the launch of the initiative in 2001, we have worked with an increasing number of buyers and suppliers to pursue this.

Our Supply Chain Policy

Our SWHD initiative specifies the minimum standards we ask our suppliers to achieve in the following areas:

- Child labour
- Cruel, harsh and inhumane treatment
- Forced labour
- Discrimination
- Freedom of association & collective bargaining
- Health & Safety
- Wages
- Working hours
- Regular employment entitlements

Find out more on Sourcing With Human Dignity at: www.selling2bt.com/html/working/humandignity/gs18.asp.



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Methodology

For all new BT contracts, suppliers are asked to sign a clause committing them to complete a risk-assessment questionnaire (GS18) on request. See www.secure.selling2bt.bt.com/ext/html/gs18/ for further details. The clause also permits us to carry out on-site audits and commits the supplier to work with us to achieve our SWHD standards.

The questionnaire establishes the level of risk associated with the supplier. If the contract is identified as high or medium risk, we follow up to find out more information and determine what further action is needed.

In some cases, an on-site assessment will be agreed with the supplier. This may involve an audit of the supplier's own facilities or that of a subcontractor.

The audits include interviews of the workers. Where possible, BT will ask appropriate NGOs, independent assessors or academics to carry out the interviews.



Interviewers always speak the language of the workers and, where possible, will be of the same gender. The safety of the workers is of utmost importance and we protect their anonymity when feeding back findings to the management.

Where shortfalls against the GS18 standard are identified, an action plan is agreed with the supplier. A re-assessment will then be scheduled for completion within the following 12 months.

Suppliers continued

Training

Buyers' awareness training

It is critical that our buyers have the awareness, knowledge and skills required for the successful implementation of SWHD standard. In 2003 we organised half-day SWHD training courses for buyers. These were attended by 176 buyers. This training continued to be a key focus during the 2004 financial year.

In the 2004 financial year, we launched a Computer Based Training (CBT) package to enable all BT buyers to undergo SWHD training. The CBT is mandatory for all those who have not taken the half-day course and includes the completion of an on-line assessment. The CBT introduces our buyers to the rationale behind the SWHD initiative, its key features and their role in ensuring its successful implementation. At the end of the 2004 financial year, 270 buyers had completed either the CBT or the half-day training session.

In addition, we held three supply chain CSR training workshops attended by 47 buyers during the 2004 financial year. These were primarily organised for BT's buyers abroad. Buyers must undertake the CBT course before attending the workshops, where they then have the opportunity to raise questions.

Training assessors

During the 2004 financial year, we organised a two-day specialist assessors' course for procurement and internal audit professionals. This was conducted by an external agency that specialises in SA8000 auditor training. This provides the knowledge and skills required to conduct on-site assessments using the SWHD standard. Attendees must pass a test at the end of the course.

Twelve BT people and one person from a supplier attended the course. This brings the total number of BT employees trained to conduct SWHD assessments to 21.

We encourage our assessors to conduct on-site assessments in our supply chain, initially with the assistance of an experienced BT lead assessor. Nine have already participated in one or more assessments and four have become approved lead assessors for BT.

Suppliers

The GeSI CSR Supply Chain Working Group plans to develop a self-assessment/awareness raising tool to help guide our suppliers in the implementation of labour standards codes.

We seek to raise suppliers' awareness during on-site assessments. We start these with a pre-meeting designed to help suppliers understand why SWHD standards are important to us. We explain what we will be looking for during the assessment. We often bring the suppliers' health and safety officer with us on the premises tour, so that they understand any health and safety issues the assessment discovers.

When we assess a supplier's subcontractor, we often take someone from the supplier with us. This helps suppliers understand the risks and how these can be managed in their supply chain.

Monitoring and improvements

The table below provides key data concerning BT's monitoring of Sourcing with Human Dignity and improvements achieved.

Implementation of GS18 Sourcing with Human Dignity Labour standard	2003 FY	2004 FY
Number of new BT Contracts	879	1,199
GS18 requirement included in new BT contracts	879	1,199
GS18 risk-assessment questionnaires requested by BT to be completed by supplier*	37	391
GS18 risk-assessment questionnaire completed	31	242
Number of questionnaire responses where further action was required	15	67
Number of questionnaire responses where further action was being conducted	/	74
Number where required further action was completed	/	20
Number of initial GS18 on-site assessments conducted on high risk contracts	7	9
Number of suppliers identified as falling short of GS18 standard following assessment	7	9
Number of GS18 on-site reassessments conducted	7	4
Number of suppliers who, following reassessment, have reached the GS18 standard	0	0
Contracts cancelled due to serious shortfalls persisting against GS18 standard	1	0

*one supplier questionnaire response may cover multiple contracts if for the same procurement requirement

/= Data not entered onto the central database that year



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Suppliers continued

2004 assessments

In the 2004 financial year, we completed 13 on-site assessments to find out how well our suppliers met our SWHD standard.

Of the 13 assessments conducted (in China, India, Sri Lanka, Turkey and the UK) nine were of facilities not previously assessed. The assessments were done in those areas where there was a high risk of suppliers falling short of our standard – they should not be taken as a representative sample of our supply chain.

Our assessments use the following scoring system:

- **Improvement required** – progress is needed on at least 51% of the aspects in that category.
- **Some improvement required** – progress is needed on at least one aspect in that category.

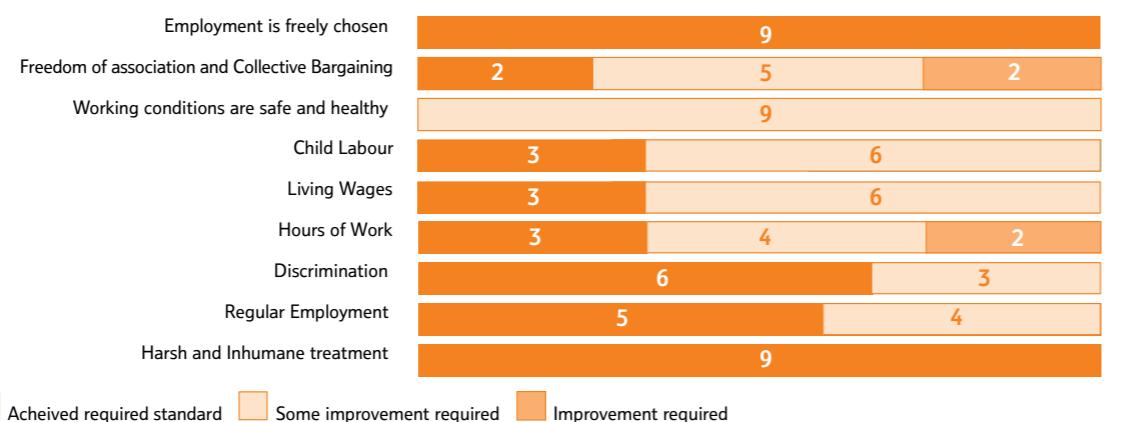
The graph below shows the findings.

We sent the assessment reports to the suppliers and discussed our observations with them. We have either agreed improvement plans (and are monitoring progress), or are still to agree plans following the most recent assessments.

Not all the shortfalls represent major labour rights abuses. For example, some improvement required in the living wages category does not necessarily mean that the supplier is paying below the minimum or living wage. It may simply be that insufficient information about wages is provided in the employment contract.

GS18 Sourcing with Human Dignity Assessment Findings

April 2003/2004 (Conducted on suppliers operating in identified risk areas)



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In the 2004 financial year, a further seven re-assessments were made to facilities where improvement plans had already been put in place. The visits assessed the level of improvement in the way suppliers meet our standards.

Case study

In one case, a subcontractor was found, upon re-assessment, to persistently allow serious shortfalls of the SWHD standard, including excessive and forced overtime and intimidation of workers. The contractor falsified records to try and hide this from the auditors. As a result, we stopped placing orders with that company.

This is the first and only case where we have stopped trading with a supplier because of non-compliance with our SWHD standard. All other suppliers have been collaborative and open and continuously try to improve their performance.

See Future Plans in the Corporate social responsibility section above.

Diversity

The business case

Because our customers are so diverse, the issue of diversity is commercially important to us and built into our business objectives. For example, in our largest market, the UK, about 51% of the people are female, 7.7% from ethnic minorities, and 18% have a disability. We must understand and align ourselves with our customers if we are to provide a truly world-class service.

To gain the full benefits and competitive advantage of diversity it must be reflected throughout our operations, including our supply chain.

Supplier diversity programme

Through our supplier diversity programme we have worked with Minority Business Enterprises to help encourage a diverse supply chain.

The success of BT's supplier diversity programme has influenced other companies to do the same. This has resulted in the formation of the European Supplier Diversity Group which has launched a two-year project to introduce supplier diversity into Europe. The group consists of 10 major companies and two public bodies.

Our supplier diversity programme is therefore on hold and will be revised with the aim of being consistent with the rest of the Group's recommendations.

Procurement and the environment

In the 2004 financial year, BT spent over £8.2 billion on products and services. Our purchases range from telephone exchange equipment and vehicles to accommodation, fuel and energy, stationery, office machinery and postal services.

In the UK, this makes us one of the largest purchasers, with an environmental influence that extends well beyond that of our own staff and workplaces. In recognition of this, and to comply with the ISO14001 standard, we identified Procurement as one of eight company activities that affect the environment.



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Environmental objective

Our environmental objective in procurement is to seek to influence the environmental performance of our suppliers and contractors through our purchasing policy.

We have set specific objectives to ensure appropriate supplier environmental data is collected. After evaluating our suppliers' environmental impacts, we encourage poor performers to improve.

We have adopted a risk-based approach focusing attention on improvements in the areas where the greatest impact can be made.

Methodology

The implementation of our procurement environment objective has three main strands:

1. Assess suppliers' general environmental policies and procedures. We do this with our environmental impact online questionnaire (GS13). The supplier must complete this after agreeing a mandatory pre-contract award commitment to work towards continuous improvement, if required. In this way we can identify and drive continuous improvement with those suppliers who do not have the procedures needed to manage the environmental risks of the product or service we buy.

2. Managing the environmental impacts of electrical or electronic equipment (EEE).

We have a pre-contract product stewardship online questionnaire (GS19), which is mandatory for all potential EEE suppliers. This provides information on materials used and compliance with forthcoming environmental legislation. The information is assessed and sent to our buyers and product managers so that they can make informed decisions.

3. Auditing Waste Management Suppliers.

All our waste contractors must provide a statement on their waste disposal procedures. We assess this for legal and environmental compliance. Contractors are audited by us (using an external specialist) every year. Audit reports are sent to the relevant BT buyer and progress on any required improvements monitored by the auditor.

Training

• Buyers

In the financial year 2004, three training workshops were held, primarily to brief BT's overseas buyers on their environmental responsibilities. A total of 47 buyers attended these training sessions. A further 3 conference calls were held with overseas buyers who were unable to attend a face to face event, to go over the same training material attended by 30 buyers. This training was in addition to training conducted in the financial year 2003, when 11 training seminars were held and attended by 182 of BT's buyers.

Two seminars on continuous improvement were also held to give buyers extra guidance.

In 2003 we assessed the effectiveness of the buyer training by conducting a soft audit of their implementation of the environment processes. Key aspects were then reinforced through environment presentations at their team meetings. This assessment is being re-conducted in 2004.

• Suppliers

In the financial year 2004, we hosted a training programme to help BT suppliers implement environmental management systems compatible with the ISO14001 management systems standard. Seven BT suppliers took part in the four-day course, partly funded by the European Union. Participants committed to spend 120 hours on project implementation in their companies.

Monitoring and Driving Improvements – Performance at a glance

The Table below provides key data concerning BT's monitoring and driving environmental improvements with suppliers

In the financial year 2004, we have also assessed 233 Product Stewardship Questionnaires (GS19) and audited 33 waste contractors.

Other environmental initiatives

In the 2004 financial year, we made a commitment to the Mayor of London's Green Procurement Code. This promotes demand for recycled products in London. We are exploring ways to buy more products made from recycled materials, such as:

- Aggregates. This is crushed rock used to repair roads after laying underground cables.
- Paper and stationery. We are investigating the possibility of increasing the use of recycled content in paper and stationery used in the UK.
- Carpet. We have identified that we currently don't use carpet with recycled content and are exploring this possibility.

See also: Future Plans in Corporate social responsibility section of this document.

Implementation of GS13 Environmental Impact Process	In Yr 2002/03	In Yr 2003/04
Number of new BT Contracts	879	1,199
GS13 requirement included in new BT contracts	879	1,199
GS13 risk assessment questionnaires requested by BT to be completed by supplier*	70	568
GS13 supplier risk assessment questionnaire completed	43	410
Number of questionnaire where continuous improvement was required	18	129
Number of questionnaire where continuous improvement was being driven	7	131
Number of contracts where continuous improvement completed	0	33

*one supplier questionnaire response may cover multiple contracts if for the same environment risk category



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CSR for investors

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

CSR for investors

Investors are increasingly interested in the social and environmental dimension of business performance and how it relates to the business strategy.

The key issue for investors is the business case for sustainable development and Corporate Social Responsibility (CSR): how social, environmental and ethical risks and opportunities are managed to preserve and grow shareholder value.

Common approaches

There are few enterprise-specific, quantitative business cases for CSR.

Social and environmental performance reports are often backward looking (investors are more interested in future prospects) and unfocused (investors want information presented in terms of business strategy and growth).

BT's approach

We want to present investors with a forward-looking, quantitative business case for CSR and sustainable development. Our business case attempts to set out how good CSR performance is critical to the delivery of the BT strategy.

Our 2003 financial year sustainability performance presentation to city analysts, hosted by HSBC in July 2003, is available on our Shares and Performance website at: www.btplc.com./Investorcentre/. In addition, BT's response to the Association of British Insurers' disclosure guidelines covering social, environmental and ethical risks and opportunities is provided in the Annual Report and Accounts.

The future

It is crucial to show our investors how sustainable development and CSR strategies can add shareholder value. More important, the strength of individual business cases for CSR will become a key test of how the market is being shaped and harnessed to deliver sustainable development.

Our business case

Our business case for CSR demonstrates how good CSR performance helps implement key aspects of the BT strategy:

- Keep a relentless focus on improving customer satisfaction.

CSR is critical to optimising customer satisfaction. For example, we estimate that BT's CSR performance accounts for over 25% of the Image and Reputation driver of customer satisfaction. Further statistical analysis shows that a 1% improvement in the public's perception of our CSR activities means a 0.1% increase in our retail customer satisfaction figures.

Increasingly, we have to address social and environmental matters when bidding for new contracts – nearly £900 million in the 2004 financial year.

- Motivate our people and live the values.

Working conditions, and our relationship with our employees, are crucial to the success of our business. A proactive approach to, for example, flexible working, diversity, and learning and development improves employee satisfaction and helps improve customer satisfaction.

- Lead the world in network-based information and communications technology (ICT) solutions.

Long-term sustainability trends create new market opportunities. For example, the use of teleconferencing and flexible working reduce the need to travel and provide more flexible lifestyles. Another example is the sale of online environmental management systems.

- Achieve competitive advantage through cost leadership.

Our environmental programme, which includes energy efficiency initiatives and fuel savings, has saved BT more than £600 million over ten years.

- Put broadband at the heart of BT.

Local and regional partnerships with social inclusion objectives have been critical to the roll-out of broadband to the most remote and rural areas in the UK.

- Transform our network for the 21st century.

Climate change could lead to more extreme and unpredictable weather events. We need to build a robust network that stands up against this new challenge.

Ratings

Specialist CSR ratings agencies provide rankings based on the information available on a company's social, ethical and environmental policies and practices.

The ratings are based on the premise that a company's management of these aspects will have a significant bearing on its ability to preserve and grow long-term shareholder value.

The main ratings are as follows:

- BT has been ranked as the world's number one telecommunications company in the Dow Jones Sustainability Indexes for three years running.
- BT is top of the telecommunications sector in the Business in the Community Corporate Responsibility Index (Business in the Community is an independent business-led charity based in the UK) and ranked 11 in the top 100 UK companies who took part in the 2004 index.
- The German independent ratings agency, OEKOM research AG, has ranked BT second out of 24 in its analysis of corporate responsibility in the telecommunications sector.
- BT is included in the UK, European and World FTSE4Good Indices.
- Storebrand (a Norwegian social investment fund index) rated us best in class for our social and environmental performance.



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Economics

BT Social and
Environmental report



THE QUEEN'S AWARDS
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SUSTAINABLE DEVELOPMENT
2003

Economics

BT is one of the largest telecommunications companies in the world and a significant economic force in its own right.

Here we discuss some of our direct and indirect economic impacts, highlighting their social and environmental consequences.

Direct impacts

BT's direct economic impacts can be measured with traditional financial indicators, such as turnover, dividends and taxes paid.

These measures can be used to demonstrate how our economic performance affects each stakeholder group.

The figures here measure the financial flows between BT and our key stakeholders – customers, suppliers, employees, and shareholders and creditors – as well as governments. We also provide a geographical breakdown of BT's markets.

All data relate to our activities during the 2004 financial year.

Customers

BT turnover of £18,519 million, distributed as follows:

BT Retail:	£12,630 million
BT Wholesale:	£ 3,445 million
BT Global Services:	£2,410 million
Other:	£34 million

Total turnover is boosted to £18,914 million when our share of associates' and joint ventures' turnover (£395 million) is added.

Find more details in the BT profit and loss account on page 24 of the 2004 Annual Report and Form 20-F.



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Suppliers

- Total spend with suppliers: approximately £800 million. See more detail on operating costs on pages 34 of the 2004 Annual Report and Form 20-F.
- Total capital expenditure: £2,673 million. See more detail on expenditure on page 34 of the 2004 Annual Report and Form 20-F.

Employees

- BT employs 99,600 people, including 91,600 in the UK and 8,300 abroad.
- Total expenditure on employees:

Wages and salaries	£3,672 million
Social security costs	£316 million
Pension costs	£404 million
Employee share ownership	£20 million
Total	£4,412 million

Shareholders and creditors

- Total dividend paid to shareholders: £732 million.
- Net debt reduced from £9.6 billion to £8.4 billion.
- Total interest payable on continuing activities: £941 million.
- Total amount falling due to creditors within one year is £8,548 million.

More details on page 83 of the 2004 Annual Report and Form 20-F.

Governments

- Total taxes paid to governments was £539 million, comprising £568 million on the profit before taxation, goodwill amortisation and exceptional items, offset by tax relief of £29 million on certain exceptional charges.
- Non-UK taxation: £174 million.

More details of our total taxes paid are available on page 25 of the 2004 Annual Report and Form 20-F.

Geography

The geographical breakdown of BT's turnover is:

• UK	£17,190 million (93%)
• Europe (excluding UK)	£1,124 million (6%)
• Americas	£151 million (1%)
• Asia and Pacific	£54 million (<1%)

- BT's share of the UK residential fixed-voice call market, as measured by volume of fixed-to-fixed voice minutes is 70% compared with an estimated 73% last financial year.
- BT's share of the business sector fixed-voice call market is 42%, compared to 45% for the 2003 financial year.

Profit and re-investment

- Profit retained was £685 million.
- Return before goodwill amortisation and exceptional items on the average capital employed was 15.3%, compared to 15.7% for the 2003 financial year.

Indirect impacts

BT's indirect economic impacts are:

- Income and employment
- Growth and productivity
- Regional development
- Knowledge economy.

Income and employment

Indirect impact

Indirect economic impacts arise from the income and employment created in businesses that supply goods and services to BT.

Our expenditure in the UK injects over £2.6 billion into the UK economy. This supports the employment of almost 135,600 people:

Indirect income and employment created in BT suppliers		
	Income £ million	Employment
From capital expenditure	918.7	47,600
From revenue expenditure	1,697.4	87,950
Total	2,616.1	135,550

Source: DTZ Pieda Consulting. Based on the following 2003 financial year figures for BT:

- Total Supplier Expenditure: £3.7 billion
- Total Capital Investment: £2 billion

Induced impact

Further indirect (or 'induced') impact is created when incomes created directly and indirectly by BT are spent in the economy. People employed directly and indirectly will spend part of their incomes within the economy – for example on food, clothing and entertainment – which represents an extra source of employment.

