

2006
Social and Environmental report



let's make a
better
world

About the Report

Our Social and Environmental report includes BT's:

- Corporate Social Responsibility performance for the financial year 1 April 2005-31 March 2006, which is audited by LRQA, indicated by



- Regulatory Compliance Report which is audited by PWC, and this year includes the first report on their activities from the Equality of Access Board
- Independently written 'Hot Topics'; this year's explores what a genuinely carbon neutral BT would look like.

We have also produced a short report, [CSR – Business Overview](#) to explain our CSR issues in the context of our business strategy and summarise our CSR performance over the 2006 financial year.

Our online social and environmental report has clear links to relevant GRI indicators and the UN Global Compact principles and we have improved the search function to make it easier for readers to view relevant sections of the report.

Assurance

This report has been assured against the AA1000 Assurance Standard and prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002, with reference to the GRI Pilot Telecommunications Sector Supplement.

The AA1000 Assurance Standard stipulates that three specific principles must be met:

- **Materiality:** the report must include all the information about our sustainability performance that readers need to 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) is contracted by BT to assure this report against AA1000 AS. [LRQA's statement](#) explains the assurance process and provides their conclusions.

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 on the work of BT Internal Audit in forming their conclusions.

Our [Leadership Panel](#) of external experts advises on our CSR strategy and performance. Part of their role is to ensure that difficult or uncomfortable issues are not neglected. The [Panel's statement](#) contains their view of this report and our performance.

The information in the social and environmental report - and its presentation - is the responsibility of BT.



Chairman's statement

Improved communications can help create a better, more sustainable world

BT was created to help people communicate better. Over the years technology and innovation has advanced rapidly, so that today complex networks allow virtually any form of communication – words, sounds, graphics, video and information – to happen anywhere, anytime to anyone.

Never has it been needed more. The pressures on the world have never been greater with population growth, economic development, climate change and social exclusion all combining to create a potentially unsustainable future, unless things begin to change.

BT has always taken its responsibility to society seriously and, as an original signatory to the UN Global Compact, we are willing to be measured on our commitment. Indeed, BT has rated No 1 in our sector in the Dow Jones Global Sustainability Index for the last 5 years.

However, we recognise that we must all do more to tackle the big global issues we face. We believe that our industry can play a significant role through applying improved communications to these challenges.

So our strategy is to maintain our current momentum in CSR and to focus our efforts on the three biggest challenges: -

- the need for sustainable economic growth
- the need for wider inclusion of all sections of society
- the need to tackle climate change

Our approach is to address these issues internally first with our own technology and to learn from the experience until we can demonstrably prove the case.

We then seek to share the benefits as extensively as possible with customers, suppliers and the community at large

This report outlines our progress to date. It has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organisations economic, environmental, and social performance.

Any support is welcome and if you would like to get involved contact us at yourviews@bt.com

Christopher Lee Bell



CEO interview

Making CSR part of the customer experience is common sense

Jonathon Porritt, Founder Director of Forum for the Future and Chairman of BT's Leadership Panel, spoke with BT's CEO, Ben Verwaayen for this report. This is an edited extract from their conversation, available as a [podcast](#).

JP. Of the many different corporate social responsibility - CSR - issues captured in this report, which do you see as the top priority for BT?

BV. We do not do our business and then think, "now we must also think about CSR". It is embedded in what is common sense for the company. All the elements of CSR are a natural way of how you want to live, to do business, to be treated and to develop.

JP. Even when cost and competition issues raise their head?

BV. It is a mixture; it is always a balance. If you are a one-dimensional person and you just look at one aspect of life and are fanatical about it, you measure everything against that one aspect. That is not what we do. We need to balance in a way that is good for our customers, shareholders, employees, the environment and the world in which we live.

For example, I am not here simply to listen to what shareholders talk about and then run home to do it. We are trying to run a company on a sustainable basis to give a great customer experience. Part of that customer experience is the element that we call CSR.

JP. What is your unique contribution to BT's leadership on the CSR agenda?

BV. I have a very strong philosophy about leadership. Leaders do only three things: they set the tone; they set the agenda; and they choose the right people.

The tonality of an organisation is truly important – it is the value set. How we deal with our customers, our shareholders and our people.

I strongly support what we do on CSR and the results in this report speak for themselves: our work on diversity, our ground breaking green energy contract, our activities on education and digital inclusion. We are top of our sector in the Dow Jones Sustainability Index for the fifth year in a row - this is encouraging.

JP. As CEO, do you differentiate a particular world view on the CSR agenda from anything else you do in the company?

BV. I believe that CSR is truly important as a component of what you are doing. You need to bring it to your DNA, and you need to make it an intuition. I know there is a science to this, but it is also an art. It is head and heart – but no just head and not just heart.

JP. You mentioned shareholders earlier. Do you think they are becoming more interested in CSR?

BV. Shareholders are interested in results. CSR is one important part in achieving the right results. It is an ingredient of future success. Therefore, some shareholders will focus on CSR and others will not – but they are all very interested in our success.



This report covers our performance on our relevant and significant social, economic and environmental issues during the 2006 financial year. It also includes independently written hot topics.

Geographical coverage

In the 2006 financial year, BT's UK operations accounted for approximately 87% of our turnover and 89% (92,653) of our 104,362 employees.

Wherever possible, data cover all BT's wholly-owned activities in the UK and internationally. We clarify where data are not available or are country specific.

Environment data

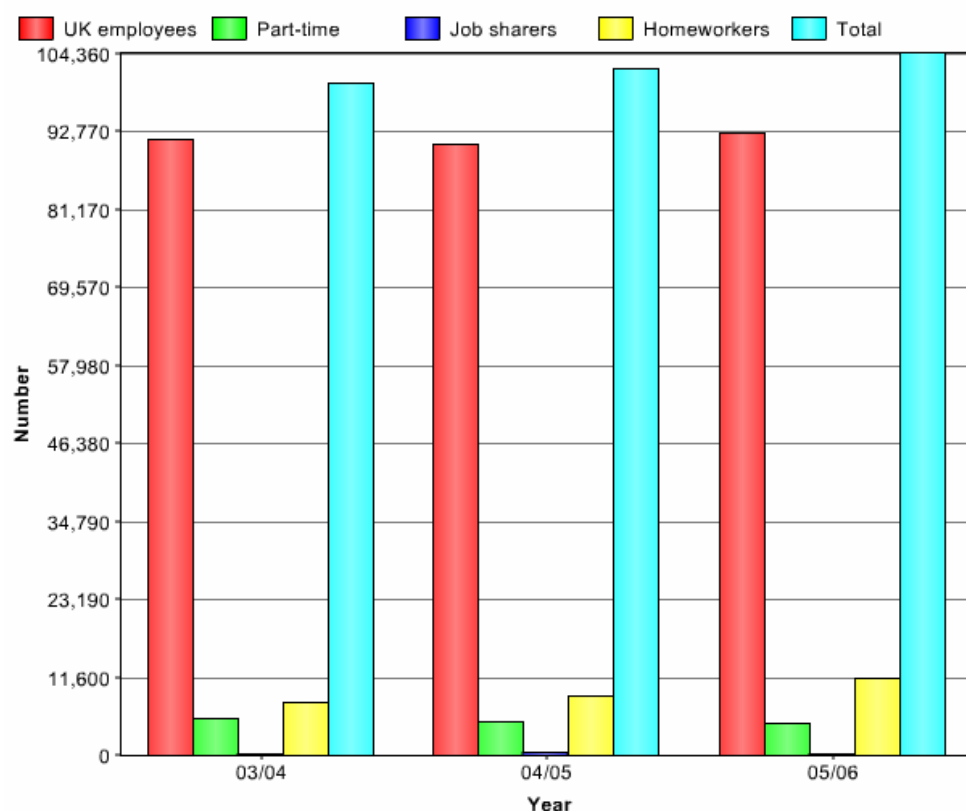
Environment content and data cover all BT Plc operations in the UK. The report does not include BT Global Services operations overseas unless specified. However energy, water and waste data is reported for all BT Global Services operations.

BT has formally requested that LRQA withdraw its BT Ireland ISO14001 certification. This is due to key in-country personnel changes, the renewal of its main facilities contract and the necessary diversion of resources to manage the integration of its BT Ireland and BT Northern Ireland operations to form an 'all-island' organisation. Subsequently, BT has recognised that a number of elements in its Environmental Management System do not fulfil the requirements of the new ISO14001:2004 Standard. It has therefore requested that LRQA withdraw approval for six months at which time re-assessment to the new standard will take place.

Diversity

Diversity data are based on 'self-declaration' – the number of people who declare themselves to be from a minority. In some countries it is illegal to collect diversity data. We make it clear when data are country specific.

Number of employees



Hot Topics

Each year we commission an independently written “hot topic” on a sensitive or topical issue for our business. The topic is selected by our Leadership Panel and written by an external author. The views they express are those of their authors and do not necessarily represent those of BT.

These papers make recommendations for how we should manage difficult or controversial issues and bring a thought-provoking external perspective to our social and environmental report.

This year’s hot topic considers what BT would have to do to become a genuinely carbon neutral company. Previous topics have included privacy, abuse of the internet and offshoring.



Assurance Statement

Scope and criteria of the assurance

Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by BT Group plc (BT) to assure both its Changing World: Sustained Values (CSR – Business Overview) and its web-based Social and Environmental Report* for the financial year ending 31 March 2006.

The assurance was undertaken against:

- Assurance Standard AA1000 AS, 2003
- Global Reporting Initiative (GRI), 2002
- GRI Telecommunications Sector Supplement, July 2003

Our assurance did not extend to data and information contained within the links that take the reader out of these reports or any .pdf files. Where BT presented data and information from a second party, LRQA corroborated only that data and information was transcribed accurately or the correct .url pathway was provided.

Ultimately, these reports remain the responsibility of and have been approved by BT.

LRQA's approach

In order to form our conclusions we have:

For AA1000 AS:

- reviewed BT's stakeholder engagement process
- reviewed whether BT understands, responds and reports on its material issues and other risks
- compared BT's output on materiality against LRQA's own independent analysis of stakeholder issues
- reviewed whether BT uses sustainability performance data within their business decision making process
- reviewed the process for setting performance indicators and monitoring their achievement
- reviewed BT's data and information management system
- conducted interviews with BT personnel who provide this data and information



For GRI:

- reviewed the Social and Environmental Report to establish whether it is 'in accordance' with these guidelines
- checked that BT either reports performance or explains the reason for omission against each of the GRI core and telecommunications sector supplement indicators
- checked that the GRI site index allows stakeholders to assess data and information.

We also use BT's Internal Audit & Regulatory Compliance Division (IARCD)'s audit work to review the validity of reported data and information.

Levels of Assurance

A reasonable level of assurance was achieved from our review.

Note: a review does not assure the source data, information, related processes and systems.

LRQA's conclusions and findings

Based on the assurance performed nothing has come to our attention that would case us not to believe that:

For AA1000 AS:

- *Materiality* – the reports include information that is material to stakeholders and these issues are considered during strategic decision-making.
- *Completeness* – the reports are complete in coverage of sustainability performance and that there are processes in place for identifying, understanding and managing these stakeholder views and potential risks to the business.
- *Responsiveness* – BT responds to those material issues raised by stakeholders.

For GRI:

- BT has met the conditions for reporting 'in accordance' with these guidelines and includes the response to the telecommunications sector supplement.
- BTs progress against previous improvements identified by LRQA - addressed.

Future improvements identified by LRQA

- BT needs to audit those systems that generate detailed data to ensure their reliability. Key systems for audit are employees and international environmental data.
- BT needs to review how targets are written. Improvement targets should not describe objectives that effectively constitute business-as-usual.
- BT has made considerable progress in systemising its process for evaluating stakeholder issues and has introduced an electronic system for collecting data and information to be reported together with its supporting verification evidence. However, BT needs to ensure its personnel are fully aware of the system's functions and are committed to the process of annual reporting.



G.D. Farmer *D.E. Evans*
J.H. Allister

on behalf of the LRQA, Coventry, United Kingdom

26th May 2006

This document is subject to the provisions about third party liability and is valid for one year.

Third party liability

LRQA, its affiliates and subsidiaries and their respective officers, employees or agents are, individually and collectively, referred to in this clause as the 'Lloyd's Register Group'. The Lloyd's Register Group assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd's Register Group entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

LRQA's competence and independence

LRQA ensures the selection of appropriately qualified individuals based on a rigorous appraisal of their qualifications and experience. The team conducting the assurance of BT's Report was multi-disciplinary and have been involved in assurance assessments from the outset of external verification of non-financial performance reports.

LRQA's internal systems have been designed to manage and review assurance and certification assessments. This involves a review by senior management of the outcome derived from the process applied to the assurance of corporate reports.

Independence of LRQA from BT

LRQA is BT's ISO9001, ISO14001, BS15000-1 and BS7799-2 certification body. We also provide BT with a range of training services primarily related to Quality Management Systems. The assurance and certification assessments, together with the training are the only work undertaken by LRQA for BT.

Conflict of interest

LRQA is part of the Lloyd's Register Group. Lloyd's Register Group recognises that potential conflicts of interest may exist which could impact on its independent verification activities. Lloyd's Register Group is committed to identifying and managing such conflicts so that they do not adversely impact its independence and impartiality.

In order to protect the integrity, neither LRQA nor any other Lloyd's Register Group company will provide services which create a conflict and compromise the independence and impartiality of third party certification. The Lloyd's Register Group will never verify its own solutions to a customer's problem.



Independence of BT's IARCD

IARCD is an independent, objective, review function for the BT Group. It is designed to add value and improve and provide assurance over operations.

The Director, IA and Regulatory Compliance Division retains the right to report to the Board Audit Committee instances where his or his peoples' independence or objectivity is impaired by the activity or behaviour of audit clients.

* This excludes BT's Compliance Report for 2005/06 containing the EAB – Equality of Access Board Annual Report 2006

Statement by BT's CSR Leadership Panel 2006

The Panel's Remit

Our purpose is to encourage innovation and leadership on sustainable development and corporate responsibility in BT by providing independent guidance and expert advice on BT's activities, including:

- Advising on key areas of CR (corporate responsibility) and sustainable development strategy and performance, including future objectives, targets, performance measures, policy, stakeholder relationships, governance and external communications;
- Making sure BT doesn't dodge difficult or uncomfortable issues;
- Bringing independent scrutiny to bear on BT's understanding of critical societal issues; and
- Advising on new or significantly altered social and environmental report content.

In this statement, which has been prepared for inclusion in BT's 2006 Social and Environmental Report, we comment on the level of progress made during the 2006 financial year by BT on sustainable development and CR. The statement covers all areas of CR strategy and performance (i.e. not just reporting) and includes our consideration of the main challenges ahead.

During the course of the last year, we have met four times and have made supplementary inputs outside the meetings. This statement covers our work as a Panel up to the on-line publication of the report in June 2006. Previous statements of the Panel are available in the [archive](#) section of this site.

In the course of these meetings and discussions we have:

- Discussed with management the company's approach to:
 - CR and corporate governance
 - Reporting
 - responsible innovation
 - business activities in the developing world
- Reviewed key risks, performance indicators and targets
- Initiated and advised on the production of a new hot topic
- Commented on the company's revised CSR strategy

Panel meetings are conducted with frankness, constructive criticism and fresh thinking. Divergent views around the table reflect the varied backgrounds and experience of the Panel members. In 2005 we evaluated our own effectiveness as a panel and [published the findings](#).



Governance and CR

Over the past few years we have encouraged BT to engage its Board more fully in matters of CR as part of the governance process. We are pleased that progress has been made on this and that, on an annual basis, the Board now receives a performance update, signs off the published [CSR-Business Overview](#), endorses the CSR strategy for the coming year and has sight of the BT CSR risk register.

Reporting

Whilst we have often encouraged BT to extend its reporting to cover emerging CR topics, we have also recognized that CR reports tend to get bigger but not necessarily better focused.

We had hoped the expected UK statutory Operating and Financial Review (OFR) requirements would have helped in this matter and were therefore deeply disappointed by the UK government's decision to abandon it. We commend BT for maintaining a strong coverage of CR issues in its non-statutory OFR.

We have been involved in the development and implementation of [BT's materiality process](#). We also welcome the way in which the company has described how CR is an important part of its changing business model.

Hot Topic

The Hot Topics are matters of current concern to both BT and the society in which it operates and we commend BT's boldness in publishing independent reports on matters of topical controversy. The Panel actively oversees the Hot Topic process, from topic selection right through to publication.

Following up on our recommendation last year, the topic selected this year is entitled 'What would a genuinely carbon neutral BT look like?'. The urgency surrounding the need to act on climate change makes this paper highly topical. We not only look forward to BT's response to the report's recommendations, but also encourage other organizations to learn from it.

Key Performance Indicators

We continue to take a keen interest in [BT's key performance indicators](#).

Last year, although we expressed some reservations, we were supportive of the inclusion of the new ethics performance measure. We are pleased to see the recognition this indicator has received and, after further review, recommend that BT stays with the current construct.

We welcome BT's intention to develop measures for community programme effectiveness and a global diversity index. The company has made great strides on broadband availability and this has led to the need to develop a new measure on digital inclusion.

Product Innovation

Building on a good history of product innovation for disabled people, the company is now improving the way in which other social and environmental issues are considered as effective drivers of its research and development activities. This is an area we will continue to monitor closely.



Business Activities in the Developing World

A number of companies are beginning to investigate alternative business models to address low income customers – especially those in the developing world. We recognize that BT does not address the consumer market outside the UK and Ireland. However, we would like to continue to discuss how so called ‘base of the pyramid’ approaches might be adapted for companies selling to other businesses.

Performance

As a group of individuals working with a wide range of leading companies on the challenge of sustainable development and corporate responsibility, we are hugely supportive of the leadership role that BT plays in terms of responsible corporate practice.

There is no complacency about the challenges it faces (despite ranking first in the Dow Jones Index for the last five years), and an impressive readiness always “to take the next step”. It is important to maintain this momentum if BT is to stay ahead of emerging rivals for leadership in these areas. As can be seen from the summary of Key Performance Indicators, this has been (for the most part) another year of successful delivery, and this Report is in itself an innovative extension of standard CR reporting.

As we did last year, we have chosen to use this section of our statement to highlight some performance-related “headlines” arising during the course of the year.

1. BT has worked particularly hard this year to align a number of different processes in this area: its Key Performance Indicators; its CSR risk register; its analysis of “materiality”; its new reporting formats and so on. All very “processy”, but few companies in our experience are as focused on getting this stuff right as BT, in the full knowledge that performance improvements only ever flow from effective and transparent management procedures.

2. During the course of the year, the Corporate Responsibility team has moved from the Group Communications department to report to the Company Secretary. We warmly welcome this shift as an important part of the “mainstreaming strategy” that has been going on for some time within the company, and our meetings with the Company Secretary have reinforced this perception.

3. BT has been well ahead of the corporate curve in recognizing the importance of climate change, and its engagement in this year’s Hot Topic (investigating the feasibility of BT becoming a completely carbon-neutral company) has strengthened its thinking in this area. It continues to perform well in reducing emissions of CO₂ (60% down on 1996 levels), as it does on its other principal environmental KPIs, namely reducing waste going to landfill and increasing recycling.

4. BT’s commitment to a “digitally inclusive society” (increasing access to information and communication technologies to help reduce social exclusion) remains a critical part of its overall Corporate Responsibility strategy. Though we have never been convinced that the KPI it uses here (percentage of households in which broadband is now available) is either terribly relevant or useful, the broader digital inclusion story within BT remains a good one. Its work with older people and people with disabilities has been particularly influential. We are delighted that a new digital inclusion KPI is to be developed over the course of this year.

5. We continue to emphasize supply chain management, and the crucial role a company like BT can play in encouraging other companies to improve their social, environmental and ethical performance. “Sourcing with Human Dignity” remains one of the strongest corporate initiatives in this area.

6. Last year, we wrote as follows: “We would like to see much greater readiness from BT to capitalize on its core business expertise in communications to help build capacity in



improved “communications for sustainability”.” In essence, we have seen very little progress on this during the course of the year, a point to which we return in the section below.

Challenges for the Future

1. Climate Change

BT is in the process of developing a formal climate change strategy and action plan, and we look forward to that engaging managers across the company as a whole. For us, given deepening concerns about the speed with which climate change is now impacting on people all across the world, it's impossible to imagine that BT would aspire to become anything other than carbon neutral just as fast as is practically possible, recognizing that this needs to be driven primarily by systematic reductions in CO2 emissions, year on year, through increased efficiency and the use of renewable energy

2. Communications

We also believe it is in the area of climate change that BT can start to deploy its expertise in communications and information technology far more effectively in order to help others meet their respective climate change challenges. There is, by and large, considerable willingness on the part of both individual citizens and SMEs to “do their bit”, but it's the how that often holds them back. BT could play a major part in removing some of these barriers.

3. Innovation

This area of climate change is just one aspect of the broader innovation challenge that BT now faces. We were very pleased to be able to devote one of our meetings this year to exploring the theme of “Innovation for Sustainable Development and Corporate Responsibility” with the company's Chief Technology Officer. We're looking forward to re-engaging towards the end of this year to see what progress has been made. Over and above smart ideas for specific new products and services, we will be particularly interested to see how BT builds in sustainable development/corporate responsibility to all its innovation processes, so that every new product and service helps deliver environmental benefits of one kind or another, and helps promote a more equitable society. We also believe that the Innovation Awards in this area could be substantially strengthened.

4. Public Policy

We touched on this in our statement last year: “the final item on our “wish list” is that BT should develop a better system for tracking and reporting on its lobbying activities and public policy work”. Again, although we are aware that discussions have been going on inside the company, we have yet to get any sense of where those discussions are going. We have therefore requested that one of our future meetings will focus on this area, and should include a formal presentation from the Head of Public Affairs.

5. Global Issues

Because BT's corporate strategy is based on growth in “Business to Business” transactions outside the UK (rather than direct engagement with customers), there may be less urgency in the way it now thinks about global poverty issues – around the Millennium Development Goals, for instance. We do not believe BT can maintain its leadership in this sector without some kind of engagement on global poverty. This is now, arguably, as big a challenge as climate change, and would hope that BT's corporate strategy (in terms of markets targeted for expansion, choice of strategic partners, proactive management of its global supply chain and so on) will explicitly reflect this dimension of Corporate Responsibility.



6. Community Investment

We were pleased to hear that BT is reviewing its community investment strategy, and welcome its intention to develop new measures for community programme effectiveness – as well as a global diversity index. We urge our BT colleagues to base these new measures on outcomes not on activity levels themselves, though we appreciate just how big a challenge this will inevitably prove to be.

We hope that you, the reader, will make use of the information and perspectives put forward by BT and respond in like spirit. Companies are often disheartened by the lack of response to reports like these, yet the use of dialogue in social and environmental decision-making offers an important opportunity to shape and inform the sustainability agenda.

Despite the diversity of views expressed in our meetings, there is one vision which we all share. This is to help ensure BT continues to build on its leadership role in sustainability performance and reporting. Mindful of that task, we will continue to challenge, exhort and counsel BT to lead the way in what is arguably the most crucial test for the business community in the twenty-first century – that of reshaping and redefining its principles and purpose so that the proper pursuit of wealth creation is consistent with the dictates of social justice and environmental sustainability.

Jonathon Porritt

Kate Fish

Mark Goyder

Bob Lister

John Randen

The Advisory Panel members acted in a personal capacity – the organisational affiliations below are listed for identification purposes only. Elisabeth Laville took maternity leave during the 2006 financial year.

Jonathon Porritt chairs the Panel. He is one of the UK's leading environmentalists, founded [Forum for the Future](#) in 1996, together with fellow Programme Directors Sara Parkin and Paul Ekins. He is closely involved in the Forum's Business Programme, in addition to involvement in a wide range of other Forum activities. He is also Chairman of the [UK Sustainable Development Commission](#), sits on the Board of the South West Regional Development Agency, and is Co-Director of The Prince of Wales's Business and Environment Programme.

Kate Fish is Managing Director of Business for Social Responsibility (BSR) Europe. BSR is a global NGO that helps its member companies achieve success in ways that respect ethical values, people, communities and the environment. BSR provides information, tools, training and advisory services to make corporate social responsibility an integral part of business operations and strategies. She previously worked for Monsanto where she coordinated their Biotech Advisory Council and established the company's framework for Corporate Social Responsibility.

Mark Goyder is Director of [Tomorrow's Company](#) a business-led think-tank which was established in 1996 following the RSA's Inquiry, "Tomorrow's Company; the role of business in a changing world". He is the author of *Living Tomorrow's Company* in which he sets out the philosophy behind Tomorrow's Company and is a regular contributor to newspapers such as



the Financial Times and the Times. He was a member of the DTI Working Party on Materiality for the Operating and Financial Review.

Rob Lake is Head of Corporate Engagement at Henderson Global Investors. He leads Henderson's work on corporate governance, as well as its engagement with companies to encourage improvements in corporate environmental and social performance. Rob was also a member of the DTI Working Group on Materiality for the Operating and Financial Review.

Prior to Henderson, Rob worked at the NGO Traidcraft, where, as Director of Policy, he worked on corporate social responsibility, corporate governance and socially responsible investment and how they relate to international development and the needs of the poor.

Jorgen Randers is professor of policy analysis at the Norwegian School of Management, where he teaches scenario analysis and corporate responsibility. He is non-executive director of a number of corporate boards. He was formerly Deputy Director General of WWF International (World Wide Fund for Nature) in Switzerland (1994-1999). He currently serves on the Board of WWF International and chairs the Norwegian Government Commission on Climate Gas Reduction.

He is co author of many books, including "The Limits to Growth" (1972) and "Limits to Growth - The 30 Year Update" (2004).

Materiality

This report covers BT's most material issues – those that we have identified as relevant and significant for our business.

This is the first year that we have looked at significance as well as relevance when determining whether an issue is material for us. To do this we developed a new process covering four elements:

- BT's policy position on the issue
- The financial impact of the issue on BT
- The degree of stakeholder interest in the issue
- The degree of societal interest in the issue.

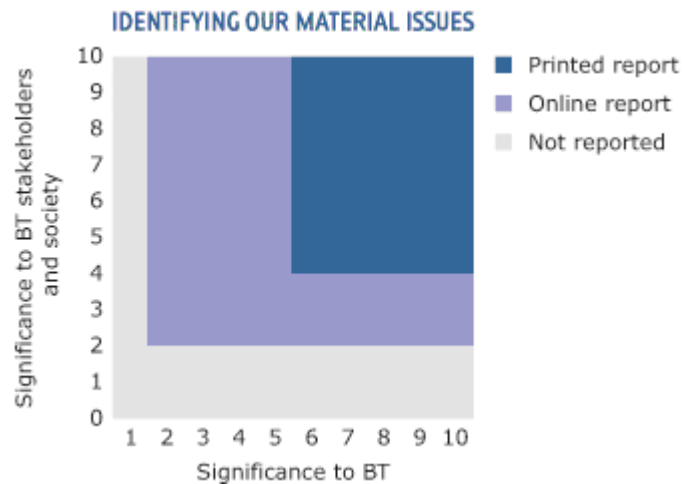
Stakeholder interest was assessed through research with customers, employees and suppliers. We asked them what are the most important social and environmental issues that a company such as BT should be taking action on? We also analysed Parliamentary Questions and investor questionnaires to understand the issues of most interest to them. We determined levels of societal interest through an extensive media review covering seven countries.

In most cases, the issues identified through the process were defined as 'material' by both BT and our stakeholders, and were included in our reporting. But there are some issues that BT considered important that were not identified as significant in our stakeholder research, for example working conditions in the supply chain and ethical marketing and advertising.

We consulted our Leadership Panel on these issues and in some cases we have included them in our reporting.

The materiality process has led us to exclude issues previously reported, including some GRI indicators. We have indicated these in the GRI index.





Materiality and our Key Performance Indicators (KPIs)

There is broad consistency between the issues that our materiality process has shown to be significant to our business and our Key Performance Indicators (KPIs). A review of our KPIs during the 2006 financial year has resulted in most remaining unchanged.

Completeness

According to the AA1000 standard, a report is complete if it covers all material issues and meets two criteria:

1. The process for determining materiality is inclusive and complete.
2. The reporting boundaries have not been drawn so as to exclude any material issues.

The materiality section of the report describes how we have identified our material issues this year, and our new test of significance. We have also:

- Prepared our report in accordance with the Global Reporting Initiative (GRI) guidelines
- Used the GRI guidelines Pilot Telecommunications Sector Supplement
- Reviewed sustainability reports from peer companies
- Included compliance and prosecution information relating to equality and diversity, environment, employee relations and regulatory affairs
- Published 'Hot Topics' on issues of concern.

This report covers all BT's main operating divisions. We have assessed all our principal operating subsidiaries (listed in our 2006 Annual Report and Accounts) to determine whether there are any issues that would alter our interpretation of materiality and completeness for this report. See more detail on our reporting boundaries in the Scope of our Report.

Our reporting extends beyond our direct operational impacts to include our supply chain and the social and environmental impacts of our products and services.



Responsiveness

It is important that we listen to our stakeholders and consider those views when formulating policies, objectives and running our business.

That is not to say that we always can - or do - follow the views of our stakeholders. Stakeholder feedback can be contradictory. For example, the same stakeholder may expect us to offer the lowest possible prices at that same time as making the highest possible investment in non-profitable services for the wider good.

We use stakeholder feedback to inform our approach but ultimately it is up to us to select the appropriate balance point and make, and be seen to make, responsible decisions. Corporate social responsibility is about being held to account for those decisions in an open and transparent way.

The section on stakeholder dialogue describes our approach and how stakeholder feedback has influenced our reporting this year.

Indexes

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](#)

There are also icon links to the relevant parts of the GRI, Global Compact and The Way We Work indexes throughout our report.



Business principles

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

Here, we describe:

- Our [Statement of Business Practice, The Way We Work](#)
- Our Undertakings to UK regulator Ofcom and the [Code of Practice](#) designed to help everyone in BT understand our commitments
- Our approach to regulatory compliance through our [regulatory compliance](#) report. This includes the first summary Report of the Equality of Access Board, the body which monitors, reports on and advises BT on our compliance with the Undertakings and Code of Practice.
- Our policy against [bribery and corruption](#)
- Our [Corporate Social Responsibility governance framework](#)
- Our approach to understanding and managing our key [CSR risks](#)
- Our approach to [public policy](#), political donations and lobbying
- Our [vision and values](#).

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 representing BT. It sets out specific aspirations and commitments that guide our relations with our customers, employees, shareholders, partners, suppliers and local communities.

Here we provide details on the [awareness](#) of the Statement within BT and the way in which it is [implemented](#) across the Group,

Assess our performance against the specific principles, aspirations and commitments we make in the Statement, using this [index](#).

Awareness of Statement of Business Practice

We measure awareness of our Statement of Business Practice annually. During the 2006 financial year we found that 77% of employees were aware of the statement, called The Way We Work.

Our Statement of Business Practice is available in eight languages – Chinese (Mandarin), English, French, German, Italian, Japanese, Korean and Spanish. It includes a question-and-answer guide to help managers brief their teams. The Way We Work is available on our intranet and is sent to all new employees. All new managers are also sent the managers guide.

Within our global operations, a briefing on The Way We Work is included as part of the induction of all new employees (including those from our recently-acquired businesses). Since November 2005, the monthly communication from the CEO of Global Services has explored one of the business principles, highlighting what it means and an example of how it applies.

We also measure our ethical performance. Our Ethics Performance Measure has three components:

- Awareness of our statement of business practice
- An annual ethics benchmarking study that shows how we compare with a number of other top 100 companies
- Two questions from our annual staff attitude survey: is BT trustworthy? and is it safe to speak up in the company?

This is the second year we have measured ethical performance in this year and there has been a 1% increase, to 72% since last year. Our target for the 2007 financial year is to maintain our 72% score.

Implementation of Statement of Business Practice

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

Its implementation is the responsibility of each line of business and all have a designated senior manager to make it happen. An operational working group meet to maximise the effectiveness of implementation.



It is essential that BT employees feel able to report any 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 2005 financial year a letter from the Company Secretary was sent to BT employees telling them of the confidential hotline and encouraging its use where appropriate. The hotline is available 24/7 and meets the US Sarbanes Oxley requirements.

We act against anyone abusing our business principles. During the 2006 financial year, 163 employees were dismissed for unethical behaviour. The following examples are illustrative:

- A BT employee has been dismissed for making large numbers of calls to chatlines
- A contractor was removed from a BT contract after being identified as being responsible for the theft of a laptop
- A former contractor was dismissed and convicted of offences under the Protection of Children Act 1978
- A contractor was dismissed following misuse of one of our customer databases

We also reward excellent business practice. In collaboration with the UK's Institute of Business Ethics, we run an internal Business Practice Excellence award. Colleagues nominate employees who have demonstrated excellent business practice behaviour.

All BT's wholly-owned subsidiaries are expected to follow our Statement of Business Practice. We are committed to follow our values and principles in all our dealings with subsidiaries.

We 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.

'The Way We Work' is available in eight languages – German, Korean, French, Italian, Japanese, Spanish, Chinese and English. The accompanying guide for managers is also available in these languages.

Telecommunications Strategic Review – Code of Practice

BT volunteered legally-binding [Undertakings](#) to Ofcom, based on the principle of focusing regulation only where it is needed and rolling it back elsewhere.

"It Matters" is [the Code of Practice for BT people](#), setting out the rules we must follow to comply with the Undertakings.

Importantly, this Code is part of our code of ethics '[The Way We Work](#)' and is therefore part of BT's corporate governance framework. The Code makes plain the rules set out in the Undertakings for:

- access to, and dissemination of, customer confidential information and commercial information
- restrictions on influencing commercial policy
- the different parts of BT Wholesale

and explains the disciplinary consequences of non-compliance .

The Code draws attention to BT's confidential hotline telephone number and other ways to report concerns about BT's compliance with the Undertakings. The Code also mentions the role of the Equality of Access Board and the commitment made that the Equality of Access Office will have reasonable access to any information it needs.

A programme of briefing and training has been introduced, ensuring that all relevant employees of BT are, as soon as reasonably practicable, aware of their responsibilities to ensure that BT complies with these Undertakings.

BT's mandatory regulatory compliance training for all its employees covers compliance with the Undertakings and the Code of Practice.

Regulatory compliance

We produced our third regulatory compliance report in the 2006 financial year.

Ofcom, the telecoms industry regulator, confirmed a new regulatory settlement in September 2005. The settlement was agreed after the acceptance of legally-binding Undertakings by BT. Our [Regulatory Compliance report](#) is available as a PDF download. A distinct part of the Regulatory Compliance report is the [first summary report of the Equality of Access Board](#), the body which monitors, reports on and advises BT on our compliance with the Undertakings and Code of Practice. This is available as a PDF download.



Regulatory compliance Targets

Start Date	End Date	Description	Update	Target Status
April 2005	March 2006	95% of managers and 90% of team members will have completed regulatory compliance training.	We achieved our target for both managers and non-managers.	Completed

Bribery and corruption

We oppose bribery and corruption. We have a no-bribes policy which is part of our business principles [The Way We Work](#).

Our online training supports this commitment, which is the foundation of our human resources policies. We regularly communicate the need to operate in an ethical way, and we operate a confidential hotline for our people to raise any concerns about malpractice.

By the end of the 2006 financial year we will have measured our efforts against the [Transparency International](#) model on bribery and corruption.

CSR governance

The BT Board discusses our corporate social responsibility (CSR) strategy, performance and risks at least once a year. The Board is kept informed of any new developments or changing expectations that may affect its duties.

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

A dedicated CSR Team is in charge of daily activities. A number of committees provide input and oversight including our:

- Operating Committee
- CSR Steering Group
- Community Support Committee
- Environmental Policy Implementation Committee
- CSR Practitioners Forum.

We run CSR health checks in our commercial operations to identify specific social, economic and environmental impacts (both positive and negative). Our [Leadership Panel](#), composed of external experts, challenges our thinking and provides advice on our strategy.

Operating Committee

The Operating Committee is made up of BT's CEO, the CEOs of each line of business, and BT's Company Secretary. It has collective responsibility for running the BT Group business. This includes agreeing on matters not reserved for the Board, group-wide policies on CSR, ethics and business practice, and employment and health and safety standards.

CSR Steering Group

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

The CSRSG is made up of senior CSR champions nominated by the BT lines of business and seven support functions (Human Resources, Corporate Governance, Health and Safety, Group Property, Brand, Internal Audit and Procurement).



The CSRSG meets quarterly and is chaired by BT's overall CSR champion Meryl Bushell, Chief Procurement 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 for environmental management
- Agree company policy on specific social and environmental issues
- Assess risk
- Agree key performance indicators and strategic targets.

Examples of issues considered by the Committee during the 2006 financial year are:

- BT's CSR risks
- BT's CSR strategy
- Energy efficiency
- BT's taste and decency guidelines.

CSR health checks

CSR health checks are structured, informal conversations between members of the Corporate Responsibility team and commercial programme directors from BT's lines of business. These identify CSR risks and opportunities, and help to ensure that CSR is embedded in our 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 commercial objectives. The checks also raise awareness of the business case for CSR.

During the 2006 financial year, 9 health checks were conducted across BT in BT Wholesale and BT Global Services.

After a review in 2005, interviews now last a third longer and are based on the BT Values. An internal BT expert from the appropriate line of business, who also has CSR experience, attends and contributes to each health check, and follows up with interviewees within six months of the initial meeting.

Environmental Policy Implementation Committee

The Environmental Policy Implementation Committee meets monthly to ensure BT's environmental policy is implemented effectively. The membership consists of senior operational managers from across the business whose responsibilities have environmental implications; for example managing BT's energy consumption. Its main responsibilities are to:

- Meet the environmental improvement targets and objectives agreed by the 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 coordinates and maintains BT's CSR strategy and environmental management system. One of its 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 and environmental issues to identify those that might affect the business. They also support BT's commercial activities, for example by supporting bids for work.

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



CSR Practitioners Forum

The CSR Practitioners Forum is made up of representatives from across the business who look at the implementation of our CSR strategy. The Forum meets quarterly and is chaired by BT's head of Sustainable Development and Corporate Accountability.

Forum members are drawn from across the business and have responsibilities including, business ethics, environment, age and disability, internal audit, and digital inclusion.

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 with a reputation for excellence in this field.

See more in [Community](#).

Leadership Panel

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

- Jonathon Porritt, Chair of the Panel and Co-Founder and Programme 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
- Kate Fish, who joined the panel during the 2006 financial year and is Managing Director of Business for Social Responsibility Europe, an NGO working in the field of CSR.

The panel meets four times a year. Its remit includes advising on key areas of CR strategy and performance, ensuring BT doesn't avoid difficult subjects and bringing independent scrutiny to bear on our understanding of societal issues.

Examples of issues considered by the Leadership Panel during the 2006 financial year include:

- CSR governance
- The UK's Operating and Financial Review
- Base of the pyramid business models
- BT's approach to materiality in its social and environmental reporting.

The panel provides an annual [independent comment](#) on our performance.

In 2005 the panel carried out a review of its effectiveness, available as a [PDF download](#).

CSR risks

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

Our CSR risk register sets out our most significant social, ethical and environmental risks. These are disclosed below and in our annual financial report and accounts. There is a person in charge of dealing with each risk and all have a mitigation strategy in place. The register is updated twice a year and reviewed by the Board annually.

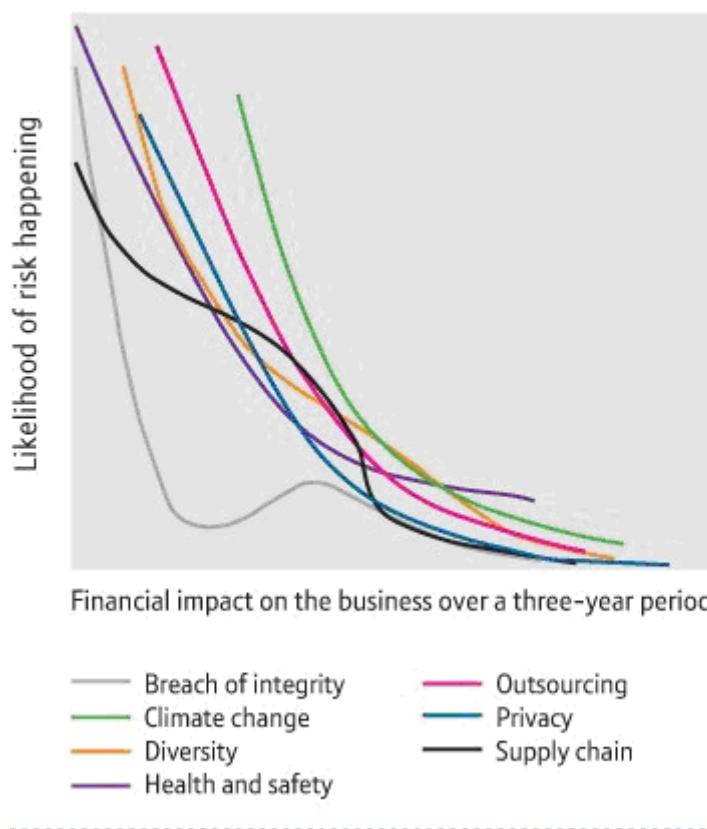
In the 2006 financial year, we identified no social, environmental or ethical risks that would have a material impact on our business. Our key CSR risks are unchanged from last year.



CSR Risk	More details on our approach to the issue
Supply chain working conditions	Suppliers
Climate change	Environment
Diversity	Diversity and inclusivity
Outsourcing	Hot topics and Outsourcing
Breach of integrity	Business principles
Health and safety	Health and safety
Privacy	Human rights

This graph shows the potential impact of each risk from a likelihood and financial risk perspective. Quantification on the graph has been removed for commercial confidentiality.

CSR KEY RISKS



Specialists from around BT are involved in identifying CSR risks. The process to identify CSR risks is timed so that it can directly inform our Group Risk identification process. We identify vulnerabilities, triggers and consequences before developing risk mitigation strategies.

In addition to the key CSR risks, we have a number of less significant but potentially important risks which we review on annually.

Public policy

BT is open and transparent about its public policy activities.

We do not make donations of any kind, anywhere, to political parties or individuals involved in politics or government. We take part in political business networks where the costs cover reasonable running expenses. These costs are agreed in advance by shareholders resolution at the Group AGM and reported in our annual report and accounts.

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.

BT responds to relevant UK Government consultation documents and to Select Committee Inquiries and similar initiatives by others. We interact regularly with the European institutions and we make sure that they are fully briefed on areas of importance to the company.

We are members of trade associations and industry bodies such as the [CBI](#) and [Intellect](#). We expect those bodies to be truthful and accurate in their communications.

We are engaged with global intergovernmental agencies, pushing for trade liberalisation and also competition for the benefit of consumers and business users.

All of our public policy work is conducted in accordance with the [BT Group Values](#).

We adhere to the Statement of Business Practice, that applies throughout BT.

Find our UK and European public policy positions and other useful documents [here for the UK](#) and [here for the EU](#).

Our responses to UK Government and Regulatory consultations are [here](#).

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](#).

Vision and values

Our Vision

To be dedicated to helping customers thrive in a changing world.

Our Mission

To be the leader in delivering converged networked services.

Our 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.

We are committed to contributing positively to society and to a sustainable future. This is part of the heart of BT.

