



BT Social and Environmental Report



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better
world



Summary and Highlights 2005

BT Social and Environmental Report



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As a communications company our aim is to help everyone benefit from improved communications. Doing this in a responsible way is what our corporate social responsibility (CSR) work is all about.

BT’s Social and Environmental Report covers our policies, programmes and performance across a full range of social, environmental and economic issues, including targets for improvement. The full report is available online at www.bt.com/betterworld

About our Social and Environmental Report

This is a summary of our online Social and Environmental Report. It covers the financial year ending 31 March 2005.


Our Social and Environmental Report is assured against the AA1000 Assurance Standard, which requires our report to reflect the interests and concerns of stakeholders. It is in accordance with the 2002 Global Reporting Initiative (GRI) guidelines.





BT has been ranked as the world’s number one telecommunications company in the Dow Jones Sustainability Indexes for four years running.

BT is ranked third of the 132 companies that took part.



Performance snapshot

Highlights

- **Connected 5 million UK customers to broadband – meeting our target a year early**

We are on target to make broadband available to exchanges serving 99.6% of UK homes and businesses by summer 2005.

- **Became the world's biggest user of green energy**

We now source nearly all our UK electricity needs from environmentally friendly sources, such as hydro, wind and combined heat and power plants. Since 1996, we have reduced carbon dioxide emissions by 53%. Our green energy contract, signed in October 2004, equates to an additional 325,000 tonnes of carbon dioxide emissions savings a year, equivalent to those produced by approximately 100,000 cars.

- **Provided online and telephone donation facilities to the Disasters Emergency Committee (DEC) after the Asian tsunami disaster**

We set up a temporary call centre at the BT Tower in London and provided DEC with facilities to process telephone and online donations quickly, securely and efficiently.

We connected our five millionth customer to broadband – meeting our target a year early



- **Reviewed and improved our key performance indicators (KPIs)**
 - Included a measure of our sickness absence rate for the first time

This helps identify health issues early so that we can reduce the number of people taking time off sick. The implementation of our company-wide mental health programme in our customer contact centres has reduced stress by 24% and saved £500,000 in sick pay.

- **Developed an Ethics Performance Measure**

For some time we have measured awareness of our Statement of Business Practice, The Way We Work. The development of an Ethics Performance Measure takes us away from a purely perception-based measure towards a performance-based one.

- **Reduced the amount of waste sent to landfill by 8%**

- **Improved our safety record – Lost Time Injury rate was 23% better**

- **Invested £9.1 million in community projects and provided £11.7 million support in kind**

We are committed to give a minimum of 0.5% of our UK pre-tax profits to direct activities in support of society and a further 0.5% via in-kind activities.

- **Achieved certification for BT Ireland's environmental management system to ISO 14001**

Our experience in Ireland is the model we will use as we extend certification to other countries where we operate.

- **Followed up 100% of actions identified through our supply chain risk assessment process**

As part of our commitment to high standards in our supply chain we ask all new suppliers to complete a risk assessment questionnaire. Where we identify areas for improvement we take appropriate action within three months.

Lowlights

- **Missed two key diversity targets**

While we met our objective on the number of ethnic minority employees, the number of women in BT fell by 0.3% last year, and although the number of disabled employees increased, we fell 0.3% short of our disabled employees target.

- **Undershot our customer satisfaction target**

We reduced customer dissatisfaction by the equivalent of 23% per annum over three years against our target of 25%.

Please see our online report for further details. All our KPIs are shown on page 20.

“The actions of leading companies such as BT are living proof that significant cuts in greenhouse gas emissions need not come at the cost of economic growth.” **Tony Blair**, UK Prime Minister

Chairman's introduction



Helping our customers to benefit from improved communications and increased connectivity continues to be at the heart of BT.

Achieving this responsibly and in a way which contributes to society is important to us. This year there have been a number of accomplishments that demonstrate this commitment.

For example, broadband. We are confident that we will connect virtually every UK community during 2005, which is a vital part of the role we play in spreading the benefits of broadband. And we have made real progress with our digital inclusion initiative, Everybodyonline, which is working to help deprived communities enjoy the benefits of broadband technology and develop new skills.

I am particularly proud of our efforts in response to the Asian tsunami which struck on 26 December 2004. Our knowledge and expertise, together with the commitment of our people, enabled us to work alongside the Disasters Emergency Committee to ensure the largest ever volume of online and telephone donations were taken quickly and securely. We also had 16 volunteers who went out to the region to assist in the rebuilding of local and international communication links.

Our Corporate Social Responsibility programme has a key role to play in meeting our stakeholders' expectations and encouraging them to invest in us, buy from us or work for us. Full details of the programme and our performance in the last year are available in our online Social and Environmental report.

We endeavour to manage our social, ethical and environmental issues to grow shareholder value and I am always pleased when we achieve external recognition for our attempts to do this.

This year we maintained our position as the top telecommunications company in the Dow Jones Sustainability Indexes for the fourth year running, which recognises our work in a wide range of areas from business principles, ethical supply chain management and work-life balance to customer service and corporate governance.

For the year ahead, business transformation is critical to delivering growth to our business. This will bring new challenges for our Corporate Social Responsibility programme, which I am confident it will meet.

A handwritten signature in blue ink that reads "Christopher Lee Bland". The signature is written in a cursive style and is underlined.

Sir Christopher Bland
Chairman
18 May 2005

Chief Executive's message



I am convinced that being a responsible company through living our values (trustworthy, helpful, inspiring, straightforward and heart) brings us business advantage.

Our major business and government customers are increasingly concerned about our corporate social responsibility (CSR) performance. Growing stakeholder, legal and regulatory pressures mean our customers expect us to provide the solid CSR credentials that help them provide a trusted service to their own customers.

Our performance

We publish 12 non-financial key performance indicators. These provide a snapshot of our performance on the key measures that underpin our financial performance. Our progress on these measures includes: reducing customer dissatisfaction; connecting the majority of UK communities to broadband; maintaining a motivated, diverse and secure workforce; minimising ethical risks in our supply chain; and massively reducing our carbon dioxide emissions.

The UK is committed to take action on climate change. As one of the country's largest users of electricity we have a responsibility to help make that happen. This year we became the world's largest purchaser of green energy and now meet almost all our UK energy needs from environmentally friendly sources. In carbon dioxide emissions savings it equates to an additional 325,000 tonnes each year on top of the considerable savings we have already made in the last ten years. This is a substantial contribution to tackling climate change.

Accountability – challenges and opportunities

As we continue transforming our business we must maintain our vigilance on matters of corporate social responsibility. For example, we are increasing our international footprint, through the evolutionary growth of our global services business, by making strategic acquisitions and through the rise in outsourcing and in-sourcing as a key part of BT's business model. Different approaches to corporate governance and ethical issues in the countries where we operate underline the importance of our CSR activity. In addition, our increasing sales in networked IT services have highlighted the potential privacy implications of the digital networked economy.

The big opportunity is to use ICT products and services to promote sustainability, not only in the way we run our own business, but by helping our customers to benefit too.

You can find details of how we are responding to these challenges and opportunities in our online Social and Environmental report. The report has been prepared in accordance with the 2002 Global Reporting Initiative guidelines and is independently verified. I commend it as a demonstration of how living our values helps us deliver long-term shareholder value.

A handwritten signature in blue ink that reads "Ben Verwaayen". The signature is written in a cursive style and is positioned above a thin horizontal line.

Ben Verwaayen
Chief Executive
18 May 2005

Who we are

BT Group plc is the listed holding company of an integrated group of businesses. We are one of the world's leading providers of communications solutions, serving customers in the Americas, Asia Pacific and Europe.

In the UK we have over 20 million business and residential customers. We provide a wide range of communications products and services, including voice, data, internet and multimedia services. We also offer a comprehensive range of managed and packaged communications solutions, and provide network services to licensed operators.

During the 2005 financial year (ending 31 March), BT made two major acquisitions. These were Infonet, one of the world's leading providers of international managed voice and data network services, and Albacom, the second largest telecommunications operator in the Italian business market. The companies significantly enhance BT's profile in the global networked IT services market, as well as extending our reach and presence in North America and Asia Pacific.

Our traditional fixed-line telephony business in the UK faces competitive pressures. We continue to maximise the potential of this business, but we are also pursuing profitable growth by introducing our customers to new wave products and services, such as IT and networking, broadband, mobility and managed services.

BT consists principally of three lines of business: Retail, Wholesale and Global Services. BT Retail and BT Wholesale operate almost entirely within the UK, addressing the consumer, business and wholesale markets, offering a broad spectrum of communications products and services. BT Global Services is our managed services and solutions provider, serving global networked IT services needs.



We have over 20 million business and residential customers. We employ approximately 102,100 people around the world, including approximately 90,800 in the UK.

Our approach to CSR



We are committed to making a positive difference in society. For us, corporate social responsibility (CSR) is how we as a company contribute to the broader societal goal of sustainable development.

The key role of business in society is to generate wealth – providing jobs, creating economic activity, developing products and services that people need and want. If governments create the right economic framework, businesses can work – individually or in partnership with others – to contribute to sustainable development by acting in a socially and environmentally sustainable way. We believe that businesses will gain from taking this approach, as will society.

We take a broad and comprehensive view of our social responsibility and the commercial benefits that flow from this approach. On a practical level, our responsibility is to identify, understand and then manage our social and environmental impacts as positively as possible. An integral part of this is to develop good relationships with our stakeholders, lead by example, and be ethical, transparent and accountable in our daily work.

Our approach has evolved over many years. For example, we produced telephones for the deaf and partially sighted as early as the 1930s. Our stakeholder dialogue with customers has been formalised for over 20 years through our consumer liaison panels.

We have identified a clear case for the business benefits that flow from our CSR activities. At the core of this is the role that values play in the way we run our business. All decisions are value-laden, whether it is satisfying our customers, providing a service to society, making a profit, or respecting the natural world. We always aim to act in a way that builds stakeholder relationships based on trust, while recognising that we can't please all our stakeholders all the time.

Dialogue with stakeholders

Our relationships with stakeholders are crucial to the way we do 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 hopefully exceed their expectations. It challenges how we work and inspires new ways of doing business.

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 regularly talk to customers, employees, suppliers, communities, partners and investors. Their views inform and influence our policies and decisions.

Our online report shows how our key performance indicators were developed following stakeholder consultation.

We receive guidance from our Leadership Panel, an independent group of external experts that encourages innovation and leadership on sustainability and CSR in BT. The Panel provides an annual independent comment, available in our online report.



We welcome your feedback on our report. Please email us your comments at yourviews@bt.com or contact Susan Morgan, Sustainability Manager, at susan.2.morgan@bt.com



Business principles

Statement of Business Practice

We are committed to 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.

An Ethics Performance Measure was developed in the 2005 financial year. This is helping us to move from a perception-based measure to one that is based more on performance – something our Leadership Panel has strongly encouraged.

We take robust action against anyone abusing our business principles. During the 2005 financial year, 132 employees were dismissed or resigned because of unethical behaviour.

Corporate Social Responsibility (CSR) governance framework

The BT Board discusses our CSR strategy and performance at least once a year. It is kept informed of our main CSR risks and opportunities, along with key performance indicators and strategic objectives.

Social, environmental and ethical 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 and supervises the CSR relationship between BT and individual lines of business. The CSR Steering Group is responsible for overseeing the implementation of all social and environmental programmes across BT. The Community Support Committee oversees social investments and establishes the strategy for maximising our contribution to society.

CSR health checks

We check to see that CSR is embedded in BT's commercial operations. In the 2005 financial year, five 'health-checks' were conducted in Global Services on major business change programmes – covering customer service and delivery, our values and organisational culture, and the creation of a global standard operating environment.

CSR risks

The Board takes account of significant social, environmental and ethical matters that relate to BT's business. In the 2005 financial year, we identified

70%

Ethics Performance Measure – a new indicator that measures awareness of Statement of Business Practice, an external ethics benchmarking survey and questions from our annual staff attitude survey.

no social, environmental or ethical (SEE) risks that would have a material impact on our business.

During the 2004 financial year, we developed a CSR risk register, which sets out our most significant SEE risks. In the 2005 financial year, we further developed our understanding of our key risks: breach of integrity, climate change, diversity, health and safety, geography of jobs (offshoring) and supply chain working conditions. We also added one additional key risk – privacy.

Public policy

BT is apolitical and has a strict policy of not supporting any political party.

We engage with political parties, politicians and civil servants on a non-partisan basis to make them aware of key issues, opportunities 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.

Integrity Works Inc. – a consultancy that helps companies design and implement their business principles – undertook an ethical expression benchmark study reviewing the business principles and

implementation policies of a range of UK top 100 listed companies. BT came joint first.

integrityworks

We raise awareness and educate our people globally on business ethics and the BT Statement of Business Practice, The Way We Work.

Customers

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

23%

Customer dissatisfaction – reduced by 23% on a compound annual basis over the past three years.

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.

Customer satisfaction

We set a target to reduce customer dissatisfaction by 25% a year over the three years to the 2005 financial year. Although we have not met this target – we achieved a 23% reduction – we believe the improvements we have made in our customer service have been beneficial to all our customers.

Looking after customers

We have taken action in response to customers' complaints about higher-than-expected telephone bills caused by inadvertent use of premium rate services. Our actions include providing barring services and more information on how these services operate. We investigate individual cases where customers feel they have been wronged.

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

We have introduced CleanFeed, a filtering system that uses the latest technology to block access to websites black-listed by the UK Internet Watch Foundation.

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. One of our major commitments is TextDirect, incorporating Typetalk, a national telephone relay service run by the Royal National Institute for Deaf People, helping deaf, blind or hard of hearing people to make and receive phone calls. BT has been providing bills in alternative formats, such as Braille and talking bills, since 1992. We also offer a variety of telephones with more accessible features, such as voice amplification.

Broadband

We are committed to provide broadband as widely as possible and have achieved five million connections, meeting our target a year early.

We are on target to have extended coverage to exchanges serving 99.6% of UK homes and businesses by the summer of 2005. By 2007, the UK economy could be boosted by up to

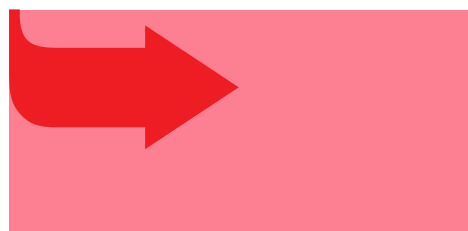
£7.5 billion through productivity gains attributed to broadband, according to the Centre for Economic and Business Research. The UK is now leading the way in broadband availability among G7 countries, according to the Organisation for Economic Co-operation and Development (OECD).

Wireless communications and health

We have re-entered the market of mobile communications and provide mobile services that run on Vodafone's network. All the mobile phones we sell conform to the international safety standards on exposure to radio frequency (RF) emissions set by the International Commission on Non-Ionising Radiation Protection (ICNIRP) and the UK National Radiological Protection Board.

We require that ICNIRP guidelines are applied on all BT sites used by mobile operators. BT is a signatory to the industry code of practice on the deployment of base stations, known as the ten industry commitments.

BT owns and operates one of the largest Public Wireless LAN networks in the UK (BT Openzone). Public Wireless LANs use considerably less power and consequently emit lower radiation levels than GSM networks.



"We believe that everyone is entitled to an abuse-free online environment... By preventing access to that content, BT are protecting their services and their customers." Peter Robbins, CEO, Internet Watch Foundation

Employees

We employ approximately 102,100 people around the world, including approximately 90,800 in the UK, where we are one of the largest employers.

We need to make sure that we attract, select and retain the best people. Our approach is to treat our people fairly and responsibly, helping them achieve their full potential, while respecting their personal and community commitments.

Recruitment

During the 2005 financial year, we recruited 149 graduates and 258 modern apprentices in the UK, and 3,496 other new entrants. In the same period, 5,523 people left BT by choice.

Training and development

We seek to encourage and provide opportunities for personal growth and professional development. During the 2005 financial year, BT successfully achieved re-accreditation as an Investor in People (IiP).

People satisfaction

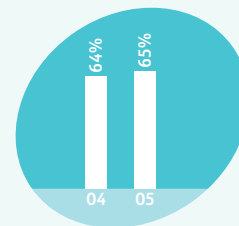
Our annual Communications and Attitude Research for Employees (CARE) survey gives all our people an opportunity to express their views on a range of issues. In the 2005 financial year 80% participated.

During the 2005 financial year, we introduced an Employee Engagement Index (see chart above), which replaces the People Satisfaction Index. Employee engagement is about 'being proud to work for BT, being committed to your customers and gaining an overall sense of satisfaction from your work'. The new index helps us understand how engaged (or disengaged) a team is and provides an overall score. Examples of issues covered in the index include: team working; senior management and communication; reward and work-life balance.

Diversity

We seek to create an open, honest and unprejudiced workplace that allows all people to reach their full potential. We want to develop and sustain a diverse workforce where everyone's contribution is valued.

The chart (right) shows the percentage of our people who are women, have declared themselves from an ethnic minority background or have declared a disability.



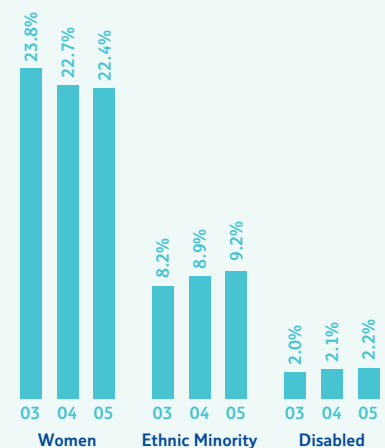
Employee Engagement Index – measuring the overall success of BT's relationship with its employees

In the 2005 financial year, 13% of our new recruits came from ethnic minority backgrounds while 25.9% of new recruits were women and 0.5% people had a declared disability.

There were a total of 58 discrimination-related litigation cases involving BT in the 2005 financial year. Twelve were withdrawn, 3 judged against BT, 25 settled and 18 judged in favour of BT.

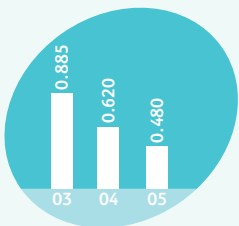
Every such case is one too many. For this reason we carefully review our own cases and use real-life examples in our diversity training workshops.

A measure of the diversity of the BT workforce

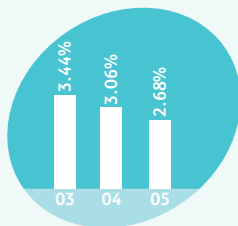


In the 2005 financial year, BT Spain was ranked in the top 30 best companies to work for by the *Actualidad Economica* weekly business magazine, one of Spain's most prestigious listings.

Employees continued



H&S: Lost Time Injury Rate – incident rate per 100,000 hours worked



H&S: Sickness Absence Rate – percentage of calendar days lost to sickness

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. The challenge is to reconcile good service for customers with a healthy work-life balance for employees, and we strive to get the balance right.

Innovative communications technology means that many more people can work flexibly. At 31 March 2005, we had approximately 5,100 part-time employees, nearly 500 job sharers and approximately 9,030 home-workers.

Employee relations

In the UK, BT recognises two trade unions: the Communications Workers Union (CWU), which represents over 59,000 BT people in non-management grades; and Connect, which represents around 26,000 BT people, predominantly managers and professionals. We maintain a positive working relationship with both unions at local and national levels.

The BT European Consultative Council (BTECC) provides an opportunity for transnational Group-wide dialogue between management and employee representatives across Europe.

In the 2005 financial year, no industrial action was taken. The one case of legal action against BT concerning the rights of trade unions was withdrawn. One hundred and forty Employment Tribunal Cases involving BT were concluded in the 2005 financial year: 41 were withdrawn, 10 judged against BT, 42 settled and 47 judged in favour of BT.

Outsourcing and offshoring

Some of our support and transactional operations are provided by external contractors. For example, human resources contracts are outsourced to Accenture HR Services, and finance and accounting activities to Xansa. Our agreement with the union Connect outlines a joint approach to sourcing work outside the UK.

Health and safety

Caring for the health and safety of employees is one of our business principles, and we have made a specific commitment to promote a healthy lifestyle through our health and wellbeing programme.

The Significant Incident Rate is a key performance indicator, with an original target to reduce incidents by 25% by March 2005. We reached the target two years early and doubled the reduction target for 2005. We achieved this in September 2004 and also cut the rates of absence due to workplace accidents (down 56% since 2001) and occupational ill health cases (down 64% since 2001).

We met these challenging targets by aiming for zero avoidable accidents. Our key measures are Lost Time Incident Rate and Sickness Absence.



In the 2005 financial year, Business in the Community's Race for Opportunity announced that it had benchmarked BT at Gold Standard and the top overall performing organisation in race equality.



Investors



Investors are increasingly interested in the ethical, environmental and social dimension of business performance, its relationship with business strategy and how the company manages its risks and opportunities to enhance shareholder value.

The BT strategy identifies eight strategic imperatives: build on our networked IT services capability; deliver on broadband; create convergent mobility solutions; defend our traditional business vigorously; drive for cost leadership; keep a relentless focus on customer satisfaction; motivate our people and live the BT values; and transform our network for the 21st century.

Our business case

Our CSR work is integral to the BT strategy, and affects business performance in five key areas:

1. Risk management

We have undertaken CSR risk analysis and management for several years. Currently we identify no CSR risk which is material to the future of the business. Our seven key risks are: breach of integrity, climate change, diversity, ethical issues in the supply chain, health and safety, geography of jobs (offshoring) and privacy.

2. Reputation

When people trust a company they effectively deliver a societal 'license to operate'. This is reflected in the company's reputation which, in BT's case, we know directly affects customer loyalty.

We estimate that BT's CSR performance accounts for over 25% of the Image and Reputation element of customer satisfaction. And our analysis shows that a 1% improvement in the public's perception of our CSR activities translates to a 0.1% increase in our retail customer satisfaction figures.

3. Cost reduction

During the 2005 financial year, we commissioned the sustainable development organisation, Forum for the Future, to develop our understanding of savings from environmental activities. First, by creating a more robust methodology for measuring our environmental cost savings each year, and secondly, by widening the scope of the environmental initiatives included in the calculation.

Using the Forum model, our environmental cost savings for the 2005 financial year were £410 million.

4. Employee motivation

Working conditions and our relationship with employees are crucial to the success of our business. For example, a proactive approach to flexible working, personal involvement in community initiatives, diversity, learning and development all improve employee satisfaction. In a recent survey we found that 63% of employees felt more proud to work for the company as a result of our CSR activities.

5. Marketplace innovation

Increasingly we are being asked to address environmental and social issues when we bid for major contracts – £2.2 billion in the 2005 financial year.

During the 2005 financial year, we have been incorporating our CSR messages into existing propositions and bids to differentiate our networked IT services. We also engage with our clients to share knowledge, experience and best practice on CSR.

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 (see Sustainability section).



BT was named one of the 'Global 100 Most Sustainable Corporations in the World'.



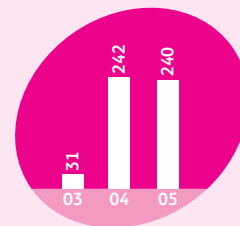
BT is included in the UK, European and World FTSE4Good Indices.



FTSE4Good Index Series

Suppliers

We buy products and services – such as IT equipment, cables, software, design and disposal services – from thousands of suppliers worldwide. In the 2005 financial year, we spent over £4 billion on procurement.



Ethical Trading – number of risk assessment questionnaires completed all with 100% follow-up

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 gave our suppliers the opportunity through an online survey to give their views on how well BT lives up to these commitments and principles.

A total of 213 suppliers responded, with 94% stating that they had a good working relationship with BT. Following the results of the survey we sent suppliers our booklet 'The Way We Work' to help them become more aware of our business principles.

Payment

BT's policy is to use its purchasing power fairly and to pay promptly according to supplier agreements. BT has a variety of payment terms. Our standard terms are 42 calendar days from date of invoice.

Human rights

We want to ensure the working conditions under which the products and services we purchase meet the standards of the Universal Declaration of Human Rights and the International Labour Organisation Conventions. Through our supply chain initiative, Sourcing with Human Dignity (SWHD), we seek to ensure that our suppliers meet these internationally accepted standards.

Buyers' awareness training

It is critical that our buyers have the awareness, knowledge and the skills required for the successful implementation of the SWHD standard.

We provide a half-day face-to-face training session. Any BT buyer who cannot attend has to complete a computerised course, which includes an online assessment. The package introduces our buyers to the rationale behind the SWHD initiative, its key features and their role in ensuring its successful implementation.

2005 assessments

We ask our suppliers to complete a risk assessment questionnaire. For those identified as medium or high risk, we follow up to determine what further action is needed. This may involve an audit of the supplier's own facilities or that of a subcontractor.

In the 2005 financial year, we completed 11 on-site assessments to find out how well our suppliers met our SWHD standard.

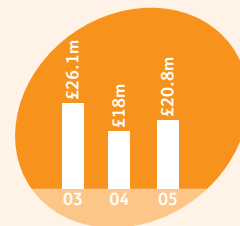
Eight of the assessments took place in China and Thailand and were of facilities not previously assessed. The assessments were done in those areas where there was a high risk of suppliers falling short of our standard – they should not be taken as a representative sample of our supply chain.



Through the Global e-Sustainability Initiative (GeSI), BT is working with other ICT companies and the UN to develop a supplier questionnaire to be used across the ICT sector.



Community



Community contribution – investment in society through funding and support in kind

We want to make a positive difference to society by helping everyone benefit from improved communications.

We are committed to give a minimum of 0.5% of our UK pre-tax profits directly to activities that support better communications. In the 2005 financial year, we invested £9.1 million (£68.9 million since 2000).

BT operations provided a further £11.7 million in funding and support in kind in the 2005 financial year.

We also encourage our people to volunteer in the community because of the mutual benefits this brings.

Charities and fundraising

ChildLine, a UK charity, answers 2,300 calls every day but hundreds more go unanswered. We are working with ChildLine on a campaign to ensure that every child's call for help is answered.

We manage entire telephone networks for major national charitable events such as Children in Need and Comic Relief. BT provides call centres and online services to take donations.

Fundraising for Asian tsunami relief

In the UK, BT played a key role in managing the public response to the Disasters Emergency Committee (DEC) Asian tsunami earthquake appeal. We set up a temporary call centre at the BT Tower in London and provided the DEC with telephone and online secure payments facilities. BT made a one-off donation of £500,000 and provided volunteers and equipment to restore vital communications.

Education

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

We are committed to help children develop the communication skills that will help them get more out of their lives and future careers. We provide online and classroom learning resources on speaking and listening skills for schools.

A touring roadshow is one major initiative. It provides drama-based workshops to help children improve their communication skills. Since 2000, more than two million children have been involved in the education programme and the roadshow has visited more than 11,000 schools. Over 2,000 BT volunteers regularly visit schools to help implement this extensive programme.

Arts and heritage

We want to make arts available to everyone through our Arts for All programme. BT sponsors Tate Online – the UK's most visited Arts site with over 650,000 visitors every month. This website helps to make one of the largest art collections in the world easily accessible. We work with the National Theatre, the British Film Institute and the Philharmonic Orchestra to make theatre, film and music more readily available, particularly to schoolchildren.

BT is helping to protect and promote telecommunications heritage through www.connectedearth.com. This website, in partnership with key museums across the UK, makes the story of the huge advances in technology over the last 100 years accessible to everyone.

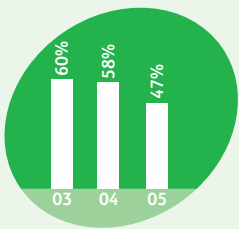


Sixteen BT engineers, specialists in satellite, radio communications and under-sea cables, went as volunteers to the region affected by the Asian tsunami disaster to help re-establish local communications and international links.

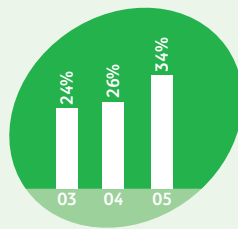
In France, BT sponsors La Fondation pour l'Enfance, an organisation which fights against child abuse. It focuses on providing helplines and removing child abuse from the internet.

In Germany, BT organised auctions among employees, Christmas and other fundraising events in support of Kinderdorfer, a charity providing disadvantaged children with a normal family environment.

Environment



Global Warming CO₂ emissions – expressed as a percentage of our 1996 emissions level



Waste to recycling – percentage of total waste recycled

Telecommunications is seen as an environmentally friendly technology. But as one of the UK's largest companies with expanding international operations, we have an inevitable impact on the environment.

We have Environmental Management Systems (EMS) in the UK, Spain and Ireland. Each is certified to the international management standard ISO 14001.

Energy and fuel

We are one of the largest single consumers of commercial and industrial electricity in the UK. The growth of broadband is increasing our electricity use – up by 3.1% during the 2005 financial year.

Since 1991 we have reduced our energy-related emissions by 71%. This has been achieved through our energy management and efficiency programme, investing in energy-efficient plant and equipment, reducing waste and buying green energy.

In the 2005 financial year, we signed a three-year contract with npower and British Gas that will see nearly all of BT's UK electricity supplied by environmentally friendly energy. This makes us the world's largest purchaser of green energy.

The electricity will be supplied from renewable sources and combined heat and power (CHP) plants.

This initiative will reduce our carbon dioxide emissions by a further 325,000 tonnes a year, equivalent to that provided by approximately 100,000 cars.

We are looking at ways of using renewable technology, such as wind turbines, within our own buildings and network and are testing a small vertical axis wind turbine at one of our telephone exchanges in Cornwall.

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.

Compared with our 1991 emissions level, in the 2005 financial year our energy and transport programmes saved 1.4 million tonnes of carbon dioxide.

Our emissions savings exceed the UK Government target to reduce greenhouse gases emissions by 20% by 2010.

During the 2005 financial year, our ozone-depleting emissions (measured in CFC-11 equivalents) increased slightly, from 221 kg to 254 kg.

Waste

We produced around 110,000 tonnes of waste in the 2005 financial year. Of this, we recycled 37,000 tonnes (around 8% more than last year) and sent 73,000 tonnes to landfill (8% less than last year).

Our facilities management supplier, Monterey, works with contractors to collect and recycle large amounts of office paper. The paper is sent to processing plants where it is graded according to colour, weight and quality – this determines what end product it can be used for. The best quality paper can be turned into photocopy paper, while the rest is recycled as hand wipes, kitchen towels or toilet paper.

In the 2005 financial year, we introduced a new type of environmentally friendly copier and printer paper, 70% of which is made from post-consumer waste.



BT's 6,500 telephone exchanges, satellite earth stations, offices and depots are using environmentally friendly energy, such as wind, solar, hydroelectric power and energy from combined heat and power plants.

Environment continued



Transport

We run a commercial fleet of 31,969 vehicles, managed under contract by our wholly-owned subsidiary, BT Fleet. In the 2005 financial year, we reduced both our commercial fleet – still one of the largest in the UK – and our fuel consumption by 2% and 3.5% respectively.

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-emission cars.

The company car fleet size has reduced by 8% (932 vehicles) compared with the previous year. This reflects the downward trend in the fleet size and mileage, with a reduction of over 12 million miles compared with the previous year.

Product stewardship

BT's business relies heavily on electrical and electronic equipment (EEE). We buy vast amounts of the equipment to run our own business and to serve our customers. This, combined with the legislation on EEE, means it is crucial we improve the way we manage the equipment.

We supported the introduction of two EU directives, the Waste Electrical and Electronic Equipment (WEEE) and the Restriction of the use of certain Hazardous Substances (RoHS). The directives aim to encourage the reuse of materials and to minimise both the use of hazardous materials in electrical and electronic equipment and the amount of hazardous waste going to landfill.

We have a company standard that selects products which comply with EU legislation and favours more sustainable items. Suppliers to BT must provide information about their products and how they propose to comply with EU legislation.

Procurement

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

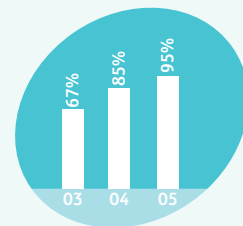
We seek to influence our suppliers and contractors through our environmental purchasing policy. We have specific objectives to ensure appropriate supplier environmental data is collected, and to encourage improvement of poor performers in significant risk areas.

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



“BT's initiative is globally significant and sends out a message that the purchase of green electricity is no longer a niche market – it has now gone mainstream.”
Steve Howard, CEO, The Climate Group

Digital inclusion



UK Addressable Broadband Market –
the geographical reach of broadband

Access to Information and Communications Technology (ICT) can improve people’s lives and open doors to education, entertainment, jobs and personal contacts. But many people do not yet have the opportunity, or the necessary skills, to use the technology.

We helped establish the Alliance for Digital Inclusion (ADI), an industry body working to tackle digital inclusion and promote the use of ICT for social benefit.

We want everyone to participate in the digital revolution. We promote digital inclusion in three ways – connectivity, content and capability.

Connectivity: Provide greater access to communications technology

We provide a range of different connections, from home dial-up lines to internet kiosks and high-speed broadband, which promotes social inclusion.

We have now connected our five millionth customer to broadband, meeting our target a year early, and we are on track to meet our target to make broadband available to exchanges serving 99.6% of UK homes and businesses by the summer of 2005.

Broadband is a critical factor in the success of the UK economy, but its wider benefits are constrained by the

rate at which people make use of the technology. The solution is to work in partnership with others and to provide the online facilities that people need.

Content: Encourage communication and its use for social and economic benefit

The amount of information on the internet is vast, but 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. Here are some examples:

- **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. This is an extension of our existing work with UK schools.
- **UK National Council for Voluntary Organisations:** The Council’s website provides a comprehensive online resource for voluntary organisations.
- **BT Resource Bank:** We provide resources for teachers, parents and children on communication skills, including animated tutorials, quizzes and classroom activities.

Capability: Help groups and individuals use technology

Our digital inclusion campaign demonstrates how communications can help improve society.

A key element is the Everybodyonline programme, supported by BT and Microsoft. The project is run by Citizens Online, a UK-based charity promoting the use of Information and Communications Technology 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 and progress to date on internet use is encouraging. For example, a 14% increase in St Stephens in Cornwall since 2002, and a 24% increase in Audley in Staffordshire in the same period.



Lifelines India is a project being developed in rural villages in India where farmers will be able to use a telephone to seek experts’ advice on issues such as agriculture or animal husbandry. It is run by One World South Asia in partnership with BT and Cisco to help communities benefit from ICT.



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 us. BT is a signatory to the UN Global Compact, an initiative that strives to motivate business and industry around ten principles on corruption, environment, labour and human rights.

Supply chain

We monitor the working conditions under which the products and services we purchase are produced. We want them to meet the standards of the Universal Declaration of Human Rights and the International Labour Organisation Conventions. 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 ask our suppliers to complete a risk assessment questionnaire. For those identified as medium or high 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 which may involve an audit of the supplier's own facilities or that of a subcontractor.

Privacy

Privacy is not a new challenge. We have recognised for many years that privacy is important to all our customers, including 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 of personal data.

But developments in ICT, such as the ability to tailor services to meet personal needs, have created fresh dilemmas. One of these is to find a balance between offering tailored customer service while protecting the privacy of our customers. We address trade-offs between advancements in networked technologies and the risks to personal privacy rights in our most recent Hot Topic – Privacy in the Digital Networked Economy.

We are developing guidelines on how to manage the new risks and challenges to privacy posed by the Digital Networked Economy, such as radio frequency identification (RFID) tagging and the location registration of mobile communication devices.

Freedom of expression vs child protection

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 Services (ICSTIS).



We have established a Country Risk website to help our people fulfil our commitments to human rights around the world. The website, which includes a summary of key risks and a human rights score for each country, is designed to help our people implement our principles through sales, purchasing, joint venture operations, employment and outsourcing.

Economics



BT is one of the world's leading providers of telecommunications solutions and a significant economic force in its own right. Every year, we buy goods and services worth billions of pounds; employ thousands of people; and provide services and products that make our national and global economies work better.

Direct impacts

Our direct impacts can be measured using traditional financial indicators such as turnover, spend with suppliers, dividends, employee costs and taxes paid. For the 2005 financial year, these are:

- BT turnover of £18,623 million (total turnover is boosted to £19,031 million when our share of associates' and joint ventures' turnover (£408 million) is added)
- Total expenditure on employees: £4,451 million
- Total spend with suppliers: over £4,000 million
- Total capital expenditure: £3,011 million
- Total dividend paid to shareholders: £883 million
- Total taxes paid to governments: £523 million.

Indirect impacts

Indirect economic impacts arise from the income and employment created in businesses that supply goods and services to BT. Figures for BT's indirect economic impacts have been produced by DTZ Pieda Consulting based on BT's figures for the 2003 financial year.

For example our expenditure in the UK provides £2.6 billion of income for suppliers and supports the employment of almost 135,600 people.

There is a further indirect impact on the economy when incomes created directly and indirectly by BT are spent. This has been estimated by DTZ Pieda Consulting to be £3.4 billion of income and 174,000 employees.

ICT sector contribution to growth and productivity

We contribute to economic growth by helping to improve the productivity of enterprises, industrial sectors and the wider economy. The Organisation for Economic Co-operation and Development (OECD) cites evidence that those sectors that have invested most in ICT, such as financial services, health and business services, have experienced more rapid growth in productivity than those that have not.

The European Union established a strategic goal 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." In the mid-term review of the Lisbon Strategy, the European Union re-emphasised the role of ICT in economic growth and job creation.



Total expenditure on employees:
£4,451 million

Total spend with suppliers:
over £4,000 million

Total taxes paid to governments: £523 million



Sustainability



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.

Achieving sustainable development requires a degree of international consensus and a great deal of multi-institutional support.

ICT sustainability impacts

ICT is changing the way business is done, especially through the internet, broadband and wireless technologies. This benefits not only business, but the people doing business.

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.

However, for the economic growth from the ICT sector to contribute directly to sustainable development it must be managed in the right way. If not, it will lead to further inequalities and greater consumption.

This is a challenge facing Europe in its attempt to refocus the Lisbon agenda on actions that promote growth and jobs in a manner that is fully consistent with the objective of sustainable development.

The use of BT's own products and services is enabling us to reduce our consumption of finite materials and to improve the work-life balance of our people. We achieve this through the use of phone and video conferencing, flexible working and e-business.

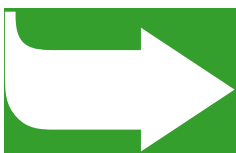
We worked with the South West Regional Development Agency through the partnership Actnow to help spread broadband to remote rural areas in Cornwall. Nearly 45,000 broadband connections have been set up since the project began in 2002.

Raising awareness

We want to understand our impacts and stimulate debate on sustainable development and corporate responsibility.

We do this, for example, by participating in industry bodies and being involved in public policy development. BT currently chairs the Global e-Sustainability Initiative of ICT service providers and suppliers, with the support of the United Nations Environment Programme and International Telecommunication Union. This initiative promotes technology that fosters sustainable development.

We have produced a number of occasional papers which explore the complex relationship between companies and society.



BT is a signatory to the UN Global Compact, an initiative that strives to motivate business and industry around ten principles on corruption, environment, labour and human rights.



Key performance indicators and targets

Category	Indicator	2005	2004	2003	Target 2006
Customers	Customer Dissatisfaction – against an objective of reducing the number of dissatisfied customers by 25% per year over three years	23% compound reduction*	29% compound reduction*	37% compound reduction*	To increase the number of extremely and very satisfied customers by 5%†
Employees	Employee Engagement Index – a measure of the overall success of BT's relationship with its employees	65%	64%	Not available‡	To achieve 66% by March 2006
	Diversity – a measure of the diversity of the BT workforce	22.4% Women (22.1% of senior) 9.2% Ethnic Minority (8.1% of senior) 2.2% Disabled (0.7% of senior)	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 (7.0% of senior) 2.0% Disabled	To maintain or improve on the figures for the 2005 financial year
	H&S: Lost Time Injury Rate – rate of Lost Time Injury Incidents expressed as a rate per 100,000 hours worked on a 12-month rolling average	0.480 cases per 100,000 working hours	0.620 cases per 100,000 working hours	0.885 cases per 100,000 working hours	Reduce to 0.41 cases per 100,000 hours during the 2006 financial year
	H&S: Sickness Absence Rate – percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.68% calendar days lost to sickness absence	3.06% calendar days lost to sickness absence	3.44% calendar days lost to sickness absence	Reduce to 2.57% calendar days lost due to sickness absence during the 2006 financial year
Suppliers	Supplier Relationships – a measure of the overall success of BT's relationship with its suppliers	Not available‡	94%	Not available‡	To repeat a measure in the 2006 financial year and achieve more than 90%
	Ethical Trading – a measure of the application of BT's supply chain human rights standard	240 risk assessments with 100% follow-up ^Δ	242 risk assessments with 100% follow-up ^Δ	31 risk assessments with 100% follow-up ^Δ	To achieve 100% follow up within three months for all suppliers identified as high or medium risk ^Δ
Community	Community contribution – a measure of our investment in society	£20.8m in funding and support in kind	£18m in funding and support in kind	£26.1m in funding and support in kind	Maintain a minimum investment of 1% of pre-tax profits
Environment	Global Warming CO₂ emissions – a measure of BT's climate change impact	53% below 1996 levels	42% below 1996 levels	40% below 1996 levels	Cap 2010 CO ₂ emissions at 25% below 1996 levels
	Waste to landfill and recycling – a measure of BT's use of resources	73,201 tonnes to landfill (66%) 37,408 tonnes recycled (34%)	79,677 tonnes to landfill (74%) 27,626 tonnes recycled (26%)	89,878 tonnes to landfill (76%) 27,809 tonnes recycled (24%)	By 31 March 2006, we will increase the waste recycled by 5% (recorded in tonnes)
Digital Inclusion	UK Addressable Broadband Market – a measure of the geographical reach of broadband	95% UK homes and businesses	More than 85% UK homes and businesses	67% UK homes and businesses	Broadband available to exchanges serving 99.6% of UK homes and businesses by summer 2005
Integrity	Ethical Performance Measure – a measure of our progress in acting with integrity	70%	Not available‡	Not available‡	To achieve 71% by March 2006

* revenue weighted

† this is a revenue-weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2005 levels

‡ measure not used that year – see archived reports for earlier measures

^Δ risk assessments are based on completed questionnaires

Hot Topics



Our Hot Topics cover our more controversial social and environmental impacts. They have been written by independent, external authors.