The DTZ Pieda Consulting report estimates these induced impacts to be £3.4 billion of income and 173,780 employees.



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Economics continued

Total impact

The total economic impact of BT in terms of income generation and employment is calculated by adding the direct, indirect and induced impacts:

Total Income and Employment Impact of BT in the UK		
	Income (£ billion)	Employment
Direct	2.974	122,423
Indirect	2.616	135,550
Induced	3.354	173,780
Total	8.944	431,753

Source: DTZ Pieda Consulting, February 2004

The table shows that BT's activities generate income of £8.9 billion and support the employment of 431,753 people throughout the British economy – almost 1.7% of all jobs in the UK.

Notes

- These figures take account of 'leakages' of expenditure from the local economy in the form of non-UK purchases, savings and national taxes. They are calculated using 'input-output' tables showing the flows of expenditure between sectors of the economy and allow the impact of a given level of expenditure on income and employment to be calculated. Indirect impacts are not restricted to the 'first round' effect of purchases by BT. Suppliers to BT will purchase some of their inputs from other suppliers in the UK and so on.
- The study is based on BT employing 122,423 people in the UK, either directly by BT or as contractors.

Growth and productivity

One of our main indirect economic impacts is on economic growth and the productivity of individual enterprises, industrial sectors and the wider economy.

The character of these impacts can be best understood using data for the UK Information and Communications Technology (ICT) sector.

There are two main types of impact:

- The ICT sector – its size and technological progress – has a direct impact on national-level growth and productivity figures.
- The use of ICT by companies to improve their own efficiency and productivity has a significant impact on national-level growth and productivity.

ICT sector

Information available from the UK Office of National Statistics enables an assessment of the impact of ICT activity on the UK economy.

The rapid growth in both ICT production and investment was an important contributor to UK economic growth and productivity growth throughout the 1990s.

In 2001 (most recent data available), the contribution of ICT to UK Gross Value Added (GVA) was £63.5 billion of a total of £880.9 billion – 7.2%.

The contribution of the telecommunications portion of the ICT sector grew from around £12.5 billion in 1992 to around £21 billion in 2001.

GVA for the ICT sector grew by 109.8% between 1992–2001, compared with growth of GVA for the whole economy of 61.2 % over the same period.

This money has been distributed to various stakeholders:

- Employees (67.3%; £42.8 billion) – highly labour-intensive
- Operating Surplus (31.1%; £19.8 billion)
- Government – taxes on production (1.5%; £1 billion).

According to the Organisation for Economic Co-operation and Development (OECD), the

contribution of investment in ICT capital to GDP growth in the UK was under 0.3% in 1990 – 1995, and over 0.5% between 1995 – 2001.

ICT and productivity

Some characteristics of ICT – such as increased bandwidth and processing power and the plummeting cost of communications – enable organisations and economies to become more efficient and productive.

The evidence for this is strongest in companies where ICT is used to innovate in response to client demand, customise services, expand product ranges and lower costs in procurement, production, selling and distribution.

For example, the UK Broadband Stakeholder Group highlighted that direct internet bookings to airline carriers, combined with ticketless travel arrangements, reduced an average cost of sale from around £9 per ticket to less than £0.20.

Many economists use this type of example to argue that ICT has increased productivity and global competition while holding down inflation, allowing higher economic growth without the need to check inflationary pressures with higher interest rates.

Statistical evidence for ICT increasing productivity across the economy has been hard to identify. As Diane Coyle and Danny Quah argue in *Getting the Measure of the New Economy*, a report from the Work Foundation's iSociety project, top-line productivity figures often show little of this impact. Coyle and Quah call this the 'productivity paradox': one can see the evidence of the computer revolution everywhere apart from in the productivity figures.

Coyle and Quah argue that it will take time, indeed decades, for ICT to filter through into the whole economy. We are only beginning to see the wholesale restructuring of business, industrial and organisational models made possible by the diffusion of ICT.

As the OECD highlights, the diffusion of new technologies can be slow and companies can take a long time to adjust while they change operational arrangements, re-skill people and implement new business processes. Other

factors, such as the regulatory environment, the availability of skills and organisational change, affect the ability of firms to seize the benefits of ICT.

The OECD concludes that it is too early to tell for certain how the role of ICT growth and productivity performance will develop in the first decade of the 21st century. But some general trends are emerging to suggest that ICT will continue to drive growth.

For example, the OECD cites evidence that those sectors that have invested most in ICT – such as financial services, health, retail, business services, wholesale trade – have experienced more rapid growth in productivity than those that have not. ICT is more appropriate for some sectors than others and is not suited to all business models – agriculture, mining, manufacturing, construction have benefited less from the ICT revolution.

This is supported by the OECD's figures for the contribution of various sectors to aggregate productivity growth in the UK between 1996 and 2001:

- ICT manufacturing 0.1%.
- ICT producing services (for example, telecommunications) 0.2%.
- ICT using services (e.g. financial services, retail, etc) 0.8%.

The OECD concludes that there is a range of factors that contribute to productivity. Countries and sectors that have invested more in ICT in the 1990s have often also seen the largest increase in productivity growth in the 1990s.

Regional development

Against a backdrop of potentially enhanced economic growth, many countries and regions are increasingly looking to the productivity benefits of ICT to improve their competitiveness.

For example, the European Union established the strategic goal in Lisbon in 2000 to become "the most competitive and dynamic knowledge-based economy in the world...regaining the conditions for full employment and to strengthen social cohesion".



Economics continued

The UK Government set these targets for 2005:

- Everyone in the UK to have internet access.
- All Government services to be online.
- The most extensive and competitive broadband market in the G7 group of countries.

In turn, the UK Regional Development Agencies see e-business as key to economic development. The South West Regional Development Agency has worked in partnership with BT to spread broadband to remote rural areas with considerable success. A total of 14,500 broadband connections were set up in 20 months, bringing the uptake of broadband in Cornwall to 7%, a full 2% higher than other similar rural areas. The project has delivered 1,200 jobs and a £20 million boost to regional GDP.

Globalisation

The growth in communications technology has also enabled previously undreamed-of business, personal and cultural connections between billions of people.

The 1999 United Nations Human Development Report took globalisation as its main theme and focused on the potential of the internet for human development as well as exclusion.

The report recognised not just the potential of the internet to drive efficiency improvements, but also its potential to foster major advances in health and education, to empower small businesses and organisations, and to provide remote communities and poorer countries with easy and cheap access to information.

Crucially, however, the report also recognised that these advantages are not automatically going to be delivered to those who need them most. For this reason, digital inclusion has been selected as one of the main sections of this site.

One particular trend made possible by improved communications technology is 'offshoring' – the transfer of company functions, such as call centres or software development, to a low-cost country.

This shifting 'geography of jobs' is discussed in more detail in our Hot Topic 'Good

Migrations?', an independent study commissioned by BT exploring the social and economic impacts of offshoring through the lens of corporate social responsibility. The paper covers issues such as protectionism and international trade, job creation and the impact of call centres on local economies.

Knowledge economy

We are living in a knowledge economy, in which value is as much a function of ideas, creativity and imagination as it is of traditional capital investment.

Critical to the development of the knowledge economy is the roll-out of ADSL broadband technology. Broadband means a high-speed connection to the internet that is always on. It is called broadband because it has a much larger capacity to send and receive data than a standard telephone connection.

Broadband will bring its own specific economic impacts, which are expected to be most marked in the Small and Medium-sized Enterprise (SME) sector – as in most cases small businesses cannot afford dedicated leased lines into the internet, making broadband the only option for high-speed internet access.

More information about the social, economic and environmental impacts of broadband are available in the Sustainability and Digital inclusion sections of our online Social and Environmental report.

As the largest capacity telecommunications network in the UK we have an important part to play in enabling the knowledge economy.

This economy is leading to rising demand for advanced data, mobile, broadband and internet services. Consequently we are building a new national network, capable of meeting customers' needs now and in the future. We are refocusing our investment away from today's technology in order to spend more on future technologies.

A digitally literate workforce

There is growing concern in Europe, which we share, about the gap between supply and demand for information technology professionals.

This is why we:

- Work with the European Union to improve the supply of ICT professionals.
- Encourage women and ethnic minorities into ICT careers.
- Promote ways that ICT can enable more flexible working patterns, bringing excluded people into employment.

But the challenge is wider than simply meeting the demand for information technology professionals. Digital literacy is becoming an increasingly essential element of basic employability.

For this reason, we have launched a digital inclusion campaign – Everybody Online – to support the UK Government's aim to give all citizens online access by 2005 and demonstrate how communications can help improve society.

The campaign aims to increase access to communications technology in underprivileged areas and to deepen the understanding of the causes and effects of the digital divide and how they may be addressed nationally.

Further details are available in the Digital inclusion section of our online report.



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Human rights

BT Social and
Environmental report



THE QUEEN'S AWARDS
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2003

Human rights

We base all our relevant BT policies and procedures on the principles set out in the United Nations Universal Declaration of Human Rights, which sets “*a common standard of achievement for all peoples and all nations*”.

We are committed to protect and enhance the human dignity of every BT employee and everyone who has dealings with BT.

Here we describe our approach to the human rights issues, under these headings:

- Principles
- BT products and services
- Supply and use chains
- Privacy
- Freedom of expression.

Principles

We use the Universal Declaration of Human Rights (www.unhchr.ch/udhr/index.htm) to ensure all our policies enhance human dignity. But new challenges and opportunities arise all the time, and we can't rely on policy alone to make sure we address human rights issues properly.

All our employees have access to the Universal Declaration on our intranet, and an outline of our approach is included in the guidance document accompanying our Statement of Business Practice.

We are in contact with many expert groups and information sources that can help us implement our commitment to human dignity and improve our procedures if necessary.

For example, we are a signatory to the UN's Global Compact, an initiative that strives to motivate business and industry around nine principles on environment, labour and human rights. BT participates in the Global Compact Learning Forum. We report on our progress and

performance against the Global Compact principles – see our online Global Compact report index.

BT products and services

The best way to implement our commitment to human dignity is to enhance the positive impact our products and services can have on human rights.

Freedom of expression is a fundamental human right, and a critical means to promote human rights in general. Greater access to information and communications technology (ICT) can be a source of openness in otherwise closed societies. ICT provides an extremely fast, efficient and safe way to disseminate information and can be invaluable to organisations dedicated to promoting human rights.

However, we recognise that worldwide respect for human dignity is more than just a click away.

Like many of the rights enshrined in the Universal Declaration of Human Rights, new technological advances bring new challenges to, and interpretations of, free expression.

An example is the misuse of the internet by criminals. We address this major concern in two of our independently written ‘Hot Topics’:

- Written by Solitaire Townsend of independent consultancy Futerra, Abuse of the Internet considers issues around the extreme abuse of the internet. This is available as a download PDF from the Hot Topics section of our online report.
- Written by James Wilson and Paul Miller of UK think-tank Demos, Virtual Vice examines BT's approach to issues of concern such as hacking, copyright infringement and spam. This is available as a download PDF from the Hot Topics section of our online report.

We hope that the economic potential of e-commerce and the increased transparency brought about by new technologies will have an overall positive impact on human rights. Our ‘Hot Topic’ Modern Communications and Quality of Life explores this potential in more detail. A download PDF is available from the Hot Topics section of our online report.

Supply and use chains

Our impact on human rights has two aspects:

- The supply chain – the working conditions under which the products and services purchased by BT are produced
- The use chain – the effect of the use of our products and services (after they have been sold) on human rights.

Supply chain

It is our aspiration that the working conditions in our supply chain meet the standards of the Universal Declaration of Human Rights and the International Labour Organisation Conventions. See more at Human rights in the supply chain in the Suppliers section of our online Social and Environmental report.

Use chain

The main concern here is the misuse of our products and services, for example using the internet for crime. Our ‘Hot Topics’ Abuse of the Internet and Virtual Vice cover these issues and are available as download PDFs from the Hot Topics section of our online report. We will continue to carefully monitor and address these concerns where possible.

Other use chain issues are privacy and freedom of expression, both of which are discussed later in this document.

The Modern Communications and Quality of Life ‘Hot Topic’ addresses the question of whether communications technology has made life better or worse. You can download a PDF version from the Hot Topics section of our online report.

On the positive side, communications technology offers new opportunities for education, learning and development – issues that are examined in more detail in the Digital inclusion section of our online report.

These are complex issues. With so many different national approaches to censorship and access to information, we have to balance our support for free expression with our commitment to abide by the law, wherever we operate.

But we believe that, ultimately, developments in ICT will have a beneficial impact on human rights. BT will continue to play a key part in the debate.

Privacy

Article 12 of the Universal Declaration of Human Rights states:

“No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor attacks upon his honour and reputation.”

While privacy is not a new challenge, developments in ICT have given rise to some new dilemmas.

Protecting online customers

We have to balance giving a tailored customer service with protecting customer privacy.

For example, if BT customers in the UK wish to use our website to manage their account, check their bill and buy various products or services, they have to register first – which involves the disclosure of certain personal information. We have a specific privacy policy covering this situation.

BT also has a detailed Acceptable Use Policy that shows how we protect the privacy of our online customers. This is balanced with our expectations of customers' behaviour towards each other when using our services.

Customers' preferences can be tracked online to offer personalised services and special offers. But customers may choose to opt out of this service.

Protecting all customers

We know that privacy is very important to all our customers, not just those online. BT complies with, and is registered under, the Data Protection Act in the UK, and we take all reasonable care to prevent any unauthorised access to personal data.

BT's Caller Display and Call Return services in the UK can make customer numbers available to the people they are calling. But dialling 141 before calling can prevent this and we also offer to withhold numbers permanently free of charge.



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Human rights continued

Customers are also able to screen out most direct marketing calls by registering with the UK Telephone Preference Service (www.tpsonline.org.uk). British Telecommunications plc (BT) operates under a licence granted by the Secretary of State for Trade and Industry, under section 7 of the UK Telecommunications Act. This means we only use personal details for the reason that they were entrusted to us and don't pass them on to other parts of the business.

Sometimes personal details do have to be disclosed – for example, in the prevention or detection of a criminal offence.

BT employees

We have several policies and codes relating to the use of BT telephones, email and the internet by BT staff.

All staff have been made aware that email and internet access may be monitored and that certain types of message and use of the internet are considered inappropriate while at work and using our system. This is common business practice, and BT does allow reasonable use of personal email.

Freedom of expression

Article 19 of the Universal Declaration of Human Rights (www.unhchr.ch/udhr/index.htm) states:

“Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.”

Freedom of expression is a fundamental human right and a critical means of promoting human rights in general.

But technological advances bring new challenges to the right to freedom of expression and new interpretations of it.



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Protecting children

A key challenge is to balance the right to freedom of expression with the need to protect children online.

BT is a board member of the Internet Content Rating Association (ICRA), (www.icra.org), an international organisation that aims to protect children from potentially harmful material and protect free speech on the internet.

The ICRA asks web authors to give details of what is and is not present on their site. From this, the organisation generates a content label (a short piece of computer code) which the author adds to the site. It enables users, especially parents of young children, to set their internet browser to accept or reject access to certain types of content. The key point for freedom of expression is that ICRA does not itself rate internet content – the content providers do so if they wish to participate.

Our own programme, BT Safe Surf, (www.btsafersurfing.com) gives detailed information for parents and provides user-friendly training for children.

Content provision

BT acts on complaints about content hosted on our servers. We sit on the funding council of the UK Internet Watch Foundation, (www.iwf.org.uk), which notifies us of illegal content stored on our servers and webspace.

We have contributed to the work of the Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS), (www.ictsis.org.uk). Part of ICSTIS' remit involves registering certain types of phone services in the UK, such as dating services, betting, fundraising and services of a sexual nature. This safeguards the right to freedom of expression while ensuring protection of users, legality and quality.

We have published two 'Hot Topics' that explore the problem of misuse of the internet:

- Written by Solitaire Townsend of independent consultancy Futerra, Abuse of the Internet considers issues around the extreme abuse of the internet. This is available as a download PDF from the Hot Topics section of our online Social and Environmental report.

- Written by James Wilsdon and Paul Miller of UK think-tank Demos, Virtual Vice examines BT's approach to issues of concern such as hacking, copyright infringement and spam. A download PDF is available from the Hot Topics section of our online report.

As the issues develop and technology advances we will update this part of our report with our most recent activities to combat misuse of the internet while protecting freedom of expression.



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Stakeholder dialogue

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Stakeholder dialogue

We have important relationships with a range of stakeholders. While no formal process has been used to identify stakeholders, over time it has become clear that six groups are particularly crucial to the success of our business:

- Customers
- Employees
- Suppliers
- Shareholders
- Partners
- Community.

Our Statement of Business Practice, The Way We Work, sets out the aspirations and commitments which apply in our relationship with each stakeholder group.

The more positive and mutually beneficial these relationships are, the more successful our business will be.

Here we discuss:

- The various ways we engage with the different stakeholder groups
- Our Leadership Panel
- Stakeholder influence
- Online debates

You can also provide feedback on our social and environmental performance by e-mailing us at yourviews@bt.com.

Stakeholder engagement

We engage with our stakeholders in different ways. Here are some examples.

Customers

- Consumer Liaison Panels
- Surveys of customers on quality of service and future expectations
- Telecommunications Advisory Committees.

Employees

- Our annual employee survey
- Relationships with trade unions
- European Consultative Works Council.

Suppliers

- Our annual supplier satisfaction survey
- Ethical trading forums with key suppliers and industry colleagues.

Shareholders

The Investors section of our report was developed following close consultation with analysts specifically interested in the social and environmental performance of companies.

BT always values feedback from shareholders and aims to inform investors of the issues we face. More details can be found in Services for Shareholders.

Partners

A description of our relationship with joint ventures and wholly owned subsidiaries on social and environmental issues is given in the Statement of Business Practice section of our report.

Community

Recent surveys of our stakeholders tell us that education should be a top priority for our social investment. This section describes how we manage and distribute this investment.

Leadership Panel

The Leadership Panel is an external advisory group of experts renowned for excelling in their field. The panel has six members:

- Jonathon Porritt, Chair of the Panel and Director of Forum for the Future, a UK sustainable development think-tank
- Mark Goyder, Director, Centre for Tomorrow's Company, a UK think-tank
- Rob Lake, Head of SRI Engagement and Corporate Governance, Henderson Global Investors
- Elizabeth Laville, Director of Utopies, a Paris-based sustainability consultancy
- Yve Newbold, independent advisor
- Jorgen Randers, Professor, the Norwegian School of Management, Oslo.

The purpose of the panel is to encourage innovation and leadership on sustainable development and corporate social responsibility in BT. It meets four times a year and provides independent guidance and expert advice.

Its responsibility covers key areas of CSR strategy and performance, including policy, performance measures, targets, future objectives, governance, stakeholder relationships and external communications.

The panel provides an annual independent comment for inclusion in our report.

Stakeholder influence

It is important to be clear about what BT is trying to achieve with each stakeholder group and to deepen our understanding of what they expect from us.

This is why our Statement of Business Practice sets out the specific aspirations and commitments that apply in our relations with our customers, employees, shareholders, partners, suppliers and communities.

BT's performance against these specific principles, aspirations and commitments can be found via our site index based on the Statement of Business Practice.

It is difficult to make direct links between a specific consultation exercise and a particular company decision.

But we try to show, in the various sections of our report, how specific stakeholder groups do influence BT's policy, strategy and practice. For example, we show:

- How our Consumer Liaison Panels have helped shape our Next Generation Contact Centre strategy for call centres
- How BT managers work with their teams to analyse the results of the annual employee survey and carry out action plans
- How ethical trading forums set up with our suppliers are leading to an industry-wide approach to promote human rights through the supply chain
- How regular communication with socially responsible investment analysts led to further disclosure about the links between CSR and the BT strategy
- How stakeholder dialogue was used in the selection of non-financial key performance indicators
- How stakeholder dialogue led to us to choose education and better communications as key themes of our social investment programmes.