Business principles - Key Performance Indicators

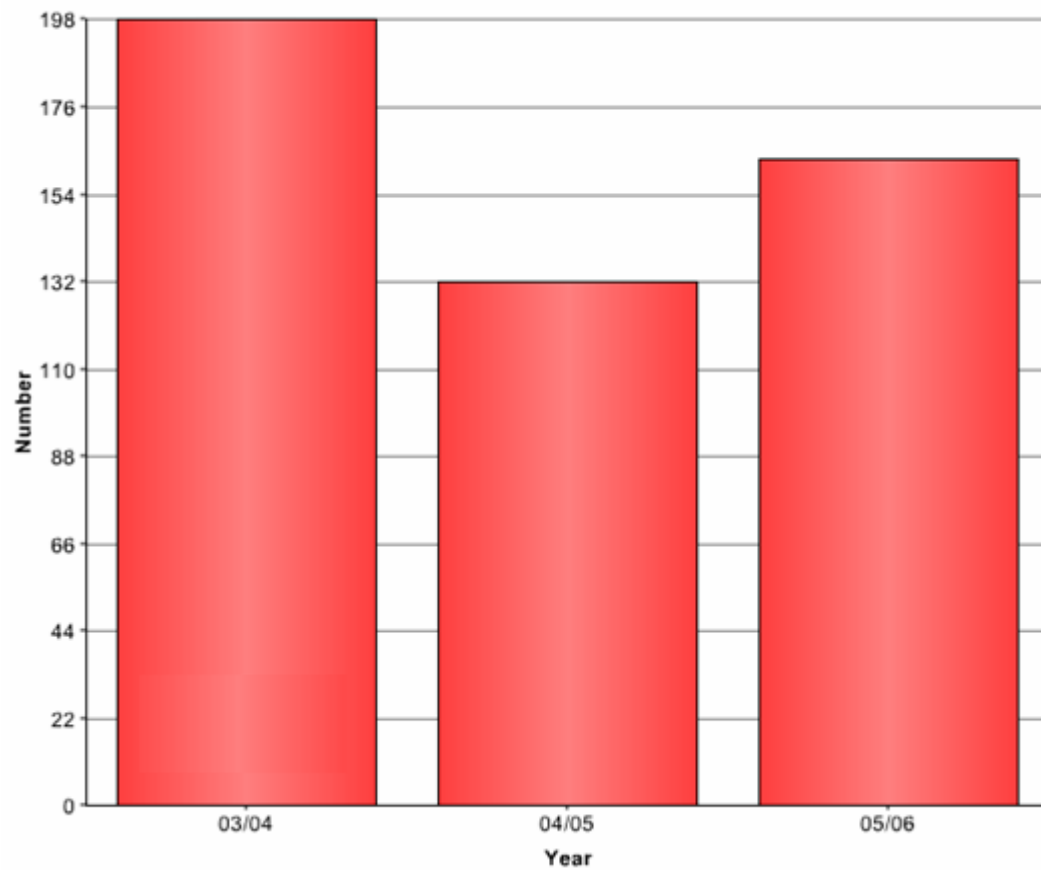
Indicator	Description	Measure	Target
Ethical Performance Measure	A measure of our progress in acting with integrity	During the 2006 financial year the Ethics Performance Measure was 72%.	To maintain the Ethics Performance Measure at 72% during the 2007 financial year.

Business principles Targets

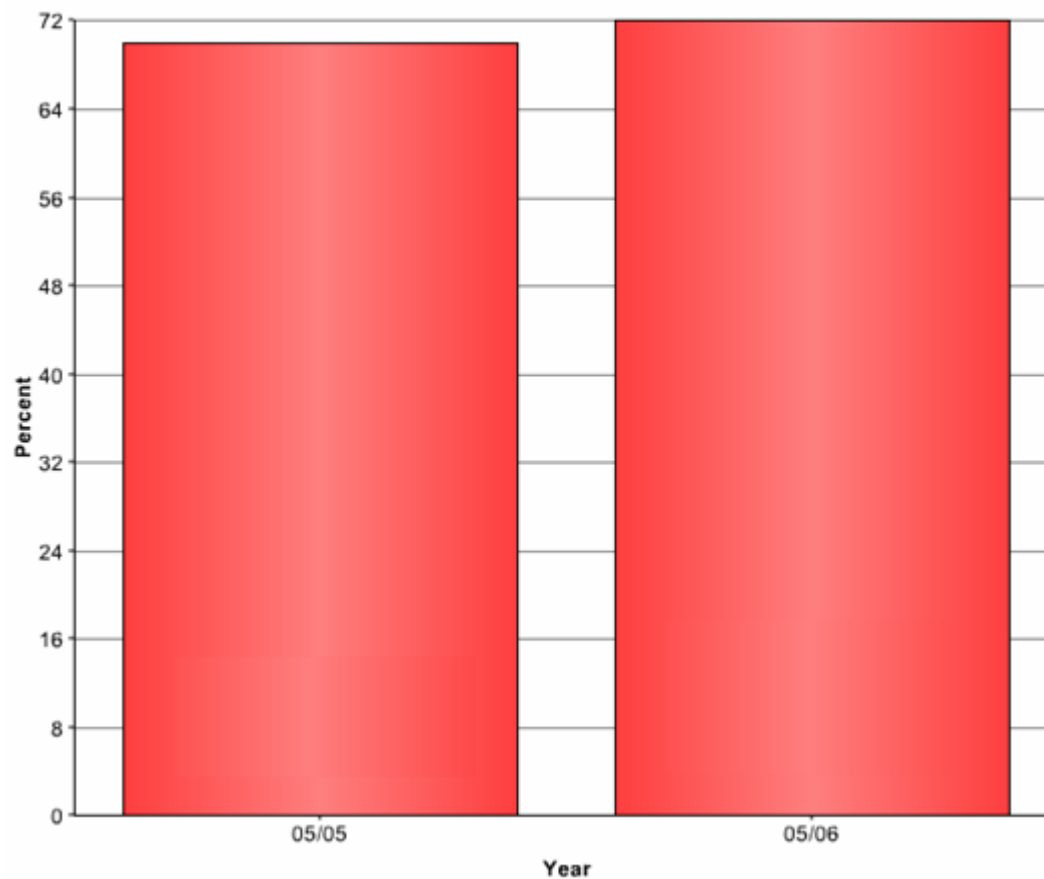
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Ethics Performance Measure at 72%.		New
April 2005	March 2006	We will increase our Ethics Performance Measure score to 71% from 70%.	The ethics score increased to 72% this year.	Completed
April 2005	March 2006	95% of managers and 90% of team members will have completed regulatory compliance training.	We achieved our target for both managers and non-managers.	Completed
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.	CSR assessment criteria were included in the integration of Albacom, Infonet and Radienz this year and key questions incorporated into the Due Diligence HR checklist used for future acquisitions. This work is currently still underway but due to be completed in Q1 06/07.	Delayed



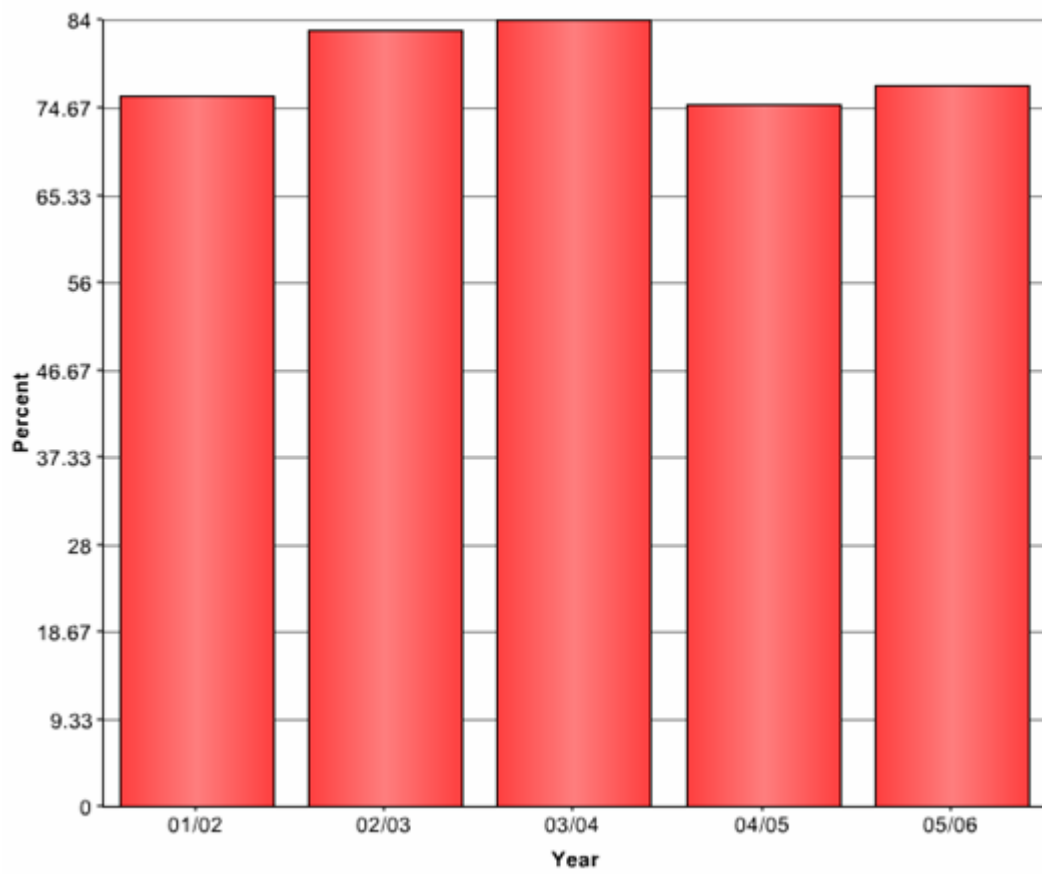
Dismissals for unethical practice



Ethical Performance Measure



Awareness of Statement of Business Practice



Stakeholder dialogue

Part of our management of corporate social responsibility is to develop good relationships with our stakeholders. Six groups are particularly important:

- Customers
- Employees
- Suppliers
- Shareholders
- Partners
- Community

Keeping customers satisfied is vital to our continued success. We conduct more than 2,000 face-to-face interviews with residential customers every month to assess customer satisfaction with BT. Feedback helps us to improve our service.

We regularly engage with organisations on major issues that have, or will have, an impact on BT's business. For example, in the 2006 financial year BT published a report on the future of [broadband in the next five years](#), to stimulate debate around how broadband can transform business as well as society and the environment. For more information, see [Sustainability](#).

We also hold quarterly meetings with the UK Environment Agency and meet twice a year with our two unions, the Communications Workers Union and Connect. In addition, BT is a member of the European Telecommunications Network Operators Association (ETNO) environment forum and the UK Council for National Parks corporate forum.

Our [Statement of Business Practice](#), The Way We Work, sets out the aspirations and commitments which apply in our relationship with each stakeholder group.

Here we discuss:

- The ways we engage with the different stakeholder groups
- Our Leadership Panel
- Stakeholder influence.

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

Stakeholder engagement

We engage with our stakeholders in many ways and learn from them all the time.

We describe in the individual report sections our relationships with particular stakeholders, their evolution, and the related policies and decisions we have taken as a consequence. Here are some examples of how we engage.

Customers

- Consumer Liaison Panels
- BT Business Panels for our large and small corporate customers
- Surveys of customers on quality of service and future expectations

Employees

- Our annual employee survey
- Relationships with trade unions
- The BT European Consultative Works Council
- BT Talking Point - a moderated online discussion forum.



Suppliers

- Our supplier satisfaction survey
- Ethical trading forums with key suppliers and industry colleagues.

Shareholders

We present our sustainability performance to financial analysts specifically interested in the social and environmental performance of companies.

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](#).

Community

An annual MORI survey of the general public tells us that communication skills and helplines should be a top priority for our social investment. The community section describes how we manage and distribute this investment. From the same survey, recycling as much as possible and using energy from renewable sources is top of what the public wants to see from BT.

Leadership Panel

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

- Jonathon Porritt, Chair of the Panel and Director of Forum for the Future, a UK sustainable development think-tank
- Kate Fish, Managing Director of BSR Europe, a business membership NGO working in the field of CSR. Kate joined the panel during the 2006 financial year.
- 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 at the Norwegian School of Management, Oslo.

The panel encourages innovation and leadership on sustainable development and corporate social responsibility in BT. It meets four times a year and provides independent guidance and expert advice.

Responsibilities cover 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 this website.

Stakeholder influence

We engage with our stakeholders in many ways to ensure that we understand their needs and views.

For example:

- We conducted a survey to find out which top social and environmental issues our stakeholders think BT should be acting upon. This has [influenced our CSR reporting](#) this year.
- Best practice examples on labour and environmental standards - and their importance to BT – were highlighted at an [event with our twenty-first century network \(21CN\) and call centre suppliers](#).
- We are replacing our 20-year-old [Consumer Liaison Panels](#) with a programme where we visit customers in their homes and offices to understand their needs. This will help us provide better products and services.
- We are setting up [Community Committees](#), made up of employee representatives, in our key countries to ensure a local perspective on our community, charity and volunteering activities. Groups in Ireland and Spain are in place.



- We hosted an [international workshop for senior executives](#) to debate and share best practice around the major diversity challenges facing global ICT organisations.

As with any social interaction, it is virtually impossible to draw direct causal links between stakeholder views and our subsequent actions. We do, however, remain convinced that such engagement informs our decisions and is essential to our continued success.

Influencing BT's Social and Environmental Report

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

Materiality

In the 2006 financial year, we researched which social and environmental issues our stakeholders think are most important for BT. In most cases, the issues identified by our stakeholders were also defined as 'material' by BT and wider society and were included in our reporting. There were some issues that BT considered important that were not identified as significant in our stakeholder research, for example, supply chain working conditions, ethical marketing and advertising and health and safety. There are several reasons that might explain these inconsistencies. For example, some issues such as working conditions in the supply chain are relatively new for BT and many stakeholders may not be aware of their significance.

Hot topics

Using robust selection criteria approved by our Leadership Panel, we analyse various opinion polls, BT's stakeholder consultations and press coverage to identify topical issues of concern to BT and society that will interest, engage and educate the reader. As a result, [What would a genuinely carbon neutral BT look like?](#), [Privacy in the Digital Networked Economy](#) and [Good Migrations?](#) have been included among our [Hot topics](#).

Indicators

In June 2003, we established a small number of 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 yearly, introducing new ones when necessary. In the 2006 financial year, our [materiality process](#) resulted in most of our KPIs remaining unchanged. During the 2007 financial year, we will introduce a new measure for digital inclusion. We will also develop a KPI for the outcomes of our community investment, to support the KPI of financial contribution.

We follow the 2002 Global Reporting Initiative (GRI) Guidelines and its telecommunications sector supplement.

Other content

Stakeholder dialogue influences each section of the report. For example, the [Investors](#) section was developed after close consultation with analysts. 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 support for customers receiving malicious and nuisance calls.

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.



Influencing BT's Social and Environmental Report - Key Performance Indicators

Indicator	Description	Measure	Target
Customer Satisfaction	A measure of satisfaction across BT's entire customer base*	There was a 3% increase in satisfaction during the 2006 financial year.	To increase the number of extremely and very satisfied customers by 5% during the 2007 financial year.‡
Employee Engagement Index	A measure of the overall success of BT's relationship with its employees	The Employee Engagement Index was 65% during the 2006 financial year.	To maintain or improve the Employee Engagement Index at 65% during the 2007 financial year.
Diversity	A measure of the diversity of the BT workforce	22.1% Women (15.8% of senior)◆, 9.2% Ethnic Minority (7.4% of senior), 2.0% Disabled (0.59% of senior)	To establish a new diversity index, to take account of BT's growing global activities, during the 2007 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	0.281 cases per 100,000 working hours	Reduce to 0.242 cases per 100,000 hours during the 2007 financial year.
H&S: Sickness Absence Rate	Percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.35% calendar days lost to sickness absence	Reduce to 2.26% calendar days lost due to sickness absence during the 2007 financial year.
Supplier Relationships	A measure of the overall success of BT's relationship with its suppliers.	The Supplier Relationships measure was 89% during the 2006 financial year.	To run the survey on a bi-annual basis and achieve more than 90%. †
Ethical Trading	A measure of the application of BT's supply chain human rights standard. △	During the 2006 financial year there were 230 risk assessments with 100% follow up.	To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2007 financial year.
Community contribution	A measure of our investment in society	During the 2006 financial year BT provided £21.3m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits and trial a new measure of community programme effectiveness during the 2007 financial year.
Global Warming CO2 emissions	A measure of BT's climate change impact	2006 financial year CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO2 emissions at 25% below 1996 levels
Waste to landfill and recycling	A measure of BT's use of resources	59,665 tonnes to landfill (58%) and 42,340 tonnes recycled (42%).	To reduce the tonnage of waste sent to landfill by 5% during the 2007 financial year.
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.
Ethical Performance Measure	A measure of our progress in acting with integrity	During the 2006 financial year the Ethics Performance Measure was 72%.	To maintain the Ethics Performance Measure at 72% during the 2007 financial year.

* revenue weighted.

‡ this is a revenue weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2006 levels.

◆ changes in job classification have led to a different definition of the term senior

† Next survey due in the 2008 financial year. See archived reports for earlier measures.

△ risk assessments are based on completed questionnaires



Stakeholder dialogue - Key Performance Indicators

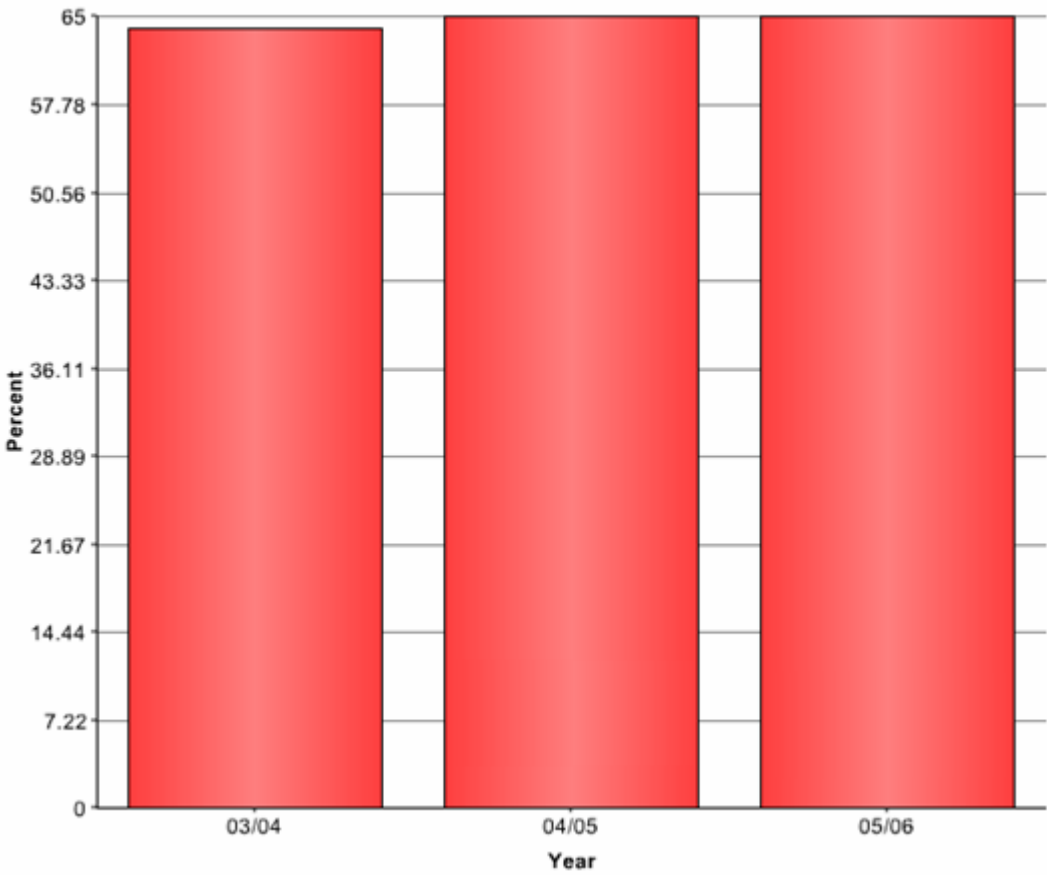
Indicator	Description	Measure	Target
Employee Engagement Index	A measure of the overall success of BT's relationship with its employees	The Employee Engagement Index was 65% during the 2006 financial year.	To maintain or improve the Employee Engagement Index at 65% during the 2007 financial year.

Stakeholder dialogue Targets

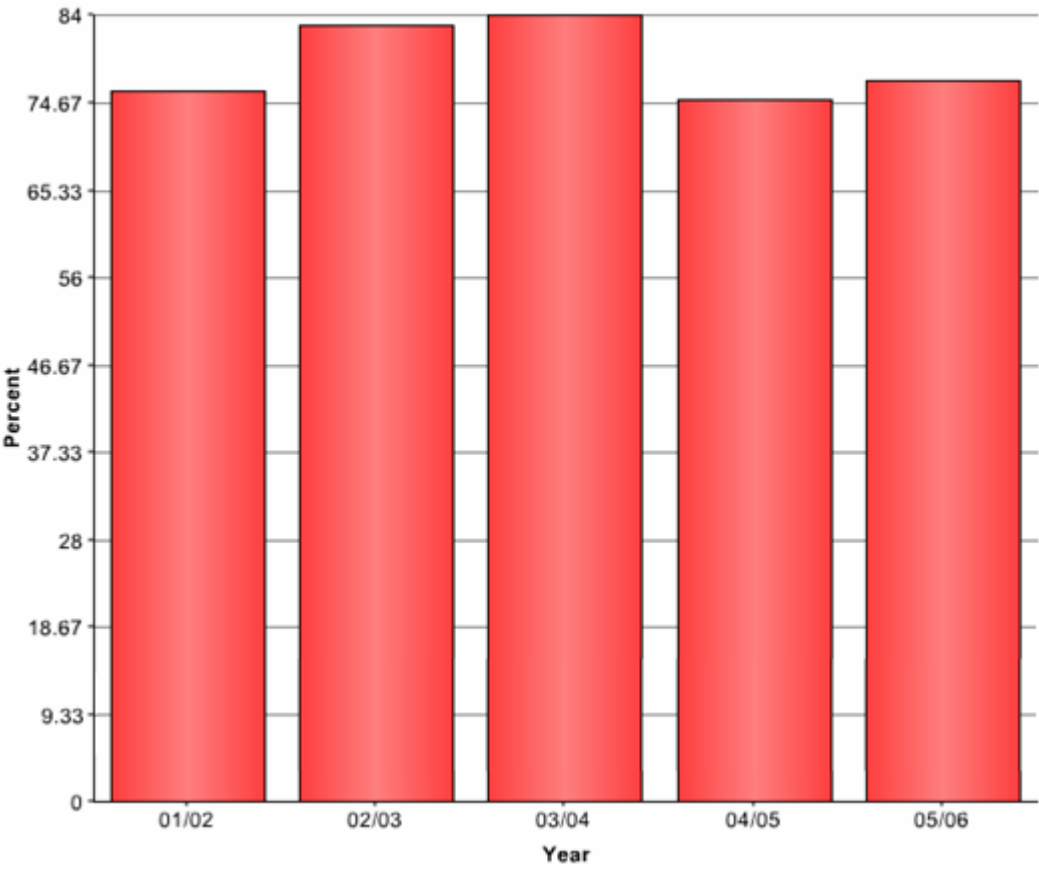
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain or improve BT's EEI, which is currently 65%.		New
April 2006	March 2007	BT will extend its CSR stakeholder research in 4 countries that are still to be identified but which are strategically important to our business in order to expand understanding of our global stakeholder expectations on CSR and to inform current and future planning of BT's CSR programmes and activities around the globe.		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%.	Percentage of UK adults who agreed with the statement was 52%, against the target of 51%.	Completed
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%.	We achieved 89% against the target of 90%.	Failed
April 2005	March 2006	We increase the Employee Engagement Index to 66%.	The employee engagement index for the 2006 survey was 65%, 1% under target.	Failed
April 2005	March 2006	We will repeat a measure of BT's supplier relationship and achieve more than 90%.	The survey result was 89%, just short of our target.	Failed



Employee Engagement Index



Awareness of Statement of Business Practice



Customers

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 30 million exchange lines. We also provide network services to other licensed operators.

Here we explain our approach to:

- Customer satisfaction
- Customer communications
- Services for customers
- Wireless communications and health
- Broadband
- Twenty-first century network
- Convergence

Customer satisfaction

Improving customer satisfaction is the cornerstone of our strategy.

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.

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.

We publish a Quality of Service report with details of our performance, every six months. View the [Quality of Service reports](#) available online.

Customer satisfaction measures

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

We carry out over 2,000 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.

We also commission an independent agency to survey about 9,300 business and residential customers each month. Interviews include questions on the provision or restoration of a service, or how a complaint made to BT was handled.

Another independent agency surveys 1,290 BT business customers and 300 corporate and government customers 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 larger organisations
- Tracker surveys, an overall satisfaction survey conducted by telephone
- An Event Driven Customer Satisfaction Survey, a telephone survey conducted immediately after a repair or provision event.

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



Customer satisfaction

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

BT Retail's performance - tested over the last three months of the past three financial years - fell back in 2005/06. The causes of the decline are being tackled and we are confident the levels of dissatisfaction will return to those experienced in 2004/05.

Dissatisfaction scores for residential customers

2003/04 12.8%

2004/05 11.5%

2005/06 12.8%

Dissatisfaction scores for business customers

2003/04 13.3%

2004/05 17.4%

2005/06 20.3%

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.

Customer 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. Feedback from panel members provides valuable insights into consumer thinking and informs the policy-making process within BT.

Panel meetings were held every two months in financial year 2006. Each panel has around 12 members, recruited for a two year period. The panels are recruited and chaired by independent external specialists. BT people attend the meetings to introduce topics and ideas, providing an opportunity for direct two-way feedback.

The panels are made up of consumers and some small business customers.

The panels regularly discuss a range of issues including customer service, how we keep customers informed, mobile telephony, payphones, billing, and the provision of services for customers with disabilities. During financial year 2006, broadband was one of the focus areas. Panel members were impressed with BT's efforts to drive broadband coverage. However they felt that the range of different broadband packages and product marketing was confusing and could put some potential customers off.

BT Business Panels

The Corporate Opinion Formers Group

This panel is made up of large customers in the London area. The group meets quarterly and also provide feedback through an online discussion group and bulletin board.



The Birmingham Local Business Panel

A new panel for small business customers in Birmingham. The panel meets six times a year to discuss topical issues with BT Business people and the BT Local Business network.

Customer complaints

We are committed to providing the best service to our customers. 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 back of BT Phone Books and on our website at [Complaints about our Service](#). Ofcom, the regulator for the UK communications industry, publishes advice about how to make a complaint to a telecoms company, see www.ofcom.org.uk.

Services for customers

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 commitments
- Disconnections
- Protection from internet abuse
- Online safety
- Low income services
- Nuisance Calls Bureau
- Protection from internet dialer scams
- Payphones
- Services for customers who are older or disabled
- Voluntary and mandatory services.

Advertising commitments

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 2006 financial year, there were 27 complaints made to the Advertising Standards Authority about BT and 5 of these were upheld. During the 2006 financial year, BT made 58 complaints to the ASA, of which 15 were upheld.



Disconnections

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 having to disconnect their service. For example, by agreeing 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.

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

Protection from 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 is 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. This means the blocking technology prevents offences being committed, and is therefore a direct crime prevention measure.

Cleanfeed 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 attempts to access blacklisted material.

More information on content controls and privacy is included in the [Human Rights](#) section of this report.

Online safety

BT and Guardian Unlimited

BT is working with the online news service, Guardian Unlimited, on a major online security campaign.

BT is sponsoring a microsite on Guardian Unlimited, which will include a comprehensive guide to online security and advice on how broadband users can protect themselves against online theft, fraud and viruses. There will be information for teachers and parents on how to protect children from dangers online.

Internet Green X Code

BT launched the Internet Green X Code in 2004 to help children stay safe on the internet. The code encourages children to 'Stop, Think and Stay Safe' when they are online through their computer or mobile phone. It also contains guidelines for parents and teachers, such as keeping computers in a communal room and making internet surfing a joint experience for parents and kids.

The Internet Green X Code is the first guide to be endorsed by the Home Office, the Children's Charities Coalition on Internet Safety (CHIS), the Internet Watch Foundation and the Department for Education and Skills' Parents Online.

The code can be [downloaded](#) or you can e-mail greenxcode@bt.com to obtain a copy.



Low income services

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 - for those who need a phone but make few calls because they can't afford them. It is available on BT residential phone lines. Customers pay standard rental and call charges, and receive a rebate if their bill is below a certain level. Around two million customers benefit from the scheme which costs BT 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 that offers normal incoming call facilities, but restricts outgoing calls to 999, 112, 150, 151 and 12822 (Ring Me Free). It 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 'pay as you go' service. 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 400,000 customers use the service.

Nuisance Calls Bureau

BT voluntarily operates a Nuisance Calls Bureau (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.

Protection from internet dialler scams

Rogue internet diallers are an industry wide problem. Customers have experienced higher than expected telephone bills. This is 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 been working closely with the industry and ICSTIS (the premium rate services regulator) to resolve this. We offer several services to warn customers and help them protect themselves:

BT Modem Protection – a free software download that stops PCs dialling premium rate or international numbers, even if dialler software is present. Customers are warned if their modem starts to dial anything other than a list of approved numbers.

BT Privacy Online SMS Alert - an early warning system for customers affected by diallers. If a customer's bill rises dramatically above its usual pattern in a day or a call is made to a destination suspected of operating unregistered diallers, a text or voice message is immediately sent to the customer's landline. A premium rate bar can then be placed on the line.

Customers can sign up to BT Privacy by calling 0800 121 8000 or registering online at <http://www.bt.com/privacy>. Customers who already have a caller display service for BT Privacy should call 0800 121 8000.

Payphones

BT has a legal duty - known as our Universal Service Obligation - to make basic telephone services available to all UK consumers, throughout the country and at affordable prices. This includes providing payphone services to meet community needs, including rural communities.

We currently have 64146 public payphones in operation, with a further 873 managed sites. Calls from public payphones have fallen considerably in recent years – mainly due to increased mobile use – making many payphones unprofitable.

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



During the 2006 financial year, we removed 296 public payphones. None of these removals resulted in the total loss of payphone services in the areas affected. Before deciding to remove a public payphone we look at several factors including the age profile of the local population and mobile phone coverage in the area.

New services

We are looking for ways to sustain our payphone service by offering customers a wider range of services.

We have 1,300 public e-payphones in the UK, enabling customers to surf the internet, send emails and text messages and make payphone calls. We have joint initiatives with several local councils to enable communities to access on-line e-government services from our e-payphones.

Other options we are exploring include a combined payphone and ATM.

Services for customers who are older or disabled

Our aim is that all members of society should have the same freedom and opportunities to communicate. Our Age & Disability Team influence accessible product design across BT and work within local communities to improve access to communications for older and disabled people. As we launch a new wave of products and services we must make sure these engage rather than exclude older and disabled people.

Accessible Information

We make our printed and on-line information easy to understand and use. We provide bills, contracts and some service information in alternative formats such as Braille and large print.

Our [Age & Disability Action](#) website provides clear information about our services and was awarded the RNIB's 'See it Right' Accessibility logo.

BT Text Direct and RNID Typetalk

BT TextDirect is a simple way of making and receiving calls between voice and textphone users.

Typetalk enables people who are deaf or hearing impaired to make and receive calls to and from hearing people. It is run by the Royal National Institute for Deaf People and funded by BT

Consultation

We consult disabled people on key issues. The BT Disability User Panel, made up of BT people with an interest in disability, provides early feedback on the accessibility of new services.

Digital Divide

Many older and disabled people do not have access to technology or find it difficult to use. We are committed to helping these customers engage with technology. For example, our website includes information on broadband in British Sign Language. We are working with the National Library for the Blind to investigate how broadband can give disabled people greater online access to books. Further details are on our [Age & Disability Action Website](#).

Directory enquiries

Disabled customers can use our 195 free directory enquiry service.

Products

We are proud of our extensive range of 'Design for all' phones including the Big Button range and the BT Relate 3000. We currently supply the only rental textphone in the UK.

Our Age & Disability Action Team work directly with healthcare and independent living specialists across the UK to provide a unique product trial service, allowing older and disabled customers to find the right BT product for their needs.

All existing payphones have inductive couplers to assist people wearing compatible hearing aids. Our latest range of text payphones also allow UK customers to send e-mails and SMS messages and some incorporate a textphone with access to BT TextDirect.



Protected Service

We offer services to protect the phone lines of vulnerable customers in relation to payment of bills and line faults.

Voluntary and mandatory services

BT takes pride in pioneering services for customers and seeks to provide levels of service beyond our mandatory requirements. Some services that we have offered voluntarily have become licence requirements.

Voluntary services

Service	Notes
Nuisance Calls Bureau	BT set up this facility to offer expert advice and practical action to victims of malicious and nuisance calls.
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	BT provides a priority fault repair service to severely disabled customers. We have also extended this service to establishments which exclusively house the elderly
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 selected publications in alternative formats for many years. Our licence now requires us 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 (used by people with hearing aids) in public payphones.

Customers - Key Performance Indicators

Indicator	Description	Measure	Target
Customer Satisfaction	A measure of satisfaction across BT's entire customer base*	There was a 3% increase in satisfaction during the 2006 financial year.	To increase the number of extremely and very satisfied customers by 5% during the 2007 financial year.‡
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.

- revenue weighted.

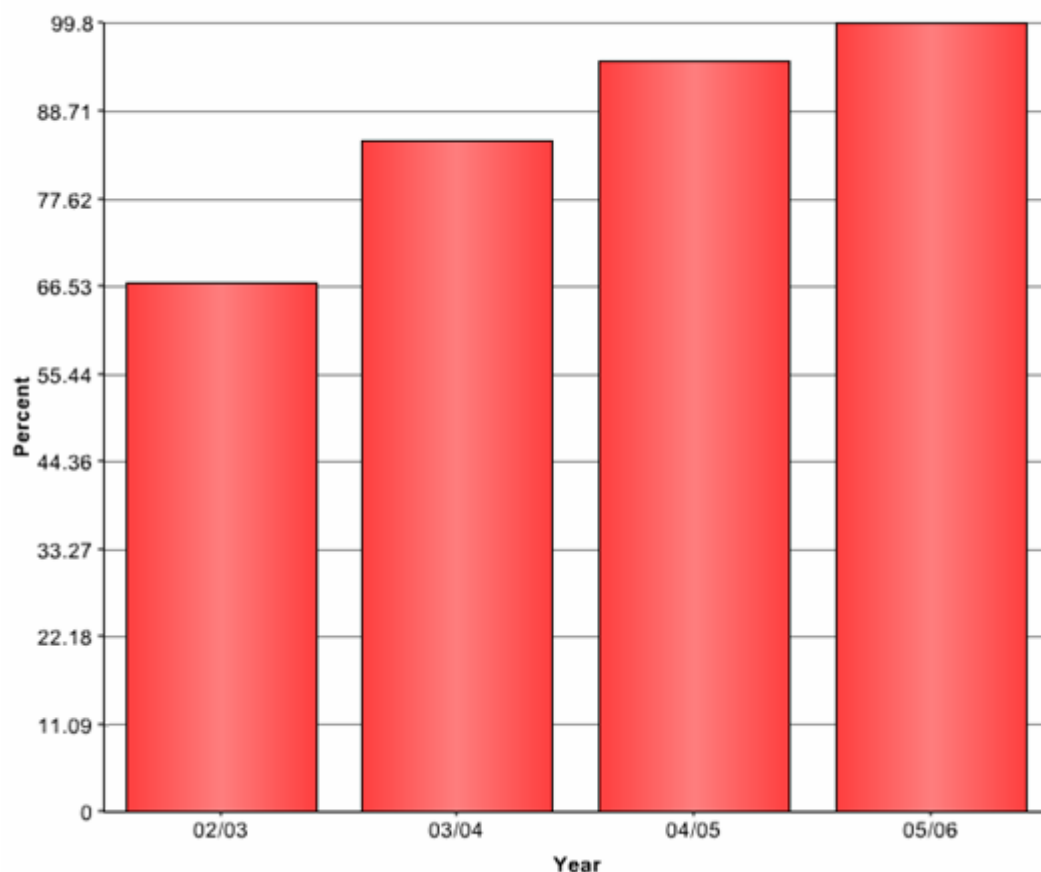
‡ this is a revenue weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2006 levels.



Customers Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will increase the number of extremely and very satisfied customers by 5%.		New
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
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).	There was a 3% increase in customer satisfaction in the 2006 financial year. The customer satisfaction target of 5% was therefore not met.	Failed
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed

Broadband coverage



Customer satisfaction - Key Performance Indicators

Indicator	Description	Measure	Target
Customer Satisfaction	A measure of satisfaction across BT's entire customer base*	There was a 3% increase in satisfaction during the 2006 financial year.	To increase the number of extremely and very satisfied customers by 5% during the 2007 financial year.‡

* revenue weighted.

‡ this is a revenue weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2006 levels.



Customer satisfaction Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will increase the number of extremely and very satisfied customers by 5%.		New
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).	There was a 3% increase in customer satisfaction in the 2006 financial year. The customer satisfaction target of 5% was therefore not met.	Failed

Customer satisfaction measures - Key Performance Indicators

Indicator	Description	Measure	Target
Customer Satisfaction	A measure of satisfaction across BT's entire customer base*	There was a 3% increase in satisfaction during the 2006 financial year.	To increase the number of extremely and very satisfied customers by 5% during the 2007 financial year.‡

* revenue weighted.

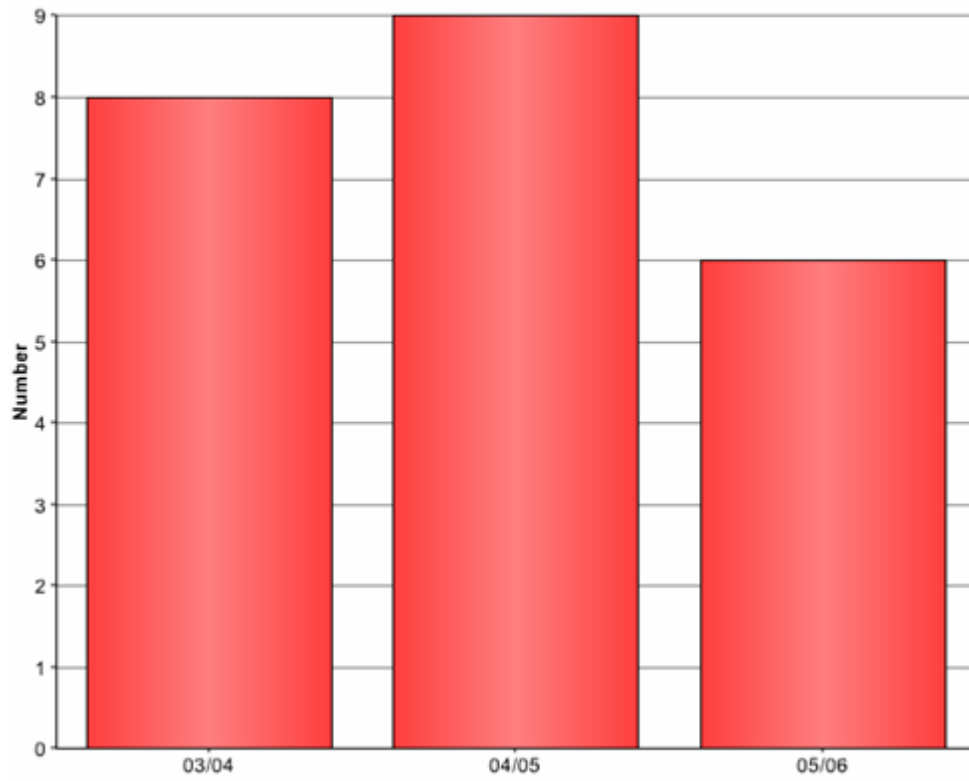
‡ this is a revenue weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2006 levels.

Customer satisfaction measures Targets

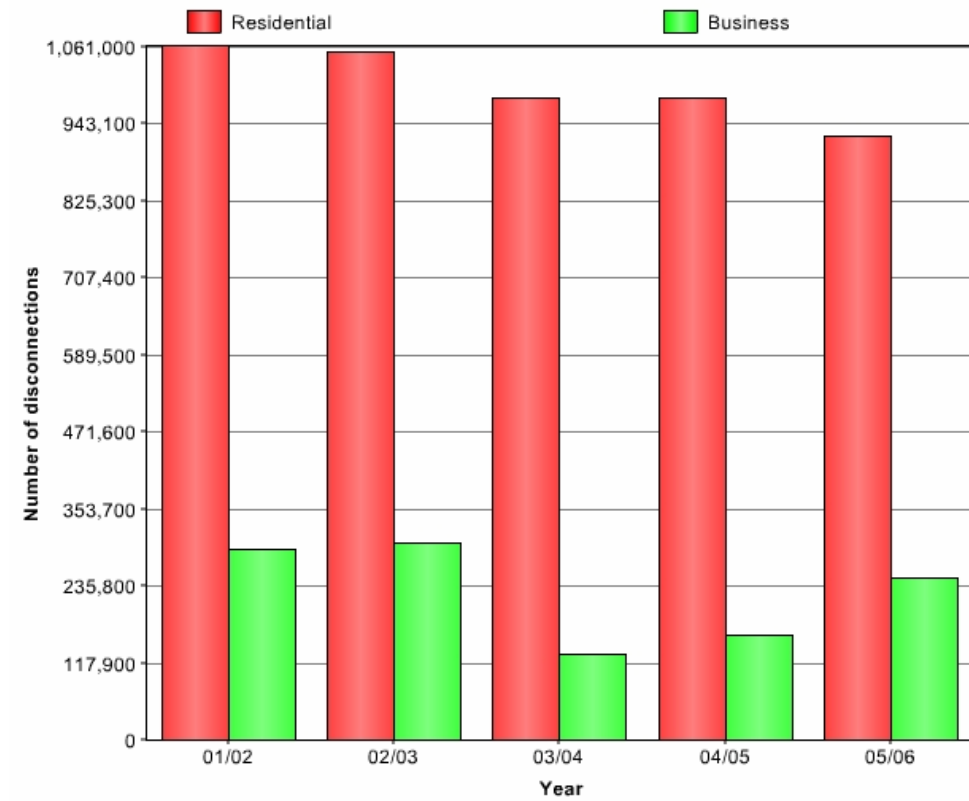
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will increase the number of extremely and very satisfied customers by 5%.		New
April 2005	March 2006	We will increase the number of extremely and very satisfied customers by 5% and limit the levels of dissatisfaction to March 2005 levels (revenue-weighted measure).	There was a 3% increase in customer satisfaction in the 2006 financial year. The customer satisfaction target of 5% was therefore not met.	Failed



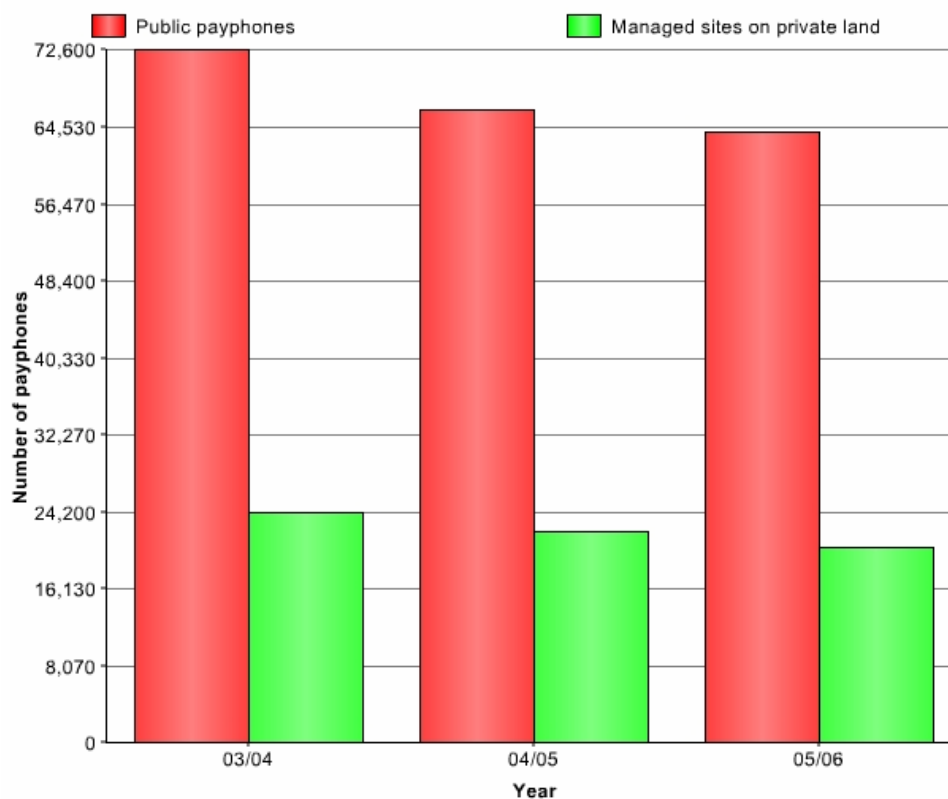
Complaints upheld by the ASA



Disconnections



Payphones



Broadband - Key Performance Indicators

Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.

