

Business Principles

let's make a
better
world



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.

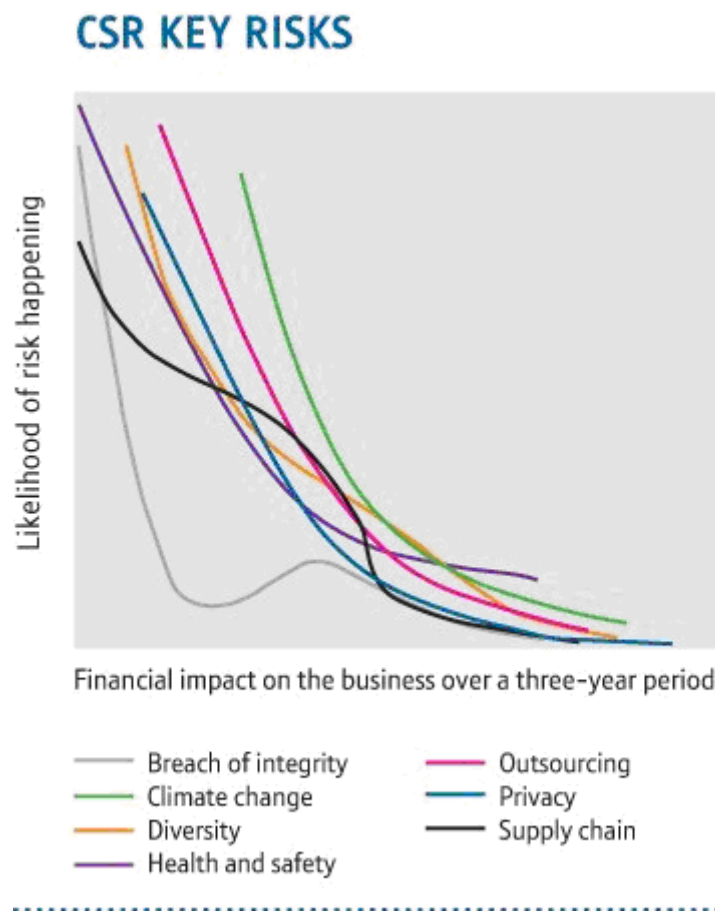
Our CSR risk register sets out our most significant social, ethical and environmental risks. These are disclosed below and in our annual financial report and accounts. There is a person in charge of dealing with each risk and all have a mitigation strategy in place. The register is updated twice a year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



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

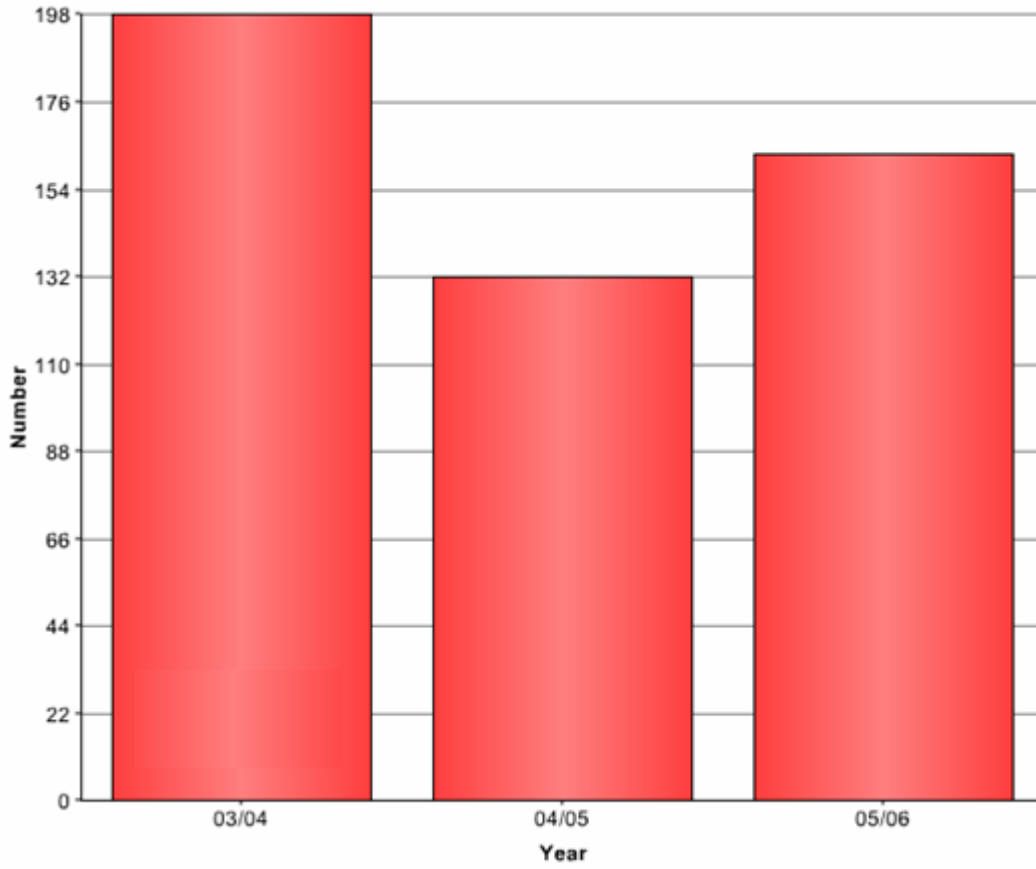
| Indicator | Description | Measure | Target |
|------------------------------------|--|--|---|
| Ethical Performance Measure | A measure of our progress in acting with integrity | During the 2006 financial year the Ethics Performance Measure was 72%. | To maintain the Ethics Performance Measure at 72%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

