BT conducts a vast range of procurement activities with thousands of suppliers around the globe.

In the 2003 financial year, we spent over £5 billion with our suppliers.

Expenditure included a wide range of goods and services, from major network and IT equipment, cables and software to design services and disposals.

We are committed to ensuring that all our dealings with suppliers – from selection and consultation, to recognition and payment – are conducted in accordance with the principles of fair and ethical trading.

Key aspects concerning suppliers covered in this section are:

• Selection – how we choose our suppliers.
• Development – how we work in partnership with our suppliers.
• Payment – our commitment to pay our suppliers promptly and as agreed.
• Recognition of supplier achievements through Awards.
• Ethical trading – the application of our Sourcing with Human Dignity standard.
• Diversity – the promotion of diversity in our supply chain.

Selection

BT operates a fair procurement process – administering, tendering and contracting procedures in good faith. We value the diversity of our suppliers and we will not make the award of a contract conditional on a supplier being a customer of BT. These and other specific commitments are detailed in our Purchasing Principles.

Authority for forming a contract is restricted to our authorised procurement professionals, trained to world-class procurement standards and applying BT’s Purchasing Principles. Our supplier selection process seeks to ensure that high safety, environmental and social standards are met. BT plays its part in a number of Government and commercially-sponsored initiatives designed to enhance small suppliers’ awareness of total quality, so that they can compete for business more effectively in the global marketplace.

See also:

• Purchasing principles

Development

We use a range of tools, from basic desktop evaluations to sophisticated supplier capability assessment and partnership evaluation processes – to assess and develop our suppliers.

We work closely with our key partners and share benchmarking of partnering best practice in order to strengthen our relationships. This partnership evaluation process, known as the PEM process, won an award in October 2002 from the Institute of Quality Assurance (IQA) for its leadership in the complex area of partnership development.

The benefits for companies engaging with the PEM process are becoming clear. One BT partner is exploring several new business opportunities following an evaluation identifying potential growth areas.

The PEM process also enhances our suppliers’ understanding of how to work in partnership. This not only benefits BT, but can also be of real use to suppliers when they compete for non-BT work. It is envisaged that BT major supplier relationships will be evaluated using the PEM process where both parties agree that benefits will result.

BT also shares learning and expertise in the areas of quality, the environment, diversity and ethical trading with its suppliers.

All our suppliers also get the chance to express their views and get a response via the supplier feedback form on our selling2bt website.

Relationship management programme

The procurement function in BT leads a supplier relationship management (SRM) programme for approximately its top 20 key suppliers. The SRM programme seeks to establish business relationships that create new sources of mutual benefits and as part of this programme summits are held with each participating company.

In addition, views and information are shared with our suppliers through a number of formal and informal meetings, with feedback helping both parties ensure that the buying process runs smoothly and efficiently. These meetings also provide an opportunity for BT and our suppliers to envisage and plan for future requirements and changes to our businesses.

Payment

BT’s policy is to use its purchasing power fairly and to pay promptly and as agreed. BT has a variety of payment terms with its suppliers.

The terms for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers.

It is BT policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the company in a timely fashion and is complete.

BT’s payment terms are printed on the company’s standard purchase order forms or, where appropriate, specified in individual contracts agreed with the supplier.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the 2003 financial year and the amounts owed to its trade creditors at the end of the year was 25 days.

Supplier awards

We hold our supplier awards scheme, ‘Investing in Excellence’, in the highest esteem and consider the level of prestige attached to the award to be of the highest order. The exceptional standard of submissions in 2002 was a direct reflection of the importance we attach to the awards. The award categories are closely linked to our key strategic objectives:

1. Quality of Product and Service
2. Innovation and Responsiveness
3. Reduced Whole Life Costs
4. Commitment to Social Responsibility
5. Breaking the Mould

We received over 60 entries for the 2002 awards. The overall category winner was 3M Quante Telecommunications Ltd. The individual category winners were:

• Quality of Product and Service: 3M Quante Telecommunications Ltd
• Innovation and Responsiveness: Belden Communications Division
• Reduced Whole Life Costs: Lucent Technologies
• Commitment to Social Responsibility: Finnforest BBH Limited
• Breaking the Mould: Edotech Limited

Further information on the suppliers is available on our Investing in Excellence Awards web site.

See also:


Ethical trading

Society expects the products bought from and used by BT to be manufactured under working conditions consistent with international guidelines. Chief among these are the UN’s Universal Declaration of Human Rights and the International Labour Organisation conventions.

To meet this expectation, in April 2001 we launched Sourcing with Human Dignity, a supply chain initiative which seeks to ensure that the working conditions in our supply chain really do meet accepted standards.

Although the promotion of these standards is common practice in the retail sector, it is still a relatively new development for the communications industry.

Of course, BT alone cannot commit to Sourcing with Human Dignity – it is a collaborative undertaking that requires the active support of all our suppliers.

Since the launch of our Sourcing with Human Dignity initiative we have been working with an increasing number of our buyers and suppliers to implement this initiative within our supply chain.

This is set out in our sections on Training, Risk Assessment, On-site Assessment, Industry Approach and Future Plans.

See also:

Training
It is critical that BT’s procurement professionals have the awareness, knowledge and skills required for the successful implementation of Sourcing with Human Dignity. This was a key focus for us during the 2003 financial year.