Broadband Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
April 2006	March 2007	BT will develop a new digital inclusion target for use in the 2008 financial year. By March 2007, BT will develop a new digital target for use in the 2008 financial year.		New
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed



Employees

We employ approximately 104,000 people around the world, including 93,000 in the UK, where we are one of the largest employers. BT now serves customers in over 70 countries and has employees in over 50.

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.

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:

- Recruitment and retention
- Employee agility – flexible working, insourcing, outsourcing and offshoring
- Pay and benefits
- Employee relations
- Diversity and inclusivity
- Learning and development
- Health and safety.

Recruitment and retention

We employ thousands of new people each year and need to make sure that we attract, select and retain the best. During the 2006 financial year, we recruited 143 graduates and 470 modern apprentices in the UK. In the UK more than 6,600 people joined BT. 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.

Talent Management

We are updating and improving our talent management processes to ensure that we always have a diverse supply of talented candidates. In financial year 2006 this included:

- Developed new partnerships with business schools to extend our global reach, improve diversity and access higher quality candidates
- Increased line manager involvement at career fairs and on campus recruiting events
- Implemented a more robust selection process and raised pre-screening pass thresholds
- Increased representation of women in talent pools from 28% to 37%

We appointed 48 new executives, of which 11 are female.

Case Study

Developing a Diverse Talent Pool

During the 2006 financial year we have reviewed and redefined our Talent management system. This is the process that we use to recruit, identify, develop and appoint talent to jobs in BT.

Diversity is an important issue in talent management at BT. We are taking steps to make sure our top people reflect the diversity of society.

We are encouraging more people to nominate themselves for promotion to senior positions, including women and people from an ethnic minority background.

To ensure that we are identifying and attracting diverse talent we review the diversity of recruitment shortlists provided by our senior selection agencies (headhunters).

The results have been encouraging: we have improved the percentage of women on the talent list from 28% to 37% and we maintained a figure of 8% of people with an ethnic minority background. Among MBA graduates recruited into the company 30% are women and 57% are from an ethnic minority background.



Employee agility

Agility and flexible resourcing helps BT to adapt to changing business requirements and supports long-term business success.

It includes:

- Insourcing – BT manages IT services on behalf of major customers. Employees that previously worked in the customer's IT department become BT employees.
- Outsourcing: BT is transferring some of our non-core activities to suppliers who can manage these parts of the business more efficiently. Some employees that previously worked at BT will join the supplier company.
- Offshoring: when services are provided from a different country to that in which the customer is based.

Flexible working

Achieving the Balance, our flexible working portfolio covers flexible working, home-working, part-time working, job sharing, maternity and paternity leave, adoptive leave, parental leave, special leave and leave for carers. Our policies exceed UK minimum legal requirements.

In March 2006, we had approximately 4,950 part-time employees, nearly 443 job sharers and around 11,000 people working from home for BT.

ICT technologies such as hot-desk office share, laptops with wireless internet connections, and handheld personal organisers help BT people to work flexibly.

This flexibility helps to create a more inclusive workplace for people with disabilities, carers and those returning to work after a career break.

In 2005 we commissioned research on global work-life balance best practice. We have used the findings to develop a strategy for improving work-life balance initiatives across our global operations.

Initiatives

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

[Employers for Work-Life Balance Advisory Board](#)

[Employers for Carers](#)

We organise Agile Business – Balanced Life conferences for employees and other employers to demonstrate how technology can help people balance their lives.

Insourcing

BT now manages IT services for many of our major customers including FirstGroup, Abbey National and Unilever.

Employees who previously worked in the customer's IT department become BT employees. From BT's perspective this is known as insourcing. Insourcing is governed by the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

BT's approach

BT works closely with our customers to manage the transition. We want future employees to feel that they have been treated fairly in regards to the transfer.

We try to set realistic target dates so that we meet trade union and employee expectations. The BT human resources project manager is supported by a team with expertise in employee communications, employment law, pensions, employee services and payroll.

Employee Communication is vital. We work hard to communicate the benefits of the change and give employees access to the information they need. Communication methods include:

- Employee intranet site (including a newsletter and facility for answering employee questions)
- Roadshows that provide information on BT and enable potential employees to ask questions.



- Employee 1:1 sessions with BT
- Welcome/ Induction Sessions

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

Offshoring is when services are based in a different country to the customer. Some BT support services are now based in India.

- **OneIT**, BT's IT arm, outsources some of our software development to India. Much of this is done by MahindraBT a joint venture software development company in which we have a 43% stake.
- **BT Retail** has the majority of its call centres in the UK and two call centres in India: Bangalore and New Delhi. They are owned by two suppliers and managed by BT. These call centres support the delivery of customer service to BT Retail's customers.
- **BT Global Services** has insourced employees from some of our customers (see [Insourcing](#)). Some of these new employees are based overseas.

We don't believe that offshoring is socially irresponsible or incompatible with our stance on corporate social responsibility. But it is important that we work with our suppliers to make sure their employment and environmental standards match our own. See [Suppliers](#) for more information. We commissioned an independent Hot Topic on offshoring, see [Good Migrations](#).

Pay and benefits

Our benefits package must be competitive if we are to continue to recruit and retain the best talent. This section explains our approach to:

- Benefits and reward
- Equal pay
- Pensions.



Benefits and reward

We provide competitive salaries and a range of other benefits, such as share ownership, pensions and bonuses, to help us recruit and retain the best people.

We have three share schemes to promote employee ownership:

- Saveshare - an option to buy shares at a discounted rate. More than half of BT employees participate
- Allshare - gives employees the right to receive free shares based on company-wide performance
- Directshare - employees may buy shares from their pre-tax salary each month. More than 15% have done so.

In the 2006 financial year, our lowest main scale starting salary was £9,765 for a 36-hour week (£5.20 per hour).

In 2005, we introduced Choices, a flexible benefits programme for about 28,000 managers and professionals in the UK. This allows individuals to customise their benefits package by trading in salary to access additional benefits instead. We hope to extend this to a wider group of employees in the UK and abroad.

In our 2005 employee survey 57% of respondents agreed with the statement 'Overall, I think that my benefits package (holidays, pensions etc.) is good compared to the package offered to people in other companies who hold similar jobs.' This is an 8% increase on the previous year.

Equal pay

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

We have played an active role in the gender pay debate over a number of years, see our [previous reports](#).

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 performance-based reward system. All employees (non-managerial grades) are now on the same pay structure and this has significantly reduced the scope for inequality.

In recent years we have:

- Changed our promotion remuneration procedures, 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 more women
- Carried out a pay audit following each pay review, based on key measures agreed with our unions.

[Work-life balance](#) is key to eliminating barriers to 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.

A recent UK court case (Enderby v National Health Service) 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 Commission (EOC) has made this issue a priority.

Equal pay for equal value remains high on the BT agenda and we believe we are making good progress on the matter.



Pensions

The BT Pension Scheme, now closed to new entrants, is one of the largest funds in the UK, with assets of over £35 billion. The scheme has 77,200 contributing members, 177,500 pensioners and 99,000 deferred beneficiaries. Most employees have chosen to belong to the scheme and contribute six per cent of their salary. BT pays the balance of costs (currently 12.2 per cent of salary). In addition, the company is paying £232 million per annum to reduce the scheme deficit. The BT Pension Scheme is a defined benefit scheme, with the benefits linked to the members' final BT salary (not the performance of the pension fund). The normal retirement age is 60.

BT closed the BT Pension Scheme to new entrants in 2001 and introduced the BT Retirement Plan. The Plan is a defined contribution scheme, 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 BT salary). There are around 11,100 contributing members. The value of the fund is around £88 million.

This change is in line with the practice increasingly adopted by major UK groups. It enables BT to determine its pension costs more precisely.

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. See [BT Pension Scheme](#).

Hermes is considered a leader on issues of corporate governance and shareholder involvement. More information is available on the [Hermes](#) website.

Employee relations

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

- Our employee survey
- Trade unions
- Employee grievances
- The BT European Consultative Works Council
- Employee communications.

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.

In 2006 78 per cent of employees completed the survey, just over 80,000 responses. The CARE survey includes, for the first time, BT Consulting and Systems Integration (formally BT Syntegra) employees.

Employee engagement index

The key indicator in the CARE survey is the Employee Engagement Index. This indicates BT peoples' overall engagement and motivation with regard to their job, colleagues and customers. The 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. The index for the 2006 financial year is 65 per cent, the same as 2005.



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 UK based BT people in non-management grades; and Connect, which represents around 26,000 UK based 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. BT conducts its relationship with the CWU through officers and the national executive. 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 2006 financial year, no industrial action was taken.

Employee grievances

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

In the financial year 2006, the number of concluded employment tribunal cases involving BT was 75, with 26 withdrawn, 5 judged against BT, 25 settled and 19 judged in favour of BT. Each case is analysed by the relevant management team, and learning points are reviewed within the appropriate policy group.

We developed a faster grievance procedure and nominated a panel of senior executives to manage senior level grievances. These systems are currently being tested.

Click on the icons below for employment tribunal case data since 1999.

Bullying and Harassment

BT takes a zero tolerance approach to bullying and harassment. We believe that people can only give their best if they are treated with dignity and respect at work

We are members of the [Dignity at Work Partnership](#) led by the UK Department of Trade and Industry and the Amicus union.

In June 2005 BT's Chairman Sir Christopher Bland and Ben Verwaayen, BT's Chief Executive Officer launched "Let's Cut it Out", our anti-bullying campaign. A comprehensive intranet was launched to enable BT people to understand appropriate and inappropriate behaviour. This is supported by a training module and video material to help managers assess and tackle inappropriate behaviours.



For example in July 2005 15 members of our Asia Pacific leadership team participated in a “Lets Cut it Out” workshop. They considered feedback from our employee survey, and agreed action plans for improving the working environment.

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 through a common understanding of our performance, operating environment and market places.

The BTECC focuses on the performance and strategy of the BT group, on jobs and employment plans, and on the commercial and regulatory factors affecting our operations. Other relevant 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.

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. Employee representatives are drawn from UK trades unions, Works Councils and other bodies.

Most of our continental European operations have works councils representing employees.

Employee communications

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.

- BT Today, our in-house newspaper, is sent to more than 174,000 employees, pensioners and opinion formers on alternate months. It helps make sense of what's going on in the company and contains a letters page where our people can express their views.
- BT Today on our intranet is updated daily, and features a constant flow of news about BT and our industry. The site covers all media releases, comment and features about BT.
- Talking Point - part of BT Today online - is a forum for employee opinion, feedback and debate on topics such as work-life balance, driving safety and broadband.
- We are updating our intranet. Users will soon be able to share knowledge, ideas and opinions through BTpedia – a collaborative encyclopaedia and a series of blogs. Employees will receive information relevant to their role by subscribing to themed news services and podcasts.
- We communicated our third quarter results across the group through a podcast.

Employee engagement

We communicate with employees on our business strategy to help them understand potential opportunities and challenges of changes in our business.

We use a variety of tools to do this. For example BT Wholesale has used epulse – an online survey – to consult employees on the rollout of our 21st century network.

During the creation of BT Openreach, we held focus groups and events, where people could talk about the creation of the new organisation and give their views. Epulse was used to consult managers on the structure of the new organisation.



Diversity and Inclusivity

We believe that a diverse workforce makes for a dynamic and successful company.

Our approach is one of leadership and best practice:

- Leadership in diversity - Developing leading diversity programmes and contributing to the debate on diversity policy
- Best practice – Creating a workplace where all employees are treated fairly and without discrimination. Ensuring that our workforce reflects the diversity of the countries in which we operate.

Leadership in diversity

We aim to lead by example in our diversity policies. We share our experiences with others and contribute to the development of diversity legislation.

During the 2006 financial year BT participated in several initiatives including:

- Dignity at Work Partnership against bullying at work, led by the UK Department of Trade and Industry and the trade union Amicus
- DWP Job Centre Plus and National Employment Panel Supplier Diversity Task Force
- Employers Forum on Age
- Employers' Forum on Carers
- Equalities Review - a UK government review investigating the causes of discrimination and inequality
- Equal Opportunities Commission Investigation into Pregnancy Discrimination
- Supplier Diversity Development programme led by the Centre for Research in Ethnic Minority Entrepreneurship at De Montfort University

Equal opportunities policy

Our Statement of Business Practice states that 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, available as a PDF download.

Leadership in equality and diversity

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. Their role is to create, sustain and deliver our global equality and diversity strategy. Senior managers also lead specific groups, including race, gender, age, disability and sexual orientation.

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



Belief

In the 2006 financial year, BT hosted the launch of the Employers Forum on Belief. We published a thought piece of Belief and Flexibility detailing the importance of flexible working and how it can help to attract recruit and retain people from different beliefs.

Fathers

We are working with other employers through Employers for Fathers to broaden gender debate.

Sexual Orientation

We recognise same sex relationships in our benefits policies and pensions. BT was ranked joint 7th in a benchmarking survey by Stonewall, the organisation for lesbians, gay men and bisexuals.

We sponsored the [Big Gay Read](#) as part of our commitment to develop communications in all media.

Diversity in recruitment

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 2006 financial year:

- 14.4% of our new recruits were from an ethnic minority background – including 31.8% of new graduates and 9.3% of modern apprentices – compared with 9.2% of BT's total workforce
- 25% of our new recruits were women – including 36.4% of new graduates and 14.9% of modern apprentices – compared with 22% of BT's total workforce
- Twenty five (0.3%) of our new recruits had a disability as defined by the UK Disability Discrimination Act (DDA) – including 4% of new graduates and 3.8% of modern apprentices – compared with 2% of BT's total workforce. We believe there is under-declaration since 5% of BT people who completed the 2006 CARE survey say they have a disability.

Opportunity to make career progress is very important. In the 12 months to March 2006, of those promoted into or within management positions, 31 per cent were women and 9 per cent from ethnic minority groups.

These figures do not include the people who work outside of the UK..

Ethnic minorities

Among BT people, 9.2 per cent have declared themselves to be from an ethnic minority - 8.9 per cent of non-managers, 10 per cent of managers and 7.4 per cent of senior managers.

In the 2006 financial year, 14.4 per cent of our new recruits came from an ethnic minority background – including 31.8 per cent of new graduates and 9.3 per cent of modern apprentices.

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

Our Ethnic Minority Network for BT employees includes development courses and participation in the national debate on diversity.

Click on the data and targets icon below for comprehensive data since 2001.

These figures do not include the people who work outside of the UK.

BT took part in Business in the Community's Race for Opportunity [Benchmarking survey](#) which assesses companies' efforts to create a racially inclusive workforce. We were ranked second out of 113 companies.



Global diversity

In 2005 we established a global diversity forum with executives from across our business. The forum will develop co-ordinated diversity actions relevant to the legal and cultural frameworks in each country in which we operate. Its initial focus is gender diversity, recruitment, talent management and reward.

We launched online Global Diversity Awareness Training to educate employees on BT's diversity policies and to provide country by country information. The training is available in five languages.

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.

Profile

Overall, 2 per cent of BT people have declared themselves to have a disability. This represents 2.5 per cent of non-managers, 1.3 per cent of managers and 0.6 per cent of senior managers. We believe there is under-declaration since five per cent of BT people who completed the 2006 CARE survey say they have a disability, see [Diversity in Recruitment](#).

Initiatives

Able2 is an employee network for BT people with disabilities. It provides impartial advice and runs roadshows where people can discuss their needs with senior BT managers.

eNable is designed to improve the working life of BT people with disabilities. It provides a package of services including:

- A helpline to assist people who are, or become, disabled
- Guidance on job re-design, suitable alternative duties and provision of equipment and services
- Advice to managers on their responsibilities under the UK Disability Discrimination Act
- Support to ensure new recruits with disabilities feel supported.

Customer-facing employees receive disability awareness training. An intranet site on disability awareness and the law is available to everyone in the company and provides on-line training.

Events

We held a Disability and the Business Case event in the BT Auditorium in November 2005. Participants discussed questions such as: Does the business case [for diversity/disability] really exist? Is it just a concept or is it a useful tool? Speakers included Sue Maynard Campbell MBE and Peter White, the BBC's Disability Correspondent.

We published a booklet on mental health issues, called "1 in 4". This will help employees understand mental health issues and access the resources they may need.

Partnerships

AbilityNet

We support and provide office space for AbilityNet, a charity bringing computer technology to adults and children with disabilities. The organisation's presence in BT also gives us easier access to expert assessment and advice.



Able to Work

Our Able to Work project increases the number of disabled people employed in our call centres. We expanded the project this year to include links with the National Autistic Society.

Diversity Works Leadership College

We launched the Diversity Works Leadership College in association with Scope, the disability charity and Ashridge Management College. This will give disabled people in BT access to tailored career development and leadership training.

Scope Leadership Recruitment

We are members of Scope's Leadership Recruitment scheme that places disabled graduates in employment and provides personal development training and career development to increase their employability.

Age

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

Click on the icons below for comprehensive employee age data since 2001.

Our retirement policy enables employees to continue working after 60. Employees can retire gradually using flexible work options such as part-time working, sabbaticals, reduction in hours and secondments. In financial year 2006, over 80% of BT employees who reached 60 expressed a wish to continue working.

We have used the Employers Forum on Age audit tool to ensure all our policies and practices are free from age discrimination and that we comply with new UK regulations on age discrimination to be implemented in October 2006. We used the audit findings to develop an action plan. This focuses on our policies for graduate recruitment, leave, and people leaving BT. We sponsored the EFA's Decades research 'Attitude not Age', into attitudes to work, retirement and pensions and hosted the launch event.

BT provides funding to Help the Aged's Living Legends Awards, which recognize older people who achieve amazing things.

Gender

We are launching a Gender Strategy for 2006/7 focused on recruitment, retention and culture change to ensure that women achieve their potential in BT.

Profile

22 per cent of BT employees are women - 21 per cent of non-managers, 24.5 per cent of managers and 15.8 per cent of senior managers.

In the 2006 financial year, 25 per cent of our new recruits were women - including 36.4 per cent of new graduates and 14.9 per cent of modern apprentices.

The number of women in BT has declined from 22.7 per cent in the 2004 financial year - and is below our 25 per cent target. Retention remains an issue.

Click on the icons below for comprehensive data since 2001.



Benchmarking

We took part in Opportunity Now, an independent comparison of how organisations manage gender issues. BT was rated [platinum](#) - the highest possible rating.

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 £108.85 per week (whichever is the greater), followed by 26 weeks at £100 per week.

We have also conducted focus groups in several countries to explore our female employees' perception of drivers and barriers to their advancement in BT's global business.

We hosted a networking evening for female IT Directors to help us understand the challenges they face in a male dominated industry.

Progression of women

Our [employee networks](#) for women include the BT Women's Executive Network and the BT Executive Assistants/Personal Assistants' Network. Branches of the BT Women's Network (BTWN) also operate outside the UK including in Benelux, USA, Germany and Spain.

Read more on our efforts to develop a [diverse talent pool](#).

Employee networks

BT Employees come together to create networks for several reasons:

- To provide a sense of identity and support
- To create understanding about minority groups within the workplace
- To provide a two way link with BT management
- To ensure that BT's resources, such as community investment and education are distributed inclusively.

Employee networks are promoted by BT's most senior management and provide members with: mentoring and development programmes; annual conferences; information websites; regular roadshows; and a conduit to senior managers. Our networks also work with our business and marketing departments to help them create better products and services for our diverse customer base.

There are currently nine networks representing: Asian employees; BT executive assistants; Christian employees; disabled employees; employees from ethnic minorities; employees that are gay, lesbian, bi-sexual or transgender; Muslim employees; senior women; and women.

We held our first pan-network event in June last year to enable members to meet and share experiences and best practice. A second event was held in November to raise money for the Pakistan earthquake appeal.

Our human resources department is working with our networks to help them create robust constitutions and election frameworks.

We continue to expand our networks internationally and have active women's networks in Benelux, Germany, Spain and the US.

Litigation

In the 2006 financial year, there were a total of 44 discrimination-related cases involving BT. 13 were withdrawn, 3 judged against BT, 17 settled and 11 judged in favour of BT. There were 58 cases involving BT in the 2005 financial year and 14 in 2004.

Click on the icons below 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.

We make sure that learning from other employment tribunal cases are shared with our equality and diversity specialists.

Learning and development

We seek to encourage and provide opportunities for personal growth and professional development.

We believe that talented people increasingly want to work in companies that commit to the long-term development of their employees.

Here we present our approach to learning and development:

- Learning and development principles and commitment
- Career development
- Investors in People
- Career-life plan
- Life long learning
- Employee education

Learning and development 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

BT is recognised as an Investor in People (IiP). IiP is a standard of good practice for training and development devised by leading UK business and employee organisations. We remain one of the largest companies to pass this challenging outcomes-based test.

Career-life plan

We are committed to creating an environment where change is 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.

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. It 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.

Life long learning

We invest in learning and education for all BT people.

We set up a Learning Executive Council of senior managers and a Learning Council of learning and development professionals. These will ensure our training programmes are aligned with our strategic business objectives and provide employees with the skills needed by our lines of business and to implement major initiatives such as our 21st Century Network.

BT Academy, a web-based learning portal, was upgraded in March 2006 and renamed Route2Learn (R2L). It is now available to all BT employees globally via our intranet. R2L is a key part of our commitment to lifelong learning and provides an extensive range of instructor-led and e-learning programmes and facilities. R2L helps people acquire skills useful to their job and helps them take advantage of future career opportunities in an industry where the skills required change rapidly.

In the 2006 financial year, employees completed 253,995 on-line and 34,833 instructor-led courses through the BT Academy Learning System.

R2L includes accredited programmes leading to professional and post-graduate qualifications. For example, a computer science degree and access course, run in partnership with the Communications Workers Union (CWU), Connect and Queen Mary, University of London. 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.

The Leadership Spine provides a suite of BT-wide leadership development programmes.



Employee 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 gain 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](#).

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.

Health and safety

One of our business principles is to care for the health and safety of people across all BT's operations and products.

Health and safety is not just about avoiding accidents – it means a broader commitment to protecting our employees' physical and mental health. We have committed to promote a healthy lifestyle through our health and wellbeing programme.

We 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.

We have changed our key performance indicators to help us measure our performance more accurately. Our Key measures are:

Lost Time Injury rate - the number of accidents resulting in sickness absence per million working hours

Rate of total sickness absence - the percentage of calendar days lost due to all causes of sickness absence.

In the last 12 months we have achieved a 40% reduction in the rate of Lost Time Injuries and a 7.1% reduction in the rate of general sickness absence. Click on the icons below for health and safety performance data.

Health and safety guiding principles

Our [health and safety guiding principles](#) are available as a PDF download.

Health and safety 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.

Health and wellbeing

We launched the Work Fit programme to encourage employees to adopt a healthier lifestyle through diet and exercise. Over 16,000 BT Employees took part making it one of the largest and most successful initiatives of its type anywhere in the world.

Work Fit delivered advice and educational material to participants using e-mail and the intranet. It emphasised the importance of small changes in lifestyle which can bring big changes in vitality and health.

In early 2006 we also launched a smoking cessation support programme to help our people quit smoking. Smoking is banned in all our buildings and commercial vehicles.

Both of these initiatives were developed in partnership with the BT Unions and external specialist charities including the Men's Health Forum, National No Smoking Day and the NHS Stop Smoking Services.

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 try to make sure that we do not make unreasonable demands of our people. 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 in their private lives.

Work-Life Balance is an important aspect of mental wellbeing and we strive to balance good customer service with the provision of a healthy work-life balance for our employees. We believe our record is good although there is still more to do in promoting best practice across BT.

Our strategy has three phases:

Primary: Reducing stress at source through workplace and job design

We guide employees and managers on the causes of stress and how to avoid problems for example through our Dealing with Stress intranet.

Secondary: Identifying early signs of stress and supporting individuals.

STREAM, BT's Stress Assessment and Management tool, helps us identify and address work pressures that cause stress. STREAM provides essential (but anonymous) management information on the mental wellbeing of our employees.

Tertiary: Assisting established cases cope and recover.



Work can play an important part in recovery from mental health problems. It is very important that managers and colleagues keep in touch with individuals during stress-related absences to minimise the problems of isolation and de-motivation. Absence Case Advisors send letters of support to people who are absent with a stress-related illness.

Support is also offered through our Employee Assistance programme – a confidential service available online or via the 24-hour helpline.

Occupational road risk management

BT has a fleet of over 32,000 vehicles in the UK. This means there is a significant risk of injury to our people and the general public from road accidents.

Starting Point is our programme for reducing 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 2006 financial year, over 40,000 BT drivers had taken part. The initiative was commended by the UK national road safety charity, BRAKE, in 2003, won the prestigious Prince Michael International Road Safety Award in 2004 and was voted winner of the Fleet News, Fleet Risk Management Award in 2005.

Musculoskeletal disorders

BT contributed to the development of a good practice guide and industry wide review of musculoskeletal disorders in the European Telecommunications sector under the auspices of the EU social dialogue arrangements. Full details of the project can be found at MSDonline.org.

We have launched a multimedia training package for employees to highlight the risks associated with manual handling activities. It uses video and computer generated graphics to deliver health and safety training which is both relevant and engaging for the target audience.

Health and safety partners in the BT Unions

We have 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.

Employees - Key Performance Indicators

Indicator	Description	Measure	Target
Employee Engagement Index	A measure of the overall success of BT's relationship with its employees	The Employee Engagement Index was 65% during the 2006 financial year.	To maintain or improve the Employee Engagement Index at 65% during the 2007 financial year.
Diversity	A measure of the diversity of the BT workforce	22.1% Women (15.8% of senior) ♦, 9.2% Ethnic Minority (7.4% of senior), 2.0% Disabled (0.59% of senior)	To establish a new diversity index, to take account of BT's growing global activities, during the 2007 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	0.281 cases per 100,000 working hours	Reduce to 0.242 cases per 100,000 hours during the 2007 financial year.
H&S: Sickness Absence Rate	Percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.35% calendar days lost to sickness absence	Reduce to 2.26% calendar days lost due to sickness absence during the 2007 financial year.

♦ changes in job classification have led to a different definition of the term senior

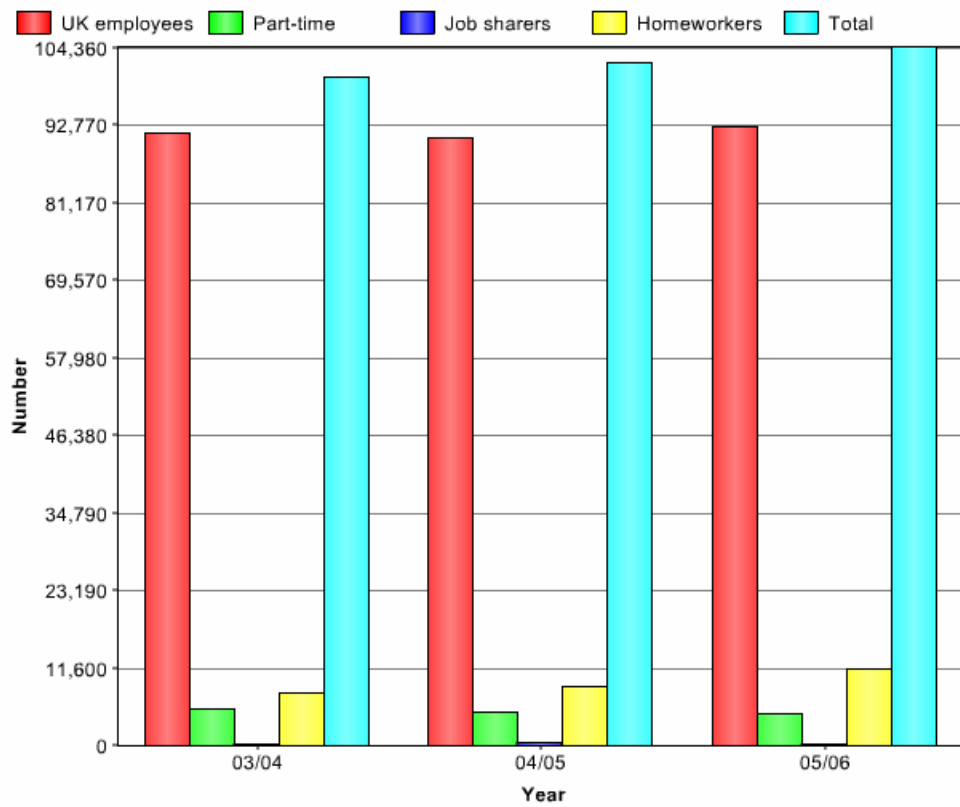


Employees Targets

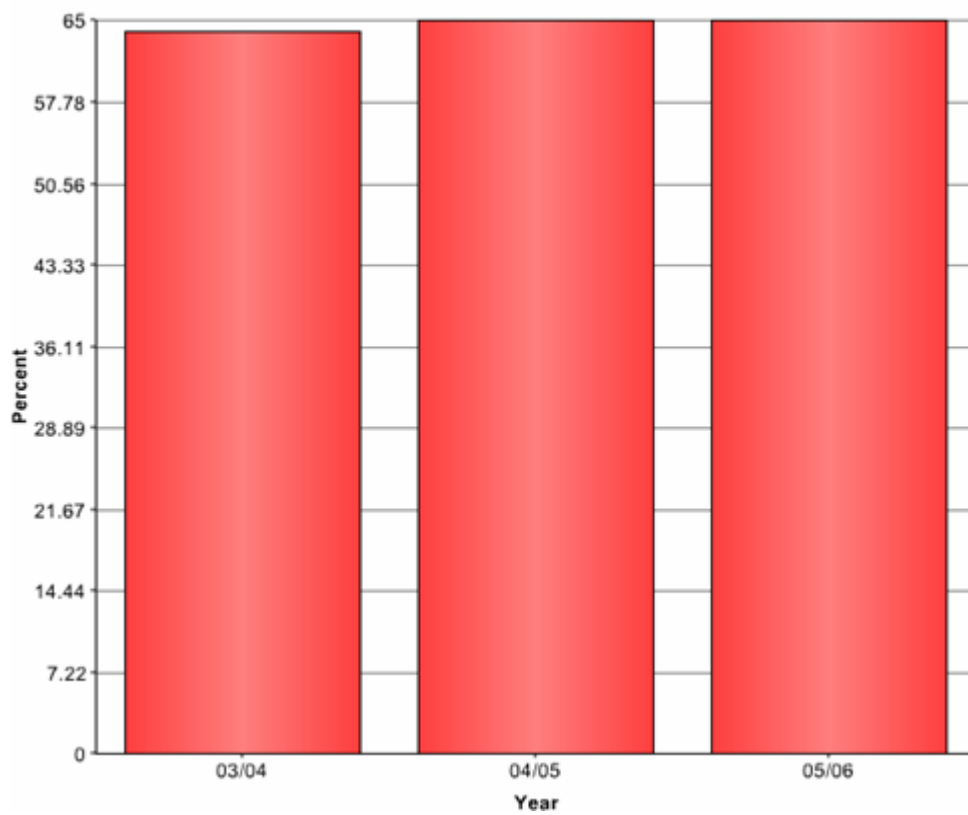
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT shall identify a core number of qualitative and quantitative measures so that we can establish a Diversity index for BT which will provide a tracking mechanism.		New
April 2006	March 2007	BT will maintain or improve BT's EEI, which is currently 65%.		New
April 2006	March 2007	BT will undertake supportive actions to move BT towards a balanced representation level of people over 50, proportional to that which exists in the local labour force.		New
April 2006	March 2007	BT will establish a new diversity index to take account of BT's growing global activities.		New
April 2006	March 2007	BT will research and agree a set of measures for BT, which will enable us to benchmark diversity profiles both internally and externally on a global basis, (where effective benchmarking material exists globally).		New
April 2006	March 2007	Based on our extensive statistical analysis and action plan developed in the last financial year, BT shall monitor the outcomes of our action plan to address the statistical distribution of performance ratings amongst ethnic minority employees. Our measure will be a positive movement towards a "normal distribution".		New
April 2006	March 2007	BT will ensure that the proactive diversity management of the executive appointments process continues and that shortlists are representatively constituted in terms of gender and race.		New
April 2006	March 2007	BT will continue to work with its external executive search suppliers to provide sufficiently diverse short-lists to enable us to select candidates with diverse demographic backgrounds.		New
April 2006	March 2007	BT will measure the EEI of BT people who have declared themselves to have a disability against the BT norm. If there is a difference, we will research what the points of difference are and will develop a strategy and action plan to address those issues wherever possible.		New
April 2006	March 2007	BT will achieve a 14% reduction in the Lost Time Injury rate, expressed as the number of incidents per million working hours.		New
April 2006	March 2007	BT will achieve a 4% reduction in the total sickness absence expressed as percentage of Calendar Days lost.		New
April 2006	March 2007	BT will achieve a 19% 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 2006	March 2007	BT will have no successful health and safety prosecutions or prohibition notices served against the company.		New
April 2006	March 2007	BT will deliver business unit Diversity Plans across the Global Services division through the newly created Global Services Diversity Forum, aimed at improving the diversity and inclusivity profile / environment of the global business. (This will be measured through 6 existing Global Services KPI's and the new BT Diversity Index to be created in 06/07).		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%).	The numbers of people over 50 rose to 26.9%.	Completed
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.	The review was been completed and, as a result, a strategy paper has been written outlining areas for future action.	Completed
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.	Based on the study report, we have identified some subsequent activities which we believe will start to address the issues.	Completed
April 2005	March 2006	We commence a comparison of the demographic	Detailed comparisons have been	Completed

		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.	made and we are now working to identify where we need to prioritise action in future years.	
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.	A new executive search process has been implemented, which was endorsed by the BT Board.	Completed
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.	A more balanced and clearly differentiated talent pool structure has been implemented.	Completed
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.	We benchmarked ourselves on the Employer Forum on Disability Benchmark. The results have been used as the basis for a strategy which will be developed in the course of the year.	Completed
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.	We achieved our target with a 40% reduction over the year.	Completed
April 2005	March 2006	We will achieve a 4% reduction in the total sickness absence expressed as a percentage of Calendar Days lost.	We achieved our target with a 7.18% reduction over the year.	Completed
April 2005	March 2006	We will have no successful prosecutions or prohibition notices served against the company.	There were no successful prosecutions or notices served during the year.	Completed
April 2005	March 2006	We increase the Employee Engagement Index to 66%.	The employee engagement index for the 2006 survey was 65%, 1% under target.	Failed
April 2005	March 2006	We will maintain or improve on our 2005 representation levels of women, ethnic minority and disabled employees.	Whilst ethnicity figures were maintained, the numbers of women and disabled employees dropped slightly over the year.	Failed
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.	There was a 15% increase over the year, therefore failing our target to reduce by 4%.	Failed
April 2004	March 2005	We will introduce new country-specific diversity training in BT's non-UK operations where culturally and legally possible.	In November 2005, BTGS launched an on-line global diversity awareness training course in 6 languages.	Completed