Business principles Targets

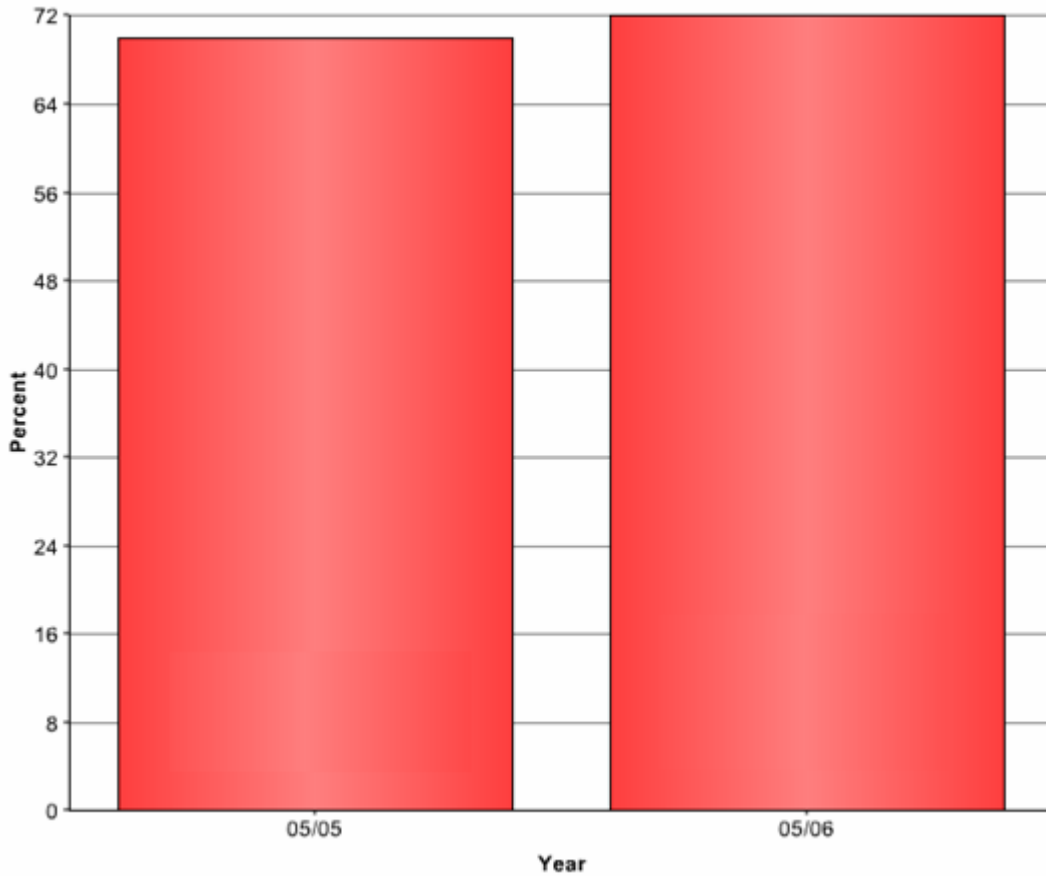
| Start Date | End Date | Description | Update | Target Status |
|------------|------------|--|--|---------------|
| April 2006 | March 2007 | BT will maintain its Ethics Performance Measure at 72%. | | New |
| April 2005 | March 2006 | We will increase our Ethics Performance Measure score to 71% from 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