Using selection criteria approved by our Leadership Panel, we consider BT's stakeholder consultations (such as our Consumer Liaison Panels), the results of various opinion polls and press coverage to identify the topical issues of concern to BT and society.

Our Hot Topics seek to interest, engage and educate the reader and provide food for thought on topical issues. The views expressed in them are those of their authors, and do not necessarily represent those of BT. Hot Topics include:

Privacy in the Digital Networked Economy

Our most recent Hot Topic, written by Polly Courtney, Charlotte Lacey and Rebecca Nash of the Henley Centre, addresses trade-offs between advancements in networked technologies and the risk to personal privacy rights.

Abuse of the Internet

Solitaire Townsend of independent consultancy Futerra considers the issue of abuse of the internet – such as hate crime online, offensive and extreme adult pornography and the dangers to children online.

Good Migrations?

Judy Kuszewski and Kavita Prakash-Mani of SustainAbility consider the relationship between offshoring, corporate social responsibility and the geography of jobs.

Virtual Vice

James Wilsdon and Paul Miller of 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.



Business principles



let's make a
better
world

Business principles

70%

Ethics Performance Measure – a new indicator that measures awareness of Statement of Business Practice, an external ethics benchmarking survey and questions from our annual staff attitude survey.

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.

Here we describe our corporate social responsibility governance framework in more detail.

During the 2005 financial year, we continued to develop our understanding of our key corporate social responsibility risks. We have published our second regulatory compliance report.

BT has a strict policy of not giving cash contributions to any political party. But we do participate in debates on public policy 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.

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 awareness of the Statement within BT and the extent of implementation across the BT Group.

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

Awareness

In the 2005 financial year we surveyed awareness of the Statement of Business Practice in our international operations and discovered that 75 per cent of employees in those operations were aware of the Statement. Those surveyed were predominantly line managers.

During the 2005 financial year, we developed an Ethics Performance Measure (EPM). The EPM includes our existing awareness of the Statement of Business Practice, alongside two additional components. These are:

- An external ethics benchmarking study we commission annually to measure how we compare with a number of other FTSE 100 companies.
- Two questions from our annual staff attitude survey: is BT trustworthy, and is it safe to speak up?

The EPM moves us away from a purely perception-based measure to one of performance. Our EPM score in the 2005 financial year was 70 per cent. Our target is 71 per cent in 2006.

Since 2000, a comprehensive employee communications plan has helped improve awareness of our Statement of Business Practice within the UK.

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 2005 financial year, we continued the roll-out of training sessions for senior managers to promote awareness and understanding of our Business Principles. We have focused our effort on those areas of the business where we believe the risk of non-compliance is greatest.

Other elements of the communications plan include a training website and training videos for 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 an email promoting the helpline was sent to every BT employee.

We take our Statement of Business Practice very seriously and act against anyone abusing our business principles. During the 2005 financial year, 132 employees were dismissed or resigned for unethical behaviour. The following examples are illustrative:

- Dishonest and corrupt behaviour by BT staff:
 - A BT employee has been dismissed for stealing and then selling large quantities of cable to a scrap metal dealer
 - Two employees were interviewed and suspended from duty and one subsequently dismissed following the misuse of a corporate credit card
 - A BT employee has been dismissed following theft from a customer contact centre and misuse of one of our customer databases
 - A BT manager has been dismissed following considerable business expense claims fraud.
- Inappropriate use of the Internet:
 - A former contractor for BT pleaded guilty to offences under the Protection of Children Act.

Disclosure of these examples demonstrates the action that backs up our Statement of Business Practice and underlines that such abuse will not be tolerated.

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.

In the 2006 financial year we will work to ensure our Statement of Business Practice is more effectively implemented. In particular, that it is embedded into the practices of newly acquired businesses and partnerships, such as Albacom (Italy) and Infonet.

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 existing joint ventures.

Partners

During the 2005 financial year, we formalised the way we work with our strategic partners on our approach to integrity and ethics. This process is part of our due diligence. We are committed to work with our partners to create successful ventures with high standards of integrity and business practice.

We will use our values and principles in dialogue with other organisations and in considering new and existing relationships. Some of our partners are also our customers and/or suppliers. In these cases, our commitments to them remain consistent with their role as a stakeholder.



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Business principles continued

Corporate Social Responsibility (CSR) governance framework

At least once a year the BT Board discusses our CSR strategy and performance. 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.

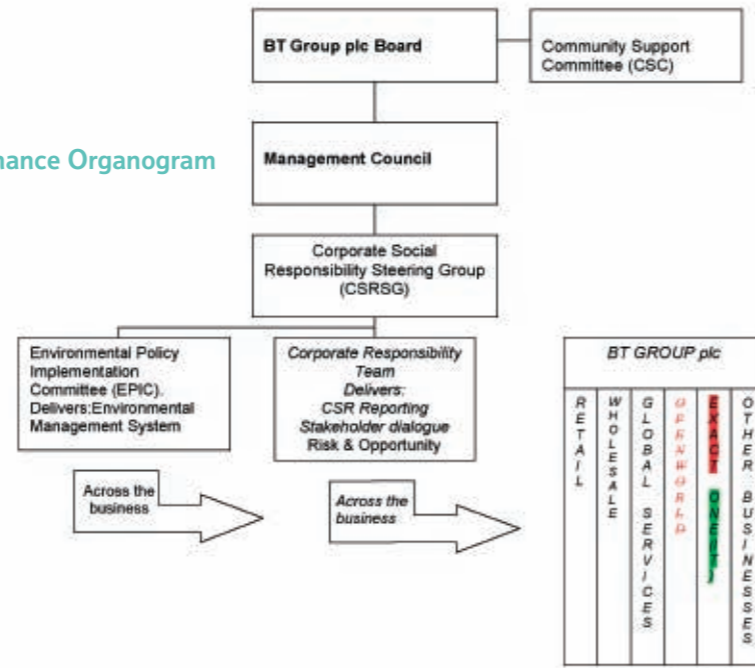
A CSR governance framework helps us manage specific environmental and social issues. A number of bodies supervise the CSR relationships between the BT Group and individual lines of business. These are:

- Management Council
- Corporate Social Responsibility Steering Group
- CSR health checks
- Environmental Policy Implementation Committee
- Corporate Responsibility Team
- 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.

CSR Governance Organogram



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 seven support functions (Human Resources, Corporate Governance, Health and Safety, Group Property,

Communications, Internal Audit 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 the 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.

Examples of initiatives considered by the Committee during the 2005 financial year are:

- International CSR activities
- The development of the Ethics Performance Measure
- Offshoring
- The communication of CSR, internally and externally
- A review of BT's key performance indicators.

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. Additionally the health checks raise understanding and awareness of the business case for CSR.

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.

During the 2005 financial year, five health checks were conducted in Global Services on major business change programmes covering customer service and delivery, our values and organisational culture, and creation of a global standard operating environment.

In early 2005 we reviewed the health check process. Some changes will be introduced, including a stronger use of the BT Values, an extension of scope and attendance at all health checks of an internal BT expert from the appropriate lines of business.

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.

Corporate Responsibility Team

BT's Corporate Responsibility Team - formerly known as the Social Policy Unit - is responsible for the overall co-ordination and maintenance of BT's CSR strategy and environmental management system. One of the team's responsibilities is to promote awareness of BT's social and environmental policies among employees.

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

During the 2005 financial year, the Social Policy Unit changed its name to better reflect the full scope of its CSR activities and trends in the CSR marketplace.

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 [Community](#).



Business principles continued

Leadership Panel

The Leadership Panel is an external advisory group of experts renowned for excelling in their field. The Panel currently has five 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
- Jorgen Randers, Professor, the Norwegian School of Management, Oslo.

During the 2005 financial year, one panel member, Yve Newbold, an independent adviser, retired.

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

Its responsibilities include 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 this web site.

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.

During the 2004 financial year we developed a CSR risk register which sets out our most significant social, ethical and environmental risks.

In the 2005 financial year we identified no social, environmental or ethical risks that would have a material impact on our business. In the same period, we further developed our understanding of our key CSR risks.

We have identified these as our key risks:

CSR Risk	More details
Supply chain working conditions	Human rights in the supply chain
Climate change	Environment
Diversity	Diversity and inclusivity
Geography of jobs ('offshoring')	Hot topics and Call centres
Breach of integrity	Business principles
Health and safety	Health and safety
Privacy	Hot topics

The key risks are unchanged from the initial work done in the 2004 financial year, apart from the inclusion of an additional risk - privacy. As we enter new markets in the IT services arena there are issues around privacy which we are keen to address in a proactive way to minimise the level of risk. Privacy in the Digital Networked Economy is the subject of our latest [Hot Topic](#).

There is a person in charge of dealing with each risk and 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 2005 financial year, we have continued to strengthen our compliance activities. This is 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
- Engage positively with compliance teams in other regulated industries to share best practice.

Our Regulatory Compliance governance framework includes:

- A Compliance Champion (Hanif Lalani, 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
- Annual reports to the BT Board and the BT Board Audit Committee by the Director, Internal Audit and Regulatory Compliance.

The data published by Oftel/Ofcom shows that:

- Over the last two years, under half the investigations completed by Oftel/Ofcom were concerned with BT
- Of the investigations into BT, ten concerned alleged breaches of regulation, and eight concerned disputes
- Of the investigations into alleged breaches of regulation, two resulted in findings against BT
- Of the investigations into disputes, one resulted in a finding against BT.

A major activity in the 2005 financial year has been the Ofcom Strategic Review of Telecommunications. At the time of writing Ofcom was still considering its course of action and the responses to the review. But the consultation document acknowledges BT's efforts to apply significant resources to regulatory compliance and to enrol over 50,000 people in its compliance training courses.

Our [2005 Annual Report on Regulatory Compliance](#) provides a complete description of our regulatory compliance and performance.

Public policy

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

We engage with political parties, politicians and civil servants on a non-partisan basis to make them aware of key issues, opportunities 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 \(ETNO\)](#)
- [Confederation of British Industry \(CBI\)](#)
- [Intellect](#), 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](#).

Here you can find our responses to CSR specific consultations:

- [BT response to UK government consultation paper on a Sustainable Development Strategy for the UK](#)
- [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.](#)



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Business principles continued

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](#)
- [CSR Europe](#)
- [Forum for the Future](#)
- [Green Alliance](#).

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 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.

- **Straightforward:** We make things clear
 - We make complex things simpler for customers and for each other.
 - We get straight to the point.
 - We use our common sense and judgement.
- **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 per cent 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.



Stakeholder dialogue



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better
world

Stakeholder dialogue

We communicate with our stakeholders to understand their opinions and needs.

No formal process is used to identify stakeholders, but 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 customers are key stakeholders and keeping them satisfied is vital to our continued success. We conduct more than 3000 face-to-face interviews with residential customers every month to assess customer satisfaction with BT. Feedback from these surveys helps us to improve our service. Our Promises Campaign commits us to keep our promises to customers by providing the services they require on time.

In addition to communicating with the stakeholders listed above, we also regularly engage with organisations on major issues which have, or will have, an impact on BT's business. In the 2005 financial year, we worked alongside the Confederation of British Industries, the RAC Foundation and the University of Bradford on a study into the role of broadband in beating congestion. We hold quarterly meetings with the UK Environment Agency and meet twice a year with our two unions, the Communications Workers Union and Connect, to discuss a range of environmental issues. We are members of the European Telecommunications Network Operators Association (ETNO) environment forum and the UK Council for National Parks corporate forum. We organise focus groups with employees from across the business, looking at BT's environmental performance and how to ensure our policies and communication are consistent and effective.

For more information on how we manage the environment, see [Environment](#).

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.

You can also provide feedback on our social and environmental performance by emailing us at yourviews@bt.com.

Corporate social responsibility is how we as a company contribute to the wider societal goal of sustainable development. To meet this commitment we must balance the needs of our stakeholders with the benefits to our business of acting responsibly. Our responsibility is to identify, understand and then manage our social and environmental impacts. An integral part of this is to develop good relationships with our stakeholders and to be transparent and accountable in our daily work.

Stakeholder engagement

We engage with our stakeholders in many ways and learn from them all the time. This engagement has become increasingly important to us as a business. We describe in the individual stakeholder sections our relationships with particular stakeholders, their evolution, and the related policies and decisions we have taken as a consequence of these relationships.

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

Find a description of our relationship with joint ventures and wholly owned subsidiaries on social and environmental issues in our [Statement of Business Practice](#). Our approach to integrity and ethics with our partners was formalised in the 2005 financial year and is now integral to our due diligence.

Community

An annual MORI survey of our stakeholders (the general public) tells us that education should be a top priority for our social investment. Further, our annual employee survey ranks education third behind 'new technology' and 'helplines'. The community section describes how we manage and distribute this investment.

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Stakeholder dialogue continued

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 The Way We Work](#), 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 this site, how specific stakeholder groups do influence BT's policy, strategy and practice.

For example, we show:

- How a Consumer Liaison Panel in Manchester informed our action to lessen the impact of [premium rate service \(PRS\)](#) numbers on our customers through initiatives such as free call barring and warning advertisements on the BT website.
- How BT managers work with their teams to carry out action plans based on the results of our annual employee survey. The introduction of an Employee Engagement Index will help highlight the impact of key issues on the performance, motivation and engagement of [BT employees](#).
- How our Statement of Business Practice was sent to all direct suppliers after our supplier questionnaire revealed a lack of awareness of the way BT works. We also organised a stakeholder workshop with one of our partners in the Global e-Sustainability Initiative, Vodafone, to improve the way we engage with stakeholders, especially NGOs, in the [supply chain](#).
- How stakeholder dialogue was used in the selection of [non-financial key performance indicators](#)
- How a seminar about radio frequency identification (RFID) with our Leadership Panel has led to the commissioning of a new Hot Topic, [Privacy in the Digital Networked Economy](#).

Influencing BT's Social and Environmental Report

Stakeholder consultation has significant bearing on the content of this report.

Hot Topics

Using robust selection criteria approved by our Leadership Panel, we analyse various opinion polls, BT's stakeholder consultations (such as our Consumer Liaison Panels) and press coverage to identify topical issues of concern to BT and society that will interest, engage and educate the reader. As a result, [Privacy in the Digital Networked Economy](#), [Abuse of the Internet](#) and [Good Migrations?](#) have been included among our [Hot Topics](#).

Previous Hot Topics selected in this way included [Virtual Vice](#) and [Modern Communications and Quality of Life](#).

Indicators

In June 2003, we established a small number of non-financial key performance indicators (KPIs) 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.

We review our KPIs on an annual basis and, as we reach target deadlines and the business changes, we introduce new indicators. In the 2005 financial year, one new indicator was added and two existing KPIs were changed:

- Health target (in addition to our safety target to reduce accidents)
- Employee Engagement Index (EEI) in the annual employee survey (replacing the People Satisfaction Index)
- Ethics Performance Measure (replacing the Awareness of Business Practice target).

We will review all KPIs in the 2006 financial year.

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 report, 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.

Since June 2003 our verifiers have assured our report against the AA1000 Assurance Standard.

The underlying basis of this standard is inclusivity. It requires our report to reflect the interests and concerns of stakeholders, both in its content and in terms of demonstrating BT's response to these issues.

More details on how we have applied AA1000 Assurance Standard are found in the [About the Report](#) section of this report.



Customers



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Customers

23%

Customer dissatisfaction – reduced by 23% on a compound annual basis over the past three years.

We intend to be the best provider of communications services and solutions for everybody in the UK and corporate customers worldwide, working through partnerships.

We serve over 20 million business and residential customers in the UK and have 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.

Here we explain our approach to:

- Customer satisfaction
- Customer communications
- Looking after the customer
- Services for customers
- Voluntary and mandatory services
- Wireless communications and health
- Broadband
- 21st Century Network.

Customer satisfaction

Improving customer satisfaction is the cornerstone of our strategy.

We have established the strategic target to outperform our competitors consistently and reduce customer dissatisfaction by 25 per cent a year over the three years to the 2005 financial year. We have not met this target and achieved a 23 per cent reduction in customer dissatisfaction on a compound annual basis over the past three years.

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

We are committed to listen 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

To improve levels of customer satisfaction, we need a thorough understanding of what makes customers satisfied and dissatisfied.

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 the quality of service. Customers who use competitors are asked how satisfied they are with our competitors. The interviews also examine image and reputation, price and value, contact and experience, and products and services.

In addition to our own surveys, an independent agency seeks the views of about 10,800 business and residential customers each month. These interviews include questions on the provision or restoration of a service, or how a complaint made to BT was handled.

The perceptions and views of our business customers are surveyed by another 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 uses three types of survey to measure customer satisfaction:

- Face-to-face interviews, normally with senior decision-makers in the larger organisations
- Tracker surveys, an overall satisfaction survey conducted over the telephone
- An Event Driven Customer Satisfaction Survey, which is a telephone survey conducted immediately after a repair or provision event.

We publish customer-satisfaction and quality-of-service measures every six months.

Customer dissatisfaction

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

We set a target to reduce customer dissatisfaction by 25 per cent a year over the three years to the 2005 financial year. Although we have not met this target – we achieved a 23 per cent reduction on a compound annual basis over the past three years – we believe the improvements we made in our customer services have been beneficial to all our customers.

Customer satisfaction

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

BT Retail's performance – tested over the last three months of the past three financial years – indicates progress.

Satisfaction scores for residential customers

	BT	Competition
2000/2001	80%	
2001/2002	77%	76%*
2002/2003	76%	75%*
2003/2004	79%	71%
2004/2005	85.9%	NA

Source: (Data Source NOP World)
Sample: Approximately 63,000

Satisfaction scores for business customers

	BT	Competition
2000/2001	79%	
2001/2002	64%	62%*
2002/2003	80%	73%*
2003/2004	83%	76%
2004/2005	82.4%	NA

Source: NOP (from September 2000), prior to that Market Insights
Sample: Approximately 42,500

* Accumulated average for the last three months of the year

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 2004/05 financial year among BT Retail customers are:

	Consumer satisfaction with provision	Business satisfaction with provision	Consumer satisfaction with repair	Business satisfaction with repair
2001/2002	92%	84%	79%	84%
2002/2003	88%	85%	81%	85%
2003/2004	93%	86%	78%	84%
2004/2005	92%	83.2%	74.2%	80.9%

Initiatives to improve customer satisfaction

Our customers have told us that we must:

- Be easy to contact
- Keep them informed (we shouldn't need to be chased)
- Take ownership of their issues and champion their cause
- 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 on price and the quality of service.

Quality of Service report

Our quality of service 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. This is essential in order to improve.

View the [Quality of Service reports](#) available online.



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Customers continued

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. 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 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 Brighton and Hove consumer liaison panel looked at how BT handled problems and complaints from customers. The discussion covered areas such as the distinction between problems and complaints, triggers for problem-raising and principles for effective problem management. The panellists also discussed customer access to BT and how calls and problems are handled.

- A Bristol panel discussed how consumers choose a telecoms provider. This included what triggers them to leave BT and what encourages them to return. BT's win-back marketing was examined.

- A Manchester panel discussed premium-rate services, in particular awareness, charging, regulation and policing arrangements. Mention was made of drop-in diallers and what BT does to inform customers about their threat. The panel also discussed 118 numbers and the call return facility on the BT 1471 service.

Complaints

We are committed to provide 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. If this is not possible, we will agree a course of action. Billing queries are more complex and may take a little longer to resolve.

If a customer is unhappy with our response 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

We want to make sure we help customers gain the benefits of telecommunications while helping to protect them from those who abuse the network.

Here we explain our approach to:

- Advertising
- Disconnection
- Internet abuse
- Nuisance calls
- People on low incomes
- Premium rate numbers
- Payphones and inclusion
- Services for customers who are older or disabled
- Voluntary and mandatory services.

Advertising

As one of Britain's largest advertisers, we not only have a public duty to uphold the highest standards of advertising, but a great deal to gain from adopting such standards. By promoting such a culture, BT can:

- Avoid adverse publicity
- Avoid risk of prosecution.

BT's values in this area are set out in the BT Statement of Business Practice and the BT Competitive Marketing Principles.

The BT Statement of Business Practice states that BT will be truthful and accurate in all our communications with customers, and be helpful and honest in all our dealings with them.

The BT Competitive Marketing Principles refer to BT selling its products and services positively, on their merits, persuading customers to buy BT because of excellence in facilities, price, delivery, quality, service and value for money.

In the 2005 financial year, there were 12 complaints made to the Advertising Standards Authority about BT and nine of these were upheld.

Internet abuse

Internet abuse falls into two categories - content and contact. Content refers to websites, files and images that are posted as a 'one way' communication, where the person posting the illegal content and those using it have no immediate relationship. Contact, however, covers person-to-person contact over the Internet - either between two people abusing the net by common agreement, or someone approaching a child or harassing a victim over the net.

We have introduced 'Cleanfeed', which uses the latest technology to block child abuse sites blacklisted by the UK Internet industry body, Internet Watch Foundation. The blacklist consists of a worldwide list of child sexual abuse websites that have been assessed as "illegal to view" in the UK under the 1978 Child Protection Act. Illegal child sexual abuse material is the only material under UK law where possession (by downloading from a website) is a criminal offence in itself. In effect, this means the blocking technology will prevent an offence being committed, and is therefore a direct crime prevention measure.

The technology blocks any blacklisted material. This could be a whole site, a page or even a picture. A customer who tries to access a blacklisted site will see the 'error 404' message. There will not be any indication that

the material is blacklisted. The technology does not have the capability to record access attempts. By its very nature, the system prevents a crime being committed. We are not able to record access attempts.

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 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 (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
2000	1,067,972
2001	964,810
2002	1,061,036
2003	1,051,545
2004	981,336
2005	981,307

Total number of disconnections* (business customers)

Financial Year	Total number of disconnections
2000	182,651
2001	91,262
2002	292,432
2003	301,926
2004	132,528
2005	161,265

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

For more information, see [BT Customer Service](#).



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Customers continued

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:

BT's Light User Scheme. This is for those who need a phone but make few calls because they can't afford them. It is available on any BT residential phone line, except for those with more than one phone line, or those who use phone services from another provider. Customers on the scheme pay standard rental and call charges, receiving a rebate providing their bill is below a certain level. Around two million customers benefit from the scheme at a cost to BT of around £70 million a year. This is a level of support for the needy that we believe is unmatched by any other UK business.

BT In-Contact Plus is a basic telephone service available to new and existing customers. It offers normal incoming call facilities, but with outgoing calls restricted to 999, 112, 150, 151 and 12822 (Ring Me Free). The service is aimed at customers who previously could not afford a telephone service, as well as those customers who need to control their telephone costs. The joining fee is £9.99 (inc VAT), and there is a quarterly rental of £9.25 (inc VAT).

BT Pay & Call is a new, exciting 'pay as you go' service only available from BT. It provides a BT fixed line service which is pre-paid by credit or debit card or by using BT's Pay & Call Payment Card (cash payments at [PayPoint](#)). Over 100,000 customers use the service.

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**.

Premium-rate service numbers

We have received a number of complaints about higher than expected telephone bills, usually as a result of the installation of software diallers that call premium-rate services from computers. In some cases the installation is done secretly via the Internet, or it is installed by someone other than the bill payer. In many cases, the installation is perfectly legitimate but customers are unaware of the cost implications.

BT has taken action. We have:

- Barred calls to over 1,000 of the numbers allegedly involved
- Offered to all customers a free barring service to premium-rate numbers and a removable bar for premium rate and international calls, for £1.75 a month
- Provided information about premium rate services to customers. This included emailing 1.8 million retail Internet customers, placing information on our BT Yahoo! website

and our main website at www.bt.com, and including information in the Update magazine that comes with BT bills sent to our 20 million customers.

We investigate individual cases where customers feel they have been wronged. We cannot waive charges because only a small percentage is kept by us. We are, however, flexible about payment terms and in some circumstances donate our share of the revenues to charities such as Childline.

Payphones and inclusion

We have a legal duty - known as a Universal Service Obligation - to ensure that basic, affordable telephone services are available to all consumers, anywhere in the UK. This is why we ensure that payphone services are provided to meet community needs, including rural communities.

We currently have around 66,400 public payphones in operation (this figure excludes Northern Ireland). Call minutes from public payphones have fallen considerably. This is mainly because of the increased use of mobile phones - making many payphones unprofitable.

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

During the 2005 financial year, we reduced costs by removing 6200 payphones. This did not leave any communities without a payphone service.

E-payphones

We have 1300 public e-payphones installed in the UK, enabling customers to use the Internet, send emails and text messages and make phone calls. We have also developed a number of joint initiatives with local councils to enable communities to access on-line government services.

Services for customers who are older or disabled

Our aim is for everyone to have the same freedom and opportunity to communicate. Our Age & Disability Team works in BT and in communities to enhance the sense of well being of elderly people with disabilities. We provide a range of services and advice to ensure that older people and people with disabilities benefit from modern 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. Automatically bringing in a Typetalk operator to relay the call if required, it has simplified the making and receiving of calls between voice and textphone users.

BT TextDirect automatically calculates a rebate on text calls (which are longer in duration) to ensure they cost no more than voice calls.

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

We maintain our long tradition of consulting with people with disabilities. The BT Disability User Panel, whose members are BT people with an interest in disability, provides us with early feedback on new products and services to ensure accessibility.

In the 2004 financial year, BT Text was launched as a mainstream service to enable SMS messages to be sent between mobile and fixed lines. The technology converts text messages to voice, helping visually-impaired people hear the text message, and hearing-impaired people communicate with those who hear.

Billing

BT has been providing bills in alternative formats since 1992, including braille, large print, computer disk and our talking bill service. These are provided at the same time as customers receive their standard bill. Many BT publications and user guides are also available in alternative formats.

BT also has a Protected Services Scheme that lets vulnerable customers nominate a third party to manage their bills, for instance in the event that they have a spell in hospital.

Directory enquiries

We continue to 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, on-line directory enquiries service which has been designed to give all users easy access.



Customers continued

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.

Wireless communications and health

With the demerger of mmO2 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 on-line 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 Vodafone network for both business and consumer mobile services
- 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.

The January 2005 updated [Stewart Report](#) on the possible health effects posed by mobile phone technology, including base stations concluded that "there is no hard evidence to suggest that mobile phone technologies put the health of the general population at risk."

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.

BT offers mobile operators a service called Microconnect. This 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 in city centres. The exposure levels from these small devices will be hundreds of times below the ICNIRP guidelines at street level. Before

installing the new Microconnect antennas 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". For more information on WHO guidance and fact sheets, see [WHO](#).

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 antennas 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.



Customers continued

RA audits and industry consultation procedures

BT makes public the locations of existing antennas on the [Radiocommunications Agency \(RA\) Sitefinder website](#). Additionally, the RA has completed 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 antenna 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 - along with all mobile operators in the UK - applies 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.

Broadband

Broadband means fast, always-on access to the Internet - up to ten times faster than a normal narrowband telephone line. The technology has far-reaching social and economic impacts because it stimulates innovation and economic growth by providing easy access to information on the Internet and the ability to work away from the office and in remote areas.

We are committed to provide broadband as widely as possible. At the end of March 2005, we achieved five million connections, meeting our target a year early.

By the summer of 2005 we expect to have extended coverage to exchanges serving 99.6% of UK homes and businesses. According to the Organisation for Economic Co-operation and Development (OECD), the UK is now leading the way in broadband availability among the G7 countries.

21st Century Network (21CN)

BT's network is being transformed to handle modern communications efficiently. We call it the 21st Century Network (21CN) programme. Key features are:

- Customers will be able to access any communications service from any device from anywhere - at broadband speed
- It will provide a world-class customer service, from accessing and managing a range of services, to receiving and paying the bill
- It will radically simplify BT's operations, including lower costs and the capability to launch new services faster.



Employees



let's make a
better
world

Employees

We employ approximately 102,100 people around the world, including over 90,800 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 and need to make sure that we attract, select and retain the best.

During the 2005 financial year, we recruited 149 graduates and 258 modern apprentices in the UK, and 3496 other new entrants. In the same period, 5523 people left BT by choice.

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 2005 financial year:

- 13% of our new recruits were from an ethnic minority background - including 25.7% of new graduates and 5.6% of modern apprentices - compared with 9.2% of BT's total workforce
- 25.9% of our new recruits were women - including 41.6% of new graduates and 10.1% of modern apprentices - compared with 22.4% of BT's total workforce
- 0.5% of our new recruits had a disability as defined by the UK Disability Discrimination Act (DDA) - including 2.7% of new graduates and 2.3% of modern apprentices - compared with 2.2% of BT's total workforce.

Opportunity to make career progress is very important. In the 12 months to March 2005, of those promoted into or within management positions, 31.7 per cent were women and 9.5 per cent from ethnic minority groups.

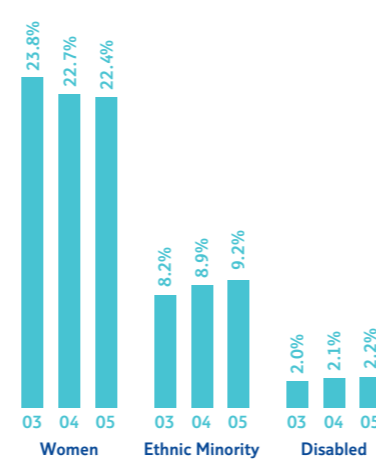
These figures do not include the people who work in our subsidiaries - around 14.5 per cent of our workforce.

We are very encouraged by these figures. They reflect our efforts to create a talented and diverse workforce at every level.



Employee Engagement Index – measuring the overall success of BT's relationship with its employees

A measure of the diversity of the BT workforce



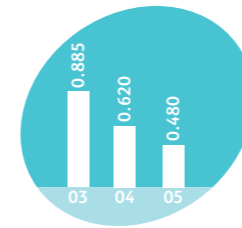
Education

To help maintain a good supply of talent, we encourage young people to further their vocational or academic education, especially in Information and Communications Technology (ICT) subjects. We also offer hundreds of undergraduate placements each year.

To help address Europe's continuing shortage of people with good ICT skills, BT co-chaired the Career Space consortium, a European public/private partnership that encourages people, particularly women, to get engineering and computer skills. Career Space worked with major ICT companies and over 20 European universities to develop and launch new ICT job profiles and curriculum guidelines. For more information see [Career Space](#).

BT contributed to the Tomlinson Report on education for 14 to 19 year-olds in England and participated in the debate prior to the White Paper in February 2005.

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



H&S: Lost Time Injury Rate – incident rate per 100,000 hours worked

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

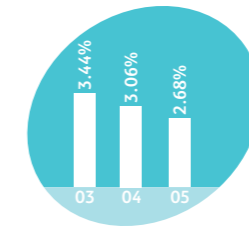
Because we want to provide a high-quality service to our customers, the working day for many BT employees extends beyond normal hours. One of our great challenges as an employer is to reconcile good customer service with the provision of a healthy work-life balance for our employees. We strive to get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

"Flexible working is very good. I have been doing it for eight years. I have a son who is 14 and I am a lone parent. When I need to I can work from 9.45am until 3.15pm, which is brilliant. I then work earlier or later on other days to make up my 144 hours a month. Since I started flexible working I've been promoted and I'm progressing in the company. So it's great!" **Chris Cope** BT Retail

"I've been homeworking for eight months and it's wonderful. It fits around my children. I'm able to fit in all my commitments around my work. I work better at home. I also don't shout at the children so much." **Marcia Tapper** BT Exact

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



H&S: Sickness Absence Rate – percentage of calendar days lost to sickness

challenge is to promote best practice across the 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 2005, we had approximately 5100 part-time employees, nearly 500 job sharers and approximately 9030 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 (eg, 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
- With the theme Agile Business - Balanced Life, we organise conferences to encourage employees and other employers to assess our achievements and identify new ways to promote a healthy work-life balance. These conferences

demonstrate BT's business case for diversity and flexible working and show how technology can help people balance their lives

- We chair [Employers for Carers](#), a partner in Action for Carers in Employment (ACE National), a project promoting the benefits of carer-friendly employment practices. Their website contains information for carers and employers, a benchmarking tool to help employers assess how carer-friendly they are and some case studies

- We chair [Employers for Fathers](#), a new forum promoting the benefits of father-friendly employment practices, sharing best practice and informing UK government policy.

In the 2004 financial year, 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*. BT has been lead sponsor for two successful pilot events, called *Discovery Weeks*, to show lone parents the choice and lifestyle options work offers. BT has actively supported Jobcentre Plus' contracting and delivery of these and other innovative lone-parent employment initiatives in Birmingham, Glasgow, Leeds, Liverpool, London and Manchester.

We are working with the UK Department of Trade and Industry (DTI) and Jobcentre Plus to promote flexible working arrangements with other employers. In 2004, this included making presentations and briefing Jobcentre Plus Account managers and employers. BT has also initiated and sponsored the London Employer Coalition's Lifestyle Friendly Employer Award for the last two years.



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Employees continued

We sponsored the Working Families/Carers UK/BT Carers in Employment Award 2004, as part of our continuing support for the charity, Carers UK. We also supported and designed the BBC publication, 'Time for you', launched during the 2004 Carer's Week.

Working parents

We supported the 2004 Fatherhood conference organised by Fathers Direct, at which Patricia Hewitt, Secretary of State for Trade and Industry, launched the Charter for Father-friendly Britain.

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 and we have maintained our accreditation since.

BT Childcare Salary Direct is an employee benefit programme that employees can use for all types of approved childcare. The programme, in conjunction with discounts we have negotiated with childcare providers, helped many employees reduce their childcare costs by approximately 20 per cent. Over 1000 employees benefit from the programme. Tax changes in April 2005 should benefit many BT Childcare Salary Direct participants.

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 £106 per week (increased from £102.80 per week in April 2005) - whichever is the greater. After that employees get £106 a week for 26 weeks.

In the 2005 financial year, 98.9 per cent of women returned to BT following maternity leave, and 73.9 per cent of women who had returned from maternity leave in the 2004 financial year were still with the company.

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.

A survey of BT parents - to which 1900 people responded - in February 2005 showed that 94 per cent considered our maternity leave package was adequate or better. It also showed that over 80 per cent felt their work-life balance was adequate or better and that over 60 per cent had flexible working arrangements. The survey results will inform future parental support policy and practice.

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:

- **Saveshare** - an option to buy shares at a discounted rate over three or five years. More than half of BT employees participate, including 46% of our international employees
- **Allshare** - gives employees the right to receive free shares based on company-wide performance
- **Directshare** - 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 2005 financial year, our lowest main scale starting salary was £9765 for a 36-hour week (£5.20 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. Our [previous reports](#) show how BT's position has evolved.

Equal pay is an increasingly sophisticated issue in the UK. In the 2005 financial year, BT contributed to the [Confederation of British Industry \(CBI\)](#) submission to the Women and Work Commission.

Detailed pay-gap audits undertaken in recent years have revealed a persisting gap in pay between men and women. We believe that one reason is the 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. Other reasons in the UK outlined in the CBI submission, include:

- Career choices and early stereotyping
- Gender bias in vocational choice
- Educational achievements of older women
- Caring responsibilities
- Lack of family friendly policies
- Early specialisation.

BT continues to address these issues holistically. We have Board support to close the pay gap and our pay review processes include guidance on creating a fair and equitable reward system based on performance.

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

Equal pay activities

In the 2005 financial year, we introduced a new reward framework of 300 market-based roles in 18 different families covering about 37,500 employees worldwide. Pay, bonuses and benefits are comparable with the market rate. The introduction of market packages around the world will be phased in during the 2006

financial year. In June 2004, we introduced bonus scorecards for about 20,000 UK employees for calculating bonus payments.

The 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:

- Changed our promotion remuneration procedures, particularly in management grades, from a percentage of base salary to a comparison with peers and the market
- Focused our pay review on the lower end of our pay scales, where there are likely to be more women
- Carried out a pay audit following each pay review, based on key measures agreed with our unions, maintaining a dialogue on all equality matters. The 2004 BT budget in the UK for equal pay was £3.4 million
- 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.

Equal value

While jobs may be different they can be of equal value because of the similar demands made on the employee.

The concept of equal value for equal work has been underlined by a recent UK court case (*Enderby v National Health Service*). The court concluded that collective bargaining and market value could not justify the difference in pay between men and women - equal work must be given equal value.

The UK's 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 remains high on the BT agenda and we believe we are making good progress on the matter.

Pension scheme

The BT Pension Scheme, now closed to new entrants, is one of the largest funds in the UK, with assets of around £29 billion. The scheme has about 80,000 contributing members, about 178,000 pensioners and around 100,000 deferred beneficiaries. Most of our employees have chosen to belong to the scheme and contribute six per cent of their salary, with BT paying the balance of costs (currently 12.2 per cent of salary). 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 7000 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.



Employees continued

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.

Hermes has produced a number of corporate governance policy statements that are available on the [Hermes](#) website. 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

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".

The trustees of the BT Pension Scheme agreed that every investment should consider this statement: "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
- Grievances
- The European Consultative Works Council
- Employee communications
- Call centres
- Outsourcing
- Offshoring.

Employee survey

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

At the start of 2005, every BT employee worldwide was given the opportunity to complete a CARE survey during the working day. Anonymity was guaranteed and 80 per cent of our people completed the survey. The CARE survey does not include the 2569 BT Consulting and Systems Integration (formally BT Syntegra) employees.

Employee engagement index

The key indicator in the CARE survey is the new Employee Engagement Index. This indicates BT peoples' overall engagement and motivation with regard to their job, colleagues and customers. The new employee engagement report provides an understanding about what engages (and disengages) a team, and provides an overall score through the Employee Engagement Index. Examples of the kind of issues covered in the index include team working, senior management and communication, reward and work-life balance. This new measure was launched in the summer of 2004 and replaces the People Satisfaction Index. The index for the 2005 financial year is 65 per cent, a rise of one per cent on the index calculated from the 2004 CARE data and published in 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.

Trades unions

In the UK, BT recognises two trades unions: the Communications Workers Union (CWU), which represents over 59,000 BT people in non-management grades; and Connect, which represents around 26,000 BT

people, predominantly managers and professionals.

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

BT conducts its relationship with the CWU through officers and the national executive who represent the telecommunications and financial services sector of the trades union. There is constructive dialogue at national level and a practical working relationship at branch level.

Connect is a specialist union representing managerial and professional employees in the communications industry - largely in BT. Again, there is a constructive dialogue.

Both unions engage with BT to improve the terms of employment for their members and play a constructive role in helping BT implement change effectively. We maintain a good working relationship with both unions and provide facilities for their representatives to facilitate effective dialogue.

Examples of the issues we have discussed with the unions include:

- Remote sourcing of work
- Changes to work patterns to implement customer-friendly working practices
- Agile (flexible) working and growing our people's skills to meet new business needs.

Managers are expected to consult their employees and relevant 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 2005 financial year, no industrial action was taken. The only case of legal action against BT concerning the rights of trades unions was withdrawn.

Grievances

We have a grievance procedure that provides all employees a chance to appeal against actions or decisions that they believe adversely affect them.

In the financial year 2005, the number of concluded employment tribunal cases involving BT was 140, with 41 withdrawn, 10 judged against BT, 42 settled and 47 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 [Data and targets](#) for employment tribunal case data since 1999.

BT European Consultative (Works) Council

Every six months the BT European Consultative Council (BTECC) provides an opportunity for trans-national dialogue and exchange of views between management and employee representatives in the UK, Ireland and continental 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.



Employees continued

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 trans-national employee issues such as training, health, safety and the environment may be included.

The 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 each country. The representatives chosen must reflect BT's equal opportunities policies.

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

The 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.

In addition, a sub-committee of the BTECC meets four times a year to discuss specific issues in BT Global Services. The sub-committee is chaired by a senior representative of Global Services and employee representatives are drawn from UK trades unions, Works Councils and other bodies.

In addition, most of our continental European operations have works councils representing employees.

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.

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 187,000 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 the major source of news for BT people. 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 Newline, a telephone news service, attracts thousands of calls a month
- People News - a bi-weekly email newsletter about people's moves and news

- Vision programme - an audiovisual interview with the Group Finance Director about each of BT's quarterly financial results.