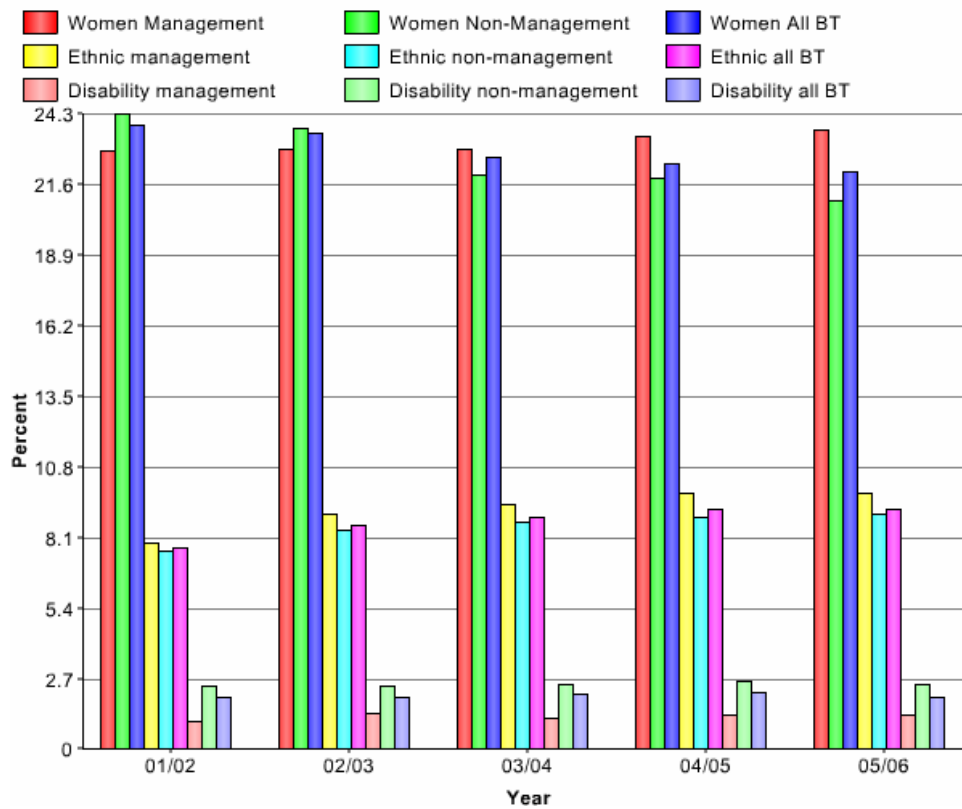
Number of employees



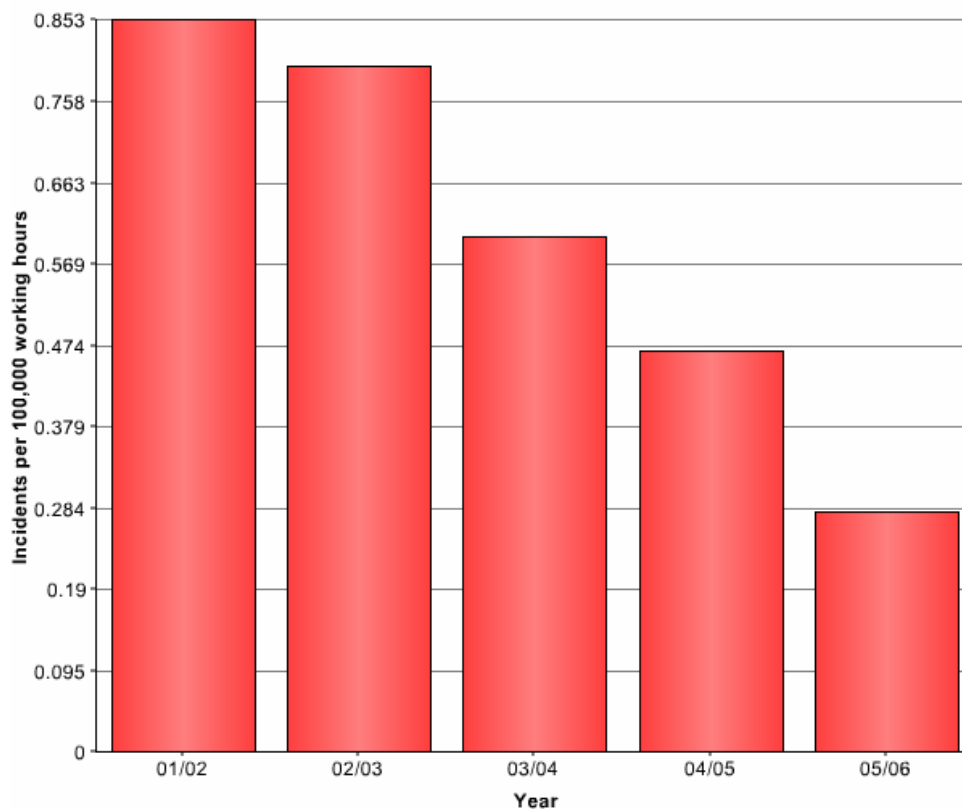
Employee Engagement Index



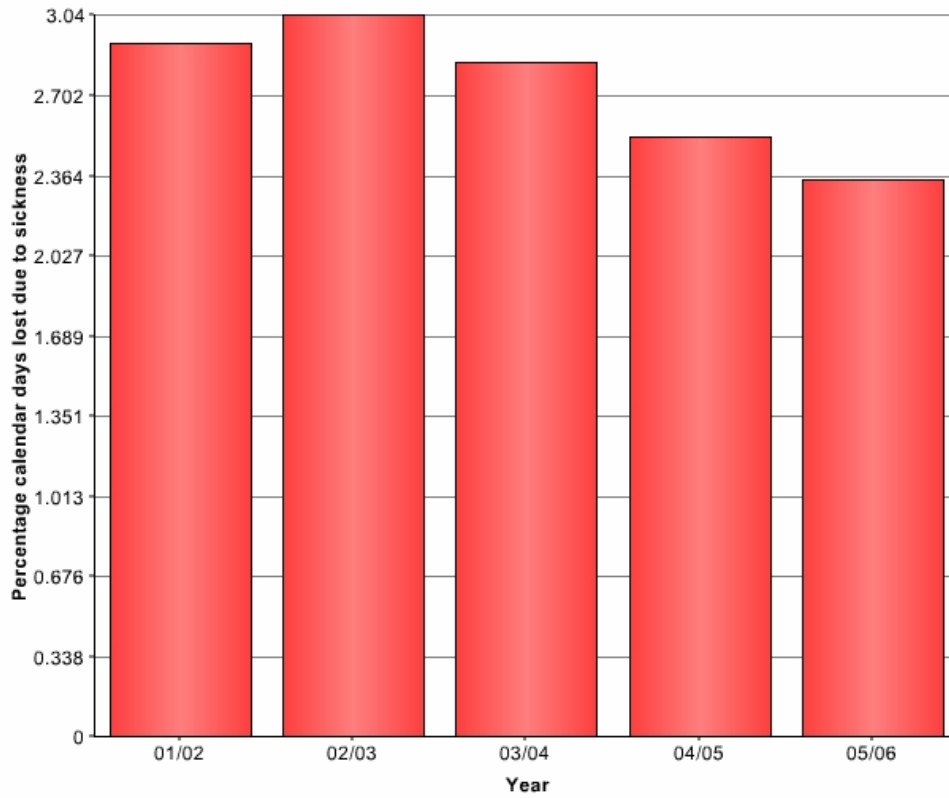
Diversity



Lost Time Injury Rate

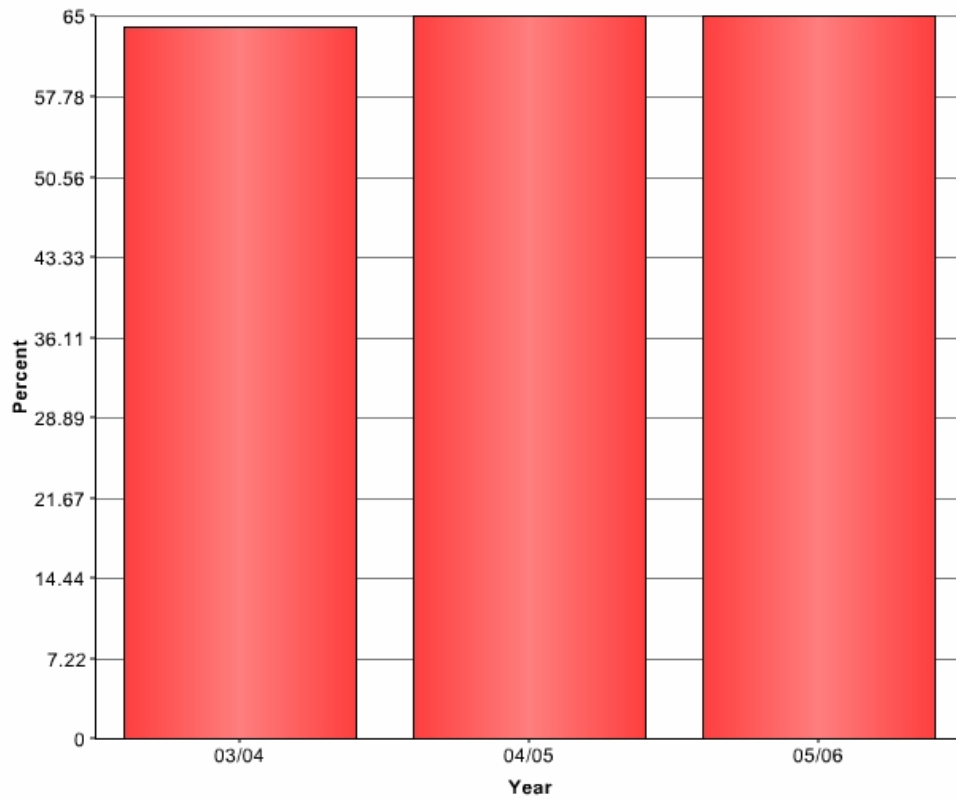


Sick Absence Rate

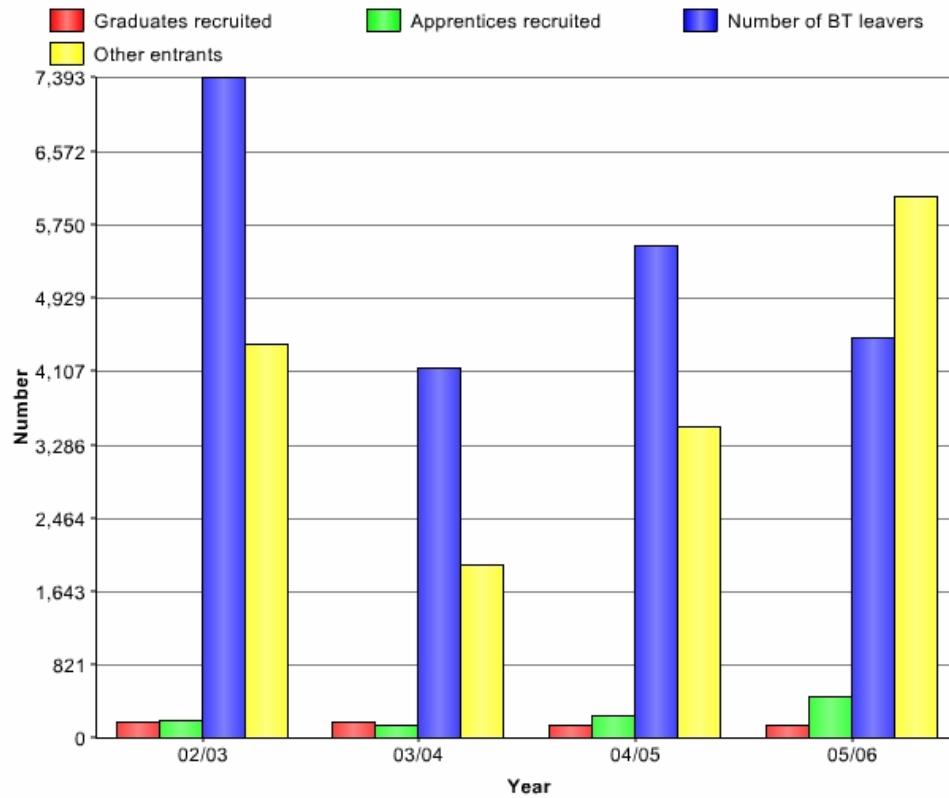


All figures (from 02/03 onwards) are now global

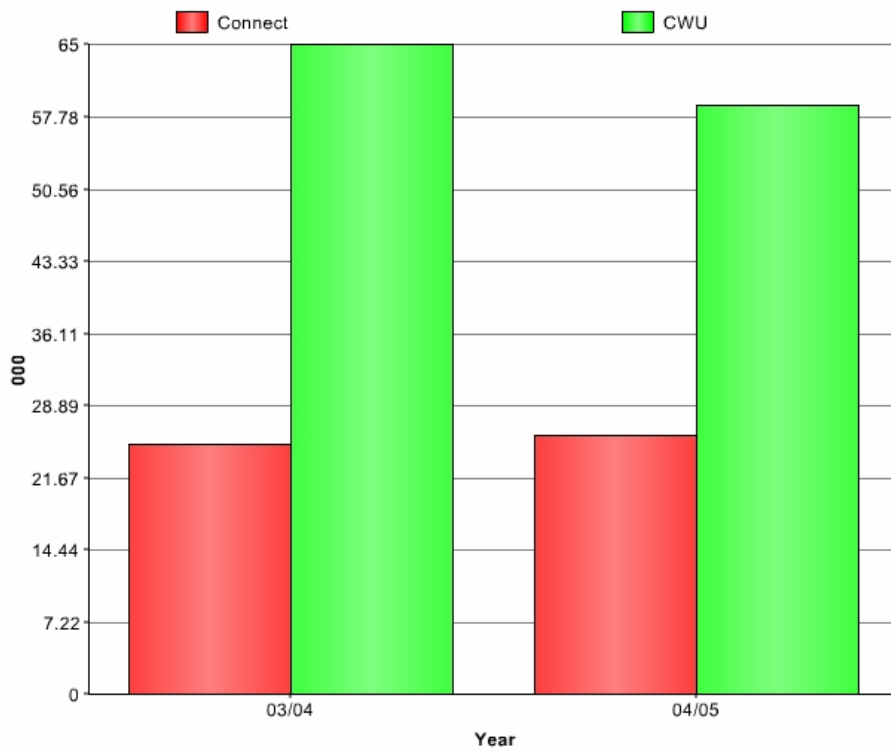
Employee Engagement Index



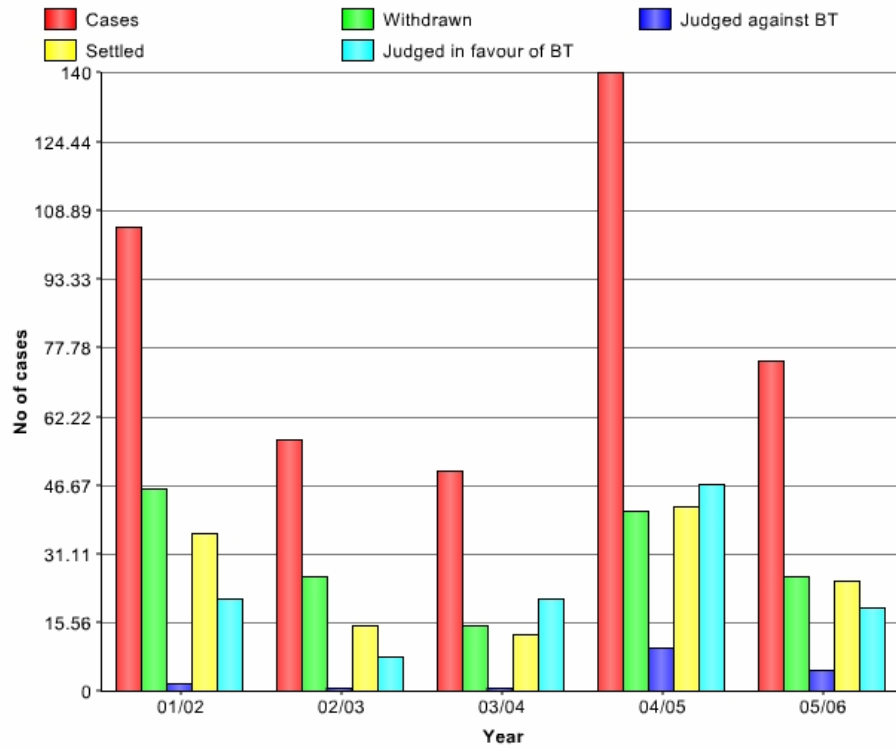
Recruitment



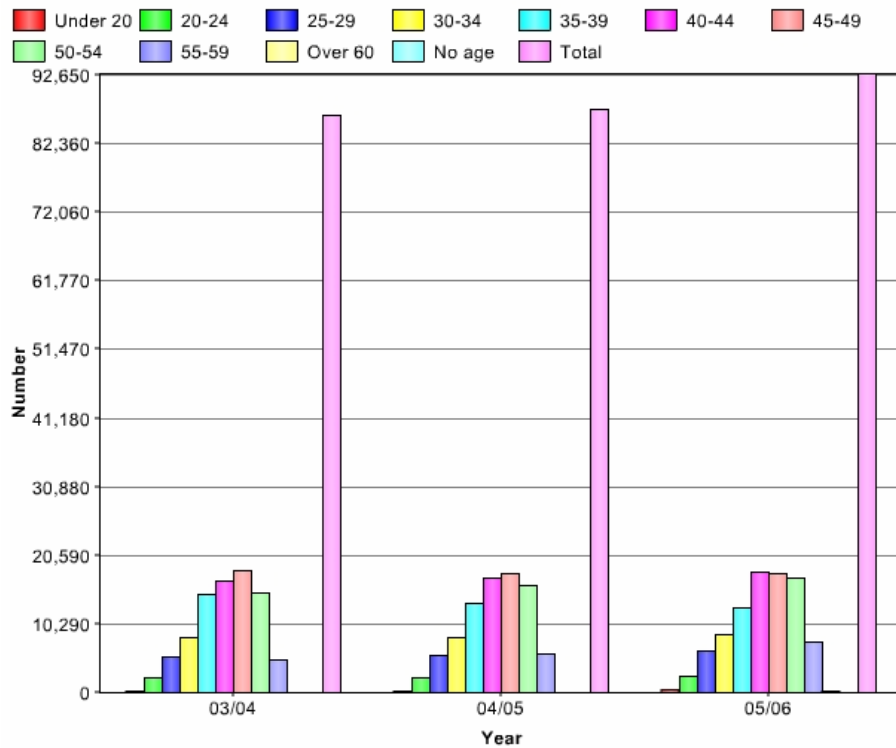
Employees represented by a trade union



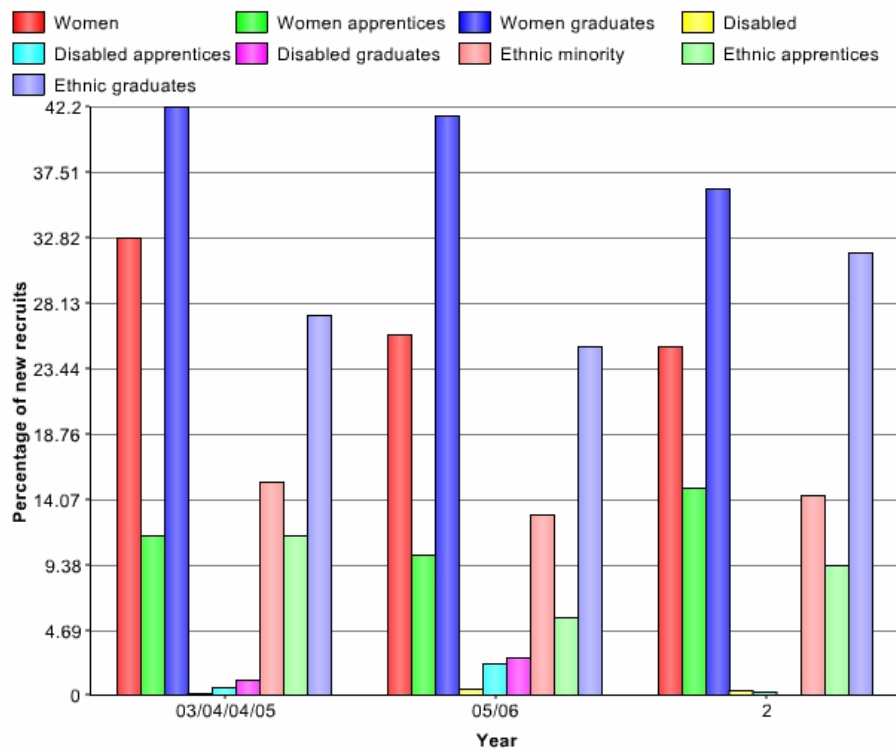
Employment Tribunal Cases



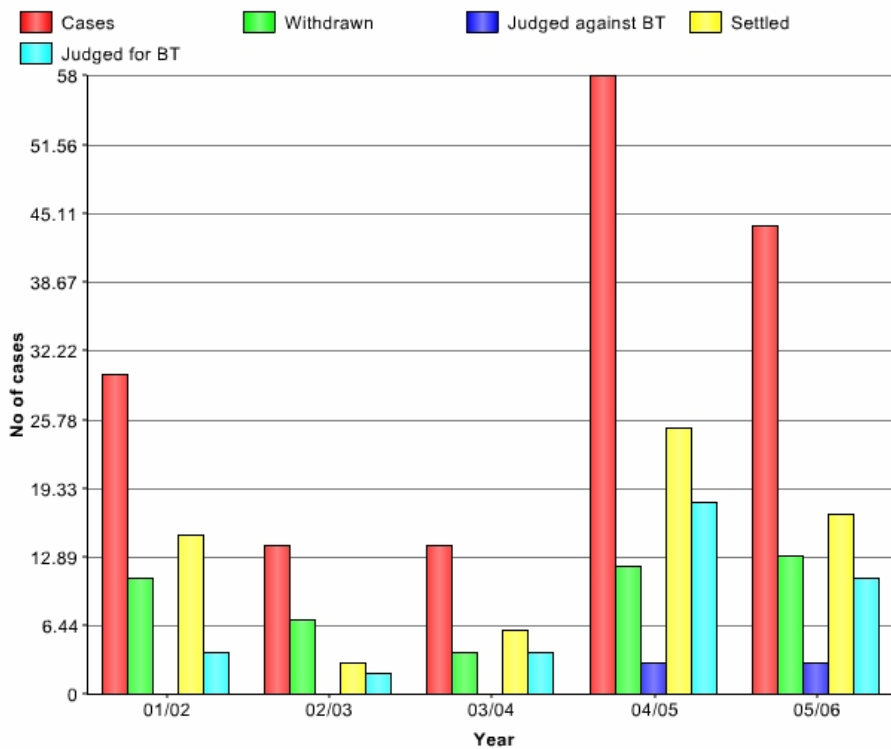
Age Profile



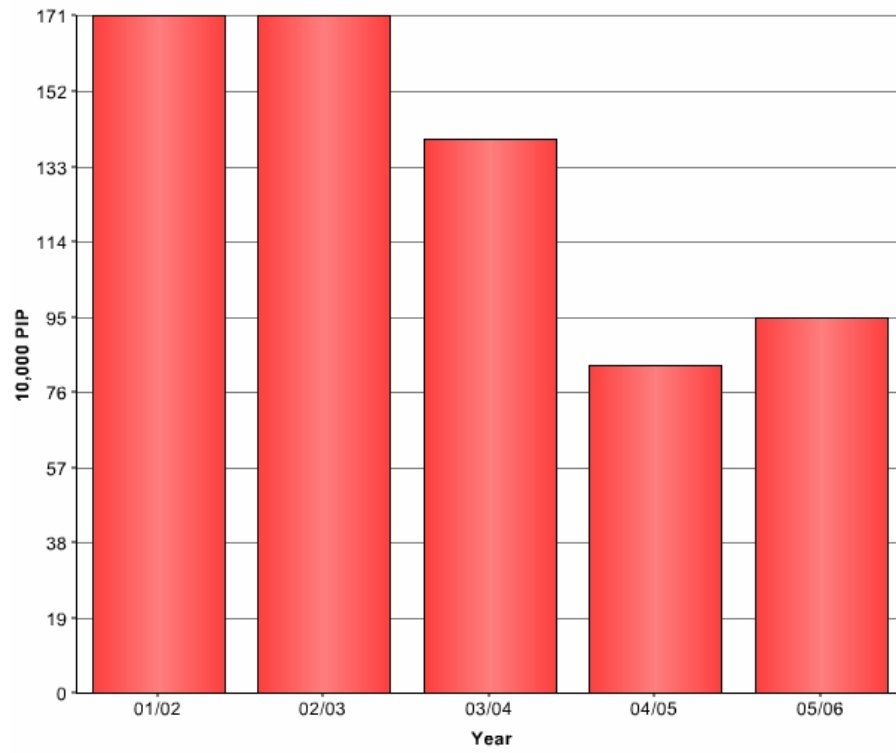
Diversity recruitment



Discrimination Litigation



Ill Health OHS Referrals



Investors

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

Social and environmental performance reports provide a view of past performance. We also want to present investors with a forward-looking, quantitative business case for our CSR activities. Our [business case](#) shows how a good CSR performance is critical to the implementation of BT's strategy.

We further explore the way BT considers the potential social and environmental effects of the fast-changing technical advances in the telecommunications sector and our business. Our [CSR – Business Overview](#) is available as a PDF download.

We measure our CSR performance through a series of [key performance indicators](#) (KPIs), developed in consultation with stakeholders. See our [2006 financial year presentation for analysts on our sustainability performance](#) available as a download.

Find BT's response to the Association of British Insurers' disclosure guidelines covering social, environmental and ethical risks and opportunities in the Our Commitment to Society section of the [BT Annual Report and Accounts](#).

CSR business case

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

1. Risk management

We identify no CSR risks that are material to the future of the business. Our seven key risks are: outsourcing; breach of integrity; diversity; climate change; health and safety; ethical issues in the supply chain; and privacy. Find more detailed information on our [CSR risks](#).

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. We have measured the link between customer satisfaction and CSR for a number of years. Using our current customer satisfaction models we see a positive correlation.

Customers who believe that BT takes its responsibility to society and the community seriously are more than twice as likely as other customers to be very or extremely satisfied with BT.

3. Cost reduction

For a number of years we have quantified financial savings that have an environmental component. Using a model developed by Forum for the Future during the 2005 financial year, this year we have brought the model more in line with our standard financial accounting methods and separately identified direct profit and loss account savings, capital savings and business benefits associated with productivity gains. This model works on a year on year basis. For the 2006 financial year savings that have an environmental component totalled £98 million of which £12 million related to profit and loss savings; £25 million to capital and £61 million related to productivity gains. More details are available in the case study.

4. Employee motivation

Working conditions and our relationship with employees are crucial to the success of our business. In a recent survey, we found that 66 per cent of employees felt more proud to work for the company as a result of our CSR activities.



5. Marketplace innovation

The quality of our CSR performance differentiates us from our competitors. This is important when bidding for major contracts in both the public and private sector - worth £1.3 billion to BT in the 2006 financial year.

Sustainability trends create new market opportunities. For example, teleconferencing and flexible working reduce the need to travel and provide more flexible lifestyles. See more details on [sustainability](#).

CSR business case Case study: Environmental cost savings

For a number of years we have quantified financial savings that have an environmental component. In the 2005 financial year a new environmental accounting model was developed for us by Forum for the Future. This was further refined in the 2006 financial year to make it more consistent with BT's standard accounting practice. This has led to a revision of the figures and a separation of each year's savings between direct profit and loss account savings, capital savings and business benefits associated with productivity gains.

For the 2006 financial year savings that have an environmental component totalled £98 million.

		Annual Savings (£ m)				
		2002	2003	2004	2005	2006
Transport Savings	Commercial	2.2	19.5	7.4	4.1	16.7
	Company Car	(0.3)	17.4	2.4	5.4	17.1
Energy Savings		0.2	(4.3)	0.8	(1.7)	(2.7)
Benefits Savings	Conferencing	27.1	34.4	40.4	(5.0)	45.3
	Home-working	21.9	3.3	10.1	8.0	21.5
Waste Savings		(0.6)	(0.1)	(1.8)	1.6	(0.0)
TOTAL		50.5	70.1	59.4	12.4	98.0

The total savings for each year have been broken down into profit and loss savings; capital savings and related productivity gains.

		Savings (£ m)				
		2002	2003	2004	2005	2006
Profit and Loss		10.1	10.2	7.9	9.0	11.9
Opportunity (Productivity gain)		41.6	37.7	48.1	1.6	60.9
Capital		(1.1)	22.2	3.4	1.8	25.2
TOTAL		50.5	70.1	59.4	12.4	98.0

The environmental benefits in terms of carbon dioxide emission reductions are also evaluated.

		CO2 Reduction (000 t)				
		2002	2003	2004	2005	2006
Transport Savings	Commercial	0.9	15.3	5.2	4.3	1.4
	Company Car	(7.9)	11.8	(1.1)	4.4	6.0
Energy Savings		238.6	23.4	19.5	172.0	115.8
Benefits Savings	Conferencing	1.6	2.1	2.4	(0.3)	2.6
	Home-working	0.9	0.2	0.5	0.4	0.9
Waste Savings		3.3	0.1	1.3	(3.1)	2.4
TOTAL		237.6	53.0	27.7	177.8	129.1

Investor 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 CSR ratings are:



- World's number one telecommunications company in the [Dow Jones Sustainability Indexes](#) for five years running.
- 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 joint fourth in the top 100 UK companies who took part in the 2005-06 index.
- First of 26 companies rated by the German independent ratings agency, [OEKOM research AG](#).
- Constituent of the [FTSE4Good Indices](#).
- One of the '[Global 100 Most Sustainable Corporations in the World](#)', for the second year running. This global business ranking selects companies on their ability to manage strategic opportunities in new environmental and social markets. Analysis is provided by the environmental investment advisory firm, Innovest.

BT won the community and environmental responsibility category in the 2005 Britain's Most Admired Companies awards.

Investors - Key Performance Indicators

Indicator	Description	Measure	Target
Customer Satisfaction	A measure of satisfaction across BT's entire customer base*	There was a 3% increase in satisfaction during the 2006 financial year.	To increase the number of extremely and very satisfied customers by 5% during the 2007 financial year.‡
Employee Engagement Index	A measure of the overall success of BT's relationship with its employees	The Employee Engagement Index was 65% during the 2006 financial year.	To maintain or improve the Employee Engagement Index at 65% during the 2007 financial year.
Diversity	A measure of the diversity of the BT workforce	22.1% Women (15.8% of senior)◆, 9.2% Ethnic Minority (7.4% of senior), 2.0% Disabled (0.59% of senior)	To establish a new diversity index, to take account of BT's growing global activities, during the 2007 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	0.281 cases per 100,000 working hours	Reduce to 0.242 cases per 100,000 hours during the 2007 financial year.
H&S: Sickness Absence Rate	Percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.35% calendar days lost to sickness absence	Reduce to 2.26% calendar days lost due to sickness absence during the 2007 financial year.
Supplier Relationships	A measure of the overall success of BT's relationship with its suppliers.	The Supplier Relationships measure was 89% during the 2006 financial year.	To run the survey on a bi-annual basis and achieve more than 90%. †
Ethical Trading	A measure of the application of BT's supply chain human rights standard. △	During the 2006 financial year there were 230 risk assessments with 100% follow up.	To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2007 financial year.
Community contribution	A measure of our investment in society	During the 2006 financial year BT provided £21.3m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits and trial a new measure of community programme effectiveness during the 2007 financial year.
Global Warming CO2 emissions	A measure of BT's climate change impact	2006 financial year CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO2 emissions at 25% below 1996 levels
Waste to landfill and recycling	A measure of BT's use of resources	59,665 tonnes to landfill (58%) and 42,340 tonnes recycled (42%).	To reduce the tonnage of waste sent to landfill by 5% during the 2007 financial year.
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.
Ethical Performance Measure	A measure of our progress in acting with integrity	During the 2006 financial year the Ethics Performance Measure was 72%.	To maintain the Ethics Performance Measure at 72% during the 2007 financial year.

* revenue weighted.

‡ this is a revenue weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2006 levels.

◆ changes in job classification have led to a different definition of the term senior

† Next survey due in the 2008 financial year. See archived reports for earlier measures.

△ risk assessments are based on completed questionnaires



Suppliers

We buy products and services - such as IT equipment, cables, design and disposal services - from thousands of suppliers worldwide. In the 2006 financial year, we spent over £4 billion on procurement.

In all our dealings with suppliers we are committed to behave according to the principles of fair and ethical trading. Our spend enables us to influence suppliers' environmental and labour standards.

Here we discuss:

- Supplier selection - choosing our suppliers
- Supplier development - working in partnership with our suppliers
- Supplier payment - paying our suppliers promptly and as agreed
- CSR and suppliers – applying human rights and environmental standards in our supply chain
- Supplier diversity – sourcing from diverse suppliers.

Supplier 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. They are trained to world-class standards and to apply BT's Purchasing Principles.

Supplier development

We use a range of tools to assess our suppliers and to encourage continual 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 with our suppliers.

In financial year 2006, we asked 2,000 suppliers to complete a questionnaire on how they feel BT behaves as a customer. This will provide an update on the views we sourced two years ago. The findings will be used in assessing the overall success of BT's relationship with suppliers – one of our key performance indicators.

Supplier payment

Our policy is to use our purchasing power fairly and to pay promptly and as agreed.

BT has a variety of payment terms with its suppliers. Payment terms for major contracts are agreed with the supplier when negotiating the contract. For Purchase Orders the payment terms are specified on our [Selling 2 BT website](#) under [general conditions](#).

The normal payment term is 42 calendar days from date of receipt of a due and valid invoice. BT makes payment on the next weekly payment run following expiry of this term.

We have produced a [Better Payment Practices document](#) that explains to suppliers how BT's Accounts Payable processes work.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the 2006 financial year and the amounts owed to its trade creditors at the end of the year was 39 days



CSR and suppliers

We seek to apply human rights and environmental good practice standards within our supply chain.

During the 2006 financial year we combined our policies on environment and human rights into one CSR programme.

Our strategy

CSR is a key measure in our procurement scorecard (accounting for 25% of the overall score).

We updated our CSR strategy and will now assess CSR risks associated with particular product categories (known as domains) as well as individual suppliers. During the year we assessed the CSR risks associated with each domain (eg desktop software, network terminating equipment, travel, waste and environmental services). Management of these risks is being incorporated into the procurement strategy for each domain. The assessment also included supplier diversity.

We intend to make CSR part of normal procurement practice. Our supplier questionnaires are now available to our buyers from our procurement portal and suppliers can input their questionnaire responses over the internet. Our processes have been automated to ensure follow up action is taken with suppliers as appropriate.

We surveyed some key suppliers to find out which CSR issues they see as important to them and to BT. Their responses have been used in the planning process for this report, see [Materiality](#).

Human rights and suppliers

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.

Our Sourcing with Human Dignity (SWHD) initiative specifies the minimum standards we expect of our suppliers 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.

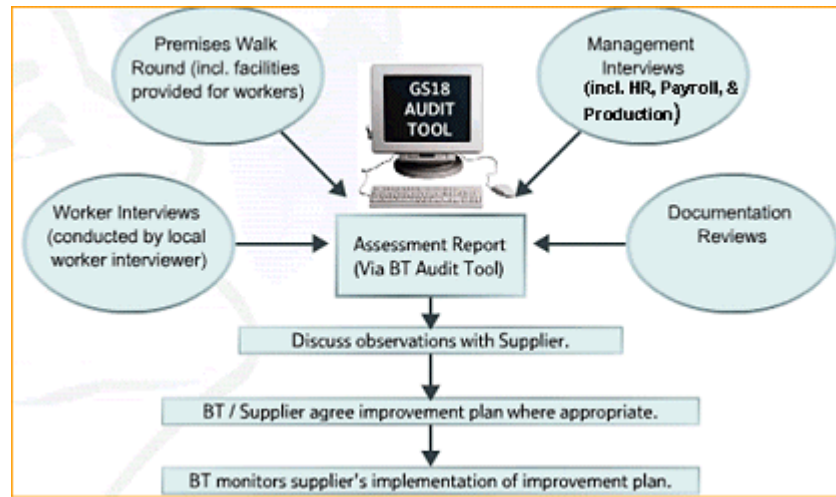
Find out more on [Sourcing with Human Dignity](#).

Methodology

For all new BT contracts, suppliers must sign a clause committing them to complete a risk-assessment questionnaire ([GS18](#)) on request, to let us carry out on-site assessments and to work with us to achieve our SWHD standards.

The questionnaire establishes the level of risk associated with the supplier. For contracts identified as high or medium risk we then determine what further action is needed. In some cases, we carry out an on-site assessment of the supplier's facilities or those of a subcontractor.





Assessments include worker interviews. Where possible, these are conducted by NGOs, independent assessors or academics. Interviewers always speak the worker's language and, where possible, will be of the same gender. Findings are reported back to management anonymously to protect the workers.

Where we identify shortfalls against our GS18 standard, an action plan is agreed with the supplier. See [Supplier assessments](#).

Supplier assessments

In the 2006 financial year, we completed five on-site assessments of suppliers against our Sourcing with Human Dignity (SWHD) standard.

We also worked with two suppliers to jointly assess five subcontractors in Mexico and China. Our goal was to share best practice with our suppliers and implement joint methodologies and coaching. The visit to Mexico has given us a better understanding of the CSR issues for the ICT industry there.

We revisited a supplier in China and jointly assessed four sub contractors. We saw improvements in living standards and health and safety since our previous visits. Our supplier is implementing SA8000 (a social audit standard) at its premises and within its supply chain. Further assessments are ongoing in China.

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.

The assessments focused on higher risk suppliers - so should not be taken as a representative sample of our supply chain.

We discuss the findings with the suppliers and have either agreed improvement plans (and are monitoring progress), or are still to agree plans following the most recent assessments.

Not all shortfalls represent major labour rights abuses. For example, some improvement required in the living wages category may mean that the supplier provides insufficient information about wages in their employment contracts, not that they are paying workers below the minimum wage.

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. We stopped placing orders with that company. All other suppliers have been collaborative and tried to improve their performance.

Monitoring and improvements

Click on the icons below for data on BT's monitoring of Sourcing with Human Dignity and improvements achieved.



Sharing best practice with suppliers

In financial year 2006 we have focused on sharing best practice with our tier 1 (direct) suppliers. This includes carrying out joint assessments of subcontractors to share best practice, methodologies and joint coaching. We are working with the suppliers for our twenty-first century network (21CN) to understand management of labour standards in their supply chains.

We held a CSR event for 21CN and call centre suppliers to raise awareness of our CSR standards and their importance to BT. The event was an opportunity to share best practice examples on labour and environmental standards and hear from a range of experts. Forty five people attended and all participants rated the event good or very good.

BT is a member of the UK Government's Sustainable Development Task Force. We led the Sustainable Procurement Task Force to investigate sustainable purchasing policies for the public and private sectors.

We aim to share best practice with as wide an audience as possible and have spoken on CSR in procurement at conferences in the UK, Paris and China.

Supplier training

It is critical that our buyers have the awareness, knowledge and skills to successfully implement our standards and help suppliers improve their performance. Our training is being updated following the review of our CSR procurement strategy.

Training for buyers

All BT buyers are required to complete training on our human rights standard, including a short assessment. This explains the rationale behind the initiative, its key features and the buyer's role in its successful implementation.

We ran three training sessions attended by 52 buyers to help them understand the requirements of standards such as ISO14001, and SA8000.

Our procurement CSR team attended a one day training session before an audit visit to China. This explained the types of issues commonly found among Chinese suppliers.

A two day workshop was held for nine buyers to help them identify health and safety issues at supplier premises in the UK and abroad.

The CSR virtual team received coaching to help them fulfil their new roles.

All buyers have access to a guide on encouraging continuous improvement with suppliers via our intranet site.

Supplier awareness

We seek to raise suppliers' awareness of our human rights standards during on-site assessments. We explain why human rights are important to us and what the assessment is looking for. The suppliers' health and safety officer often accompanies us during the assessment, so they understand any issues uncovered.

When we assess a subcontractor, we take someone from the supplier with us. This helps suppliers understand the risks and how these can be managed.

Environment and our supply chain

We are one of the largest purchasers in the UK, 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. We seek to influence the environmental performance of our suppliers and contractors through our purchasing policy.

We collect supplier environmental data and encourage poorer performers to improve. We have adopted a risk-based approach focusing on areas where we can have the greatest impact. Our programme has three strands:

1. Assess suppliers' general environmental policies and procedures. All major suppliers must complete our [environmental impact online questionnaire](#) (GS13) after agreeing a mandatory pre-contract award commitment to work towards continuous improvement, if required. This identifies suppliers who do not have robust enough procedures for managing environmental risks. Improvement actions taken with the supplier are recorded on our database. Their progress is monitored until we believe they have reached the required standard.



2. Manage the environmental impacts of electrical or electronic equipment (EEE). Our pre-contract [product stewardship online questionnaire](#) (GS19) is mandatory for all potential electronic and electrical equipment suppliers. It provides information on materials used and compliance with environmental legislation. The results are used to inform the decisions of our buyers and product managers.

3. Auditing waste management suppliers. All our waste contractors must provide a statement on their waste disposal procedures. Contractors are audited by us (using an external specialist) every year. Progress on any required improvements is monitored by the auditor.

In the 2006 financial year, we assessed 139 product stewardship questionnaires (GS19) and audited 51 waste contractors.

Performance – monitoring and driving environmental improvements

Click on the icons below for data on implementation of our environmental impact process.

Supplier management

BT's chief procurement officer is responsible for our CSR supply-chain programmes and reports to a BT Board member.

Our buyers implement the programmes supported by a procurement CSR manager, product stewardship and waste experts and product managers.

We created a new post with responsibility for our CSR procurement strategy and a CSR virtual team of representatives from across BT procurement. They will work with our buyers on CSR issues.

Supplier recognition

BT was recognised in the Mayor of London's Green Procurement Code for purchasing recycled paper for our whole business. We have now signed up to a higher level of the code.

GeSI initiative

BT is a member of the [Global eSustainability Initiative](#) (GeSI) Supply Chain Working Group. The group is developing a common industry approach to managing labour and environmental issues in the supply chain.

During 2005 the group worked with the Electronics Industry Code of Conduct Implementation Group to develop a joint supplier self-assessment questionnaire. This helps suppliers assess their own environment and labour standards, while raising their awareness of these issues. The group consulted key non-governmental organisations (NGOs), trade unions and suppliers on the development of the questionnaire for the ICT industry. We also launched an e-tool so that results from the questionnaires can be shared between GeSI members online. This will reduce the number of questionnaires that each supplier needs to complete.

GeSI is a collaboration between information and communications technology companies to promote the use of technology for sustainable development. It is supported by the United Nations Environment Programme and the International Telecommunication Union.

Supplier 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 global service.



Supplier diversity

We added questions on supplier diversity into our labour standards questionnaire GS18. This will help us build a picture of diversity within our supply chain and understand whether we need to take positive action. The questions are as follows:

- How many employees are there in your company?
- How is your company owned?
- Do you consider yourself to be a Minority Business Enterprise (MBE)?
- Where is your company headquartered?
- Do you monitor the diversity of your workforce relating to ethnicity?
- Do you monitor the diversity of your workforce relating to disability?
- Do you monitor the diversity of your workforce relating to gender?
- Do you monitor the diversity of your workforce relating to age?
- Do you monitor the diversity of your workforce relating to sexual orientation?
- Do you monitor the diversity of your workforce relating to belief?
- Do you monitor the diversity of your supply chain?

Similar questions are included in our supplier survey that assesses how BT behaves as a customer.

Suppliers - Key Performance Indicators

Indicator	Description	Measure	Target
Supplier Relationships	A measure of the overall success of BT's relationship with its suppliers.	The Supplier Relationships measure was 89% during the 2006 financial year.	To run the survey on a bi-annual basis and achieve more than 90%. †
Ethical Trading	A measure of the application of BT's supply chain human rights standard. Δ	During the 2006 financial year there were 230 risk assessments with 100% follow up.	To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2007 financial year.

† Next survey due in the 2008 financial year. See archived reports for earlier measures.

Δ risk assessments are based on completed questionnaires

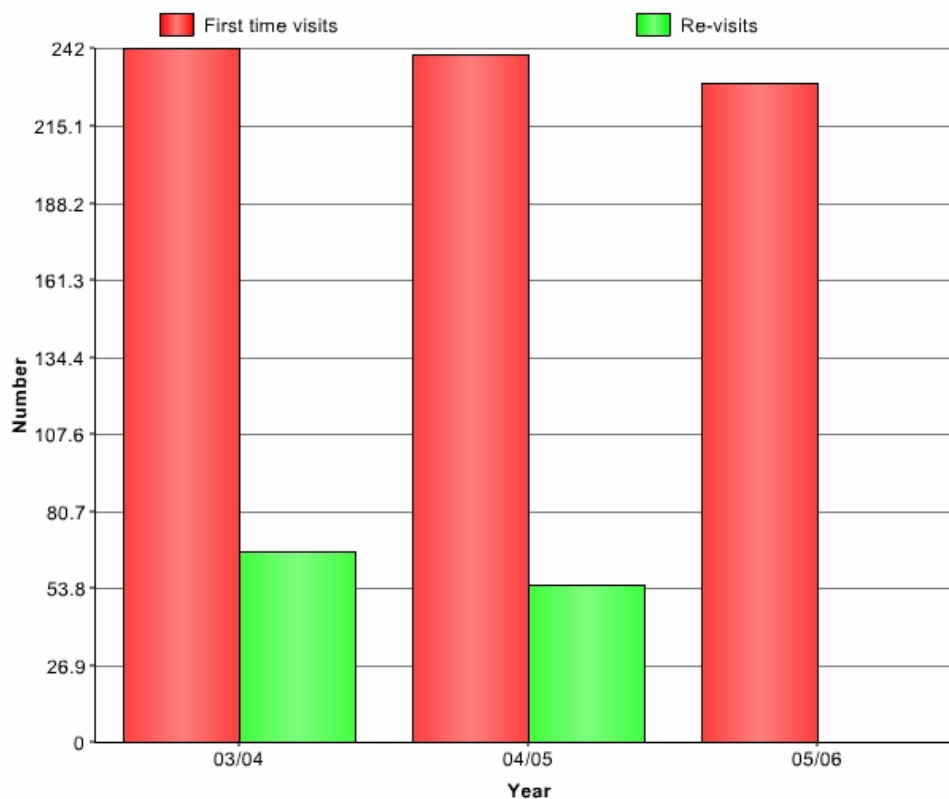
Suppliers Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	Following analysis of the CSR best practice event, BT will initiate follow through with 5 participating suppliers.		New
April 2006	March 2007	BT will review the results of the 2006 suppliers survey and identify any appropriate follow up actions.		New
April 2006	March 2007	BT will commission an independent report to review the achievements over 5 years of Sourcing with Human Dignity by an independent external organization.		New
April 2006	March 2007	BT will develop a coach approach on labour standards and engage with 2 suppliers.		New
April 2006	March 2007	BT will take follow-up action within 3 months for all suppliers who have been identified as requiring continuous improvement as a result of completing our CSR questionnaires.		New
April 2006	March 2007	BT will take 100% follow-up within 3 months for all suppliers identified as high or medium risk following a GS18 Sourcing with Human Dignity risk assessment.		New
April 2006	March 2007	BT will develop an "Escalator" plan of Sustainability Goals for Procurement in BT, setting out a series of steps over 5 years that will support BT in a leadership position on Sustainability.		New

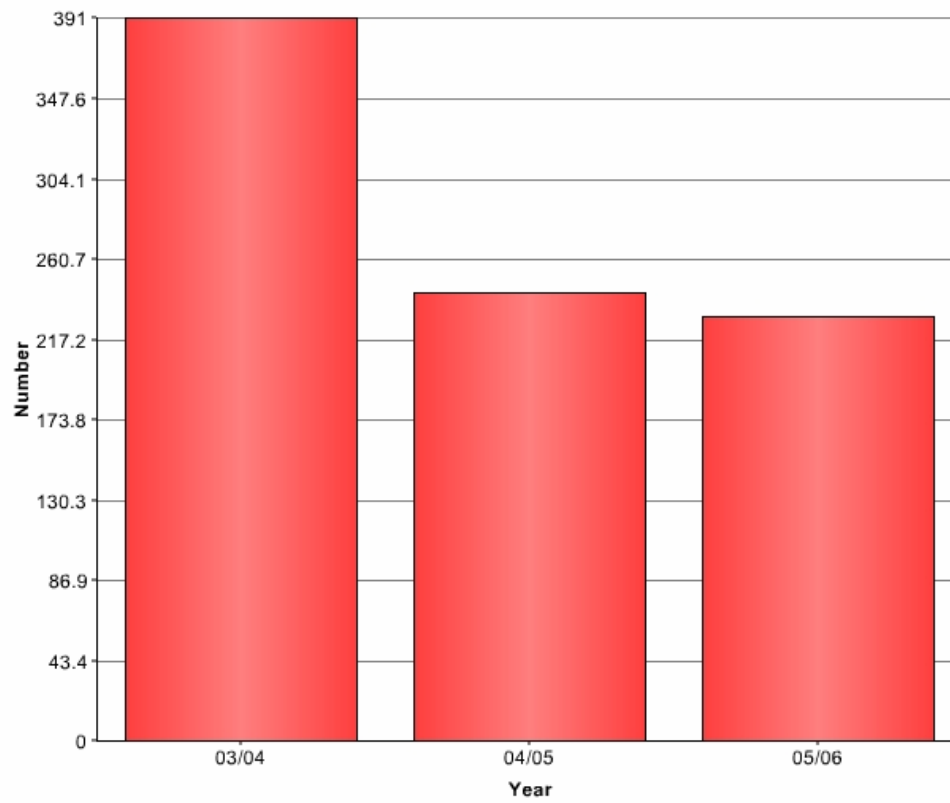


April 2006	March 2007	BT will extend the current Supplier Diversity work with our people providers to include all suppliers of people for permanent contracts. This work will include monitoring and measuring their activities so that we build towards balanced recruitment lists for BT vacancies.		New
April 2006	June 2006	BT will analyse the impact of 2005/6 tier one suppliers CSR best practice event.		New
April 2005	March 2006	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.	All questionnaires received had follow up action taken within the specified timescales.	Completed
April 2005	March 2006	We will take forward our dialogue with the NGO/Stakeholder community to drive continuous improvement.	Various types of NGO/Stakeholder engagement have taken place throughout the year e.g. working with suppliers to improve environmental performance and labour standards.	Completed
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.	All questionnaires received had follow up action taken within the specified timescales.	Completed
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.	The event took place on 27th February.	Completed
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.	A joint CSR assessment took place in Mexico in August 2005.	Completed
April 2005	March 2006	We will repeat a measure of BT's supplier relationship and achieve more than 90%.	The survey result was 89%, just short of our target.	Failed

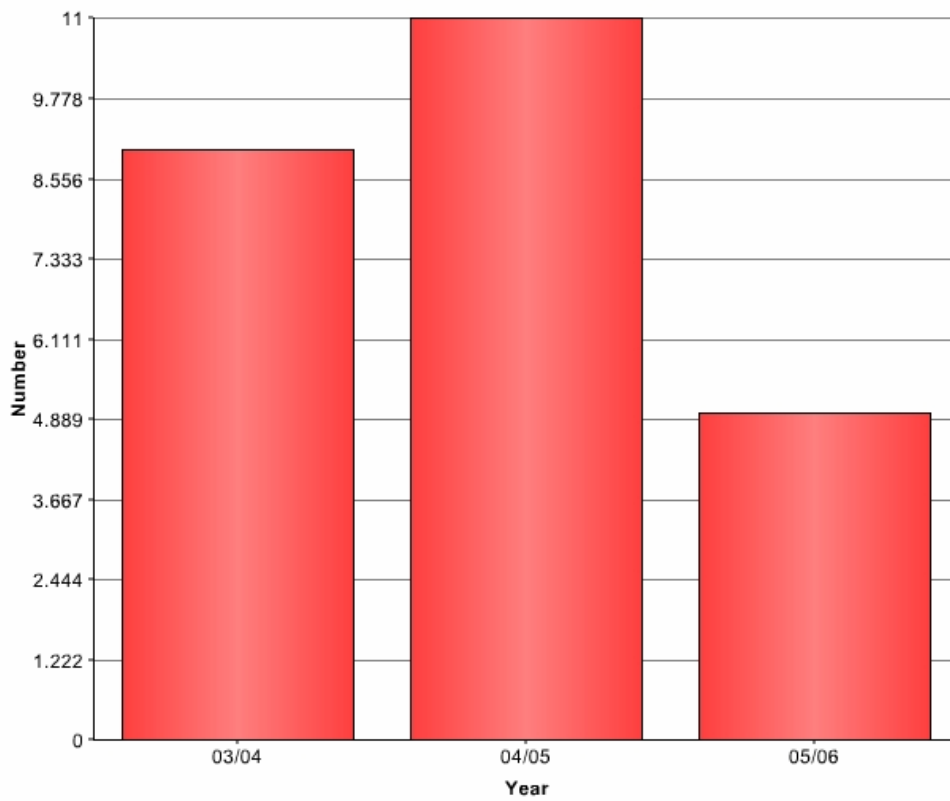
Ethical trading assessment findings



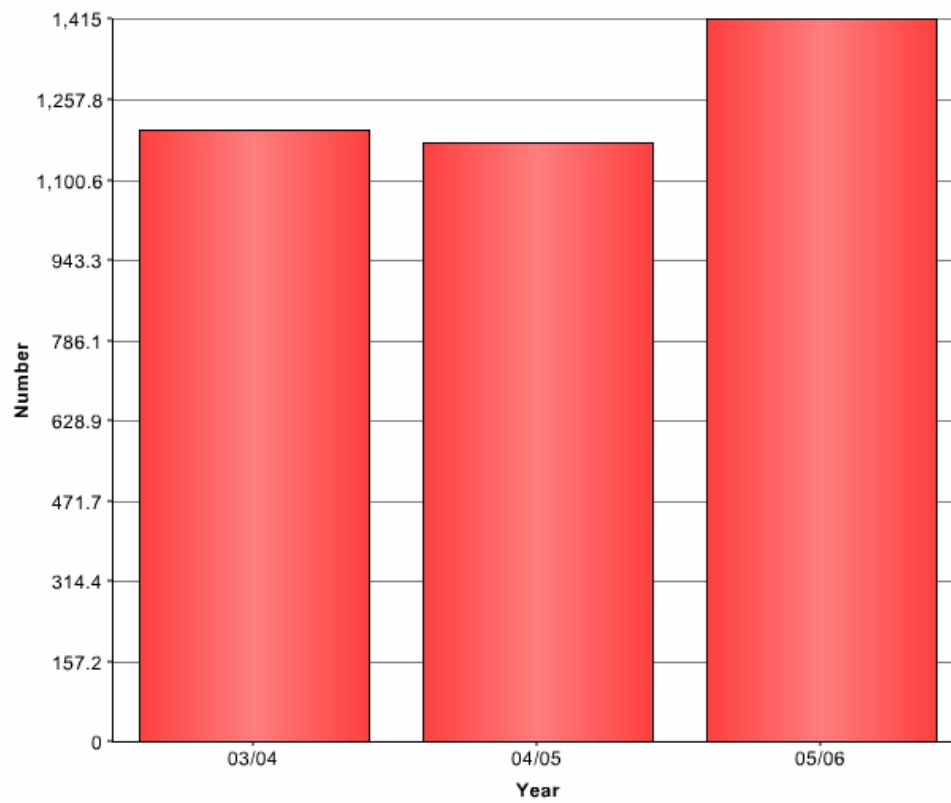
Risk assessment questionnaires



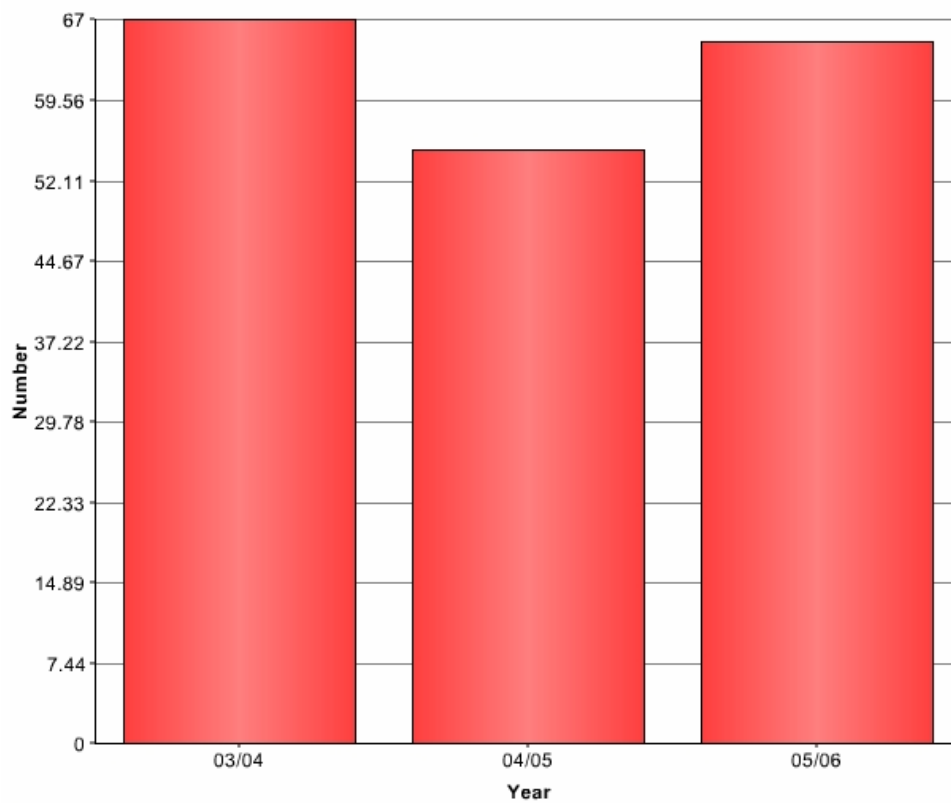
Ethical on-site assessments



Contractors working towards ethical trading



Contracts further investigation



Implementation of GS13 Environmental Impact Process	2003	2004	2005	2006
Number of new BT Contracts	879	1,199	1,175	1415
GS13 requirement included in new BT contracts	879	1,199	1,175	1415
GS13 risk assessment questionnaires requested by BT to be completed by supplier*	70	568	289	395
GS13 risk assessment questionnaire completed	43	410	305	309
Number of questionnaires where continuous improvement was required	18	129	85	105
Number of questionnaires where continuous improvement was being driven	7	131	175	166
Number of contracts where continuous improvement completed	0	33	18	56

*One supplier questionnaire response may cover multiple contracts if for the same environment risk category
In the 2006 financial year, we assessed 139 product stewardship questionnaires (GS19) and audited 51 waste contractors.