Buyers awareness training
We have been running a series of half-day awareness training courses designed to introduce BT buyers to the rationale behind the initiative, its key features and the role of buyers in ensuring its successful implementation. The courses have been attended by 176 (54%) of BT’s buyers. A Computer Based Training package has been developed to enable the remaining 46% of BT buyers to undertake the course and complete an online assessment. The package, launched in April 2003, is also available on the BT Intranet as an awareness raising tool for others in BT.

Assessors training
During the 2003 financial year we delivered – with the help of an external company – a two-day assessors course to procurement and quality professionals in the knowledge and skills required to conduct on-site assessments using the BT Sourcing with Human Dignity Standard.

In all instances we have sent the assessment reports to the suppliers and discussed our observations with them. We have either agreed improvement plans with suppliers and are monitoring progress, or for the more recent reassessments (in China and Sri Lanka) of supply chain working conditions in areas identified as being ‘high risk’. These assessments revealed a number of areas where improvements were required of suppliers to fully achieve BT’s Sourcing with Human Dignity standard.

For the 2004 financial year we have removed the £250,000 contract value condition and as a result expect the number of suppliers contractually agreeing to work towards Sourcing with Human Dignity to grow significantly.

Risk assessment
The 2002 and 2003 financial years have witnessed a phased implementation of the Sourcing with Human Dignity standard.

Ethical Trading Assessment Findings

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<th>Working conditions are safe and healthy</th>
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Industry approach
We held four ethical trading forums with our key network and IT suppliers following the launch of Sourcing with Human Dignity in 2001 to share experience and examine opportunities for collaborative working. However, the effective implementation of ethical trading standards in the communications industry doesn’t just require the support of our suppliers – it depends on the engagement of fellow service providers too.

By taking an industry-wide approach we are able to achieve more together on supply chain working conditions than we can alone.

For this reason we invited a number of industry colleagues to our fifth ethical trading forum in February 2003, which was attended by five other service providers.

In total, 17 major communications companies shared experiences and were presented with perspectives on ethical trading from a major UK investor and an expert in corporate social responsibility. The forum provided an opportunity for companies to address, in smaller groups, the issues most appropriate to the stage of development of their programmes. These included:

- Why bother with ethical trading?
- First steps in implementation
- Managing ethical trading issues with suppliers

The forum resulted in a number of companies expressing an interest in forming an industry-wide working group to address our shared concern about supply chain working conditions.

BT shares this view and is working proactively with industry colleagues towards the establishment of this group.
Future plans
During the 2004 financial year we plan to:
• Develop a supplier self-assessment process to use in conjunction with our on-site assessment programme.
• Ensure further investigation is conducted with all contracts identified as high and medium risk following an initial ethical trading risk assessment.
• Ensure all BT buying units inside and outside of the UK have received awareness training on Sourcing with Human Dignity and how to incorporate this issue into their procurement contracts.
• Launch and promote the completion of the Computer Based Training Package within BT.

Specifically we have established two targets:
• By March 2004 all BT buying units inside and outside of the UK will have received awareness training on Sourcing with Human Dignity and how to incorporate it into their procurement contracts.
• By March 2004 there will be evidence that action has been conducted with all contracts identified as high or medium risk in terms of GS18 Sourcing with Human Dignity.

See also:
• Data and targets
• Ethical Trading Initiative

Diversity
The business case
BT has been at the forefront of the equality and diversity agenda for some time, and has been especially active in developing the business case for diversity.

Diversity is commercially important to us and built into our business objectives because our customer base is diverse. At least one in four customers either have a disability or are close to someone who has. This is a large customer sector which we must understand and align with, if we are to provide a truly world class service.

To gain the full benefits and competitive advantage of diversity it must be reflected throughout our operations, including our supply chain.

Supplier diversity programme
Through our supplier diversity programme we work with Minority Business Enterprise’s (MBEs) to help encourage a diverse supply chain. MBE businesses are defined as being at least 51% owned, controlled and operated by one or more members of a minority group – including ethnic minorities, women and people with disabilities.

We believe thereby working with these business communities we are contributing to business development and job creation.

The success of the first phase of the programme confirms that ethnic minority MBE companies do indeed have the richness of skills and expertise that we need to ensure our products and services reflect the diversity of the markets we serve. This has been reflected in the number of MBEs who have secured sub-contracts with BT and its main suppliers.

Activities
We have already implemented a successful programme for ethnic minority MBEs. We are now applying the same techniques to drive our programmes with Disability and Gender MBEs.

To help shape the programmes, we run strategy groups of internal BT people and external organisations who represent the interests of ethnicity, disability and gender MBEs. For example, we are currently working closely with the non-government organisation ‘Action for blind people’ (www.afbp.org.uk).

Key programmes
To reinforce our commitment to MBE businesses we run two major MBE development programmes – ‘Business to business mentoring’ and ‘Business development seminars’.

Business to business mentoring
This is a structured relationship bringing together BT, an MBE owner and representatives from BT’s suppliers. We seek to share best practice with MBEs and learn from each other’s experiences. We are currently working with four companies in this way, in the area of disability. By the end of 2003 we aim to have recruited a total of 10 MBEs each in the areas of disability and women owned business.

Working in this way gives MBEs the opportunity to develop skills that will help them run their business more competitively, and at the same time provide experience of working with a large organisation.

Business development seminars
Business development seminars are open to any MBEs who register with BT. They focus on sharing our knowledge of specific business disciplines with MBEs. So far we have delivered seminars in Marketing, Procurement, Finance, Customer Service and IT, and will be delivering an expanding range of courses in 2003-04.