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Stakeholders dialogue continued

Influencing the BT Better World website

Stakeholder consultation has significant bearing on the content of this site.

Hot Topics

Using selection criteria approved by our Advisory Panel, we analyse various opinion polls, company stakeholder consultations and press coverage to identify issues of concern to BT and society. As a result, 'Good Migrations?', 'Abuse of the Internet' and 'the Digital Divide' were included among our Hot Topics.

Previous Hot Topics selected in this way included Modern Communications and Quality of Life, E-Business and the Environment, and Mobile Phones and Health.

Indicators

In June 2003, we established a small number of non-financial key performance indicators to provide an overview of BT's social and environmental performance. It followed a consultation exercise involving report users, such as investors, customers and employees, and outside experts, such as the BT Leadership Panel.

In deciding what other indicators to use in the report, we chose to follow the 2002 Global Reporting Initiative (GRI) Guidelines. As a multi-stakeholder initiative, these guidelines provide the most comprehensive and independent insight into the interests and concerns of our stakeholders. We also follow the pilot version of the Global Reporting Initiative Telecommunications Sector Supplement.

Other content

When defining the content of each section of this site, we consider carefully the results of consultation activities. For example, the Investors section was developed following close consultation with analysts specifically interested in the social and environmental performance of companies. The Customers and Employees sections cover issues that we know to be of concern to these groups, such as services for customers with special needs and our call centre reorganisation programme.

In June 2003, the remit provided to our verifiers was extended to include assurance against the AA1000 Assurance Standard.

The underlying basis of this standard is inclusivity. It requires our report to reflect the concerns of stakeholders, both in its content and in terms of demonstrating BT's response to these concerns.

More details on how we have applied AA1000 Assurance Standard are found in the About the Report section of our website.



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Sustainability

BT Social and
Environmental report



THE QUEEN'S AWARDS
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2003

Sustainability

The concept of sustainable development has increasingly come to represent a new kind of world, where economic growth delivers a more just and inclusive society, at the same time as preserving the natural environment and the world's non-renewable resources for future generations.

The successful realisation of sustainable development requires a degree of international consensus and a great deal of multi-institutional support.

No individual country, business or other organisation can become sustainable on its own. But it can become more sustainable than it was, and it can make a valuable contribution to make the world more sustainable.

Here we discuss:

- BT's approach
- A sustainability vision
- ICT sustainability impacts
- Sustainable Development in Broadband Britain
- BT raising awareness on sustainable development
- BT working in partnership.

BT's approach

In our online Social and Environmental report we identify and quantify our social, economic and environmental impacts and set targets to improve.

We use the term corporate social responsibility (CSR) more often than sustainable development and consider CSR to be the voluntary actions a company takes to contribute to the wider societal goal of sustainable development.

CSR requires a co-ordinated approach to managing social, economic and environmental issues right across the company. See the Business principles section of our online report

for a description of our CSR governance framework and the recent introduction of our CSR health checks.

However, sustainability is not just about having the right systems, checks and balances in place. BT aspires to lead by example, and this section considers the practical steps we are taking to raise awareness of and participation in sustainability.

A sustainability vision

Information and Communications Technology (ICT) drives productivity and economic growth. For this growth to make a direct contribution to sustainable development it must be managed in the right way. If not, it will lead to further inequalities and greater consumption.

The following are recommendations to governments developed by the Global e-Sustainability Initiative (GeSI) for the World Summit for Sustainable Development (WSSD) and World Summit for the Information Society (WSIS):

- Markets should be open to new technologies and new approaches
- Governments should aim for harmonisation of standards and stable regulatory frameworks
- Public-private partnerships should be encouraged to develop infrastructure and applications in areas where the market needs support, eg, environmental protection (climate mitigation, resource efficiency, monitoring and information gathering) and poverty eradication
- Countries at all stages of economic development should recognise ICT as an integral component of sustainable development strategies, not merely as a valuable industry in its own right
- Relevant international and regional institutions should develop a strategy for the use of ICT for sustainable development and as an effective instrument to help us achieve the UN's Millennium Development Goals (MDGs).
- Governments and the private sector should implement different instruments that can help to extract the maximum benefits from ICT and speed the development of sustainability solutions throughout society

- Tools should be developed to evaluate the environmental and social impacts of ICT use
- CT should be integrated into the mainstream of sustainable development.

Information and Communications Technology (ICT) and sustainability

ICT brings many potential benefits to society.

In its submission to the World Summit on Sustainable Development the Global e-Sustainability Initiative highlighted how:

- ICT provides the infrastructure of the knowledge economy and can enable other sectors to move towards sustainability
- Low penetration of ICT in less-developed economies inhibits the achievement of sustainable social and economic development goals
- The internet enhances the capability of those with access in the fields of education and health, as well as providing new opportunities for economic activity and democratic participation
- All sectors can improve the impact of their operations, reducing their use of resources through smart energy management, more efficient transport, transport substitution, dematerialisation, electronic commerce and substitution of services for products.

ICT sustainability impacts

"ICT is a wonderful tool for creating value, creating an inspired work environment and an opportunity for people to develop themselves."

Ben Verwaayen, BT CEO, 2002

Communications technology not only benefits business, but the people doing business. ICT is changing the way business is done, especially through the internet and wireless technologies. The technologies provide the possibility of productivity gains similar to those of the industrial revolution.

Furthermore, ICT can support social and economic development by transforming communication and access to information, helping to bring about the powerful social and

economic networks needed to bring sustainable development to emerging economies.

The use of BT's own products and services enables us to reduce our consumption of finite materials and to improve the work-life balance of our people.

Here we identify some of the key sustainability impacts of ICT, using quantified examples from our own experience. These are:

- The impact of phone and video-conferencing on travel
- The social and travel implications of more flexible work-styles
- The impact of e-Business.

For more information on work-life balance, see the Employees section of our online report.

Conferencing

Conferencing by video, phone or the web is more time and cost-efficient than meeting in person. It improves the quality of life for those who travel frequently. It's also a major benefit for BT's 7,900 plus home-based workers and a growing number of so-called agile workers, those who occasionally work from home.

BT Conferencing provides all BT's internal phone, video and e-conference facilities, as well as providing conferencing solutions for customers.

Impacts of conferencing

We conduct regular surveys to assess the economic, social and environmental performance of our phone conferencing services.

In the financial year 2003, a representative sample of BT employees was surveyed about their use of conferencing. The response group is broadly representative of BT in terms of business unit and age, but includes a higher proportion of managers and women.

This is a summary of the survey's main findings. For full data, see our BT Conferencing Survey Report. This is available as a download PDF from our Better World website.



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Sustainability continued

Impacts of telephone conferencing: survey results

Economic

- Conferencing is reducing BT's travel costs
- 66% of the respondents said conferencing was essential to their job, and over 80% believed it had improved their performance.

Environmental

- Reduces travel by at least 91 miles a year for car users and 94 miles for train users
- Frees up road space and seats on public transport at the busiest times of day (almost half of the avoided trips would have taken place at that time)
- Alleviates congestion in London (about a third of the avoided meetings would have been in the capital)
- Reduces harmful CO₂ emissions. It is estimated that each conference call saves a minimum 22.05 kg of CO₂ and that all conference calls save at least 20,060 tonnes of CO₂ a year.

Social

- Conferencing creates personal benefits for BT people. Three quarters of respondents said conferencing improved the quality of their lives. Only 2% disagreed
- One respondent's comment summed up most people's view of teleconferencing:
"Travelling less = more time at home = balance of home/work priorities = less stress = better performance."

For more information on teleconferencing with BT, see BT Conferencing (www.conferencing.bt.com).

who felt teleworking had a negative effect on their lives.

Paradoxically, although people work longer hours, they also feel their quality of life has been enhanced. This is because less commuting frees time for work and private life and also greatly reduces stress. Also, teleworking enables people to multi-task. They can, for example, do domestic jobs during work breaks. This gives them more quality time at evenings and weekends.

SusTel UK

The SusTel UK report summarises the UK results of the SusTel survey, a European Commission research project on the social, economic and environmental consequences of telework.

In the autumn of 2002, the SusTel team conducted 30 case studies and a total of six surveys, one each in Denmark, Germany, Italy and the Netherlands and two in the United Kingdom.

SusTel, in collaboration with BT and other companies in Europe, has developed the Telework-Sustainability Assessment Tool (SAT). This provides a simple way to assess and improve the sustainability of telework programmes in organisations.

The SAT provides:

- A quick means of understanding and assessing the economic, environmental and social impacts of actual or proposed teleworking initiatives
- Information and ideas on how to improve in areas such as resource consumption or transport
- Links showing how teleworking impacts on more than one aspect of an organisation, for example, reducing commuting can greatly reduce stress and improve work-life balance.

SAT will also help organisations use teleworking to adapt to:

- Requirements to produce 'green travel plans' to reduce car use by employees
- The introduction of congestion charges in cities

- New regulations requiring employers to prove that particular jobs are not suitable for flexible working (and therefore teleworking).

The main UK surveys were carried out with the UK airports company, BAA, and BT. The two companies, along with four other organisations – Acre (a small non-governmental organisation), Bradford Council, East Midlands Electricity and Word Association (a small internet company) – were also the subject of case studies for the project.

Here we summarise the main findings of the survey in four categories:

- Personal and social benefits
- Downsides of telework
- Key economic benefits
- Travel reduction.

Personal and social benefits

- The vast majority of respondents felt that they had had a good quality of life in the previous 12 months, and that teleworking was having a positive effect
- Most respondents felt that they had a good work-life balance and that teleworking had positive impacts on partners, children and adult dependants
- Most respondents felt that teleworking had a positive influence on career development, although a minority (15.5%) of BT respondents disagreed.

Teleworking downsides

- Many respondents felt their working hours had increased, sometimes by more than 11 hours a week
- Respondents felt isolated from work colleagues and, to a lesser extent, from non-work contacts – something which did not matter to most respondents but did for a large minority of BT staff

Key economic benefits

Better performance, the need for less office space and reduced absenteeism are among the economic benefits of teleworking.



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Sustainability continued

- Nearly half of the BT respondents who felt that their performance had improved believed that teleworking had made a major contribution
- Three of the six case study companies showed major reductions in office space requirements. Word Association, a small internet company, gave up its central office entirely to become a 'virtual' organisation, saving £10,000 a year
- Three of the six companies found that teleworking reduced absenteeism and job turnover. Almost three quarters of both BT and BAA respondents reported that they worked when illness or travel disruption would have prevented them from going to an office.

Travel reduction

The survey confirmed previous findings that teleworking reduces commuting travel. SusTel went further by offsetting the extra journeys people make as a result of working from home. This showed that:

- Non-work-related journeys resulted in mean additional weekly travel of 60 miles at BT and 16 miles for BAA staff
- However, set against weekly commuting savings of 253 miles at BT and 61 miles at BAA, teleworking still results in considerable travel reductions.

Teleworking saved large amounts of time at BT with 64.7% of BT respondents saving six or more hours a week, and 22.9% saving 11 or more hours per week.

Conclusions

Teleworking in the UK appears to bring net economic, environmental and social benefits for organisations and the people who work there. There are some downsides, such as increased working hours and some concerns about career development.

More information and full data are available as a download PDF of the UK SusTel Summary Report from the Reports section of our online report, or on the SusTel website (www.sustel.org).

e-Business (e-BT)

Increased use of electronic transactions in BT has clear environmental benefits.

Since the financial year 2000, we have been transforming BT into e-BT, by reducing the number of paper-based transactions and trading more electronically. This has reduced the use of paper, ink and other stationery – the use of copier paper during this period has fallen by 42%.

Paper consumption

Our billing and telephone directories operations account for most of our print and paper use. The use of paper in phone books has risen by 30%, compared with the 2003 financial year. This is because the books, which are reprinted every year and delivered to every UK household, now include a classified advertising section.

But we have reduced the use of paper elsewhere. Compared with the 2003 financial year:

- Copier paper down by 187 tonnes (13%)
- Office paper supplies (e.g. forms) down by 100 tonnes (45%)

Increased use of email and e-business is often believed to lead to increased local printing and greater use of office paper and other consumables. This is not the case in BT. Since the 2000 financial year, internal printing has decreased by 42% and the use of paper forms by 70%.

When our billing and phone book activities are included, there has been an overall increase in paper use of 10% compared with the 2003 financial year.

Customer solutions

Online Directory

BT's online directory enquiries provide telephone numbers. Users are entitled to ten free searches a day and can search by name, town or the initial letters of the post code.

eBilling

BT produces millions of bills every year, using millions of sheets of paper. We are developing ways to use our technology to reduce the amount of paper we use and to improve customer service.

Business online paper-free bill

The advantages of online paper-free billing are:

- It saves paper
- Itemised call details can be sorted and analysed by customers
- Online VAT statement, supported by Customs and Excise, can be printed
- Customers can download billing data to their PC.

In the 2004 financial year, BT ran a pilot with the Woodland Trust, the UK's leading woodland conservation charity, to encourage business customers to use paper-free billing.

For every small business that signed up for eBilling, BT bought a native sapling, to be planted by children as part of the charity's school's planting programme.

The response to this offer exceeded our expectations and resulted in the planting of nearly 2,000 native trees by the Woodland Trust. Lessons from the pilot have been fed into our plans for enhanced payment options in the 2005 financial year.

We are running a similar project with Future Forests, a UK company promoting tree planting to offset carbon dioxide emissions, whereby BT made a one-off payment to Future Forests, to encourage private customers to choose eBilling.

Paperless payments

Customers can pay their bills by direct debit without completing any paperwork. This can be set up on the phone or on our website. Each paperless sign-up saves us mailing one paper direct debit instruction, one leaflet explaining payment options and one return envelope – as well as the original envelope.

For more information on residential & business billing, see <http://www.bt.com>.

Sustainable Development in Broadband Britain

This year we asked Forum for the Future (www.forumforthefuture.org.uk) to look at broadband from a wide perspective, that of sustainable development. Taking social, economic and environmental concerns together, to ask how the roll-out of broadband internet access will affect the UK's ability to deliver a better quality of life and a better environment for all in the future.

The roll-out of broadband is a strategic priority for BT and therefore has a significant impact on our contribution to sustainable development in the UK.

The report concludes:

Large positive **economic** impacts are expected from the roll-out of broadband by:

- Enabling more efficient business processes – most marked in the small business (SME) sector
- Stimulating economic growth – through productivity gains and access to the global market.

The internet is expected to have a significant impact on **society**, and the arrival of broadband accentuates and slightly modifies that by:

- Allowing more efficient delivery of educational, health and other public services
- Offering the opportunity to enhance and multiply social ties
- Helping community centres work more efficiently
- Enabling telework.



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Sustainability continued

However, the **environmental** effects of broadband are more mixed.

Reductions in travel by teleworkers and more effective use of office accommodation are offset by:

- The increase in energy consumption by BT
- Possible changes in consumer behaviour
- Waste associated with consumer demand for ICT products.

A PDF download of the full report is available in the Sustainability section of our online report.

Web-based environmental management software

In partnership with Entropy International, a management systems and software company, we have developed a web-based environmental management solution.

The software is fully integrated with a BT managed application enabling it to be web based with full operational security and external hosting. The solution can be used by anyone in any location with web access.

Designed to ensure full compliance with ISO 14001, EMAS, ISO 9001 and OHSAS 18001, Envoy covers environmental, quality, and health and safety (EQS) management and monitoring.

Raising Awareness

We want to understand our impact and stimulate debate on sustainable development and corporate responsibility. To do this, we need to consult and talk to people, and promote awareness and dialogue on the issues.

Publications

We produce a series of occasional papers designed to address the complex inter-relationships between companies and society. The papers, which aim to stimulate debate rather than provide definitive answers, include:

- Just Values (2003) asks the question 'What happens when responsible business doesn't pay?' by examining the relationship between the business case for sustainable development and the moral imperative

- Enlightened Values (2002) offers a practical business case for accountability and stakeholder engagement
- Adding Values (2001) provides an insight into why and how to account for a company's economic performance and effects
- Variety and Values (2000) gives a review of globalisation and its linked effects on cultural and bio-diversity loss
- Changing Values (1999) considers the role of business in a sustainable society.

All of these papers are available as download PDFs in the Original Thinking section of our Better World website.

Participation

We often participate in discussions on the role of business in sustainable development and sponsor events and conferences on the subject.

We are members of a number of organisations that attempt to influence public policy on matters connected with corporate social responsibility (CSR) and sustainable development, such as:

- CSR Europe (www.csreurope.org)
- Forum for the Future (www.forumforthefuture.org.uk)
- Green Alliance (www.green-alliance.org.uk)
- Business for Social Responsibility (www.bsr.org)
- Global e-Sustainability Initiative (www.gesi.org)

We respond to formal consultations such as the UK Government sustainability strategy and the EU green paper on CSR.

BT is keen for the Government to make changes to the legal and fiscal frameworks, which will enable business to survive and flourish from sustainable business practice. For more information, see Public policy in the Business principles section of our online report.

Partnerships

We often work with external partners to deliver BT-branded projects and programmes.

We get many invitations to participate as a partner in activities co-ordinated by external agencies. We select those where we have something to offer and gain, especially through mutual learning and the exchange of ideas.

Particularly relevant would be our:

- Support for the United Nations Global Compact, an international commitment to principles on human rights, labour and civil society
- Support for the Global Reporting Initiative in its development of sustainability reporting guidelines
- Inputs to multilateral dialogues via the Global e-Sustainability Initiative (GeSI), an ICT sector initiative promoting technology that fosters sustainable development, and the European Telecommunications Network Operators (ETNO)
- Work with the UK Centre for Economic and Environmental Development (UK CEED), an independent charitable organisation aiming to raise environmental standards through research and policy development, and SustainIT.

The future

"Advanced telecommunications services are one of the few achievements of our consumer society that could be accessible to, and used by every person on earth without exceeding sustainable limits on resource-use and environmental impact."

Peter Johnston of the Information Society Directorate of the European Commission

To achieve this goal, we need:

- Networks powered by energy derived from renewable sources
- Equipment and cables made from non-oil derived plastics (probably coming from agricultural products)
- Polymeric conductors to be used in place of metals
- Fibre-optical switches and computers (as glass is derived from a plentiful supply of sand, fibre-optic components could reduce the need for metals and conventional semiconductor materials).

Our services can also help to build a more productive and inclusive society with improved democratic participation, more efficient provision of health and education services, unlimited access to other people and to knowledge.



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BT and Digital inclusion

BT Social and
Environmental report



THE QUEEN'S AWARDS
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BT and Digital inclusion

Access to information and communications technology can improve people's lives and open doors to education, jobs, entertainment and personal contacts. But many people do not yet have the opportunity or the necessary skills to use the technology.

We want everyone to participate in the digital revolution. Here we discuss how we promote digital inclusion in three ways:

- Provide greater access to communications technology – **Connectivity**
- Encourage communication and its use for social and economic benefit – **Content**
- Help groups and individuals use technology – **Capability**.

See our short case studies at the end of this document for examples of our work to promote inclusion.

Connectivity

If people are to benefit from the internet they need to be connected to it. We provide a range of different connections, from home dial-up lines to internet kiosks and high-speed broadband. See the BT Retail website for our products and services.

Broadband, which provides a fast 'always-on' connection to the internet via a conventional telephone line, is the most significant technical advance for consumers and small businesses. Its availability promotes social inclusion.

Telephone exchanges have to be upgraded to provide broadband. Because of the cost, this is being done gradually in the UK, often working with partners in government and regional development agencies.

As of 31 March 2004, more than 85% of the UK's homes and businesses were connected to broadband enabled exchanges. We have set out a road map that will see broadband available to exchanges serving over 99% of UK homes and businesses by summer 2005.