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

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

- Enterprise email, a broadcast email facility for key announcements
- Face-to-face events
- Briefing materials for use by line managers.

Case study

My Customer promises -

This case study shows how 'my customer' was communicated to BT employees in advance of the external launch to the public.

BT's my customer Promise is:

- when you make an appointment, BT will always do whatever it takes to keep it
- when you ring BT, you will always have the option to talk to a person
- if the first person you talk to can't help, they'll make it their top priority to find the right person who can.

We backed the my customer Promises with a large external advertising campaign. We began our internal communications campaign in April 2004, knowing that everyone should be ready to deliver on the Promises by the time the advertising campaign aired in June. We had to create an environment in which every BT employee understood what the Promises were, why they were

important, how they could be adopted in their work area and where to turn for support. Everyone across BT, regardless of role or location, had a responsibility to keep these Promises.

Before the television advertising aired, internal research results showed that awareness of the Promises was high, with 88 per cent of employees stating that they felt very aware. Recall of the Promises themselves was also high with two-thirds able to describe all three Promises, unprompted.

Case study

21st century network roadshow

We are running a roadshow for BT employees across the UK to explain the challenge of rolling out BT's 21st century network (21CN).

21CN is an Internet-based network that carries voice, data and Internet services on a single network. It will replace the various existing networks that each provide a specific service. This will simplify network management for BT and provide increased flexibility, reliability and security for our customers.

The roadshow toured Edinburgh, Ipswich, London and Manchester in January 2005. More than 2000 people attended.

Feedback showed that those who attended were interested in the network roll-out and found the information useful and relevant to their work.

Call centres

We have transformed our original 104 call centre sites into a slimmed-down network of larger, multi-functional contact centres.

The programme has enabled the twin goals of reducing costs and providing improved customer service. For example, customers can get help with a range of services on a single call, without being transferred.

During the restructuring, 57 call centres have closed. The number of full-time equivalent jobs have reduced by over 2900 to under 13,100.

There were no compulsory redundancies and we remain committed to finding alternative work for every affected person who wishes to remain in BT. By the end of March 2005, more than 975 people had been found other jobs in BT and over 3370 people left voluntarily. Around 1900 employees have been re-deployed to the new UK contact centres.

More details of support provided by BT to employees during times of change are in the [New Start](#) section of this site.

Outsourcing

Some of our support and transactional operations are provided by external contractors where it is operationally and commercially effective.

Outsourced operations include:

- Human resources contracts, pensions, recruitment and training (by a company called Accenture HR Services)
- Payroll, finance and accounting activities (by Xansa).

We used to do this work ourselves. In the UK, the transfer of BT employees to a contractor is regulated by the Transfer of Undertakings - Protection of Employment (TUPE) regulations.

Responsible outsourcing a must
Automatically favouring the lowest bidder can lead to expensive mistakes when outsourcing services. This was the warning of Andy Green, CEO of BT Global Services, during a debate on the issue at the World Economic Forum (WEF) held in Davos, Switzerland in January 2005.

He said managers should always ask: "What is the long-term competitive advantage that will allow a vendor to do a particular job cheaper than us?"

BT outsources some of its activities and also supplies services for others (known as insourcing). This often involves the transferral of staff from one company to another. Outsourcing services is a key part of modern business because it has the potential to improve efficiency. The long-term success of the practice depends on acting responsibly when choosing vendors and dealing with people.

[Read more about this and other debates on the WEF website.](#)

Offshoring

India

BT Retail has two call centres in India, one in Bangalore and the other in New Delhi, employing around 2200 (UK full-time equivalent) people at the end of March 2005. They are owned by two suppliers and managed by BT.

We are sensitive to concerns that there may be an incompatibility between remote sourcing and BT's stance on corporate responsibility.



Employees continued

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 (CSR).

Included in [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 CSR.

SustainAbility concluded 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 CSR 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. They 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 compulsorily redundant as a result of the new centres opening.

Connect agreement

Our agreement with the union Connect outlines a joint approach to sourcing work outside of the UK. It has four key elements:

- No compulsory redundancies for UK employees affected by the change
- Work of similar career value will be found for those who lose their jobs and we will consult early with Connect before a final decision
- Trade ethically in countries where we operate, following guidelines from the International Labour Organisation and the United Nations Declaration of Human Rights
- Monitor actions to ensure that our ethical standards are upheld.

We will continue to ensure that our third-party suppliers abide by our employment standards.

Diversity and inclusivity

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

We want to develop and sustain a diverse workforce where everyone's contribution is valued and where appointments and progression are based purely on merit. Setting targets help us achieve this goal.

The table (top right) shows the percentage of our people who are women, have declared themselves from an ethnic minority background or have declared a disability.

See [Data and targets](#) for comprehensive data on diversity from 2001 onwards.

We have achieved our target of sustaining eight per cent of our employees being from an ethnic minority background. Meeting our target on the representation of women is proving more difficult - the figures show that retention rather than recruitment is the main barrier.

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

- Equal Opportunities policy
- Diversity leadership
- Ethnic minorities
- People with disabilities
- Age
- Gender
- Networks
- Litigation.

Financial year	Senior			All BT		
	2003	2004	2005	2003	2004	2005
Women	20.0%	21.0%	21%	23.6%	22.7%	22.4%
Ethnic minority	7.0%	7.6%	8%	8.6%	8.9%	9.2%
Disability	0.7%	0.7%	0.8%	2.0%	2.1%	2.2%

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:

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, 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 members of the following organisations in the UK:

- [Business in the Community](#)
- [Employers Forum on Disability](#)
- [Opportunity Now](#)
- [Race for Opportunity](#)
- [Employers for Work-Life Balance Advisory Board](#)
- [Employers Forum on Age](#)
- [Stonewall](#)
- [Working Families](#)
- [Employers for Fathers](#)
- [Employers Forum on Belief](#)

In the 2005 financial year, BT set up and chaired 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 on-line booklet describes major religions of the world and includes personal accounts of employees who follow a particular religion or belief.



Employees continued

In the 2005 financial year, BT also set up Employers for Fathers.

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](#)).

Ethnic minorities groups

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

Profile

Among BT people, 9.2 per cent have declared themselves to be of ethnic minority origin. This represents 8.9 per cent of non-managers, 9.8 per cent of managers and 8.1 per cent of senior managers.

In the 2005 financial year, 13 per cent of our new recruits came from an ethnic minority background - including 25 per cent of new graduates and 5.6 per cent of modern apprentices.

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

One of our key initiatives remains the Ethnic Minority Network for BT employees. The UK programme includes development courses and participation in the national debate on diversity.

See [Data and targets](#) for comprehensive data from 2001.

Our data does not include those people who work in our subsidiaries, 14,867 of our total workforce of 102,192.

Global diversity

Declaration of ethnicity is restricted in some countries where we operate. BT Global Services has committed to ensure that, wherever legal, BT people are able to declare their ethnicity and national origin.

An on-line training programme is being designed to help employees understand the interpretation of diversity in different countries. It will be translated into five different languages and deal with relevant legislation in 12 countries to ensure the diversity strategy is fully understood. In preparing for this we have been collating information on current local policies.

Benchmarking

We take part in independent benchmarking of ethnic minority issues.

In the financial year 2005, Business in the Community's Race for Opportunity announced that it had benchmarked BT at gold standard and the top overall performing organisation in race equality. BT was benchmarked against 66 private and 47 public sector organisations, representing over 1.6 million employees.

The details are as follows:

Category	BT score %	Sector average %	Network Average %
Leadership and the Business Case	87	62	56
Resourcing and Development	85	56	53
Policy and Planning	82	59	61
Recruitment and Training	82	62	62
Sharing Ownership	88	56	52
Communication	88	59	54
Marketing	88	62	46
Community Involvement	93	62	58
Working with ethnic minority businesses	80	47	34
Results/ Impact	84	63	58
Overall performance	88	60	56
Overall score (%) Certificate standard			
95 - 100	Platinum		
80 - 94	Gold		
70 - 79	Silver		
60 - 69	Bronze		
Up to 60	Certificate of participation		

BT received a gold standard for our overall average score.

Standardising global policies

BT Global Services is an amalgamation of different joint ventures and subsidiaries with their own policies on, for example, diversity, equal opportunities, bullying and harassment, and flexible working operating in numerous countries with differing legal and cultural frameworks. We have been auditing current data with a view to standardising these while retaining sensitivity to cultural and legal differences.

People with disabilities

A significant number of people in our society have disabilities. To ensure we meet the needs of all our customers, we encourage applications from people with disabilities and support their professional development.

BT qualifies as a 'Two Ticks' disability employer. This is a UK employer commitment to disabled potential employees and customers. This means, for instance, that BT guarantees a job interview to any suitably qualified applicant who has a disability.

Profile

Overall, 2.2 per cent of BT people have declared themselves to have a disability. This represents 2.6 per cent of non-managers, 1.3 per cent of managers and 0.7 per cent of senior managers.

In the 2005 financial year, 0.5 per cent of our new recruits had a disability as defined by the UK Disability Discrimination Act (DDA) - including 2.7 per cent of new graduates and 2.3 per cent of modern apprentices.

Our 2005 target was for 2.5 per cent of our employees to be people with a disability.

Initiatives

Able2 is an employee network for BT people with disabilities. This provides impartial and confidential advice and runs a series of roadshows where people can discuss their needs with senior BT managers. The shows promote ability, not disability, challenge stereotypes and focus on possibilities and ways to break down barriers faced at work by people with disabilities.

eNable is a project designed to improve the working life of all BT people with disabilities. Its objective is to provide guidance and provide the necessary adjustments to help realise the full potential of all people. eNable provides a package of services, consultancy and dedicated specialist support, including:

- 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 to ensure they feel valued and supported.

Customer-facing employees in BT Retail and BT Wholesale receive disability awareness training using on-line and conventional face-to-face courses. An intranet site on disability awareness and the law is available to everyone in the company and provides on-line training.

The second series of BT's 'Think About It' diversity webcast raises disability awareness through interviews and continues the soap opera dealing with the daily lives of diverse people.

Partnerships

AbilityNet

We support and provide office space for AbilityNet, a charity that works to bring the benefits of computer technology to adults and children with disabilities. The organisation's presence in BT helps ensure that our pre-recruitment assessments provide the most productive and comfortable equipment available as soon as new recruits join the company. Existing BT people benefit from easier access to expert assessment and advice.

Back-Up

In the 2005 financial year, we worked in partnership with the spinal injuries charity, The Back-Up Trust. BT sponsored taster sports and activity days which received UK Government Sportsmatch funding to help promote greater integration and independence for people with spinal injuries. A BT employee was also sponsored to attend a week-long Back-Up summer activity course as a buddy.

In collaboration with the Spinal Injuries Association, BT Retail Marketing have produced a booklet that promotes the benefits of broadband and how it can improve the lives of disabled people, particularly those with spinal injuries.

Able to Work

Our Able to Work project increases the number of disabled people employed in our call centres. Recruits come from Remploy, an agency helping people with disabilities find work. Call centres, which have a high turnover of staff, provide new employment opportunities for disabled people who can demonstrate the right skills and commitment.

Scope Fast-Track Scheme

We have joined the Fast-Track scheme of Scope, the disability charity. The programme places disabled graduates



Employees continued

in employment for a year and provides personal development training and career development through regular reviews, appraisals and individual career plans. This increases graduates' employability.

Age

Preventing age discrimination is part of BT's diversity and equality policy. We have an Age Champion - a senior manager who ensures age diversity issues are taken seriously and put into practice.

Profile

Age Profile for BT Plc

Age	Number of Employees
Under 20	318
20-24	2242
25-29	5642
30-34	8325
35-39	13,457
40-44	17,316
45-49	17,988
50-54	16,053
55-59	5909
60 & over	75
All age bands	87,325

We monitor our age profile and deal with any imbalances. This led to NewStart - a new approach to resourcing that challenges people's expectations about retiring early. Employees can now stay longer with us and retire gradually, as part of a career/life planning approach. Options include part-time working, sabbaticals, reduction in hours and secondments.

We are conducting a full age audit using the Employers Forum on Age's (EFA) audit tool to ensure all our policies and practices are free from age discrimination. We have

surveyed our people to get their views on policies on retirement and new anti-discrimination legislation, changing demographics and the changing needs of people and the business.

In the UK, we have been consulted on new regulations on age discrimination to be implemented in October 2006.

By embracing the values of age diversity and of mixed-aged teams, we benefit from a balanced workforce and are well-placed to respond to the new marketing opportunities created by an ageing population.

"We are proud to be associated with Help the Aged and the Living Legends Awards, which showcase inspirational people who have achieved amazing things. People who are living proof that to ignore the skills, attributes and experiences of older people is to ignore a huge wealth of experience and knowledge. This would cut us off from a huge sector of society who are shareholders, investors, employees and customers. For us, it is also about potential. Older people are not just about experience. They also have a stake in and create new futures for us all." **Ben Verwaayen.**

"BT is pleased to be able to offer support to the Age Positive campaign. Business is no longer just about achieving bottom-line results; it's about how we achieve those results and the behaviours we demonstrate. To be successful businesses also need to be in tune with societal changes and to react responsibly to them. At BT, we believe that only by treating everyone equally and fairly, embracing the range of skills and experiences of people of all ages are we truly able to release their potential and strive for business success." **Caroline Waters, Director, BT People and Policy.**

Gender

We believe that diversity is the lifeblood of our business. Here we look at our gender representation and how we are working to improve it.

One measure we took was the introduction of guidance to our employees 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

In total, 22.4 per cent of people who work for BT are women - 21.9 per cent of non-managers, 23.5 per cent of managers and 22.1 per cent of senior managers.

In the 2005 financial year, 25.9 per cent of our new recruits were women - including 41.6 per cent of new graduates and 10.1 per cent of modern apprentices.

The number of women in BT is declining - down from 22.7 per cent in the 2004 financial year - and below our 25 per cent target. The figures show that retention rather than recruitment is the main barrier to achieving our objective.

See [Data and targets](#) for comprehensive data from 2001.

Our data does not include those people who work in our subsidiaries, 14,867 of our total workforce of 102,100.

Benchmarking

In the 2004 financial year, we gained the highest scores in an independent comparison of how gender issues are managed by commercial companies and organisations in the public sector - the Opportunity Now benchmarking exercise - retaining platinum standard.

Retention of women

Retaining the skills and experience of women is important. Our maternity package provides 18 weeks' basic pay and regular allowances (excluding overtime) followed by eight weeks at half pay or lower-rate Statutory Maternity Pay or £106 per week (whichever is the greater), followed by 26 weeks at £106 per week.

Progression of women

Our women employees have a number of internal networks at different work levels. These include the BT Women's Executive Network and the BT Executive Assistants/Personal Assistants' Network (see [Networks](#)).

Since September 2004, Global Services has supported the roll-out of the BT People Networks outside of the UK. Successful branches of the BT Women's Network (BTWN) have been operating in Paris and Reston USA. A People Network branch in Benelux - open to men and women - was established in 2005.

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.

The workshops are designed to work on interpersonal and management skills. BT greatly benefits from these meetings because they encourage ethnic minorities to realise their full potential. In addition, it helps BT 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, and communicates 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 5000 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.

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.

Activities during the 2005 financial year included guidance on financial awareness, boardroom skills (presented by BT Chairman, Sir Christopher Bland) and guidance on how to gain non-executive directorships

BT Executive Assistants/ Personal Assistant Network

This network 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.



Employees continued

BT Kaleidoscope

BT Kaleidoscope is a network for our gay, lesbian, bi-sexual and transgender employees.

About seven per cent of the UK population is lesbian, gay, bi-sexual or transgender. The network offers community support to its membership and provides BT with insight and knowledge about a potentially significant market.

During the 2005 financial year, we supported Brighton Pride and GlasGay. In the first Stonewall Benchmarking Survey we came in the top 25 gay-friendly organisations, demonstrating our commitment to support our gay, lesbian, bi-sexual and transgender employees.

Litigation

In the 2005 financial year, there were a total of 58 discrimination-related cases involving BT. Twelve were withdrawn, three judged against BT, 25 settled and 18 judged in favour of BT. There were 14 cases involving BT in both the 2004 and 2003 financial years.

See [Data and targets](#) 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 and 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 on-line 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 2005 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 690 BT people from across all lines of business in a variety of structured and informal settings. They also observed business meetings and training sessions.

Their report highlighted the following best practices across BT:

- The commitment to ongoing learning and development by the most senior people within BT is unquestionable
- The general effectiveness of the communication processes - particularly top level communications. This has been widely welcomed in a period of significant change and uncertainty
- An embedded culture of coaching, mentoring and support (both formal and informal) which was apparent across the majority of areas in all lines of business

• The continuing effectiveness of the performance review processes, eg, one-to-ones, etc., which have proved both robust and practical despite the degree and pace of change

• Many of the emerging approaches to both leadership development and talent management are "cutting edge" and again have the potential to make a major contribution to the ongoing achievement of strategic aims and objectives

• An overall majority of interviewees told the Assessment Team they feel valued and respected by their managers.

Education

BT Academy is a web-based corporate learning portal that provides BT UK employees with an extensive range of learning programmes and facilities.

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.

In the 2005 financial year, the BT Academy Learning System has delivered 253,995 on-line and 34,833 instructor-led course completions. The trend to on-line continues with average monthly on-line completions up 26.3 per cent and those for instructor-led events down 0.5 per cent, compared to 2004.

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), Connect and Queen Mary,

University of London. In its eighth 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 Leadership Spine provides a suite of BT-wide leadership development programmes to support the business at each level in the organisation.

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 create 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: NewStart 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.



Employees continued

NewStart offers a number of services:

- Professional career counselling
- One-to-one coaching
- On-line 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 promote a healthy lifestyle through our 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 per cent reduction in incidents by March 2005. The indicator records the incidence 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 end of 2005. We achieved this 50 per cent reduction in September 2004 and have also cut the rates of sickness absence due to workplace accidents (down 56 per cent since 2001) and occupational ill-health cases (down 64 per cent since 2001).

These targets were seen as particularly challenging but we have met them by ensuring a commitment to zero avoidable accidents throughout the company. A broader series of metrics will be adopted for

the financial year 2006 and beyond incorporating Lost Time Incident Rate, Occupational Ill-Health and Total Sickness Absence as our key measures.

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 as well.

See [Data and targets](#) 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.

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 psycho-social 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.



Employees continued

Our Dealing with Stress internal website 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. Regular reports are now sent to all senior operational and HR managers, profiling the stress-related absence information and STREAM results for their Business Units. This helps them manage the issues specific to their organisations.

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.

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 on-line or via the 24-hour helpline. Line Managers can get support from the Employee Assistant Management Team (EAM) - a confidential service available on-line or via the helpline

Occupational road risk management

BT operates a fleet of over 44,000 vehicles in the UK (this includes all commercial fleet and company car vehicles). This means there is a significant risk of injury 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. They are then offered tailored support to minimise those risks. By the end of the 2005 financial year, over 31,000 BT drivers had taken part in our Starting Point programme. The initiative was commended by the UK-based national road safety charity, BRAKE, in 2003 and won the prestigious Prince Michael International Road Safety Award in 2004.

Working with our Partners in the BT Unions

We made an 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.



Investors



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world

CSR for investors

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

During the 2005 financial year, BT made two sizeable acquisitions, Infonet, one of the world's leading providers of international managed voice and data network services, and Albacom, the second largest telecommunications operator in the Italian business market.

These acquisitions significantly enhance BT's profile in the global Information Communications Technology (ICT) market, as well as extending our reach and presence in North America and the Asia Pacific region. From a CSR perspective, this brings challenges not only as we extend the way we work to our newly acquired companies, but also into new countries through our greater global reach. Details of how we are working to achieve this are available throughout the Social and Environmental Report.

The revenue base of BT's business is also changing. Our traditional fixed line telephony business in the UK is under competitive pressure and, while we continue to maximise the potential of this business, we are also pursuing profitable growth by migrating our customers to new wave products and services such as IT and networking services, broadband, mobility and managed services.

As BT's business extends into these areas, the nature of the CSR issues we face is changing. For example, privacy has been identified as a CSR risk during the 2005 financial year. It is also the subject of our latest Hot Topic, 'Privacy in the Digital Networked Economy'.

The key issue for investors is the business case for sustainable development and corporate social responsibility (CSR) and 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 (like all reports of performance) 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 sets out how good CSR performance is critical to the delivery of BT's strategy.

We measure our CSR performance through a series of key performance indicators (KPIs) which have been developed in consultation with stakeholders.

See our 2005 financial year sustainability performance briefing to French analysts, hosted by HSBC in October 2004.

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 importantly, 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.

The BT strategy identifies eight strategic imperatives: build on our IT and networking services capability; deliver on broadband; create convergent mobility solutions; defend our traditional business vigorously; drive for cost leadership; keep a relentless focus on customer satisfaction; motivate our people and live the BT values; and transform our network for the 21st century.

Our business case

Our CSR work is integral to the BT strategy, and affects business performance in five key areas:

1. Risk management

As covered in detail in our [business principles](#) section, we have undertaken CSR risk analysis and risk management for several years. Currently we identify no CSR risks which are material to the future of the business. Our seven key risks are geography of jobs (offshoring); breach of integrity; diversity; climate change; health and safety; ethical issues in the supply chain; and privacy.

2. Reputation

When people trust a company they in effect deliver a societal 'licence to operate'. This is reflected in the company's reputation which, in BT's case, we know directly affects customer loyalty.

Through this relationship we have understood how CSR is critical to optimising customer satisfaction. For example, we estimate that BT's CSR performance accounts for over 25 per cent of the image and reputation element of customer satisfaction. Further statistical analysis shows that a one per cent improvement in the public's perception of our CSR activities translates to a 0.1 per cent increase in our retail customer satisfaction figures.

3. Cost reduction

During the 2005 financial year, we commissioned the sustainable development organisation, Forum for the Future, to help us improve our understanding of savings from environmental activities. First, by creating a more robust methodology for measuring our environmental cost savings each year, and second, by widening the scope of the environmental initiatives we include when calculating this annual figure.

Using the Forum model, our environmental cost savings for the 2005 financial year were £410 million.

4. Employee motivation

Working conditions and our relationship with employees are crucial to the success of our business.

For example, a proactive approach to flexible working, responsible management, personal involvement in community initiatives, diversity, learning and development all improve employee satisfaction. In a recent survey, we found that 63 per cent of employees felt more proud to work for the company as a result of our CSR activities.

5. Marketplace innovation

Increasingly, we have to address social and environmental matters when bidding for major new contracts in both the public and private sector - worth £2.2 billion in the 2005 financial year. We believe that major business clients see that the quality of our CSR performance differentiates us from our competitors.

During the 2005 financial year, the Major Business, Commercial and Brands team have been incorporating BT's CSR messages into existing propositions and bids to differentiate our networked IT services. They have also supported existing bids by facilitating CSR peer-to-peer engagement between BT and clients to share knowledge and best practice around CSR.

Long-term sustainability trends create new market opportunities. For example, teleconferencing and flexible working reduce the need to travel and provide more flexible lifestyles. The [sustainability](#) section of our report gives more detail about research we have carried out into these new market opportunities and their benefits.

BT will also expect to be able to exploit a number of new market opportunities through its 21st Century Network (21CN) programme.

BT's 21CN programme will see the phasing out of the UK's public switched telephone network (PSTN), which uses a multitude of networks offering specific services, and replacing it with a global Internet Protocol (IP) infrastructure that is capable of carrying voice, data and Internet services on a single network.

For BT's customers, the 21CN will deliver more choice, control and accessibility as well as increased flexibility whilst maintaining reliability and security. For BT, it will mean fewer network elements overall, such as fewer boxes and buildings, and will require simpler network management.

The benefits of 21CN will be:

- Empowerment for customers
- Faster speed to launch for new products for BT
- Reduced costs through more efficient network management, maintenance and energy consumption.



CSR for investors continued

Ratings

Specialist CSR ratings agencies rank companies based on the information available about their social, ethical and environmental policies and practices.

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.

BT's ratings are as follows:

- BT has been ranked as the world's number one telecommunications company in the [Dow Jones Sustainability Indexes](#) for four 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 third in the top 100 UK companies who took part in the 2004-05 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.
- BT has been named as one of the '[Global 100 Most Sustainable Corporations in the World](#)'. The new global business ranking identifying the top 100 was unveiled at the World Economic Forum, held in Davos, Switzerland, in February 2005. Companies were selected on their ability to manage strategic opportunities in new environmental and social markets. Research and analysis was conducted by environmental investment advisory firm, Innovest.
- BT is included in the [Ethibel Investment Register](#). Ethibel has been a leading European research organisation in the field of Corporate Social Responsibility (CSR) and sustainable development for ten years. Ethibel reviews companies worldwide on their economic, social and environmental performance. The Investment Register is used as the basis for Socially Responsible Investment (SRI) products for a growing number of European banks, fund managers and institutional investors.

Case study

In July 2004, BT won four awards at the Investor Relations Magazine Awards. The awards were for best investor relations in the telecoms sector; best investor relations for the retail shareholder; best corporate social responsibility practice; and best use of the internet for investor relations.

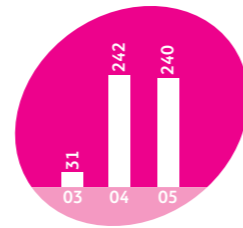


Suppliers



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Suppliers



Ethical Trading –
number of risk assessment questionnaires completed all with 100% follow-up

We buy products and services - such as IT equipment, cables, software, design and disposal services - from thousands of suppliers worldwide. In the 2005 financial year, we spent over 4 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 through a confidential and on-line supplier stakeholder survey.

A total of 213 suppliers responded, with 94 per cent stating that they had a good working relationship with BT. We reviewed supplier responses to the other questions in the questionnaire. We felt suppliers did not have sufficient awareness of some of our business principles. A copy of the booklet, *The Way We Work*, was sent to them.

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
- **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.

Authority to form a contract is restricted to our authorised procurement professionals, trained to world-class standards and who apply BT's Purchasing Principles.

Development

We use a range of tools to assess our suppliers and to encourage continuous improvement. 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. The evaluation increases the supplier's understanding of how to work in partnership with BT. This benefits us and helps the supplier when they compete for non-BT work.

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.

BT's standard payment terms to suppliers are 42 calendar days from date of invoice and this applies to all orders provided that the relevant invoice is presented on time 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 2005 financial year and the amounts owed to its trade creditors at the end of the year was 36 days.

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.

During the 2005 financial year, we adopted a single CSR approach that consolidates the separate components of CSR in procurement. We have developed a single system to request supplier questionnaires, rather than the three used previously.

Scope

Our CSR supply-chain programmes are used by all purchasing operations in the BT Group.

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, waste 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.

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 commissioned a study to identify what was considered best practice in CSR supply-chain management for an ICT company. This was used as a benchmark. The findings have helped decide priorities in the group's future work plans, which now include the development of a self-assessment questionnaire to help suppliers assess their own environment and labour standard risks, while raising their awareness of the issues. The group has consulted key non-governmental organisations (NGOs), trade unions and suppliers on the development of the questionnaire.

Human rights in the supply chain Working conditions

We want to ensure the working conditions under which the products and services we purchase are produced meet the standards of the Universal Declaration of **Human Rights (UNDHR)** and the **International Labour Organisation (ILO)** Conventions.

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 inhuman 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](#).

Methodology

For all new BT contracts, suppliers are asked to sign a clause committing them to complete a risk-assessment questionnaire (**GS18**) on request. 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.

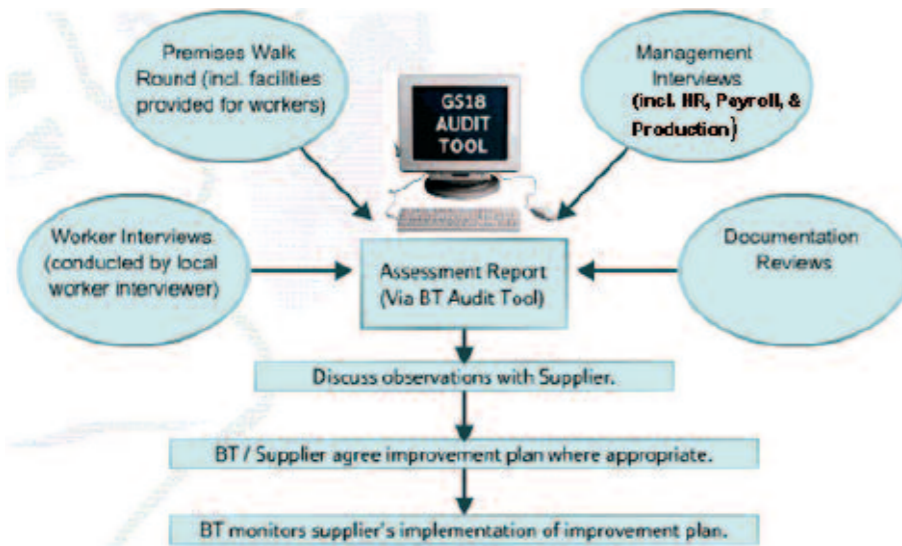


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Suppliers continued



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 assessments 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.

Training

Buyers' awareness training

It is critical that our buyers have the awareness, knowledge and the skills required for the successful implementation of SWHD standard.

Our computerised training package enables all BT buyers to undergo

SWHD training. The training is mandatory for all those who have not taken the half-day course and includes the completion of an on-line assessment. The package introduces our buyers to the rationale behind the SWHD initiative, its key features and their role in ensuring its successful implementation.

Suppliers

The GeSI Supply Chain Working Group is developing 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 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 right 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	2005 FY
Number of new BT Contracts	879	1,199	1,175
GS18 requirement included in new BT contracts	879	1,199	1,175
GS18 risk-assessment questionnaires requested by BT to be completed by supplier*	37	391	243
GS18 risk-assessment questionnaire completed	31	242	240
Number of questionnaire responses where further action was required	15	67	55
Number of questionnaire responses where further action was being conducted	/	74	106
Number where required further action was completed	/	20	8
Number of initial GS18 on-site assessments conducted on high risk contracts	7	9	8
Number of supplier identified as falling short of GS18 standard following assessment	7	9	8
Number of GS18 on-site re-assessments conducted	7	4	3
Number of suppliers who, following re-assessment, have reached the GS18 standards	0	0	0
Contracts cancelled due to serious shortfalls persisting against GS18 standard	1	0	0

* One supplier questionnaire response may cover multiple contracts if for the same procurement requirement

/ =Data not entered onto the central database that year

2005 assessments

In the 2005 financial year, we completed 11 on-site assessments to find out how well our suppliers met our SWHD standard.

Eight of the assessments took place in China and Thailand and 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 per cent of the aspects in that category
- Some improvement required - progress is needed on at least one aspect in that category.

GS18 Sourcing with Human Dignity Assessment Finding April 2004/2005

(Conducted on suppliers operating in identified risk areas)



The graph above 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.

In the 2005 financial year, a further three 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.

To date, only one subcontractor has been 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 to hide this from the assessors. As a result, we stopped placing orders with that company.



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Suppliers continued

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/Targets in corporate social responsibility](#).

Case study

Our supplier evaluations in China have delivered real and tangible benefits to the workers there. A GS18 risk evaluation of a subcontractor to one of the leading ICT manufacturers in China identified several areas where the supplier did not meet the standard required by our Sourcing with Human Dignity standards. Non-compliances included unsanitary and unsafe sleeping conditions, enforced overtime with wages below minimum standards and poor health screening.

As a result of the evaluation, the company has invested in improvements that have transformed working and living conditions. Several key Chinese suppliers are now including labour standards such as SA8000 in their contracts as a result of our leadership. This will potentially improve the working lives of huge numbers of Chinese workers.

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. We must understand and align ourselves with our customers if we are to provide a truly world-class service.

Supplier diversity

During the 2005 financial year, we participated in the European Supplier Diversity Programme. This looks at how diversity can be encouraged in supply chains. We held a workshop to understand the issues that diverse suppliers may encounter when competing for business with big companies.

We sent The Way We Work booklet to current suppliers to reinforce how we value diversity in the workforce and how we expect our suppliers to reflect this when working with BT.

Future plans

In the future, we plan to review our buyers' training to ensure it reflects our single approach to CSR, and to ensure it is up to date and relevant.

We plan to carry out joint assessments with a direct supplier to share best practice.

We are developing an industry-wide supplier questionnaire as part of the Global eSustainability Initiative (GeSI) Supply Chain Working Group.

Procurement and the environment

In the 2005 financial year, BT spent over £4 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 people 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.

Implementation of GS13 Environmental Impact Process

	2003 FY	2004 FY	2005 FY
Number of new BT Contracts	879	1,199	1,175
GS13 requirement included in new BT contracts	879	1,199	1,175
GS13 risk assessment questionnaires requested by BT to be completed by supplier*	70	568	289
GS13 risk assessment questionnaire completed	43	410	305
Number of questionnaires where continuous improvement was required	18	129	85
Number of questionnaires where continuous improvement was being driven	7	131	175
Number of contracts where continuous improvement completed	0	33	18

* One supplier questionnaire response may cover multiple contracts if for the same environment risk category

2. **Manage 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 2005 financial year, we held two seminars for our buyers to help them understand how to help their suppliers improve. The seminars were attended by 23 buyers who manage suppliers that were recognised to be in need of improvement as a result of their risk assessment questionnaire. This is in addition to 77 buyers trained in 2004 and 182 buyers trained in 2003.

During the 2005 financial year, we produced a guide for buyers on how to encourage continuous improvement with suppliers.

Suppliers

A training programme, started in 2004, helped 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. All suppliers completed the course.

Monitoring and driving improvements - Performance at a glance

The table above provides key data concerning BT's monitoring and driving environmental improvements with suppliers

In the 2005 financial year, we have also assessed 250 product stewardship questionnaires (GS19) and audited 55 waste contractors.

Case study

Paper and stationery

We are one of the first companies to introduce a new type of sustainable office paper in the UK. This will have a significant effect on our environmental performance - we consume nearly 3,000 sheets per employee a year. The paper contains a minimum of 70 per cent reclaimed fibre from south-east England. The balance is from sustainably managed forests. This cuts delivery mileage, further reducing the paper's environmental impact.

See [Future Plans/Targets in Corporate social responsibility](#).



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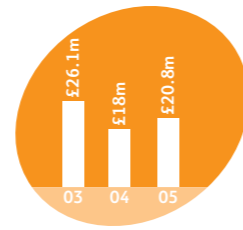
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Community



let's make a
better
world

Community



Community contribution - investment in society through funding and support in kind

BT is committed to make a positive difference in society.

We do this by acting responsibly in our everyday business conduct and also by making specific investments in communities to improve the quality of life and sense of well-being for those who live there. Our focus is on better communications.

As a member of the Per Cent Club, we are committed to give a minimum of 0.5 per cent 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 £9.1 million in the 2005 financial year.

BT operations provided a further £11.7 million in funding and support-in-kind in the 2005 financial year, bringing the total contribution for the year to over 1.1% of BT's 2003 pre-tax profits.

We donated £2 million directly to charities in the year.

Our community activities are in five main categories:

- **Charities and fundraising.** We support a range of initiatives with a special focus on a campaign with the UK children's charity, [ChildLine](#).
- **Education.** We use a variety of techniques and media, including live drama and web-based activities, to promote communication and citizenship in schools.
- **Employee involvement.** Through the BT Volunteers programme, we encourage BT people to volunteer their time for community activities. We also help others (such as companies and 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.
- **Digital inclusion.** We have been running 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 [Digital inclusion](#).

Charities and fundraising

Our stakeholders have told us that we should support the most needy in society.

The use of telephone helplines, websites and national telethons demonstrate 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 (not only BT), trusts and public bodies.

'Making It Happen: BT's Guide to Unlocking EU Funding' is a guide that assists 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 here as a free

[PDF download](#) or you can buy a copy from [Politico's online bookshop](#).

Charities

We believe that we can make the biggest charitable impact by helping those organisations that will benefit most from our communications technology and expertise.

ChildLine

BT is a founding partner of [ChildLine](#), the free 24-hour helpline for children and young people in the UK. We gave it a simple and memorable number: **0800 1111**. Over one and a half million children have been counselled by ChildLine since 1986.

We are working with ChildLine on a major campaign called 'Am I Listening?' This aims to ensure that all young

people experiencing problems are able to talk to someone. BT is committed to raise millions to help ChildLine move closer to its goal of answering every child's call for help. ChildLine answers 2300 calls a day, but hundreds more children can't get through. Within the last two years we have raised more than £3.1 million across the UK - the largest sum we have ever raised for a single charity.

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 sponsorship of the annual BT ChildLine Awards for Services to Children.

ChildLine was the beneficiary of the BT Christmas Concert in 2002, and a joint beneficiary in 2003 and 2004.

Community Network

The [Community Network](#) is a charity that provides teleconferencing facilities to the voluntary sector.

BT first funded the Network in 1989 as a six-month pilot to research the social implications of this technology. Now, more than 42,000 people take part every year in Community Network telephone conferences.

FriendshipLink, a telephone-based social club for housebound people, and FaithLink, which links people to church services 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 \(THA\)](#) 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. We manage 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 of the Disasters Emergency Committee (DEC), an organisation that helps leading UK humanitarian aid agencies alleviate suffering from disasters abroad.

In the aftermath of the tsunami in south-east Asia, BT played a key role in managing the massive response to the DEC earthquake appeal. We set up a temporary call centre at the BT Tower in London and provided the DEC with on-line fundraising and secure payments facilities. In 24 hours in December 2004 the DEC website processed 166,936 donations, facilitated by BT.



Charities and fundraising continued

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 2004 BBC Children in Need Appeal raised a record-breaking £17.1 million during the live seven-hour television programme, with 362,000 calls taken over the BT network.

Comic Relief

Comic Relief is a charity set up by comedians and uses comedy and laughter to communicate serious messages about the need to end poverty and social injustice worldwide. It is known for its biennial Red Nose Day and the related television appeal.

Volunteers in more than 190 call centres across the UK handled around a million calls during the televised telethon on 11 March 2005 in aid of Comic Relief. A colossal £37.8 million was raised on the night, compared to £35 million last Red Nose Day, making this a record-breaking event.

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.

BT supports the tsunami disaster appeal

Thousands of people across the UK responded to the Disasters Emergency Committee (DEC) relief appeal in the aftermath of the tsunami in south-east Asia in December 2004.

BT helped DEC - a UK consortium of 13 non-governmental organisations - handle their donations efficiently on-line and on the telephone. We provided technical help and administrative support to cope with the high volume of calls. BT did not profit from these calls.

Around 150 BT volunteers took pledges on the phone at BT Tower on 30 December 2004. They answered over 12,000 calls, collecting £10 million in one night. BT hosts the website for on-line donations, which raised over £30 million up to 5 January 2005.

We sent BT engineers and 10 tonnes of equipment from the UK to help restore telecommunications services in the regions affected by the disaster.

The volunteers built a satellite station in Indonesia and set up an emergency operations room providing communications for rescue workers and aid teams in Penang, Malaysia. The operations room will continue to co-ordinate activities with other countries affected by the disaster until an early-warning system is established in the region.

Chief Executive **Ben Verwaayen** said: "Two things are vitally important at a time like this. Getting aid into affected areas quickly, and getting communications up and running. BT is taking action on both fronts."

BT also made a corporate donation of £500,000.

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 4700 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 enjoyable educational activities that inform young people in south-west England about the effects of bullying. The group has created a pioneering website where young people can chat and share their views and experiences.

For more information, see [BT Community Connections](#).

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 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 Software](#), 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](#).



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. We deliver in-school events using teams of actors and over 2000 BT volunteers.
- On-line resources - we provide materials for teachers, pupils and parents.
- Awards - for teachers and schools.
- Lifeskills - we help to improve interpersonal communication skills in all areas of life.

We support more than 800 BT people who are school or college governors, or work-experience supervisors.

Information about all our education activities can be found at [BT Education](#).

In schools

The BT Education programme is one of the UK's most significant corporate investments in the education sector. It includes free speaking and listening resources, backed by an in-school communication skills roadshow which demonstrates the use of materials within the classroom environment.

Communication skills roadshow

One of the main strands of the education programme is a touring roadshow. Teams of actors visit schools in the UK, giving drama presentations and communication skills workshops that bring to life the theme of better communication which can help people get more out of life.

By the end of the 2005 financial year, the roadshow had made 10,500 school visits and more than 2 million children had been involved in the BT Education Programme since 2000.

Specially developed curriculum resources and a dedicated website ([BT Education](#)) enable teachers, parents and pupils to access proven learning materials which will help them develop their communication skills.

BT Volunteers

BT and ex-BT employees registered in our volunteer programme can now assist with all BT Education activity, including communication skills in-school events. They also help extend the reach of our education programme by taking a DVD-based programme to schools that were not included in the roadshow. In the 2005 financial year, they delivered our material to over 100,000 school children.

Online resources

BT Education Programme

The programme provides resources for parents, pupils and teachers to help them improve their communication skills. The resources range from DVDs, downloadable lessons and interactive web-based activities. All resources are available free from the website.

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 [BT Education](#).

Connected Earth Education Centre

The Education Centre on BT's on-line museum, [Connected Earth](#), provides free teaching resources on the history of communications.

