

Business principles

Better World
BT's Social & Environment Report



Business principles

BT is committed to doing business in a manner consistent with world-class standards of business integrity. In particular, our Statement of Business Practice, The Way We Work, defines BT's business principles that apply worldwide, to all employees, agents, contractors and others when representing BT.

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

Supporting and reinforcing the Statement of Business Practice are a number of company-wide policies covering issues such as equal opportunities, environment and ethical trading.

BT's approach to corporate governance is described in our Annual Report and Accounts. This includes a corporate social responsibility governance framework, set out in the Business principles section of the Better World site.

As part of our Turnbull compliance we have identified two potential ethical and environmental risk factors.

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

Finally, all of these initiatives are underpinned by a vision of a communications-rich world and a set of specific values all BT people are asked to respect.

Statement of Business Practice

Our Statement of Business Practice, The Way We Work, defines BT's business principles that apply worldwide, to

all employees, agents, contractors and others when representing BT.

In this section we provide details on the level of awareness of the Statement in BT and the extent to which it has been implemented across the BT Group.

You can also identify our performance against the specific principles, aspirations and commitments contained in the Statement by navigating this site via a Site Index based on the Statement.

See also:

- The Way We Work
- Statement of Business Practice Site Index

Awareness

In 2003, a BT survey found that awareness of the Statement of Business Practice amongst employees in the UK stood at 83%, up from 76% in 2002.

In 2001, a BT Internal Audit Department Report found that awareness of the Statement of Business Practice amongst employees of the BT Group worldwide stood at 73%.

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

	BT Group	BT in the UK
Awareness March 2003	-	83%
Target March 2003	-	-
Awareness March 2002	-	76%
Target March 2002	-	75%
Awareness March 2001	73%	71%
Target March 2001	70%	70%
Awareness September 2000	-	68%
Target September 2000	-	65%

These improvements in awareness are the consequence of a comprehensive employee communications plan.

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

Other elements of the communications plan include:

- a new introduction from CEO Ben Verwaayen on the importance of integrity
- a training web site
- training videos for 2,000 targeted managers
- letters from senior managers to their teams reinforcing the compliance message
- a desk calendar illustrating our 12 business principles sent to all managers.

In collaboration with the Institute of Business Ethics, we have also established an in-house Business Practice Excellence award. Individuals are nominated by colleagues for demonstrating excellent business practice behaviour against one or more of BT's 12 business principles.

See also:

- The Way We Work
- Statement of Business Practice Site Index

Implementation

In 2003, a survey found that the proportion of BT employees in the UK aware of the specific ethical risks they faced stood at 95%, up from 92% in 2002.

In 2001, a BT Internal Audit Department Report found that the proportion of managers across the BT Group worldwide aware of the specific ethical risks they face stood at 87%.

	BT Group	BT in the UK
'Specifically Aware' March 2003	-	95%
'Specifically Aware' March 2002	-	92%
'Specifically Aware' March 2001	87%	89%

We believe our strategy of embedding our Business Principles into BT's day-to-day activities has resulted in this increased level of application.

We have also set up a helpline for people seeking help and confidential advice. This is available via both phone and e-mail and is dealt with by the Head of Group Business Practice.

A number of issues have been raised through this confidential 'whistleblowing' process. These have all been followed up and appropriate action taken, including disciplinary action.

In 2002, Integrity Works undertook an 'Ethical Expression' benchmarking study of FTSE 100 companies to establish the relationship between a company's stated ethical precepts and best practice, and also their effectiveness in implementing these principles. BT came equal first (in the UK) in this exercise, alongside Shell and BP.

Lines of business

Our priority for the 2004 financial year will be to continue our programme of ensuring the proper implementation of the Statement of Business Practice by each of our lines of business.

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

Implementation programmes are the responsibility of each line of business, all of which have nominated their own senior manager to act as owner.

To maximise the effectiveness of implementation in the lines of business, an operational working group has been established that meets at least on a quarterly basis.

We are also developing plans to carry out in-depth training on the Statement of Business Practice with senior BT managers to promote awareness and understanding of our Business Principles.

Wholly owned subsidiaries and joint ventures

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

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

We are committed to using our values and principles in dialogue with other organisations and in considering new and existing relationships.

A comprehensive Joint Venture Statement pack promoting The Way We Work, and a briefing on the importance of corporate social responsibility, have been distributed to all Directors of BT's joint ventures.