Implementation of GS18 Sourcing with Human Dignity Labour standard	2003	2004	2005	2006
Number of new BT Contracts	879	1,199	1,175	1415
GS18 requirement included in new BT contracts	879	1,199	1,175	1415
GS18 risk-assessment questionnaires requested by BT to be completed by supplier*	37	391	243	311
GS18 risk-assessment questionnaire completed	31	242	240	230
Number of questionnaire responses where further action was required	15	67	55	65
Number of questionnaire responses where further action was being conducted		74	106	75
Number where required further action was completed		20	8	21
Number of initial GS18 on-site assessments conducted on high risk contracts	7	9	8	5
Number of supplier identified as falling short of GS18 standard following assessment	7	9	8	Results still being assessed
Number of GS18 on-site re-assessments conducted	7	4	3	0
Number of suppliers who, following re-assessment, have reached the GS18 standards	0	0	0	0
Contracts cancelled due to serious shortfalls persisting against GS18 standard	1	0	0	0

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

Blank cells indicate that data was not entered onto the central database that year



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Community

BT is committed to make a positive difference in society by acting responsibly in our everyday business conduct and by making specific investments in the communities in which we operate worldwide.

Our community investment (including charity donations, volunteering and in-kind support) is focused on activities that inspire people to make a better world through the power of communication skills and technology.

In financial year 2006 we invested £10 million and provided a further £11.3 million of in-kind support, bringing the total given since 2000 to £90.2 million

Charities and fundraising

BT has a strong commitment to community investment around the world and we work with a number of strategic charity partners in the UK, Europe, the US and Asia Pacific. Our aim is to inspire people to make a better world through the power of communications skills and technology and we support our charity partners by giving them access to communications technology and our business expertise.

UK charity partnerships and fundraising

We partner with charities and help co-ordinate major fundraising events, including telethons. We manage the telephone network for these events, and our call centres take donations over the phone.

ChildLine

BT is a founding partner and major supporter of [ChildLine](#) the free 24-hour helpline for children. Nearly 2 million children have been counselled by ChildLine since 1986.

We are supporting ChildLine's campaign 'Am I Listening?'. This will help ChildLine extend its services so all young people experiencing problems can talk to someone. In the last two years we have raised over £3.1 million for the appeal from BT, our employees and our customers.

We also give in-kind support including strategic and technical advice, office space, staff fundraising initiatives, and sponsorship of the BT ChildLine Awards.

Children in Need 2005

The BBC Children in Need Appeal helps UK children who have experienced disadvantage. In 2005 BT provided the network support to over 50 call centres handling 263,768 calls during the show. In addition BT provided a number of its own call centres operated by staff and volunteers which contributed to a record £17.2 million being raised on the night.

Comic Relief

Comic Relief's vision is of a just world free from poverty; the organisation uses the power of entertainment to drive positive change. Volunteers in 180 call centres handled around a million calls on the night of Red Nose Day 2005. The on the night total was a colossal £37.8 million with a phenomenal total of £65.1 million raised across the entire campaign.

Disasters Emergency Committee - Asian Earthquake (Pakistan) appeal

BT provides technical and administrative support to the Disasters Emergency Committee (DEC), a charity that runs the national appeal to help the UK's leading humanitarian agencies alleviate suffering from disasters abroad.

In 2005 130 BT volunteers manned the BT Tower to take live telephone donations, collecting over £400,000 on the night for the Asian Earthquake appeal. Phone donations raised a fantastic £9 million overall.

An expert team of BT volunteers visited the disaster zone to establish satellite communications links - enabling emergency services to access the worst affected areas. BT donated £869,000 in resources, equipment and volunteer hours. We are establishing a stand-by team to respond immediately to future disasters.



Global charity partnerships and fundraising

Internationally, we concentrate our community investment on countries where BT has a presence and can positively impact the local community or where information technology can make a huge difference to communities who currently have no access to the digital world.

These are some of the projects BT supported worldwide during financial year 2005/06:

Germany: BT supports a children's charity called SOS-Kinderdorf e.V. which gives disadvantaged children a normal family environment based around a village concept.

Ireland: BT is the main sponsor of the BT Young Scientist and Technology Exhibition, which enables thousands of students across Ireland to develop and showcase innovative science and technology projects.

Spain: BT supports a range of charities including a music foundation for young people and Save the Children. BT has worked with the Spanish Department of Education and the British Council to support English teaching in schools, donating PC equipment and hosting a web-community connecting 44 Spanish schools with schools in the UK.

North America: BT supports a range of community organisations including Project Renewal of New York City, a homeless charity. The company matches employee donations to non-profit organisations helping those in need. Five regional teams of employees across the Americas are active in regular volunteering programs, with support from BT.

BT donated \$10,000 to the American Red Cross following Hurricane Katrina and many offices provided relief assistance. The BT Americas Women's Network collected boxes of clothing and personal items for areas affected by Katrina.

India: BT sponsors ICT education in two schools in India. See [ICT education in India](#).

Community awards and resources

BT Community Connections

Since 2002, BT's Community Connections award scheme has provided internet-ready PCs to over 4,600 community and voluntary groups in the UK with an estimated 285,834 direct and 1,021,395 indirect beneficiaries.

Free 'Bidding for Funds & Resources' booklet

'Making It Happen' is BT's Guide to Unlocking EU Funding'. It helps UK public sector organisations such as schools and hospitals, as well as businesses and charities, to access €50 billion of European Union funding, much of which currently goes unclaimed. It is available here as a free [PDF download](#) or you can buy a copy from [Portico's online bookshop](#).

Free websites for community groups

BT works with IK Software to make free, simple to build websites available for UK charities and community groups. More than 4,000 UK schools have already created excellent new sites - all developed and maintained by pupils and teachers.

Education

Surveys of our stakeholders have shown that education should be a top priority for our social investment. The BT Education Programme focuses on communication skills and closely supports citizenship teaching as part of the UK national curriculum.

Our educational initiatives include:

- Education 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 2,500 BT volunteers and governors.
- On-line resources - we provide materials for teachers, pupils and parents.
- Awards - for teachers and schools.



- Life skills - we help to improve interpersonal communication skills in all areas of life.

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

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, and an in-school communication skills roadshow which demonstrates how to use the materials in the classroom.

By the end of the 2006 financial year, the roadshow had made 749 school visits. More than 2 million children have been involved in the BT Education Programme since 2000.

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

The resources range from DVDs and downloadable lessons to interactive web-based activities. All resources on the website are available for free and are aligned to the UK National Curriculum and Scottish Guidelines. The site contains regularly-updated programmes of work and activity sheets for subjects such as citizenship, literacy, PSCE, English and Drama.

For more details see [BT Education](#).

BT Volunteers

BT and ex-BT employees assist with the delivery of all BT Education activity. These volunteers take a DVD-based programme to schools not visited by our communications skills roadshow. In the 2006 financial year, they delivered our material to over 125,000 school children.

We support over 760 BT people who are school or college governors, or work-experience supervisors.

BT Schools Awards

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

Grants worth up to £3,000 are awarded to schools which can demonstrate that they are helping young people improve their communication skills.

In the 2006 financial year, we gave awards to 195 schools. Each winner received £1,000 cash to spend how they wish, a DVD player, a set of free communication skills resources and a special drama workshop in their school

Teaching Awards

BT is an associate sponsor of the Teaching Awards, sponsoring the Primary Teacher of the Year category. The awards celebrate the achievements of teachers in England, Wales and Northern Ireland and are designed to raise awareness of the profession. They culminate in a national event broadcast by the BBC.

Arts for All

BT's "Arts for All" programme has already made one of the largest modern and contemporary art collections in the world easily accessible through Tate-online, the UK's most visited visual arts website. We are also working with the National Theatre, The British Film Institute and The Philharmonia Orchestra to make theatre, film and music more readily available to schools and pupils.

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.

ICT education in India

BT supports two information and communication technology (ICT) education programmes in India:

Katha Information Technology and E-commerce School (KITES)

In 2001, BT began working with Katha, an education charity that helps children from the poorest communities in Delhi, Katha creates a proactive and interesting learning environment for the children, many of whom have never attended school or who have dropped out of education - with the ultimate goal of getting them back into education.

BT and Katha established KITES in Govindpuri - Delhi's largest slum area. The school enables children from the poorest communities to learn ICT skills. BT provided the computer labs, equipment and software so students can access the latest technology.

So far over 3,000 children have acquired ICT skills from basic computing to complex software programming. A number of graduates have found employment in IT related fields.

Parents and local shopkeepers can also learn computer skills at KITES.

Many BT employees based in Delhi volunteer at Katha helping to teach and coach the children.

BT & St Crispin's IT Training Centre

BT & St Crispin's IT Training Centre opened in April 2006, with a state-of-the-art computer lab, audio-visual equipment and teaching classroom. It is an initiative supported by BT and run by St Crispin's a charity in Pune which provides a residential home and school for 675 underprivileged children.

The Centre will train 1,400 children in IT vocational skills over the next three years, enabling them to secure employment and break the cycle of poverty.

Employees in the community

We encourage employees to give their time as volunteers to good causes in their local community and to raise money for charity.

BT Volunteers

We have over 2,500 BT Volunteers and Governors who mainly work in schools supporting our Education Programme. BT recognises the importance of volunteering for personal development and gives employees up to two hours off each month to volunteer in schools subject to operational constraints.

Give As You Earn

This is our payroll giving scheme. Over 10,000 BT people donate to charity this way giving just under £2 million in the 2006 financial year. BT gave £1 million in match funding. During 2006/7 we will be extending our employee giving programme to more employees worldwide.

BT Community Champions

This enables BT employees to apply for cash grants of up to £500 or sports kit (for an under 18s football team or a disabled adult team) for their local community group, charity or school, where they volunteer.



BT Chairman's Awards

BT Chairman's Awards recognise and reward BT people for their outstanding commitment to community groups and organisations outside working hours. The winner of each category receives £3,000 and the runners-up receive £1,000. There is also an outstanding achievement award worth £3,000.

Community Committees

Community Committees are groups made up of a cross-section of BT employees, based in our key countries, who ensure a local perspective on our community, charity and volunteering activities. Committees in Ireland and Spain are already in place.

Arts and heritage

In the digital age, where communication is almost instantaneous and information more plentiful and accessible than ever before, it is easy to forget just how quickly we've advanced. Responsible management of our telecommunications heritage is an important part of corporate responsibility for BT.

We also use our technology to help thousands of people access art online. This removes the obstacles of geography and travel which can otherwise prevent people from experiencing the richness of our artistic heritage.

Tate Online

BT has been exclusive sponsor of the virtual gallery, [Tate Online](#) since 2001. This online gallery provides access to over 65,000 works from the Tate Collection as well as information on exhibitions and events at the four Tate Galleries. The site is powered by BT and we provide free technical support, hosting and online broadcasting. Over 7 million unique visitors visited Tate Online in 2005.

BT's heritage collection

Connected Earth

BT has a large collection of historic telecommunications artefacts, documents, images and films of acknowledged national significance. We are committed to preserving this collection, known as Connected Earth, and making it available to the widest possible audience through museums across the UK.

Connected Earth exhibitions are now on show at:

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

Objects from the collection can also be seen in Porthcurno Telegraph Museum in Cornwall, the Museum of London and the Science Museum. Connected Earth galleries are also planned at the Museum of Science and Industry in Manchester and Milton Keynes Museum.

Connected Earth - Online museum

The [Connected Earth online museum](#) has over 1,000 pages exploring the history of communications over the past 200 years. It charts the rapid improvements in our ability to transmit information, ideas, words, pictures and speech across the globe. The site had over 1,231,000 visitors in 2005.

Free teaching resources on the history of communications are available from the [Connected Earth Education Centre](#).



BT Archives

The [BT Archive](#) documentary, image and film collections date back to 1846, reflecting our history as the world's oldest telecommunications company. Most of the collections are public records held on behalf of the nation. They are an internationally significant historical resource and can be viewed in our dedicated research facility in central London, see [BT Archives](#).

Community - Key Performance Indicators

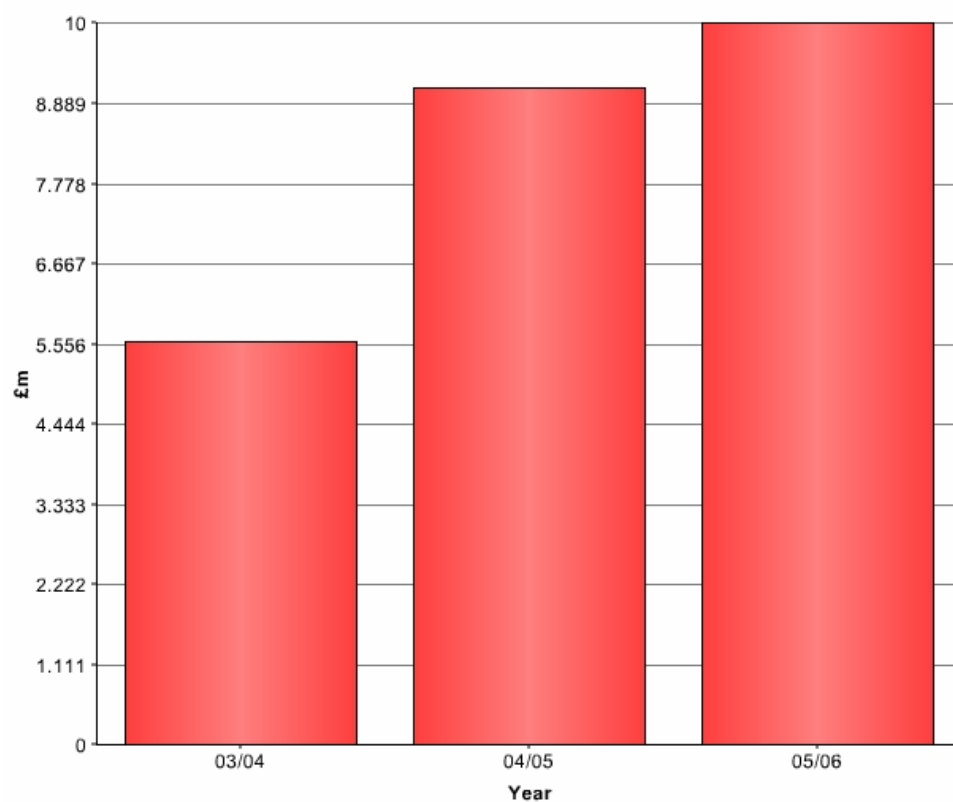
Indicator	Description	Measure	Target
Community contribution	A measure of our investment in society	During the 2006 financial year BT provided £21.3m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits and trial a new measure of community programme effectiveness during the 2007 financial year.

Community Targets

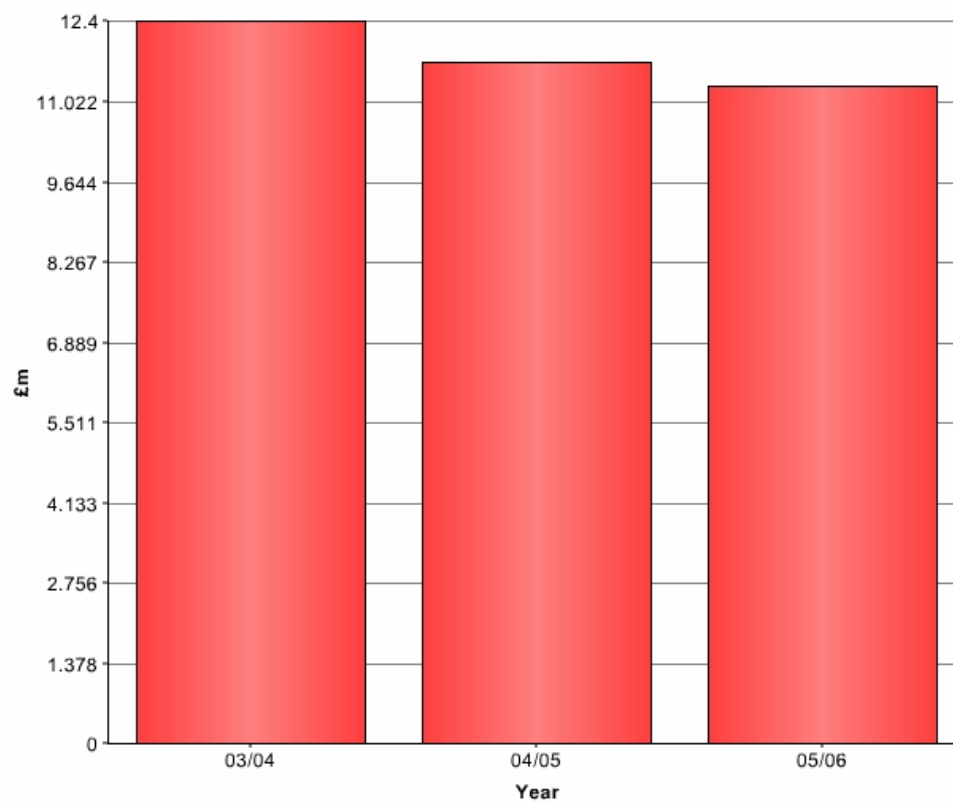
Start Date	End Date	Description	Update	Target Status
April 2007	March 2007	Through BT's fundraising initiatives, we will raise over £1million for our selected charity partners.		New
April 2006	March 2007	BT will increase the number of BT employees who join the 'Give as you Earn' scheme by 10%.		New
April 2006	March 2007	BT will provide a minimum of 1% of our 2005 financial year UK pre-tax profits to activities in support of society, either through direct funding or through support in kind.		New
April 2006	March 2007	BT will ensure that 3 million young people benefit from BT's free speaking and listening resources.		New
April 2006	March 2007	250,000 children will receive lessons from BT volunteers and special BT teams in the class room.		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.	The BT & St Crispins IT Centre opened in January 2006 in Pune and is based in a school for over 600 disadvantaged children.	Completed
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.	The target was achieved with a total figure of £21.3 million representing 1.1% of pre tax profits for the 2004 financial year.	Completed
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.	Work on this target was delayed pending a re-refresh of the BT-wide Community Investment strategy. This strategy was agreed in March 06 and global implementation of volunteering, charity matching and charity partnerships is scheduled for April/May 06.	Delayed
April 2005	March 2006	We will launch the LifeLines India community investment programme (in support of the UN Millennium Development Goals, aimed at bridging the digital divide in a developing country).	The LifeLines India programme remains in progress but has met several operational delays resulting in the new anticipated launch date of June 2006.	Delayed



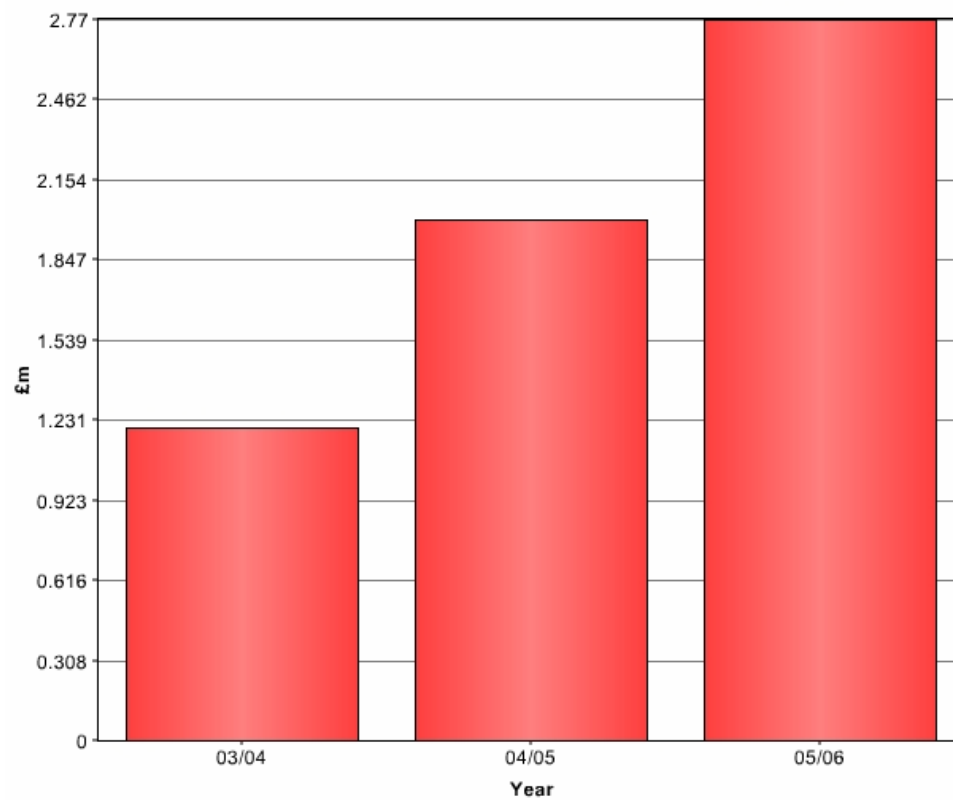
Financial contribution



Funding and support in kind



Direct contribution to charity



Environment

Telecommunications is perceived as an environmentally friendly technology and it is certainly cleaner than traditional industries. But we use a lot of energy to operate our networks and we consume natural resources indirectly through, for example, the services and equipment we buy.

We have a duty to manage our environmental affairs so that we minimise the drawbacks and maximise the benefits.

We discuss these issues here, providing data on our performance.

Environmental management system

Good environmental management saves money and improves business efficiency. BT's environmental management system (EMS) complies with ISO 14001:2004, an international standard for the certification of environmental management systems.

The standard helps keep us focused on reducing our environmental impact.

In the 2006 financial year:

- BT in the UK was awarded a renewed ISO 14001 certificate. The scope of the UK certificate has also been extended to include BT Global Services in the UK
- BT Spain's certificate was renewed and extended to cover all of BT Spain's activities
- At BT's request, the BT Ireland certificate was withdrawn (see the 'about the report section' [link](#))
- Work began on an EMS for BT Switzerland.

Our environmental impacts are in eight groups:

- Fuel, energy and water
- Waste
- Transport
- Emissions to air
- Procurement and the environment
- Product stewardship
- Local environmental impacts
- Environmental benefits

Click on the links to find our performance in each group.

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

BT recognises that in its day-to-day operations it impacts 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.

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 have undertaken to help every person who works for and on behalf of BT 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 of BT, Ben Verwaayen, 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 CSRSG meets quarterly and regularly reports to the Board. It is chaired by BT's overall CSR and Environment champion Meryl Bushell, Chief Procurement Officer.

Our commitment

BT is committed to the prevention of pollution and minimising the impact on the environment of its operations globally. In particular, we will contribute to initiatives that seek to address climate change. Through a programme of continuous improvement BT and its wholly owned subsidiaries will:

- Meet all applicable 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,
- 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, the BT training programmes and encourage the implementation by all BT people of sound environmental practices,
- Monitor progress and publish details of our environmental performance in our Social and Environment report, as a minimum, on an annual basis.

The Company's environmental management system will monitor delivery of these commitments.



Environmental prosecutions

BT recognises that it has clear legal obligations for the management of its environmental programmes.

During the 2006 financial year, there were no environmental prosecutions in the UK.

Fuel, energy and water

As one of the UK's biggest commercial energy users we are conscious of the need to contribute to national and international initiatives to combat climate change.

One of the main causes of global warming is the increased concentration of made-made gases in the atmosphere, known as greenhouse gases (GHGs). By far the most significant is carbon dioxide (CO₂), produced when fossil fuels are burned to make electricity and power vehicles.

Here we describe how we manage our fuel and energy use.

- Energy consumption
- Energy efficiency
- Renewable energy
- Premises energy (offices and buildings)
- Process energy (networks)
- Fuel storage
- 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 6,000 sites. This has helped us identify waste earlier rather than relying on a monthly bill.

Energy consumption for BT's network and estate during the financial year 2006 was 2,630 GWh. This is made up of:

- 1,942 GWh electricity (approximately) to run our networks
- 206 GWh electricity (approximately) used at our office premises
- 482 GWh (gas and oil use) for all our sites.

Click on the icons below for emissions data.

Trends in energy use

Our investment in energy management has helped us to keep our energy consumption relatively unchanged.

We are working hard to improve our forecasting of energy needed and to further improve the energy efficiency of our network equipment.

With no major changes expected in the size of our estate, we are focusing on continuing to reduce our use of heating fuel (gas and oil). We measure our consumption and make annual comparisons of usage after weather conditions are taken into account (using degree days – see Environment glossary). Gas consumption continues to increase because we continue to convert oil-fired heating systems to run on gas. However, our performance on heating plan was far better than expected and we achieved a 10.8% reduction in heating fuel used when weather corrected.



Energy efficiency

We treat energy management as part of everyday business. This applies to our partners too, such as those companies that manage our properties and facilities.

In the financial year 2006, BT Wholesale's investment in its energy management programme has resulted in savings of 24 GWh.

Our energy management programme also helps us maintain our:

- Energy efficiency accreditation (with the UK National Energy Foundation & Energy Institute)
- ISO 14001 certification.

We have a range of initiatives to reduce our energy consumption, including:

Energy benchmarking and surveys

Our contracted facilities management team continues to conduct surveys at poorly-performing sites, to minimise energy and water consumption. Web-based electricity reports, updated every half-hour, have helped us find areas where we can cut waste and save energy. This has been supported by energy surveys within our network buildings, and surveys carried out by specialist consultants.

Plant efficiency

We look at the whole life of our plant when we assess its cost, including its energy efficiency. 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. Our initiatives in this area include research on the use of urban wind turbines, government lobbying on global warming and continued use of low emission and renewable energy sources.

Renewable energy

BT signed a three-year electricity supply contract, in the 2005 financial year, which provides nearly all of BT's UK electricity from renewable sources and combined heat and power (CHP) plants. At the time this made us the world's largest purchaser of green electricity.

In the 2006 financial year, our use of renewable energy cut our carbon dioxide emissions by approximately 108,000 tonnes, equivalent to that produced by approximately 30,000 cars.

In the same period we installed wind generators at two sites and a solar electricity array at another. We looked for ways to house renewable generation systems, as part of a joint project with the Carbon Trust.

Wind Dam

We continue to support the development of a vertical axis turbine (called a Wind Dam) by housing a prototype unit at a local exchange in Cornwall. The unit has operated silently and integrated well into the building line. Results of the test are being used to improve the next prototype.



Wind turbines and solar

The Goonhilly visitors centre (80,000 visitors annually) has a new attraction. This is a nine metre high, six kilowatt wind turbine along-side the building and 66 square metres of solar electricity cells on the roof. This is our first mainland site in the UK to use this hybrid wind and solar system and we hope to do trials at other sites. We will continue to develop small wind turbines fitted to our network or hilltop microwave relay stations. A trial is planned in the 2007 financial year in the West Country where micro turbines will provide a quarter of the electricity used at three sites.

Planning permission

Getting permission to install wind turbines is proving difficult in some areas. This is probably because of a gap in the knowledge of planning officials, despite central government guidance. However, businesses will not be able to help government reach its carbon emissions targets unless there is a consistent approach to planning. This will require further encouragement from central government.

Click on the icons below for more information.

Premises energy

Premises energy includes all the electricity, oil and gas required for more than 1,000 offices, warehouses and depots used by BT.

As we rationalise and refurbish our premises, our overall energy use is decreasing. Although 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 2006, premises heating energy consumption decreased by a half of one per cent, compared with the previous year. However, in the same period, weather corrected (using degree days) heating energy was down by 10.8 per cent. Average degree-days (see [Environment glossary](#)) for the year were approximately 11 per cent higher than in the previous year.

Click on the icons below for more information.

Process energy

Process energy includes all the electricity needed to power more than 6,000 transmission stations, satellite earth stations and telephone exchanges that support our voice, data and internet networks.

We generate additional 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 2006, we generated 8.54 GWh of electricity reflecting the decrease in number of calls for the TRIAD regime (see [Environment glossary](#)).

We will need more energy to power our fast-expanding networks. We want to minimise the increase and we are working hard to improve our network growth forecasting and to assess accurately the impact of broadband on energy demand.

New network to reduce energy consumption

BT is in the process of transforming its telecommunications and data network with its radical twenty-first century network programme.

Energy use has been a key element in the specification of the equipment. The network is under construction and we have set a target to reduce energy demand (line-for-line) by around a third, compared with the existing network.



Fresh-air cooling (as opposed to air conditioning) is being used as the primary system to cool all new network equipment. This saves energy and avoids the need to use refrigerant gases, some of which are powerful global warming gases.

Click on the icons below for more information.

Fuel storage

Testing, repair and decommissioning of fuel tanks are a vital part of our programme to reduce the risk of pollution from fuel storage.

In the 2006 financial year, specialist testers visited 403 sites and tested 457 tanks. Detailed recommendations for remedial action have been provided by our contractors.

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

In the financial year 2006, a total of 10 oil-related incidents were recorded, an increase of 4 from the previous year. Of these, 6 were classified as serious, 1 as significant and 3 as local. As a result of our investigations, various remedial works have been instigated and recommendations for improvement have been adopted to avoid recurrence.

The known quantity of oil discharged to land/drainage was 2,046 litres.

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 1.2 per cent (from 1.91 million cubic metres in the 2005 financial year to 1.89 million cubic metres in the 2006 financial year).

Our improvements have brought us to the point where there is very little more we can do to save water. But we will continue to try. We have, for example, rolled out remote profile metering to 39 sites. This trial is identifying where water is being used or lost at night thus allowing us to further eliminate waste. If economic, further remote metering will be introduced.

Click on the icons below for more information.



Waste

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.

We try hard to avoid making waste. But when we do, we attempt to reuse or recycle it. As a last resort it is sent to landfill.

In the 2006 financial year, we produced 102,005 tonnes of waste and 59,665 tonnes went to landfill, 18.5% less than the previous year.

In this section we describe:

- Types of waste
- The BT Waste Forum
- Recycling
- Performance against key waste targets
- Our waste recovery model.

Types of waste

We have three categories 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.

BT Waste Forum

We have a waste forum, which is 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

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.

All our major sites have dedicated paper recycling facilities. Office paper is collected in "Blue Boxes".

In the 2006 financial year, we recycled 42,340 tonnes, which represents 42% of our waste. We increased the amount of paper and cardboard recycled in the 2006 financial year by 18.4%, compared with the previous year.

Find full details of products, materials and quantities in [Waste Recovery Model](#).



Performance against key waste targets

We met both our waste targets in the 2006 financial year.

1. By 31 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 (depots where waste is collected, sorted and recycled).

We achieved this target in December 2005 and showed a marked improvement in the amount of paper and cardboard recycled. We increased the number of sites with Blue Box Schemes (used to collect waste paper), and those with dedicated cardboard recycling skips. These successes confirm the value of our recovery and recycling depots.

2. By 31 March 2006, we will increase the waste recycled by 5% based on the 31 March 2005 outturn figure.

We achieved this target showing with an appreciable increase in the amount of waste recycled. The amount of waste recycled was up from 37,421 tonnes in 2005 to 42,340 tonnes this year, an increase of 13.1%.

Waste recovery model

Our model provides:

- Details of waste recovered by product
- Shows last five years of data
- Indicates trends over the last five years
- Provides data on income and expenditure of recycling schemes

Transport

We run a fleet of 32,516 commercial vehicles and 10,478 company cars, 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.

Additionally, we review vehicle replacement cycles, which ensure the fleet benefits from latest technologies and emission standards, while delivering greater reliability and lower maintenance frequency and costs

The commercial vehicle fleet increased by 1.7% (547 vehicles) in the 2006 financial year and the company car fleet was cut by almost 1% (92 vehicles).

Our company car policy supports the key objectives of the UK Government's emissions-based company car taxation initiative.

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

Emissions to air

Other than carbon dioxide from energy generation, our main emissions to air are refrigerant gases that escape accidentally from air conditioning equipment.

Some emissions are ozone-depleting and others contribute to climate change. We monitor all emissions closely and report ozone-depleting emissions – as defined by the Montreal Protocol – in accordance with the requirements of the Global Reporting Initiative (GRI) guidelines.



Wherever possible, we use fresh air to cool our telecommunications equipment, including our new network. But on warm days we have to use air conditioning. All new cooling units use an ozone-friendly, chlorine-free refrigerant gas, R407C. Most ozone-depleting refrigerants have been phased out, but some are still in use. Early replacements of ozone-depleting gases, called HFCs, are strong greenhouse gases and contribute to climate change.

All refrigeration units are hermetically sealed to prevent leaks. A new control system eliminates the need for refrigerant analyzer gauges, through which refrigerant gas can escape.

We control the net amount of refrigerants purchased (the quantity bought minus that returned or recycled) so that it is no higher than 4% of the total refrigerants held. In the 2006 financial year, our net usage of CFC and HCFC gases was 2.58% against the target of no more than 4% and 2.65% of HFC gas against the target of no more than 9%. During this time, we reduced the amount of ozone-depleting gases held in our systems by 18% as a result of plant replacement or building closures.

Procurement and the environment

As one of the UK's largest purchasers of goods and services, 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 [Environment and our supply chain](#).

Product stewardship

The term product stewardship is shorthand for the way companies ensure that the products they buy, use and sell are safe to use and have the lowest impact possible on the environment in use and disposal (see Product stewardship case study: Decommissioning subsea cables below).

In the 2006 financial year BT spent over £4 billion on products and services. By 2010, we will have invested up to £10 billion on our 21st century network.

We work with a range of stakeholders - including designers, manufacturers, retailers and waste management organisations - to minimise the whole-life environmental impacts of products for which BT has a share of responsibility.

By collaborating with designers we can influence the way products are made and how they perform. For example, efficient products will minimise the materials and energy consumed throughout their lifecycle. The designs will help manufacturers to reduce the use of hazardous materials and ensure that the products can be reused, recycled or safely disposed of at the end of their life.

Practising product stewardship can reduce costs, for example, by designing products to use the minimum resources during manufacture, use and disposal. Refurbishing used products for reuse can increase revenues and reduce the cost of landfill.

Eco Design

For many years, we have included environmental criteria in specifications for BT branded products. During the year, at an [LMAS](#) (DTI London Manufacturing Advisory Service) WEEE/RoHS workshop an independent comparison of a BT cordless phone with an equivalent from an alternative supplier was carried out. The assessment revealed that the BT product:

- Made use of paper rather than plastic packaging,
- Used half the number of screws
- Did not use hot melt adhesive in the assembly process
- Was designed to enable easier separation of materials to facilitate recycling.

BT has also been involved in the Sustainable Use of Materials for Electronic and Electrical Products network [SUMEETnet](#).



A Life Cycle Analysis (LCA) has been carried out with Imperial College for BT Wholesale on alternative distribution pole materials to aid product manager and buyer decision making on the future of the overhead network distribution system. The updated LCA supported the findings of the previous study (carried out in 1997) that our current creosoted timber poles have overall lower whole life environmental impacts than any of the alternatives examined. However, where a light no-climb pole was required (i.e. for safety reasons in urban settings) a polyolefin coated galvanised steel pole was the next best alternative. Used in the relatively small volumes envisaged, the overall environmental impacts negative for the steel poles are likely to be small. In particular, the negative effects in terms of Global Warming Potential (GWP) are likely to be more than offset by the carbon dioxide stored in the large volumes of timber poles that would still be required, over their lifecycle.

As well as the final LCA study report compiled by Imperial College, two summary reports, one summarising the LCA findings and one outlining the background legislative issues have been produced for the product manager, as supporting evidence for any business case that would be required to make any changes to the overhead network distribution system policy. Any decisions are now likely to be made within the BT Openreach business.

Summary of Conclusions/Recommendations from the study

Timber poles have the smallest environmental footprint of all the pole types (4) evaluated. For all the pole alternatives the majority of the impacts are dominated by emissions occurring in the production phase. Consequently the most important way BT can influence and minimise the environmental impacts of poles is in the choices made in the procurement of its poles through product specification and selection processes. Based on Imperial College's study findings our recommendations were that timber poles continue to be the first choice for the majority of applications. Where there is a need for an alternative pole through either regulatory pressures or a business requirement for a lighter no-climb distribution pole then the next best option is the plastic coated galvanised pole.

Product take back

We take back unwanted electronic equipment from homes and businesses. This is reused where possible, or broken down and the materials recycled.

In the 2006 financial year, over 185,000 electronic items (phones, faxes, wireless routers, PC adapters) were returned from domestic households in the UK. This was done through the BT collection scheme for re-use and recycling. The majority of equipment is re-used and the remainder sent for granulation and material recycling.

We work closely with Cisco Systems, a supplier of electronic equipment used in business systems, recovering around 1,000 items in the UK. We have improved collection arrangements outside of the UK for Cisco equipment.

In Australia and India, we arranged for surplus switching equipment on customer premises to be dismantled and collected for resale. We are preparing to expand collection facilities for electrical equipment throughout the world, during 2006/07.

Legal drivers/contributing to product stewardship legislation

The amount of redundant electrical and electronic equipment (EEE) thrown away continues to increase. EEE waste disposal practices are not sustainable and there are concerns that land-filled hazardous substances may leach out of the equipment, contaminate the environment and harm health.

Two EU directives aim to prevent these problems: the Waste Electrical and Electronic Equipment (WEEE) and the Restriction of the use of certain Hazardous Substances (RoHS). The WEEE directive requires manufacturers to finance the cost of treatment and recycling of separately collected end-of-life equipment. We will have "producer responsibility" to deal with redundant BT-branded products. Retailers must provide free take-back facilities for consumer products.

The RoHS directive requires manufacturers of EEE to find alternatives to lead-based solders, mercury, hexavalent chromium, cadmium and two brominated flame retardants.



Most EU Member States have introduced legislation to implement these Directives. In the UK, legislation on RoHS was adopted in October 2005, but the publication of WEEE regulations has been delayed while further consultations take place.

BT relies heavily on EEE, equipment used in our core network (such as switching and transmission equipment), through to equipment which is used on customer premises.

BT has contributed to the development of the regulations, working with industry bodies, such as the [UK Industry Council for Electronic Equipment Recycling](#) (ICER) and the Information technology, telecommunications and electronics industries association (INTELLECT).

BT is represented on the DTI stakeholder group helping to develop UK regulations which transpose the European Directive on Energy using Products (EuP).

Implementing EU laws on electronic waste

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 these regulations.

By the end of March 2006, over 90% of BT-branded products supplied to domestic consumers complied with the Restriction of the Use of Certain Hazardous Substances (RoHS) regulation.

While the manufacturers of BT-branded goods must demonstrate that their products meet regulatory requirements, we have overall responsibility to ensure RoHS compliance.

The same will apply to products controlled by the directive on waste electronic equipment about to come into force in the UK. We have maintained close links with the relevant UK government departments and agencies, and provided regular briefings to buyers and product managers to ensure that they are aware of their legal obligations.

Working with our suppliers

We work closely with our suppliers to improve the environmental performance of equipment and reduce waste.

For example, we have worked with Tyco to produce a highly reliable and re-usable mechanical joint closure. This replaces the old less-reliable version that could only be used once and needed highly skilled operators to make the necessary seal. Its unreliability led to more maintenance trips (increased travel) and the use of propane gas (greenhouse gas emissions) to make the seal.