Arts for All

We are very keen to make arts available to everyone through our Arts for All programme which has already made one of the largest art collections in the world easily accessible through Tate Online (the UK's most visited arts site with over 650,000 visitors per month). We are also working with [National Theatre](#), the [British Film Institute](#) and the [Philharmonia Orchestra](#) to make theatre, film and music more readily available to schools and pupils.

BT is ensuring that it protects and promotes the heritage represented by the huge advances in communication and technology over the last 100 years. Through [www.connectedeearth.com](#) and a partnership with key museums around the UK, the full heritage story is available to everyone.

Awards

Teaching Awards

BT is an associate sponsor of the Teaching Awards, sponsoring the Primary Teacher of the Year category. 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

The [BT Schools Awards](#) are open to all schools in the UK.

Grants of up to £2000 each are awarded to schools which can demonstrate how their project helps improve young people's communication skills. In the 2005 financial year, 240 projects received an award.

Regional media partners help to promote the Awards, together with a UK national newspaper, [The Guardian](#).

The 240 winning schools will all have an opportunity to win one of three £10,000 awards, by submitting project progress reports in May 2005.

Case studies

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 poorest areas.

KITES offers educational opportunities to young people who have not been in formal education, and provides literacy and information and communication technology (ICT) skills to young adults, women and local businesses.

The project aims to help teachers and parents advance personally and professionally by improving their computer literacy.

Supporting English teaching in Spanish schools

In Spain, BT worked with the Spanish Department of Education and the British Council to support English language learning in Spanish schools. We have donated computers and provided a free Internet connection to 44 schools and we host a web community connecting these Spanish schools with schools in the UK.

Life skills

TalkWorks

TalkWorks is a package of books, audio material, videos and workshops developed by BT to help everyone improve their spoken communication skills.

The TalkWorks products can be borrowed from some public libraries or ordered via the helpline on **0800 800 808**.

Workshops can be arranged by calling **0800 389 8255**.



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Employee involvement

BT employs approximately 90,800 people in the UK. We encourage our people to get involved in the community and there are many ways this can be done. For example, 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 communities through activities unrelated to BT's own initiatives. Our Community Champions Programme encourages and recognises the work of volunteers by giving financial help to the organisations they support.

With over 10,000 BT employees based around the world, our people are increasingly involved in many local community activities. For example, 'Done in a day' schools voluntary projects in the US invite local young people to experience a day of corporate life. BT people are also involved in supporting partnerships between schools in Spain and the UK through a web-hosted platform.

Employee volunteering

Many of our employees give their time to work as volunteers, helping causes of their choice, supported by BT. Volunteering in the community brings mutual benefits: employees learn new skills that help them at work and the community benefits from their expertise.

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 42,000 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 10,000 BT people have donated money to the charities of their choice in 2004/5. BT matched funds to a maximum of £1 million.

The Charities Aid Foundation runs the programme on BT's behalf. Its figures show that in April 04 to March 05 financial year, the total amount given by employees was more than £1.9 million.

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

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, hosts the annual awards ceremony and 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.

BT promotes the 2005 'Year of the Volunteer' campaign through its own community communications. The campaign is led by a partnership between Community Service Volunteers (CSV) and a Volunteering England Consortium, and is funded by the Home Office.

Arts and 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. We also have a role to play in helping preserve the UK's telecommunications heritage for educational and cultural purposes.

Tate Online

We sponsor [Tate Online](#), Tate's virtual gallery and the UK's most visited arts website. The site - for which BT provides technical support, hosting and on-line broadcasting - provides access to over 65,000 works of art.

Online traffic to the Tate website has increased to more than 5 million visitors a year since our partnership began.

Since September 2001, BT has worked with Tate Online on a number of innovative and exciting projects, including most recently:

- **'An Introduction to Modern Art'** - an on-line learning resource developed in partnership with Tate and the City Literary Institute (Spring 2004)
- **'Let's Play 66'** - an online quiz we helped create as part of Tate's **'Art and the 60s: This was Tomorrow'** show (Summer 2004)
- An additional 6000 **catalogue texts** available at Tate Online and a new glossary of 300 art terms, several with British sign language interpretations. (Autumn 2004).

- An **interactive on-line map of Tate Britain**, making the largest displays of British art accessible to people all over the world and allowing them to create their own virtual tour. (relaunched in Winter 2004)

- An interactive video with the artist Tracey Emin (Summer 2005).

Between May 2000 and March 2003, BT also sponsored the Collection Displays at Tate Modern in London.

Awards

Tate Online has received two Interactive BAFTA Entertainment Awards, the London Tourism Award for best website, a Museum and the Web 'Best of the Web' awards for Best Research site 2004 and is consistently rated the UK's top visual art site by independent analysts Hitwise.

The Tate sponsorship has won two Hollis Sponsorship Awards - in 2003 for the best use of PR in a sponsorship campaign, and in 2005 in the continuity category. The sponsorship has also won a Golden World Award from the Institute of Public Relations.

We are also working with National Theatre, the British Film Institute and the Philharmonia Orchestra to make theatre, film and music more readily available to schools and pupils.

BT's heritage collection Connected Earth

BT inherited a rich collection of historic telecommunications artefacts, documents, images and films - a collection of acknowledged national significance which we are committed to preserving for educational and cultural purposes.

Through [Connected Earth](#), the BT collection has been distributed to museums across the UK - making it available to the widest possible audience.

Several Connected Earth exhibitions are now on show in the UK:

- **Goonhilly Satellite Earth Station** in Cornwall
- **Avoncroft Museum** in the West Midlands
- **Amberley Working Museum** in West Sussex
- **The Royal Museum** in the National Museums of Scotland, Edinburgh.

Three other exhibitions are planned, at the Museum of Science and Industry in Manchester, the Milton Keynes Museum and the Museum of London.

Connected Earth - On-line

The [Connected Earth online museum](#) complements the exhibitions with over 500 pages of content exploring the history of communications in the past 200 years. It charts how people have radically improved their ability to transmit information, ideas, words, pictures and, most importantly, speech itself, across the globe.

The site had over 700,000 visitors in 2004 and 126,500 in January 2005 alone.

BT Archives

BT has retained its documentary, image and film collections, held at [BT Archives](#), which is open to the public by appointment.



Arts and heritage continued

Case Study

BT preserves an essential piece of the UK's telecommunications history

An essential part of what was once the most powerful telegraph transmitter in the world - the Rugby tuning coil - has been donated to the UK's Science Museum. The coil has been used in international communications at BT's Rugby radio station in the Midlands since 1926.

BT engineers dismantled the large tuning coil with help from conservation staff and transported it to the Science Museum in Wroughton, Wiltshire. It will be put on public display in the summer of 2005. John Liffen, curator of communications at the Science Museum, said: "The Rugby tuning coil is a wonderful reminder of worldwide radio communications in their early pioneering days. We're delighted to be receiving this equipment from BT."

BT is committed to the long-term preservation of our nationally significant heritage and to ensure access to collections for as many people as possible. Our on-line museum of the history of communications, Connected Earth, operates in partnership with the Science Museum and others.

Case Study

BT helps people explore Tate Britain from anywhere in the world

'Whose 1967 album cover was designed by Andy Warhol?', 'Who invented the mini skirt?', 'What happened during Yoko Ono's performance of Cut Piece?' These were some of the questions in an on-line quiz to complement the Tate Britain exhibition 'Art and the Sixties' in 2004.

Let's Play 66 quizzed players' knowledge of 60s art and culture, and allowed people around the world to access images from the exhibition. BT is the exclusive sponsor of Tate Online, the gallery's website.

Sixties icon Honor Blackman, who launched the initiative, said: "Even if you weren't around in the 60s, you can discover the art and culture

of this inspirational decade in the comfort of your own home thanks to BT and Tate Online."

Regional activity

BT is committed to making a difference in society and our national programmes are supported by activities which ensure that local heritage, cultures and traditions are represented.

About BT Cymru/Wales

Our dedicated team under BT Cymru/Wales Director, Ann Beynon, is helping to boost information and communication technology (ICT) skills and opportunities in Wales. Working with the Welsh Assembly and key stakeholders, BT Cymru/Wales supports BT's national corporate social responsibility (CSR) strategy and focuses on local community projects where our expertise can really make a difference.

Digital Inclusion

BT Wales/Cymru is committed to tackle digital exclusion and ensure that everyone in Wales has access to digital technology. We have several initiatives to achieve this goal.

Broadband

BT Cymru/Wales provides access to broadband through ADSL, which is now available to more than 92% of houses and offices in Wales. We have increased this figure from 34% in January 2003 by implementing a new programme to make broadband accessible to some of the most remote communities in Wales.

EverybodyOnline

BT has formed a unique partnership with the UK charity, Citizens Online, to bring its EverybodyOnline programme to areas of the UK where Internet take-up is below the national average.

Three of the eight EverybodyOnline projects across the UK are in Wales: at Bettws and Clydach Vale in the south and Rhyl in the north. Each project employs a full-time

project officer whose objective is to find innovative and creative ways to overcome the barriers that deter people from taking advantage of the opportunities that exist on the Internet and from having at least basic ICT skills.

Internet Rangers

A new BT-sponsored website for 8-4 year olds www.internetrangers.co.uk, is part of a campaign launched in 2004 to help young people get their families on-line.

Our case study about children in South Wales illustrates how younger family members can often be the most effective way of encouraging reluctant parents or grandparents onto the Internet.

BT Wales Case Study

BT Internet Rangers help promote digital inclusion

Sophie (11) and Chloe Davies (nine), 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."

Free websites

Some community-based organisations cannot make the most of the Internet as a communications tool because it is difficult for them to find the time, money and expertise needed to create and maintain a website.

BT has teamed up with the IT company, ik Software, to make free, simple-to-build websites available for UK charities, schools and community groups to help them raise their profile on the Internet.

For more information visit www.communitykit.ik.com

BT Community Connections

BT Community Connections is a national awards scheme which donates IT equipment, including computers, software and BT Yahoo! Anytime subscriptions, to community groups.

We have donated more than 4700 computers throughout the UK since the scheme started in 2000. The 106 Welsh organisations that received awards in the 2005 financial year included the Upper Sirhowy Valley Community First Partnership, Wrexham Neighbourhood Watch and Mid-Wales Lymphoedema Support Group.

For more information visit www.btcommunityconnections.com.



Regional activity continued

The BT Education Programme

As a communications company, we can use our networks and expertise to support the development of communication skills. BT supports a number of programmes in Scotland:

BT Schools Communications Roadshow

The roadshow is run by a team of actors who perform a sketch which illustrates the importance of good communication skills. An interactive workshop allows children to put into practice what they have learnt. In the 2005 financial year, the roadshow visited 32 schools in Wales.

BT Schools Awards

Each year, BT offers up to 240 awards of £2000 to schools across the UK for projects which improve children's speaking and listening skills and help young people become responsible citizens. Winners also compete for three development awards of £10,000. In the 2005 financial year, 20 projects were funded in Wales.

For more information see [BT Schools Awards](#) website.

BT Wales/Cymru Schools Awards - Winners 2004

- Builth Wells High School, Builth Wells
- Cadle Primary School, Swansea
- Conway Road Infant School, Colwyn Bay
- Hafod Y Wern Junior School, Wrexham
- King Henry VIII Comp School, Abergavenny
- Lansdowne J&I School, Cardiff
- Llanbister Primary School,

Llandrindod Wells

- Llangattock C In W Primary School, Crickhowell
- Llangedwyn Primary School, Oswestry
- Milton Infant School, Newport
- Radnor Valley Primary School, Presteigne
- Rhayader C.I.W. Primary School, Rhayader
- Tregwyr Junior School, Swansea
- Trewen Primary School, Newcastle Emlyn
- Waunarlwydd Primary School, Swansea
- Willows High School, Cardiff
- Ysgol Emrys Ap Iwan, Abergele
- Ysgol Gyfun Gwynllyw, Pontypool
- Ysgol Maes Gwyn, Aberdare
- Ysgol Pennant Primary School, Oswestry

Teaching Awards

BT Cymru/Wales supports the National Teaching Awards because we believe that good communication is at the heart of good teaching. ICT is playing an increasingly important role in education and we want to help teachers get the most out of new on-line resources and new ways of working. The awards celebrate the achievements of teachers and raise awareness of the profession.

Pam Roberts of Park Street Infant School in Abergavenny won the 2004 BT Award for Teacher of the Year in a Primary School. To find out more, go to www.teachingawards.com.

BT Volunteers

Around 4000 people are registered as BT volunteers across the UK. They support our education programme by running school workshops to help improve communications skills.

BT also supports many of our employees who give their time to work as volunteers in their local communities for the causes of their choice.

Welsh Culture and Heritage National & Urdd Eisteddfod

BT Cymru/Wales sponsors two Welsh organisations, Urdd and National Eisteddfodau, to help preserve and promote the Welsh language and culture. Welsh people living all over the world can participate in activities through the Internet and view webcasts of events taking place on the 'maes'.

For more information, see www.eisteddfod.org.uk and www.urdd.org.

Welsh Language Services

BT's Welsh Language Code of Practice sets out clearly which services are available to customers in Welsh. BT is committed to communicate with its customers openly and helpfully, and demonstrate its genuine care and concern for Wales's economic and social well-being and its cultural and natural environment. BT offers these services voluntarily, to meet customers' needs, unlike government bodies, local authorities and other public sector organisations that are obliged to provide bilingual services under the 1993 Welsh Language Act.

We have a dedicated Welsh Language Bureau and offer services on request for:

- Welsh speakers to answer emergency calls, operator services and international operator services
- Welsh language directory enquiries
- Welsh language billing
- Welsh language business advisors.

Most of our marketing material, publications and general information is available bilingually.

Charities and Fundraising ChildLine

BT is supporting ChildLine's biggest-ever fundraising appeal. We have raised more than £3.1 million across the UK - the largest sum we have ever raised for a single charity.

BT people all over Wales are contributing to the appeal by organising raffles and other fundraising events. We are also working with ChildLine Cymru to ensure that the issues young people face in Wales are recognised and that strategies are put in place to help.

For more information visit www.childline.org.uk.

About BT Scotland

BT Scotland's Community Investment Programme promotes social and digital inclusion, encourages strong communication skills and supports Scottish heritage and culture such as Gaelic language initiatives.

We believe that communication and enterprise skills are essential to children and young people and will better equip them for the future. As a communications company, we can use our networks and expertise to support the development of these skills.

Digital Inclusion Everybody Online

BT Scotland is sponsoring a three-year social inclusion pilot in Glasgow, run by the charity Citizens Online. The aim is to provide basic Information and Communications Technology skills and access to the Internet for homeless people. Other partners in this project include Glasgow City Council, homeless charities and hostels.

Internet Rangers

A new BT-sponsored website for 8-14 year olds, Internet Rangers, is part of a campaign launched in 2004 to help young people get their families online.

For more information visit www.internetrangers.co.uk.

Free web sites

Some community-based organisations cannot make the most of the Internet as a communications tool because it is difficult for them to find the time, money and expertise needed to create and maintain a website.

BT has teamed up with the IT company, ik Software, to make free, simple-to-build websites available for

UK charities, schools and community groups to help them raise their profile on the Internet.

For more information visit www.communitykit.ik.com.

BT Community Connections

BT Community Connections is a national awards scheme which donates IT equipment, including computers, software and BT Yahoo! Anytime subscriptions to community groups.

We have donated more than 4700 computers throughout the UK since the scheme started in 2000. The 113 Scottish organisations that received awards in the 2005 financial year included Dundee International Women's Centre, Food for Thought in Glasgow, North Ayrshire Young Carers and Victoria After Schools Club in Newhaven.

For more information visit www.btcommunityconnections.com.

Education and Enterprise

As a communications company, we can use our networks and expertise to support the development of communication skills. BT supports a number of programmes in Scotland:

BT Schools Communications Roadshow

The roadshow is run by a team of actors who perform a sketch which illustrates the importance of good communication skills. An interactive workshop allows children to put into practice what they have learnt. In the 2005 financial year, the roadshow visited 32 schools in Scotland.



Regional activity continued

BT Schools Awards

Each year, BT offers up to 240 awards of £2000 to schools across the UK for projects which improve children's speaking and listening skills and help young people become responsible citizens. Winners also compete for three development awards of £10,000. In the 2005 financial year, 20 projects were funded in Scotland.

For more information see [BT education](#).

Schools Awards Winners 2004 - Scotland

- Abrohill High School, Glasgow
- Andersons Primary School, Forres
- Bellsquarry Primary School, Livingston
- Chapelgreen Primary School, Glasgow
- Cleland Primary School, Motherwell
- Gadburn Special School, Glasgow
- Glasgow Gaelic School, Glasgow
- Highway Day Nursery, Eyemouth
- Invergordon Academy, Invergordon
- Inverkeithing High School, Inverkeithing
- Killearn Primary School, Glasgow
- Knockburn Primary School, Glasgow
- Lhanbryde Primary School, Elgin
- Linlithgow Bridge Primary School, Linlithgow
- Longniddry Primary School, Longniddry
- Meadow Park, East Lothian
- Our Lady & St Patrick's High School, Dumbarton
- St Ambrose High School, Coatbridge
- Turriff Academy, Turriff
- Williamsburgh Primary School, Paisley

Prince's Scottish Youth Business Trust (PSYBT)

BT Scotland works in partnership with PSYBT to help young people who want to set up their own ICT businesses. We provide start-up grants and loans at preferential rates through the BT Scotland Young E-Enterprise programme. Fifteen new businesses benefit each year and the most successful receives the BT Scotland E-Enterprise Award and a £1000 cash prize. The 2005 award went to Nick Lobnitz, a 25-year-old mechanical engineer, for effectively using e-commerce to boost his new bicycle luggage company, [Carry Freedom](#). Other winners include Clarifye, a specialist company that helps UK organisations build or redesign their websites to make them fully accessible for people with disabilities and Emma Laird, owner of Foresterseat Caravan Park in Forfar.

Scottish Education Awards

In partnership with the Scottish Executive and the Daily Record, BT Scotland sponsors the Scottish Education Awards which highlight good practice in schools.

National Gaelic Schools Debate

BT Scotland sponsors this debating competition which aims to improve communications skills and help to preserve and promote the Gaelic language in Scotland.

The Finals event for the 2004 National Gaelic Schools Debate took place in the new Scottish Parliament building and was broadcast live on BBC Radio Scotland. The Nicolson Institute, Stornoway, won the debate and runner-up was the Gairloch Academy, Rosshire.

Scottish culture and heritage Tobar an Dualchais (Well of Heritage)

BT Scotland supports the conversion of Gaelic and Scots language audio recordings on tape and vinyl - including music, interviews, literature and poetry - to digital format to help preserve them for future generations.

BT Volunteers

BT volunteers from across Scotland support the BT Education programme by running workshops on communications skills in schools.

Scottish volunteers also support a range of community-based projects, including the BT Scotland Ambassadors rugby youth development programme and the Scottish Business in the Community 'Closing the Gap' project which aims to improve success rates at schools in deprived areas of Glasgow.

Charities and fundraising ChildLine Scotland

BT Scotland's nominated charity receives approximately 4000 calls from Scottish children each week. We work closely with ChildLine Scotland to help ensure that all calls are answered promptly and sensitively. BT Scotland supports the charity's fundraising initiatives with a dedicated 'Am I Listening?' week for our employees each year. A fundraising ball in November 2004, supported by BT Scotland, raised over £37,000 for ChildLine Scotland and we donated a further £5000 as part of a Football Aid event in the summer of 2004.

About BT Northern Ireland

BT Northern Ireland is committed to provide a wide range of regional programmes to support education and preserve heritage across the country. Bill Murphy, Managing Director of BT Northern Ireland and BT Regions, leads BT employees in supporting initiatives which help to make a difference to people's lives.

Digital Inclusion Free websites

Some community-based organisations cannot make the most of the Internet as a communications tool because it is difficult for them to find the time, money and expertise needed to create and maintain a website.

BT has teamed up with the IT company, ik Software, to make free, simple-to-build websites available for UK charities, schools and community groups to help them raise their profile on the Internet.

For more information visit www.communitykit.ik.com

BT Community Connections

BT Community Connections is a national awards scheme which donates IT equipment, including computers, software and BT Yahoo! Anytime subscriptions to community groups.

We have donated more than 4700 computers throughout the UK since the scheme started in 2000. The 93 Northern Irish organisations that received awards in the 2005 financial year included Gingerbread Northern Ireland, the Men's Advisory Project NI,

the North Belfast Sports Forum and Omagh District Cultural Association. For more information visit www.btcommunityconnections.com

Internet Rangers

A new BT-sponsored web site for 8-14 year olds, Internet Rangers, is part of a campaign launched in 2004 to help young people get their families online.

For more information visit www.internetrangers.co.uk

Education and Enterprise

As a communications company, we can use our networks and expertise to support the development of communication skills. BT supports a number of programmes in Northern Ireland:

BT Schools Communications Roadshow

The roadshow is run by a team of actors who perform a sketch which illustrates the importance of good communication skills. An interactive workshop allows children to put into practice what they have learnt. In the 2005 financial year, the roadshow visited 57 schools in Northern Ireland.

BT Schools Awards

Each year, BT offers up to 240 awards of £2000 to schools across the UK for projects which improve children's speaking and listening skills and help young people become responsible citizens. Winners also compete for three development awards of £10,000. In the 2005 financial year, 21 projects were funded in Northern Ireland.

For more information see [BT education](#).

BT School Awards winners 2004 - Northern Ireland

- Armstrong Primary School, Armagh
- Braniel Primary School, Belfast
- Donegall Rd Primary School, Belfast
- Dungannon Primary School, Dungannon
- Integrated College Dungannon, Dungannon
- Kesh Primary School, Enniskillen
- Kilmoyle Primary School, Ballemoney
- Macosquin Primary School, Coleraine
- Nazareth House Primary School, Londonderry
- Oakgrove Integrated College, Londonderry
- Omagh County Primary School, Omagh
- Parkhall College, Antrim
- Portora Royal School, Enniskillen
- Portstewart Primary School, Portstewart
- Poyntzpass Primary School, Newry
- St Anne's Primary School, Londonderry
- St Brigid's Primary School, Londonderry
- St John the Baptist Girls Primary School, Belfast
- St John's Primary School, Maghera
- St Patrick's High School, Lisburn
- Trench Road Primary School, Londonderry



Regional activity continued

Teaching Awards

BT Northern Ireland supports the National Teaching Awards because we believe that good communication is at the heart of good teaching. ICT is playing an increasingly important role in education and we want to help teachers get the most out of new on-line resources and new ways of working. The awards celebrate the achievements of teachers and to raise awareness of the profession.

The 2004 category award for Teacher of the Year in a Primary School went to Anne McGuinness, a teacher at St John the Baptist School in Craigavon.

To find out more, go to www.teachingawards.com.

Young Enterprise

BT Northern Ireland supports Young Enterprise to provide a range of practical business education programmes in schools and colleges. We provide financial support for the Junior Achievement Primary School Programme, which was the first primary schools enterprise programme developed in the UK. Over 18,000 pupils take part each year in Northern Ireland and the programme has now been established across the UK.

Many BT volunteers are involved in Young Enterprise. The organisation presented a Gold Award to Gerry McClory for his longstanding support at Corpus Christi school in Belfast.

Sentinus

Sentinus provides business education programmes that promote the development of enterprise and communication skills in the UK. It offers awareness and skills development programmes in secondary schools throughout Northern Ireland. BT provides financial support for two Sentinus programmes, Experiences of Work and the Science and Engineering Ambassadors in Schools.

BT volunteers can get involved in several initiatives, for example helping children to develop their interview skills and teaching them about business. BT Northern Ireland also participates in the Sentinus 'Year in Industry' programme by taking on a school-leaver to work for a year before going to university.

National Trust Partnership

BT Northern Ireland has worked in partnership with the National Trust on its education programme for ten years. Six education centres at properties in Northern Ireland have hosted 350,000 school visits during this time. Costumes and crafts help bring history to life at National Trust houses and gardens.

The Prince's Trust's Wired Up Programme

BT supports the Prince's Trust Wired Up Programme in Northern Ireland is designed to help young entrepreneurs succeed in their businesses. The programme offers small businesses the opportunity to raise their profile through effective use of marketing and information technology.

Young Farmers Clubs of Ulster

The Young Farmers Clubs of Ulster (YFCU) is run by and for rural young people. The clubs are open to all young people aged 12-25 who have a keen interest in the countryside.

BT supports the YFCU programme to involve young people who are excluded from other social activities. We have helped the YFCU develop an interactive website for club members to organise and publicise their activities.

Other education projects

BT Northern Ireland supports a number of other education programmes. For more information, see [culture and heritage](#).

[BT Volunteers](#) also help out at their local schools.

BT Volunteers

Many BT Northern Ireland employees give their time as volunteers to support local schools and a wide range of programmes through organisations such as Young Enterprise and Sentinus.

They also volunteer to support special causes, including Children in Need and Comic Relief.

Many BT employees also support charities through sponsorship for personal challenges such as marathons or international treks.

Culture and Heritage

Belfast Festival - BT Talks

The Belfast Festival at Queen's has been an international showcase for performers and artists for more than 40 years. BT sponsors the Talks (BT Talks) at the festival from writers, poets and media personalities. Speakers have included Sir Ian Kershaw, Richard Eyre and Tony Benn.

Ulster Orchestra

BT Northern Ireland has worked with the Ulster Orchestra for many years to encourage children's interest in classical music. For example, the Orchestra played the musical score of 'The Snowman' at a Christmas concert while the film was shown on a large screen.

Moving on Music

Moving on Music promotes musical performances and education. BT has partnered the organisation in its regional tours of jazz, classical and traditional music for three years.

Lislea Drama Festival

Lislea Drama Festival, supported by BT, attracts performers and audiences from all over Northern Ireland and the Republic of Ireland.

The Playhouse Theatre Company, Londonderry

BT supports The Playhouse in Derry, which offers high-quality theatre and other community arts activities, including a range of programmes for people with disabilities.

Arts and Business

BT works closely with Arts and Business - an organisation funded by the Arts Council for Northern Ireland and the Department of Culture, Arts and Leisure - to form partnerships with arts organisations.

Funding that the groups receive from BT is matched by Arts and Business.

Charities and Fundraising

ChildLine

BT is supporting ChildLine's biggest-ever fundraising appeal. We have raised more than £3.1 million across the UK - the largest sum we have ever raised for a single charity.

BT people all over Northern Ireland are contributing to the appeal by organising raffles and other fundraising events. BT Northern Ireland hosted ChildLine's 18th birthday party in our Belfast offices and we have helped the charity benefit from activities organised by the Northern Ireland Chamber of Commerce through our commercial sponsorship.

For more information visit www.childline.org.uk

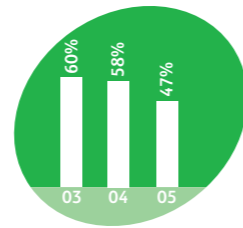


BT and the environment

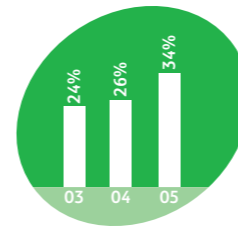


let's make a
better
world

BT and the environment



Global Warming CO₂ emissions – expressed as a percentage of our 1996 emissions level



Waste to recycling – percentage of total waste recycled

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 2005 financial year).

Environmental management system (EMS)

Our experience shows that good environmental management saves money and improves business efficiency. BT's environmental management system (EMS) 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.

In the 2005 financial year:

- BT in the UK was awarded a renewed ISO 14001 certificate after a full re-assessment audit
- BT Spain's certificate was renewed
- BT Ireland was certified for the first time. This model will be used to extend our EMS to other regions.

Our main environmental impacts in the UK are:

- Benefits
- Emissions to air
- Fuel, energy and water
- Local impacts
- Procurement
- Product stewardship
- Transport
- Waste

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 many radical structural changes, but we have retained the ISO 14001 certification for all UK operations.

In the 2005 financial year, for the first time, we report on energy, water and waste data for our Global Services operations.

We are in the process of establishing an EMS that covers all BT Global Services' activities in every country of operation and we have recently completed our pilot project in BT Ireland to produce an EMS that is effective, robust and transferable to all countries, cultures and activities. BT Ireland was certified to ISO 14001 in March 2005.

Additionally, we integrated BT Openworld and BT Payphones into the UK-certified EMS in the 2005 financial year.

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

In pursuit of our intention to be the best provider of communications services and solutions, BT seeks to maximise opportunities for the provision of services and solutions, which can help to reduce environmental impacts, and which may provide significant environmental benefits. Electronic communications are often used as a substitute for travel or paper-based messaging and this contributes to environmental protection and resource conservation.

We recognise, however, that in our day-to-day operations we inevitably impact on the environment in a number of ways and we are committed to minimising the potentially harmful effects of such activity wherever and whenever possible.

This policy statement provides the framework on which our environmental programme is based. This enables us to set targets and measure progress as well as strive for continuous environmental improvement.

We have undertaken to help every BT person understand and implement the relevant aspects of this policy in their day-to-day work through the regular communication of objectives, action plans and achievements.

We will also ensure that BT's joint ventures and other partners are aware of this policy and promote the principles of sound environmental practice.

The Chief Executive Officer of BT has ultimate responsibility for the company's environmental policy and performance. The Company's Corporate Social Responsibility Steering Group (CSRSG) oversees the implementation of all social and environmental programmes across the BT Group. The chairman of the CSRSG is a member of the Management Council and is also BT's overall CSR Champion. BT's Environment Champion - with personal responsibility for environmental policy development, implementation and co-ordination - is a senior operational manager and is also a member of the CSRSG.

BT is committed to prevention of 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 whenever possible, and promote recycling and the use of recycled materials.
- Design energy efficiency into new services, buildings and equipment and manage energy wisely in all operations.
- Reduce wherever practicable the level of harmful emissions.
- Develop products that are safe to use, make efficient use of resources and which can be reused, recycled or disposed of safely.
- Work in partnership with our suppliers to minimise the impact of their operations on the environment through a quality purchasing policy.
- Seek to minimise the visual, noise and other impacts on the local environment when siting our buildings, structures and equipment.
- Work with external groups and organisations to promote the concepts and practices of environmental protection.
- Include environmental issues in discussions with the BT unions and the BT training programmes, and

encourage the implementation of sound environmental practices by all BT people.

- Monitor progress and publish details of our environmental performance in our Social and Environment report, as a minimum, on an annual basis.

Environmental prosecutions

BT recognises that it has clear legal obligations for the management of its environmental programmes.

During the 2005 financial year, there were no environmental prosecutions in the UK.



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



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Fuel, energy & water

We are one of the UK's biggest energy users. Here we describe how we manage our fuel and energy us

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. We collect data at half-hour intervals from over 6000 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 2005 was 2624GWh. This is made up of:

- 1854GWh electricity (approximately) to run our networks
- 286GWh electricity (approximately) used at our office premises
- 485GWh (gas and oil use) for all our sites.

See [Data and targets](#) for emissions.

Trends in energy use

Investment in energy management has enabled us to decrease the electricity we use in our office estate consumption by 77GWh. However, as expected, the energy used by our networks increased due to the success of Broadband rollout. This has resulted in an increase to our network electricity use of 143GWh. Total electricity consumption was 2139GWh compared with 2074GWh in the 2004 financial year.

We are working hard to improve our network growth forecasting and to accurately assess the impact of broadband and 21st Century Network (21CN) 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). Building management systems that integrate heating and cooling, further eliminating waste, are now installed as standard.

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.

In the 2005 financial year, we signed a three-year contract with npower and British Gas that will see nearly all of BT's UK electricity supplied by 'environmentally friendly' energy. This makes us the world's largest purchaser of green energy.

The electricity will be supplied from renewable sources and combined heat and power (CHP) plants.

We believe this initiative will reduce our carbon dioxide emissions by approximately 325,000 tonnes a year, equivalent to that produced by approximately 100,000 cars.

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.

We participate in a number of initiatives to promote the use of renewable energy, particularly in the development of 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 2004 we made a strategic alliance with Wind Dam, commissioning the company to build and test two 2.5kW turbines in Cornwall, UK.

We are trialling a small vertical axis wind turbine on the roof of one of our telephone exchanges in Cornwall. When connected, this could provide between 5 and 10 per cent of the energy used at the exchange.

If successful, this turbine could be used in urban environments, where it would be less visible and noisy than traditional wind propellers.

Powering major UK sites from wind

Last year we reported that three large wind turbines would have been sufficient to power one of our large satellite communications sites in the UK. Following a meeting with the MOD on site, we now agree with them that this is not practical. Therefore, we are now proposing to install two smaller turbines at the site's visitor centre. This would, we hope, become a tourist attraction 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 2006 financial year we have set two targets to install both small-scale wind and PV systems.

We will also further 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.

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 Action Energy 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 tackled this problem at a supplier, industry and regulatory level and have seen a slow improvement. During this year we have negotiated new contracts, which include performance measures on billing accuracy.



Fuel, energy & water continued

Eliminating waste

Energy targets help us to cut waste. They cover:

- Installation of renewable energy solutions
- Process energy (networks)
- Premises energy (offices and buildings)
- Metered water use.

In the financial year 2005, BT Wholesale invested £5.9 million in its energy management programme. This has resulted in savings of over 16.3GWh. See [Data and targets](#) 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.

We consolidate our energy management and plant replacement strategy into business-as-usual activity, in conjunction with our supply-chain partners in property, facilities management and energy supply.

Throughout the financial year 2005, 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.

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 [Data and targets](#).

Premises energy

Premises energy includes all the electricity, oil and gas required for more than 1000 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 2005, premises energy consumption decreased by 15 per cent, compared with the previous year. In the same period, weather corrected (using degree days) heating energy was down by 6.54 per cent. Average degree-days for the year were approximately 5 per cent lower than in the previous year.

Case study

In Spain, we buy around 15 GWh of renewable electricity each year for our head office and main network nodes in Madrid. In the 2005 financial year, we reduced our electricity consumption in Madrid by just over 5 per cent despite increased growth in our business. We did this through conservation, such as increasing the air-conditioned temperature at our sites by 1 degree C, which produced a saving of 7 per cent in consumption.

See [Data and targets](#).

Process energy

Process energy includes all the electricity to power more than 6300 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 2005, we generated 15GWh 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.

Six years ago, we began a programme to test all our fuel tanks. At the end of the financial year 2005, we had spent £15.9 million on the testing and remedial work. This has substantially reduced the risk of pollution from our oil storage tanks.

A specialist company visited 726 sites, tested 874 tanks, passed 735, failed 135 and provided detailed recommendations for remedial action. Four tanks were found to be foam filled and were not tested. A number of remedial actions have been identified.

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

BT's Wholesale Power Technology Support team investigates fuel-related environmental incidents. The team's investigative skills, technical understanding and legal/regulatory awareness help to improve our performance in this area.

In the financial year 2005, a total of six oil-related incidents were recorded, a reduction of two from the previous year. Of these, three were classified as serious, one as significant and two as local. As a result of our investigations, various remedial works have been instigated and recommendations for improvement have been adopted to avoid recurrence on similar plant.

The known quantity of oil discharged was 613 litres.

A reported loss at one site is still being investigated and ground water monitoring by a specialist contractor continues. After a 6-month period no oil has been detected at ground water level. This will continue for a further 6-month period.

Oil recovery

In the 2005 financial year, over 785,083 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. This has been sent for reuse in the manufacture of road surface material. See [Data and targets](#).

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 6.1 per cent (from 2.04 million cubic metres in the 2004 financial year to 1.91 million cubic metres in the 2005 financial year).

We are very 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 [Data and targets](#).



Waste

We produced over 110,000 tonnes of waste in the 2005 financial year. Of this, we recycled 37,000 tonnes and sent 73,000 tonnes to landfill (eight per cent 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 types of waste generated
- The BT Waste Forum
- Recycling
- Performance against key waste targets
- Working with our property partners.

For further detail on type of waste and recycling data see BT's [Waste recovery Model](#) and [Data and targets](#).

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. For further details see BT's [Waste recovery model](#).

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.

Recycling

Of the 110,000 tonnes of waste we generated in the 2005 financial year, we recovered 37,000 tonnes for recycling. In the 2005 financial year, we recycled over 34 per cent of our total waste, around eight per cent more than the previous year.

Much of our general waste is disposed of through materials recovery facilities. These are huge depots where paper and other recyclable materials, such as cans, plastic and paper cups, are sorted, separated and sent for reprocessing.

During the 2005 financial year, we took a number of initiatives to recycle redundant equipment, such as computing equipment, standby generators and mobile engine sets. This increased the total tonnage of the materials we recovered by over 10,600 tonnes.

Recycling paper

Much of our waste paper is recycled. In the 2005 financial year, we recycled over 1200 tonnes of paper and over 5700 tonnes of cardboard.

Our facilities management supplier, Monteray, works with contractors to collect and recycle large amounts of office paper. The paper is sent to processing plants where it is graded according to colour, weight and quality - this determines what end product it can be used for. The best quality paper - about 20 per cent - is likely to be turned into photocopy paper, while the rest is recycled as hand wipes, kitchen towels or toilet paper.

In the 2005 financial year, our human resources team recycled old paper records. This generated 74 tonnes of paper.

In the 2005 financial year, we were one of the first major companies to introduce a new type of environmentally friendly copier and printer paper. The paper contains a minimum of 70 per cent reclaimed fibre from south-east England. The balance is from sustainably managed forests.

For more information on how e-business reduces our paper consumption, see [e-business](#).

Performance against key waste targets

Target by March 2005	Achievement	Comment
Increase the amount of items recycled (in tonnes) by 5%, measured against the March 2004 outturn figure.	Completed	The target was exceeded by a considerable amount largely because of recycling of computing equipment, standby generators and engine sets.
Review the drainage infrastructure of pole stacks to determine the preferred cost-effective drainage solution to ensure environmental compliance; arrange a trial to prove the effectiveness of the recommended solution	Completed	Discussions with the Environment Agency have been continuing. A trial is going ahead at one of our key sites in East Anglia.

For further details see [Data and targets](#) and BT's [Waste recovery Model](#).

Working with our property partners

Nearly all of our properties are owned by Telereal and our facilities management is carried out by Monteray. 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 31,969 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 2005, our commercial fleet was reduced by two per cent, with a corresponding reduction in fuel consumption of 3.5 per cent. See full details in [Data and targets](#).

We removed 664 vans from the commercial fleet during the year. This was achieved despite an unusually high level of telephone line faults during the autumn 2004 (making BT engineers travel) and our decision to accelerate the implementation of the next generation of BT's network and services infrastructure (21CN).

The reduction of our commercial fleet was possible because of a number of initiatives and policies in place, such as:

- Engineering productivity targets
- 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.

We participated in a seminar held by the UK Government Transport Energy Best Practice programme and debated our environmental systems with specialists in the field. We may consider taking further specialist advice on fleet efficiency offered by the programme eg motivate scheme.

In the 2006 financial year we will:

- Aim to reduce our commercial fleet by a further 500 vehicles
- Test potential fuel savings from a new speed limiter function on vans, report on driver feedback and make recommendations
- Aim to review our approach to alternative fuels.

See further details in [Data and targets](#).

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
- Advice and communications to company car drivers, encouraging users to choose lower-emission cars.

BT company cars are provided on either a three years or 60,000 miles, or a three years or 70,000 miles replacement cycle. Better car design, increased intervals between servicing and improved vehicle life, means in the future we will replace cars in four years or 80,000 miles.

We are now providing the Vauxhall Astra Estate 1.7 CDTi for our 'business need' drivers. This achieves an extra seven mpg fuel efficiency compared to the previous model used, and carbon dioxide emissions are 19g/km lower. BT also benefits because the road fund licence for this model costs less.

Reducing fuel consumption

The UK tax regime, which 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.

The company car fleet size has reduced by eight per cent (932 vehicles) over the previous year. This reflects the downward trend in the fleet size and mileage, with a reduction of over 12 million miles compared with the previous year.

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 (dual fuel) are being assessed as we await clarity from the UK Government on fuel duty.

Further details are available in [Data and targets](#).

Fuel efficiency devices

Tests on a fuel economy device found it produced average fuel savings of 12 per cent and reductions in diesel smoke emissions of 36 per cent. 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 took part in the TH!NK@bout London mobility project, launched in 2001 and supported by Ford. The silent, zero-emission electric car provided by TH!NK@bout London was used by a network planning team for light delivery work and site visits in and around the capital.

Ford has halted work on the electric car and the TH!NK car has been returned.

BT Fleet is investigating the feasibility of a replacement.

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.



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 71% reduction in CO2 emissions since 1991 because of improved energy efficiency
- A 40% reduction in CO2 emissions since 1992 because of improvements to our commercial transport fleet.

This is equivalent to an annual saving of almost 1.4 million tonnes of CO2.

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

In the 2005 financial year, we signed a three-year contract with npower and British Gas that will see nearly all of BT's UK electricity supplied by 'environmentally friendly' energy. This makes us the world's largest purchaser of green energy.

The electricity will be supplied from renewable sources and combined heat and power (CHP) plants.

We believe this initiative will reduce our carbon dioxide emissions by approximately 325,000 tonnes a year, equivalent to that produced by approximately 100,000 cars.