See also:

- The Way We Work
- Statement of Business Practice Site Index

Company policies

Our Statement of Business Practice is reinforced by a number of company-wide policies:

- Equal Opportunities
- Ethical Trading
- Health and Safety
- Environmental Policy
- Social Policy.



Corporate Social Responsibility (CSR) governance system

The Corporate Social Responsibility (CSR) governance framework helps BT manage specific CSR issues effectively, by supervising the CSR relationship between the BT Group and individual lines of business.

The component parts of this system are listed below. An organogram (below) shows how they all fit together.

- Management Council
- Corporate Social Responsibility Steering Group
- CSR Health Checks
- Environmental Policy Implementation Committee
- Social Policy Unit
- Community Support Committee

Social, ethical and environmental matters have also been incorporated into the Directors' induction programme, to support their integration into the day-to-day management of the business.

Management Council

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

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

Corporate Social Responsibility Steering Group

An internal committee known as the Corporate Social Responsibility Steering Group (CSRSG) oversees the implementation of all social and environmental programmes across BT. The CSRSG is made up of CSR champions nominated by the BT lines of business and six support

functions (Human Resources, Corporate Governance, Health and Safety, Finance, Communications and Procurement).

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

The main responsibilities of CSR Steering Group include:

- ensuring that the BT CSR programme meets the needs of the business
- championing major social and environmental initiatives and improvements
- maintaining BT's ISO14001 certification
- agreeing company policy on specific social and environmental issues
- risk assessment
- performance measurement and monitoring.

CSR health checks

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

Undertaken with commercial programme directors from BT's lines of business, health checks examine how a cross-section of key CSR impacts (such as integrity, environment or digital inclusion) may be affected by a particular commercial programme, and how CSR can help achieve the programme's commercial objectives.

Over the past year CSR health checks have covered broadband, call centres, new technologies, people policies and plans for the 21st century network.

Environmental Policy Implementation Committee

The environmental policy implementation committee (EPIC) – a sub-committee of the CSR Steering Group – meets on a monthly basis to ensure BT's environmental policy is being implemented effectively.

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

EPIC's main responsibilities are:

- delivering the environmental improvement targets and objectives agreed by CSRSG
- maintaining the register of BT's environmental aspects/impacts.

To maintain senior executive support, Ben Verwaayen, BT's Chief Executive Officer, takes overall responsibility for BT's environmental performance.

Social Policy Unit

Overall co-ordination and maintenance of the BT social policy strategy and environmental management system rests with the BT Social Policy Unit, whose responsibilities include promoting awareness of BT's social and environmental policies among employees.

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

Community Support Committee

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

Risk

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

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

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

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

Current issues

Currently under Turnbull compliance we identify no social, environmental or ethical risks that would have a material impact on our business. However, we have identified two areas of potential risk:

Supply chain

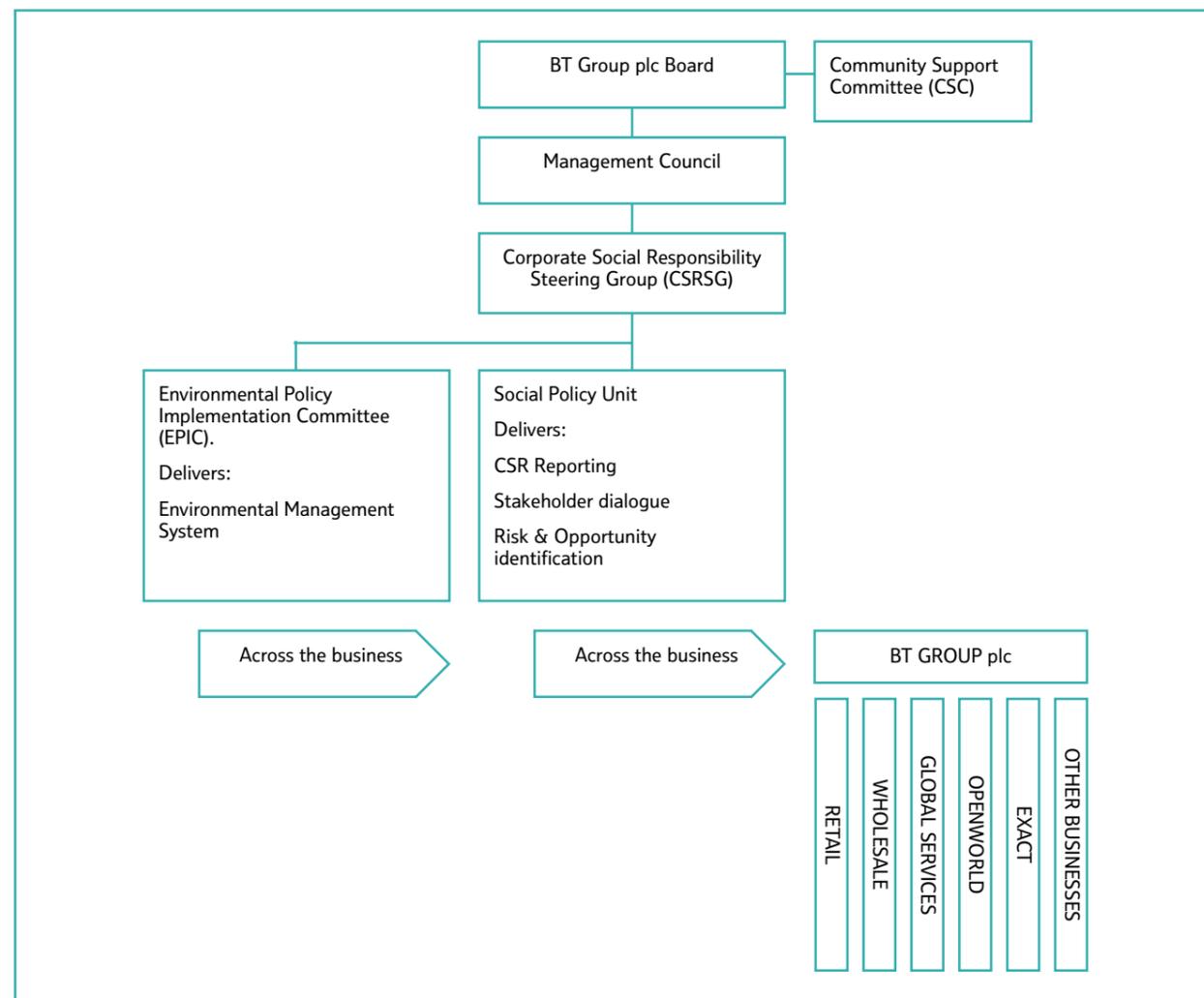
We have identified the issue of supply chain working conditions as posing a potential risk to our reputation. In order to address this potential risk we have introduced Sourcing with Human Dignity – a collaborative undertaking requiring the active support of all our suppliers.

More details on our management of Sourcing with Human Dignity are available in the Ethical trading section of the site.

Environment

BT's certification to ISO14001, the international standard for environmental management systems, includes an environmental risk assessment process. As a result, the bulk storage of diesel fuel for use in back-up generators at telephone exchanges has been identified as our only significant environmental risk.

More details of BT's management of this risk are available in the Fuel, energy and water section of the Better World site.



Public policy

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

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

We put forward our points of view on matters that affect our business interests and to ensure that those in government are fully briefed on issues surrounding and affecting the company's activities.

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

Trade associations

We communicate with government both directly and through many trade associations, such as:

- our European trade association (ETNO)
www.etno.belbone.be/
- the Confederation of British Industry (CBI)
www.cbi.org.uk/home.html
- the Federation of the Electronics Industry (FEI)
www.fei.org.uk/

We believe these activities form a legitimate part of the normal relationships between companies and the political machinery.

Consultation

Our responses to important regulatory consultation documents are posted on our website (www.bt.com/regulate/otherresp/index.htm). This site includes our responses to a range of communications industry specific consultations, but also our responses to:

- the EU Green Paper on Corporate Social Responsibility
- the UK Government's consultation on sustainable development, including our position on environmental taxation

Public policy and sustainable development

We are also members of a number of organisations that attempt to influence public policy on matters connected with corporate social responsibility and sustainable development. Some, but by no means all, of these are business led:

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

In particular, we acknowledge that government has essentially two methods of stimulating changes in behavioural patterns that will lead society towards more sustainable lifestyles: regulation, and the use of economic instruments.

We believe there is a role for both, and support reasonable moves to improve the environment and quality of life through their application.

Vision and Values

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

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.

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.

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.

We believe in what we do

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

We create new possibilities

- 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.