New approaches

We are developing new marketing approaches to ensure we spread the benefits of broadband as widely as possible. For example, a pioneering project, called ADSL Exchange Activate, is designed to bring broadband to small communities. It relies on sponsors – parish councils, town councils and regional bodies – to promote demand.

By 2005, BT will have invested around £22 million in setting up a total of 35 public private partnerships across the UK to bring broadband to areas where exchanges had not been enabled.

In Cornwall, UK, a European Union funded partnership project, ACTNOW, offers subsidised packages to small businesses. Further information is available at: www.actnowcornwall.co.uk

Our 1,200 internet kiosks (advanced payphones) offer telephone services, internet access, email and text messaging. We plan to have a total of 20,000 kiosks by 2007.

We are developing wireless networks in public places that will enable people to use their portable computers to access the internet. Our network of Openzone access points – currently more than 2,000 – are available at airports, hotels, railway stations and fast-food outlets.

Driving demand

We hope that the purchasing power of the public sector could drive demand even faster.

For example, the UK Government's plans to provide schools and doctors' surgeries with broadband would benefit the whole community.

A Government project called Broadband Aggregation aims to combine the purchasing power of government departments to make it more affordable for service providers to supply broadband to smaller communities. This initiative will accelerate delivery of broadband infrastructure to help more UK communities and businesses to realise the benefits of high-speed internet access, while delivering better value for customers and savings to taxpayers.

The UK has set a target for the country to be the most extensive and competitive broadband market in the G7 group of countries by 2005.

This is expected to enhance the productivity of business and regions and the economy as a whole. Other benefits include better education (from the provision of online curriculum materials) and decreased congestion (from more teleworking).

Education

Broadband has the potential to distribute high-quality curriculum materials to all pupils. BT's LearningStream 8 and LearningStream 34 services have been designed specifically for education. They can be used by schools, colleges and public learning centres to create online learning communities and share resources. They can help to build learning communities by linking schools, colleges, libraries, learning centres and Citizens Advice Bureaux.

In the financial year 2004, we launched a trial of Broadband Central – a new online broadband community aimed at bringing broadband users together to share their experience of using broadband.

For more information, visit Broadband Central at: www.ecademy.com/broadbandcentral and BT Education at: www.bt.com/education.

Contributing to the public debate

We are active members of the Broadband Stakeholder Group (BSG), the UK Government's multi-sector advisory group on broadband. Although the BSG has largely focused on the extension of broadband coverage and competition, it now sees a need to accelerate demand and create compelling commercial and public service content.

Reports

Connected Community Organisations – Can They Help to Overcome the Digital Divide?, SustainIT, December 2003

'Broadband use by community organisations can help to overcome the digital divide, as well as breaking down social barriers and improving organisational effectiveness. It can also extend and deepen their links with external bodies – but only if the organisation already has a culture which recognises the importance of

organisational networking.'

'Broadband has helped to overcome social barriers between users and had a very significant or significant impact on the community – although the forms this takes varies between organisations'

This report is available as a PDF download in our online report.

Sustainable Development in Broadband Britain

Forum for the Future March 2004.
This report is available as a download PDF in the Sustainability section of our online Social and Environmental report.

'Broadband internet access provides the opportunity to enhance and multiply social ties, though in some cases may also contribute to social isolation.'

Fast, always-on internet access makes a wide range of applications more user-friendly and more likely to be successfully employed. Reports list areas from education and health to democratic participation and agriculture as areas that are likely to benefit.'

Content

While the amount of information on the internet is vast, there is still a great need for content that brings benefits to communities, small businesses and individuals. This is why we work with others to promote new content (see examples in the case studies section of this document). These are some of the organisations we have helped:

- **Charities** – We have teamed up with ik.com, a business providing specialist internet solutions, to make free, simple-to-build websites available to UK charities and community groups (see our charities website leaflet for more information). This is an extension of our existing work with UK schools. Four thousand schools have already created some excellent new sites, developed and maintained by pupils and teachers. (See our case study on how a mountain rescue team benefited).

- **Connected Earth** – This museum on the internet, launched in 2002, is one of the largest virtual museums, providing



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BT and digital inclusion continued

information on the history of telecommunications

(For more information, visit Connected Earth at: www.connectedearth.org)

- **Leeds Learning Network** – Formed by BT and Leeds City Council in the UK to connect schools, libraries and museums throughout Leeds on a single network, the project offers the whole community an invaluable educational resource.
- **NHSnet with Cable & Wireless** – We work with the UK National Health Service to supply a world-class secure intranet. Introduced in 1995, this multi-media resource is transforming the way health professionals work. It enables the delivery of electronic healthcare and more efficient administration.
- **Tate Online** – We sponsor the UK's leading modern art museum's virtual gallery, the UK's most visited arts website. The site is powered by BT, which provides technical support, hosting and online broadcasting.
(For more information, visit Tate online at: www.tate.org.uk.)
- **TimeBank** – TimeBank is a UK-based national voluntary campaign raising the awareness of giving time through voluntary work. The website site matches volunteers' time and skills to the needs of local organisations.
- **UK National Council for Voluntary Organisations** – The Council's website provides a comprehensive online resource for voluntary organisations.

BT Education provides content aimed at teachers, parents and children. This includes:

- **BT Learning Centre** – This is an online learning subscription service for home users, tailor-made for specific age groups. This service provides pupils with the same or similar content to that available in schools to help give them a step up the educational ladder. We have also been working with leading UK education content providers including Actis, Netmedia Education, Cyber Mind and Granada Learning to bring a wide range of education titles into the service. Free content is available to subscribers and non-subscribers and provides links to other educational sites such as GridClub, NGfL, museums and others.

For more information, visit the BT learning Centre at: www.btopenworld.com/thelearningcentre and see our case study on grandparents and computers at the end of this document.

- **BT Resource Bank** – resources for teachers, parents and children on communication skills, including animated tutorials, quizzes and classroom activities. For more information, visit the Resource Bank at: www.btplc.com/ict/index.cfm.

Recognising good practice

We sponsor SustainIT's eWell-Being Awards (see www.sustainit.org/ewell-being/ewb_awards.htm), which recognise the effective use of information communications technology to bring environmental, economic and social benefits.

We support the Information and Communications Technology (ICT) in Practice Awards, organised by the British Educational Communications and Technology Agency (BECTA). The Awards identify and promote best practice in ICT and education.

Capability

We have launched a digital inclusion campaign to demonstrate how communications can help improve society, and to support the UK Government's aim to give all citizens online access by 2005.

A key element of the campaign is the **Everybodyonline** programme, supported by BT. The project is run by Citizens Online (www.citizenonline.org.uk), a UK-based charity promoting the use of Information and Communications Technology (ICT) for all members of the community.

Working with local governments, communities and service providers, EverybodyOnline aims to ensure that those people disadvantaged by location, lack of skills, or economic factors do not miss out on the benefits of new technology.

Everybodyonline is being piloted in several small disadvantaged communities in the UK. The communities are the size of an electoral ward and have been chosen because they have below-average household internet connectivity. They rank among the most disadvantaged

communities in the UK on the multiple deprivation index.

Project officers have been appointed in each location, with four key tasks:

- Local audit – to identify key local issues, to map availability of local public access points; and training providers and potential partners
- Local action plan – to establish a steering group and design a locally-owned action plan using ICT to address key local issues
- Delivery – to facilitate activities to improve awareness of ICT and to demonstrate the benefits of being online
- Monitoring – to capture data, case studies, examples of good practice, feedback and follow-ups.

In the 2004 financial year, Everybodyonline has been running taster sessions where project officers equipped with wireless laptops visit places where people meet, such as community centres, retirement homes and church halls. People are encouraged to try out the technology and explore the opportunities provided online. The sessions have proved popular and some early participants now confidently shop and bank online.

See our case study about Margaret's experience at the Welbeck Green Bungalows' taster session.

"The real value of the Everybodyonline project is its use of ICT as a tool for engaging with a community and helping the most disadvantaged acquire skills which may lead to new life opportunities."
John Fisher, Chief Executive of Citizens Online.

For more information, visit Everybodyonline at: www.everybodyonline.org.uk and see our case studies.

Free PCs and connection for community groups and charities

BT Community Connections is an awards programme aimed at connecting community groups in the UK to the internet. Since its launch in January 2001, £2 million worth of internet-ready PCs and contributions towards subscriptions have been awarded. More than

3,400 winners have benefited, from inner-city farms to disabled dance groups.

Also see how BT is involved with children to help promote digital inclusion in the case studies at the end of this document.

Case studies

Online access to mountain rescue information

A Scottish mountain rescue team is one of more than 1,000 voluntary organisations that have taken up our offer with web-builder ik.com to make free, easy-to-build websites for UK charities and community groups.

"We had been considering creating a website for a good couple of years but no-one had the time or expertise to do it," says Stuart Ballantyne, secretary of the Trossachs Search and Rescue Team in Scotland. *"Thanks to BT and ik.com we now have our own website and although it's in its infancy we are receiving positive feedback from other organisations and the public. We found creating the site very easy and editing is simple too – ideal for voluntary groups such as us."*

Children teach their grandparents how to surf the net

The Grandparents to School event held at St Stephen Churchtown primary school Cornwall, UK in February 2004 attracted 100 grandparents to learn about computers and the internet. All classes in the school had a half-hour slot in the IT suite with their grandparents and many of the children proved to be experts at helping their relatives surf the net.

"Our feet didn't touch the ground until the grandparents and grandchildren stopped for lunch," said Ann Tomkins, a project officer with EverybodyOnline, a project run by UK charity Citizens Online with the support of BT. Working with local governments and service providers, the project aims to ensure that those people disadvantaged by location, skills or economic factors do not miss out on the benefits of new technology.



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BT and digital inclusion continued

Children help promote digital inclusion

A new BT-sponsored child-friendly website, called Internet Rangers, is part of a campaign launched in 2004 to help young people get their families online. For further information, please visit: www.internetrangers.co.uk.

Our research found that children – particularly young teenagers – are the most effective spur to encourage reluctant parents or grandparents onto the internet. Nearly a third of parents and grandparents – 32% – have been taught or encouraged to surf the internet by a child aged between 13 and 16 years.

It's not just teenagers who are helping to bridge the digital divide – nearly one in five parents and grandparents have either learned a new skill or been educated via the web following online help from a child aged between five and eight.

Sophie (11) and Chloe Davies (9), from Neath in South Wales, have been budding Internet Rangers since Christmas 2000 when they got their first computer. The girls use the internet mainly for homework and emailing friends, but last year persuaded their grandmother, Pat (70), to try using the internet.

Sophie says: *"Grandma needed quite a lot of persuading as she didn't think she'd be able to use the internet. She also said that there wasn't anything she'd want to see on the net but Chloe and I found a site with lots of pictures of Neath in the old days and one on how to be a gardener. I think we helped change her mind."*

After a few lessons with the girls, Pat enrolled on a computer class at her local community centre.

Pat says: *"I had the opportunity of doing a number of different classes but the girls had already shown me the basics of how to use the computer so I decided to give it a try. Once I got over the fear factor and put the idea of being too old to learn out of my mind I was fine. The course was really interesting and of course I had Sophie and Chloe on hand to help me with the homework! I now have my own PC and have just started another course – this time in desktop publishing."*



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Keeping young people off the streets

Young people in Audley & Bignall End, UK, complained that they had nowhere interesting to go to keep them off the streets. This is why Youth4Audley was set up in 2003 and immediately developed a project using art, media and information technology. Showing extreme resourcefulness a venue was found, personal computer applied for (and gained from BT) and funding found from a charity and local government. Working with Everybodyonline (supported by BT) and others, the young people met with many of the elderly residents to find out what the area had been like in their youth. They then built up a digital library of stories and photos, past and present.

In March 2004 Youth4Audley presented a multi-media show celebrating Audley and its people and bringing together old and young in the communities.

Bullying Online wins award

A comprehensive online information service for anyone affected by bullying, called Bullying Online, won the digital inclusion category in the 2003 EWell-Being Awards, sponsored by BT.

Bullying Online is a registered charity helping parents and pupils deal with school bullying. In four years 325,000 people have visited the site and the volunteer team has responded to more than 16,000 emails, some from confused teenagers desperate for some reassurance and others from anxious parents searching out advice.

There is guidance on every aspect of bullying, from racial abuse to text harassment on a mobile phone, letters for parents to copy out if they are unsure of how to approach their child's school, help for bullies and their parents, and tips from children who have overcome bullying.

Giving community groups the opportunity to acquire new ICT skills

BT supports Everybodyonline's initiative to organise taster sessions for people with no experience of computers, to give them a chance to explore the opportunities provided by information and communication technology.

Margaret Temple is one of 41 residents aged between 60 and 90 at the Welbeck Green Bungalows housing complex, near Newcastle on Tyne, UK. The residents have been regularly visited by an Everybodyonline project officer since May 2003 and provided with internet access from laptop computers and mobile telephones. Margaret has learned how to use Microsoft Word, send emails and search the internet for information.

Margaret is a lay preacher and previously used a typewriter to produce her sermons. She is planning to buy a laptop computer and printer. She has also decided to take more training to further improve her IT skills.



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Offices worldwide

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Data and targets

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

Data and targets

In this section you will find:

- **BT's 11 non-financial key performance indicators (KPIs)** for a quick overview of our social and environmental performance
- **Our social and environmental performance data**
- **Our social and environmental performance targets, including our progress against the targets set in previous financial years.**

Key performance indicators

We have selected 11 non-financial key performance indicators (KPIs) to provide a quick overview of BT's social and environmental performance.

The KPIs have been used to establish a set of strategic social and environmental targets to drive performance improvement across the business.

You can view our performance data and targets summary for all our KPIs here, with further information and commentary below.

All other performance figures are available in the social and environmental data section of this document.

Key performance indicator selection

The primary reference point in the identification of KPIs was BT's Statement of Business Practice. This sets out our business principles together with the specific aspirations and commitments that apply in our stakeholder relationships.

From here specific indicators were selected following consultation with investors, customers and employees, together with outside experts such as the BT Leadership Panel.

The final set of KPIs includes at least one indicator for each of our four important stakeholder groups (customers, employees, community and suppliers) and reflects key issues of social concern (integrity, digital inclusion and environment).

Summary

This performance relates to the 2004 financial year, compared with 2003:

- Customer dissatisfaction down 22%
- Broadband now available to more than 85% of all UK homes and businesses, up from 67%
- People Satisfaction Index increased from 67% to 71%
- Increase in the percentage of ethnic minority employees from 8.6% to 8.9% and disabled employees from 2.0% to 2.1%, though the percentage of women declined from 23.6% to 22.7%
- Global Warming CO₂ emissions now 42% lower than 1996
- Waste to landfill down 10,201 tonnes to 79,677 tonnes, and percentage of total waste recycled up from 24% to 26%
- Health & Safety significant incident rate down from 113 to 87 per 10,000 full-time employees
- Percentage of suppliers stating they have a good working relationship with BT is 94%
- Ethical trading risk assessment questionnaires completed by 242 suppliers and 13 on-site assessments undertaken
- Awareness of our Statement of Business Practice in the UK up 1% to 84%
- Direct community investment of £5.6 million plus £12.4 million in further funding and support in kind.

Below is a summary of our performance in the KPIs during the 2004 financial year. More detailed information can be found by following the links to the relevant sections.

Customers

Reducing customer dissatisfaction by 25% a year over the 3 years to the 2005 financial year is a key target in our drive to deliver the highest levels of customer satisfaction. Across the whole group in the 2004 financial year, we achieved a 22% reduction in customer dissatisfaction, with the principal lines of business all reducing customer dissatisfaction levels during the year. This follows a 37% reduction in the 2003 financial year.

BT is determined to spread the benefits of broadband as widely as possible. At present the ADSL 'footprint' covers more than 85% of all UK homes and businesses. We have set out a roadmap that will see broad-band available to exchanges serving over 99% of UK homes and businesses by summer 2005.

Employees

People continue to feel committed and satisfied with working for BT.

The People Satisfaction Index (measuring the overall satisfaction of people with their working life in BT) has increased from 67% to 71%, exceeding our target of 69%.

During the 2005 financial year, we will be introducing a new Employee Engagement Index, reflecting our commitment to keep people engaged with their colleagues, work and customers. There will be a strong link between this, the BT strategy and our values.

We are aiming to increase the percentage of women employees to 25% and disabled employees to 2.5%, while not falling below 8% ethnic minority employees.

The past year has shown a small increase in the percentage of ethnic minority employees in BT (8.9% from 8.6%) and also disabled employees (2.1% from 2.0%). However, while 32.8% of all new recruits were women, the representation of women in BT as a whole has fallen from 23.6% to 22.7%. This suggests that retention rather than recruitment is the barrier to progress.

Providing a safe place to work and promoting a healthy lifestyle are critical to our employee relationships and we are seeing some excellent progress in these areas. Our significant incident rate (the reported number of injuries, diseases and dangerous occurrences) was down from 113 to 87 per 10,000 full time employees in the UK this year.

On the back of this success, we have now doubled our target, which is to achieve a 50% reduction in incidents by 2005 from 2001 levels.

Suppliers

It is vitally important that our suppliers provide working conditions consistent with international guidelines such as the UN's Universal Declaration of Human Rights.

We continued to roll out our ethical trading programme to those places where we believe the risk of falling short of our Sourcing with Human Dignity standard is at its highest.

Ethical trading risk assessment questionnaires have been completed by 242 suppliers, 13 on-site assessments have been undertaken and improvement plans are in place where required. We are continuing to focus our action on high and medium risk areas.

In April 2004, we conducted a confidential on-line survey with suppliers to learn their attitudes

and opinions of BT. A total of 213 suppliers responded, with 94% stating that they had a good working relationship with BT. We will undertake this survey every year and we intend to create a supplier relationship index that averages responses from a range of questions.

Community

We have made the commitment to provide a minimum of 1% of our UK pre-tax profits to activities in support of society, either through direct funding or through support in kind. This year we provided £5.6 million to activities in direct support of society, plus £12.4 million in further funding and support in kind.

Environment

Telecommunications is seen as an environmentally friendly technology. But the sheer scale and reach of our business create a sizeable environmental footprint. For example, BT is one of the largest consumers of industrial and commercial electricity in the UK.

BT's global warming CO₂ emissions are now 42% less than the level they were at in 1996. This compares favourably with the UK Government's own target for CO₂ reduction of 20% below 1990 levels by 2010.

We are expecting the roll out of broadband to increase our electricity use – though investment in energy efficiency enabled us to reduce overall consumption by 1.5% during the 2004 financial year. We have set a target to cap our 2010 CO₂ emissions at 25% below those of 1996.

Also important is the disposal of our waste. This year we have increased the percentage of the total waste we recycle from 24% to 26% and reduced our waste going to landfill from 89,878 to 79,677 tonnes.

Integrity

In today's world, integrity and fulfilling our promises are increasingly critical. Our Statement of Business Practice, The Way We Work, is a key document, setting out the principles that apply to BT people all over the world.

In 2003, awareness of these principles in the UK increased 1% to 84%, but fell short of our target of 86%.

Our intention is now to develop an index-based measure to provide information on our performance across a range of corporate governance issues.