For more on the CO2 Model and a CO2 equivalent emissions chart, see [Data and targets](#).

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.

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 per cent of the total refrigerants held. In the 2005 financial year, the end-of-year total was 2.88 per cent.

We have also reduced the number of ozone depleting HCFC/CFC air-handling units in our network by over 8 per cent in the last two years. This is in line with our policy to use the less polluting R407C gas in all our new units.

For further details and a CFC-11 equivalent emissions chart, see [Data and targets](#).

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 per cent of the year.

We will also be adopting a fresh air cooling policy for our 21st century network rollout wherever possible.

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 introduced a newly designed type of fan (the EC-motored fan) that brings considerable energy savings compared to the usual fan in November 2003. Since then, all new units have been supplied with the new fans as standard.

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 [Data and targets](#).

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 addressed 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.

Procurement

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 present the key aspects of our relationship with suppliers and how we promote environmental good practice in all our purchasing activities in the [Procurement and the environment](#) section of Suppliers.



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Product stewardship

Why product stewardship is so important

Our world runs on electronic products. The drive to make them 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.

Although manufacturers are primarily responsible for their products, we

all share responsibility for:

- Reducing the use of hazardous materials in the manufacture of 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.

Why we have to manage our products

BT's business relies heavily on electrical and electronic equipment (EEE). We buy vast amounts of the equipment to run our own business and to serve our customers. This, combined with the regulation on the disposal of EEE, means it is crucial we improve the way we manage the equipment. We must also continue to improve the management of non-electrical equipment, such as telephone poles, exchanges and towers.

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 the design, to maintain/enhance functionality and 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).

To sell their products in the European Single Market, manufacturers need to ensure that their equipment - and components - comply with the European directives on EEE.

Product stewardship - the height of the indicator (left) shows environmental benefit, eg, reuse - has a greater benefit than remanufacture.

Legal drivers

An estimated one million tonnes of electrical and electronic equipment is thrown away every year. Some of that waste is hazardous to people and the environment.

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 the reuse of materials. Setting targets for collection, treatment, recycling and recovery of waste EEE helps comply with the law.

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. This means that we have producer responsibility for BT-branded products as well as other products that we distribute.

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 the risk that they will enter the food chain and potentially harm human health. We welcome this groundbreaking legislation because it supports our efforts to contribute to a more sustainable society.

We have created a company standard to help us select products that comply with EU legislation and are more sustainable. Our pre-tender process (GS19) requires that suppliers provide information about their products and how they propose to comply with EU legislation.

Before awarding contracts to suppliers we also consider their overall environmental and safety performance.

A more demanding directive, called Energy-using Products (EuP), was published in August 2003. It proposes that EuP products have their environmental impact assessed at design or development stage, and/or meet minimum environmental requirements, such as energy efficiency. The CE mark, which confirms that products sold in the EU conform to minimum safety and environmental standards, will have to be carried by all energy-using products.

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.

Through ICER, we work closely with manufacturers and recyclers with similar responsibilities on ways to solve issues such as how to meet legal targets, data provision and ways to organise waste collection.

We gave BT's response to the first, second and third round of consultations carried out by the UK Department of Trade and Industry on the implementation of the WEEE and RoHS directives.

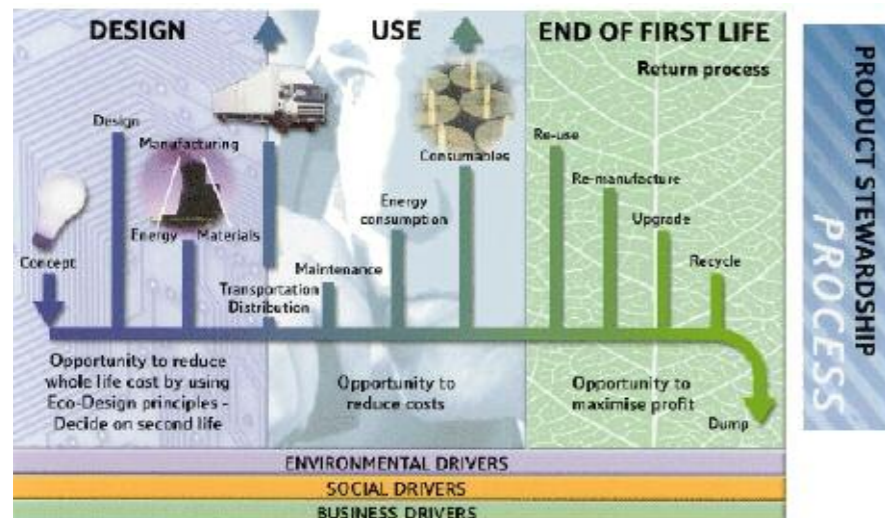
Find out more about the [EU legislation](#), and [ICER](#).

Working with our suppliers

Since 2002, the Product Stewardship team has been monitoring the responses to our supplier questionnaires (GS19). The team works closely with our buyers to make sure that we are making the right purchasing choices. The information gathered from the questionnaires 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.

For example, 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.



Product stewardship continued

Improving what we do

The RoHS directive requires us to monitor what we and suppliers do to ensure products and components comply with the law by 1 July 2006. We meet regularly with our buyers and waste management people to discuss ways to reduce further the environmental impacts of our products and operations. In the 2005 financial year, we successfully tested a kit that provides a quick, cost-effective method to check if a product has been made with lead-based solder. This means we can physically check the information we gather from suppliers on the solder components.

Product stewardship in BT

BT has a well-established environmental management system (EMS) of which product stewardship is one of eight aspects (or main environmental impacts). An important part of this management system is to identify, assess and manage the environmental impact of our business activities.

We have been reviewing what product stewardship means in BT. We accept that we have a responsibility for the products we sell to customers as well as those we use to run our business and networks. This assessment has helped us determine where we can further improve.

Training

We make sure that our people are kept up to date with the latest developments, especially the environmental legislation affecting electrical and electronic products. This is particularly important for buyers, product managers and all the people

who decide what products enter BT supply chain. We do this in several ways:

- Our computer-based training programme (CBT), designed to raise awareness of product stewardship, includes the latest legislative developments.
- Our regular bulletins to our product managers and buyers help them understand what they must do to comply with the WEEE and RoHS directives. For example, they have to check that our suppliers switch to products made with lead-free solder.
- Our recent training programme for buyers emphasised the importance for suppliers to complete the pre-tender questionnaire if they intend to supply BT with electrical and electronics products.

Product stewardship in action Equipment reuse

We have systems in place to help us reuse as much equipment as possible. This reduces costs and wastage by maximising the life of our equipment. Initiatives to encourage reuse include:

- A database that lists switch equipment available for reuse and allows the products to be reserved and tracked until delivered.
- A local returns system at BT Exact to recover, refurbish and re-issue surplus personal computers. This complements a BT-wide system.
- A programme introduced by BT Retail during the 2005 financial year that rebuilds and reissues surplus stock to meet all requests for new personal computers.
- A web-based management system at BT Payphones that lists available

spares and shows which items can be recycled.

- A returns service to repair and refurbish faulty meters and test equipment used by our engineers.
- A national campaign to encourage BT people with surplus computing equipment to hand it back.

Our partnerships Sustainability through producer responsibility

We continue to work with the Green Alliance, a UK-based environment organisation, on a project called Sustainability through Producer Responsibility. This is a collaboration of 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, see [Green Alliance](#).

To find out more about the UK Government guidelines on sustainability, see [DEFRA](#).

Looking to the future

BT's product stewardship team is working with the Imperial College in London (on behalf of BT Wholesale) to carry out a life-cycle analysis of alternative materials to make poles to hold telecommunication cables. This will help us make an informed decision on the future of our overhead network distribution system.

Achievements

1. Set up a database of all the hazardous materials (as required under the WEEE Directive) for all telephones made since 1970.
2. Trained over 4,000 employees in the principles of product stewardship.
3. Provided BT's response to the first, second and third round of consultations carried out by the UK Department of Trade and Industry (DTI) on the implementation of the WEEE and RoHS directives.
4. Designed, developed and launched a pre-tender process (GS19) to help BT buyers consider the whole-life impacts of electrical and electronic products.
5. Improved our core network installation requirements to include product stewardship principles.
6. Presented BT's position at the European Telecommunications Network Association (ETNO) Sustainability conference on the implementation of the WEEE and RoHS directives in the UK.
7. Established a test to confirm that EEE products are lead free (as required by the RoHS directive).
8. Conducted a major review of product stewardship in BT in the 2005 financial year. This has given us a better understanding of our roles and responsibilities.

Plans

We will continue to:

1. Improve our product stewardship pre-tender process for EEE equipment so that we make informed buying decisions and comply with legislation.
2. Encourage our suppliers to design products that have less environmental impact by making it easier to recover materials and recycle and reduce the use of hazardous materials in new equipment.
3. 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).
4. Contribute to the dialogue on the EuP directive within the stakeholder group co-ordinated by the UK Government.
5. Work with all people in the various lines of business to ensure that BT can meet its obligations under the WEEE and RoHS directives.



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 4 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 stakeholders 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.

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 remain committed to work with local authorities and other interested parties 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 which provide a haven for quiet enjoyment for all. BT is a founding member of the [Corporate Forum for National Parks](#) and is committed to work with the [Council for National Parks](#) to help them meet their objectives.

Street furniture

Our roadside cabinets are sometimes vandalised with fly posters and graffiti. We are working with a number of local authorities and community groups to improve streetscapes and find commercially viable solutions to the problem.

The UK law on anti-social 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 and new housing developments

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 network. Our agreement with the House Builders Federation ensures a co-ordinated on-site approach by all service providers.

Our network optimising system helps our planners minimise the installation of underground plants on new development sites as part of our commitment to reduce local impacts.

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.

Our asset assurance programme deals with issues arising from the impact of our vast network of overhead wires and cables.

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](#). 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.

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 no longer use volatile organic solvent paints and use only 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 37,000 tonnes of waste a year ending up in landfills (34 per cent 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.

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](#) 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 107 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.



Local impacts continued

Environmental complaints

The number of environmental complaints received represents less than 1% of the total complaints received by BT (based on data taken from our complaints system between January and March 2005). However, we are working hard to ensure that complaints related to local impacts are monitored to help us target areas for improvement.

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. Examples from the work plan are in the Earthwatch booklet [Case Studies in Business and Biodiversity](#).

• Madley Environmental Education Centre (MESC)

The MESC is a UK-based facility for environmental educational studies. 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 previously 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.

Case study

Tunnel to curb otter deaths

Next to the Goonhilly complex, BT built an underpass tunnel to stop the local population of otters being killed while crossing the busy Helston to St Keverne road. Otters were reintroduced to the area over recent years in a bid to stop a fall in numbers but the road threatened their long-term survival. The project, backed by the Environment Agency and English Nature, was completed in February 2005.

Benefits

The use of information and communications technology (ICT) has the potential to benefit business (greater efficiency), the people doing business (improve work-life balance) and the environment (reduce consumption of finite resources).

ICT can support social and economic development by improving communication and access to information. The responsible use of ICT is part of BT's approach to sustainability.

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 more information on work-life balance, see [Employees](#).

Glossary

ADSL:

Asymmetric Digital Subscriber Line. ADSL transforms the existing twisted copper pairs between the local telephone exchange and the customer's telephone socket into a high-speed digital line.

Audioconferencing:

A conference enabling a number of people to communicate by voice over a telephone line.

BREEAM:

Building Research Establishment Environmental Assessment Method.

Brown Electricity:

Electricity produced by burning fossil fuels.

Bunded fuel tank:

An above ground fuel tank with a protective wall to prevent leakage.

CFCs:

Chlorofluorocarbons. Gaseous compounds used as refrigerants and propellants. Break down ozone in the atmosphere.

CHP:

CHP is a very efficient technology for generating electricity and heat together. A CHP plant is an installation where there is simultaneous generation of usable heat (normally for space heating) and power (usually electricity) in a single process. CHP typically achieves a 35-40% reduction in primary energy usage compared with power stations and heats only boilers.

CO₂:

Carbon dioxide.

Data conferencing:

A conference that enables users to book conferences over the internet, to share data or slides while in the conference, and to receive recordings or transcriptions after the conference call.

DEFRA:

The Department for Environment, Food and Rural Affairs (UK).

Degree days:

Degree days are a measure of the variation of outside temperature. Their use enables energy managers, building designers and users to determine how the energy consumption of the building is related to the weather, and allows energy-saving measures within the building to be monitored and compared year-to-year.

ETNO:

European Telecommunications Network Operators Association. It has produced an environmental charter, to which BT was a founder signatory.

Green electricity:

The government defines green energy in two ways:

Old Green - This includes large-scale hydro, uncertified CHP and waste-to-energy. The green energy we currently purchase is old green and this is not exempt from the Climate Change Levy (CCL).

New Green - New green refers to the technology and not the date of installation. Technology recognised as new green is: certified CHP; wind; wave; small-scale hydro and photovoltaic. New green energy receives an exemption from the CCL on a specific building basis.

GS13:

BT's environmental procurement standard for suppliers.

GS18:

BT's Sourcing with Human Dignity standard.

GS19:

BT's product stewardship standard.

Halons:

A group of potent ozone-depleting chemicals related to CFCs used in many fire extinguishers.

HCFCs:

Hydrochlorofluorocarbons. Alternative to CFC refrigerants.

Home-worker:

A person registered to work from home and provided with all the necessary furniture, equipment and communication links.

ICT:

Information and Communications Technology.

Intranet:

An internet-based technology that allows members of one organisation to share private information.

IP:

Internet Protocol. This is the set of communication tools that enables computers to 'talk' to each other over the internet.

ISO 14001:

An international environmental management system standard.



Glossary continued

Kyoto Protocol:

A legally binding agreement signed in Japan in 1997 to reduce emissions of a basket of six greenhouse gases.

Montreal Protocol:

An international agreement to phase out the major chemicals that destroy ozone in the stratosphere.

NOX:

Oxides of nitrogen.

NO2:

Nitrogen dioxide.

OFCOM:

Office of Communications (UK regulator for the communications industries).

UK's Packaging Regulations:

These regulations require certain businesses to recover and recycle packaging waste. Targets for individual businesses are based on the overall amount of packaging (on products) that they supply to their customers.

PCNs & PCBs:

Substances classified as hazardous.

PM10 particulate:

Fine airborne particulate less than 10 microns in diameter.

Recycled paper:

Paper made from discarded and previously used paper.

SDH:

Synchronous Digital Hierarchy.

SOX:

Oxides of sulphur.

SO2:

Sulphur dioxide.

Street Works Notice:

A requirement of the New Roads and Street Works Act is that the Street Authority must be informed of certain types of street works when BT issues a notice. A notice serves a number of functions:

- It is part of the co-ordination process, especially in traffic sensitive streets and major projects
- For emergency and urgent works it can prompt emergency procedures of other organisations
- It triggers the inspection regime
- It forms the basis of the records for guarantee purposes
- It can help prevent damage
- It provides a basis of assessment whether works have been unreasonably prolonged (in England only).

Sustainable business:

A business that can sustain its own needs environmentally, socially and economically.

Sustainable development:

Development that allows us to meet the needs of our own generation without compromising the ability of future generations to meet their needs.

SUSTEL (Sustainable Teleworking):

A two-year research project financed by the European Commission on the impacts of teleworking.

Teleworking:

Working from outside a conventional office by using advanced telecommunications like video conferencing.

TRIAD:

TRansmission Infrastructure And Demand charge. Agreements to use standby generators in order to manage electrical loads at times of peak demand.

UNEP:

United Nations Environment Programme.

Videoconferencing:

A meeting where two or more people communicate through networked cameras that relay pictures and sound to all of the participants.

VOCs:

Volatile organic compounds, a widely used group of chemicals which when released into the atmosphere help to form damaging low-level ozone, harmful to human health and animal and plant life.

WEEE:

The EU Waste and Electronic Equipment directive.

How to contact us

This page is for enquiries and comments relating to BT's environmental performance and the way we report on our environmental impacts.

Please note: If you have a general customer enquiry go to [Contact us](#). If you have a complaint about our external operations or network - such as the sighting of a pole or mast, damage to property or graffiti - please go to [Complaints about our services](#).

For complaints about the unsatisfactory state of BT buildings and/or grounds, contact **0800 223388**. For any Payphone related issues, e.g. noise disturbance, contact **0800 661610**.

It is important that you use the appropriate channel because it enables us to direct your enquiry or complaint to the correct department, follow it up and keep you informed.

This page is for feedback or questions (not complaints) relating to BT and the environment. Please contact us with your questions and comments at the following:

By telephone:

Freephone: **0800 731 2403**
International callers please use: **+44 1793 547023**

By e-mail:

bt.environment@bt.com

By post:

BT Environment Unit
Postal Point NS1A2
North Star House
North Star Avenue
Swindon
Wiltshire SN2 1BS

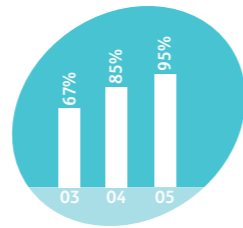


BT and digital inclusion



let's make a
better
world

BT and digital inclusion



UK Addressable Broadband Market – the geographical reach of broadband

Access to Information and Communications Technology (ICT) can improve people's lives, opening doors to education, jobs, entertainment and personal contacts. But many people - in developing and developed countries - have neither the opportunity nor the necessary skills to use the technology.

Progress is being made on closing the digital divide between the North and South - the World Bank says half the world's population now has access to a fixed-line telephone and 77 per cent to a mobile network. But there is still much to do to spread the benefits of computing and telecommunications.

In the UK, research shows that age and income are the most significant factors that determine who uses the Internet. People over 65 and those with a low income are most likely to ignore the Internet, according to a 2004 UK government report called *Enabling a Digitally United Kingdom*. A 2004 survey by the UK Office for National Statistics showed that while the majority of UK adults had used the Internet, 34 per cent had never done so.

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**.

We are members of the **Alliance for Digital Inclusion (ADI)**, a collaboration between businesses and the charity Citizens Online. The Alliance works to promote the use of information and communication technologies (ICT) for social benefit. ADI's other members are: AOL UK, Cisco Systems UK, IBM UK, Intel UK, Microsoft UK and T-Mobile.

The launch of the ADI in October 2004 coincided with the release of a report by the UK Government's Digital Inclusion Panel. It identifies social groups most at risk of digital exclusion and the actions needed to encourage them to use ICT.

In 2004, BT commissioned the Future Foundation to conduct an independent study the potential future impacts of the digital divide in 2025.

See [case studies](#) for examples of our work to promote inclusion.

Connectivity

We provide a range of different connections, from home dial up lines to Internet kiosks and high-speed broadband. See [BT Retail](#) for our products and services.

Broadband provides a fast 'always-on' connection to the Internet via a conventional telephone line. It 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 in partnership with government and regional development agencies.

We connected our five-millionth customer to broadband at the end of March 2005, meeting our target a

year early. We are on track to meet our target earlier and make broadband available to exchanges serving 99.6 per cent of UK homes and businesses by summer 2005.

By 2007, we expect:

- The UK economy could be boosted by up to £7.5 billion through productivity gains attributed to broadband, according to the Centre for Economic and Business Research
- Up to 16 billion fewer miles could be driven as broadband enables more people to work from home and shop on-line, according to the UK Department of Transport
- Every school child in Britain will be able to learn via broadband, according to the UK Department of Education and Skills
- Millions of hospital outpatient appointments will be booked over broadband, according to the UK National Health Service.

Broadband is a critical factor in the success of the UK economy, but its wider benefits are constrained by the rate at which people make use of the technology. One of the solutions is to work in partnership with others and to provide the on-line facilities that people need.

For example, BT's on-line payment system, called Click & Buy, enables Internet users with an account to pay for small transactions, such as a subscription page in a journal archive. On-line shoppers maintain their Click & Buy account by paying with a credit or debit card, direct debit or by adding Click & Buy transactions to their BT bill. This promotes on-line shopping by making it easier to pay for small transactions.

New approaches

We are developing new marketing approaches to ensure we spread the

benefits of broadband as widely as possible. This will help to bridge the digital divide.

By the end of 2004, BT was involved in 46 public/private partnerships across the UK to bring broadband to areas where exchanges had not been enabled. During the last year we developed further partnerships to help increase understanding of the potential benefits of ICT, and in many cases provide training and support for potential users.

In Cornwall, UK, a European Union funded partnership project, **ACTNOW**, offers subsidised packages to small businesses.

Over 1300 **BT Payphones** have been converted to Internet kiosks enabling web surfing, emailing, text messaging and telephone calls.

Our wireless networks in public places enable Internet access from portable computers. Our network of Openzone and partner access points - over 7800 - are available at airports, hotels, railway stations and fast-food outlets.

Driving demand

We use a range of market incentives to encourage the use of broadband. These range from rewards for those who introduce their friends, discount schemes and offering incentives for charities to become resellers via their websites. In the 2005 financial year, we further reduced - by around eight per cent - the wholesale price of broadband connections.

We hope that the purchasing power of the public sector will encourage greater uptake of broadband. We continue to support a Government initiative to provide broadband services to public service organisations, offering competitive prices.

PC Access

Over 99 per cent of people use a personal computer to access the Internet and there is a growing trend to use mobile phones too, according to the UK Office for National Statistics (October 2004).

In an effort to boost Internet use and spread the use of computer skills, the UK Government promotes a programme providing subsidised home computers. This is organised through employers. UK companies can save on their National Insurance payments and provide cheaper home computers for their staff (up to a 40 per cent saving).

BT, along with Intel and Microsoft, is a member of the **Home Computing Initiative Alliance**. Find more [here](#).

There has been a strong demand from BT employees for subsidised home computers, with over 25,000 of our employees now taking advantage of BT's Home PC Scheme.

Community Connections

Since 2000, **BT Community Connections** has provided 3400 Internet-ready PCs to a diverse range of groups - from dance groups, hospices and homeless drop-in centres to sports groups. The scheme provides an NEC Internet-ready PC and Microsoft software package worth more than £1300 to voluntary and community organisations so they can provide Internet access to their local communities. An estimated 85,000 people have benefited directly and indirectly from the awards.

Education

Our well-established education team focuses on raising educational standards throughout the UK by improving opportunities for learning and development. Our objective is to work with professionals and

organisations in the education community on a shared vision of e-learning excellence.

BT offers free educational materials for schools and not-for-profit organisations (such as Trades Unions) as well as training products for companies.

By promoting speaking and listening skills, we aim to give young people in the UK the best possible start in life. 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 on-line learning communities and share resources. They help build learning communities by linking schools, colleges, libraries, learning centres and Citizens Advice Bureaux.

We provide a subscription on-line learning resource that helps families access educational material linked to the school curriculum, to expand and develop their knowledge and key skills. It helps children revise for exams (SATs, GCSE/Scottish Higher and mocks), research core subjects and gain access to useful websites.

For more information, see [BT Learning Centre](#) and [case study](#) on grandparents and computers.



BT and digital inclusion continued

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'

Sustainable Development in Broadband Britain

Forum for the Future, March 2004.

'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

The amount of information available on the Internet is vast, but 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 [case studies](#)). These are some of the organisations we have helped:

- **Charities** - We have teamed up with IK software, a business providing specialist Internet solutions, to make free, simple-to-build websites available to UK charities and community groups (see [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 [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 information on the history of telecommunications (see [Connected Earth](#) for more information).

- **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 on-line broadcasting (see [case study](#) and [Tate online](#) for more information).

- **Netmums** - [Netmums](#) websites, supported by BT, provide local and general information for mothers looking after children, including contacts for new friends, where to find a toddlers' group and help on returning to work

- **UK National Council for Voluntary Organisations** - The Council's [website](#) provides a comprehensive online resource for voluntary organisations.

- **BT Resource Bank** - resources for teachers, parents and children on communication skills, including animated tutorials, quizzes and classroom activities. See more at [Resource Bank](#).

It is essential to ensure that websites are accessible to people with poor eyesight. Since 2000, BT has worked closely with its own publishing communities to set best practice standards through the audit of sites by the Royal National Institute for the Blind (RNIB), benchmarking with other organisations and ensuring that our own publishing community continues to cater to the needs of all users.

Capability

Our digital inclusion campaign demonstrates how communications can help improve society.

A key element is the [Everybodyonline](#) programme, supported by BT and Microsoft. The project is run by [Citizens Online](#), 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.

Each project is co-ordinated by a locally based project officer. The role of the officer is to foster a network of local facilities, programmes, partners and volunteers. Using various forms of communication, the officer will work with the local community to understand their needs and to create a co-ordinated action plan to overcome the barriers to increased ICT and Internet access.

EverybodyOnline runs 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 on-line. The sessions have proved popular and some early participants now confidently shop and bank on-line.

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.

EverybodyOnline - measuring progress

An independent research company measures the progress of EverybodyOnline, using three core indicators: Internet usage behaviours and attitudes, barriers to use and intentions to connect. The results provide evidence of the project's qualitative impact and help project officers develop their plans.

Research in the areas where EverybodyOnline operates shows a steady increase in Internet use and confirms independent findings that younger people show more interest in

the Internet than older people. EverybodyOnline is working to ensure that elderly people are given the opportunity and encouragement to use the Internet.

Income levels also have an impact on the level of interest, with poorer people being less interested than the well-off. These conclusions should not be taken as absolute because there are other influencing issues, such as regional differences in behaviour and the level of education.

For more information, see [EverybodyOnline](#) and [case studies](#).

Children help promote digital inclusion

A BT-sponsored child-friendly website, called [Internet Rangers](#), is part of a campaign launched in 2004 to help young people get their families on-line.

Our research found that children - particularly young teenagers - are the most effective spur to encourage reluctant parents or grandparents on to the Internet. Nearly one-third of parents and grandparents have been taught or encouraged to surf the Internet by a child aged between 13 and 16 years.

Nearly one in five parents and grandparents have either learned a new skill or been educated via the web following on-line help from a child aged between five and eight.

For more information see our case studies [Children teach their grandparents how to surf the net](#) and [Children help promote digital inclusion](#).

eWell-Being - Celebrating great practice

Carol Borghesi, Managing Director, Customer Contact Centre, presented the winners of the third annual eWell-

Being Awards with their certificates at 30, St Mary Axe in London on 14 March 2005. As Carol says: 'It's really great for BT to be involved in celebrating success. The entries have shown a huge range of innovation, demonstrating how ICT can bring people together. Selecting winners from such a strong field was not easy.'

BT has supported the awards, which recognise creative and inspirational use of communications technology to deliver environmental and social benefits, since their inception in 2002. BT also sponsors the Digital Inclusion and Disability Action category awards. As Mike Hughes, BT's Head of Environment and CSR campaign, says: 'BT has long recognised the benefits that creative use of communications technology brings. Our sponsorship of the eWell-Being awards forms an integral part of our contribution to a more digitally inclusive society.'

The Glasgow Homeless Network runs the [Homeless Information Pages](#) (HIP) project and won the award for Digital Inclusion. The project delivers training and advice to those in need through mobile drop-in facilities which visit hostels, and day centres across the city. The project is delivering the skills needed to help people return to work as well as allowing them to keep in touch with their families through email. In the words of the judges: "A well integrated project, addressing the issues of access to and skills and confidence to use communications technologies for a difficult to reach part of society."

[Funky Flamingo](#) is a Cambridge club for disabled young people which won the Disability Action award. The club is run by and for the youngsters who are able to use all sorts of communications technology to organise and create the content for their club nights. Using computers



BT and digital inclusion continued

they create their own music, lighting and videos. As Lorraine von Gehlem, project coordinator says: "ICT levels the playing field and allows disabled people to do what we do, participating in the community and sharing creative experiences, not just with people in the next village, which they could not do before, but all over the world."

Other award category winners were:

- eGovernment (sponsored by I&DeA)
- Birmingham Libraries for their project helping children with their reading and writing skills through the 'Stories from the Web' initiative
- Environmental Efficiency (sponsored by Brother)
- UK Phenology Network, an ambitious project using IT to record changes in flora and fauna caused by our changing climate
- Mobility (sponsored by Local Transport Today)
- Plymouth City Council for their network of street kiosks providing real-time public transport information as well as access to confidential free advice 24/7 on issues such as domestic violence and missing persons
- Wireless (sponsored by Vodafone)
- South Witham Broadband, a community broadband initiative bringing wireless broadband to a rural community.

More information on the awards is available at www.sustainit.org or in the ePublic section of the Guardian (media partner for the awards) on 16 March 2005.

Global projects LifeLines India

The future success of Indian agriculture - now labour-intensive - will increasingly rely on knowledge and information. BT is working with OneWorld, the development charity, to provide farming information over the telephone to poor Indian villagers.

The LifeLines India project is being tested in 58 villages in northern India. Villagers can use the telephone to get information on agriculture, animal husbandry and agribusiness. The information is supplied by agricultural scientists in India.

Our partners include Cisco and MahindraBT.

BT and digital inclusion

Case studies

The Glasgow Homeless Network, Homeless Information Pages (HIP)

Paula Miller is beginning a tutorial on how to use the Internet. Three men are sitting in front of wireless laptops as Google shimmers on the screens. She barely finishes her first sentence when Gerry, who is attending his second session, has already typed a word into the search engine: 'acupuncture'.

"Me and Thomas had it last night and it was brilliant. Best night of sleep I've ever had. I want to find out a bit more about it, like," he says.

This class is taking place in the Dolls House, a small building which is part of Turning Point, a drug crisis centre in Glasgow. This turquoise-painted room is one of 13 settings for HIP in Glasgow, the Homeless Information Project run by the Glasgow Homelessness Network - winner in the digital inclusion category.

The project is aimed at people affected by homelessness and involves a mobile ICT unit which travels to places which homeless people frequent, such as hostels, day centres and crisis accommodation. It offers tutoring in computer skills and the chance to move on to further training in IT. But most of all it gives access to a world which otherwise might be out of reach of the target group.

"One problem is that homeless people can be excluded from places where you can access the Internet," says Miller, HIP learning resource worker in IT training. "For example, you need proof of address to use it at libraries."

Although it started in 2002, the project has been running properly for two years. "The starting point was the need for a website for people affected by homelessness to access information that was relevant to them," says development coordinator

Margaret-Ann Branjes. "Then we had to make sure that the site was accessible to the people who needed it most."

The key to its success, she believes, is good partnership working, using decent equipment - and making sure the funding is in place. The project is currently bidding for £215,000 to keep it going for a further three years.

In the last two years, HIP in Glasgow has delivered training to around 500 individuals and, since October 2003, the website has had more than 4000 visitors. Around 20 people have moved on to mainstream training, but, importantly, the vast majority of those who have taken part have felt the benefits. "There are often queues of people wanting to check their email when the tutor arrives," says Branjes.

Certainly Gerry is thrilled. The unemployed father-of-two has had a rough time lately. His relationship broke down, then his mother developed cancer and he ended up living in a hostel for homeless people before going to Turning Point in an attempt to "sort my head out".

Now, with a bit of help from Miller, he's found an acupuncture map of the body which he's copied and pasted into another file, which he'll take away with him on a floppy disk to print off.

Thomas, a chef from a small town near Glasgow, has also had some success.

"My son's always been on at me to learn about computers but I haven't liked to," he says. "But I'm going to ask him his email address when I phone tonight and maybe I'll be able to send him an email next week."

Miller has been working for the project for two years and clearly finds it hugely satisfying. "Family is often very

important to the people who are taking part, so finding a way of being in touch through email can really mean a lot to them.

"And sometimes people just want to print out a special poem and send it to their child or their mum. That can be really touching."

Article written by Jennifer Trueland, for the Society Guardian eWell-Being Awards supplement 16/3/05. Copyright Guardian Newspapers Limited 2005



BT and digital inclusion

Case studies

Disability Action winner Funky Flamingo

Anyone who doubts the liberating power of computers should visit a Funky Flamingo club night in Cambridge. At first glance there is nothing unusual about the club, populated with young people dancing to the latest pop music. But, in fact, it is a rare experience for both participants and organisers, all of whom are disabled, some severely, and this is reflected in the level of their enjoyment and the exuberance of the occasion.

The scene is largely the result of advances in software and gadgetry for accessing computers, sound or video production systems, and DJ equipment that make it possible for the disabled not just to participate but also organise and create the content for such nights.

Although club nights, usually held three or four times a year at the Junction club in Cambridge, are the focal point, the real achievement of Funky Flamingo has been in making it possible for disabled people to overcome their limitations. Through workshops held once a week, and interaction via the Internet, club members can enjoy the artistic experiences taken for granted by the able-bodied in music, video production and creative writing, says Lorraine Mongalen, Funky Flamingo project coordinator.

“ICT levels the playing field and allows disabled people to do what we do, participating in the community and sharing creative experiences, not just with people in the next village, which

they could not do before, but all over the world,” says Mongalen. They can do this via a website allowing them to post profiles of themselves, although Mongalen says there is some way to go before this becomes fully interactive.

So far, Funky Flamingo’s greatest achievements have been in facilitating local interaction through music and video. One innovation enables disabled people to control sound and video using their fingers to interrupt an infra-red beam. “We used a system called Soundbeam that originally used infra-red beams to control audio clips, but we’ve brought in ICT specialists who have developed a way of using it to trigger video clips,” says Mongalen.

“It means people only have to move a little finger to express themselves.”

Such features clearly impressed the competition judges. “Picking a winner was tough, but we plumped for Funky Flamingo because it had that bit of extra flair and excitement about it,” says John Lamb, one of the judges and editor of Ability magazine, a campaigning publication for people who have difficulty using ICT.

But the people most impressed are the club members themselves, many of whom have happy memories contributing and participating in the events. “I still keep thinking and dreaming about the club night. That’s going to stay in my mind for a long time,” says Max Roberts, one of the club’s DJ trainees.

Being able to perform as a DJ also appealed to one of the club’s band

and steering group members, Chris Butler, who says it has given him the experience of working in a team.

Yet there is so much more that can be done with IT to improve quality of life for the disabled, even with currently available equipment and software, says Mongalen. It all comes down to funding in the end, and, unfortunately, Funky Flamingo’s grant runs out in September. “It would be tragic if we had to say to these people that the club is ending,” says Mongalen. But hopefully the opposite will happen and similar clubs will open and flourish up and down the country.

Article written by Phil Hunter for the Society Guardian eWell-Being Awards supplement 16/3/05. Copyright Guardian Newspapers Limited 2005

Online access to mountain rescue information

A Scottish mountain rescue team is one of more than 1000 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.

Children help promote digital inclusion

Sophie, 12, and Chloe Davies, 10, 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, 71, 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.”

Learning difficulties no barrier to gaining IT skills

Peoples First, based in Porth, Wales, helps people with learning difficulties gain IT skills. The organisation is sponsored by EverybodyOnline, an initiative run by charity Citizens Online, supported by BT and Microsoft.

Informal IT courses organised by Peoples First, were such a success that larger premises had to be found to accommodate the demand. Many of the learners were students who could step up to more formal learning using their new IT skills to gain formal qualifications.

Dawn Price from People’s First says: “It has been such a benefit for our clients to be able to see what the Internet has to offer and to learn on up-to-date equipment.”



BT and digital inclusion

Case studies

Budgie fancier finds fellows on-line

“I did not even know how to switch a computer on, let alone use it,” says Frank Jones, 72, of Audley in Staffordshire, UK, a budgerigar fancier and amateur gardener.

After lessons from Ben, his 14 year-old grandchild, failed to get him started, Frank signed up for a course at the local adult centre run by EverybodyOnline. This is an initiative devised by the charity Citizens Online, supported by BT and Microsoft.

Frank soon learned the basics. “I have joined an on-line budgerigar group, with a membership of 250, who live all over the world. I now correspond with fellow fanciers from Australia, Canada, New Zealand, Pakistan and the USA. We talk about our hobby and discuss general subjects. I receive photographs on a variety of subjects, in the form of email attachments, which I print and share with friends.”

The use of digital pictures on the Internet led Frank to buy a digital camera on-line and he is now learning how to manipulate and enhance images.

“It’s a whole new world out there, just waiting for you,” he says.

Keeping young people off the streets

Young people in Audley and 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.

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 communications technology (ICT).

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.



Human rights



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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.

Our Business Principles include a commitment to protect and enhance the human dignity of every BT employee, and everyone who has dealings with us. This is communicated to our employees around the world in eight different languages.

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](#) 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 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 ten principles on corruption, 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 [Global Compact Site Index](#). Through the Global e-Sustainability Initiative (GeSI) we engage with ICT service providers and suppliers, and alliances focused on improving supply-chain working conditions, such as the Ethical Trading Initiative. Representatives at a GeSI supply-chain working group meeting in April 2005 discussed ways in which companies can ensure quality compliance with labour laws and the implementation of monitoring codes.

During the 2005 financial year, we improved the performance aspect of our ethics indicator by adding these two questions to our annual employee survey: Is BT trustworthy, and is it safe to speak up in BT? For more information see [Business Principles](#).

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.

During the 2005 financial year we launched a new website for BT employees, called 'CSR Countries At Risk'. This website provides a straightforward risk assessment of the top CSR risks of doing business in 153 countries, including a specific assessment of the Human Rights risk. It helps managers make decisions on new and existing business acquisitions, purchasing and other deals or partnerships. We aim to include this risk assessment in key global business cases from 2006.

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.

Our stakeholders have identified the misuse of the Internet by criminals as a major concern. We address this issue in two of our independently written Hot Topics:

- [Abuse of the Internet](#), by Solitaire Townsend of the consultancy Futerra, considers issues of the extreme abuse of the Internet.
- [Virtual Vice](#), by James Wilsdon and Paul Miller of UK think-tank Demos, examines BT's approach to issues such as hacking, copyright infringement and spam. It examines BT's approach to issues of concern such as hacking, copyright infringement and spam.

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.

Supply and use chains

We have the potential to affect human rights in two ways:

- The working conditions of those who make the products we buy - supply chain
- How our products and services are used by others - use chain.

Supply chain

We want working conditions in our supply chain to meet the standards of the Universal Declaration of Human Rights and the International Labour Organisation Conventions. This commitment is one of BT's top seven CSR risks. See more at [Human rights in the supply chain](#). We believe - and it is part of our business case for CSR - that improving working conditions in our supply chain means the products we purchase are of better quality.

The feedback received from workers interviewed during ad hoc assessments of our suppliers is collated in reports provided to both suppliers and the relevant BT buyers.

Use chain

The main concern 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. We will continue to monitor and address these concerns where possible. Other issues are [privacy](#) and [freedom of expression](#).

We balance our support and investment in new technologies with research into their implications for our customers, for example on [privacy](#).

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."

Privacy is not a new challenge. But developments in ICT, such as the ability to tailor services to meet personal needs, have created fresh dilemmas.

Protecting online customers

We have to find a balance between offering tailored customer service with protecting the privacy of our customers.

For example, if our 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 on-line customers. This is balanced with our expectations of customers' behaviour towards each other when using our services.

Customer preferences can be tracked on-line to offer personalised services and special offers. Customers can opt out of this service.

Protecting all customers

We know that privacy is very important to all our customers, not only those on-line. 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 of personal data.

BT's Caller Display and Call Return services in the UK can make customer numbers available to the people they are calling. Dialling 141 before calling can prevent this and we also offer to withhold numbers permanently, free of charge.

Customers are able to screen out most direct marketing calls by registering with the [UK Telephone Preference Service](#). 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.

We address trade-offs between advancements in networked technologies and the risks to personal privacy rights in our most recent Hot Topic - [Privacy in the Digital Networked Economy](#). The researchers considered the views of BT's stakeholders, including anti-tagging lobbying groups.



Human rights continued

BT employees

We have several policies and codes relating to the use of BT telephones, email and the Internet by BT employees.

All employees 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. BT does allow reasonable use of personal email.

During the 2005 financial year we have developed guidelines for all employees on how to manage the new risks and challenges to privacy posed by the digital networked economy. Examples include the technology and process of radio frequency identification (RFID) tagging and the location registration of mobile communication devices.

Freedom of expression

Article 19 of the [Universal Declaration of Human Rights](#) 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.

We offer easy feedback channels for stakeholders, such as the [Your Views](#) email address.

Freedom of expression vs child protection

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

BT is a board member of the [Internet Content Rating Association \(ICRA\)](#), 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](#), 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](#), which notifies us of illegal content stored on our servers and website.

We have contributed to the work of [Independent Committee for the Supervision of Standards of Telephone Information Services \(ICSTIS\)](#). Part of ICSTIS's 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:

- [Abuse of the Internet](#), by Solitaire Townsend of the consultancy Futerra, considers issues of the extreme abuse of the Internet.
- [Virtual Vice](#), by James Wilsdon and Paul Miller of UK think-tank Demos, examines BT's approach to issues such as hacking, copyright infringement and spam.

To address the problem of child abuse on the Internet, BT has introduced CleanFeed, a software filtering system that automatically blocks access to websites blacklisted by the Internet Watch Foundation. This includes those sites considered 'illegal to view' under the 1978 Child Protection Act.