Working with the cable supplier Belden, we have improved stock management and reduced waste.

Product stewardship training

A new learning system introduced in the 2006 financial year has improved access to the Product Stewardship Computer Based Training course for BT people who are based outside of the UK. Over 4,200 people have now been trained.

Local environmental impacts

The impact of our activities, such as the visual intrusion of telephone wires or the disruption caused by construction work, affects people's immediate surroundings.

The infrastructure supporting our 28 million customer lines in the UK includes around four million telegraph poles, millions of manhole covers, thousands of roadside cabinets, 24 tunnels



running under cities and hundreds of radio stations. Our network is expanding and changing as technology progresses. We are conscious that this has a potential impact on the environment - countryside, 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.

In this section we discuss:

- Electromagnetic Fields (EMFs)
- Visual amenity, infrastructure and siting (of our equipment).

Electromagnetic Fields (EMFs)

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.

These technologies use radio frequency (RF) fields, otherwise known as electromagnetic fields (EMF), to receive and transmit calls and data. Some people are concerned that exposure to RF may damage their health.

BT works to the exposure guidelines recommended by the Health Protection Agency. These guidelines are those recommended by the EU and are defined by the International Commission On Non-Ionising Radiation Protection, an independent body of experts with no industry representatives. The Commission examines all the scientific research on EMFs and sets their guidelines in a precautionary manner with large safety margins. We review our sites regularly to ensure they are below the guideline levels.

For more detail see [Wireless communications and health](#).

Visual amenity, infrastructure and siting

What is a visual amenity? The UK Government defines it 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, burying overhead wires has both benefits and drawbacks. Underground cables may have less visual impact, but burying consumes much more energy and materials.

Our telephone poles are made from timber grown in sustainably managed forests and are 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. BT is one of 11 Corporate Forum members of the [Corporate Forum for National Parks](#) (CNP). The forum strives to achieve the best integration of business, environmental and community interests in relation to National Parks. It endeavours to achieve this by working closely with the CNP to help them meet their objectives, mobilising support for National Parks, facilitating dialogue and building understanding.



Environmental 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 experiences in BT from a study undertaken by SustainIT & the University of Bradford during February 2006
- The social and environmental impact of [e-business](#), such as paper-free billing.

Environment 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 conventional power stations where the heat goes to waste. .

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.

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.

Environment help desk

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: +44 117 302 5097

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

Environment - Key Performance Indicators

Indicator	Description	Measure	Target
Global Warming CO2 emissions	A measure of BT's climate change impact	2006 financial year CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO2 emissions at 25% below 1996 levels
Waste to landfill and recycling	A measure of BT's use of resources	59,665 tonnes to landfill (58%) and 42,340 tonnes recycled (42%).	To reduce the tonnage of waste sent to landfill by 5% during the 2007 financial year.



Environment Targets

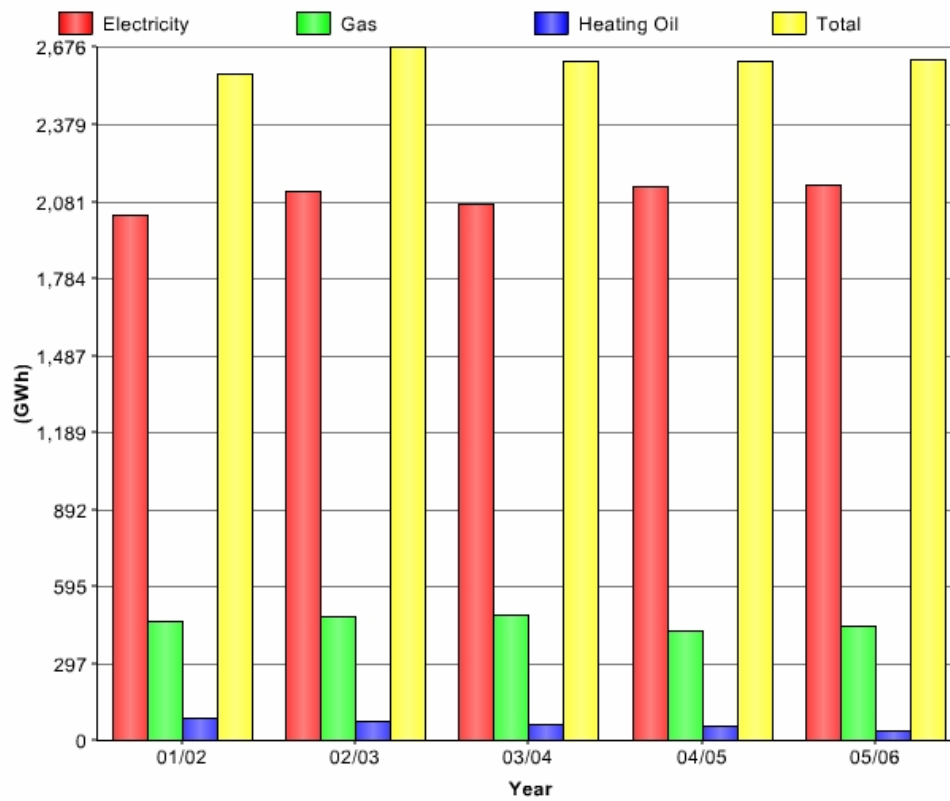
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will develop a Product Manager's PS Toolkit for use at a new product launch.		New
April 2006	March 2007	BT will assess the potential for improving the standby power consumption of external power supplies used by BT products.		New
April 2006	March 2007	BT will control the net usage of HCFC/CFC refrigerant to no more than 4% of the total held estate.		New
April 2006	March 2007	BT will control the net usage of HFC refrigerant to no more than 7% of the total held in BT's operational estate.		New
April 2006	March 2007	BT will reduce the amount of CFC/HCFC's installed in the BT operational estate by 5%.		New
April 2006	March 2007	BT will control the net usage of HCFC/CFC refrigerant to no more than 10% of the total held in BT's non-operational estate.		New
April 2006	March 2007	BT will control the net usage of HFC refrigerant to no more than 10% of the total held in BT's non-operational estate.		New
April 2006	March 2007	As part of the roll out of BT's 21CN next generation network, BT will implement a sub metering strategy at 30 of its 'pathfinder' sites.		New
April 2006	March 2007	BT will install and evaluate the benefits of installing remote profile based gas metering at 30 typical sites with the BT estate.		New
April 2006	March 2007	BT will reduce metered Water used BT in Premises by 2% from the 05/6 outturn.		New
April 2006	March 2007	BT will reduce the energy consumption required in wet heated building i.e. gas and oil, by 2% weather corrected from the 05/6 outturn. (N.B. excludes network electrical consumption)		New
April 2006	March 2007	BT will pressure test 300 of its fuel storage tanks.		New
April 2006	March 2007	BT will ensure that it's planning and implementation processes for cable works include full reference to environmental issues.		New
April 2006	March 2007	BT will reduce the amount of waste sent to landfill (measured in tonnes) by 5% based on the March 2006 outturn figure. (NB excludes activity arising from the 21CN network and property strategy project work).		New
April 2006	March 2007	BT will improve or maintain the percentage of waste recycled against the total waste generated from normal BT operations compared to 2005/06 performance.		New
April 2006	March 2007	BT will review ownership of all waste disposal streams generated by BT. The study will also address the responsibilities for consultation on new waste related legislation and the consolidated response arrangement to consultative bodies.		New
April 2006	March 2007	BT will undertake a survey of BT people to assess the personal and business benefits of the use of conferencing services.		New
April 2006	March 2007	BT will aim to achieve ISO 14001 certification for its operations in Belgium and introduce an environmental management system for operations in Germany. By March 2007, BT will aim to achieve ISO 14001 certification for its operations in Belgium and introduce an environmental management system for operations in Germany.		New
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.	We installed a wind turbine at one of our planned sites but planning permission was refused at the second.	Completed

April 2005	March 2006	BT will install and evaluate the benefits of installing remote profile water metering at 20 typical sites.	We installed remote profile water meters at 39 sites.	Completed
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)	We reduced our consumption by 10.8%.	Completed
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.	We reduced our consumption by 24 GWh.	Completed
April 2005	March 2006	We will pressure test fuel tanks at 400 BT sites.	We pressure tested 457 tanks at 403 sites.	Completed
April 2005	March 2006	We will replace 100 underground tanks at high-risk locations with double-skinned internal tanks.	We replaced 140 tanks during the year.	Completed
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.	Trial concluded successfully with final report containing full details of possible savings.	Completed
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.	Our study showed clearly that is no cause for concern and that no further work is required.	Completed
April 2005	March 2006	We will report on the impacts and costs of graffiti and fly posting on our external plant.	BT has reported internally and, as a result of our investigations, we are now working in partnership with local authorities e.g. using a dedicated BT website.	Completed
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.	BT continued it's involvement with the Council for National Parks (CNP).	Completed
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.	As a result of this work we are now able to effectively identify and segregate environmental complaints as well as identify in greater detail the exact nature of the complaints or enquiries.	Completed
April 2005	March 2006	BT will have assessed the RoHS compliance programme for BT Retail.	The RoHS compliance programme was reviewed and, as a result, at the end of March, over 90% of products of Home Communications products were RoHS compliant.	Completed
April 2005	March 2006	We will have reviewed the application of the Product Stewardship Generic Standard (GS19) for buying Electrical and Electronic Equipment.	The review was completed. This included recommendations for improvements to the current system.	Completed
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.	A Business Case was produced in September 2005.	Completed
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.	100% of our engineers are recorded on our training database.	Completed
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.	The amount of paper and cardboard recycled was up by 18.4% on last year.	Completed
April 2005	March 2006	We will increase the waste recycled by 5% (recorded in tonnes) based on our 31 March 2005 totals.	The amount of waste recycled was up from 37,421 tonnes in 2005 to 42,340 tonnes this year, an increase of 13.3%.	Completed

April 2005	March 2006	We will control the net usage of HFC refrigerant to no more than 9% of the total refrigerant held.	The total net usage of HFC's for the year was 2.65%.	Completed
April 2005	March 2006	We will reduce the amount of CFC/HCFC's installed in the BT operational estate by 5%.	The total reduction of CFC/HCFC's for the year was 17.8%.	Completed
April 2005	March 2006	We will control the net usage of HCFC/CFC refrigerant to no more than 4% of the total refrigerant held.	The total net usage of CFC/HCFC's for the year was 2.58%.	Completed
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.	All aluminium cans in BT Ireland are recycled by Ozo.	Completed
April 2005	March 2006	BT Ireland will identify the total volume of refrigerant used in its estate cooling plant.	Date has been received from our contractors.	Completed
April 2005	March 2006	We will verify the amount of refrigerant stock held by our Facilities contractor with a view to target setting on usage for 2006/7.	All stock data has been loaded into the database and we have arranged for an audit of the system to take place in May/June to verify the contents.	Delayed
April 2005	March 2006	BT Ireland will complete energy surveys of 50% of its key sites.	Due to key in-country personnel changes, the renewal of our main facilities contract and the necessary diversion of resources to manage the integration of its BT Ireland and BT Northern Ireland operations to form an 'all-island' organisation, we have not completed this target.	Failed
April 2005	March 2006	BT Ireland will have drainage plans at all sites with standby generators.	Due to key in-country personnel changes, the renewal of our main facilities contract and the necessary diversion of resources to manage the integration of its BT Ireland and BT Northern Ireland operations to form an 'all-island' organisation, we have not completed this target.	Failed
April 2005	March 2006	50% of BT Ireland people will complete the CBT environmental awareness training package.	Due to key in-country personnel changes, the renewal of our main facilities contract and the necessary diversion of resources to manage the integration of its BT Ireland and BT Northern Ireland operations to form an 'all-island' organisation, we have not completed this target.	Failed
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.	Due to key in-country personnel changes, the renewal of our main facilities contract and the necessary diversion of resources to manage the integration of its BT Ireland and BT Northern Ireland operations to form an 'all-island' organisation, we have not completed this target.	Failed
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.	Unfortunately due to delays in our 21CN rollout, we did not achieve this target.	Failed
April 2005	March 2006	BT will, as a direct result the installation of its new 21st Century multi- service access network, deliver a 30% line for line energy reduction.	Evaluation of current design shows a potential 40% reduction subject to migration of legacy products.	On Target
April 2003	March 2010	BT will reduce its carbon dioxide emissions (measured in tonnes CO2 equivalent) to 25% below 1996 levels.	We are currently on target to meet this objective.	On target
April 2003	March 2004	We will have collected international data on BT's key environmental impacts, energy use, transport, waste and emissions to air, for BT's wholly owned international activities.	Data is now being collected from our global operations.	Completed
April 2002	September 2005	We will eliminate all bowsers from the BT fleet, which are used to transport gas oil to remote sites	All our Bowsers removed from service.	Completed

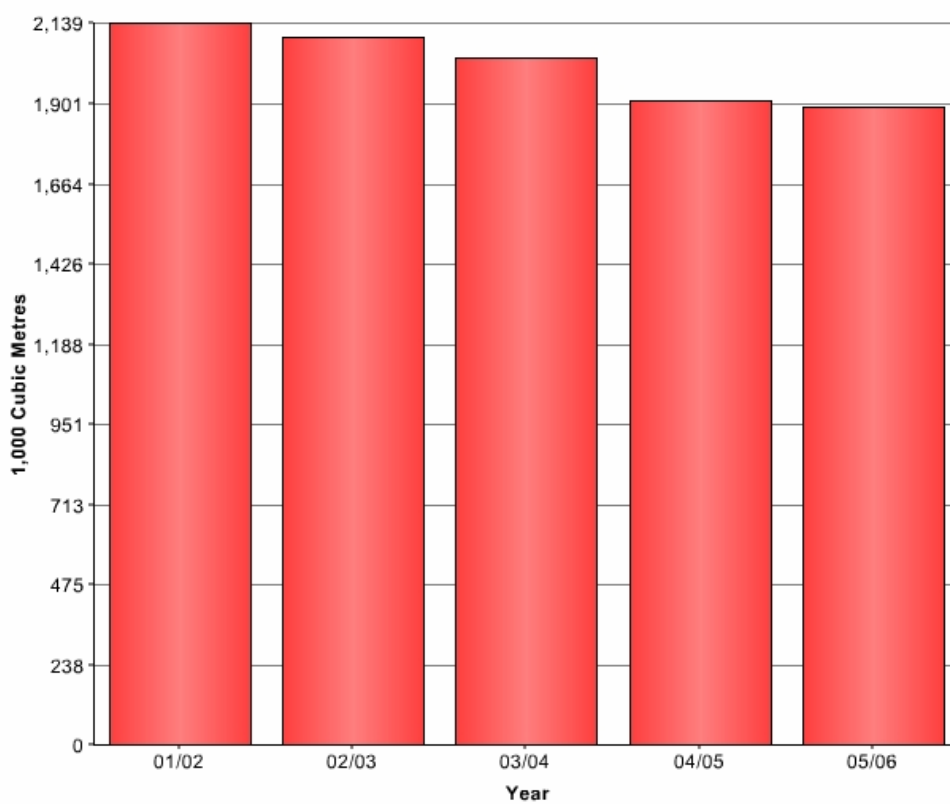


Energy consumption



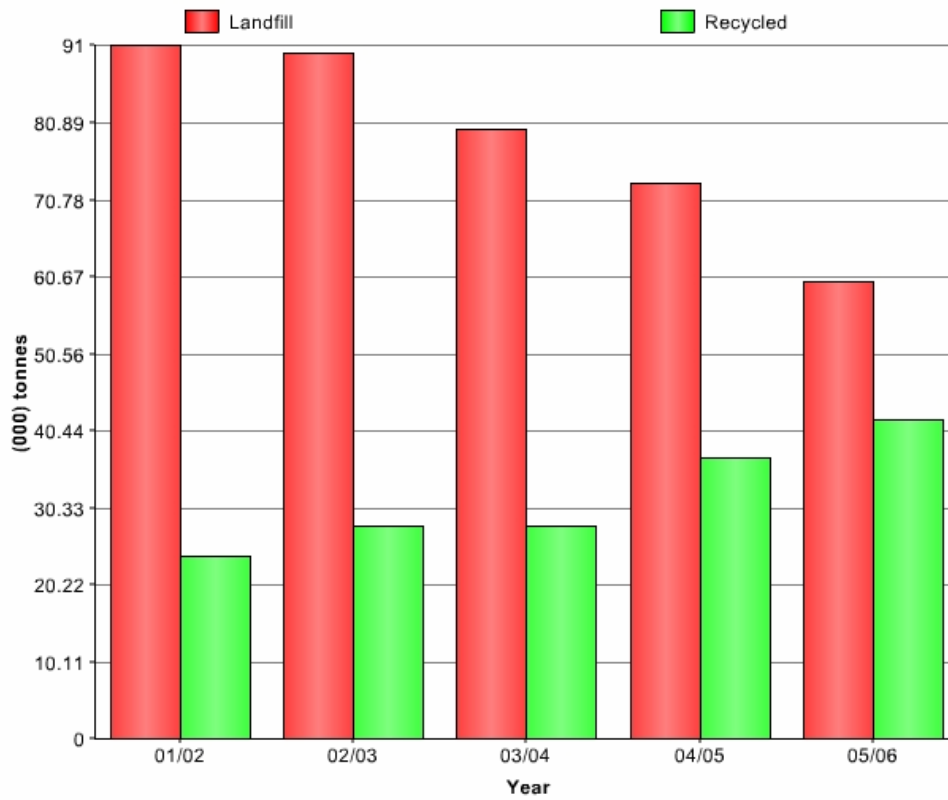
Excludes BT Global Services outside the UK.

Water use



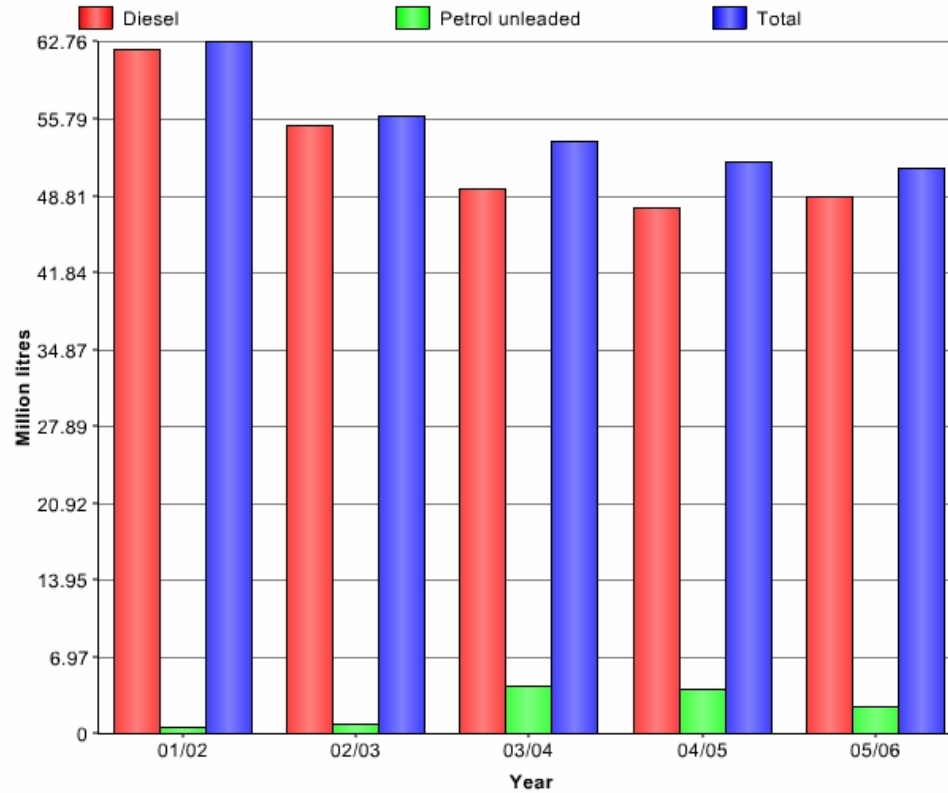
Excludes BT Global Services outside the UK

Waste arising and management



Excludes BT Global Services outside the UK.

Fuel used by BT's Commercial Fleet



Excludes BT Global Services outside the UK

BT Carbon Dioxide (CO2 equivalents) Model

	Base Year	96/97 (Base)	02/03	03/04	04/05	05/06
	Emission Source	Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)
SCOPE 1	<i>Stationary Combustion</i>					
	Electricity Production - Oil Combustion	Note 2	3,943,100	9,030,000	6,450,000	3,671,315
	Gas Combustion	110,770,000	91,629,939	92,599,797	81,196,740	83,794,467
	Oil Combustion	66,500,000	18,597,767	15,677,851	14,352,750	10,342,249
	Refrigeration Gases (HFCs and SF6 only)	Note 2	1,075,614	886,004	2,406,894	1,433,998
	Commercial Fleet Diesel	167,232,000	146,286,919	131,282,272	126,699,464	129,340,509
	Commercial Fleet Petrol	18,480,000	2,115,145	9,951,175	9,603,799	5,933,994
	Total Scope 1 Emissions	362,982,000	263,648,485	259,427,099	240,709,648	234,516,532
SCOPE 2	<i>Purchased Electricity</i>					
	Grid Electricity	1,202,340,000	208,093,676	182,898,288	132,827,077	18,006,138
	CHP (low CO2) Electricity	0	411,252,000	411,252,000	307,424,890	310,791,276
	Total Scope 2 Emissions	1,202,340,000	619,345,676	594,150,288	440,251,967	328,797,414
Combined Scope 1 & 2 Emissions		1,565,322,000	882,994,161	853,577,387	680,961,614	563,313,946
SCOPE 3	Company Car Diesel	24,021,000	7,794,778	8,182,973	11,153,473	15,392,853
	Company Car Petrol	16,296,000	25,238,685	25,513,068	17,303,091	12,072,696
	Cars on BT Business (Diesel)	Note 1	581,916	600,521	600,826	1,805,450
	Cars/Motorcycles on BT Business (petrol)		3,508,096	3,584,361	3,785,867	1,420,477
	Refrigeration Gases (CFCs and HCFCs only)	Note 1	7,534,434	6,727,767	7,763,662	4,375,817
	Rail travel	Note 2	11,873,532	12,168,782	13,484,611	14,594,061
	Air Travel (short haul)	Note 2	5,544,424	4,711,583	6,006,193	7,553,833
	Air Travel (long haul)	Note 2	3,982,182	7,000,831	6,029,284	7,864,527
	Hire Cars (Diesel)	Note 2	1,745,243	1,163,209	2,670,362	2,085,571
	Hire Cars (Petrol)	Note 2	8,726,216	12,316,408	12,777,391	5,409,009
Total Scope 3 Emissions		40317000	76,529,506	81,969,502	81,574,760	72,574,294

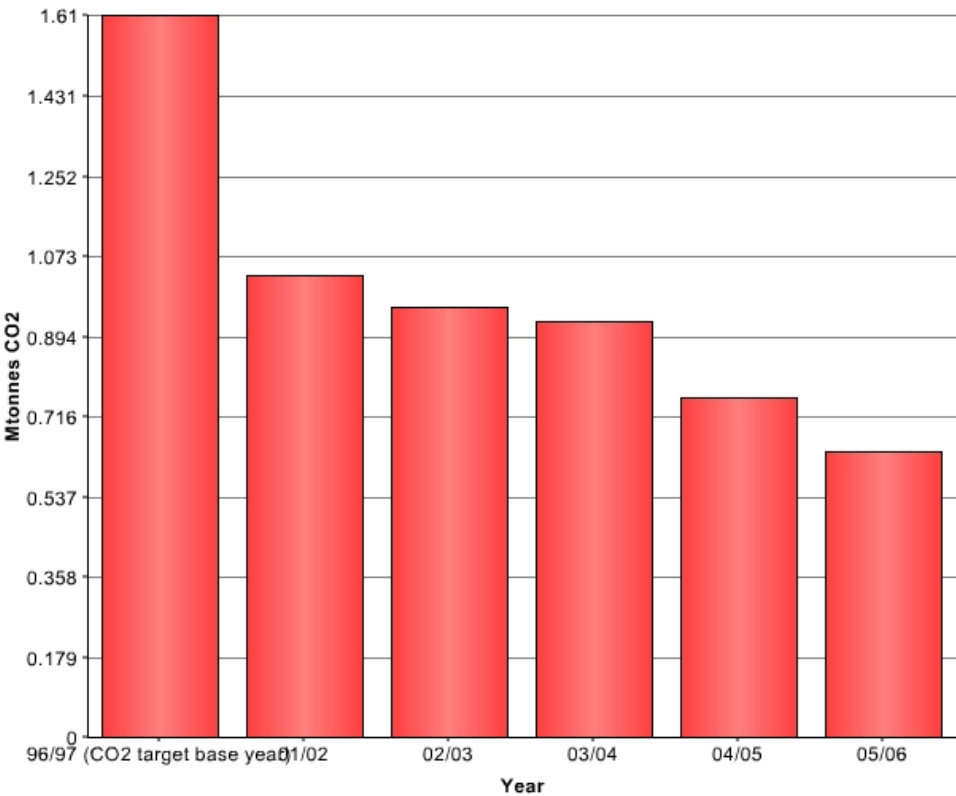
Total CO2 emissions (kgs) 1,605,639,000 959,523,667 935,546,889 762,536,374 635,888,240

Source: Invoices, BT vehicle database, BT refrigerants database, BT expenses unit, BT travel management, DETR, AEAT NETCEN

Notes: 1. Included in company car data
2. Data not available

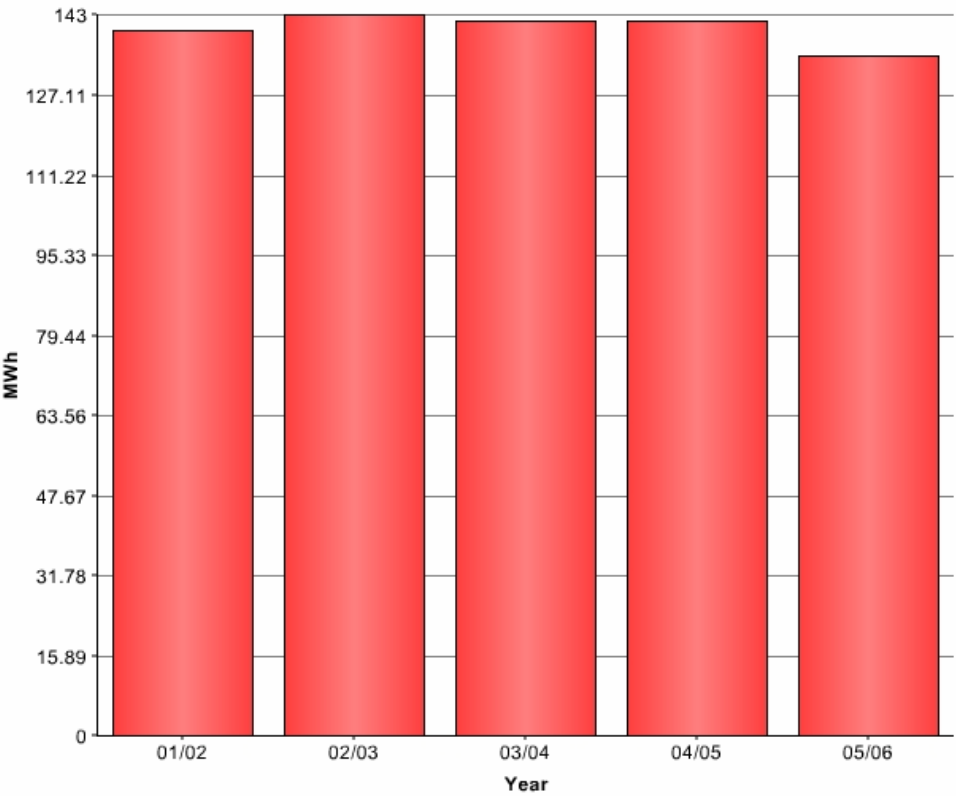


CO2 equivalent emissions



Excludes BT Global Services outside the UK. (96/97 is the CO2 target base year)

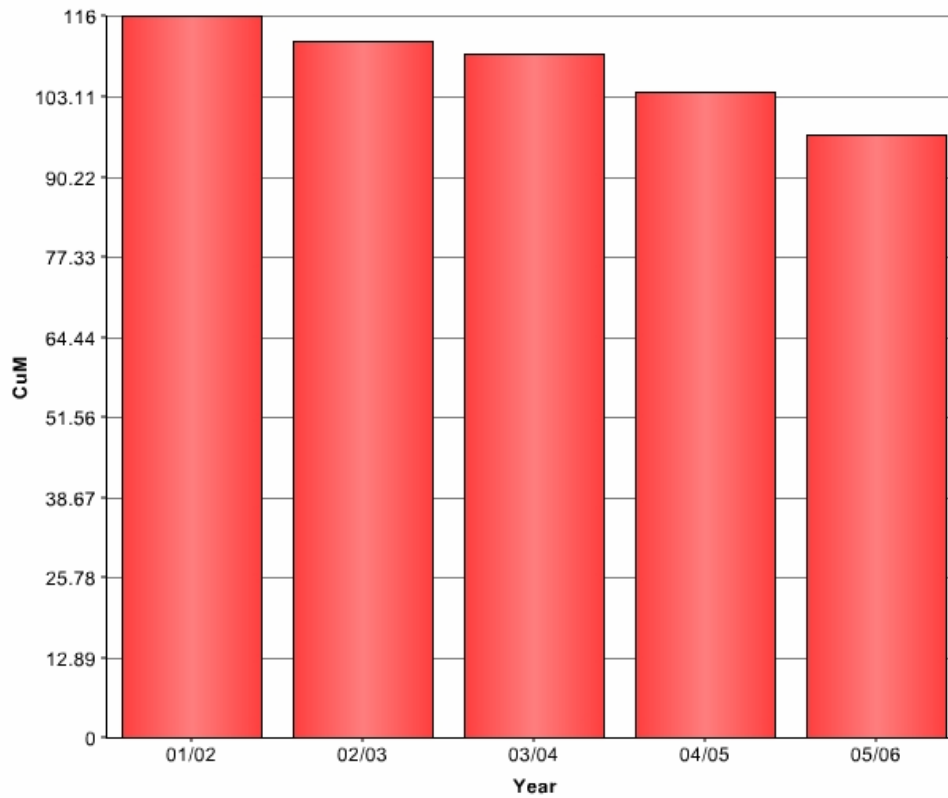
Energy Consumed per £m Turnover



Excludes BT Global Services outside the UK

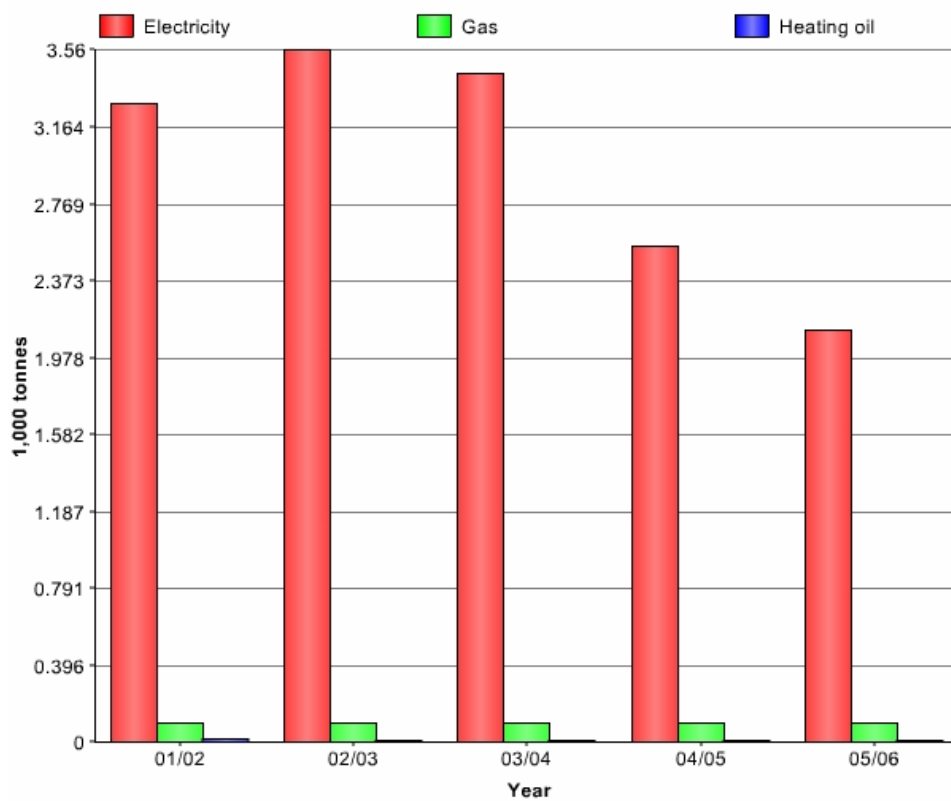


Water consumed per £m Turnover



Excludes BT Global Services outside the UK.

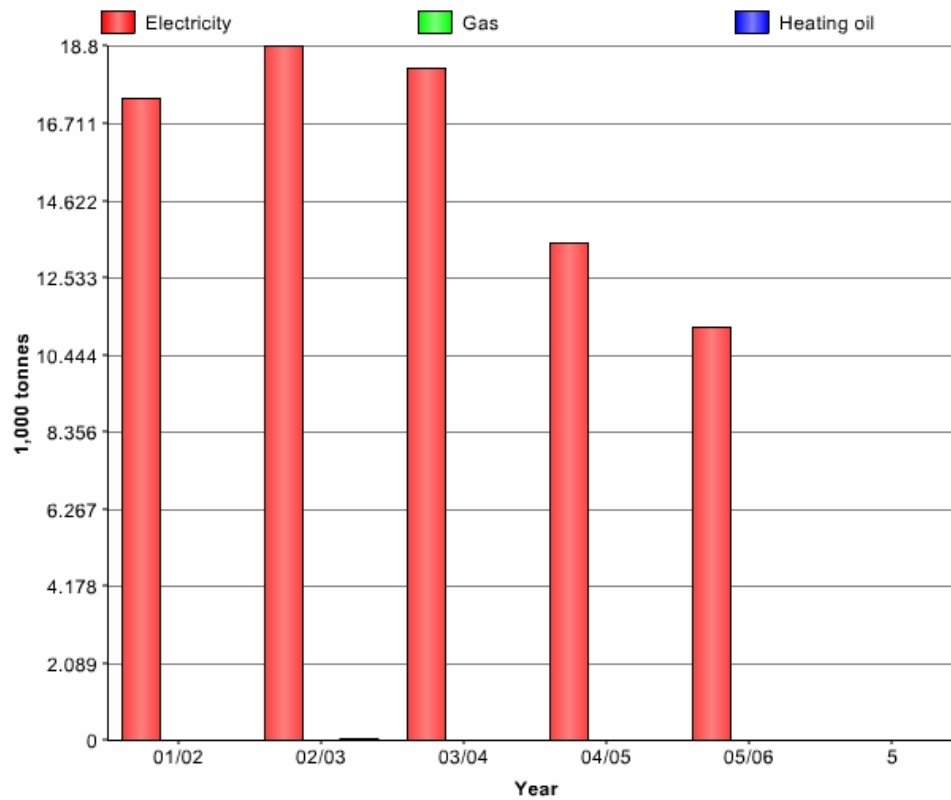
Emissions of Nox



Excludes BT Global Services outside the UK

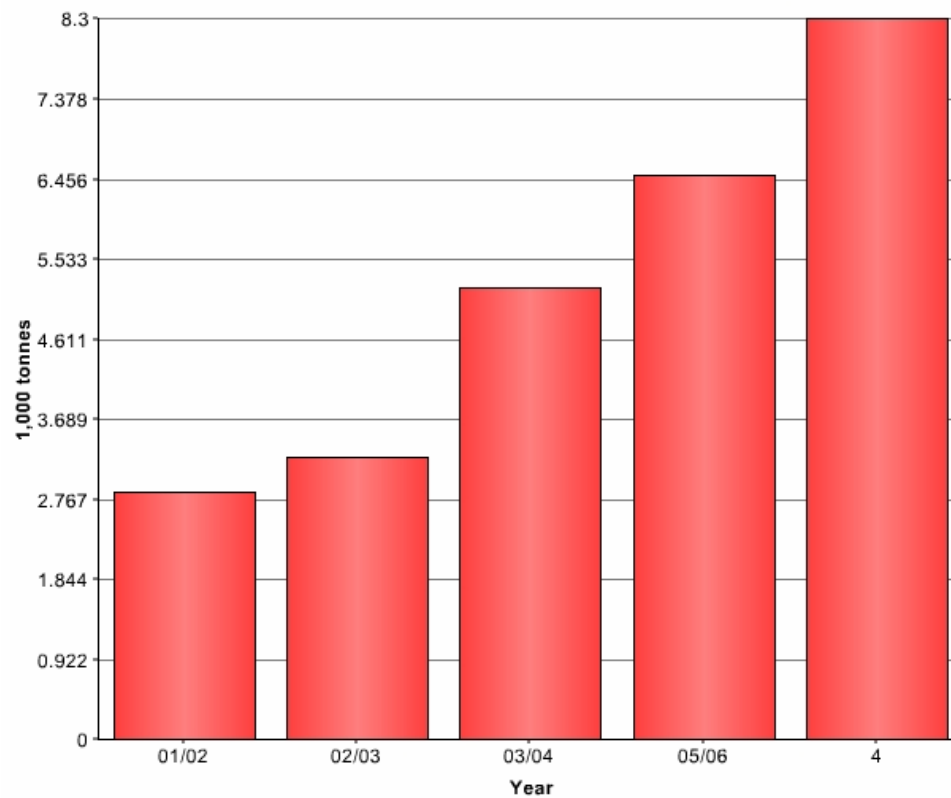


Emissions of SO2

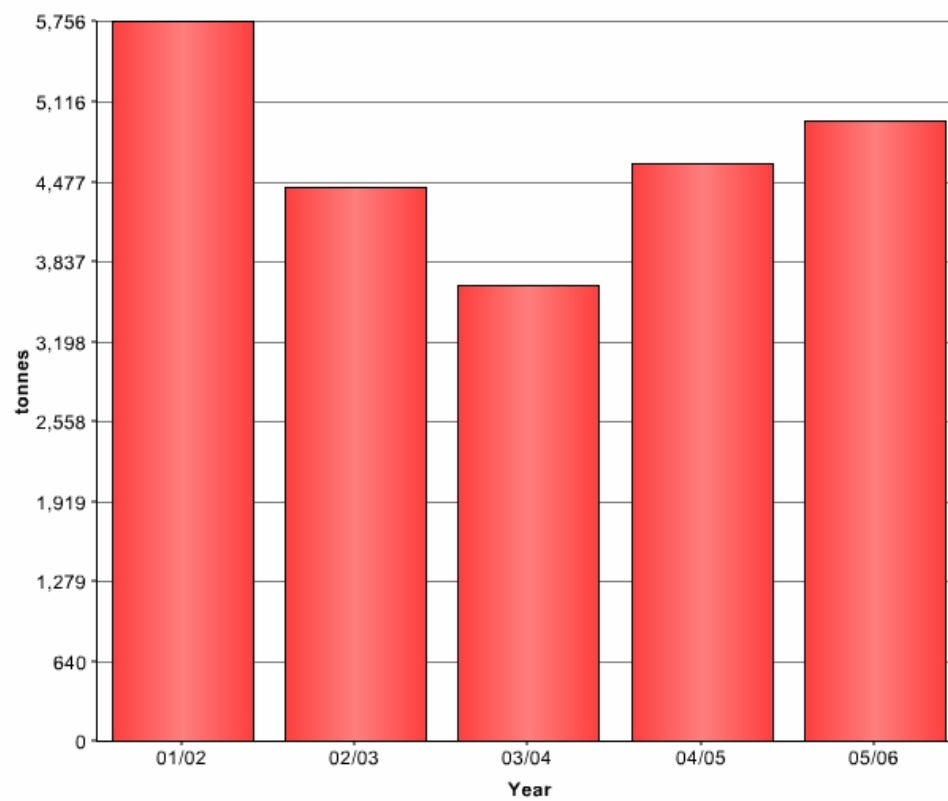


Excludes BT Global Services outside the UK

Scrap metal recovered

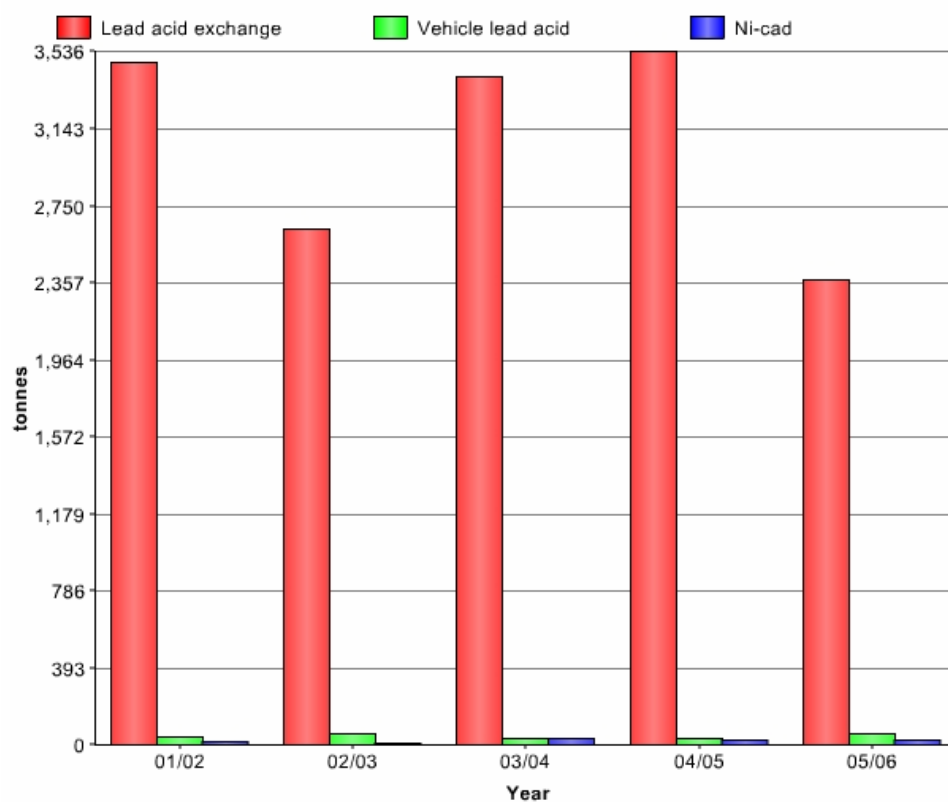


Quantities of scrap cable recycled



Excludes BT Global Services outside the UK.

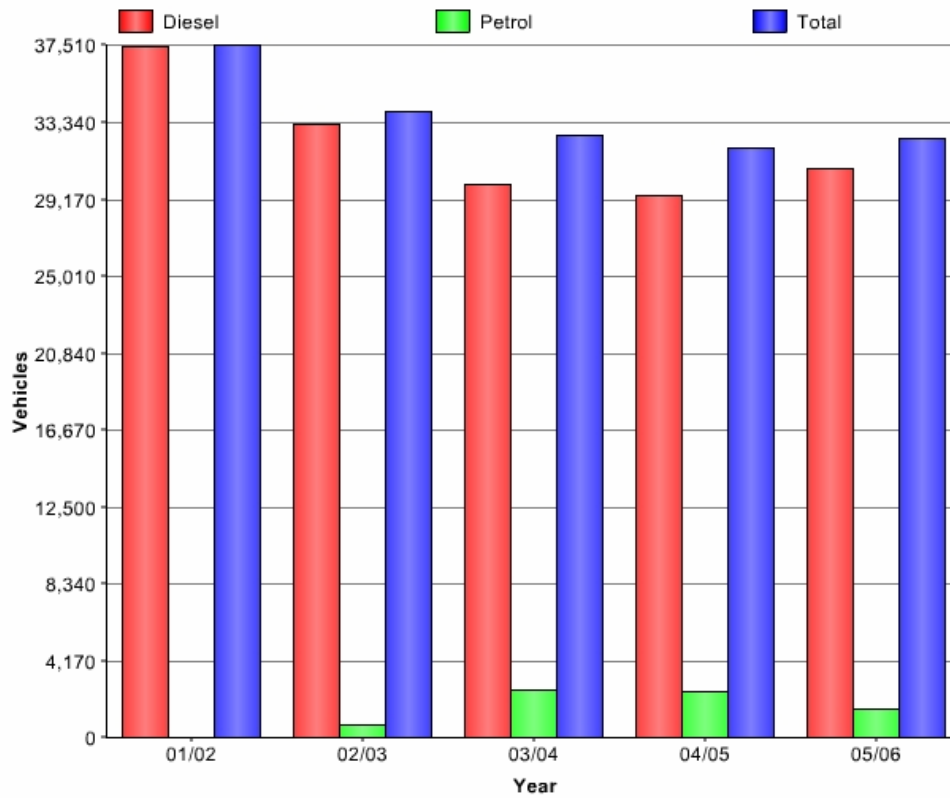
Quantities of batteries recycled



Excludes BT Global Services outside the UK.