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Non Financial Key Performance Indicators

Category	Indicator	2004	2003	2002	Target 2005
Customers	Customer Dissatisfaction – a measure of the overall success of BT's relationship with its customers	22% reduction	37% reduction	Not Available	Reduce customer dissatisfaction by 25% a year over the 3 years to the 2005 financial year
Employees	People Satisfaction Index – a measure of the overall success of BT's relationship with employees	71%	67%	67%	* See note below
	Diversity – a measure of the diversity of the BT workforce	22.7% Women (21% of senior) 8.9% Ethnic Minority (7.6% of senior) 2.1% Disabled	23.8% Women (20% of senior) 8.2% Ethnic Minority (7% of senior) 2.0% Disabled	23.9% Women 7.7% Ethnic Minority 2.0% Disabled	25% Women > 8% Ethnic Minority 2.5% Disabled
	Significant Incident Rate – a measure of BT's success in health and safety	87 per 10,000 full time employees (UK only)	113 per 10,000 full time employees (UK only)	126 per 10,000 full time employees (UK only)	50% reduction in incidents from 2001 by March 2005 (74)
Suppliers	Supplier Relationships – a measure of the overall success of BT's relationship with suppliers	94%	Not Available	Not Available	Identify areas for improvement
	Ethical Trading – a measure of the application of BT's supply chain human rights standard	242 risk assessment questionnaires completed	31 risk assessment questionnaires completed	Not Available	Evidence of action in high/ medium risk areas
Community	Community contribution – a measure of investment in society	£18m in funding and support in kind	£26.1m in funding and support in kind	£26.0m in funding and support in kind	Maintain minimum of 1% pre-tax profit
Environment	Global Warming CO2 emissions – a measure of BT's climate change impact	42% below 1996 level 0.93 million tonnes 50 tonnes per £1m	40% below 1996 level 0.96 million tonnes 51 tonnes per £1m	36% below 1996 level 1.03 million tonnes 56 tonnes per £1m	Cap 2010 CO2 emissions at 25% below 1996 levels
	Waste to landfill and recycling – a measure of BT's resource use impacts	79,677 tonnes to landfill (74%) 27,626 tonnes recycled (26%)	89,878 tonnes to landfill (76%) 27,809 tonnes recycled (24%)	90,900 tonnes to landfill (79%) 24,099 tonnes recycled (21%)	We will increase the amount of items recycled by 5% (recorded in tonnes)
Digital Inclusion	UK Addressable Broadband Market – a measure of the geographical reach of broadband	More than 85% UK households	67% UK households	Not Available	Broadband available to exchanges serving over 99% of UK homes and businesses by summer 2005
Integrity	Awareness of BT Statement of Business Practice – a measure of our success in promoting integrity	84% (UK only)	83% (UK only)	76% (UK only)	Introduce new integrity index

*A new "Employee Engagement Index" is being introduced. Results and a new target will be available during the 2005 financial year.



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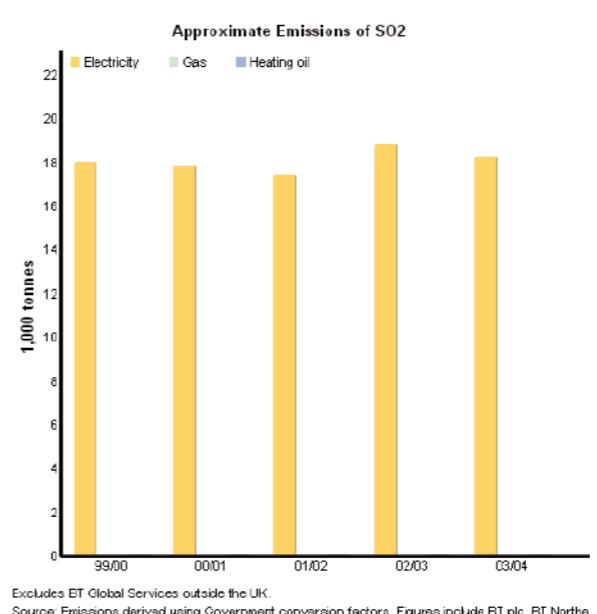
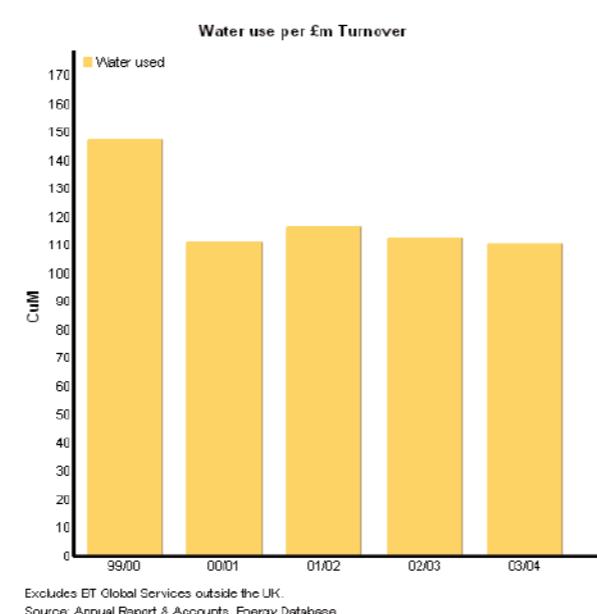
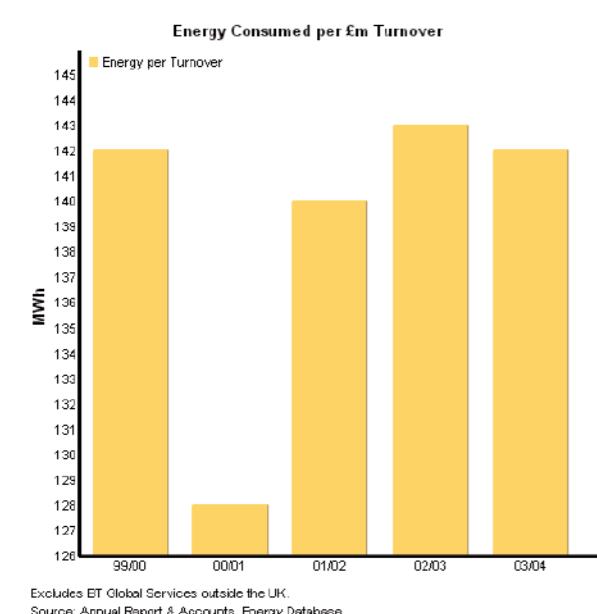
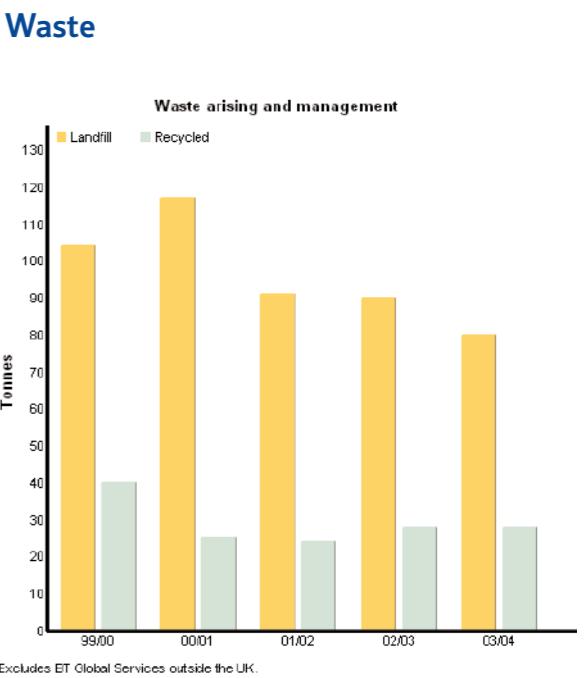
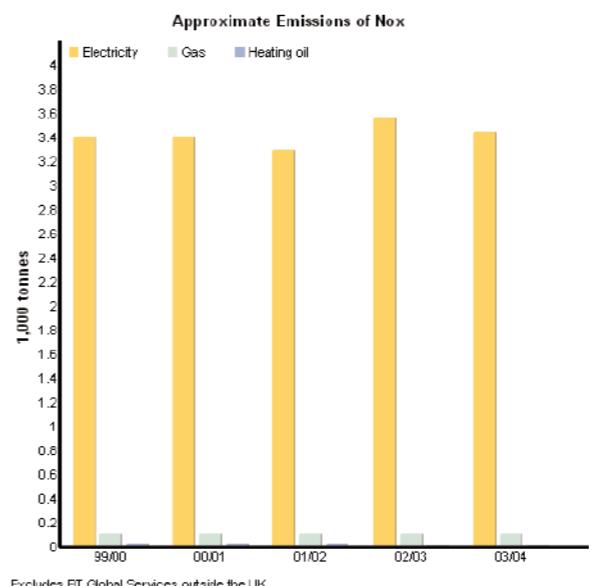
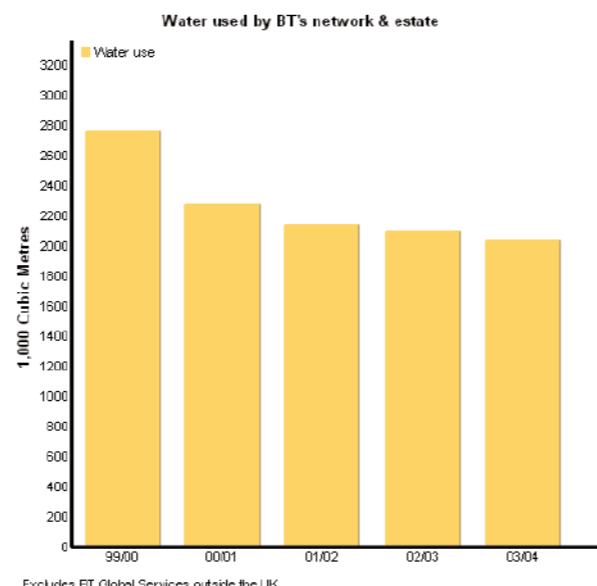
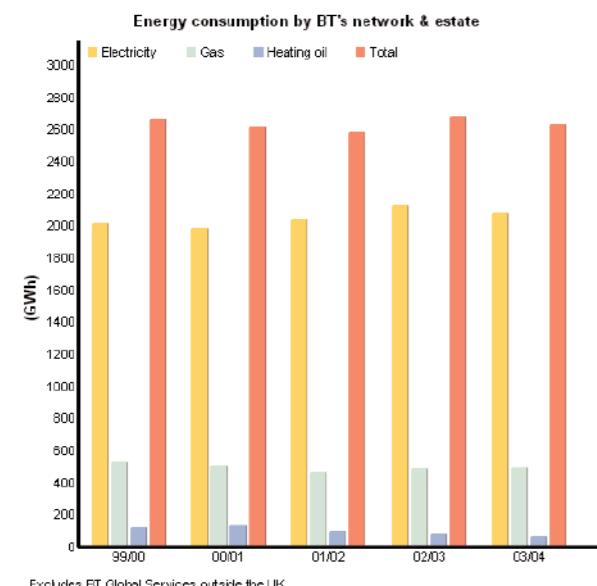


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Social and environmental data

This sub-section only contains trended and analysed data. Other one-off quantified data is included and explained within the various sections of our report.

Fuel, energy and water



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Waste Type (tonnes)	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004
Metals					
Steel					
Steel	11,692	2,570	514	1,014	715
Copper	3,771	660	77	116	64
Aluminium	775	132	52	72	133
Gold	0.50	0.40	0.01	0.01	0.02
Silver	4.00	0.30	0.04	0.03	0.02
Platinum	0.10	0.00	0.00	0.00	0.00
Palladium	0.20	0.02	0.00	0.00	0.00
Iron	1213	853.3	1410.7		
Total	16,243	3,362	1,856	2,056	2,323
Cable					
Subsea cable	812	Nil	Nil	Nil	0
Switchboard cable	656	931	817	685	559
Mixed cable	1,291	1,227	1,284	965	577
Aerial Self Supporting cable	938	932	744	874	806
Polythene covered cable	438	800	663	790	765
Lead covered cable	673	471	697	235	259
Optical fibre cable	1,108	1,198	1,204	746	474
Blown fibre cable	203	395	346	138	204
Total	6,119	5,954	5,756	4,434	3,645
Telephone exchange equipment					
Miscellaneous equipment	1,264	935	1,007	823	537
General iron & steel	1,513	1,293	1,004	1,202	912
Payphone equipment	886	136	172	223	38
Telephones	674	580	516	431	464
PCB/PCN Capacitors	112	1.5	0.1	0.0	0.0
Total	4,449	2,945	2,700	2,679	1,952
Office & Packaging waste					
Office Paper	2,635	2,116	1,818	6264.2	1379.0
Cardboard	1,277	1,050	2,286	1366.1	6288.2
Plastics	37	30.5	Nil	14.3	33.9
Toner Cartridge	25	39	43	50.0	15.5
Silica desiccant	13	34	8.4	10.0	5.2
Aluminium cans		2.2	1.6	2.0	13.9
Plastic cups		12.2	11.39	12.0	15.2
Total	3,987	3,284	4,104	7,719	7,751

Waste Type (tonnes)	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004
Batteries					
Ni-cad rechargeable batteries					
Ni-cad rechargeable batteries	6	8	20	16	34
Exchanged lead acid batteries	6,203	4,281	3,483	2,632	3,408
Vehicle Lead Acid Batteries	50	26	47	61	35
Total	6,259	4,315	3,550	2,708	3,477
Transport related waste					
Lubricating oil	270	209	202	246	241
Oil filters	38	52	28	90	71
Antifreeze/water mixture	10	8	6	21	8
Brake fluid	3	2	1	1	1
Mixed fuel	26	18	15	3	2
Oil contaminated waste	12	7	8	12	12
Paint solvent/thinners	0.5	0.5	0.02	0.23	0.68
Tyres	437	545	496	404	485
Total	797	842	755	777	822
Other					
Misc Electrical Equipment				823	1,441
Telephone directories	615	442	616	359	268
Telegraph Poles	1,173	3,852	3,926	6,551	5,103
Computing Equipment	180	104	832	443	755
Clothing	4	2	3	3	2
Catering Oil				80	44
Other (eg wood, glass, etc)					25
Catering Equipment					19
Total	1,972	4,400	5,377	7,436	7,658
Total waste recycled	23,582	21,739	24,099	27,809	27,626
General Waste	103,853	117,196	90,900	89,878	79,677
Total weight for all categories	127,435	142,297	114,999	117,688	107,303
waste recycled (as % of total waste)	29%	18%	21%	24%	26%
£s	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004
Total income	£9.6 million	£4.0 million	£4.2 million	£4.26 million	£3.9 million
Total expenditure	£7.0 million	£7.0 million	£8.1 million	£8.29 million	£9.9 million
Landfill tax savings	£0.4 million	£0.28 million	£0.3 million	£0.36 million	£0.38 million
Total savings/costs	£3.0 million	- £2.7 million	- £3.6 million	- £3.7 million	- £5.6 million



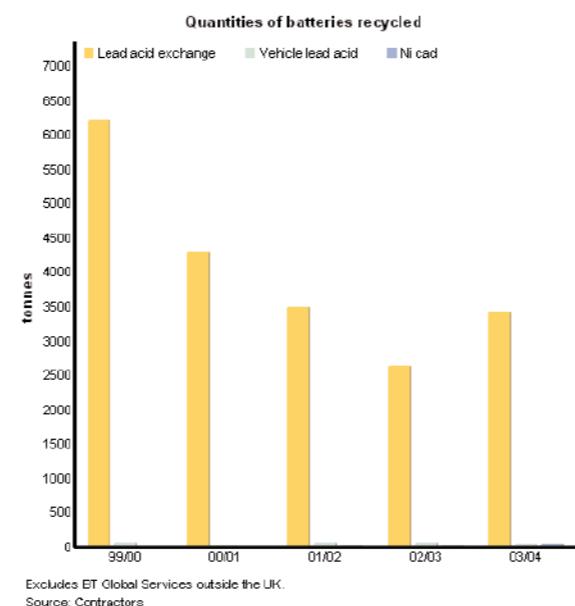
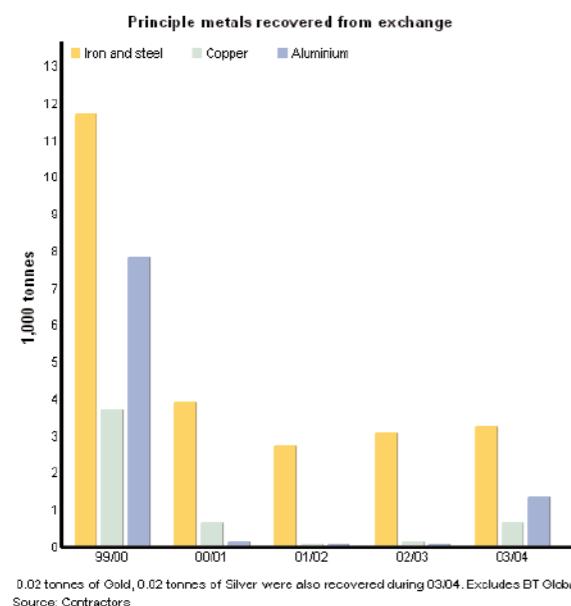
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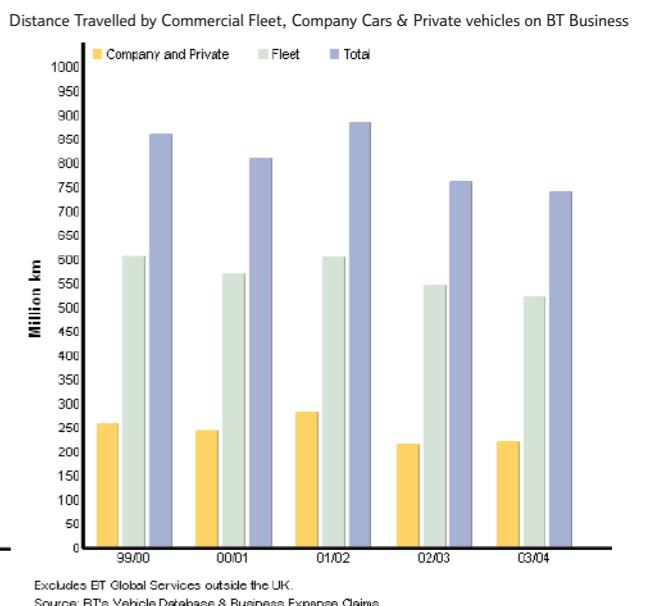
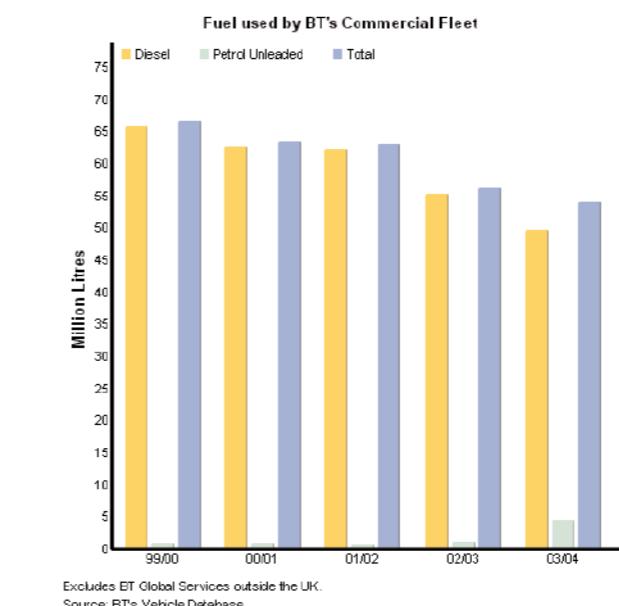
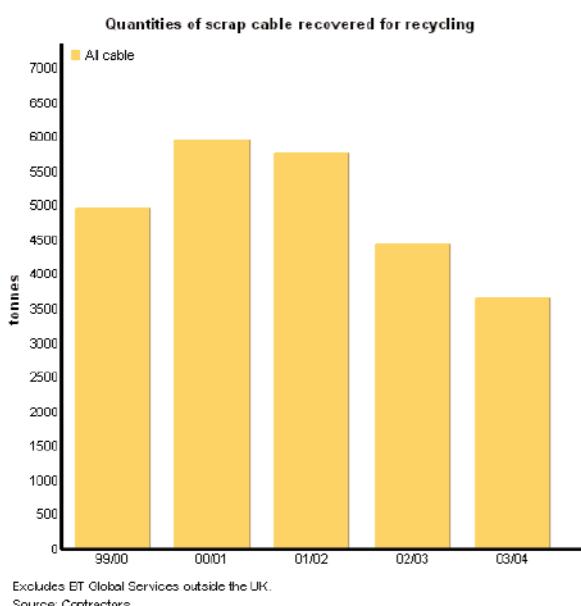
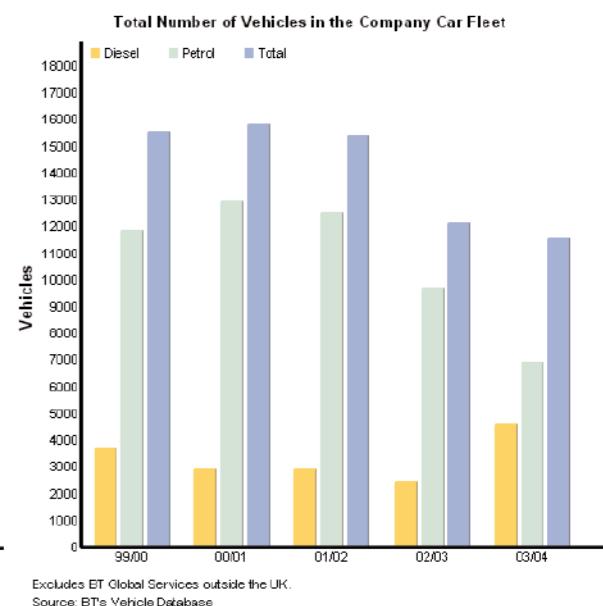
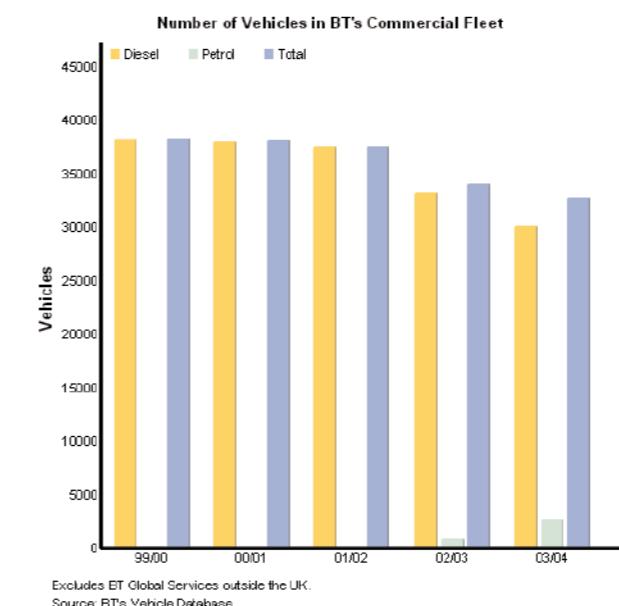
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Data and targets continued