Economics



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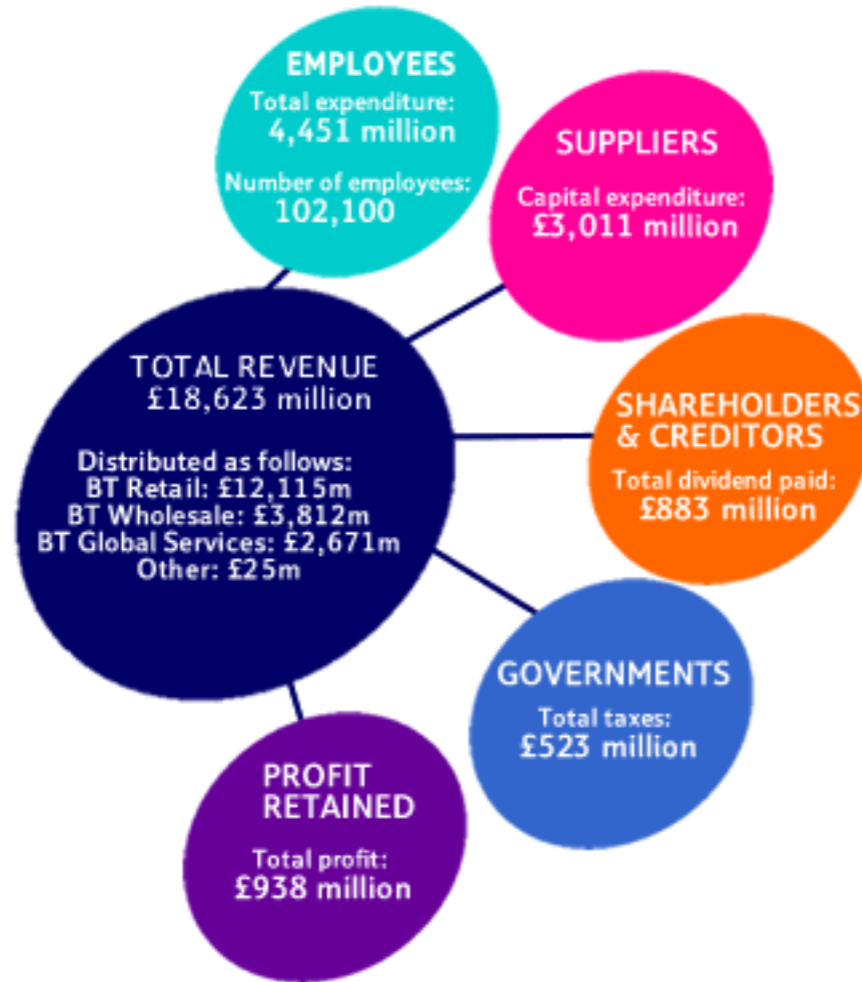
Economics

BT is one of the world's largest telecommunications companies and a significant economic force in its own right.

We employ 102,100 people, provide services and products that improve economic efficiency, and buy goods and services worth billions of pounds a year.

This section describes our main economic impacts and summarises our financial performance. See the Sustainability section for a discussion on the dilemmas that economic growth can create.

Distributing wealth BT's direct economic impacts



Direct economic impacts

Direct economic impacts are those that involve the inflow or outflow of money as a direct result of our business activities - most are measured with traditional financial indicators, such as turnover, dividends and wages paid.

These indicators show our impact on some stakeholders in the 2005 financial year.

Customers

BT turnover of £18,623 million, distributed as follows:

BT Retail:	£12,115 million
BT Wholesale:	£3,812 million
BT Global Services:	£2,671 million
Other:	£25 million

Total turnover is boosted to £19,031 million when our share of associates' and joint ventures' turnover (£408 million) is added.

Find more details in the BT profit and loss account on page 75 of the 2005 Annual Report and Form 20-F.

Employees

- BT employs 102,100 people around the world, including 90,800 in the UK.

Total expenditure on employees:	
Wages and salaries	£3,656 million
Social security costs	£319 million
Pension costs	£465 million
Employee share ownership	£11 million
Total	£4,451 million

Suppliers

- Total spend with suppliers: approximately £4 billion. See more detail on operating costs on page 34 of the 2005 Annual Report and Form 20-F.

- Total capital expenditure: £3,011 million. See more detail on expenditure on page 34 of the 2005 Annual Report and Form 20-F.

Shareholders and creditors

- Total dividend paid to shareholders: £883 million.
- Net debt reduced from £8,425 million to £7,786 million.
- Net interest payable £801 million.
- Total amount falling due to creditors within one year: £12,461 million.

See more details on page 80 of the 2005 Annual Report and Form 20-F.

Governments

- Total taxes paid to governments were £523 million, comprising £539 million on the profit before taxation, goodwill amortisation and exceptional items, offset by tax relief of £16 million on certain exceptional charges.

More details of our total taxes paid are available on page 36 of the 2005 Annual Report and Form 20-F.

Breakdown by geography and market share

- UK** £16,967 million (91%)
- Europe** (excluding UK) £1,396 million (7%)
- Americas** £190 million (1%)
- Asia and Pacific** £70 million (<1%)

- BT's share of the UK residential fixed-voice call market, as measured by volume of fixed-to-fixed voice minutes is 64%.

- BT's share of the business sector fixed-voice call market is 42%.

Profit and re-investment

- Profit retained was £938 million.

- Return before goodwill amortisation and exceptional items on the average capital employed was 16%, compared with 15.3% in 2004.



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Economics continued

Indirect economic impacts

Our indirect economic impacts include the ways our activities enhance the ability of others to create economic value. This happens in two ways:

- First, through our own expenditure which injects several billion pounds into the economies where we operate
- Second, through our sale of ICT goods and services, which stimulate economic growth and productivity.

Indirect employment and contracting income and employment

Our expenditure in the UK injects over £2.6 billion into the UK economy every year. This indirectly 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 income created directly and indirectly by BT is spent. This encourages further employment.

DTZ Pieda Consulting estimates induced impacts produce £3.4 billion of income and support 173,780 jobs.

Total impact

BT's total economic impact (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 £ million	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

BT's activities provide almost 1.7 per cent 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.

A global information society

The growth in communications technology has enabled business, personal and cultural connections between billions of people. These connections help to enable further development, both regionally and globally.

Developments in communications technology mean a better business environment globally. Information exchange takes place far more rapidly than at any point in history, allowing ideas, goods and services to be delivered more effectively, virtually anywhere on the planet.

The 1999 United Nations Human Development Report focused on the theme of globalisation. It explored the potential of the Internet to drive efficiency improvements, but also to empower small businesses and organisations, and to provide remote communities and poorer countries with cheap and easy access to information.

However, these potential impacts - while desirable and possible - will not necessarily benefit those who need them most, as improved access is likely to be of most immediate benefit to the relatively wealthier in societies, whose skills, education and opportunities allow them to take immediate advantage of them. Furthermore, globalisation, made easier by telecommunications, puts communities of all sorts into direct competition with one another for jobs and investments.

The ICT sector's contribution to growth and productivity

We contribute to economic growth by helping to improve the productivity of 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: 1. The ICT sector - its size and technological progress - has a direct impact on national-level growth and productivity figures.

2. The use of ICT by companies to improve their own efficiency and productivity has a significant impact on national-level growth and productivity.

However, we recognize that economic growth in itself may entail trade-offs for society and the environment; not all growth is necessarily 'good'. We explore some of these trade-offs in depth in our [Sustainability](#) section.

1. The 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 (the 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 per cent.

The contribution of the telecommunications portion of the ICT sector grew from around £12.1 billion in 1992 to around £21 billion in 2002.

GVA for the ICT sector grew by 109.8 per cent between 1992 and 2001, compared with growth of GVA for the whole economy of 61.2 per cent 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).

Contribution of ICT capital investment to GDP growth 1995-2002

France	Over 0.3%
Germany	Over 0.35%
Italy	Over 0.4%
Japan	0.5%
Spain	Under 0.45%
UK	Over 0.7%

Source: Organisation for Economic Co-operation and Development (OECD)

2. The use of ICT by others

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.

In [Getting the Measure of the New Economy](#), a report from the Work Foundation's iSociety project, Diane Coyle and Danny 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, 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 2002:

- ICT manufacturing: >0.1%.
- ICT producing services (for example, telecommunications): <0.25%.
- ICT using services (e.g. financial services, retail, etc): >0.8%.



Economics continued

Competitiveness

The European Union established a 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.'

This 'Lisbon Strategy' sets out a number of strategic aims to improve the competitiveness and dynamism of the European economy, including:

- Investing in research and development
- Boosting innovation
- Adaptable workforce
- More and better skills.

The interim review of implementation of the Lisbon Strategy, released in November 2004, notes that improving performance on attaining a 'knowledge society' - and encouraging the further use of ICT - is a critical element in meeting the strategy's aspirations.

We believe that ICT has much to offer society in terms of improving economies and enabling improvements in peoples' lives; however, these improvements must not come at the cost of potentially negative consequences of economic activity for society and the environment. The European Union's Lisbon Strategy - while a substantial and important piece of work - may in the long run undermine the EU's commitment to sustainable development (via the 'Gothenburg Strategy'), and we urge decision-makers to join up their thinking. We explore the Gothenburg Strategy and BT's contribution to sustainable development in the [Sustainability](#) section.



Sustainability



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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.

Achieving sustainable development requires a degree of international consensus and a great deal of multi-institutional support.

The term 'sustainable development' has many different interpretations. The European Union (EU), for example, has developed a high-level strategy to promote sustainable development, known as the Gothenburg Strategy. This sets out a series of high-level strategic aims to counteract a growing number of unsustainable trends in society.

No individual country, business nor organisation can become sustainable on its own. But it can improve and contribute to a more sustainable world.

This report concentrates on how BT contributes to sustainable development through its own activities. This section explores the issues through the broad lens of the Information and Communications Technology (ICT) sector's activities and contributions, and considers the potential conflict between ICT-driven economic growth and sustainability.

Here we discuss:

- BT's approach to sustainable development
- A sustainability vision

- ICT sustainability impacts
- Sustainable Development in Broadband Britain
- BT raising awareness on sustainable development
- BT working in partnership.

BT's approach

This report identifies and quantifies our social, economic and environmental impacts, and set targets to improve.

We use the term corporate social responsibility (CSR) more often than sustainable development. CSR is the voluntary action a company takes to contribute to the wider societal goal of sustainable development, such as the EU's Gothenburg Strategy.

CSR requires a co-ordinated approach to managing social, economic and environmental issues right across the company. See [business principles](#) for a description of our CSR governance framework and 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

ICT drives productivity and economic growth. For this 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.

This is a challenge facing Europe in its attempt to "refocus the Lisbon agenda on actions that promote growth and jobs in a manner that is fully consistent with the objective of sustainable development".

In the economics section we demonstrate how ICT contributes to economic growth, and later in this section we show how some specific ICT services such as flexi-working can deliver immediate (direct) environmental and social benefits. However, the wider (consequential) environmental impacts may not all be positive, as the Forum for the Future's assessment of [Sustainable Development in Broadband Britain](#) shows.

Certainly, the UK has a long way to go to decouple economic growth from its environmental footprint, and data presented by the UK Sustainable Development Commission shows no improvement in life satisfaction despite a 75 per cent growth in Gross Domestic Product (GDP) since 1973.

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
- ICT should be integrated into the mainstream of sustainable development.

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 workstyles
- The impact of e-business.

For more information on work-life balance, see [Employees](#).

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 is also a major benefit for BT's 9000 plus home-based workers and a growing number of those who occasionally work from home.

BT Conferencing provides all BT's internal phone, video and e-conference facilities, as well as providing conferencing for customers.

Impacts of conferencing

In October 2004, an independent poll of BT people who use conferencing showed that:

- 71% thought their last conference call had definitely or probably replaced a meeting
- 73.5% believed they had saved at least three hours in travel time
- 46% of trips avoided would have been by car
- 78% of trips avoided would have



Sustainability continued

been at peak travel times (showing that conferencing helps to relieve congestion on roads and free space on public transport)

- 35% of meetings replaced would have been in London.

We estimate that every conference call saves a minimum of 32kg of travel-related carbon dioxide emissions. BT conference calls each year save at least 47,400 tonnes of carbon dioxide.

For full data, see [BT Conferencing BT Conferencing Survey Report](#).

For more information on teleconferencing with BT, see [BT Conferencing](#).

Flexible work-styles

Technology enables flexible working that suits the needs of individuals and businesses, giving people the freedom to work while away from the office with all the resources they need to do their jobs effectively.

We have supported and sponsored the development of workstyle choices for our people for a number of years. More than 9000 BT people are full-time home-based workers, experiencing personal benefits while reducing the environmental impact of their commute.

Here we discuss the pros and cons of teleworking as identified by two linked studies.

An internal BT survey, which acted as a pilot for an external survey conducted by SusTel, on teleworking, funded by the European Union's

Information Society Technology (IST) programme. The survey assesses the economic, social and environmental aspects of teleworking.

SusTel BT Pilot Report

The report summarises an on-line survey (carried out in October 2002) of employees registered with Workabout, BT's official teleworking programme. Answers were received from 1874 people, a response rate of 36.5 per cent.

The main findings of the survey were:

- The majority of respondents felt that they had a better life using 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 job without telework
- Most teleworkers reported an increase in working hours - of over nine hours per week for almost half the respondents. This increased working time was the main reason given by the small minority of respondents 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.

For the full data, see [SusTel Pilot](#)

Report.

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.

The main UK surveys were carried out with the UK airports company, BAA, and BT.

They found that most people reported an improved quality of life, although many teleworkers worked longer hours. The companies also benefited, especially from reduced absenteeism and job turnover. And the survey found a net reduction in travelling despite an increase in teleworkers' personal journeys.

Key points:

- Most respondents felt that teleworking had a positive influence on career development, although a minority (15%) of BT respondents disagreed
- Respondents felt isolated from work colleagues and, to a lesser extent, from non-work contacts - something which did not matter to most of them but did for a large minority of BT staff
- Three of the six case study companies showed major reductions in office space requirements
- Non-work-related journeys resulted in

average additional weekly travel of 60 miles at BT and 16 miles for BAA staff. But average weekly commuting fell by 253 miles at BT and 61 miles at BAA.

More information and full data are available in the [UK SusTel Summary Report](#), or on the [SusTel website](#).

SusTel, in collaboration with BT and other companies in Europe, has also developed the Telework-Sustainability Assessment Tool (SAT). This provides a simple way to assess and improve the sustainability of telework programmes in organisations.

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 has fallen by 42 per cent since 2000.

Paper consumption

Since the summer of 2004 all our copier paper has been produced from 70 per cent recycled post-consumer waste collected in London. This stock provided 66.7 per cent of the copier paper we used last year.

Our billing and telephone directories operations account for most of our consumption of print and paper. The use of paper in phone books has risen by 30 per cent, compared with the 2004 financial year. This is because

the books, which are reprinted every year and delivered to every UK household, now include a classified advertising section. Our billing operations saw an increase in consumption of 13 per cent, which includes billing undertaken by BT on behalf of our customers.

Despite these increases, resulting from changing business models, we have seen significant reductions since April 2000.

- From increased use of email and e-business: internal printing has decreased by 42%
- the use of paper forms has decreased by 62%.

And from efficiency gains:

- Billing has reduced by 19%
- Printing for customers has reduced by 46%.

See [Data and targets](#).

Customer solutions

Online Directory

BT's on-line 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 on-line 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 by planting trees on behalf of those who signed up for this service. Following the success of this pilot, we are extending the offer to residential customers during the 2006 financial year.

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>.



Sustainability continued

Sustainable Development in Broadband Britain

During the financial year 2004, we asked Forum for the Future to look at broadband from a sustainable development perspective. Taking social, economic and environmental concerns together, we wanted to know 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.

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.

The full presentation is available here as a [PDF download](#). See what actions have been taken which address some of the recommendations made in the Forum for the Future report.

ACTNOW partnership

The UK Regional Development Agencies see e-business as key to economic development. BT has worked with the South West Regional Development Agency with considerable success to spread broadband to remote rural areas. Through the Cornish partnership ACTNOW, a total of nearly 45,000 broadband connections have been set up since the project began in 2002. Many of these connections are to small businesses in Cornwall, 76 per cent of which claim they have experienced direct economic benefits.

It is estimated that the project has created or safeguarded over 3300 jobs and made a £39 million impact on regional GDP.

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, ISO9001 and OHSAS18001, 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.

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**
- **Forum for the Future**
- **Green Alliance**
- **Business for Social Responsibility**
- **Global e-Sustainability Initiative**

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](#).

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 bribery and corruption, human rights, labour and the environment
- 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.



Data and targets



let's make a
better
world

Data and targets

In this section you will find:

- BT's 12 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

Our 12 non-financial key performance indicators (KPIs) are designed to provide a quick overview of BT's social and environmental performance. They help you understand what our stakeholders, and we, consider to be the most important issues.

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 site.

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 derived from a consultation involving report users such as investors, customers and employees, together with outside experts such as the [BT Leadership Panel](#). Our 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).

In the 2005 financial year, one new indicator was added and several existing KPIs were changed:

- For the first time we have included a measure of our sickness absence rate
- We have broadened our Significant Incident Rate KPI to cover all Lost Time Injuries
- an Employee Engagement Index (replacing the People Satisfaction Index)
- an Ethics Performance Measure (replacing the Awareness of Business Practice target).

We will be carrying out a major review of all KPIs in the 2006 financial year.

Summary

This performance relates to the 2005 financial year, compared with 2004:

- Customer dissatisfaction down
- Broadband now available to of all UK homes and businesses, up to over 95%
- Employee Engagement Index up to 65% from 64%
- Increase in the percentage of ethnic minority employees from 8.9% to 9.2% and disabled employees from 2.1% to 2.2%, though the percentage of

women declined from 22.7% to 22.4%

- Global Warming CO2 emissions down
- Waste to landfill down
- Lost Time Injury rate per 100,000 hours worked is 0.480 cases, compared to 0.620 in the 2004 financial year
- 240 Ethical trading risk assessment questionnaires completed by suppliers with 100% follow up
- Ethics Performance Measure of 70%
- Direct community investment of £9.1 million plus £11.7 million in further funding and support in kind.

Below is a summary of our performance in the KPIs during the 2005 financial year. More detailed information can be found by following the links to the relevant sections.

Customers

We did not meet our target to reduce customer dissatisfaction by 25% a year over the 3 years to the 2005 financial year, a key target in our drive to deliver the highest levels of customer satisfaction. However, we still managed a creditable reduction of 23% on a compound annual basis over the past 3 years.

BT is determined to spread the benefits of broadband as widely as possible. Broadband is now available to 95% of UK homes and businesses. By the summer of 2005 we expect to have extended coverage to 99.6% of the UK population.

Employees

People continue to feel committed and satisfied with working for BT.

During the 2005 financial year, we introduced a new Employee Engagement Index, replacing the People Satisfaction Index. The new index helps us understand how engaged or disengaged a team is and covers issues such as team working; senior management and communication and work-life balance.

We have achieved our target of sustaining 8% of our employees being from an ethnic minority background, which rose to 9.2%. However, whilst the number of disabled employees in BT rose from 2.1% to 2.2%, we failed to meet our target to increase the level of disabled employees to 2.5%. Similarly, we failed to increase the representation of women in BT as a whole, which has fallen from 22.7% to 22.4%. 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 87 accidents per 10,000 full time employees in the UK to 61 this year.

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.

Two hundred and forty ethical trading risk assessment questionnaires have been completed and 11, 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.

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 £9.1 million to activities in direct support of society, plus £11.7 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.

We are expecting the roll out of broadband to increase our electricity use - though investment in energy efficiency enabled us to minimise the overall increase in consumption to 3.1% during the 2005 financial year.

We have set a target to cap our 2010 CO2 emissions at 25% below those of 1996. This compares favourably with the UK Government's own target for CO2 reduction of 20% below 1990 levels by 2010. BT's global warming CO2 emissions are now 53% less than

the level they were at in 1996. Also important is the disposal of our waste. This year we have increased the percentage of the total waste we recycle from 26% to 34% and reduced our waste going to landfill from 79,677 to 73,201 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.

During the 2005 financial year, we developed an Ethics Performance Measure (EPM). It includes our existing Awareness of the Statement of Business Practice measure, plus an external benchmarking study and two questions from our annual staff attitude survey. It moves us away from a purely perception-based measure towards one of performance. Our target is 71% in 2006.

Download the [KPI performance data and targets sheet](#) as a PDF document



Key performance indicators and targets

Category	Indicator	2005	2004	2003	Target 2006
Customers	Customer Dissatisfaction – against an objective of reducing the number of dissatisfied customers by 25% per year over three years	23% compound reduction*	29% compound reduction*	37% compound reduction*	To increase the number of extremely and very satisfied customers by 5%†
Employees	Employee Engagement Index – a measure of the overall success of BT's relationship with its employees	65%	64%	Not available‡	To achieve 66% by March 2006
	Diversity – a measure of the diversity of the BT workforce	22.4% Women (22.1% of senior) 9.2% Ethnic Minority (8.1% of senior) 2.2% Disabled (0.7% of senior)	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 (7.0% of senior) 2.0% Disabled	To maintain or improve on the figures for the 2005 financial year
	H&S: Lost Time Injury Rate – rate of Lost Time Injury Incidents expressed as a rate per 100,000 hours worked on a 12-month rolling average	0.480 cases per 100,000 working hours	0.620 cases per 100,000 working hours	0.885 cases per 100,000 working hours	Reduce to 0.41 cases per 100,000 hours during the 2006 financial year
	H&S: Sickness Absence Rate – percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.68% calendar days lost to sickness absence	3.06% calendar days lost to sickness absence	3.44% calendar days lost to sickness absence	Reduce to 2.57% calendar days lost due to sickness absence during the 2006 financial year
Suppliers	Supplier Relationships – a measure of the overall success of BT's relationship with its suppliers	Not available‡	94%	Not available‡	To repeat a measure in the 2006 financial year and achieve more than 90%
	Ethical Trading – a measure of the application of BT's supply chain human rights standard	240 risk assessments with 100% follow-up ^Δ	242 risk assessments with 100% follow-up ^Δ	31 risk assessments with 100% follow-up ^Δ	To achieve 100% follow up within three months for all suppliers identified as high or medium risk ^Δ
Community	Community contribution – a measure of our investment in society	£20.8m in funding and support in kind	£18m in funding and support in kind	£26.1m in funding and support in kind	Maintain a minimum investment of 1% of pre-tax profits
Environment	Global Warming CO₂ emissions – a measure of BT's climate change impact	53% below 1996 levels	42% below 1996 levels	40% below 1996 levels	Cap 2010 CO ₂ emissions at 25% below 1996 levels
	Waste to landfill and recycling – a measure of BT's use of resources	73,201 tonnes to landfill (66%) 37,408 tonnes recycled (34%)	79,677 tonnes to landfill (74%) 27,626 tonnes recycled (26%)	89,878 tonnes to landfill (76%) 27,809 tonnes recycled (24%)	By 31 March 2006, we will increase the waste recycled by 5% (recorded in tonnes)
Digital Inclusion	UK Addressable Broadband Market – a measure of the geographical reach of broadband	95% UK homes and businesses	More than 85% UK homes and businesses	67% UK homes and businesses	Broadband available to exchanges serving 99.6% of UK homes and businesses by summer 2005
Integrity	Ethical Performance Measure – a measure of our progress in acting with integrity	70%	Not available‡	Not available‡	To achieve 71% by March 2006

* revenue weighted

† this is a revenue-weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2005 levels

‡ measure not used that year – see archived reports for earlier measures

^Δ risk assessments are based on completed questionnaires



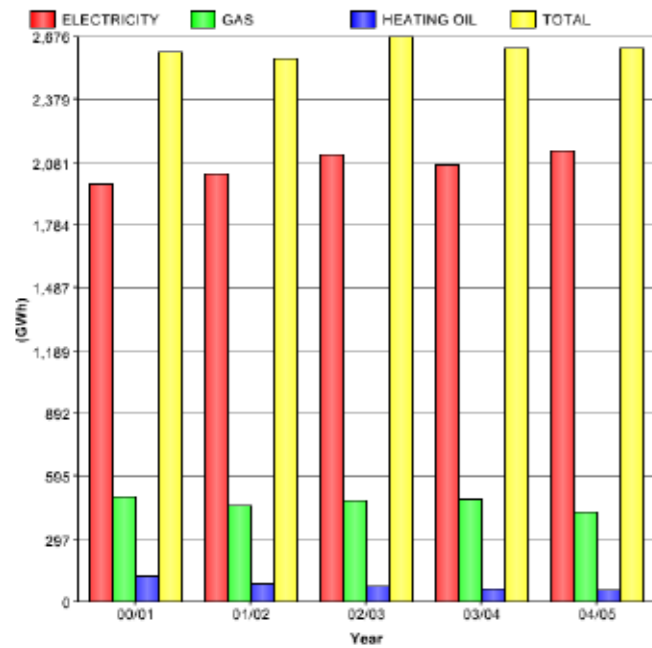
Information and data on this page has been verified by Lloyd's Register Quality Assurance Limited

Data and targets

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.

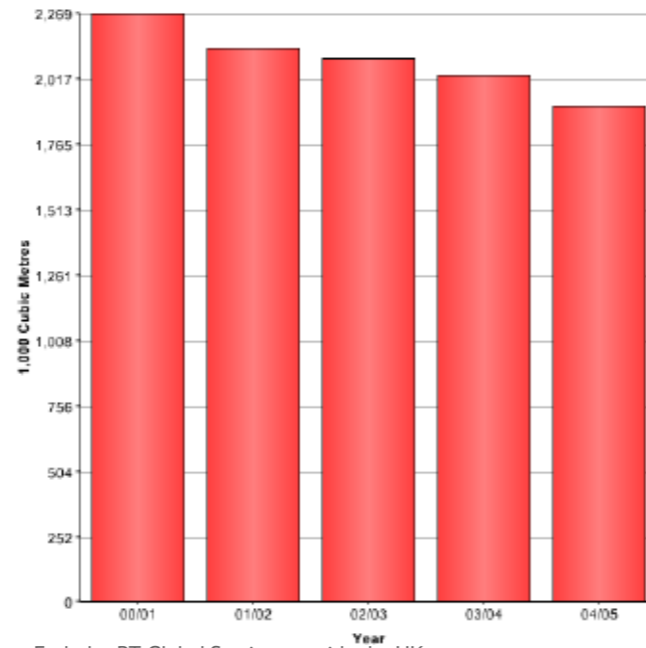
Fuel, energy and water

Energy consumption by BT's network & estate



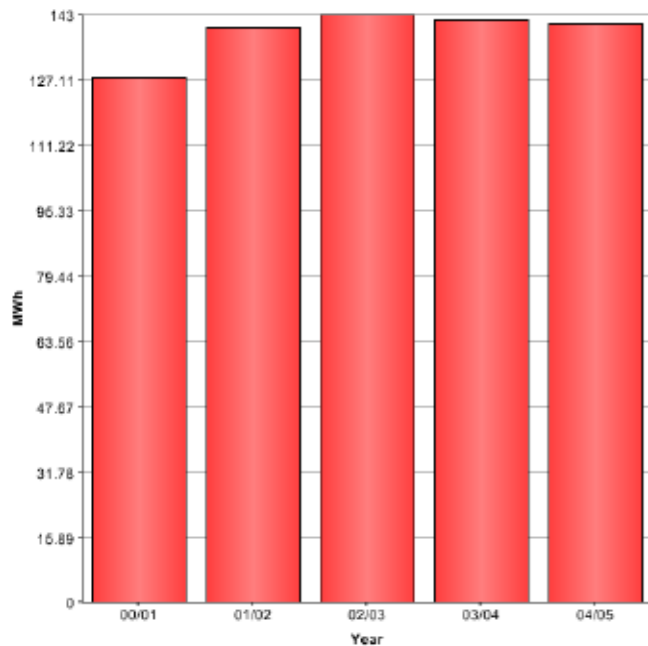
Excludes BT Global Services outside the UK.
 Source: Invoices (not weather corrected). Figures include BT plc, BT Northern Ireland & Manx Telecom. Figures exclude Subsidiary companies and BT Tenants

Water used by BT's network & estate



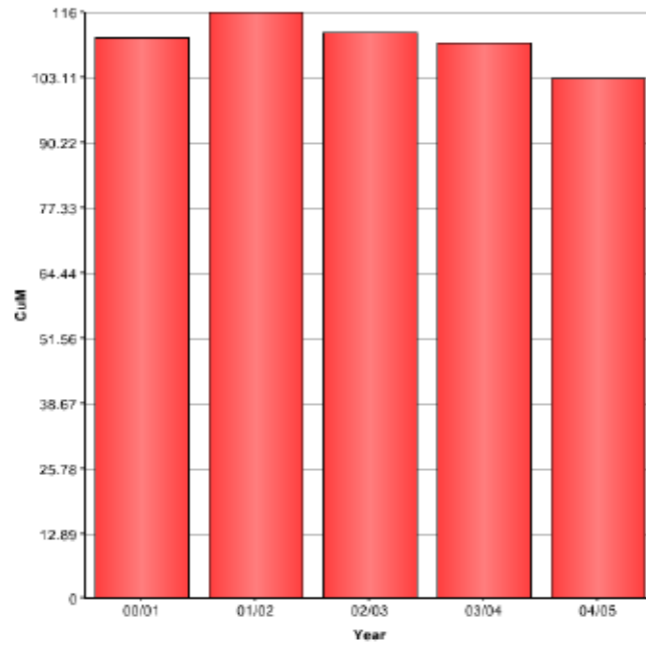
Excludes BT Global Services outside the UK
 Source: Invoices (not weather corrected). Figures include BT plc, BT Northern Ireland & Manx Telecom. Figures exclude Subsidiary companies and BT Tenants

Energy Consumed per £m Turnover



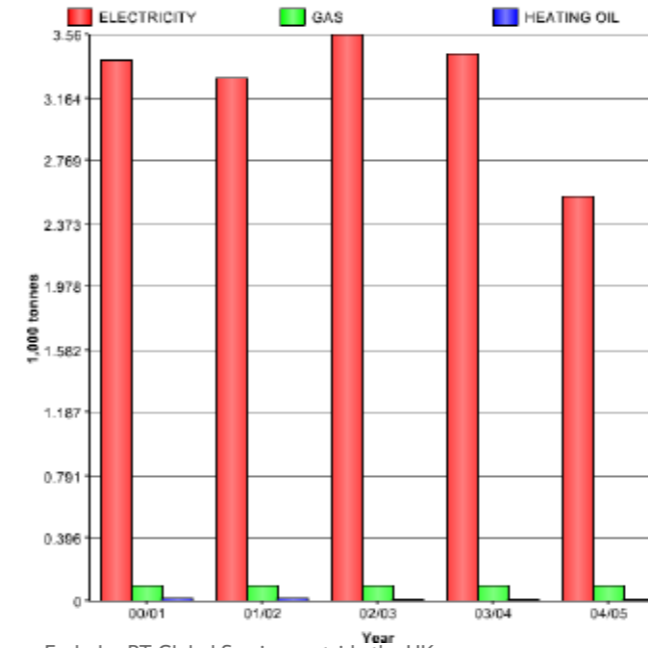
Excludes BT Global Services outside the UK
 Source: Annual Report & Accounts, Energy Database

Water use per £m Turnover



Excludes BT Global Services outside the UK.
 Source: Annual Report & Accounts, Energy Database

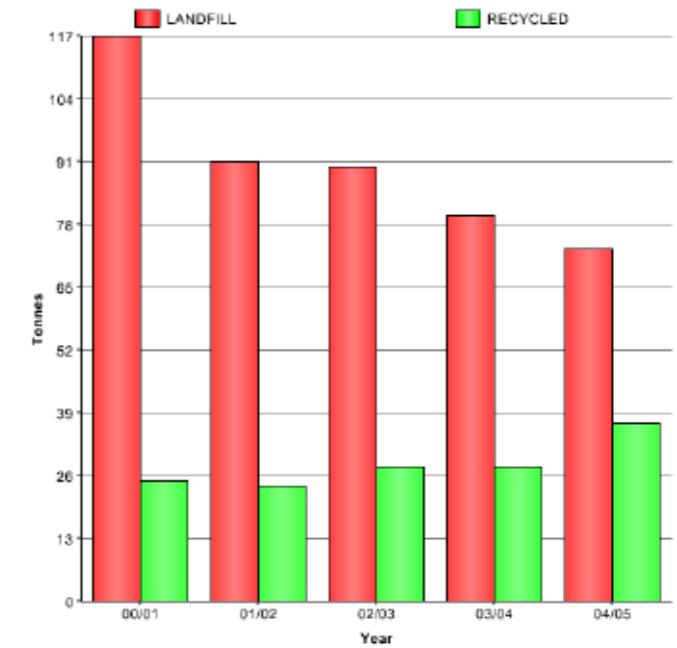
Approximate Emissions of Nox



Excludes BT Global Services outside the UK
 Source: Emissions derived using Government conversion factors. Figures include BT plc, BT Northern Ireland & Manx Telecom. Figures exclude Subsidiary companies and BT Tenants

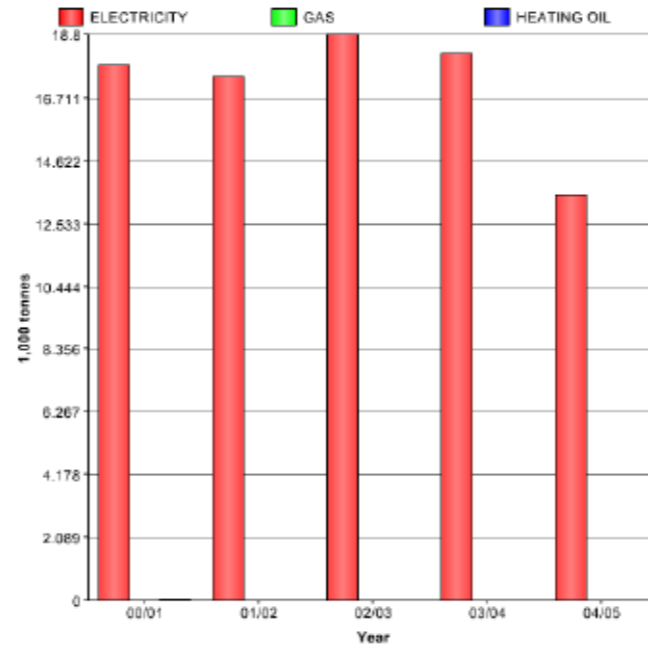
Waste

Waste arising and management



Excludes BT Global Services outside the UK.
 Source: Contractors

Approximate Emissions of SO2



Excludes BT Global Services outside the UK
 Source: Emissions derived using Government conversion factors. Figures include BT plc, BT Northern Ireland & Manx Telecom. Figures exclude Subsidiary companies and BT Tenants

Data and targets

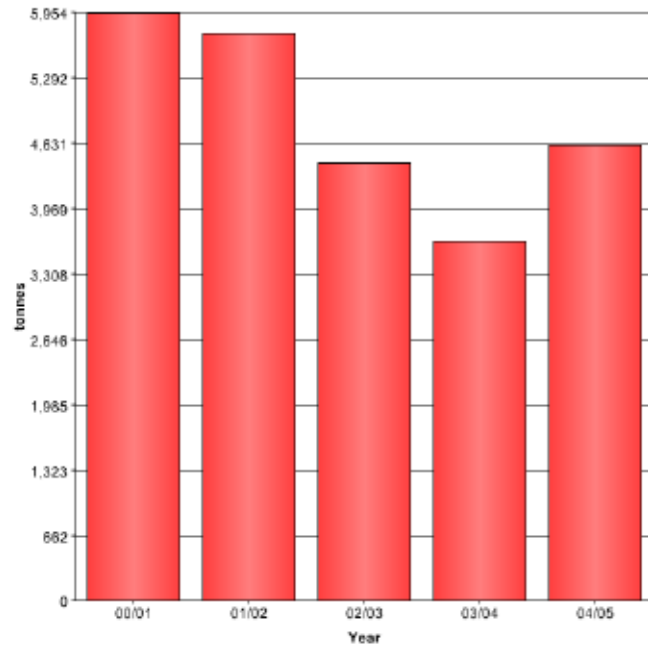
Waste Type (tonnes)	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005
Cable					
Switchboard cable	931	817	685	559	630
Mixed cable	1227	1284	965	577	1411
Aerial Self Supporting cable	932	744	874	806	728
Polythene covered cable	800	663	790	765	699
Lead covered cable	471	697	235	259	203
Optical fibre cable	1198	1204	746	474	670
Blown fibre cable	395	346	138	204	285
Total	5954	5756	4434	3645	4626
Telephone exchange equipment					
Miscellaneous equipment	935	1007	823	537	1906
Miscellaneous Metals	1293	1004	1202	912	2082
Payphone equipment	136	172	223	38	218
Telephones	580	516	431	464	697
Total	2944	2700	2679	1952	4902
Office & Packaging waste					
Office Paper	2116	1790	6264	1379	1277
Cardboard	1050	2250	1366	6288	5792
Plastics	31	Nil	14	34	0
Toner Cartridge	39	43	50	16	13
Silica desiccant	34	8	10	5	4
Aluminium cans	2	2	2	14	10
Plastic cups	12	11	12	15	9
Total	3284	4104	7719	7751	7105
Batteries					
Ni-cad rechargeable batteries	8	20	16	34	27
Exchanged lead acid batteries	4281	3483	2632	3408	3536
Vehicle Lead Acid Batteries	26	47	61	35	37
Total	4315	3550	2708	3477	3601

Waste Type (tonnes)	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005
Transport related waste					
Lubricating oil	209	202	246	241	256
Oil filters	52	28	90	71	86
Antifreeze/water mixture	8	6	21	8	11
Brake fluid	2	1	1	1	1
Mixed fuel	18	15	3	2	4
Oil contaminated waste	7	8	12	12	12
Paint solvent/thinners	1	0	0	1	0.11
Tyres	545	496	404	485	438
Total	842	755	777	822	808
Misc Electrical Equipment					
General Scrap Metal		1213	853	1411	4416
Telephone directories	442	616	359	268	920
Telegraph Poles	3852	3926	6551	5103	6122
Computing Equipment	104	832	443	755	1470
Clothing	2	3	3	2	0
Catering Oil			80	44	25
Other (eg wood, glass, etc)				25	21
Catering Equipment				19	15
Fluorescent Tubes					11
Total	4400	6590	9112	9069	16378
Total waste recycled	21738	23456	27429	26714	37421
General Waste	117196	90900	89878	79677	73201
Total weight for all catagories	138934	114356	117308	106391	110622
Waste recycled (as % of total waste)	18%	21%	24%	26%	34%
Total income	£4.0 million	£4.2 million	£4.26 million	£3.9 million	£2.9 million
Total expenditure	£7.0 million	£8.1 million	£8.29 million	£9.9 million	£7.4 million
Landfill tax savings	£0.28 million	£0.3 million	£0.36 million	£0.38 million	£0.54 million
Total savings/costs	- £2.7 million	- £3.6 million	- £3.7 million	- £5.6 million	- £3.96 million

Data and targets

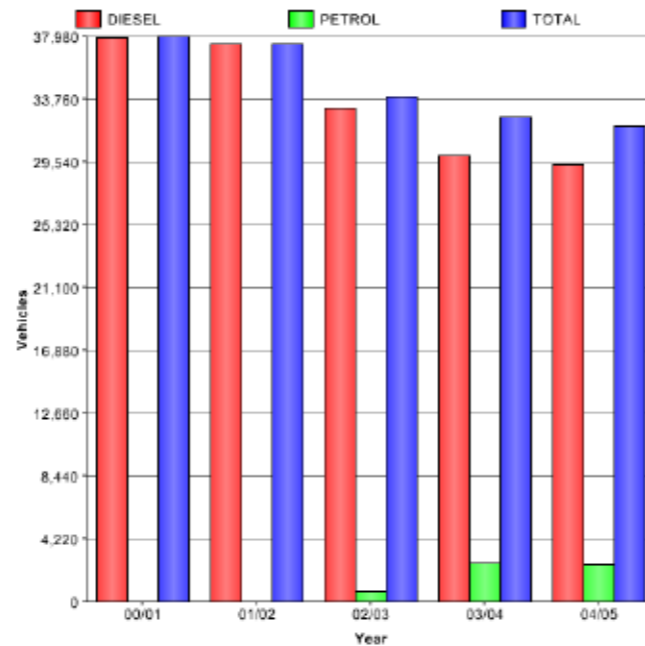
Transport

Quantities of scrap cable recovered for recycling



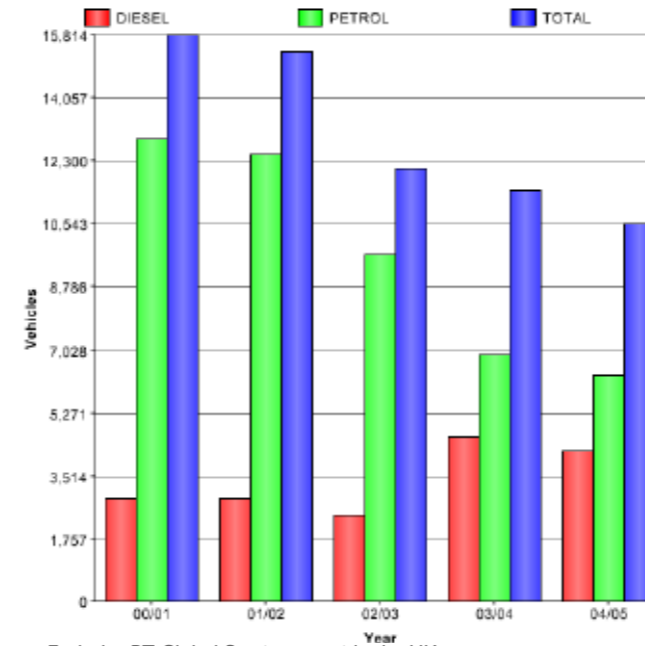
Excludes BT Global Services outside the UK.
Source: Contractors