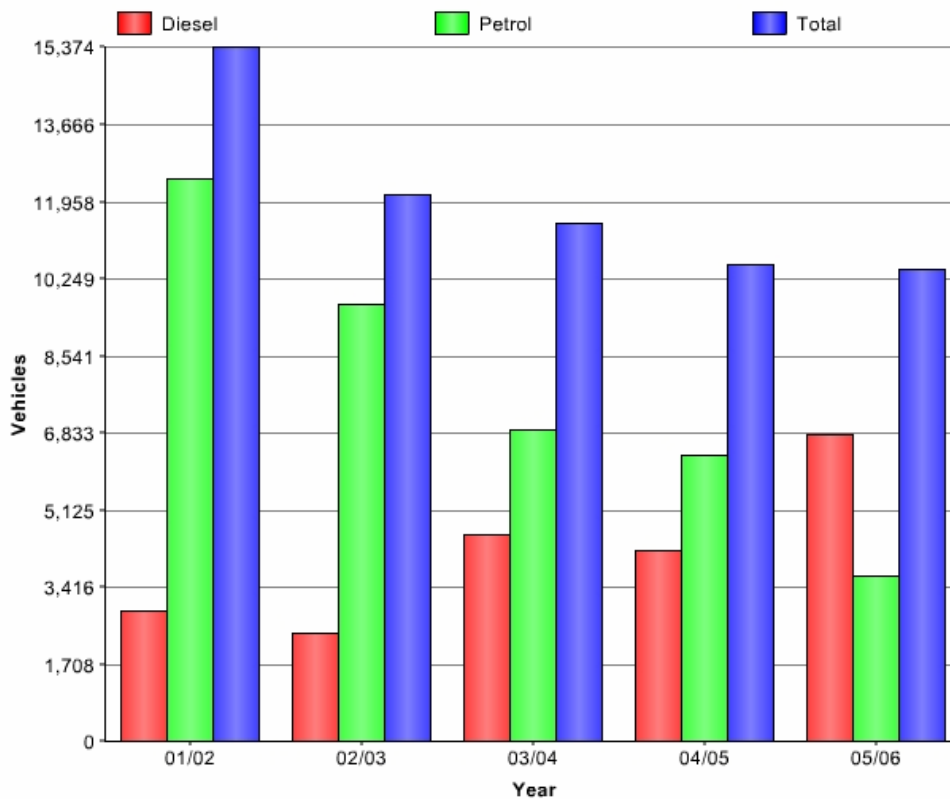


Number of Vehicles in BT's Commercial Fleet



Excludes BT Global Services outside the UK

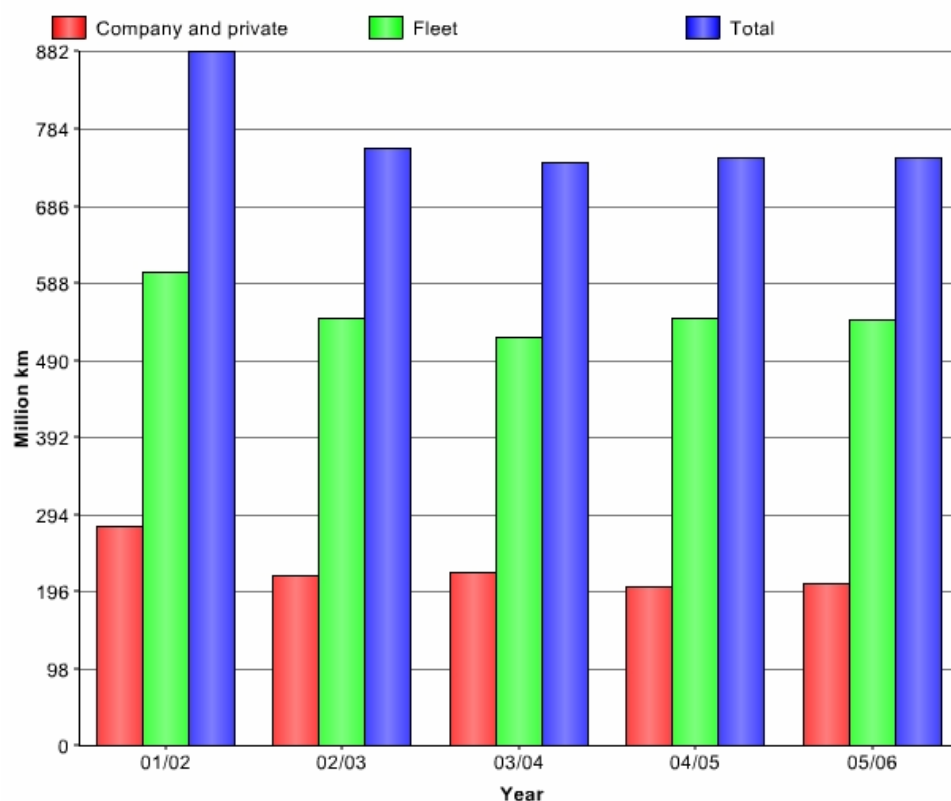
Number of Vehicles in the Company Car Fleet



Excludes BT Global Services outside the UK.

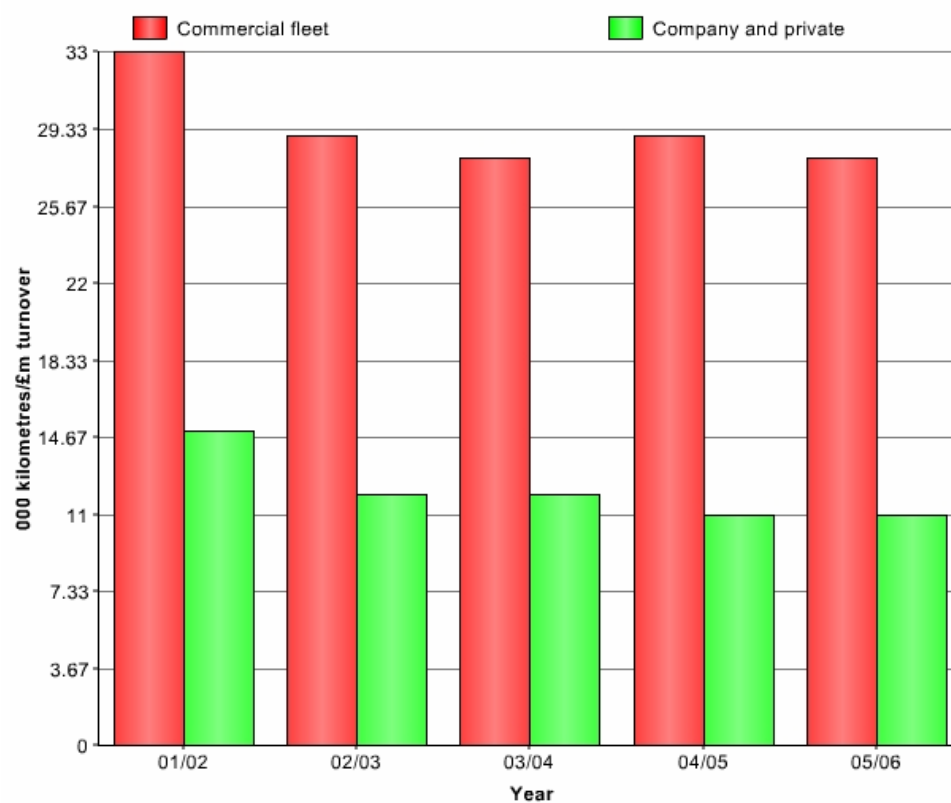


Distance travelled by vehicles on BT Business



Excludes BT Global Services outside the UK.

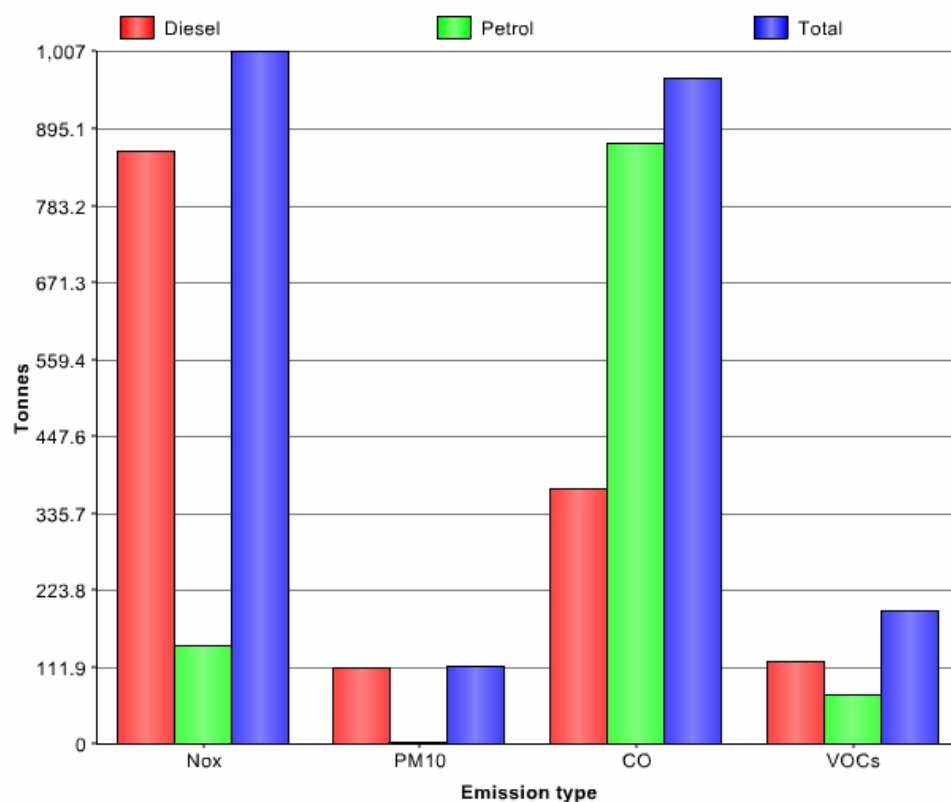
Distance Travelled per £m Turnover



Excludes BT Global Services outside the UK

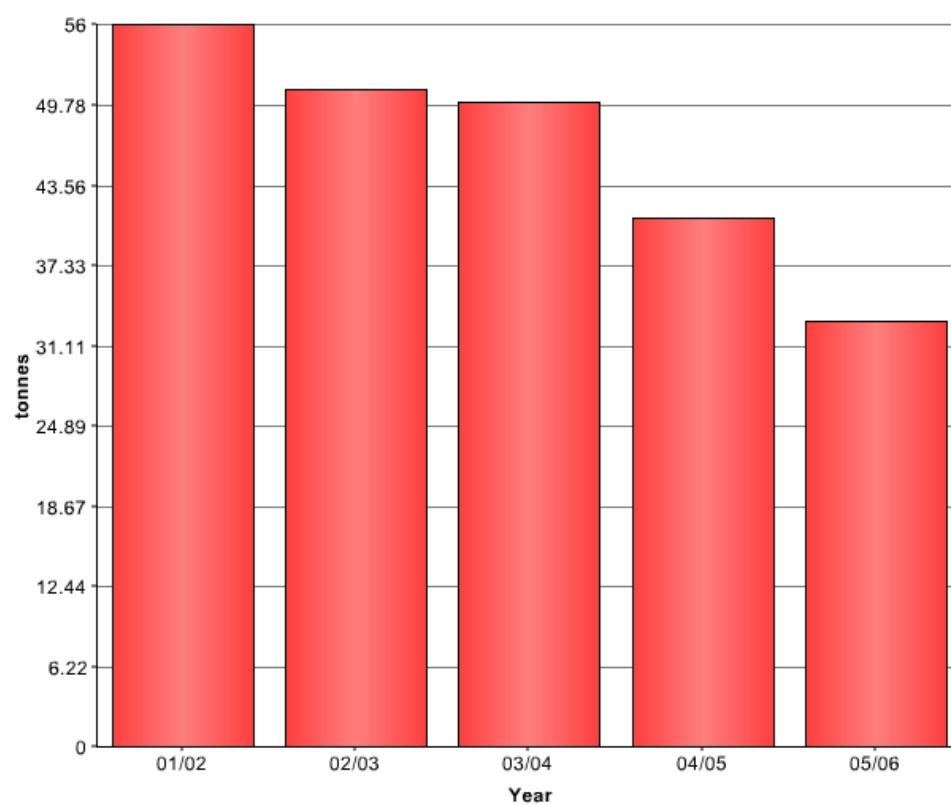


Emissions from vehicles travelling on BT Business



Excludes BT Global Services outside the UK.

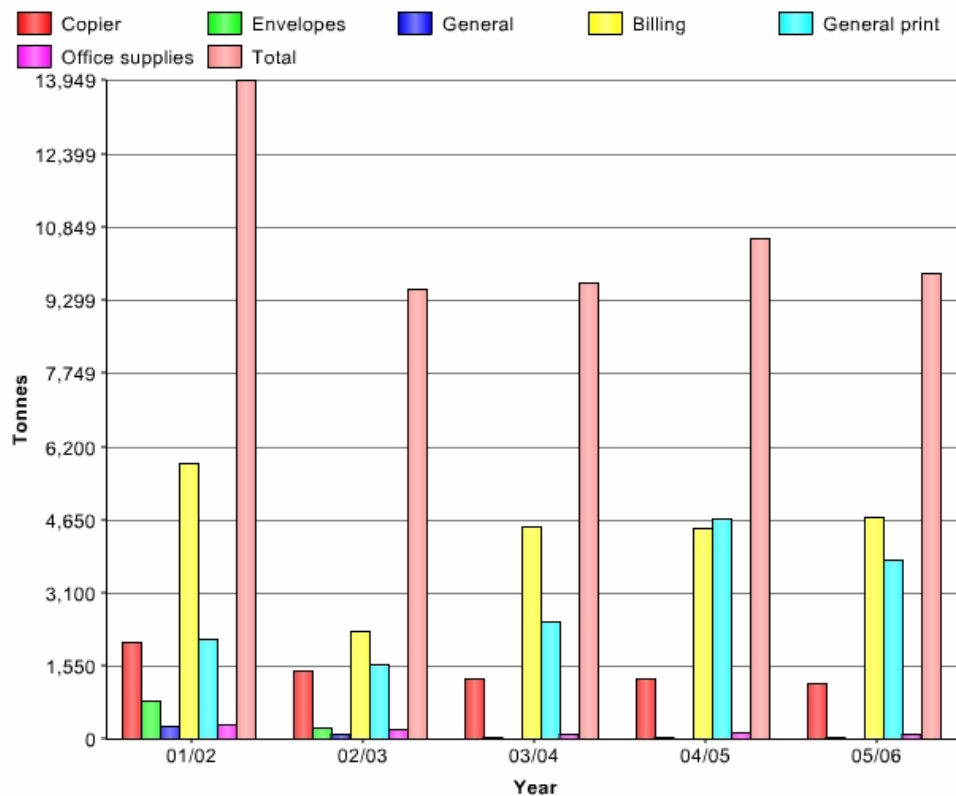
CO2 emissions per £m Turnover



Excludes BT Global Services outside the UK.



BT Paper Consumption



Excludes BT Global Services outside the UK

2006 Waste Recovery Model

Waste Type (tonnes)	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006
Cable					
Switchboard cable	817	685	559	630	894
Mixed cable	1284	965	577	1411	1573
Aerial Self Supporting cable	744	874	806	728	653
Polythene covered cable	663	790	765	699	696
Lead covered cable	697	235	259	203	359
Optical fibre cable	1204	746	474	670	556
Blown fibre cable	346	138	204	285	239
Total	5756	4434	3645	4626	4969
Telephone exchange equipment					
Miscellaneous equipment	1007	823	537	1906	2683
Miscellaneous Metals	1004	1202	912	2082	3032
Payphone equipment	172	223	38	218	768
Telephones	516	431	464	697	699
Total	2700	2679	1952	4902	7181
Office & Packaging waste					
Office Paper	1790	6264	1379	1277	912
Cardboard	2250	1366	6288	5792	7454
Toner Cartridge	43	50	16	13	12
Silica desiccant	8	10	5	4	4
Aluminium cans	2	2	14	10	12
Plastic cups	11	12	15	9	6

Total	4104	7704	7717	7105	8398
Batteries					
Ni-cad rechargeable batteries	20	16	34	27	26
Exchanged lead acid batteries	3483	2632	3408	3536	2378
Vehicle Lead Acid Batteries	47	61	35	37	61
Total	3550	2708	3477	3601	2465
Transport related waste					
Lubricating oil	202	246	241	256	259
Oil filters	28	90	71	86	46
Antifreeze/water mixture	6	21	8	11	13
Brake fluid	1	1	1	1	1
Mixed fuel	15	3	2	4	46
Oil contaminated waste	8	12	12	12	14
Tyres	496	404	485	438	547
Accident Vehicles					172
Total	755	777	821	808	1097
Misc Electrical Equipment		823	1441	3377	3651
General Scrap Metal	1213	853	1411	4416	5244
Telephone directories	616	359	268	920	655
Telegraph Poles	3926	6551	5103	6122	5689
Computing Equipment	832	443	755	1470	1292
Catering Oil		80	44	25	24
Other (eg wood, glass, etc)			25	21	14
Catering Equipment			19	15	22
Fluorescent Tubes				11	47
Waste Oil					1592
Total	6587	9109	9066	16378	18229
Total waste recycled	23453	27412	26677	37421	42340
General Waste	90900	89878	79677	73201	59665
Total weight for all categories	114353	117290	106354	110621	102005
waste recycled (as % of total waste)	21%	24%	26%	34%	42%
Total income	£4.2 million	£4.26 million	£3.9 million	£2.9 million	3.23 million
Total expenditure	£8.1 million	£8.29 million	£9.9 million	£7.4 million	7.97 million
Landfill tax savings	£0.3 million	£0.36 million	£0.38 million	£0.54 million	£0.76 million
Total savings/costs	- £3.6 million	- £3.7 million	- £5.6 million	- £3.96 million	- £3.98 million



Climate change

Climate change is happening and we expect to be affected by it. Increases in extreme weather conditions, such as floods and storms, could potentially damage our network infrastructure. Hence climate change is one of our key [CSR risks](#).

In addition to regulatory and financial instruments which encourage the reduction of carbon dioxide emissions, we all need to exploit advancing technologies. ICT lets global economies develop whilst emitting less carbon; so we will be part of the solution.

BT's own energy costs have increased markedly over the past two years. In Europe, this increase has been partly as a result of rising fuel prices, taxation and market mechanisms. But our energy consumption, which fell for many years, has also begun to rise as we introduce new network equipment.

Approach to climate change

Our carbon emissions come from two sources: directly from the fuel we burn to heat our buildings, run our vehicles and power standby generators; and indirectly from the electricity we buy.

We set our first carbon-reduction target in 1992, supported by internal energy awareness campaigns including team actions packs, publications and videos.

In 2004/5 we signed a three-year contract with npower and British Gas to supply nearly all of BT's UK electricity from low-carbon sources, including renewables and combined heat and power. At the time this made us the world's largest purchaser of green electricity.

We are experimenting with on-site renewable electricity at two of our sites, including small-scale wind turbines and photovoltaics.

Teleconferencing (including audio and video), home- and flexi-working and forms of e-business can all help tackle climate change by reducing the need to travel. (See more in [ICT Sustainability Impacts](#)).

In the run up to the 2005 G8 summit Ben Verwaayen joined the CEO's of 23 other multinational companies in signing a [statement](#) calling for action by world leaders on climate change. In October 2005 our Chairman, Sir Christopher Bland, spoke at the launch of the [3rd Climate Disclosure Report](#).

BT was ranked 4th in the Low Carbon Leader awards 2005.

Climate change strategy

The world is experiencing some worrying signals that the climate is changing. It is happening much faster than many people expected and carbon dioxide levels will increase for many years to come.

We want to contribute to stabilising the world's climate. As this report shows we have already done much but there is much more we could do.

As part of this report we commissioned Climate Sense, a think tank, to produce a Hot Topic entitled ["What would a genuinely climate neutral BT look like?"](#). It advises us to move beyond considerations of carbon neutrality and into what Climate Sense calls "carbon positivity".

BT's subsequent strategy to help tackle climate change addresses five important areas:

1. Continue to reduce BT's own carbon footprint
2. Protect our assets from the impacts of climate change
3. Develop ICT solutions for customers to help them reduce carbon emissions
4. Associate our brand with action on climate change
5. Encourage BT employees to get involved at home and work.



Action on climate change

By the end of the 2006 financial year our total CO₂ emissions reduction against our cap target of 25% (below 1996 levels) by 2010, was 60%. This is equivalent to an annual saving of almost 1 million tonnes of CO₂.

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

We report our emissions according to the inventory guidelines detailed in the Green House Gas (GHG) Protocol. The initiative, hosted by the World Business Council for Sustainable Development, brings together leading experts on greenhouse gas emissions to develop internationally-accepted accounting and reporting standards.

Click on the icons below for more information on the CO₂ Model and a CO₂ equivalent emissions chart.

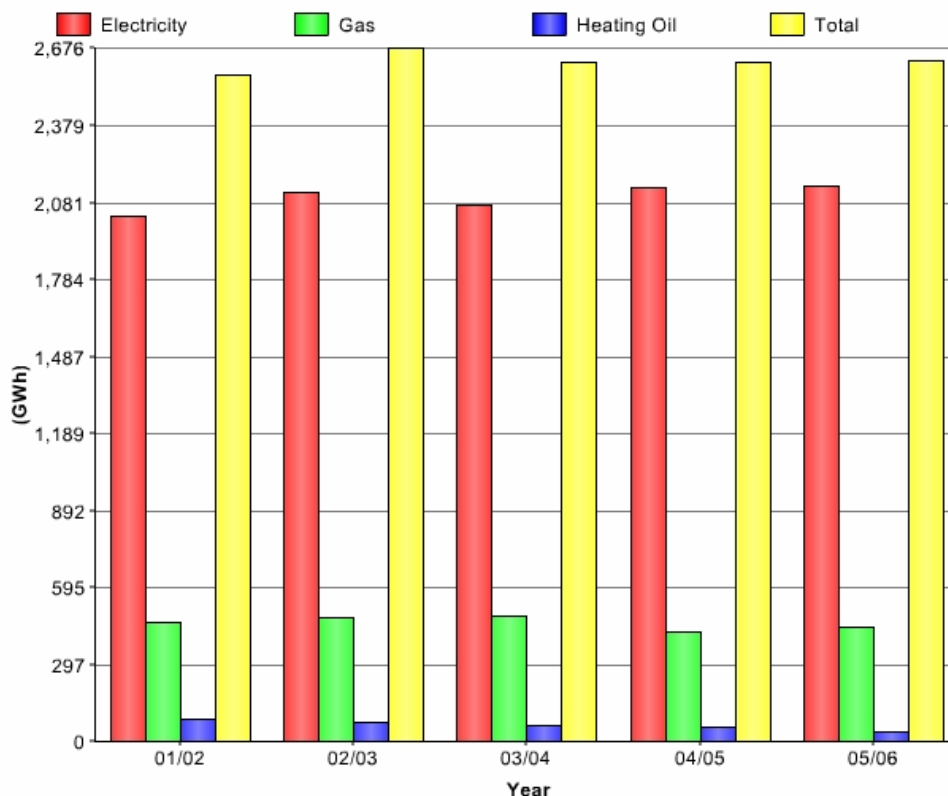
Climate change - Key Performance Indicators

Indicator	Description	Measure	Target
Global Warming CO ₂ emissions	A measure of BT's climate change impact	2006 financial year CO ₂ emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO ₂ emissions at 25% below 1996 levels

Climate change Targets

Start Date	End Date	Description	Update	Target Status
April 2003	March 2010	BT will reduce its carbon dioxide emissions (measured in tonnes CO ₂ equivalent) to 25% below 1996 levels.	We are currently on target to meet this objective.	On target

Energy consumption



Excludes BT Global Services outside the UK.



BT Carbon Dioxide (CO2 equivalents) Model

Base Year		96/97 (Base)	02/03	03/04	04/05	05/06
Emission Source		Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)	Amount (kg)
S C O P E 1	<i>Stationary Combustion</i>					
	Electricity Production - Oil Combustion	Note 2	3,943,100	9,030,000	6,450,000	3,671,315
	Gas Combustion	110,770,000	91,629,939	92,599,797	81,196,740	83,794,467
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	Commercial Fleet Diesel	167,232,000	146,286,919	131,282,272	126,699,464	129,340,509
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	Total Scope 1 Emissions	362,982,000	263,648,485	259,427,099	240,709,648	234,516,532
S C O P E 2	<i>Purchased Electricity</i>					
	Grid Electricity	1,202,340,000	208,093,676	182,898,288	132,827,077	18,006,138
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Combined Scope 1 & 2 Emissions		1,565,322,000	882,994,161	853,577,387	680,961,614	563,313,946
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	Cars on BT Business (Diesel)		581,916	600,521	600,826	1,805,450
	Cars/Motorcycles on BT Business (petrol)	Note 1	3,508,096	3,584,361	3,785,867	1,420,477
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	Hire Cars (Petrol)	Note 2	8,726,216	12,316,408	12,777,391	5,409,009
	Total Scope 3 Emissions	40317000	76,529,506	81,969,502	81,574,760	72,574,294

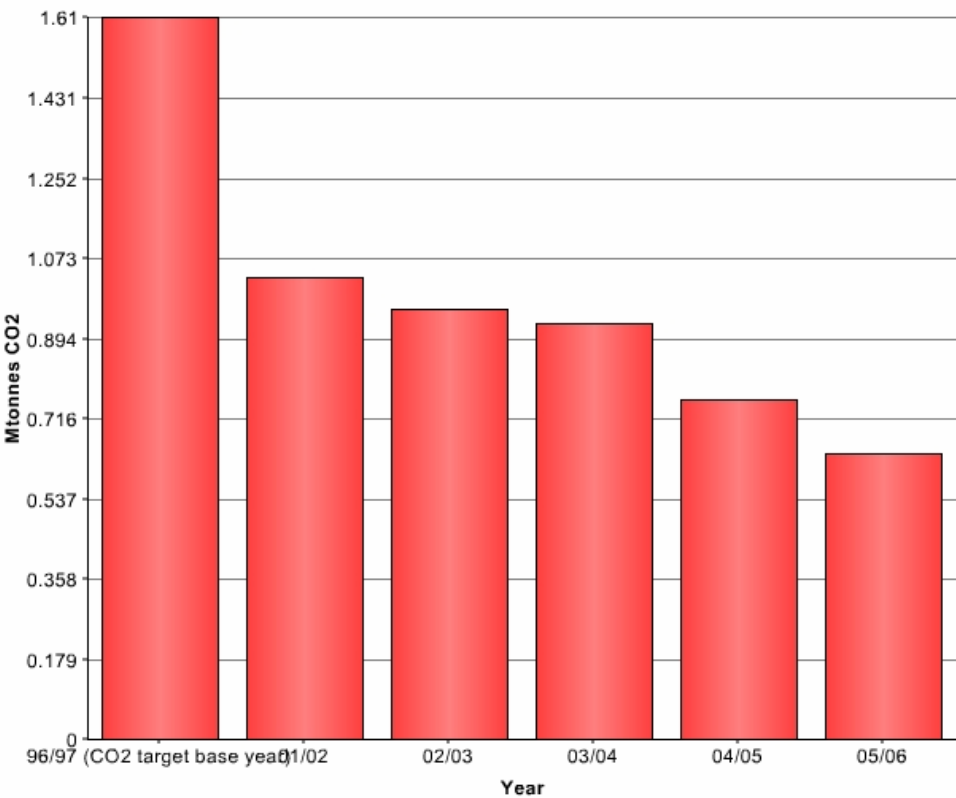
Total CO2 emissions (kgs) 1,605,639,000 959,523,667 935,546,889 762,536,374 635,888,240

Source: Invoices, BT vehicle database, BT refrigerants database, BT expenses unit, BT travel management, DETR, AEAT NETCEN

Notes: 1. Included in company car data
2. Data not available

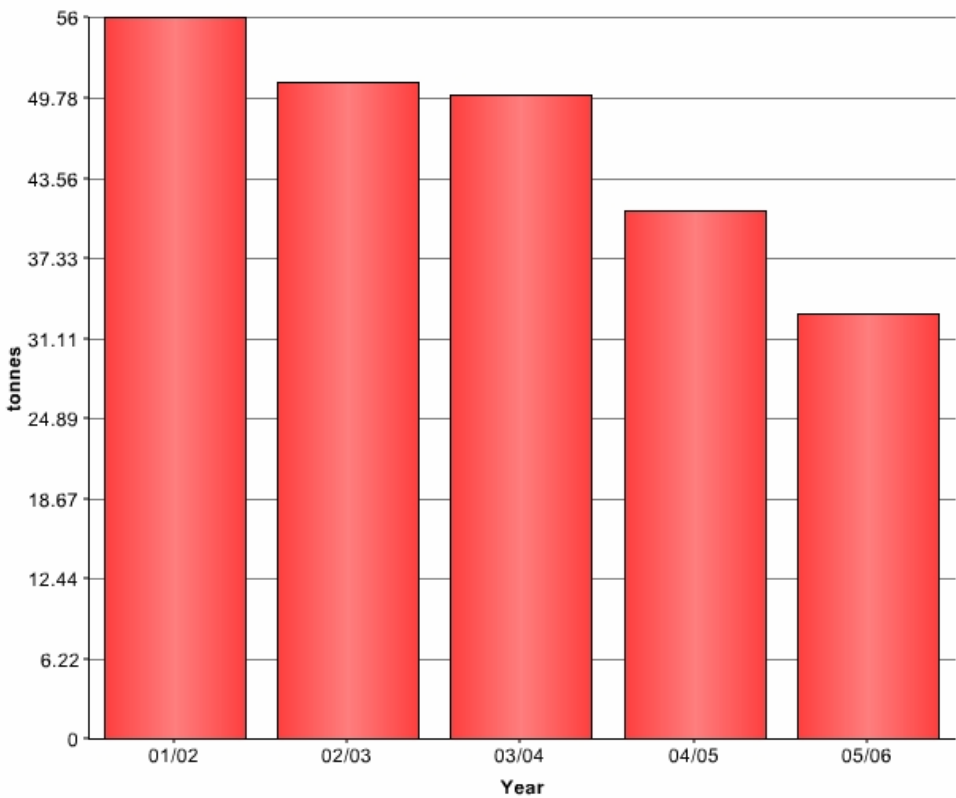


CO2 equivalent emissions



Excludes BT Global Services outside the UK. (96/97 is the CO2 target base year)

CO2 emissions per £m Turnover



Excludes BT Global Services outside the UK.



Approach to climate change - Key Performance Indicators

Indicator	Description	Measure	Target
Global Warming CO2 emissions	A measure of BT's climate change impact	2006 financial year CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO2 emissions at 25% below 1996 levels

Action on climate change - Key Performance Indicators

Indicator	Description	Measure	Target
Global Warming CO2 emissions	A measure of BT's climate change impact	2006 financial year CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO2 emissions at 25% below 1996 levels

Action on climate change Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	As part of the roll out of BT's 21CN next generation network, BT will implement a sub metering strategy at 30 of its 'pathfinder' sites.		New
April 2006	March 2007	BT will install and evaluate the benefits of installing remote profile based gas metering at 30 typical sites with the BT estate.		New
April 2006	March 2007	BT will reduce the energy consumption required in wet heated building i.e. gas and oil, by 2% weather corrected from the 05/6 outturn. (N.B. excludes network electrical consumption)		New
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.	We installed a wind turbine at one of our planned sites but planning permission was refused at the second.	Completed
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)	We reduced our consumption by 10.8%.	Completed
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.	We reduced our consumption by 24 GWh.	Completed
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.	Trial concluded successfully with final report containing full details of possible savings.	Completed
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.	Unfortunately due to delays in our 21CN rollout, we did not achieve this target.	Failed
April 2005	March 2006	BT will, as a direct result the installation of its new 21st Century multi- service access network, deliver a 30% line for line energy reduction.	Evaluation of current design shows a potential 40% reduction subject to migration of legacy products.	On Target
April 2003	March 2010	BT will reduce its carbon dioxide emissions (measured in tonnes CO2 equivalent) to 25% below 1996 levels.	We are currently on target to meet this objective.	On target

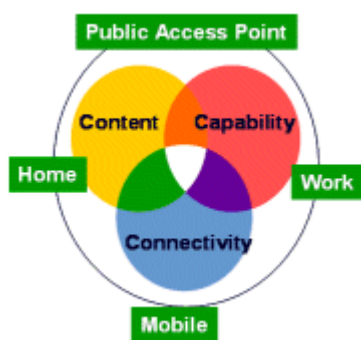


Digital inclusion

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.

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 (ICT access)**.
- Encourage communication and its use for social and economic benefit – **Content (Online content)**.
- Help groups and individuals use technology – **Capability (ICT capability)**.



ICT access

We provide a range of different connections, at home, in the office or on the move. The most significant is high-speed broadband, which provides a fast always-on connection to the internet via a conventional telephone line. Its availability promotes social inclusion.

More than 99% of UK homes and businesses are connected to broadband-enabled exchanges. By 2015, the productivity benefits of broadband could result in UK Gross Domestic Product being up to £21.9 billion higher than it would otherwise have been, according to the Centre for Economic and Business Research.

Broadband enables more people to work and shop from home. According to the UK government, this could help reduce the annual miles driven by up to 14.5 billion. But the wider benefits will only be realised if people use the technology more. We promote broadband by encouraging its use and offering services that depend on it.

See [Driving ICT Demand](#) and [Digital Inclusion](#) for ways we are encouraging the greater use of broadband.

Driving ICT demand

Just over half (56%) people in the UK have access to the internet at home, according to regulator Ofcom. But its use is not spread evenly in society. Only one in three low-income households have internet. One in 20 UK adults experience difficulties using a PC. This rises to one in six of those with a disability, and one in 10 people aged over 65.

It is in our commercial interests – and our social responsibility – to encourage wide use of broadband. See [Digital inclusion](#) for ways we help the excluded get access to the technology's benefits.

Our market incentives to encourage broadband use range from rewards for those who introduce their friends, discounts and incentives for charities to become resellers via their [websites](#).



We have started to introduce a range of internet-based telephone services. For example, we launched the world's first home and mobile phone in June 2005, called BT Fusion. This works as a mobile phone when you are out, but switches automatically onto a BT Broadband line when you get home.

We offer internet telephone calls using voice on the internet protocol (VoIP).

We intend to introduce a range of services to help make life simpler and better for our customers. At the heart of this will be the BT Hub, which will enable wireless networking for all the family's PCs and laptops, next-generation TV, voice calls over broadband, video telephony, high definition voice, monitoring services and remote diagnostics

Digital inclusion reports

Here are two reports that give further background on efforts to promote digital inclusion.

EverybodyOnline

Read about the [EverybodyOnline project](#), including case studies and assessments of its effectiveness, available as a PDF download.

Digital Divide 2025

Read this [independent report on the digital divide](#) written by Future Foundation Projects and commissioned by BT, available as a PDF download.

Online 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. To help make this happen we support organisations that are providing the necessary information. Some examples are:

- **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 the [Charities Website leaflet](#), available as a PDF download, for more information).
- **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).
- **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.
- **Tate Online** – We sponsor the UK's leading modern art museum's virtual gallery, the UK's most visited arts website. The site is powered by BT, which provides technical support, hosting and online broadcasting (see [Arts and heritage](#) and [Tate Online](#) for more information).

Lifelines India

Lifelines India is a community project in support of one of the UN Millennium Development goals on digital inclusion aimed at supporting developing countries to become part of digital society. BT is working with Cisco and a charity called OneWorld to implement this programme during 2006

LifeLines brings information to ordinary people in remote rural areas of India, using the power of digitally engineered information, allowing them to get answers by phone to questions that are key to improving their lives such as agricultural and veterinary advice.

BT supports this project with funding, commercial and technical expertise (through development assignments of BT managers). The objective is to make the service self-



sustaining after approximately 3 years at which point the service can be replicated in other developing countries.

ICT capability

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

Our efforts are focused on the BT-supported [EverybodyOnline](#) Project. This is a programme designed to help disadvantaged communities and individuals across the UK use digital technology. This is one way we help promote digital inclusion.

Run by the charity [Citizens Online](#), the project has demonstrated that it can help people overcome their personal barriers to using computers and the internet.

The project is grounded in local communities. Local project officers work full time to promote digital inclusion. They develop a network of local access points, learning programmes, partner organisations and volunteers.

In the financial year 2006, the project has:

- Increased internet usage by up to four times the national average.
- Run taster sessions attended by over 3,000 people.
- Helped over 500 people significantly increase their key employment skills.

[Read a full report](#) on the project and further [case studies](#).

Silver surfers

About 9.7 million people over the age of 60 in the UK do not use computers or the internet and are considered to be “digitally excluded”. This is the finding of BT-commissioned research.

Helping older people get online and learn about new technologies is at the heart of a new partnership between [Age Concern](#), a charity, and BT.

In the 2006 financial year, we began a three-year partnership to transform Age Concern’s 150 nationwide computer ‘drop-ins’ and access points into a network of Silver Surfer Clubs. This support enables Age Concern centres to access grant funds and provides ICT training for key staff and volunteers.

BT will also be co-sponsoring a [week-long event](#) in May 2006 with the aim of promoting the opportunities that computers and the internet can provide for older people to learn new skills.

Digital inclusion - Key Performance Indicators

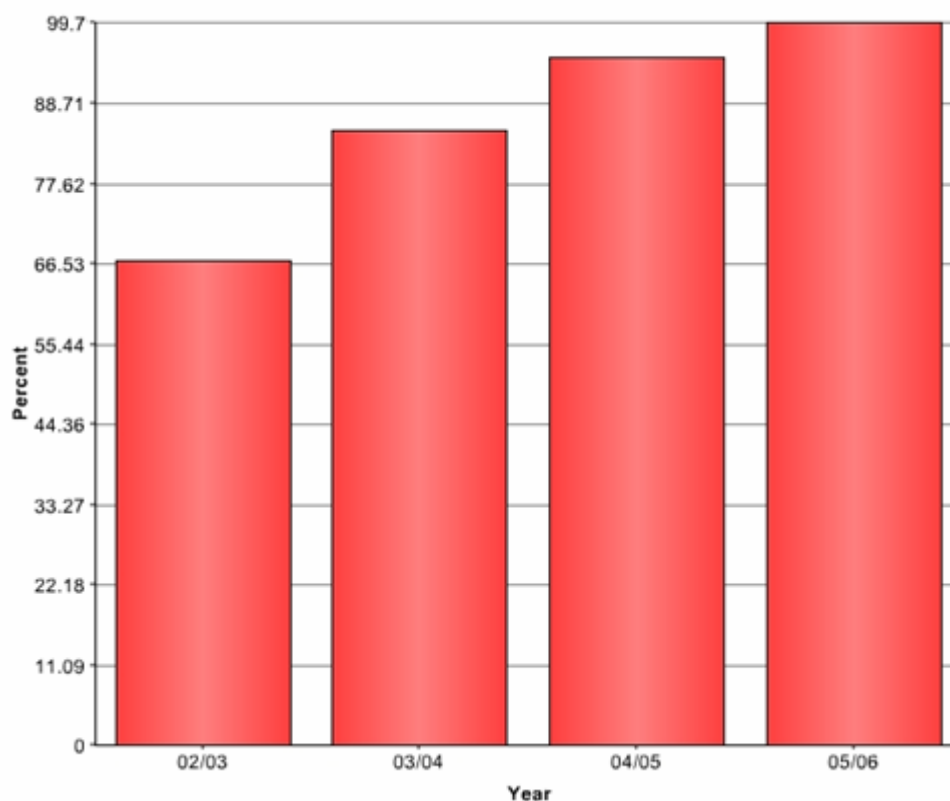
Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.



Digital inclusion Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
April 2006	March 2007	BT will work in partnership with Citizens Online and others to develop up to Six Everybodyonline projects in Northern Ireland.		New
April 2006	March 2007	BT will develop a new digital inclusion target for use in the 2008 financial year. By March 2007, BT will develop a new digital target for use in the 2008 financial year.		New
April 2005	March 2006	Engage with Age and Disability stakeholders to address recommendations of Digital Divide 2025 report.	Planned projects are in place aimed at increasing motivation, skills and accessibility of ICT for older and disabled people across the UK.	Completed
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed

Broadband coverage



ICT access - Key Performance Indicators

Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.



ICT access Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed

Driving ICT demand - Key Performance Indicators

Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.

Driving ICT demand Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed

Digital inclusion reports Targets

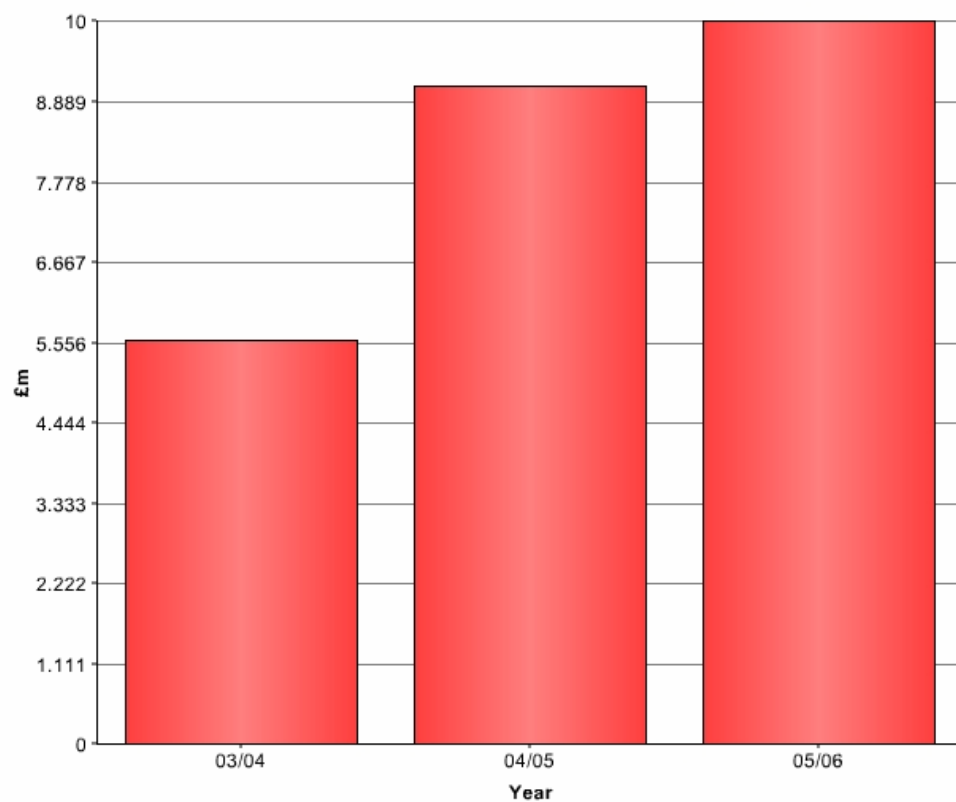
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will work in partnership with Citizens Online and others to develop up to Six Everybodyonline projects in Northern Ireland.		New
April 2005	March 2006	Engage with Age and Disability stakeholders to address recommendations of Digital Divide 2025 report.	Planned projects are in place aimed at increasing motivation, skills and accessibility of ICT for older and disabled people across the UK.	Completed

Online content - Key Performance Indicators

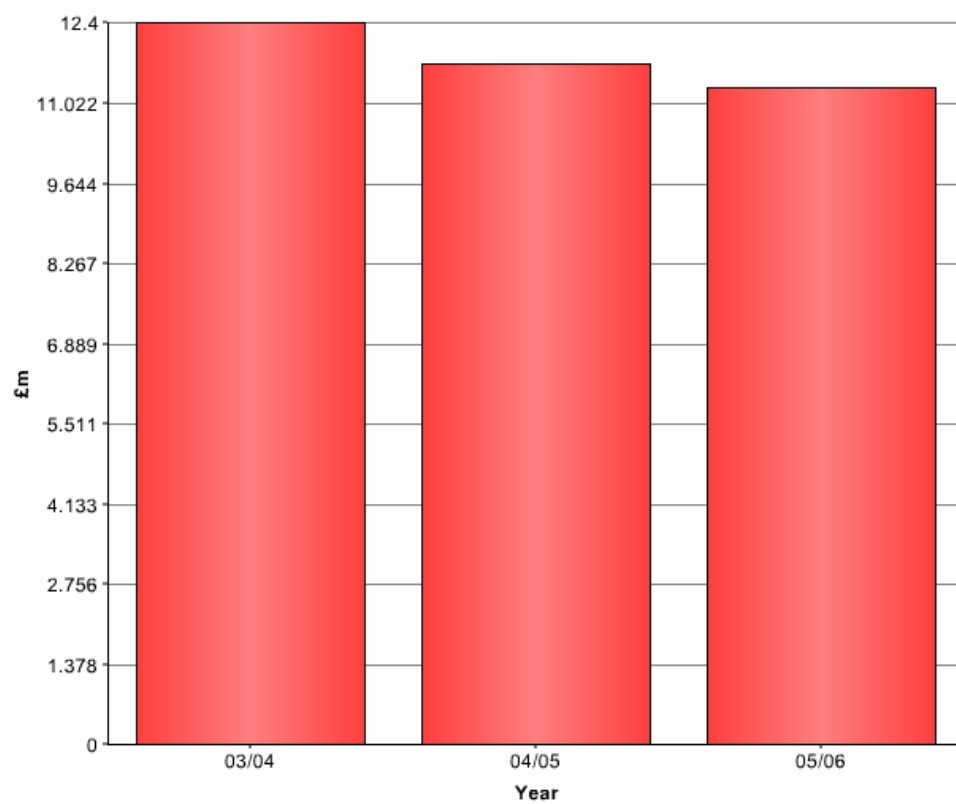
Indicator	Description	Measure	Target
Community contribution	A measure of our investment in society	During the 2006 financial year BT provided £21.3m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits and trial a new measure of community programme effectiveness during the 2007 financial year.