Waste continued



Transport



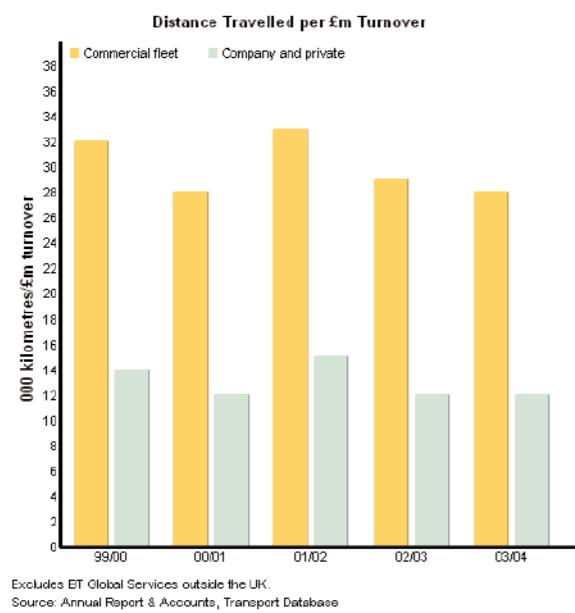
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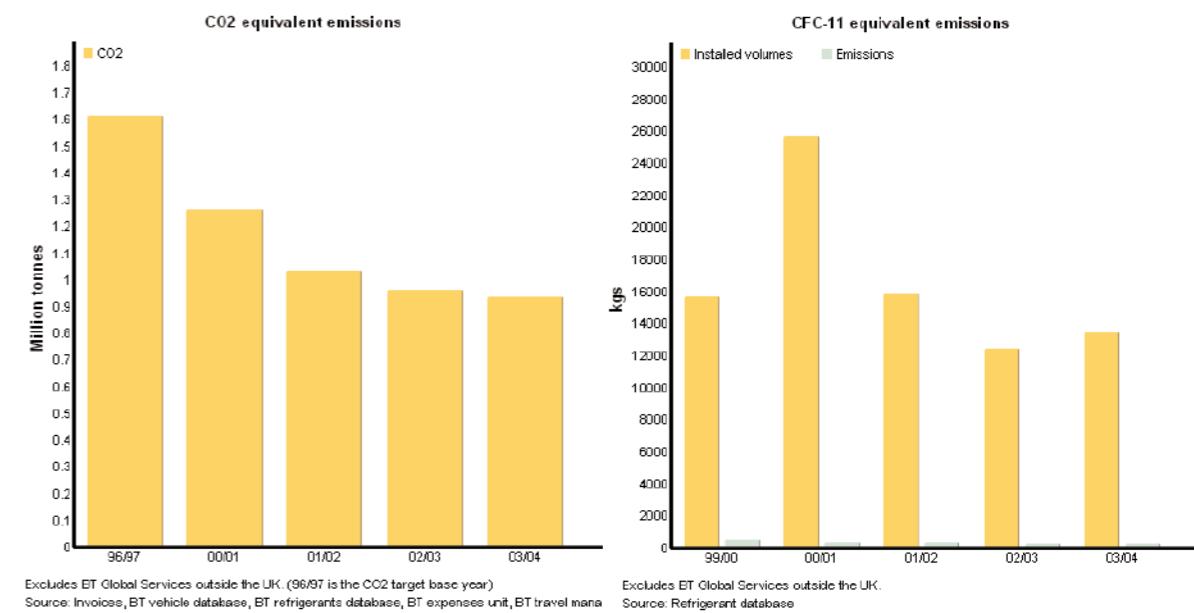
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Data and targets continued

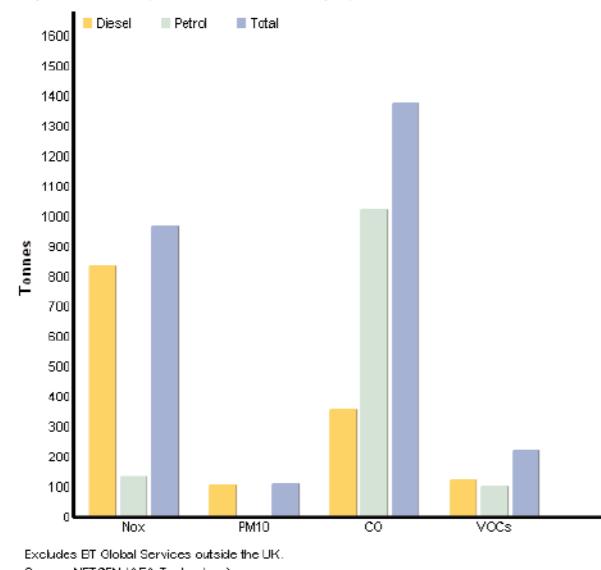
Transport continued



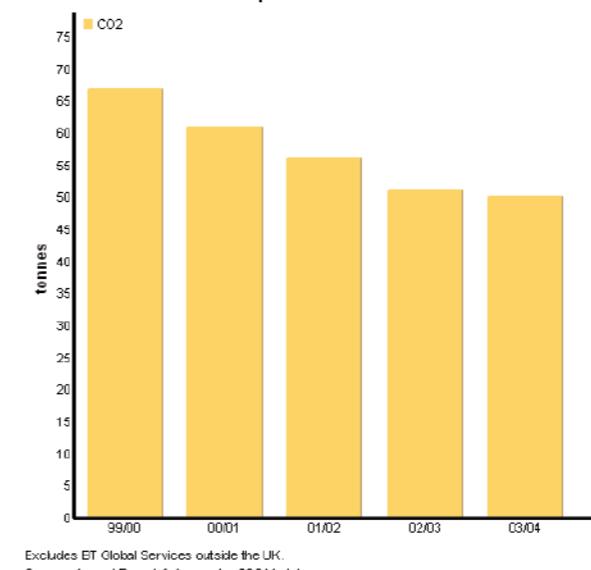
Emmissions to air



Transport emissions by Commercial Fleet, Company Cars & Private vehicles on BT Business



CO2 per £m Turnover



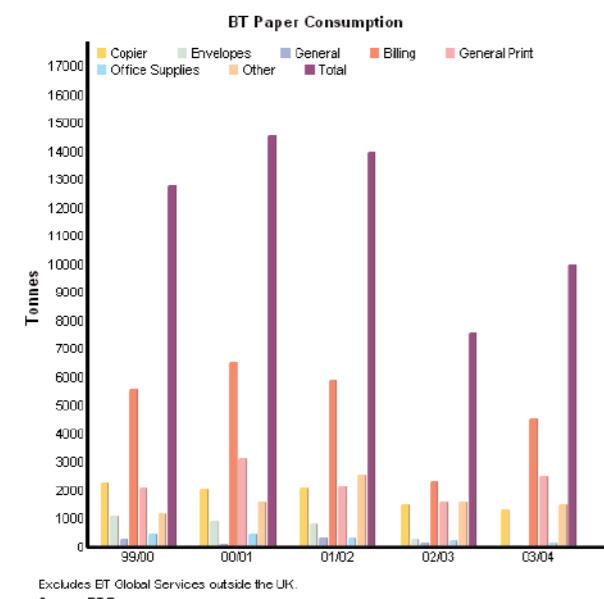
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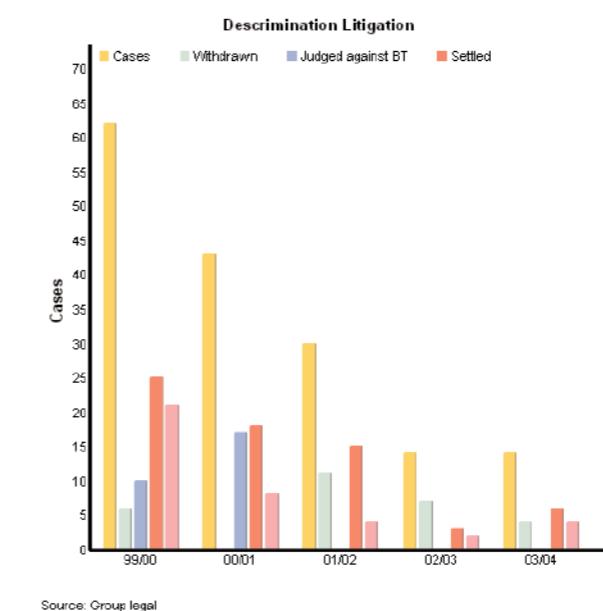
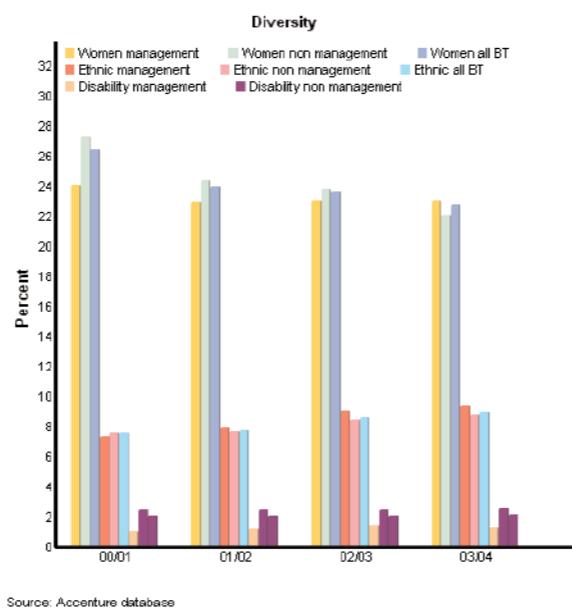
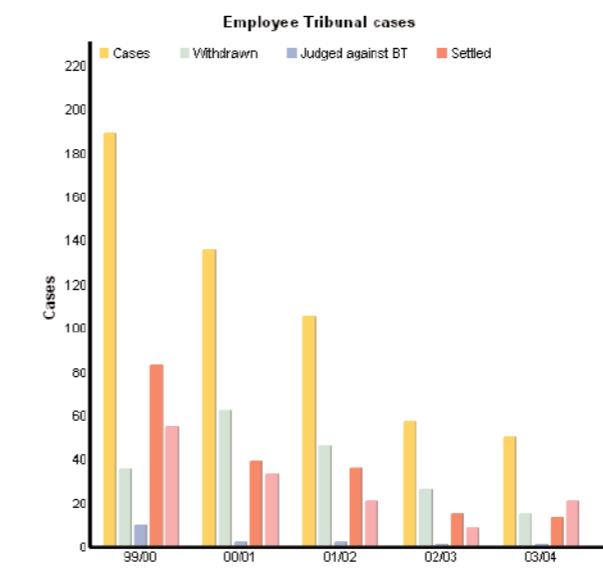
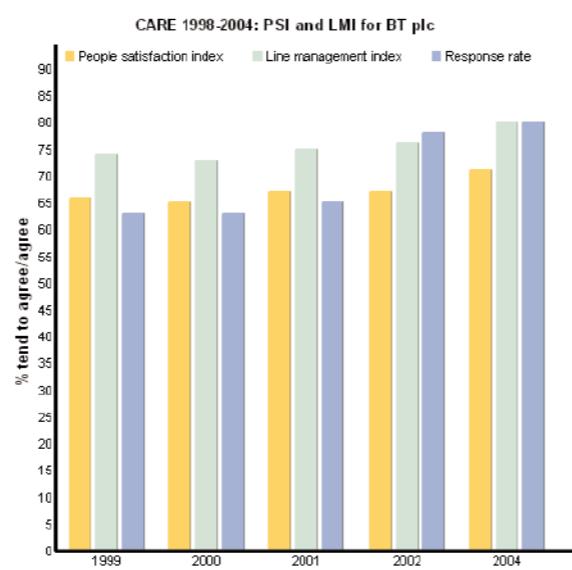
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Data and targets continued

Benefits



Employment



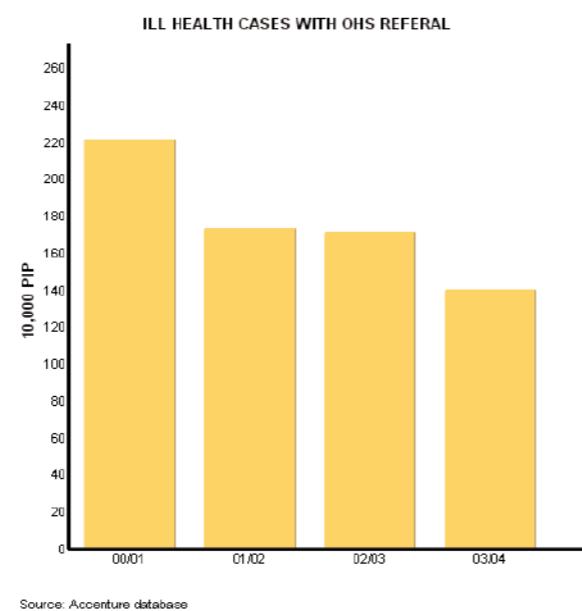
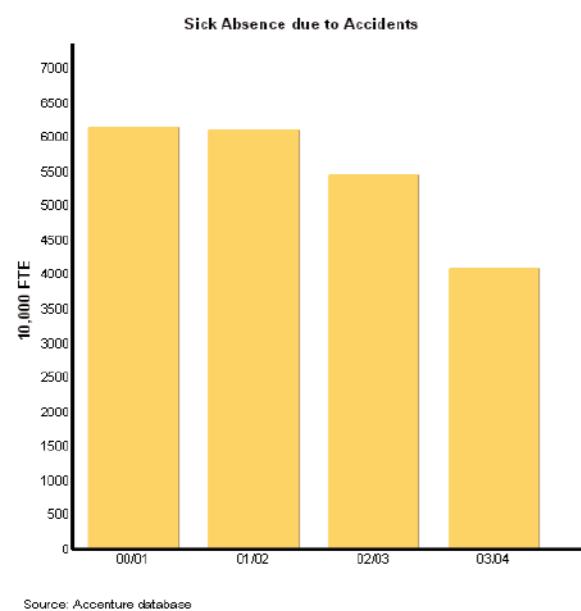
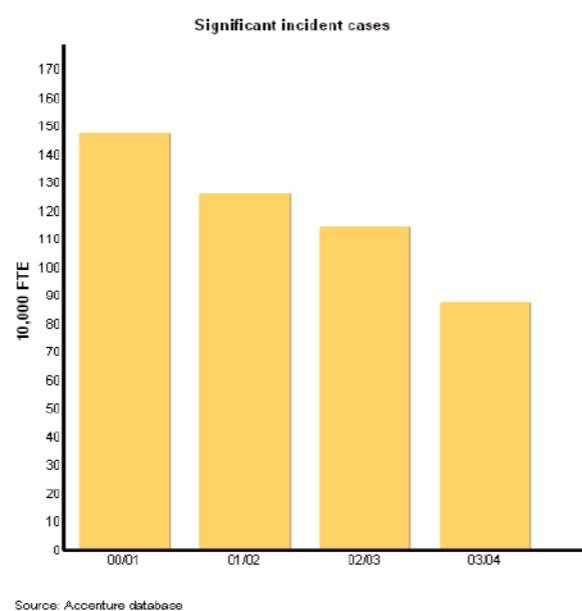
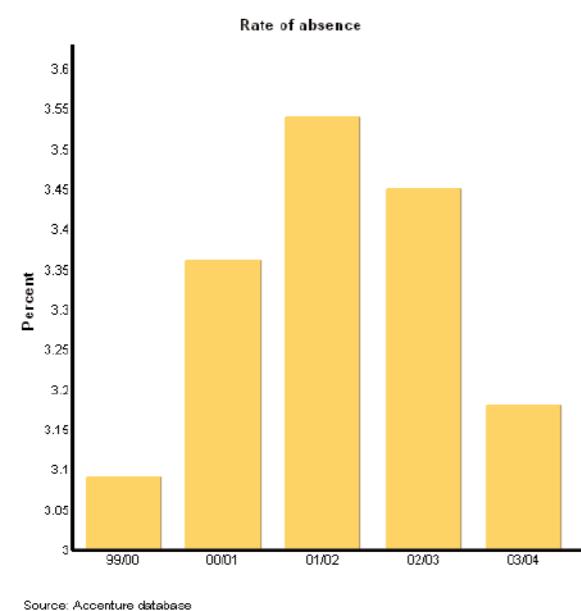
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Data and targets continued

Health and safety



Targets

We have established a set of targets to improve our social and environmental performance.

Details of all our targets are given below. We also provide interim updates on progress against our targets on a quarterly basis (with the exception of quarter one) on the Better World website.

Those social and environmental targets which have been identified as particularly important feature in key performance indicators.

NB: interim target updates (where indicated) ARE NOT verified by LRQA. LRQA verifies progress against targets on an annual basis only.

Performance against targets

Our 2003 Social and Environmental report included 47 targets. Of these, 33 were completed, 4 remain on target, 1 is delayed, 8 have failed and 1 has been abandoned.

We have introduced 39 new targets this year and progress on these, as well as our 5 ongoing targets, will be tracked on a quarterly basis.