Number of Vehicles in BT's Commercial Fleet



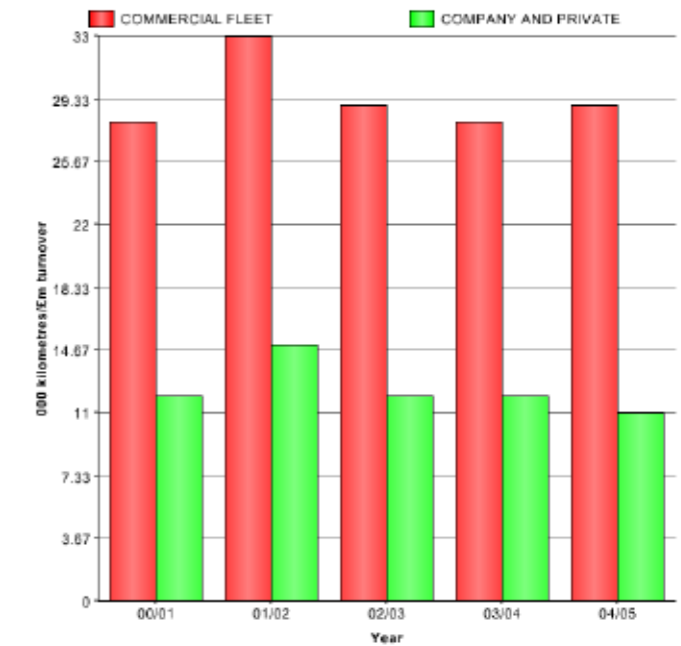
Excludes BT Global Services outside the UK
Source: BT's Vehicle Database

Total Number of Vehicles in the Company Car Fleet



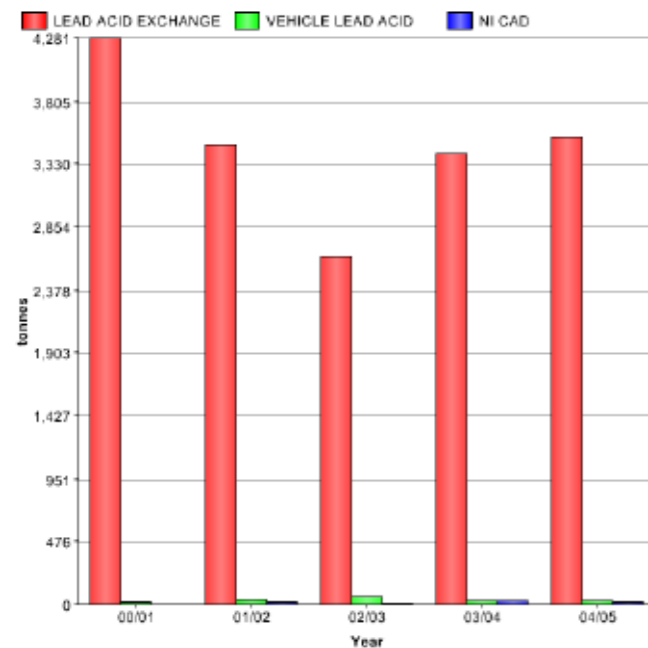
Excludes BT Global Services outside the UK.
Source: BT's Vehicle Database

Distance Travelled per £m Turnover



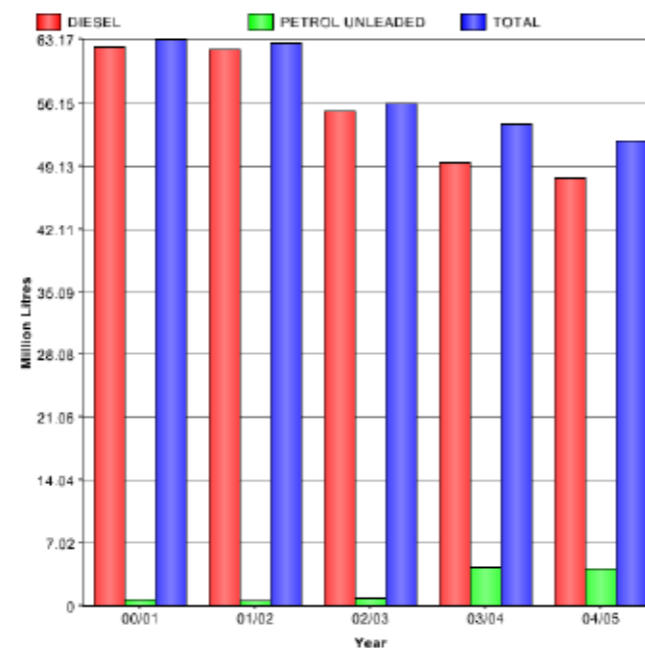
Excludes BT Global Services outside the UK
Source: Annual Report & Accounts, Transport Database

Quantities of batteries recycled



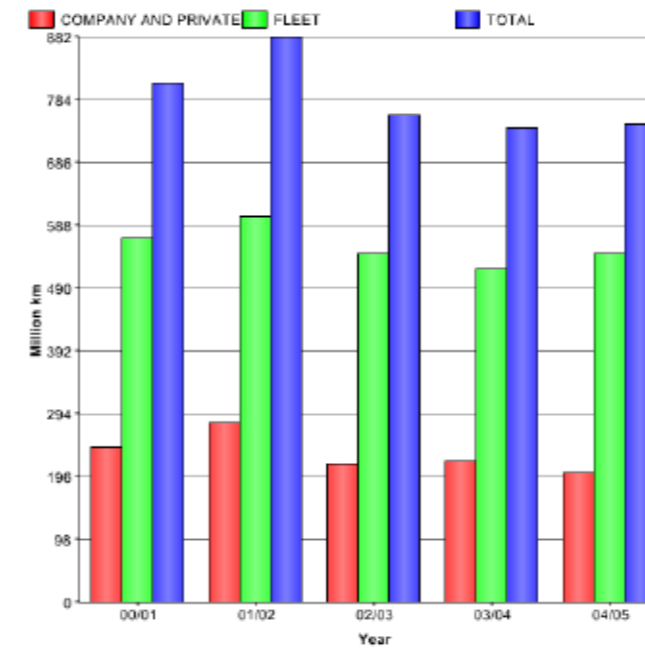
Excludes BT Global Services outside the UK.
Source: Contractors

Fuel used by BT's Commercial Fleet



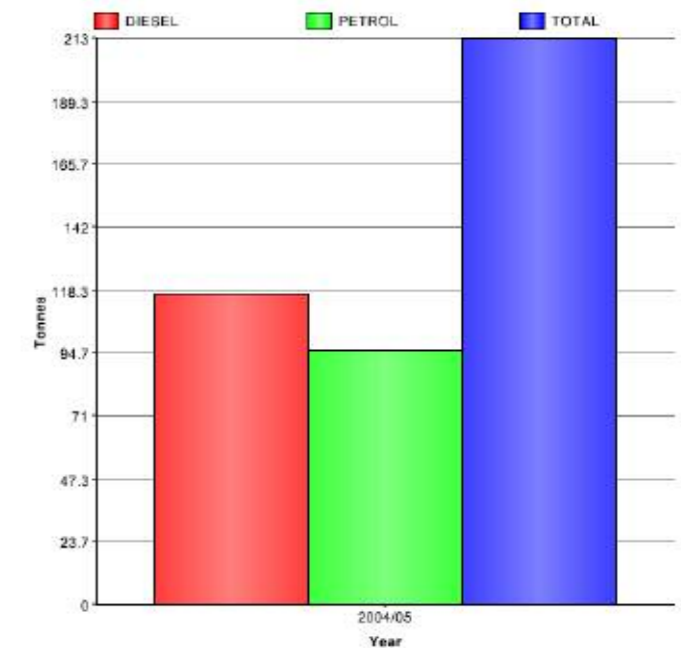
Excludes BT Global Services outside the UK
Source: BT's Vehicle Database

Distance Travelled by the Commercial Fleet, Company Cars & Private Vehicles on BT Business



Excludes BT Global Services outside the UK.
Source: BT's Vehicle Database & Business Expense Claims

Transport emissions by Commercial Fleet, Company Cars & Private Vehicles on BT Business



Excludes BT Global Services outside the UK.
Source: NETCEN (AEA Technology)



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Data and targets

Emissions to Air

CO2 Model

BT Carbon Dioxide (CO2 equivalents) Model

Base Year

	96/97	00/01	01/02	02/03	03/04	04/05
Emission Source	Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)
Electricity	1,202,340,000	870,616,653	643,384,535	625,042,555	596,870,724	440,251,967
Gas	110,770,000	95,606,308	87,599,284	91,629,939	92,599,797	81,196,740
Oil	66,500,000	31,149,226	21,863,202	18,597,767	15,677,851	14,352,750
Commercial Fleet Diesel	167,232,000	165,411,269	166,479,057	146,286,919	131,282,272	126,699,464
Commercial Fleet Petrol	18,480,000	1,730,012	1,491,142	2,115,145	9,951,175	9,603,799
Company Car Diesel	24,021,000	6,539,183	6,120,716	7,794,778	8,182,973	11,153,473
Company Car Petrol	16,296,000	30,378,257	38,127,971	25,238,685	25,513,068	17,303,091
Cars on BT Business (Diesel)	Note 1	794,318	822,231	581,916	600,521	600,826
Cars/Motorcycles on BT Business (petrol)	Note 1	4,710,125	4,954,311	3,508,096	3,584,361	3,785,867
Refrigeration Gas	Note 2	9,634,849	11,312,680	6,422,045	7,613,771	10,170,556
Rail travel	Note 2	11,331,224	11,159,653	11,873,532	12,168,782	13,484,611
Air Travel (short haul)	Note 2	10,375,194	7,666,251	5,544,424	4,711,583	6,006,193
Air Travel (long haul)	Note 2	14,674,189	5,638,300	3,982,182	7,000,831	9,866,11
Hire Cars (Diesel)	Note 2	23,954	943,227	1,745,243	1,163,209	2,670,362
Hire Cars (Petrol)	Note 2	2,888,259	20,154,402	8,726,216	12,316,408	12,777,391
Total CO2 emissions (kgs)	1605639000	1,255,863,020	1,027,716,962	959,089,442	929,237,325	759,923,191
Total CO2 emissions (Mtonnes)	1.61 Mtonnes	1.26 Mtonnes	1.03 Mtonnes	0.96 Mtonnes	0.93 Mtonnes	0.76 Mtonnes

Source Invoices, BT vehicle database, BT refrigerants database, BT expenses unit, BT travel management, DETR, AEAT NETCEN

Notes 1 Included in company car data

Notes 2 Data not available



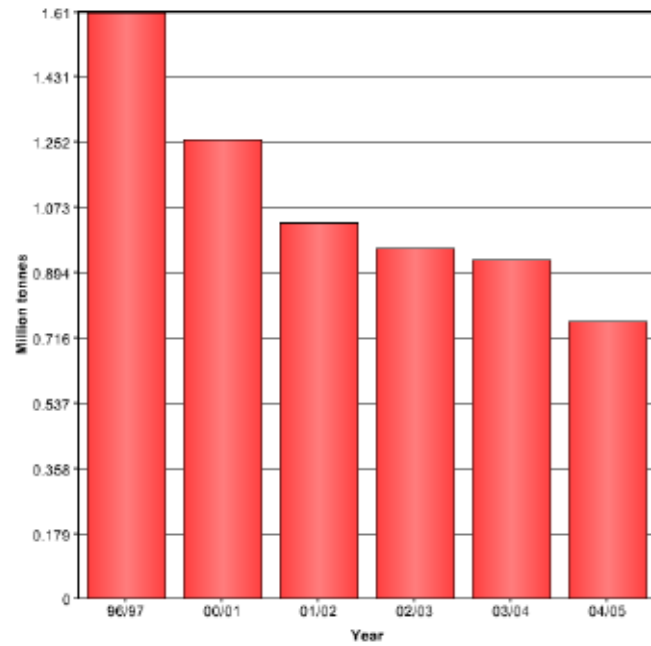
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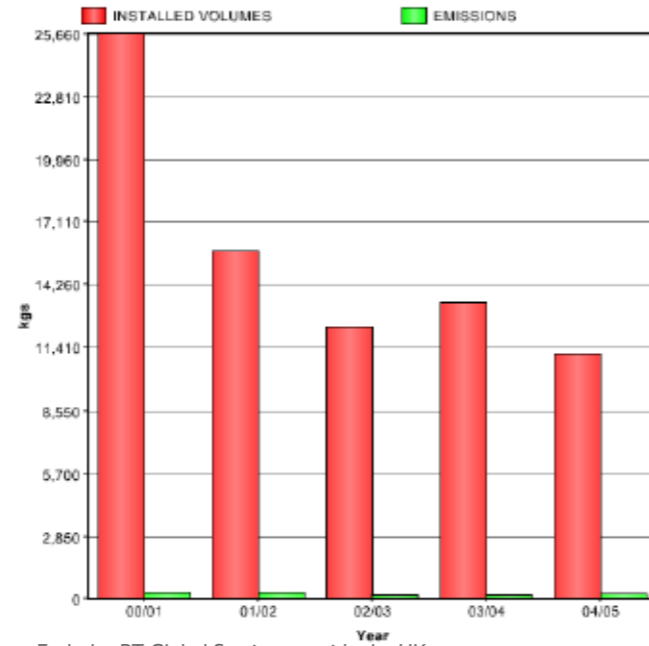
Data and targets

CO2 equivalent emissions



Excludes BT Global Services outside the UK. (96/97 is the CO2 target base year)
Source: Invoices, BT vehicle database, BT refrigerants database, BT expenses unit, BT travel management, DETR, AEAT NETCEN

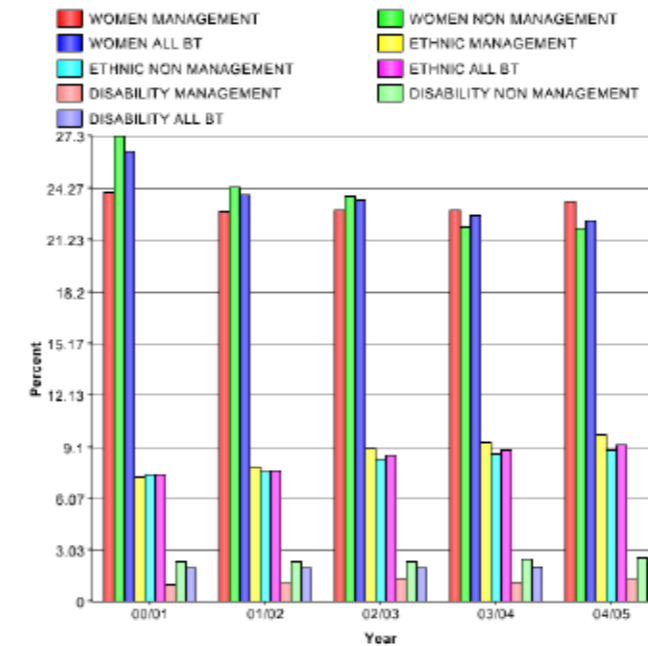
CFC-11 equivalent emissions



Excludes BT Global Services outside the UK.
Source: Refrigerant database

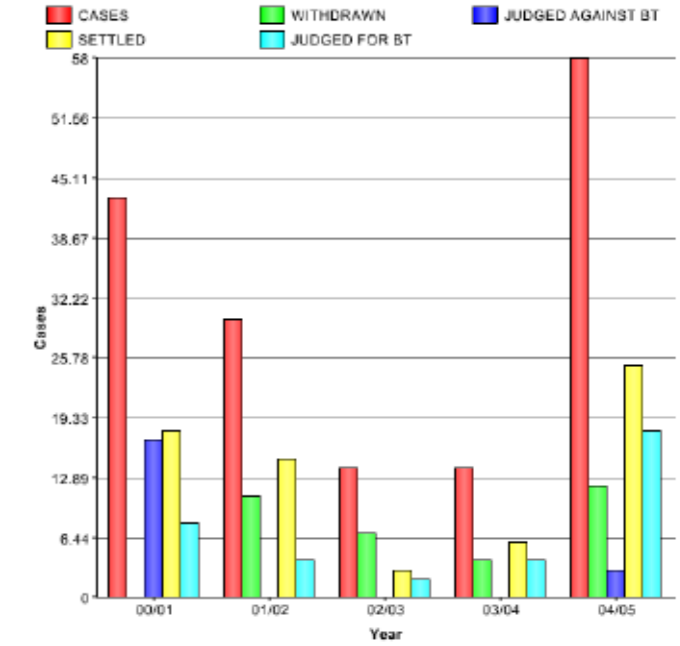
Employment

Diversity



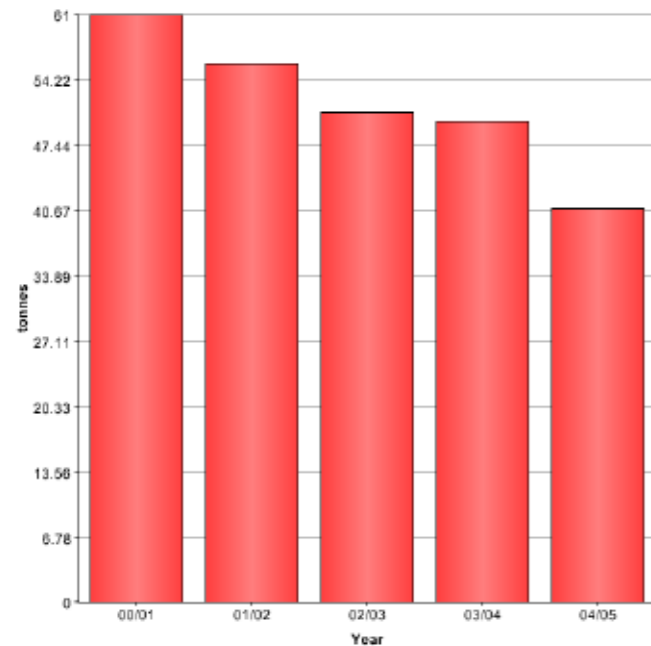
Source: Accenture database

Discrimination Litigation



Source: Group legal

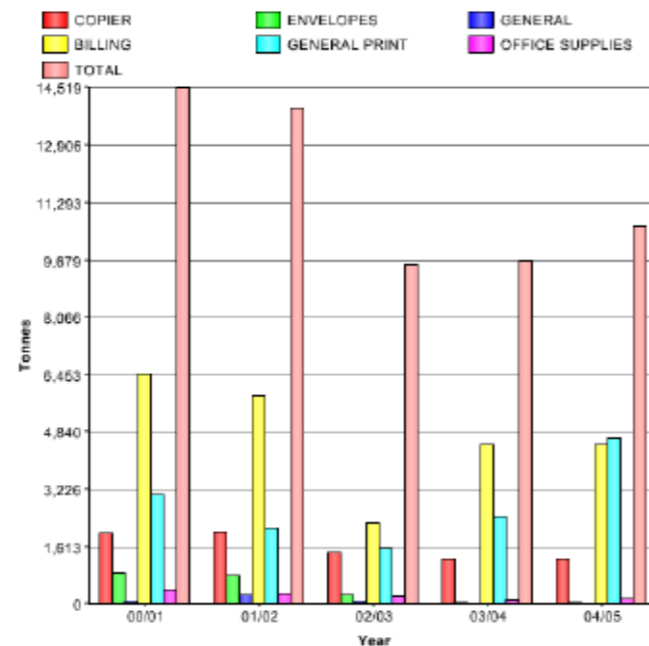
CO2 per £m Turnover



Excludes BT Global Services outside the UK.
Source: Annual Report & Accounts, CO2 Model

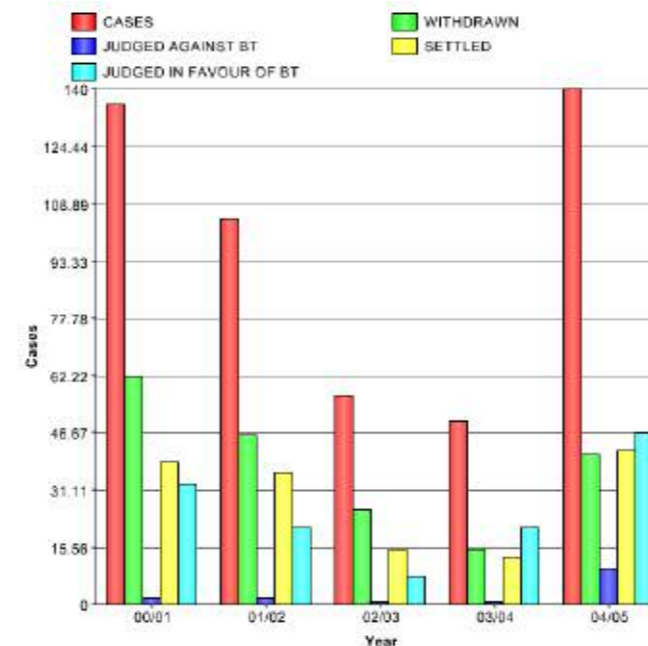
Benefits

BT Paper Consumption



Excludes BT Global Services outside the UK
Source: BT Buyers

Employee Tribunal cases

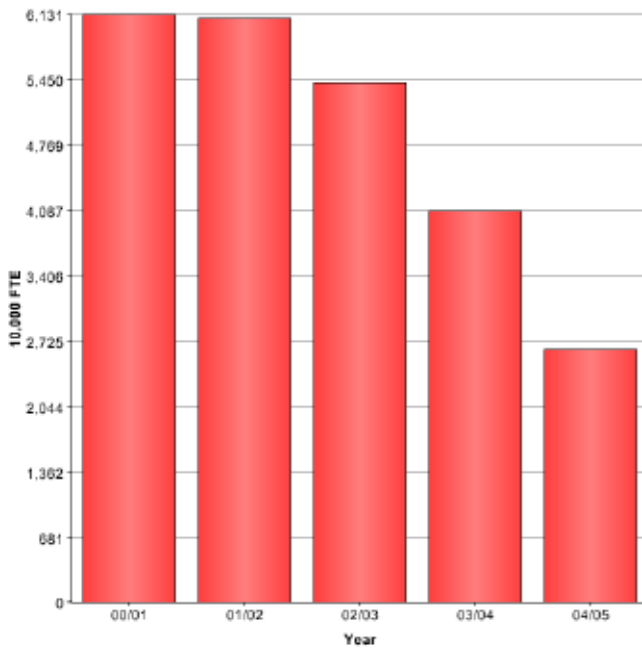


Source: Group legal

Data and targets

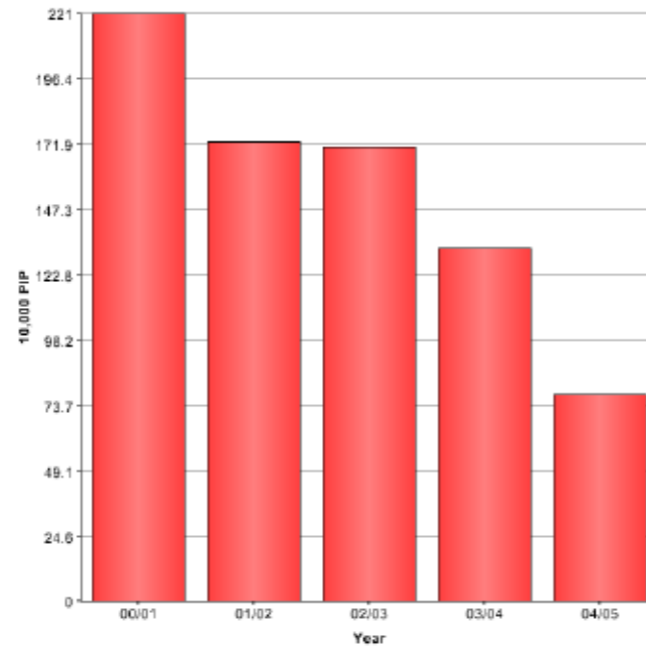
Health and Safety

Sick Absence due to Accidents



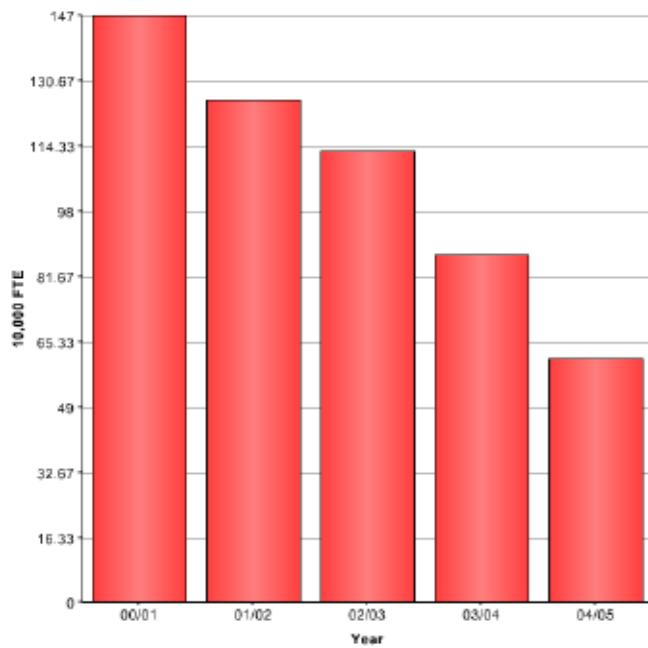
All figures (from 03/04 onwards) are now global
Source: Accenture database

Ill health cases with OHS referral



All figures (from 03/04 onwards) are now global
Source: Accenture database

Significant incident cases



All figures (from 03/04 onwards) are now global
Source: Accenture database

International Data

Bt Global Services Energy, Water and Waste data

	Electricity	Gas	Oil	Water	Waste	Waste
	kWh	kWh	litres	litres	Hazardous / Special Tonnes	General Tonnes
Spain	1,208,739	0	0	5,700,000	0.09	20
Switzerland	70,443	0	0	0	0	4.16
Americas	4,137,289	0	0	1,399,360	0	0
Germany	63,500,000	0	0	0	0	341
Hong Kong	276,554	0	0	0	0	0
Taiwan	47,042	0	0	467,000	0	0
Seoul	11,032	0	0	0	0	0
Beijing	2,400	0	0	0	0	0
Tokyo	149,781	0	0	0	0.3	5.8
Singapore	129,705	0	0	0	0	8
KL	29,456	0	0	0	0	0
Bangkok	159,822	0	0	0	0	2
Manila	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
India	234,396	0	0	18,431	0	0
Sydney	487,715	0	0	1,182,800	0	13
Melbourne	82,656	73,061	0	16,425	0	0
Netherlands	29,265,463	504,961	500	8,693,000	0	149
Ireland	21,662,184	1,424,774	796	0	0	233.1
CEE	303,114	0	100	0	0	0
France	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
TOTALS	121,757,791	2,002,796	1,396	17,477,016	0	776

Notes 1 Data insignificant. Manila operations comprise 6 people in a shared office.

Notes 2 Data not available



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Data and targets

Target status report

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 2004 Social and Environmental report included 45 targets. Of these, 33 were completed, 3 remain on target, 2 are delayed and 7 failed.

We have introduced 58 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 2005	March 2006	To help embed CSR into the business and ensure that corporate responsibility becomes part of our day-to-day activities, we will ensure that due consideration to CR opportunities and risks are included as a part of our business case authorisation process and our integration process for newly acquired businesses coming into Global Services (Albacom, Infonet and Radienz). Additionally, we will ensure that awareness of CR is raised through focussed communication across Global Services.		New
April 2005	March 2006	95% of managers and 90% of team members will have completed regulatory compliance training.		New
April 2005	March 2006	We will increase our Ethics Performance Measure score to 71% from 70%.		New
April 2004	March 2005	We will maintain the awareness of the BT Statement of Business Practice (The Way We Work) amongst UK-based employees at a minimum of 75%.	Survey for all employees shows awareness of >75%.	Completed
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).	A new index has been developed.	Completed
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.	Global have undertaken a separate survey for people outside the UK.	Completed

Community

Target start date	end date	Description	Update	Target status
April 2005	March 2006	We will provide a minimum of 1% of our 2004 financial year UK pre-tax profits to activities in support of society, either through direct funding or through support in kind.		New
April 2005	March 2006	We will extend the existing sponsorship of an Indian school programme (based in a deprived area of Delhi) to a second school in Pune.		New
April 2005	March 2006	We will launch the LifeLines India community investment programme (in support of the UN Millennium Development Goal, aimed at bridging the digital divide in a developing country).		New
April 2005	March 2006	We will extend our volunteering and charity matching activities to employees based internationally to give something back to the key communities in which we are present around the globe. Following research on local fit, a programme of country implementation with appropriate volunteering and charity matching activities, funding and measures will be agreed with the Global Services Executive.		New
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 target was achieved with a total figure of £20.8 million representing 1.1% of pre tax profits for the 2004 financial year.	Completed



Data and targets

Customers

Target start date end date	Description	Update	Target status
April 2005 March 2006	We will increase the number of extremely and very satisfied customers by 5% and limit the levels of dissatisfaction to March 2005 levels (revenue-weighted measure).		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.	Despite failing to achieve this target, we still managed a creditable reduction of 23% on a compound annual basis over the past 3 years.	Failed

Employees

Target start date end date	Description	Update	Target status
April 2005 March 2006	We will achieve a 4% reduction in the incidences of ill health meriting referral to occupational health which may be possibly attributable to work activity within the UK expressed as cases per 10,000 people in post.		New
April 2005 March 2006	We will maintain or improve on our 2005 representation levels of women, ethnic minority and disabled employees.		New
April 2005 March 2006	We will maintain or improve representation levels of people over 50 in BT, proportional to that which exists in the UK labour force (currently BT 24.9% and UK Labour force 33.34%).		New
April 2005 March 2006	We will conduct a strategic review of our gender related activities, to understand how we can best focus our resources in future years to improve the representation of women in BT.		New

Employees continued

Target start date end date	Description	Update	Target status
April 2005 March 2006	We investigate whether, or not, the statistical distribution of performance ratings amongst ethnic minority employees is a "normal distribution" (using the ethnically white workforce as a comparison). If this is not the case we shall put in place a plan to start to identify any underlying causes.		New
April 2005 March 2006	We commence a comparison of the demographic distribution of BT ethnic minority employees with the ethnic distribution of the national (UK labour force), in order to understand where, if necessary, we need to prioritise action in future years.		New
April 2005 March 2006	We will work with our Executive Search companies to ensure that they are able to provide diverse recruitment lists for our senior management vacancies.		New
April 2005 March 2006	We will ensure that there is proactive diversity management of the talent pool for executives initially through analysis of sample short lists for executive positions by gender.		New
April 2005 March 2006	We will be continuing to work to ensure that BT's policy and practice reflect the spirit and intent of our disability vision.		New
April 2005 March 2006	We increase the Employee Engagement Index to 66%.		New
April 2005 March 2006	We will achieve a 4% reduction in the total sickness absence expressed as Calendar Days lost.		New
April 2005 March 2006	We will have no successful prosecutions or prohibition notices served against the company.		New



Data and targets

Employees continued

Target start date	end date	Description	Update	Target status
April 2005	March 2006	We will achieve a 15% reduction in the Lost Time Injury rate, expressed as the number of incidents per million working hours.		New
April 2004	March 2005	We will introduce new country-specific diversity training in BT's non-UK operations where culturally and legally possible.	The BTGS Diversity Awareness training is now coming towards the end of it's development stage. The training was pushed back due to operational issues and is now due to be rolled out in Q1 of 2005-6. The UK version of the training is currently being piloted. The 15 country versions, with both specific country legislation and policy, are planned for completion and roll out in June 2005.	Delayed
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 reduction achieved was 56.8%.	Failed
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 reduction achieved was 64.9%.	Completed
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 reduction achieved was 58.5%.	Completed
April 2004	March 2005	We will increase the percentage of BT people that are women to 25%.	Failed, end of year figure was 22.4%.	Failed

Employees continued

Target start date	end date	Description	Update	Target status
April 2004	March 2005	We will hold the percentage of BT people that are from ethnic minorities to at least 8%.	Achieved, with an end of year total of 9.2%.	Completed
April 2004	March 2005	We will understand and address the barriers to greater ethnic minority representation amongst BT's senior management.	We now have a greater understanding of the barriers to representation at the senior level and plans have now been laid to implement a number of actions throughout 05/06, which will address these issues.	Completed
April 2004	March 2005	We will understand and address the barriers to greater female representation amongst BT's senior management.	We now have a greater understanding of the barriers to representation at the senior level and plans have now been laid to implement a number of actions throughout 05/06, which will address these issues.	Completed
April 2004	March 2005	We will undertake health checks on the equality and diversity practices of BT outside the UK	The health-checks have now been incorporated into the development of the Diversity training. The training refers to local and BT wide policy and practice and therefore in the development of the training, a full round up of 15 countries policy and practices was obtained to ensure that we provide local HR policy where possible. Further health-checks on specific "hotspot" areas such as disability will be carried out in 2005/6.	Completed



Data and targets

Environment: Fuel, energy and water

Target start date	end date	Description	Update	Target status
April 2005	March 2006	BT will, subject to planning restrictions and financial viability, develop and install two small-scale wind installations developing direct integration technology solutions with the communication power equipment.		New
April 2005	March 2006	BT will, subject to planning permission, install Photo voltaic electricity generation at one key 21st Century network site evaluating the integration options and output.		New
April 2005	March 2006	We will produce a business case describing the costs and benefits of replacing all network underground fuel tanks with internal double-skinned tanks, over various time-spans ranging from one year to 7 years. This will allow senior management and Finance to make an informed decision as to the best approach to follow.		New
April 2005	March 2006	BT will install and evaluate the benefits of installing remote profile water metering at 20 typical sites.		New
April 2005	March 2006	BT will reduce the energy consumption required in wet heated building by i.e. gas and oil by 2% weather corrected from the 2004/5 outturn. (N.B. excludes network electrical consumption)		New
April 2005	March 2006	Through implementation of energy efficiency measures, BT will implement energy efficiency measures to reduce electrical consumption by 12GWh within the BT Wholesale estate or process estate.		New
April 2005	March 2006	We will pressure test fuel tanks at 400 BT sites.		New
April 2005	March 2006	We will replace 100 underground tanks at high-risk locations with double-skinned internal tanks.		New

Environment: Fuel, energy and water continued

Target start date	end date	Description	Update	Target status
April 2005	March 2006	BT Ireland will complete energy surveys of 50% of its key sites.		New
April 2005	Installation Completion	BT will, as a direct result of the installation of its new 21st Century multi- service access network, deliver a 30% line for line energy reduction.		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.	Completed. PSL have reported they have visited 726 BT sites to perform an Integrity test. This has exceeded the target set at the beginning of the year.	Completed
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 wind energy surveys have all been completed by the Carbon trust with business cases completed as required.	Completed
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.	A Bio diesel blend is currently being trialled at Goonhilly Downs Earth Station, with a view to further roll out where economically and technically viable.	Completed
April 2004	March 2005	We will reduce metered Water used BT in Premises by 2% from 2003/4 out-turn.	A 6.1% reduction in metered water use was achieved exceeding the target of 3% reduction by 3.1%.	Completed
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)	Our heating efficiency improved by 6.54% weather corrected, against our target of 3%. This is the sixth year in a row we have continued to improve our heating efficiency.	Completed



Data and targets

Environment: Fuel, energy and water continued

Target start date end date	Description	Update	Target status
April 2004 March 2005	Through implementation of energy efficiency measures, we will reduce our electrical consumption by 10GWh within the BT Wholesale estate.	Our energy efficiency measures delivered savings of 16.3 GWh this year.	Completed
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).	Our premises energy dropped by 15% to our lowest estate energy usage figure since energy management records started.	Completed
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.	Unfortunately, we only managed to decommission 92 tanks. Additionally, 5 high-risk sites from the Environ action plan were not included.	Failed
April 2002 Sept 2005	We will eliminate all bowsers from the BT fleet, which are used to transport gas oil to remote sites.	It is still our intention to eliminate all existing Bowers from the BT Fleet September 2005. Our Networks fuel tanks will then be refuelled by one of a variety of mechanisms the company has available.	On target

Environment: Waste

Target start date end date	Description	Update	Target status
April 2005 March 2006	We will increase the waste recycled by 5% (recorded in tonnes) based on our 31 March 2005 totals.		New
April 2005 March 2006	We will review the current processes in connection with paper and cardboard recycling to ensure BT is achieving the best possible results in this key area. The review will include the contribution made to recycling figures by using Materials Recovery Facilities.		New
April 2005 March 2006	BT Ireland will have drainage plans at all sites with standby generators.		New
April 2005 March 2006	BT Ireland will investigate the need for, and develop if appropriate, a new recycling route for Aluminium Cans at its key sites.		New
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 EA have now responded and although there are some issues still under discussion, we have progressed the trial at Kings Lynn TEC and the works order has been placed on our external suppliers.	Completed
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 target was exceeded by a considerable amount and we achieved 36% against our target of 5%. This was largely due to initiatives to recover computing equipment, standby generators and mobile engine sets, all of which had a significant impact on the total tonnage recovered for recycling, increasing it by over 10,694 tonnes.	Completed



Data and targets

Environment: Transport

Target start date	end date	Description	Update	Target status
April 2005	March 2006	BT will put into action and provide subsequent recommendations on a field trial that has been developed to assess the fuel economy and driver feedback by limiting the maximum speed to 70mph on a selection of medium size commercial vehicles.		New
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 technical instruction for activating the function has been established from Ford Mo Co along with the production build ranges of BT vehicles that can be suitably adapted. Our service bulletin and managers guides are complete and the pilot is about to go live for 50 vehicles.	Completed
April 2004	March 2005	We will reduce our commercial fleet by 2000 vehicles.	The commercial fleet was reduced by 664 vehicles from 32,633 to 31,969. Although we did not meet our target, given the increases in engineering activity, which resulted in a need for additional employees, we are still pleased with this improvement.	Failed

Environment: Emissions to Air

Target start date	end date	Description	Update	Target status
April 2005	March 2006	BT Ireland will identify the total volume of refrigerant used in its estate cooling plant.		New
April 2005	March 2006	We will maintain a 100% training record for Power Operations WTM's who handle refrigerant. This training can be accredited to either City and Guilds or the CITB.		New
April 2005	March 2006	We will verify the amount of refrigerant stock held by our Facilities contractor Monterey with a view to target setting on usage for 2006/7.		New
April 2005	March 2006	We will control the net usage of HCFC /CFC refrigerant to no more than 4% of the total refrigerant held.		New
April 2005	March 2006	We will reduce the amount of CFC/ HCFC's installed in the BT operational estate by 5%.		New
April 2005	March 2006	We will control the net usage of HFC refrigerant to no more than 9% of the total refrigerant held.		New
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.	Actual achievement was 2.88%.	Completed
April 2003	March 2010	We will reduce our carbon dioxide emissions (measured in tonnes CO2 equivalent) to 25% below 1996 levels.	Current CO2 emissions reduction is 53%, 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.	This target has been completed with an 8.34% reduction in Networks installed CFC/HCFC stock.	Completed



Data and targets

Environment: Procurement

Target start date	end date	Description	Update	Target status
April 2005	March 2006	BT Ireland will assess the potential to replace its current Photocopier paper with 100% recycled paper as per the new BTUK contract.		New
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'.	Action is taken within three months.	Completed

Environment: Product Stewardship

Target start date	end date	Description	Update	Target status
April 2005	March 2006	We will have reviewed the application of the Product Stewardship Generic Standard (GS19) for buying Electrical and Electronic Equipment.		New
April 2005	March 2006	BT will have assessed the RoHS compliance programme for BT Retail.		New
April 2004	March 2005	We will publish its roadmap of compliance to the RoHS Directive.	A WEEE and RoHS Compliance Guide has been published and supplied to over 1000 Product Managers in BT.	Completed
April 2004	March 2005	We will assess a lead free and potentially RoHS compliant product ahead of the 2006 deadline set in the Directive.	A suitable lead test kit has been identified and evaluated. A report was produced following assessment of a telephone and its mains adaptor manufactured using lead based solder and one manufactured using lead free solder. This will now be used to check, when necessary, whether or not our suppliers of Electrical and Electronic Equipment (EEE) are providing products that are manufactured using lead free solder.	Completed

Environment: Local Impacts

Target start date	end date	Description	Update	Target status
April 2005	March 2006	Using the data derived from Local Impact related complaints and enquiries we will instigate an agreed number of root cause analysis focus groups/meetings in order to identify key areas for improvement.		New
April 2005	March 2006	We will have continued our involvement with the Council for National Parks (CNP) in order to assist with delivery of those aspects of the CNP business plan that relate to CNP forum membership commitments.		New
April 2005	March 2006	We will report on the impacts and costs of graffiti and fly posting on our external plant.		New
April 2005	March 2006	We will have completed an appropriate study to determine the specific level of impacts relating to both the aesthetic lighting and the lighting of the various BT facilities within the UK.		New
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.	We have continued to maintain a log of issues that may fall outside our normal CCH process. However, in order to reduce the number of issues falling into the non CCH category we have amended our web contact pages to assist our customers with the correct channels for reporting. This has had a positive impact on the environment helpdesk and issues to the Local Impacts Team have been minimised. We are also measuring the complaints received through CCH channels for trends.	Completed



Data and targets

Environment: Local Impacts continued

Target start date end date	Description	Update	Target status
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.	BT has maintained its membership of the CNP forum and through our membership we have been involved with the agreement of the CNP business plan. We have continued our dialogue with both the CNP and other interested parties and have assisted CNP members with updates on projects that may affect the national parks. We also attended a joint workshop with the Friends of the Lake District and hope to continue communication in this area.	Completed
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 Forum is established. The forum now operates on a quarterly basis as agreed by the Forum members and BT's Local Impacts 'owner'.	Completed

Environment: General

Target start date end date	Description	Update	Target status
April 2005 March 2006	50% of BT Ireland people will complete the CBT environmental awareness training package.		New
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.	We have collated data related to energy/water use for GS activities. At this stage we have not included transport or emissions to air as we've decided to concentrate on our key environmental impacts. Earlier surveys revealed that our activities outside the UK do not have any significant impacts around transport /emissions.	Delayed

Suppliers

Target start date end date	Description	Update	Target status
April 2005 March 2006	We will coach and share best practice with a Tier One Supplier by effecting a joint CSR assessment within the supply chain.		New
April 2005 March 2006	We will hold a workshop with our Tier One Suppliers to share best practice and drive progress towards our CSR standards.		New
April 2005 March 2006	There will be evidence of follow up action taken within 3 months with all suppliers who have been identified as requiring continuous improvement as a result of completing our CSR questionnaires.		New
April 2005 March 2006	We will take forward our dialogue with the NGO/Stakeholder community to drive continuous improvement.		New
April 2005 March 2006	We will repeat a measure of BT's supplier relationship and achieve more than 90%.		New
April 2004 March 2005	We will have analysed responses to our supplier relationship survey and identified areas for improvement.	Analysis completed and copies of The Way We Work sent out to suppliers.	Completed
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.	Action is taken within three months	Completed
April 2004 March 2005	We will establish a trade union and NGO group to provide advice on BT's supply chain human rights activities.	BT, as part of the GeSI (Global e-Sustainability Initiative) Supply Chain Working Group, held a Stakeholder Forum on 8th April 2005. We actively sought feedback on our supplier questionnaire, and the direction of the working group.	Completed



Data and targets

Stakeholder Dialogue

Target start date end date	Description	Update	Target status
April 2005 March 2006	The percentage of BT employees agreeing with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will remain at 90%.		New
April 2005 March 2006	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 51% up from 50%.		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%.	Survey result was 50%.	Failed
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%.	Survey result was 90%.	Completed
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%.	Failed, survey result was 49%.	Failed

Digital Inclusion

Target start date end date	Description	Update	Target status
April 2005 March 2006	Engage with Age and Disability stakeholders to address recommendations of Digital Divide 2025 report.		New
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.	Report for year 02-03 added to betterworld reports section in October 2004.	Completed
April 2004 Sept' 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses. More than 95 per cent of UK homes and businesses are now connected to broadband-enabled exchanges and that figure will reach 99.6 per cent by this summer, putting the UK ahead of any other G7 country in terms of DSL availability.		On target



About the report



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About the report



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, video case studies and our better 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 the Social and Environmental report. It can be downloaded as a pdf file or you can order a printed version (email: yourviews@bt.com).