Financial contribution



Funding and support in kind



Lifelines India - Key Performance Indicators

Indicator	Description	Measure	Target
Community contribution	A measure of our investment in society	During the 2006 financial year BT provided £21.3m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits and trial a new measure of community programme effectiveness during the 2007 financial year.

Lifelines India Targets

Start Date	End Date	Description	Update	Target Status
April 2005	March 2006	We will launch the LifeLines India community investment programme (in support of the UN Millennium Development Goals, aimed at bridging the digital divide in a developing country).	The LifeLines India programme remains in progress but has met several operational delays resulting in the new anticipated launch date of June 2006.	Delayed

ICT capability - Key Performance Indicators

Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.

ICT capability Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will work in partnership with Citizens Online and others to develop up to Six Everybodyonline projects in Northern Ireland.		New
April 2005	March 2006	Engage with Age and Disability stakeholders to address recommendations of Digital Divide 2025 report.	Planned projects are in place aimed at increasing motivation, skills and accessibility of ICT for older and disabled people across the UK.	Completed

ICT capability case studies

Here are some of the many human stories that show the success of efforts to encourage digital inclusion

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 online.

Our research found that children – particularly young teenagers – are the most effective spur to encourage reluctant parents or grandparents on to the internet. Nearly a 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 online help from a child aged between five and eight.

Celebrating digital well-being

Getting the phobic, disaffected, sick, pregnant and the excluded back into learning is the objective of Notschool.net. This online research project is looking at ways to engage young people who are outside the traditional school system.

The website was the 2005 winner of the Digital Inclusion category of the eWell-Being Awards, which recognise creative and inspirational use of communications technology to deliver environmental and social benefits.



GameOn! won the Age and Disability category. This website enables young people with disabilities to access computer games and other leisure software in the same way as their able-bodied friends.

BT sponsors both categories. "We have 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," says Mike Hughes, BT's Head of environment and CSR campaign. More information on the awards can be found at www.sustainit.org

BT Community Connections

Since 2000, [BT Community Connections](#) has provided 3,400 internet-ready PCs to a diverse range of groups ranging from dance groups, hospices, homeless drop-in centres and sports groups. The scheme provides an NEC internet-ready PC and Microsoft software package worth more than £1,300 to voluntary and community organizations so they can provide internet access to the local communities. An estimated 85,000 people have benefited directly and indirectly from the awards.

Preparing for a digital retirement

Kathleen McDonald, 52, is certainly taking advantage of the classes being offered at her local Age Concern centre in Newcastle, and is eager to learn how to use the internet.

Soon to retire, Kathleen is looking forward to pursuing new hobbies such as gardening and is using the internet classes as a way of preparing for her retirement.

Kathleen said: "I'm planning on taking up gardening. It's a new hobby, and one that I will need lots of guidance on, so I'm hoping that the internet will supply lots of wonderful information that is immediately available, rather than having to spend money buying books."

The internet will also enable Kathleen to keep in touch with friends. As she lives on her own, once she retires, she will still be able to have regular contact with her old work colleagues via email.

The more Kathleen uses the internet, the easier she finds it, and thanks to the support from her classes at Age Concern, her confidence is growing. Having recently booked holiday flights online, it is clear to Kathleen that the internet really is opening new doors for her and allowing her to become more independent.

Never too old to use a webcam

Patricia Humble received an unexpected present on her 70th birthday – a computer. Her son felt it was time for her to begin experiencing the benefits of the technology, and enjoy the independence it would give.

However, Patricia had never used a computer before, and the prospect of learning how it worked was extremely daunting. It was therefore a great relief when she heard that her local Age Concern centre in Newcastle provided internet lessons.

Since attending the sessions, Patricia is amazed at the positive impact the internet has made on her life. With a son and grandchildren in North America, it is important for Patricia to keep in touch. With the help of one of the volunteer teachers at the centre, Patricia learnt how to set up and use a webcam and e-mail.

Now, instead of only speaking to her family abroad, Patricia regularly uses the webcam to have face-to-face conversations with them. It has completely changed Patricia's life; she has the joy of seeing her grandchildren nearly everyday, even if they are thousands of miles away.

Visual impairment no digital barrier

Being visually impaired has not stopped Henry Hollinshead from learning to use the computer. Specialist software that reads out what's on his computer screen enables him to use a PC and surf the internet.

Henry regularly attends information technology (IT) classes at the North Tyneside Society for the Blind, and recently used the internet to plan a trip of a lifetime to Lourdes in France. The dream holiday was realized when Henry found a charity online that organises trips for disabled groups to the popular pilgrimage site. Henry was able to research and book his entire journey online.

Having had such an amazing experience, Henry is now keen to expand his use of a computer to discover lots more. He said, "Once my confidence grows, I definitely want to use the internet to do more things, such as online shopping and finding out about more holidays. I would definitely encourage other visually impaired people to learn how to use a computer. It really has broadened my horizons; I do so much more now."



Internet vital for high achiever

Despite having cerebral palsy, at just 25 years of age, Stephen Miller, from Northumberland, has achieved goals that most people can only dream about. He is an example of what determination, energy and a 'can do' attitude can accomplish.

Stephen has achieved the highest of acclaims in the sporting world. With three Olympic gold medals in the club, which is equivalent to the javelin, and a bronze in the discus at the Sydney Olympics 2000, Stephen is a world record holder. And off the field, the internet offers Stephen the independence to live his life the way he chooses, even though he is in a wheelchair.

Stephen has been into computers since he was a teenager. As Stephen cannot use his hands, he has had a special guard attached on his keypad, which enables him to press keys through holes in the guard.

Stephen said, "Being able to use a PC and the internet is very important to me. In fact, I would say it's vital. Because I cannot use my hands, things that other people take for granted, like using a mouse, is out of the question for me. But having access to equipment that enables me to use a computer is absolutely great, if I didn't have this at my disposal, I would not be able to work."

As well as using a computer at his part-time job at the Queen Elizabeth Hospital, where he is a web designer, Stephen is also the Secretary of the Newcastle United Disabled Supporters Association, which involves him having to write and produce newsletters and manage the fantasy football league online.

Silver surfers Targets

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.	Planned projects are in place aimed at increasing motivation, skills and accessibility of ICT for older and disabled people across the UK.	Completed



Human rights

We base all relevant BT policies and procedures on the principles of the United Nations Universal Declaration of Human Rights.

Our Business Principles include a commitment to protect and enhance the human dignity of every BT employee, and everyone who has dealings with us.

BT has the potential to affect human rights through:

- The way our products and services are used by others (including issues around freedom of expression, privacy and content standards)
- Working conditions in our supply chain.

Here we describe our approach to human rights issues, under these headings:

- Human rights principles
- Human rights and the ICT sector
- Implementing human rights
- Supply chain and human rights
- Privacy
- Freedom of expression.

Human rights principles

We use the [Universal Declaration of Human Rights](#) to ensure all our policies enhance human dignity. But new challenges and opportunities arise as the business and external environment changes, so 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. An outline of our approach to human rights is included in the guidance document accompanying our statement of business practice – The Way We Work. Within our global operations briefing on this statement is included in the induction programme for all new employees, including those from our recently acquired businesses.

We are in contact with expert groups and information sources that can help us implement our commitment to human dignity and improve our procedures.

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. 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.

Human rights and the ICT sector

Access to information and communications technology (ICT) can help to promote freedom of expression and be a source of openness in otherwise closed societies. ICT enables information to be disseminated quickly, efficiently and safely and can be invaluable to organisations promoting human rights. New technology also creates new challenges relating to free expression – for example misuse of the internet. This is addressed in an independently written Hot Topic: [Abuse of the Internet](#).



Implementing human rights

The best way to implement our commitment to human dignity is to enhance the positive impact of our business on human rights.

Our website 'CSR Countries at Risk' gives BT employees information on 158 countries and the risks associated with doing business in them. It includes an assessment of each country's performance on human rights issues and any reported human rights abuses.

In the 2006 financial year:

- Questions on human rights risks were added to our due diligence process used when BT acquires new businesses
- Capability statements supporting our business bids included information on BT's approach to CSR and human rights.

Supply chain and human rights

We want working conditions in our supply chain to meet the standards of the [Universal Declaration of Human Rights](#) and the [International Labour Organisation \(ILO\) Conventions](#). We believe this is the right thing to do. As such, working conditions in our supply chain has been identified as one of BT's seven CSR risks.

See more at [Human rights and suppliers](#).

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. We have to find a balance between offering tailored customer service and protecting customers' privacy.

Customer privacy

There are important data protection laws in the UK and internationally. We always aim to meet these laws and take all reasonable care to prevent any unauthorised access to personal data. Our intent is that personal information is only collected with consent and that we collect no more than we need for the stated purpose.

A typical example where we hold personal information would be customers using the BT website to manage their BT account. To do this they first have to register and provide some personal information. How BT deals with this information is covered by our [privacy policy](#). This informs customers of what we will use the information for and describes where they might have a choice – for example to elect not to receive BT marketing materials.

In the 2006 financial year we launched [BT Privacy](#) bringing together a range of free and paid for customer privacy protection services. These include:

- Blocking unwanted sales calls through the [UK Telephone preference service](#)
- BT's Caller Display services which display the number of the person calling.
- Advanced calling features including 'choose to refuse' that blocks calls from certain numbers.



Employee privacy

We have several policies governing the use of BT telephones, email and the internet by 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. This is common business practice. BT does allow reasonable use of personal email.

We have drafted guidelines to help employees assess privacy related risks when developing, marketing or selling new wave products and solutions. Examples include the technology and process of radio frequency identification tagging and the location registration of mobile communication devices. The guidelines will be communicated to employees during the 2007 financial year.

Privacy and new technology

We have identified privacy as one of our seven key CSR risks. We address trade-offs between advancements in networked technologies and the risks to personal privacy rights in our Hot Topic - [Privacy in the Digital Networked Economy](#).

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 all human rights. Technological advances are creating new issues around freedom of expression. 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) that aims to protect children from potentially harmful material without undermining free speech online. It enables parents to set their browser to reject access to certain types of content. Content is rated by the providers not the ICRA.

[BT Safe Surf](#) gives detailed information for parents and user-friendly training for children.

BT is becoming a content provider through new services such as TV to mobile and video on demand over broadband. We must give customers control over the content they view and tools to help protect children from viewing inappropriate content. BT acts against illegal content.

We have published an independently written Hot Topic on [Abuse of the Internet](#).

Adult and illegal content

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 web space.

We contribute to the work of the [Independent Committee for the Supervision of Standards of Telephone Information Services](#) (ICSTIS). ICSTIS registers 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.

BT's 'CleanFeed' software filtering system automatically blocks access to child abuse websites blacklisted by the Internet Watch Foundation. This includes sites considered 'illegal to view' under the 1978 Child Protection Act. On average there are currently 45,000 attempts to access barred URLs each day.



We are giving away the blueprint for CleanFeed, under non-disclosure agreements, to other internet service providers interested in adopting it.

We have taste and decency guidelines for employees dealing with potential partners to help them understand which areas of business are and aren't acceptable to BT. We are revising the guidelines to include controls for adult content.

Human rights Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	Following analysis of the CSR best practice event, BT will initiate follow through with 5 participating suppliers.		New
April 2006	March 2007	BT will develop a coach approach on labour standards and engage with 2 suppliers.		New
April 2006	March 2007	BT will take follow-up action within 3 months for all suppliers who have been identified as requiring continuous improvement as a result of completing our CSR questionnaires.		New
April 2006	March 2007	BT will take 100% follow-up within 3 months for all suppliers identified as high or medium risk following a GS18 Sourcing with Human Dignity risk assessment.		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.	All questionnaires received had follow up action taken within the specified timescales.	Completed
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.	The event took place on 27th February.	Completed
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.	A joint CSR assessment took place in Mexico in August 2005.	Completed
April 2005	March 2006	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.	All questionnaires received had follow up action taken within the specified timescales.	Completed

Supply chain and human rights Targets

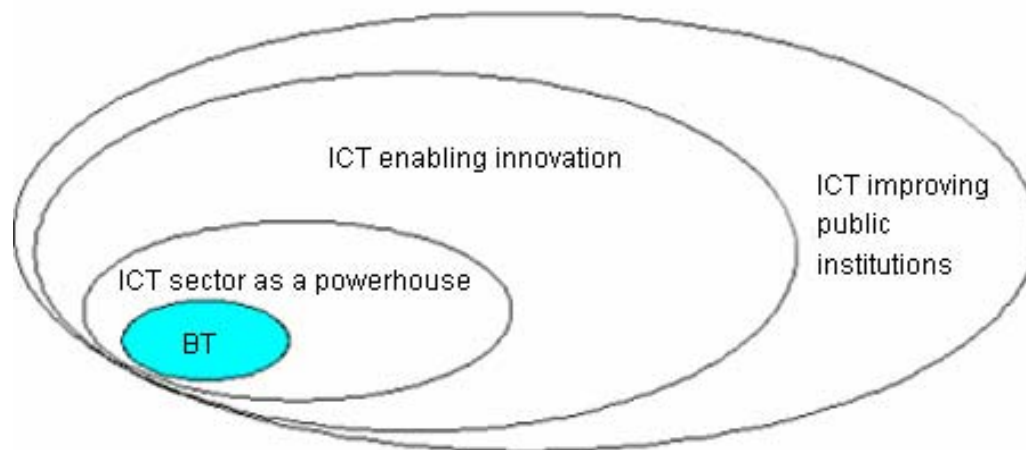
Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	Following analysis of the CSR best practice event, BT will initiate follow through with 5 participating suppliers.		New
April 2006	March 2007	BT will develop a coach approach on labour standards and engage with 2 suppliers.		New
April 2006	March 2007	BT will take follow-up action within 3 months for all suppliers who have been identified as requiring continuous improvement as a result of completing our CSR questionnaires.		New
April 2006	March 2007	BT will take 100% follow-up within 3 months for all suppliers identified as high or medium risk following a GS18 Sourcing with Human Dignity risk assessment.		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.	All questionnaires received had follow up action taken within the specified timescales.	Completed
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.	The event took place on 27th February.	Completed
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.	A joint CSR assessment took place in Mexico in August 2005.	Completed
April 2005	March 2006	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.	All questionnaires received had follow up action taken within the specified timescales.	Completed



Economics

We are among the largest companies in the world, ranking 140th in Fortune magazine's Global 500. We make a considerable contribution to the world economy.

BT's value added – sales minus bought-in goods and services – is estimated at US\$18.6 billion. As an economic actor, this makes BT bigger than Côte d'Ivoire or Uzbekistan.



We have direct and indirect economic impacts, as shown in the diagram:

- Direct impacts: how our spending on jobs and services are distributed.
- Sector impacts: the contribution made by the information and communications technology sector, of which BT is a part. This can create competitive advantages over and above the individual ICT organization's competitiveness.
- Innovation: how the products and services provided by BT are used by others to raise their productivity and ability to compete.
- Public good: how ICT helps improve the effectiveness of public institutions.

These impacts are expanded in the following sections:

- Direct economic impacts
- ICT enabling business
- Improving the public sector
- Responsible competitiveness
- ICT sector

Direct economic impacts

We pay for labour, goods and services, providing direct economic benefits to a wide range of stakeholders. Here are the figures for the 2006 financial year:

BT sales

BT revenue of £19,514 million, distributed as follows:

BT Retail:	£8,452 million
BT Wholesale:	£9,232 million
BT Global Services:	£8,632 million
Other:	£18 million



Total revenue is boosted to £19,701 million when our share of associates' and joint ventures' revenue (£187 million) is added.

Find more details in the BT profit and loss account on page 91 of the [2006 Annual Report and Form 20-F](#).

Employees

BT employs 104,362 people around the world, including 92,653 in the UK.

Total spend on employees:

Wages and salaries	£3,910 million
Social security costs	£377 million
Pension costs	£603 million
Share-based payments	£76 million
Total	£4,966 million

Suppliers

- Total spend with suppliers: approximately £4 billion.
- Total capital expenditure: £3,142 million. See more detail on expenditure on page 34 of the [2006 Annual Report and Form 20-F](#).

Shareholders and creditors

- Total dividend paid to shareholders: £912 million.
- Net debt reduced from £7,893 million to £7,534 million.
- Net finance expense payable £472 million.
- Total amount falling due to creditors within one year: £8,480 million.

Breakdown by geography and market share

- UK £16,901 million (87%)
- Europe (excluding UK) £1,900 million (10%)
- Americas £627 million (3%)
- Asia and Pacific £86 million (<1%)
- BT's share of the UK residential fixed-voice call market, as measured by volume of fixed-to-fixed voice minutes is 58%.
- BT's share of the business sector fixed-voice call market is 41%.

Profit and re-investment

- Profit before taxation and specific items of £2.2 billion
- Return on the average capital employed before specific items was 16.8%, compared with 16% in 2005.



Tax

During the 2006 financial year, total taxes paid to governments were £533 million, comprising £492 million on the profit before taxation, goodwill amortisation and specific items, offset by tax relief of £41 million on certain exceptional charges.

More details of our total taxes paid are available on page 73 of the [2006 Annual Report and Form 20-F](#).

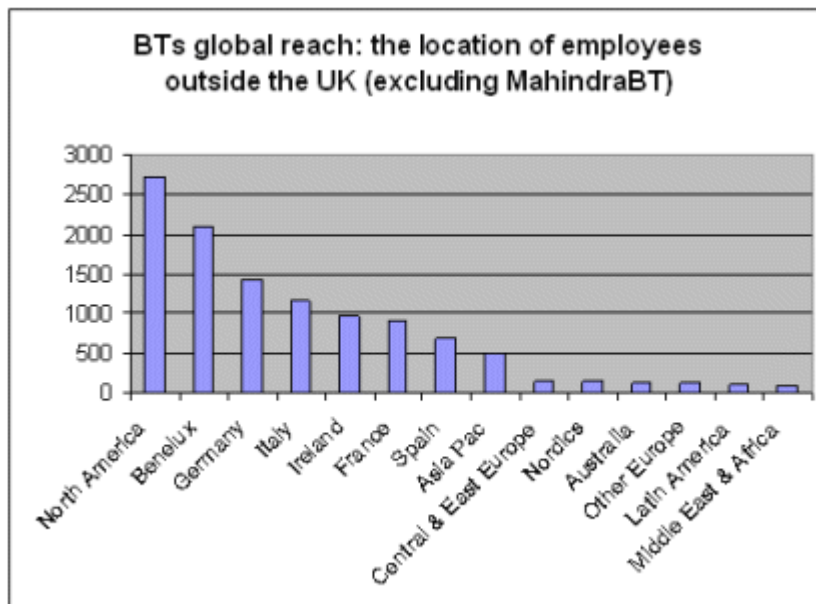
During the 2006 financial year, the BT Group board reviewed BT's tax policy and agreed that an appropriate level of tax planning is entirely consistent with the directors' responsibility of maximising returns to shareholders and is in line with our commitment to CSR.

ICT sector

The ICT sector is a significant contributor to the world economy. BT's contribution to the sector is the greatest in the UK, where most of its employees are based. But as the company expands internationally, its economic impacts are becoming more pronounced in other regions, mainly Europe and India.

Employees

- In the UK in 2003, an estimated 1.4 million people worked in the ICT sector. BT accounts for around 7% of the sector in terms of workforce
- In Europe in 2003, around 6 million people worked in ICT. BT constitutes roughly 1.7% of sector employment. (About 7,700 BT workers are located in continental Europe).
- Worldwide in 2003, around 32 million people worked in ICT. BT's share of global ICT sector is approximately 0.3%. (Some 3,600 staff are based outside Europe).
- Over 10,000 people are employed by MahindraBT in India (43% BT-owned).



UK impact

BT's relatively small share of the UK ICT sector belies its economic importance. The sector's Gross Value Added (GVA) has been growing faster than the overall UK economy every year since 1992, according to the Office for National Statistics. Services, BT's main offering, have become much more important than manufacturing in delivering GVA (86% of the total in 2003).



ICT enabling business

ICT has great potential to help all businesses improve efficiency and innovate by:

- Reducing the cost of storing and processing data
- Enabling new ways of working, such as teleworking and global sourcing
- Encouraging new types of enterprise, such as online businesses.

Economic benefits are particularly strong in retail (including internet-based shopping), and all companies when investment in ICT is supported by training and a flexible organisational structure.

According to the Office for National Statistics, the UK manufacturing growth in real terms during the 1990s was entirely due to rapid growth in ICT activity. Furthermore, for every additional 10% of employees using computers at UK manufacturing firms, productivity will increase by 2.2%. In newer firms, the same increase in access to computers can cause an increase in productivity of up to 4.4%.

ICT has transformed certain sectors of the economy across Europe, especially in services, pharmaceuticals, retail and automotive. Industries that have invested in ICT have experienced multi-factor productivity growth through improved networking, more rapid innovation and lower transaction costs.

Networking

BT has made broadband available to 99.7% of the UK's homes and businesses. A 2004 study for BT found that the value of broadband innovation to consumers was in the order of £300 million, predicted to rise to £2 billion or 0.2% of UK output by 2010.

A BT-commissioned study in 2004 examined the company's UK economic 'multiplier effect'. This is a measure of the indirect and induced impacts of a company's payroll and purchasing on the broader economy. The study found that direct employment in the UK generated an employment multiplier of 250%.

BT in India

Since 1995, BT has established eight key business locations across India to provide managed network services and outsourcing, and conferencing solutions. A study for BT carried out in February 2004 concluded that the companies BT works with in India are able to reach a globally competitive standard of ICT provision, and this standard sets a goal for smaller domestic companies. By 2009, the Indian ICT sector is expected to contribute 7% of GDP and employ 2.2 million directly and nearly twice as many indirectly. While foreign direct investment into the Indian ICT sector remains limited, investment in technology and expertise by companies like BT has enabled the sector to become globally important.

Improving the public sector

Strong public institutions are a vital contributor to national and regional competitiveness. They ensure a healthy, skilled and creative workforce, empower sophisticated consumers, support an innovative research and development community and create a trustworthy, flexible regulatory climate for businesses.

ICT is increasingly being used to redefine the way that public services are delivered, and has the potential to improve their effectiveness and value for money. This frees up resources for alternative public investments.

While the performance of some early investments in public sector ICT has disappointed, the technology clearly has enormous potential to transform the delivery of public services, develop digital strategies for local authorities and expand the learning process. Other initiatives aim to improve internet safety, increase access for the digitally excluded, promote broadband content and improve take-up in the broadband market.



ICT can be used to increase innovation and productivity; provide better, more-responsive services; build skills, improve efficiency and reduce costs, as well as an effective tool to encourage economic development and regeneration.

The government now provides extensive public services electronically. Citizens can apply for a passport, buy a TV licence, renew library books and read everything from tax and health advice to guidance on how to avoid online dating scams. The Work Foundation claims that 96% of public services are now available on the internet, more than those offered by telephone.

Responsible competitiveness

ICT is reshaping the behaviour of individuals, the customer-company relationship and how public services are delivered. From getting local communities online to streamlining the operations of global corporations, the impacts of ICT are being felt across the world. ICT can open up a wide range of possibilities to users: providing the technology and knowledge, the creativity and stability needed to build competitiveness. The full potential of the sector is only just becoming clear.

BT is a company with economic impacts well beyond its employment and turnover figures and an important player in the dynamic ICT market in the UK and across the world. Along with other ICT providers, BT's converging services are changing the way and the place that learning is provided, products are devised, people are governed, teams are managed, services are consumed and entertainment is delivered. By appropriately influencing its indirect economic impacts, BT can help build the responsible competitiveness of the host economies of the countries in which it operates, from the UK to the global village and from Brussels to Bangalore.

ICT enabling business - Key Performance Indicators

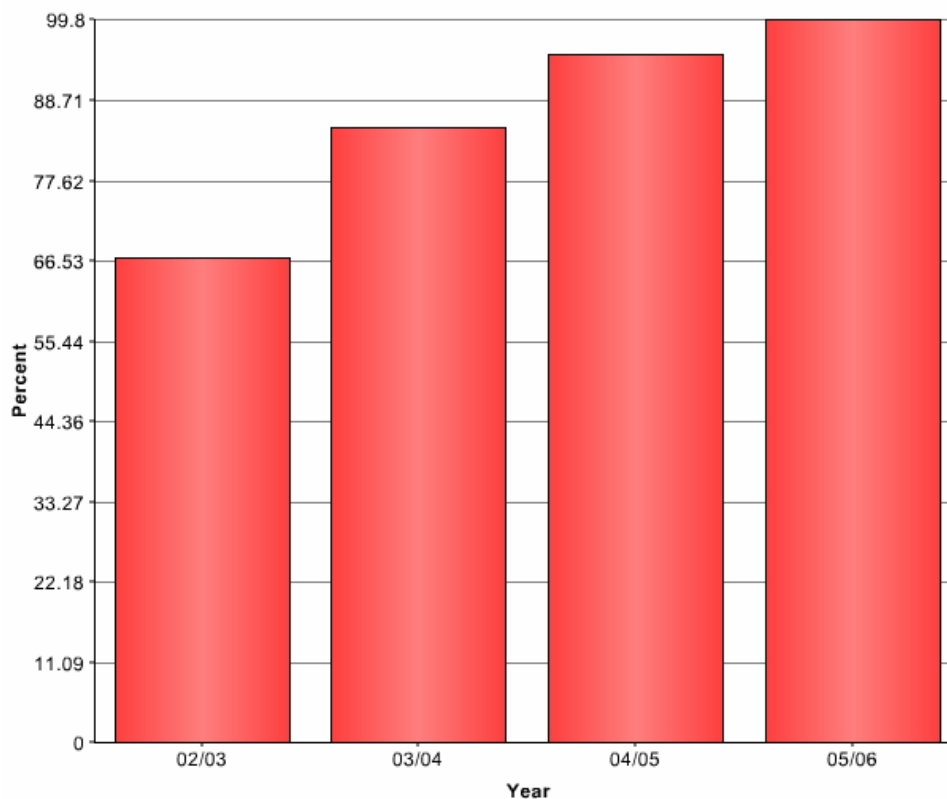
Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.

ICT enabling business Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed



Broadband coverage



Case study

SMEs reaping the benefits of broadband

In 2002 Cornwall Enterprise with the support of BT set up **actnow** to promote economic development in Cornwall through the use of broadband technology and ICT. In 2005, 68% of the small and medium-sized enterprises surveyed reported highly positive business benefits from introducing broadband and ICT, for example:

- 93% had better access to information and 87% a more professional image
- 80% experienced lower telephone costs, 76% lower printing and mail costs
- 80% reported better customer relationships and 66% had extended their customer base.

Significantly, 45% of those that experienced highly positive impacts from broadband have been prompted to reorganize work practices to gain the full advantages of the technology.

Extrapolating from this study, the authors estimated that 3,000 jobs in Cornwall had been created or safeguarded as a result of the **actnow** project and that Cornwall's income would have been boosted by £67 million.

Improving the public sector - Key Performance Indicators

Indicator	Description	Measure	Target
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.



Improving the public sector Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will maintain its Broadband coverage at 99.8% and actively look for economic opportunities to extend.		New
April 2004	September 2005	We will make Broadband available to exchanges serving over 99% of UK homes and businesses.	As of 30th September, there were 25,320,639 households in enabled exchanges out of a UK total of 25,376,239 (99.8%).	Completed

Case study

BT provides better healthcare records in London

The UK's National Health Service (NHS) is embracing ICT to improve efficiency, responsiveness and access to services. BT supports a range of services including NHS Direct and NHS 24, which enable patients to receive advice anytime during the day or night online or by telephone.

Incomplete and inaccurate patient information is a major cause of inefficiency - and potentially fatal errors - in the NHS. Over a quarter (27%) of errors derive from poor information and such errors lead to 1,200 deaths a year in England and Wales. The NHS aims to provide a single, up-to date, accessible electronic healthcare record for each patient in England by 2010: the NHS Care Records Service (CRS).

BT Capital Care Alliance are working with NHS Connecting Health so that everyone in London will have electronic patient care by 2010. The fully integrated system will allow authorised health professionals to access patient data 24 hours a day and enable organisations to record and exchange patient and care information electronically, eliminating duplication of patient files. The system will allow these organisations to deliver better quality, more responsive and co-ordinated patient care, as well as reducing costs and improving safety, confidentiality and efficiency.



Sustainability

No individual country, business, or 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. Here we explore the issues through the broad lens of the Information and Communications Technology (ICT) sector's activities.

Approach to sustainability

This report identifies and quantifies our social, economic and environmental impacts, and sets 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 approach to CSR health checks.

However, sustainability is not just about having the right systems, checks and balances in place. BT aspires to lead by example, raising awareness and working to contribute to sustainable development.

Sustainability vision

ICT boosts productivity and economic growth. For this to contribute to sustainable development it must be managed to prevent further social inequalities and greater consumption.

Suitable policy frameworks are needed to ensure that ICT brings benefits. The Global e-Sustainability Initiative ([GeSI](#)), whose members are leading ICT companies, make these recommendations:

- 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, e.g. environmental protection 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 as an effective instrument to help achieve the UN's Millennium Development Goals
- 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 sustainability impacts

Communications technology benefits business and the people doing business. ICT is changing the way business is done, especially through internet and wireless technologies. These offer a potential gain in productivity similar to those technologies used in 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, environmental and economic networks needed to bring sustainable development to emerging economies.

Using our own products and services enables us to reduce consumption of finite materials and to improve the work-life balance of our people.

See how effectively we use the technology in these areas:

- [Conferencing](#)
- [Flexible work-styles](#)
- [e-business](#)

Conferencing

Conferencing by video, phone or the web is more time- and cost-effective than meeting in person. It improves the quality of life for those who travel frequently. It is also a major benefit for BT's 11,000 home-based workers and a growing number who work from home occasionally.

BT Conferencing provides all BT's internal phone, video and e-conference facilities, as well as providing conferencing services for customers.

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 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 32 kg of travel-related carbon dioxide emissions. BT conference calls each year save at least 47,400 tonnes of carbon dioxide.

Conferencing services also make organisations better able to deal with transport disruptions, allowing business to continue.

For full data see [BT Conferencing Survey Report](#)

Flexible work-styles

Technology enables people to be more flexible in the way they work, especially when away from the office.

We have developed opportunities for our people to choose how they want to work and more than 11,000 BT people in the UK are now home-based workers (the Workabout scheme). This gives them the flexibility they need and also reduces their environmental impact by avoiding the daily commute.

A survey of 5,000 BT people in February 2006 showed that:

- Flexible working is mutually beneficial for employees and BT, creating economic, environmental and social benefits.
- Technology (teleconferencing, WiFi networking, and mobile e-mail) is widely used and broadband is a key enabler.
- The business is more resilient to disruption, such as from bad weather and transport breakdowns, by using technology to provide an alternative to travel.
- Employees are more productive and happier in their work, although many respondents say their working hours have increased.



- Most respondents feel flexible working gives them a better quality of life, reduces stress and helps them perform better, mainly from greater freedom to manage their time.
- Local economies benefits - respondents say they make better use of local services.
- Reduction in travel – and less need to travel – was important, reducing stress and saving time, typically some 4.4 hours per week for Workabout people.

Travel reduction reduces carbon dioxide emissions. In the 2006 financial year, BT's Workabout scheme reduced BT employees CO₂ emissions from commuting by 7,691 tonnes. But taking account of journeys that would otherwise have been part of the commute (e.g. school run, shopping), the figure is almost halved to 3,663 tonnes.

The survey was carried out by [SustainIT](#) and Bradford University. It followed [previous studies](#).

e-business

Converting from paper-based to electronic transactions – we call it e-business – saves paper and money.

Since the financial year 2001-2002, we have reduced the amount of paper used in our offices by 67%. Most (95%) of our copier paper is made from pulp with at least 70% recycled content, an increase from 66% on the previous year.

The Woodland Trust has worked with us to reduce the amount of paper that we send to customers. The partnership now spans three departments within BT – business, conferencing and consumer.

The main effort has been to reduce printed consumer bills. In July 2005, we launched the paper-free billing campaign. For every customer who signs up for BT buys a native sapling for the [Woodland Trust](#) to plant. The UK is currently one of the least wooded countries in Europe with 12% tree cover compared with a European average of between 30% and 40%.

Our target is to get 90,000 customers to switch to the paper-free option. We promote this through incentives such as the weekly £1,000 prize draw for those customers that switch.

Customers shifting to direct debit payments can do this without completing any paperwork by going online or using the telephone. 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.

Sustainable development in broadband Britain

How can broadband help to make people's lives more flexible and fulfilling, and help to create economic benefit through more efficient business? Broadband, the next 5 years, a report commissioned by BT in the 2006 financial year, attempts to answer this key question now that most of the country has access to broadband.

[Download the report.](#)

Broadband delivers on its promises, according to a BT sponsored survey of businesses using broadband in Cornwall, UK. It finds that broadband:

- Extends market reach and impact
- Makes organisational working practices more efficient
- Enables staff to work flexibly
- Substitutes travel and meetings with electronic communication – reducing traffic congestion and fuel use.

[Download the survey results.](#)

A [BT-sponsored report on broadband by Forum for the Future](#), a UK sustainability charity, was published in the 2005 financial year.



Raising awareness of sustainability

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 issue.

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 discussions on issues ranging from values to climate change.

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](#)
- [World Economic Forum](#)

We respond to formal consultations such as the UK Government sustainability strategy, the EU green paper on CSR and the Environmental Audit Committee enquiry on carbon emissions from transport.

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](#).

Sustainability 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.

Our main partnerships include:

- 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 and production of its sustainability reporting guidelines
- Contributions to multilateral dialogues via two organisations - 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 its initiative called SustainIT.



Future of ICT and sustainability

'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, there needs to be:

- A commercially successful sector making contributions to the global economy
- An inclusive society where ICT services are accessible to all and in which people have the necessary skills to exploit them
- The right checks and balances to ensure security, privacy and freedom of expression
- Networks and equipment 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

Optical switches and computers - reducing the need for metals and conventional semiconductor materials.

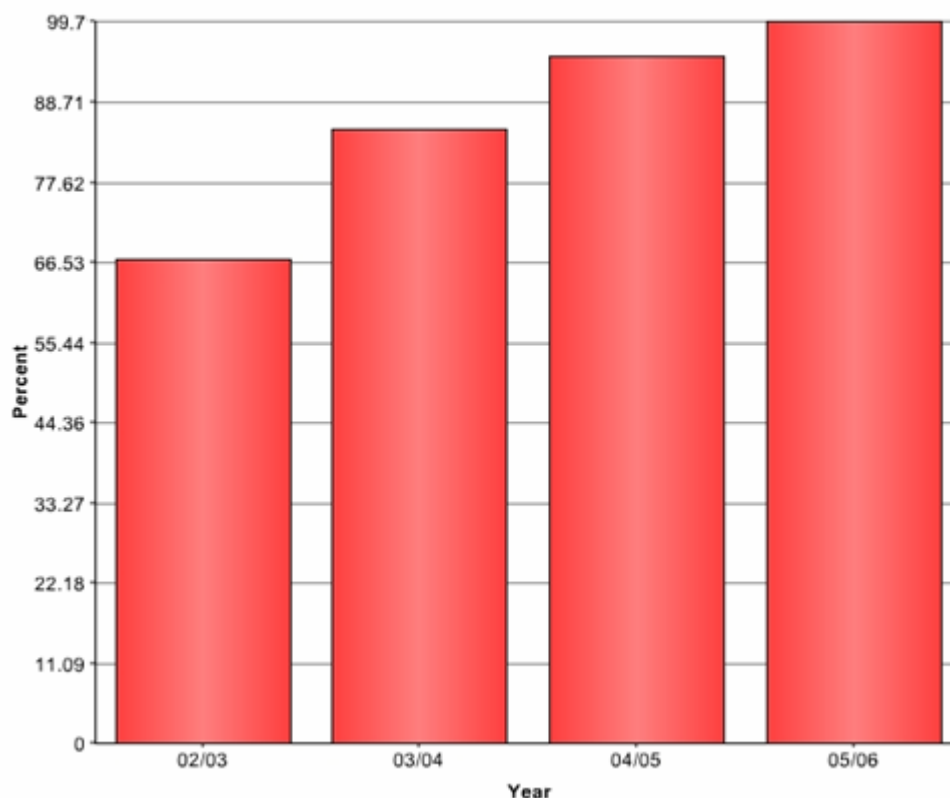
Sustainability - Key Performance Indicators

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Sustainability Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will undertake a survey of BT people to assess the personal and business benefits of the use of conferencing services.		New

Broadband coverage



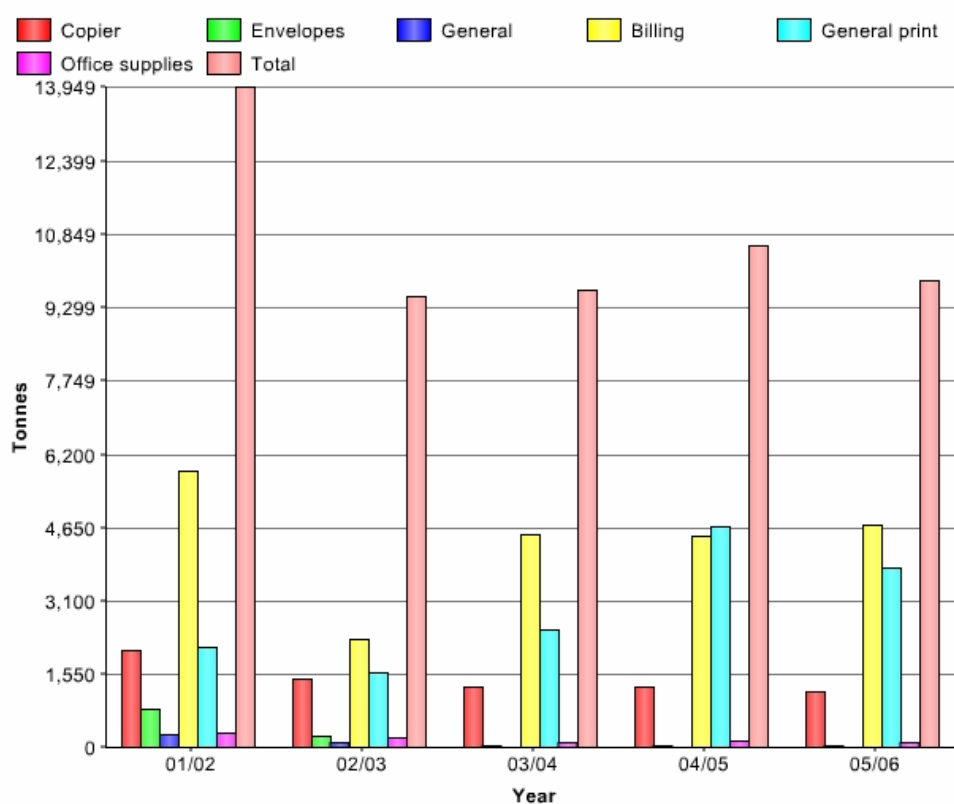
ICT sustainability impacts - Key Performance Indicators

Indicator	Description	Measure	Target
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ICT sustainability impacts Targets

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April 2006	March 2007	BT will undertake a survey of BT people to assess the personal and business benefits of the use of conferencing services.		New

BT Paper Consumption



Excludes BT Global Services outside the UK

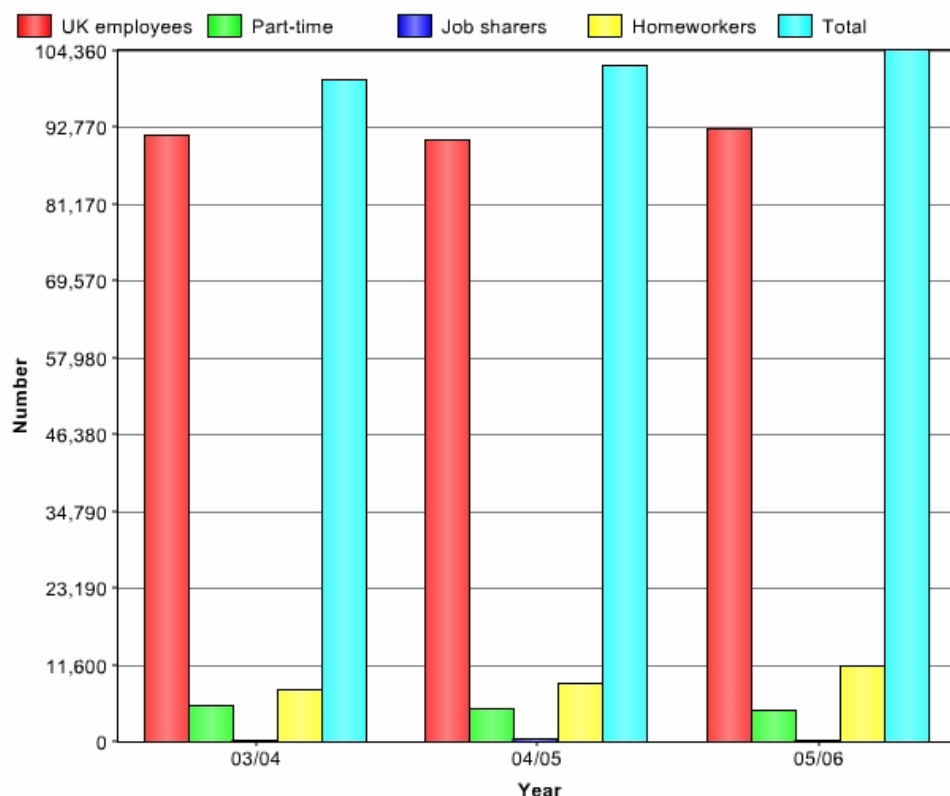


Conferencing Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will undertake a survey of BT people to assess the personal and business benefits of the use of conferencing services.		New



Number of employees



Flexible work-styles - Key Performance Indicators

Indicator	Description	Measure	Target
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Sustainable development in broadband Britain - Key Performance Indicators

Indicator	Description	Measure	Target
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