Business Principles

Target	start date	end date	Description	Update	Target status
	April 2004	March 2005	We will develop a new, index-based indicator to measure our effectiveness at implementing BT's Statement of Business Practice (The Way We Work).	The first progress update for this target will be available on the site in November 2004.	New
	April 2003	March 2004	We will publish an independently written Hot Topic on internet issues associated with matters that many people consider to be morally outrageous.	An independent report on 'Mis-use of the Internet' was written by James Wilsdon and Paul Miller of Demos. Completed in June 2003, the report examined BT's approach to internet activities of concern such as hacking, copyright infringement and spam.	Completed



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Business Principles continued

Target start date	end date	Description	Update	Target status
April 2003	March 2005	Indicators on the awareness of BT's Statement of Business Practice will be extended to incorporate BT's wholly owned international activities.	Actions taken include: identified a lead manager; identified all wholly-owned activities; plans agreed to communicate and build awareness.	On target
April 2003	March 2004	We will bring the Better World site into line with the Global Reporting Initiative Guidelines Telecommunications sector supplement.	The site index was upgraded in line with the new telecom supplement, as part of our 2004 annual review.	Completed

Community

Target start date	end date	Description	Update	Target status
April 2004	March 2005	We will provide a minimum of 1% of our 2003 financial year UK pre-tax profits to activities in support of society, either through direct funding or through support in kind.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004	BT will donate one per cent of BTGroup pre-tax profits, made up of one half per cent direct funding in line with its Per Cent club commitment and one half per cent contribution in kind as measured by the London Benchmarking Group model.	Total contribution was 1.6% of turnover.	Completed
April 2003	March 2004	25% of BT people will be involved in BT's community programmes.	We failed to meet the target because of the number of BT employees who were volunteers or give-as-you earn left BT with O2, Xansa and Yell.	Failed



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Community continued

Target start date	end date	Description	Update	Target status
April 2003	March 2004	554,000 direct engagements with the UK community will have been made by BT's UK based community programmes.	776,523 engagements achieved.	Completed
April 2003	March 2004	The BT Education Programme will visit 325 schools and engage a minimum of 30,000 young people.	37,000 young people engaged and 332 schools visited.	Completed
April 2001	July 2003	The BT Education programme will reach two million children and young people in 9,000 schools.	The final figures at 31/07/2003 were 9,213 school visits and 2.3m young people involved in the programme.	Completed

Customers

Target start date	end date	Description	Update	Target status
April 2004	Sept 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	We will reduce the number of dissatisfied customers by 25% over 3 years (2002–2005) according to a revenue-weighted calculation.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004	We will reduce the number of dissatisfied customers by 25% according to a revenue-weighted calculation.	Achieved a 22% reduction. Since the 2002 financial year, we have reduced customer dissatisfaction at the rate of 29% a year. Our principal lines of business all reduced customer dissatisfaction levels during the year.	Failed



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Customers continued

Target start date	end date	Description	Update	Target status
April 2003	June 2003	We will make broadband available to 80% of UK Homes and businesses.	Available to over 85% of UK Homes and businesses.	Completed

Employees

Target start date	end date	Description	Update	Target status
April 2004	March 2005	We will introduce new country-specific diversity training in BT's non-UK operations where culturally and legally possible.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	Within the UK, we will achieve a 50 per cent reduction in incidences of ill health meriting referral to occupational health which are possibly attributable to work activity.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	Within the UK, we will achieve a 50 per cent reduction in the number of Significant Incidents resulting in the requirement to send a report to the Enforcing Authorities.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	We will increase the percentage of BT people that are women to 25%.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	We will hold the percentage of BT people that are from ethnic minorities to at least 8%.	The first progress update for this target will be available on the site in November 2004.	New

Employees continued

Target start date	end date	Description	Update	Target status
April 2004	March 2005	We will understand and address the barriers to greater ethnic minority representation amongst BT's senior management.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	Within the UK, we will achieve a 70 per cent reduction in the number of sick absence days lost as a result of accidents at work.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	We will undertake health checks on the equality and diversity practices of BT outside the UK	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005	We will understand and address the barriers to greater female representation amongst BT's senior management.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004	We will achieve a People Satisfaction Index of 69%.	Achieved 71%.	Completed
April 2003	March 2004	We will hold the percentage of BT people that are from ethnic minorities to at least 8%.	8.9% of BT people are from ethnic minorities.	Completed
April 2003	March 2004	We will increase the percentage of BT people that are women to 25%.	23% of BT people are women. We failed to meet the target because of people taking voluntary redundancy.	Failed
April 2001	March 2002	We will increase the number of people with a disability, directly employed by BT, to 2.5 per cent of the workforce.	2.1% of people directly employed by BT have a disability. We failed to meet the target because of the impact of people taking voluntary redundancy.	Failed



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Employees continued

Target	start date	end date	Description	Update	Target status
April 2001	March 2005		We will achieve a 25 per cent reduction in incidences of ill health meriting referral to occupational health which are possibly attributable to work activity within the UK.	As we achieved this target two years ahead of schedule (36.7% reduction achieved at December 2003), we have set a new target of 50% reduction from the baseline year 2000/1, by the end of 2004/5.	Completed
April 2001	March 2005		We will achieve a 25 per cent reduction in the number of Significant Incidents resulting in the requirement to send a report to the Enforcing Authorities within the UK.	As we achieved this target two years ahead of schedule (40.4% reduction achieved at December 2003), we have set a new target of 50% reduction from the baseline year 2000/1, by the end of 2004/5.	Completed
April 2001	March 2005		We will achieve a 25 per cent reduction in the number of sick absence days lost as a result of accidents at work within the UK.	As we achieved this target two years ahead of schedule (33.4% reduction achieved at December 2003), we have set a new target of 70% reduction from the baseline year 2000/1, by the end of 2004/5.	Completed

Environment – Fuel, energy and water continued

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will reduce metered Water used BT in Premises by 2% from 2003/4 out-turn.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will reduce the energy consumption required to in wet heated building by i.e. gas and oil by 3% weather corrected from the 2003/04 outturn. (N.B. excludes network electrical consumption)	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		Through implementation of energy efficiency measures, we will reduce our electrical consumption by 10GWh within the BT Wholesale estate.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will reduce the energy consumption required to run its Premises i.e. all gas, oil and electricity, by 3% from the 2003/04 outturn. (N.B. excludes network electrical consumption)	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		One hundred locations where the operational underground storage facilities have been identified by the 'Environ' action plan as presenting the highest environmental risk will be decommissioned and the facilities upgraded.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will Integrity Test fuel tanks at 611 BT sites. The main focus will be on buried fuel tanks that were first tested in 1999.	The first progress update for this target will be available on the site in November 2004.	New

Environment – Fuel, energy and water

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will investigate the suitability for embedded wind generation across the BT operational estate (6000 Sites). The top 4 suitable sites (as identified by the joint audit process with the Carbon Trust) will be developed to full business case with appropriate technology identified.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		To have fully investigated and trial where practicable the uses of biodiesel in standby generation equipment at major sites where combustion exceeds 20MW.	The first progress update for this target will be available on the site in November 2004.	New



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Environment – Fuel, energy and water continued

Target	start date	end date	Description	Update	Target status
April 2003	March 2004		We will complete risk assessments on all buried fuel tanks.	Achieved.	Completed
April 2003	March 2004		BT will Reduce metered Water used BT in Premises by 3% from 2002/3 out-turn.	Achieved 3.15%.	Completed
April 2003	March 2004		We will visit another 1224 BT sites and will carry out a comprehensive integrity test on the fuel tanks at these sites. This will complete the tank-testing programme, which began in 2000.	Specialist tank testers visited 1,391 sites.	Completed
April 2003	Sept 2003		We will assess our above ground fuel tanks. Any not complying with the oil storage regulations, at significant risk locations, will be upgraded to meet the new guidelines.	All 84 Network Sites with above ground fuel tanks were visited. 39 fuel tanks passed and 45 failed. Action has ensured all tanks meet the new guidelines.	Completed
April 2003	June 2003		BT will reduce the energy consumption of wet heated buildings (i.e. gas and oil) by 3%, weather corrected from the 2002/03 outturn. (N.B. excludes electrical consumption)	Achieved 1.33%. Efficiency initiatives did not deliver the expected savings. New targets have been set.	Failed
April 2003	March 2004		BT will reduce the energy consumption required to run its Premises i.e. all gas, oil and electricity, by 3% from the 2002/03 outturn. (N.B. excludes network electrical consumption)	Achieved 3.5% reduction.	Completed
April 2002	Sept 2005		We will eliminate all bowsers from the BT fleet, which are used to transport gas oil to remote sites	Confident that target will be met. All fuel tank Inspections formerly done by our facilities contractor Monteray will be done by BT, potentially saving £600k.	On Target



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Environment – Waste

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will review the drainage infrastructure of polestacks to determine the preferred cost effective drainage solution to ensure environmental compliance and arrange a trial to prove the effectiveness of the recommended solution.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will increase the amount of items recycled by 5% (recorded in tonnes) and measured against the March 2004 outturn figure.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004		We will review all communication channels for information to BT people on waste management and recycling including introduction of new computer based training courses, improvement to existing training delivery and communications to enhance environmental awareness.	Achieved through a number of awareness initiatives.	Completed
April 2003	March 2004		We will increase the amount of items recycled (recorded in tonnes) by 10%, measured against the March 2003 outturn figure.	We only managed a 2.12% reduction. This was because of our success in reducing the overall amount of waste by over 10,000 tonnes. This meant that we recycled less.	Failed
April 2003	March 2004		We will introduce improved disposal routes and processes for spoil/rubble from BT Field Operations using BT Telephone Engineering Centre sites.	Dedicated open-top skips will be provided at relevant sites for the disposal of spoil/rubble generated by BT during the installation/replacement of telegraph poles.	Completed



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Environment – Waste continued

Target	start date	end date	Description	Update	Target status
April 2003	March 2004		We will develop new disposal and recycling routes and processes at site level for fluorescent tubes in line with current regulations.	Our facilities manager, Monteray, will dispose of tubes in line with the new landfill regulations and recycling requirements that take effect in late 2004. A disposal facility, provided and managed by Monteray, will be available at 56 major sites across the UK.	Completed

Environment – Transport

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will develop a pilot to assess the fuel economy from enabling the Speed Limiter function (limiting maximum speed to 70mph) on a sample of medium size commercial vehicles.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will reduce our commercial fleet by 2000 vehicles.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004		We will assess BT's Transport Strategy (Networkbuild & Customer Service) in order to estimate the influence it will have on the fuel consumption of the commercial vehicle fleet, recommend improvements if necessary and target fuel reductions, as appropriate.	The strategic review led to a decision to remove 832 vehicles from the commercial fleet and to downsizing the rest to smaller more fuel-efficient vehicles. This, and other measures, has led to a 4% reduction in fuel consumption, compared with the previous year. Fuel economy initiatives continue.	Completed

Environment – Transport continued

Target	start date	end date	Description	Update	Target status
April 2003	March 2004		We will consider and recommend, if appropriate, dual fuel (LPG) vehicle types for BT's business need Company Car Fleet and alternative fuelled fleet vehicles for operating in cities in order to reduce vehicle emissions and gain exemptions from congestion charges.	We will consider LPG dual fuel cars for business drivers once our vehicle reallocation exercise is complete. For the commercial fleet, we have reported on alternative fuelled vehicles for London and the projected fuel savings for a LPG dual fuel vans in the London charging zone. We await news on Government tax incentives and do not intend to alter our fuel policy for either car or commercial fleets at this time.	Completed

Environment – Emissions to Air

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will control the amount of net refrigerant (quantity purchased minus quantity returned for disposal/recycling) purchased by our operational network to no more than four per cent of the total refrigerant held.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2010		We will reduce our carbon dioxide emissions (measured in tonnes CO2 equivalent) to 25% below 1996 levels.	Reduced CO2 emissions by 42%, compared with 1996.	On target
April 2003	March 2005		We will reduce the amount of CFC/HCFC installed, as a percentage of the Operational Networks Estate installed/stock of CFC/HCFC, by 3.5 per cent.	On schedule to achieve target.	On target



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Environment – Emissions to Air continued

Target	start date	end date	Description	Update	Target status
April 2003	March 2004		We will control the amount of net refrigerant (quantity purchased minus quantity returned for disposal/recycling) purchased by our operational network to no more than four per cent of the total refrigerant held.	The total was 2.9%. This, for the first time, includes refrigerants lost by our facilities contractor (see Environment section).	Completed

Environment – Procurement

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		There will be evidence that continuous environmental improvement is being driven within 3 months with any supplier identified as requiring this, following their 'environmental risk assessment'.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004		All BT buying units inside and outside of the UK will have received trained on how to use the GS13 Environmental Impact Risk Assessment Process.	All buyers from BT Global Services (the only buyers not previously trained) have now been trained in the use of GS13 (the environmental procurement standard).	Completed
April 2003	March 2004		There will be evidence that continuous environmental improvement is being driven with all suppliers identified as requiring improvements as a result of the GS13 Risk Assessment Process.	Of the 61 suppliers identified as high or medium risk after submitting their GS18 questionnaire, 11 have yet to take part in a conference call to assess the risks. Unit and buyer representatives have been asked to arrange a suitable date to discuss the risks.	Completed



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Environment – Product Stewardship

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		we will publish its roadmap of compliance to the RoHS Directive.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will assess lead free and potentially RoHS compliant products ahead of the 2006 deadline set in the Directive.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004		BT will have monitored the application within the company of GS19, the Product Stewardship Generic Standard designed to reduce BT's environmental liability and will have produced proposals to improve its effectiveness.	The GS19 process was evaluated and we have implemented a number of changes which will increase data capture and application by both buyers and suppliers.	Completed
April 2003	June 2003		BT will have evaluated alternative pole materials to ensure compliance to Marketing & Use Directive 76/769/EEC (Creosote).	Final report published 1 July 2003. We concluded that hollow steel poles are best. Instructions given to all engineering staff (ES memo 25/2003) that from 1st June 2003, creosoted poles must not be installed in school or public playgrounds. We will continue using poles preserved with creosote that meet the requirements of Marketing and use Directive (Creosote) in all other areas.	Completed
April 2003	March 2004		BT will have assessed 10 electrical or electronic products procured from a variety of suppliers and produce proposals by which their environmental impact can be reduced.	Achieved.	Completed
April 2003	March 2004		BT will assess the whole life costs of 5 products exiting the business via our existing waste disposal routes in order to determine the impact on BT of the forthcoming WEEE and RoHS Directives.	Assessed the life costs of fluorescent tubes, cables, and three consumer products. Also assessed the disposal routes and have identified a number of actions. Recommended a number of actions necessary to comply with new WEEE and RoHS directives.	Completed



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Environment – Local Impacts

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will develop a suitable database to ensure all Local Impact related customer complaints/ enquiries received outside the normal Customer Complaint Handling process, are suitably logged, owned and dealt with in a timely manner to minimise customer dissatisfaction.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will enter into constructive dialogue with representatives of the Council for National Parks (CNP), to develop a better understanding of communal targets and objectives.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will set up a new forum, attended by appropriate and suitably knowledgeable members, to discuss, resolve and promote issues relating to Local Impacts in order to raise visibility both within and outside BT.	The first progress update for this target will be available on the site in November 2004.	New

Environment – General

Target	start date	end date	Description	Update	Target status
April 2003	March 2004		We will have collected international data on BT's key environmental impacts, energy use, transport, waste and emissions to air, for BT's wholly owned international activities.	Data are being collected from all our global operations. The delay is because of accuracy checks preceding external verification and publication. If possible, we will report on this in our 6-monthly review.	Delayed

Suppliers

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		There will be evidence that action within three months has been conducted with all contracts identified as high or medium risk following a GS18 Sourcing with Human Dignity risk assessment.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will have analysed responses to our supplier relationship survey and identified areas for improvement.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		We will establish a trade union and NGO group to provide advice on BT's supply chain human rights activities.	The first progress update for this target will be available on the site in November 2004.	New
April 2003	March 2004		There will be evidence that action has been conducted with all contracts identified as high or medium risk in terms of GS18 Sourcing with Human Dignity.	Achieved target.	Completed
April 2003	March 2004		All BT buying units inside and outside of the UK will have received awareness training on Sourcing with Human Dignity and how to incorporate it into their procurement contracts.	All buyers from BT Global Services (the only buyers not previously trained) have now been trained in the use of GS18 (the sourcing with human dignity standard).	Completed

Environment – Benefits

Target	start date	end date	Description	Update	Target status
April 2001	March 2004		We will sponsor, on an annual basis, the UK GLOBE new sustainable development biodiversity protocol by which schools measure local biodiversity indicators and post them on their internet database.	£21,500 given in sponsorship this year.	Completed



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Suppliers continued

Target	start date	end date	Description	Update	Target status
April 2001	Dec 2003		We will expand the Supplier Diversity Programme to include 25 businesses owned by people with disabilities and 15 businesses owned by women.	The formation of the European Supplier Diversity Project – BT is a member – affects our programme. This project will determine the framework for all member companies. We have abandoned the target and revised our strategy to conform to the project's aims.	Abandoned

Stakeholder Dialogue continued

Target	start date	end date	Description	Update	Target status
April 2003		March 2004		The percentages of stakeholders agreeing with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will be as follows: MORI survey of All Adults 55%; Opinion Leader Survey 40%; BT Employee Survey 85%, achieved 85%	Failed

Stakeholder Dialogue

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		The percentage of BT employees agreeing with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will be 88%, up from 85%.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		The percentage agreeing with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' in a UK Opinion Leader Survey will be 58%, up from 55%.	The first progress update for this target will be available on the site in November 2004.	New
April 2004	March 2005		The percentage of all UK Adults participating in the MORI survey who agree with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will reach 55%, up from 52%.	The first progress update for this target will be available on the site in November 2004.	New

Sustainability

Target	start date	end date	Description	Update	Target status
April 2002		Dec 2002	We will complete an analysis of how broadband technologies contribute to UK national social, environmental and economic priorities.	Analysis by Forum for the Future (an independent sustainability organisation) completed in January 2004. Note: while the initial completion date was 2002, it was revised last year. The target has been met.	Completed

Digital Inclusion

Target	start date	end date	Description	Update	Target status
April 2004	March 2005		We will publish the results of our EverybodyOnline (information and communications technology and community development) projects with UK-charity campaign group Citizens Online.	The first progress update for this target will be available on the site in November 2004.	New



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About the report



**BT Social and
Environmental report**



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

About the report

Our Social and Environmental report is part of our Better World website, which is updated regularly.

The report covers all externally verified content (as indicated by a symbol at the bottom of the page) and our independently written 'Hot Topics'.

The report is complemented by other content on our Better World website – latest news, our Occasional Papers, studies and reports, and our business game.

We only publish our social and environmental performance online because the innovative use of information technology offers possibilities to communicate more effectively and to engage in a two-way dialogue. The internet is a critical tool to help promote greater transparency and accountability in business.

Here you will find our:

- Chairman's introduction
- Chief Executive's introduction

We also explain our reporting methodology and approach in:

- Triple Bottom Line reporting
- Scope of the Report
- Key Performance Indicators
- Assurance
- Standards
- Navigation.

Our Summary and highlights document provides an overview of our Social and Environmental report. It can be downloaded as a PDF file or you can order a printed version (email: yourviews@bt.com).



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Chairman's introduction

Our purpose is to improve communications for our customers. Our ambition is for our customers to benefit fully from increased

connectivity. Our vision can be summarised by the phrase –

Connecting your world. Completely.

BT's social responsibility is about doing this in a way that is caring and responsible, helping as many people as possible. Our goal is to help everyone benefit from improved communications and to spread the benefits of our technology as widely as we can.

For example, we are determined to spread the benefits of broadband as widely as possible. Our aim is to connect every UK community, even remote or rural ones, by 2005.

Setting up public-private partnerships across the UK will bring broadband to areas where exchanges have not yet been enabled. And existing partnerships – such as ActNow in Cornwall – show what can be achieved through broadband. This project has already delivered 1,200 jobs and a £20 million boost to regional gross domestic product. Our digital inclusion project Everybodyonline is finding ways in which more deprived communities can also benefit.