Chairman's introduction

Helping our customers to benefit from improved communications and increased connectivity continues to be at the heart of BT.

Achieving this responsibly and in a way which contributes to society is important to us. This year there have been a number of accomplishments that demonstrate this commitment.

For example, broadband. We are confident that we will connect virtually every UK community during 2005, which is a vital part of the role we play in spreading the benefits of broadband. And we have made real progress with our digital inclusion initiative, Everybodyonline, which is working to help deprived communities enjoy the benefits of broadband technology and develop new skills.

I am particularly proud of our efforts in response to the Asian Tsunami which struck on 26 December 2004. Our knowledge and expertise, together with the commitment of our people, enabled us to work alongside the Disasters Emergency Committee to ensure the largest ever volume of online and telephone donations were taken quickly and securely. We also had 16 volunteers who went out to the region to assist in the re-building of local and international communication links.

Our Corporate Social Responsibility programme has a key role to play in meeting our stakeholder's expectations and encouraging them to invest in us, buy from us or work for us. Full details of the programme and our performance in the last year are available in our online Social and Environmental report.

We endeavour to manage our social, ethical and environmental issues to grow shareholder value and I am always pleased when we achieve external recognition for our attempts to do this.

This year we maintained our position as the top telecommunications company in the Dow Jones Sustainability Indexes for the fourth year running, which recognises our work in a wide range of areas from business principles, ethical supply chain management and work-life balance to customer service and corporate governance.

For the year ahead, business transformation is critical to delivering growth to our business. This will bring new challenges for our Corporate Social Responsibility programme, which I am confident it will meet.

Sir Christopher Bland
Chairman
18 May 2005

Chief Executive's message

I am convinced that being a responsible company through living our values (trustworthy, helpful, inspiring, straightforward and heart) brings us business advantage.

Our major business and government customers are increasingly concerned about our CSR performance. Growing stakeholder, legal and regulatory pressures mean our customers expect us to provide the solid CSR credentials that help them provide a trusted service to their own customers.

Our Performance

We publish 12 non-financial key performance indicators. These provide a snapshot of our performance on the key measures that underpin our financial performance. Our progress on these measures includes: reducing customer dissatisfaction; connecting the majority of UK communities to broadband; maintaining a motivated, diverse and secure workforce; minimising ethical risks in our supply chain; and massively reducing our carbon dioxide emissions.

The UK is committed to take action on climate change. As one of the country's largest users of electricity we have a responsibility to help make that happen. This year we became the world's largest purchaser of green energy and now meet almost all our UK energy needs from environmentally friendly sources. In carbon dioxide emissions savings, it equates to an additional 325,000 tonnes each year, on top of the considerable savings we have already made in the last ten years. This is a substantial contribution to tackling climate change.

Accountability - challenges and opportunities

As we continue transforming our business we must maintain our vigilance on matters of corporate social responsibility. For example, we are increasing our international footprint, through the evolutionary growth of our global services business, by making strategic acquisitions and through the rise in outsourcing and insourcing as a key part of BT's business model. Different approaches to corporate governance and ethical

issues in the countries where we operate underline the importance of our CSR activity. In addition, our increasing sales in networked IT services have highlighted the potential privacy implications of the digital networked economy.

The big opportunity is to use ICT products and services to promote sustainability, not only in the way we run our own business, but by helping our customers to benefit too.

You can find details of how we are responding to these challenges and opportunities in our online Social and Environmental report. The report has been prepared in accordance with the 2002 Global Reporting Initiative guidelines and is independently verified. I commend it as a demonstration of how living our values helps us deliver long-term shareholder value.

Ben Verwaayen
Chief Executive
18 May 2005



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



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

About the report continued

Triple Bottom Line reporting

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'.

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 communities - need to make informed decisions.

Our approach has been recognised by a number of external bodies and in the 2005 financial year we were joint winners of the ACCA award for the best web-based sustainability report.

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 find new ways of reporting their total contribution to a more sustainable society in a way which fully includes the social, environmental and economic dimensions.

This is what we try to achieve in our Social and Environmental report.

As well as reporting on our performance, we also include 'Hot Topics' on some of our more controversial social impacts, such as extreme abuse of the internet, offshoring and the implications for privacy in the digital networked economy.

We have included these 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 enables us to show the connections between the social, environmental and economic dimensions of sustainability through our reporting. We do this by using links between the different sections of the report and by giving the reader the chance to navigate the site according to different indexes, such as the Ten 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 2005 financial year (ending 31 March 2005). 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 includes latest news, occasional papers, our better business game, video case studies and other studies and reports.

Geographical coverage

In the 2005 financial year, BT's UK operations accounted for approximately 91% of BT's turnover and 90,800 of our 102,100 employees.

Wherever possible we cover all BT's wholly-owned activities in the UK and internationally.

Where data are not available or relate only to activities in a particular country, we try to be clear about precisely what is covered.

Environmental scope

Although BT's environment policy covers the entire BT Group, the scope of the environment section is in line with our ISO14001 certification which currently covers all British Telecommunications Plc Operations in the UK; BT Ireland and BT Spain. The exception to this is BT Global Services operations in the UK and overseas excluding Ireland and Spain, which are not covered within the environment scope.

This year, for the first time, we are including energy, water and waste data for BT Global Services in the environment section.

Business practice

This year we have introduced an Ethics Performance Measure and we have measured awareness of our Statement of Business Practice in our international operations.

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.

Find our Regulatory Compliance report in the Business Principles section.

Diversity

Existing data are based on 'self-declaration'. However, different legal frameworks outside the UK mean that collecting data on diversity for our international operations is not always possible. Working within these limitations, during the 2005 financial year we have focused on gaining a better view of our global workforce profile. For example, we are now collecting data on ethnicity for our operations in the US.

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](#).

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 our stakeholders and we consider to be the most important issues. Our KPIs condense complex issues into 12 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 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. Employee Engagement Index
4. Percentage of Women, Ethnic Minorities and Disabled Employees
5. Lost Time Injury rate
6. Sickness Absence rate
7. Ethical Trading
8. Greenhouse Gas Emissions
9. Total Waste (including recycling rate)
10. Ethical Performance Measure
11. Community Contribution
12. Supplier Relationships

The KPIs complement the comprehensive set of social and environmental performance figures in [Data and targets](#), 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 2005 financial year, the People Satisfaction Index has been replaced by an Employee Engagement Index, which better reflects the BT values, strategy and our commitment to keep people engaged with their colleagues, work and customers.

We have also developed and introduced a measure to provide information on our performance across a range of corporate governance issues. Called the Ethics Performance Measure, this replaces our Awareness of Statement of Business Practice with a broader measure of ethics performance within the company. The Awareness of Statement of Business Practice is one of the indicators within this new measure.



About the report continued

During the 2006 financial year we will conduct a comprehensive review of our KPIs to check if they are still the most appropriate key measures of our non-financial performance.

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.

Lloyd's Register Quality Assurance Limited (LRQA) has been contracted by BT to assure the report against this standard and is supported by BT's Internal Audit Department.

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.

The Leadership Panel also plays a part in ensuring that difficult or uncomfortable issues are not neglected. Members of the Panel were 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 report and BT's performance and was last updated in May 2005.

Further technical details are available later in this assurance section 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 in the Social and Environmental report - and its presentation - is the responsibility of BT.

The Leadership panel and LRQA statements are available in our on-line report under Assurance.

Materiality

The starting point for our determination of materiality is the BT Statement of Business Practice. This defines BT's world-wide business principles and sets out the specific aspirations and commitments that apply in our relations with stakeholders. It was compiled in an inclusive fashion and makes explicit reference to our legal obligations and mechanisms of regulatory compliance.

From this we have defined 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 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 the report - cover the most significant and strategic components of BT's sustainability performance: Seven material **categories**.

Twelve material **key performance indicators**.

Twelve related material **strategic targets**.

To ensure that the remainder of the report incorporates all other relevant 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 Pilot Telecommunications Sector Supplement
- Undertake a review of sustainability reports from peer companies
- Review relevant prosecutions and international sustainability standards
- Publish 'Hot Topics' on specific issues of concern.

Our approach to materiality is designed to ensure we cover all relevant issues, particularly highlighting via our KPIs those which have greatest significance to our business.

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 Pilot 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.

This year, 12 competitors and ICT companies were selected covering a variety of geographical areas, including those companies known to have performed best in the field of sustainability reporting. Based on the results of our peer review we believe we have not missed any key aspects.

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 readers of our report have told us that the traditional, triple bottom line reporting described above still does not tell the whole story. It provides comparable measures of performance, but doesn'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 extreme abuse of the internet, offshoring and the privacy implications of the digital networked economy. 'Hot Topics' are selected by our Leadership Panel.

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](#).

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 2005 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.



About the report continued

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 one of our occasional papers, 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](#) 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.

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 ensure that public sustainability reporting adheres to particular reporting standards and guidelines.

This Social and Environmental report is assured against AA1000 Assurance Standard.

ETNO Sustainability Charter

In 1996, BT led the team at the European Telecommunications Network Operators' Association (ETNO) that created its Environmental Charter. In 2004, ETNO launched a new 'Sustainability Charter', which calls on signatories to review overall company policy in order to implement sustainable growth in the widest, most integrated manner possible. The new charter includes commitments on business ethics, employee relations, human rights, community investment and environmental management. Seventeen signatories, with a combined turnover of around 150 billion Euros have now signed the charter. ETNO produce a sustainability report every two years to summarise the 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.

Guidelines for Customer Contact Centres

In a groundbreaking initiative to support fair and professional working conditions in e-communications, ETNO and the pan-European labour organisation, Union Network International (UNI), have jointly defined a new set of principles to govern the operation of customer contact centres.

The new principles lay down high standards of employment and training, working conditions (eg ways to ease stress on the job, respect for family-versus-work obligations and employee rights, including the freedom to join a union) while guaranteeing safe and flexible working conditions for all our customer contact centre employees.

Endorsed by the member companies of the European Telecommunications Network Operators' Association, the principles will apply to each signatory's call centre operations across the globe. ETNO represents 41 major operators in 34 countries.

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 ten principles of the Global Compact by using our [Global Compact index](#).

Global e-Sustainability Initiative

The [Global e-Sustainability Initiative](#) (GeSI) 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. GeSI is currently co-ordinating a major ICT cross-industry initiative covering ethical and environmental impacts in the supply chain.

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 Social and Environment 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 pilot telecommunications supplement to the GRI Guidelines. We also use these guidelines in the preparation of our report.

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 five occasions.

During the 2005 financial year BT successfully achieved re-accreditation as an IiP. We remain one of the largest companies to measure up to this challenging outcomes-based test.

ISO14001

Details of the coverage of our environmental management system certification can be seen in the [Scope of the report](#) section.

We are in the process of extending our [environmental management system](#) to our most significant international operations. BT Ireland was certified to ISO 14001 in March 2005. This added to the certificates already held for BT UK and BT Spain.

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.

Report index

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.
- [Ten principles of the United Nations Global Compact](#).



Regulation of Communications

BT's Compliance Report for 2004/2005



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Group Finance Director's foreword and summary

This is my first year as BT Group champion for regulatory compliance. This report, part of our [Social and Environmental Report \(http://www.btplc.com/Societyandenvironment/index.htm\)](http://www.btplc.com/Societyandenvironment/index.htm), reflects the energy and investment applied to this core business activity.

We have made significant improvements to our compliance programme over the past year, while maintaining the same basic principles:

- Our fundamental compliance principle is for BT to be fully compliant with the regulatory regimes in which we operate around the globe.
- My colleagues on the BT Board and all of our senior management are fully committed to ensuring we work to the highest standards of regulatory compliance. We have a strong compliance function headed by the Director of Internal Audit and Regulatory Compliance. As a result, compliance is embedded in the principles of BT's overall corporate governance and social responsibility.
- As well as being a good corporate citizen, BT believes that compliance is good for our customers, good for our business and good for the industry as a whole.
- We have established clear compliance standards to operate in markets where BT has been determined as having Significant Market Power. BT focuses on particular requirements such as not to share inappropriately any information between separate parts of our business.

The Strategic Review of Telecommunications undertaken by Ofcom is a significant ongoing development. At the time of writing Ofcom was still considering its course of action in the light of the responses to this review. It is, however, worthy of note that Ofcom says in its Phase 2 consultation document that “BT currently applies significant resources to regulatory compliance”.

The main elements of our Compliance programme are:

- Increasing transparency within our industry through a series of events and workshops held as part of the [Telecommunications Industry Regulatory Forum \(http://www.tirf.co.uk/\)](http://www.tirf.co.uk/) (see [Annex I](#))
- Establishing best practice in compliance within the regulated industries of the UK through the [Regulated Industries Forum \(http://www.tirf.co.uk/docs/RegulatedIndustriesForum.htm\)](http://www.tirf.co.uk/docs/RegulatedIndustriesForum.htm) (see [Annex I](#))
- Continuing our robust risk reduction programme by conducting risk reviews across all lines of business (see [section 4.1](#))
- Training over 27,000 managers and 38,000 team members in the key elements of compliance
- Publishing a comprehensive series of key performance indicators relating to non-discrimination on the [BT Wholesale website \(http://www.btwholesale.com/index.jsp\)](http://www.btwholesale.com/index.jsp)

- Benchmarking our compliance performance against other industries in the UK and other telecommunications providers in Europe.

Our investment in compliance will continue over the coming year. Supported by the Board, the Director of Internal Audit and Regulatory Compliance, and the collective energy of our management team, I know that the year ahead will bring even higher standards of compliance.

Hanif Lalani
BT Group Finance Director and Group Compliance Champion

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1. Our compliance policy and the regulatory context

1.1. The context and general policy of compliance

BT has been subject to extensive and specific regulation since the Telecommunications Act was passed in 1984. Originally this was because it was the privatised incumbent. Today, BT is subject to specific regulation derived from EU legislation because it has been designated by Ofcom as a Universal Service Provider and determined by it to have Significant Market Power in particular markets. Ofcom has now set out its ideas for future regulation in its Strategic Review of Telecommunications Phase 2 document. Whatever the outcome of the review, we are committed to ensuring that BT is fully compliant with the obligations imposed on it and conducts its business with integrity and that this commitment extends throughout the BT community – from directors and executives to managers, other employees and contractors.

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

1.2. The regulatory environment

Significant changes in the regulatory and competition regimes in the UK include:

- **The Communications Act 2003** (<http://www.opsi.gov.uk/acts/acts2003/20030021.htm>) created a new framework for the regulation of electronic communications networks and services in the UK. The Act has replaced the licensing regime which existed under the Telecommunications Act 1984. It gives Ofcom significant powers in connection with the setting, enforcement and modification of regulatory obligations, and thus reinforces the commercial imperative to comply, by reason of the implications and consequences of non-compliance.
- **The Competition Act 1998** (<http://www.opsi.gov.uk/acts/acts1998/19980041.htm>) prohibits anti-competitive agreements, concerted practices and abuse of a dominant position. Breach of this act can result in a penalty of up to 10 per cent of group UK turnover over the previous business year, the agreements being declared void and unenforceable, adverse publicity for the company and the possibility of being sued for damages. 'Dawn raid' powers are available to the Office of Fair Trading and Ofcom, and non-cooperation with an investigation and the deliberate or reckless provision of false or misleading information are criminal offences.
- **The Enterprise Act 2002** (<http://www.opsi.gov.uk/acts/acts2002/20020040.htm>) makes participation by individuals in certain types of cartel a criminal offence punishable by imprisonment for up to five years. The Act also provides for disqualification for up to 15 years for directors of companies that breach competition law.

1.3. Ofcom's Strategic Review of Telecommunications

Ofcom is considering its course of action in the light of responses to this review. A brief summary of the compliance context of this review is included in the Finance Director's foreword of this report. For BT's full response, see [Ofcom](http://www.ofcom.org.uk) (<http://www.ofcom.org.uk>).

1.4. BT Group plc

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



2. An effective compliance programme

2.1. The leading role of senior management

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

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

Led by our senior management, BT has undertaken a large number of compliance activities in the 2005 financial year. We work to ensure that our regulatory compliance programme is consistent with the best practice set out in 'The Way We Work' (a statement of our business principles) to ensure we act commercially and ethically. Our programme consists of three main elements:

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

2.2. Within BT

Corporate governance

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

Our confidential hotline gives everyone at BT the opportunity to raise any potential compliance issues anonymously, safely and securely. All compliance-related calls to the hotline are handled by our compliance team to ensure objectivity and independence. Our policy is to ensure that no employee will suffer adverse action for honestly raising an ethical or legal concern.

The compliance team includes a dedicated risk review group which conducts risk reviews across BT and provides reports and recommendations to management through the Director of Internal Audit and Regulatory Compliance. We have increased the number of work days dedicated to compliance reviews by more than 500 days in the 2005 financial year. For further details of our risk review programme, see [section 4.1](#).

Training

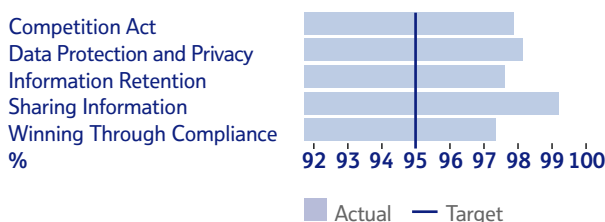
We provide education and support on regulatory compliance for our employees, including computer-based training, briefings, seminars and team briefings.

We have improved our computer-based compliance training to offer individual training. The e-learning system provide details of mandatory training for each part of the business, identifies when refresher training is needed and enables all BT people to take personal responsibility to ensure their training is up-to-date.

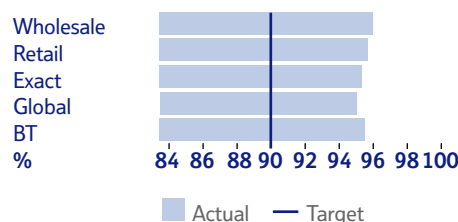
In the 2005 financial year, we re-launched our foundation course on regulatory compliance in a range of formats to meet the needs of people in different parts of the company and help them apply what they have learnt to their work. The course, 'Winning Through Compliance', is mandatory for all BT people to raise awareness of compliance messages across the business. We have also introduced new types of training for BT's suppliers, including an internet training package – 'Working with BT: Delivering Regulatory Compliance'.

Compliance messages are also included in other job-specific training where appropriate. This makes compliance an integral aspect of our day-to-day operations.

Compliance training throughout BT
(percentage of managers trained)



Winning Through Compliance
(percentage of team members trained)



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2. An effective compliance programme continued

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

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

People value: Being reliable and acting with integrity

Brand value: Being honest and delivering on commitments

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

It is mandatory for all our UK-based managerial and professional staff to complete training on applicable rules and regulations, and to pass on what they learn to their teams where appropriate or ensure they undertake the training themselves. Additional detailed knowledge and expertise is required for BT people who are engaged in key activities affected by regulation.

We have tailored our compliance programme to fit BT's company structure and business activities. Rules on sharing information are of great importance for our business. We have met our commitment to Oftel (Ofcom's predecessor) in May 2003 for all our managerial and professional staff to have completed the computer-based training (CBT) package, 'Sharing Information', and new recruits are put through the course as soon as possible after joining the company. This course is included in our mandatory refresher training programme to raise awareness of this important topic.

We maintain dedicated intranet websites, promote hot topics and produce leaflets and other literature on compliance and regulatory practices and procedures. More specialised materials are also provided locally for use at team meetings and briefings.

Internal communications

We use our well-established internal communications channels to raise awareness of regulatory compliance throughout the business. These channels include our internal magazine, regular briefings and team meetings for all BT people including frontline engineers and call centre advisors. In the 2005 financial year, we launched our Regulatory Compliance Awards and included a compliance award in the My Customer Challenge Cup to promote awareness and reinforce the importance of compliance issues across BT.

Disciplinary measures

Senior management has made it clear that individuals who breach BT compliance policy will face disciplinary actions, including dismissal.

Monitoring the effectiveness of our compliance culture

Since 1998 we have commissioned a biennial review on our compliance culture. The 2004 survey was conducted by DVL Smith, an independent market research agency. Feedback was positive and showed the development of a culture of compliance within the company. See the [Regulatory Compliance Report 2003/04](#) for details of the survey (<http://www.btplc.com/Societyandenvironment/Socialandenvironmentreport/Archivedreports/index.htm>).

In February 2005, we asked the [Compliance Institute](#) (<http://www.complianceinstitute.co.uk/index.asp>), an organisation that offers compliance staff the benefits of professional status and opportunities for professional development, to review our compliance programme with particular attention to our compliance culture.



2. An effective compliance programme continued

Extracts from the report by the Compliance Institute:

Compliance culture does not come cheaply, and the commitment in terms of cost, resource and time has to be considerable and ongoing. However, there is no evidence that BT visualises any diminution of that commitment; on the contrary, a number of initiatives are well on the way to completion, or are being developed, which will strengthen the compliance regime even more.

A Compliance culture may be said to exist when Compliance is an integral part of the firm's operations, rather than the prerogative of a remote Compliance department. It should have the explicit and full-hearted backing of senior management, and be seen by all members of staff as applying to them. The Compliance Institute is pleased to be able to confirm that in its view, a vigorous Compliance culture does prevail within BT.

I therefore feel confident in assuring BT that there does exist within the organisation a secure and well-functioning Compliance culture such as some companies within the financial services sector would be pleased to enjoy.

2.3. With Ofcom

We communicate regularly with Ofcom and maintaining a good relationship with the regulator is a key element of our compliance policy.

In the 2005 financial year, we established a system to track all requests for information received by BT, establish ownership of each request and ensure a full response is made promptly.

We have kept Ofcom informed of our risk review programme and shared our strategy at a meeting attended by the regulator and representatives of the industry.

We analysed the data published by Ofcom in the [Competition Bulletin \(http://www.ofcom.org.uk/bulletins/comp_bull_index/\)](http://www.ofcom.org.uk/bulletins/comp_bull_index/). During the 2005 financial year, Ofcom closed ten cases involving complaints against BT's conduct under competition law or regulation: six were found for BT; two were neutral and two were found against BT. In this context, neutral means that Ofcom's decision required both parties to take action or that the target takes minor corrective action and Ofcom closes the case without a final determination.

BT was the subject of eight disputes closed by Ofcom during the financial year 2005, one of which was found against the company.

2.4. With the industry at large

In the 2005 financial year, we worked within our industry (through the Telecommunications Industry Regulatory Forum) and with other regulated industries in the UK (through the Regulated Industries Forum) to research and develop best practice for compliance. We compared our compliance culture with that of the UK finance sector (with the help of the Compliance Institute) and benchmarked our compliance performance against other European companies in our sector. See [Annex I](#) for further details.

By working more closely with the industry, the number of issues raised with us directly rather than through Ofcom has increased. This has also been welcomed by the regulator.



3. Organising our compliance regime

3.1. BT Group's compliance structure

Our regulatory compliance structure ensures that compliance is the responsibility of all BT people throughout the business, from our call centres to the BT Board. Details of this structure were included in last year's report. The Regulatory Compliance team is integrated in our corporate social responsibility (CSR) governance and is part of the Practitioners' Forum and the CSR Steering Group. The CSR Steering Group discusses targets, performance measures, compliance issues and Ofcom rulings.

3.2. BT's compliance operating framework

To ensure common and shared objectives across the Group we have created a compliance framework that is being monitored by our compliance team:

Principles

- **Compliance Policy, Vision, Structure & Scope** – An integrated and effective business wide compliance framework, measured against best practice principles and standards, which supports BT's strategy embodied in both our brand and values
- **Identification of Compliance Obligations** – Identification of key situations created by the activities of the business that result in compliance obligations
- **Code of Conduct** – High corporate and personal standards of honesty and integrity supported by internal disciplinary procedures

- **Liaison with the Regulator and the Industry** – Maintain effective communications to ensure understanding, not necessarily agreement, on legal and regulatory issues

- **Industry & Regulator Complaints** – Complaint-handling system is systematically reviewed to identify compliance issues for resolution and future risk reviews

Organisation

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

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

Training & Communications

- **Monitoring and Communicating Changes in Regulatory Obligations** – Structured arrangement to ensure that substantive changes to relevant legal and regulatory obligations are communicated to and understood by relevant parties

- **Visibility & Regular Communication** – Effective communication of key messages reinforcing our commitment to compliance

- **Education & Training** – Managers and team members are adequately trained on key compliance obligations

Process

- **Assessment of Operational Implications** – Identification of business and operational activities exposed to the greatest compliance risk and linked to BT's risk register

- **Continuous Improvement & Business Excellence** – Active promotion of both the efficiency and effectiveness of compliance practices

- **Product Development & Change Management Controls** – A structured approach to embed compliance issues in new product and service development and other change management initiatives

- **Risk Control & Self-Assessment** – Integration of self-audit requirements within general business improvement initiatives to embed regulatory compliance throughout the organisation

- **Independent Monitoring & Validation of Control Effectiveness** – Adequate levels of independence are established to monitor the effectiveness of compliance

Measurement

- **Reporting Standards & Criteria** – Structured and effective control framework to notify senior management of material compliance issues

- **Performance Management** – Integration of compliance obligations into divisional performance evaluations

- **Management System** – Clear guidance on compliance obligations integrated with BT's business principles, The Way We Work

- **Performance Measurement** – Establishment, monitoring and review of a robust and comprehensive set of regulatory compliance metrics.



3. Organising our compliance regime continued

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

BT is organised into several lines of business (LoB). The main LoBs are BT Wholesale, BT Retail, BT Global Services and BT Exact (OneIT). Each of these has a dedicated compliance team responsible for ensuring that compliance is part of day-to-day business activity and best practice is employed. At the end of the 2005 financial year, we began to consolidate some of the LoB functions into the central team.

The compliance team for each LoB is responsible for:

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

- Providing communications on compliance designed to meet the needs of the LoBs.

Compliance within BT Wholesale

BT Wholesale (<http://www.btwholesale.com>) is the part of BT that provides network services and solutions to fixed and mobile network operators and Service Providers including BT Retail and BT Global Services. It is responsible for maintaining the network infrastructure, including 121 million kilometres of copper network, to enable an average of 288 million calls every day.

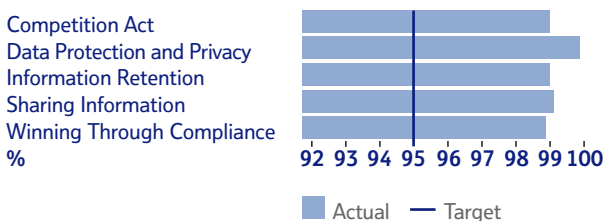
In the 2005 financial year, the BT Wholesale Compliance programme included:

- Providing additional training on specific areas of compliance through presentations at meetings with senior managers, three compliance roadshows and compliance workshops that provide an opportunity for employees to consult the compliance team
- Developing a communications plan to promote compliance, including updates through internal communication channels and training on specific issues. Briefings are available on the [BT Wholesale Compliance website](http://www.btwholesale.com/application?origin=BT_navbar.jsp&event=bea.portal.framework.internal.refresh&pageid=typical&nodeId=navigation/node/data/our_business/regulatory_compliance/regulatory_compliance).

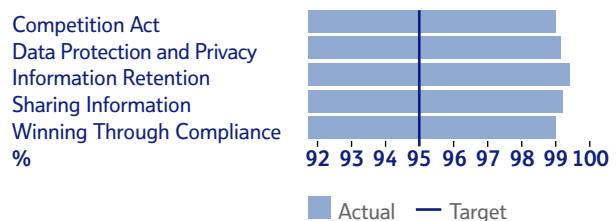
- Revising the Compliance Induction process for new joiners and developing improved training for managers
- Designing a set of key performance indicators (KPIs) on non-discrimination to compare the performance provided by BT Wholesale to BT Retail with that provided to external service providers. These have been published monthly on the [BT Wholesale website](http://www.btwholesale.com) since January 2005, in line with Ofcom requirements. The KPIs were defined by Ofcom and reviewed by the Risk Review team before publication
- Arranging a series of meetings with 29 BT Wholesale customers and handling queries raised directly with BT Wholesale
- Continuing the Compliance Citation Award programme to encourage people to act as compliance ambassadors for their colleagues and teams. Awards were made during the year to employees who demonstrated exceptional compliance behaviour
- Holding three compliance competitions to raise awareness of compliance issues.

During the 2005 financial year, BT Wholesale trained almost 5000 managers and 17,000 team members in compliance.

Compliance training in BT Wholesale (percentage of managers trained)



Compliance training in BT Retail (percentage of managers trained)



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3. Organising our compliance regime continued

Compliance within BT Retail

BT Retail (http://www.btplc.com/The_group/Companyprofile/Groupbusinesses/BTRetail/) is a UK retail operation that provides its 21 million customers with communications products, services and solutions. Our customers are consumers, small and medium enterprises, and major businesses based throughout the UK.

There has been much focus within the industry and from Ofcom on consumer protection issues and mis-selling in the consumer arena. BT has encouraged Ofcom to take further action. Internally, BT Retail works to ensure that all its customer interactions occur compliantly. We use Mystery Shopper and Call Quality Monitoring to ensure the sales advisors in the customer contact centres follow our compliance policies, and to identify if and where any additional coaching is required.

In the 2005 financial year, the BT Retail compliance programme included:

- Developing specific training in addition to BT Group mandatory computer-based training
- Providing face-to-face training for Major Business Sales, Product Management, Indirect Channels, Commercial Management and Directories, and updating the Partner Regulation training package for Indirect Channel partners

- Providing a computer-based training package to explain the launch of digital Wholesale Line Rental (WLR) to ensure that BT Retail people understand the impact of WLR and are compliant when dealing with any enquiries
- Assessing outsourced operations to ensure that appropriate training is in place.
- Undertaking a programme of compliance reviews (health checks) across BT Retail.
- Managing the BT Retail Compliance risk register and reviewing the associated systems and processes.
- Re-launching the BT Retail Compliance website.
- Reviewing and updated compliance induction packs where appropriate.
- Adapting the regulatory compliance aspects of e-Assistant, the web-based job file used by field service engineers, to align with changes in regulation.

During the 2005 financial year, BT Retail trained over 9000 managers and over 14,000 team members in compliance.

Compliance within BT Global Services

BT Global Services <http://www.btglobalservices.com/business/global/en/index.html> provides global services (managed networks, outsourcing, utility applications and systems

integration on an agile IP infrastructure) to multi-site organisations, including corporate and government customers across Europe and the UK, as well as in Asia Pacific and the US. It has employees in 45 different countries, including the UK.

In the 2005 financial year, the BT Global Services compliance programme included:

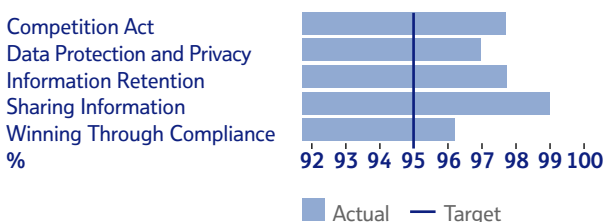
- Delivering the mandatory courses to employees based in the UK or whose work touches the UK
- Developing alternative training courses for people based outside the UK relevant to the specific regulatory regimes where they operate
- Assessing the compliance requirements of new acquisitions and ensuring they comply
- Revising the BT Global Services compliance risk register with specific reference to new acquisitions
- Producing a global risk reduction plan based on the risk register.

During the 2005 financial year, BT Global Services trained over 5000 managers and over 4000 team members in compliance.

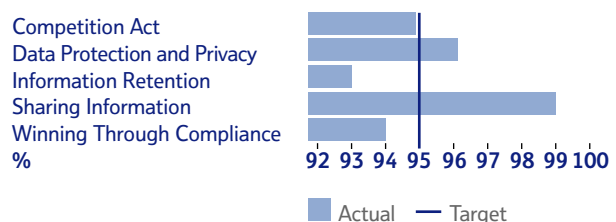
Compliance within BT Exact (OneIT)

BT Exact (OneIT) provides BT with all its IT systems and services. In the 2005 financial year, the compliance programme trained almost 5000 managers and 1000 team members.

Compliance training in BT Global Services (percentage of managers trained)



Compliance training in BT Exact (OneIT) (percentage of managers trained)



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4. BT's risk reviews and performance measures

4.1. Our risk review procedures

The Internal Audit (IA) function in BT operates to internationally accepted standards set by the Institute of Internal Auditors.

The standard of work performed by IA is subject to annual review by BT's external auditors, who certify that they can place reliance on IA's work. In addition to this, BT Internal Audit participate in the Institute of Internal Auditors' annual benchmarking survey (known as the GAIN survey), covering about 650 audit departments world-wide, including 28 organisations in the communications industry. The 2004 GAIN survey continues to indicate that the resources deployed and practices adopted are in keeping with the most up-to-date international practice of internal audits.

The risk review team is a dedicated compliance review team that uses the externally recognised Internal Audit methodologies, processes and standards to provide an independent review service that includes:

- Planning activities
- Risk assessment
- Reviews with appropriate risk and control evaluations
- Formal reporting to management on issues and actions.

Actions are progressed to ensure that suitable ownership and resolution plans are in place. This includes escalation and reporting to the BT senior management team and Group/Line of Business Board Audit Committees where appropriate. Risk reviews are undertaken independently from line of business activities.

The risk review plan for the financial year 2006 has been prioritised with consideration of compliance risk, identification of key business processes that are most impacted by regulation and feedback from internal (BT's regulatory team, operational management) and external (Ofcom, Industry, etc.)

sources. While the plan is produced for the start of the 2006 financial year, we will continue to review and update this in light of any changes to risk and/or regulation. The plan proposes reviews within the following main areas:

Significant Market Power (SMP) Reviews

Continue to assess the adequacy of ownership and actions to meet specific telecommunications regulatory conditions

Compliance Awareness

Continue our plan from the 2005 financial year and focus on introducing self-assessment reviews to enable us to increase coverage across BT.

In addition, we will undertake ad hoc case investigations and projects as required.



Annex I: BT's compliance programme working with industry

Introduction

In the 2005 financial year, the BT compliance team has worked closely with other compliance professionals in the telecommunications industry and a range of regulated industries in the UK.

Objectives

The key objectives were to:

- Improve trust and transparency within the telecommunications industry
- Share and identify best practice to further develop BT's existing compliance programme
- Compare our approach to compliance with other organisations and industries to benchmark our performance.

These objectives were delivered by:

- Working with the [Telecommunications Industry Regulatory Forum \(TIRF\)](http://www.tirf.co.uk/) (<http://www.tirf.co.uk/>)
- Setting up the [Regulated Industries Forum \(RIF\)](http://www.tirf.co.uk/docs/RegulatedIndustriesForum.htm) (<http://www.tirf.co.uk/docs/RegulatedIndustriesForum.htm>)
- Commissioning and participating in independent reviews and benchmarking studies.

TIRF

BT sponsors TIRF to encourage open and honest dialogue in the compliance community of our industry to increase trust and transparency. We participated in all TIRF events and provided the industry with an insight of policies, processes and procedures on a range of areas including:

- Our code of conduct and approach to discipline to any breaches of compliance
- The scripts used by our sales advisors
- Detailed statistics regarding compliance and discipline in our customer contact centres
- Our approach to risk reviews
- Demonstrations of our training material
- Detailed answers to questions raised by UK Competitive Telecommunications Association (UKCTA) about pricing policy and product development.

We also provided the opportunity for the Fixed Service Provider Association (FSPA) and UKCTA members to visit our customer contact centre in Newcastle to see BT's compliance policies and processes in action.

RIF

We established RIF as part of the development of our compliance programme. Over 50 representatives from a range of regulated businesses attended the first RIF event held in November 2004. The main aim of the meeting was to determine how to share best practice and feedback from the event was extremely positive.

We have now held several informal workshops and gatherings to share best practice on various topics including risk reviews, training material and compliance frameworks. We will continue to develop RIF and look to include other industries and regulators.

Comparisons and benchmarking

To enable us to determine what further development can be made to our compliance programme we commissioned an independent report by the Compliance Institute which looked at:

- Compliance culture in the management chain
- Scope, content and delivery of our compliance training.



Annex I: BT's compliance programme working with industry continued

Extracts from the report by the Compliance Institute:

We are pleased to report that our overall impressions are very favourable indeed, and we believe from what we have seen that the programme is working well, that both management and more junior staff have a good attitude to Compliance, and that it is taken very seriously indeed throughout the company.

In January 2005, we took part in a study with a number of other members of a European telecommunications association on regulatory compliance. The main findings were:

- BT had the largest regulatory compliance team (even compared with a major European company that has about 50% more employees)

- BT spent the most on compliance training, although the spend per employee was not the highest
- BT was the only company to produce an annual compliance report and to have a self-assessment programme
- BT was the only company to conduct both internal and external surveys of customer satisfaction relating to regulatory compliance performance, both of which were positive (the external survey showed that more than 90% of those interviewed believed that BT complies with all relevant regulatory legislation)
- Of the investigations into alleged breaches and disputes closed during 2004, a much lower percentage was found against BT than against others responding to the question.

Most of the report was very favourable but identified a few areas to investigate.

Plans for the 2006 financial year

We took into account the findings of the above reports in setting out our plans for 2006. We will continue to develop our work with industry in the coming year by:

- Publishing a joint approach on the development of the Regulated Industries Forum to identify common themes and improve the regulatory environment
- Working with the Centre for Regulated Industries to look at how self-regulation can best be achieved
- Building on our comparative work with the telecommunications industry in Europe
- Reviewing the operation of TIRF once the Ofcom decision on the Strategic Review has been published.