The UK Government has made a commitment to connect all primary and secondary schools to the internet using a broadband connection by 2006. We are delivering educational services such as online learning packages and interactive applications which will enhance the learning experience. BT volunteers are helping schools take advantage of these opportunities.

Our Corporate Social Responsibility programme – described in the Better World website – is vital to encourage our customers to buy from us, investors to put their trust in us and the best people to work for us.

Our challenge

Our challenge is to manage social, ethical and environmental issues in a way that grows shareholder value and encourages sustainable

development.

The Dow Jones Sustainability Indexes rank companies for their success in achieving this challenge – so I was delighted when we were ranked as the best telecommunications company for the third year running. I am proud of this achievement and thank all the motivated people across the whole of BT who made it happen.

The index recognises the approach we have taken to a whole range of issues – everything from business principles to customer service, and from work-life balance of BT people to ethical supply chain management. It reflects our ambition to create shareholder value by meeting the expectations of all our stakeholders.

I'm happy to report that we have won a number of prestigious awards in recognition of our efforts to be socially responsible – the Queen's Award for Sustainable Development, the 2003 Best European Corporate Pension Fund Award and the UK Chartered Institute of Purchasing and Supply's Award for Supply Management.

Our objective now as we transform our company for the years ahead is to maintain and improve this level of performance.

Chairman Sir Christopher Bland

Sir Christopher Bland
Chairman
13 May 2004



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About the Report continued

Chief Executive's message



Our values

A year ago we established five new values to capture the essence of what BT people need to do and what they need to stand for:

Trustworthy – we do what we say we will

Helpful – we work as one team

Inspiring – we create new possibilities

Straightforward – we make things clear

Heart – we believe in what we do

Only by living these values can we transform our company for the challenges ahead.

And only by living these values can we fulfil our commitment to leadership in Corporate Social Responsibility.

Being trustworthy means acting with integrity, keeping our promises and implementing our business principles.

Being helpful means listening to the needs of our stakeholders and meeting their expectations.

Being inspiring means embracing new ideas that contribute to sustainable development.

Being straightforward means being clear and honest in our communications.

And heart is believing in what we do – being passionate about the power of communications to bring friends, families and colleagues together in the creation of a better world.

Our business case

We hear a lot about how preserving and enhancing a reputation for being socially responsible can improve customer satisfaction and increase revenue.

But the business case for corporate social responsibility won't work unless it generates real, lasting trust with all stakeholders. And a company can't build trust on an amoral basis. We won't build value without our values.

Our performance

Our non-financial performance underpins the achievement of our financial goals, which is why we publish 11 non-financial key performance indicators and ten strategic targets.

Our headline target is to reduce the number of dissatisfied customers by 25% a year over the three years to the 2005 financial year.

We are committed to connect all UK communities to broadband by 2005 – but also to cap our CO2 emissions at no more than 25% below 1996 levels by 2010. We have made excellent progress on health and safety in recent years and have doubled our target for a reduction in incidents to 50% of 2001 levels by 2005.

Transparency

This year we had to manage some hot social issues – not least the opening of two new call centres in India. Transparency in dealing with controversial issues is paramount. We will never satisfy everyone, so openness is key.

You can read more about our performance and our approach to these controversial issues throughout our Better World website, which contains the BT Social and Environmental report.

The report has been prepared in accordance with the 2002 Global Reporting Initiative Guidelines and is independently verified. It represents a balanced and reasonable presentation of our economic, environmental and social performance. It also sets out our progress in implementing the United Nations Global Compact Principles.

Ben Verwaayen

Chief Executive
13 May 2004

Triple Bottom Line reporting

This concept of 'triple bottom line' or 'sustainability reporting' has become a common feature of large companies. We believe it provides an invaluable holistic view of the company, making connections between aspects of performance previously evaluated separately and aiding our transition to a more joined-up approach to the management of social, environmental and economic issues.

We also believe that companies have a responsibility to disclose the social and environmental performance information that their stakeholders – customers, employees, shareholders, suppliers and partners – need to make informed decisions.

Our approach has been recognised by a number of external bodies. We were pleased to be joint winners of the 2001 Association of Chartered Certified Accountants (ACCA) Sustainability Reporting Award. We were also commended for the 2002 awards and shortlisted for the 2003 awards. We won the ACCA award for the best web-based sustainability report in the 2002 and 2003 awards.

The future

The concept of triple bottom line reporting suggests that there are three separate and distinct bottom lines – each of equivalent standing.

We believe that, in the context of sustainable development, it's impossible to consider the economic dimension in isolation from the social or the environmental, and vice versa.

We think the time has come for organisations to stop compartmentalising these three aspects of business and find new ways of reporting their total contribution to a more sustainable society.

This is what we try to achieve in our Social and Environmental report.

For example, we include a series of articles on controversial topics, such as abuse of the internet, offshoring and the digital divide.

We have included these articles because readers want a qualitative insight into the way BT (and the industry generally) responds to its

stakeholders. They want to see how we put our values into practice, and how our products and services can help contribute towards sustainable development.

The flexibility of the internet also enables us to show the various links between social, environmental and economic dimensions of sustainability. This is achieved by using links between the various sections and by opportunities to navigate the site according to different indexes, such as the Nine Principles of the UN Global Compact or the Global Reporting Initiative (GRI) Guidelines.

Scope of the Report

This report covers all of BT's main social, economic and environmental performance areas for the 2004 financial year (ending 31 March 2004).

The report covers all externally verified content (as indicated by a symbol at the bottom of the page) and our independently written 'Hot Topics'.

The report is part of our Better World website, which is updated regularly and also contains archived content. The Better World website also includes latest news, Occasional Papers, our business game and other studies and reports – none of these is part of the Social and Environmental report.

Geographical coverage

In the 2004 financial year, BT's UK operations accounted for approximately 93% of BT's turnover and 92% of our 99,900 employees.

Wherever possible we cover all BT's wholly-owned activities in the UK and internationally. The sections on Employees, Suppliers, Business Principles, Customers and Community are predominantly international in scope.

Where data is not available or relates only to activities in a particular country, we try to be clear about precisely what is covered. You will find that data on the site can include segmentation by UK and non-UK, by region and sometimes by country.



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About the Report continued

Environmental scope

Although BT's environment policy covers the entire BT Group, the scope of the environment section is in line with our ISO 14001 certification and covers our UK operations only. We do not currently cover the environmental performance of our overseas operations, joint ventures or subsidiary activities.

However, we are now collecting data on BT's key environmental impacts – energy use, transport, waste and emissions to air – for some of BT's most significant international activities.

We expect to be in a position to publish this performance information by March 2005.

Business practice

Data relating to our Statement of Business Practice in the 2004 financial year covers our UK operations only. But we have set the target that, by March 2005, indicators on the awareness of BT's Statement of Business Practice will be extended to BT's wholly-owned international activities.

Financial, regulatory and corporate governance information is predominantly located in the Annual Report & Accounts, while background information about BT is set out in the Corporate Information section of the BT website.

Diversity

Existing data is based on 'self-declaration'. However, collecting data on diversity for our international operations is more difficult than in the UK. We will be investigating this further during the 2005 financial year.

Global Reporting Initiative

This report has been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We have also used the GRI Pilot Telecommunications Sector Supplement in preparing this report. Full details are found in the GRI Index section of our online report.

Key Performance Indicators

There is a huge amount of information in our Social and Environmental report. We have established a set of key performance indicators (KPIs) to help you understand what both our stakeholders and we consider to be the most important issues. Our KPIs condense complex issues into 11 key measures of non-financial performance which have been used to enable a strategic approach to target setting.

The indicators were derived from a consultation exercise involving report users such as investors, customers and employees, together with outside experts such as the BT Leadership Panel. The indicators are:

1. Customer Dissatisfaction
2. Addressable Broadband Market
3. People Satisfaction Index
4. Percentage of Women, Ethnic Minorities and Disabled Employees
5. Health and Safety Significant Incident Rate
6. Supplier Relationships
7. Ethical Trading
8. Greenhouse Gas Emissions
9. Total Waste (including recycling rate)
10. Awareness of BT's Statement of Business Practice
11. Community Contribution

The KPIs complement the comprehensive set of social and environmental performance figures in the Data and targets section of our online report, where our latest performance information and a more detailed explanation for each KPI are found. We will publish the latest figures every year and make appropriate adjustments to them if circumstances change.

The KPIs create BT's sustainability dashboard. This gives an at-a-glance view of the company's performance. To achieve this, we had to identify indicators that are:

- **Quantitative** – can be presented as a number
- **Practical** – interface with existing company processes

- **Directional** – we know when we are getting better

- **Actionable** – are sufficiently in our control to effect change.

We recognise the final indicators are far from perfect. While there was general consensus on the spheres of measurement – integrity, community, customers (including digital divide), employees (including health and safety), environment and suppliers – it was often difficult to identify a single indicator that reflected all the intricacies and manifestations of these broad areas. This reflects the difficulties in measuring the non-financial performance of companies.

During the 2004 financial year, we attempted to develop a measure of digital inclusion that goes beyond just broadband. But we were unable to achieve this in a manner that met the requirements of a good indicator.

In the 2005 financial year, the People Satisfaction Index will be replaced by an Employee Engagement Index, which will reflect the BT values, strategy and our commitment to keep people engaged with their colleagues, work and customers.

We will also be developing and introducing a supplier relationship index, and an index-based measure to provide information on our performance across a range of corporate governance issues.

Assurance

This report has been assured against the AA1000 Assurance Standard. This stipulates that three specific principles must be met:

- **Materiality:** the report must include information about our sustainability performance to help readers make informed judgements, decisions and actions

- **Completeness:** the report must include all material aspects

- **Responsiveness:** the report must demonstrate that BT has responded to stakeholder concerns, policies and relevant standards and adequately communicated these.

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(LRQA) have been contracted by BT to assure the report against this standard and are supported in their work by BT's Internal Audit Department.

A Leadership Panel was also recruited to ensure that difficult or uncomfortable issues are not neglected. The Panel was selected on the basis of their independence of thought, experience and insight – as well as their knowledge of corporate accountability.

The Leadership Panel statement sets out their perspective on the Social and Environmental report and was last updated in May 2004 it is available in our online report under Assurance.

In addition to their overall assurance role, LRQA ensure that we don't provide unreliable data or make claims that we can't back up. This includes identifying and assessing the data gathering systems and validating data samples.

The work of LRQA is complemented by the role of BT's Internal Audit department, which undertakes substantial work to validate data and information. LRQA rely heavily on the work of BT Internal Audit in forming their conclusions.

The LRQA Statement outlines the way in which they undertake the assurance, together with their recommendations on how future reports might be improved.

Further technical details are available on how we determine our critical aspects, indicators and targets in line with the AA1000 Assurance Standard principles of materiality, completeness and responsiveness.

The information contained in the Social and Environmental report – and its presentation – is the responsibility of BT.

The Leadership Panel and LRQA statements are available in our online report under Assurance.

Materiality

The starting point for our determination of materiality is the BT Statement of Business Practice. This defines BT's worldwide business principles and sets out the specific aspirations and commitments that apply in our relations with stakeholders. It was compiled in an



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About the Report continued

inclusive fashion and makes explicit reference to our legal obligations and mechanisms of regulatory compliance.

From this we define seven material categories of non-financial performance:

- Business practice
- Community
- Customers
- Employees
- Environment
- Suppliers
- Digital inclusion

These categories then guided us towards a set of key (or material) performance indicators (KPIs) which were selected following extensive consultation, both inside and outside BT.

Each KPI is accompanied by a strategic (or material) target.

These material categories, indicators and targets – described in more detail in the Data and targets section of our online report – cover the most significant and strategic components of BT's sustainability performance:

Seven material categories

Eleven material key performance indicators

Eleven related material strategic targets

To ensure that the remainder of the report incorporates all other important information that our stakeholders may require to make informed decisions about our company we:

- Construct the report in accordance with the Global Reporting Initiative (GRI) guidelines
- Use the GRI guidelines Telecommunications Sector Supplement
- Have undertaken a review of sustainability reports from peer companies
- Have reviewed relevant prosecutions and international sustainability standards
- Publish 'Hot Topics' on specific issues of concern.

In effect, we are introducing two levels of materiality. The top level covers those categories, indicators and targets we specifically declare as material and the second level covers information that ensures the report's

completeness. Our considerations for inclusion of information at this second level of materiality have not led us to alter our selected key performance indicators.

Global Reporting Initiative

The term 'in accordance with' has a specific meaning in the GRI context and our assurance providers have ensured that we meet these requirements. In essence it means that we meet the GRI reporting principles – similar in many ways to the AA1000 AS principles – and that we include all GRI core indicators. The latter are important as they were developed through a stakeholder inclusive process and are designed to be "relevant to most reporting organisations and of interest to most stakeholders".

We also use the GRI Telecommunications Sector Supplement.

Peer Review

Once a year we undertake a review of sustainability reports published by other telecommunications companies to identify any content gaps in BT's sustainability reporting. This is achieved by comparing the key or material categories presented in peer reports with BT's KPIs and overall sustainability report content.

Ten competitors and related ICT companies are selected covering a variety of geographical areas, including those companies known to have performed best in the field of sustainability reporting. All the identified key categories tend to be covered in some detail in BT's report. However, and as one might expect, there is not an exact match between the key aspects used by our peers and our own KPIs.

As a result of the review undertaken in April 2003 we are now making more complete disclosures on training and development and BT's marketing activities.

Our April 2004 peer review confirmed this decision, and that in other subject areas we are making appropriate social and environmental disclosures.

Prosecutions and Standards

We have made sure that all compliance and prosecution information relating to equality and diversity, environment, employee relations and regulatory affairs have been included in the report and that reference has been made to critical international sustainability standards.

'Hot Topics'

Finally, the users of our reports have told us that the traditional, triple bottom line reporting constructs described above still do not tell the whole story. They provide comparable measures of performance, but don't describe how the company applies its values when dealing with difficult and often controversial issues.

This is why we include in our report a series of 'Hot Topics' that have, over time, covered matters such as abuse of the internet, mobiles and health, and BT in India. 'Hot Topics' are selected by our Leadership Panel and, by their very nature, are dynamic.

Completeness

The report will be complete provided that all material issues have been captured.

This requires two criteria to be met:

1. The process for determining materiality has been inclusive and is, in its own right, complete.
2. The reporting boundaries have not been drawn so as to create an exclusion of any material issues.

The first criterion is covered in the section on Materiality in this document.

The second criterion is dependent on the completeness of the reporting boundaries as described in the Scope of the report section. To check this we have reviewed the scope to ensure that:

- All BT's main operating divisions are included
- All BT's principal operating subsidiaries as listed in the 2004 Report and Accounts have been assessed for any issues that would alter our interpretation of materiality and completeness for this report.

In addition, the report coverage extends beyond the direct operational impacts of BT to include our supply chain and various considerations of the sustainability impacts of our products and services.

Responsiveness

It's important that we not only listen to the views of our stakeholders but also reflect our response to those views in our policies, operations and objectives.

That's not to say that all our stakeholders always agree with each other on our priorities of resource allocation. Even single stakeholders can offer paradoxical and conflicting views – for example, often expecting the lowest possible prices and the highest possible levels of non-profitable service for the wider good.

As we say in Enlightened Values:

"As all groups of stakeholders rarely reach a consensus, a company must select the appropriate balance point and make, and be seen to make, responsible decisions."

Corporate social responsibility is then about being held to account for those decisions in an open and transparent way."

The section on Stakeholder dialogue in our online report describes our overall approach to informed decision-making and at various junctures of the report we describe how such engagement has influenced our policies, targets and indicators.

We believe our long history of publicly disclosed sustainability targets demonstrates our commitment to allocate the necessary levels of resource to improve our performance and the external recognition we have achieved for our actions is further evidence of this. For example, we have been awarded the Queen's Award for Enterprise in the sustainable development category and are consistently at the top end of important rankings such as the Dow Jones Sustainability Index.



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About the Report continued

Standards

There are many different guidelines, standards and codes of practice that companies are encouraged to sign up to. In this section we describe BT's approach to some of the most prominent.

AA1000 AS

The AA1000 Assurance Standard provides a systematic approach to ensuring that public sustainability reporting adheres to particular reporting standards and guidelines.

This Social and Environmental report is assured against AA1000 Assurance Standard.

ETNO Environmental Charter

BT led the team at the European Telecommunications Network Operators' Association (ETNO) that created its Environmental Charter. With 25 signatories, companies whose turnover exceeds 197 billion Euros have now signed the charter. ETNO (www.etno.be) produces an environmental report every two years to summarise the environmental progress made by Charter signatories.

Guidelines for Telework in Europe

Welcomed by the European Commission, these guidelines have been signed by BT and its trade unions. The guidelines stress that telework constitutes a form of work organisation whose increasing use is a clear sign of a trend towards a more flexible and mobile workplace.

Under the guidelines, teleworkers are granted equal treatment with employees working in traditional office environments, with equal access to training and career opportunities.

Global Compact

BT is a supporter of the UN Secretary General's Global Compact initiative. The activities described in this report are intended to demonstrate how we apply and promote the Compact's principles. You can navigate the site according to the nine principles of the Global Compact by using our Global Compact index in the online report.

Global e-Sustainability Initiative

The Global e-Sustainability Initiative is a voluntary industry initiative in partnership with the United Nations Environment Programme and the International Telecommunications Union. BT chairs the initiative and continues to support its goals and actions, which includes our industry submission to the 2002 Johannesburg World Summit on Sustainable Development and the development of Global Reporting Initiative telecommunications sector-specific guidelines.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is a multi-stakeholder international undertaking whose mission is to develop and disseminate globally applicable sustainability reporting guidelines. It is for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services.

Our online Social and Environmental report has been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. An Index based on the GRI Guidelines is provided to help you read the report using the GRI structure and to aid comparability with other reporting organisations.

BT was industry co-chair during the multi-stakeholder process to establish the new telecommunications supplement to the GRI Guidelines. This site has now been updated in line with these guidelines.

Investors in People

Investors in People (IiP) is a quality standard for effective investment in the training and development of people to achieve business goals. BT gained corporate accreditation for all its UK activities in October 1998, and has since been successfully reassessed on four occasions.

During the 2004 financial year BT successfully achieved re-accreditation as an Investor in People (IiP). We remain one of the largest companies to measure up to this challenging outcomes-based test.

ISO 14001

Our environmental management system covering BT Wholesale, BT Retail, BT's support services and BT Group has been certified to this international environmental management system standard. In addition, BT Payphones also has an environmental management system certified to ISO 14001.

We are in the process of extending our environmental management system to our most significant international operations. For more information, see the BT and the environment section of our online report.

Making a Corporate Commitment

BT supports the UK Government's Making a Corporate Commitment Campaign for targeted environmental improvement. The targets we have agreed with the Government have been fully integrated into our environmental management system.

OECD Guidelines for Multinational Enterprises

Although it is primarily the responsibility of governments belonging to the Organisation for Economic Co-operation and Development (OECD) to demonstrate compliance with their guidelines, BT is supportive of the basic principles, which are covered in this report.

Universal Declaration of Human Rights (UDHR)

The UDHR applies to all member states of the United Nations. While there are numerous other conventions and codes from the UN and others, the UDHR stands as the iconic definition of human rights. BT has assessed its relevant policies and procedures to ensure a consistency with the UDHR. More details are available in the Human rights section of our online report.

Winning with Integrity

This guide to social responsibility, published in 2000, describes the business case for action, as well as suggested measures of performance across the full sweep of corporate social responsibility. Its development was supported by the UK Department of Trade and Industry,

with representation from business. BT's Group Managing Director led the task force.

Navigation

We provide four separate indexes:

- Alphabetical
- Global Reporting Initiative (GRI) Guidelines – to read the report in accordance with the GRI structure and to aid comparability with other reporting organisations.
- Statement of Business Practice, The Way We Work – to identify performance against our business principles, aspirations and specific commitments.
- Nine principles of the United Nations Global Compact.

These can be found in the report index section of the online report.



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