Changing world: Sustained values 2008

Innovation and implementation
This year we focus on innovation and implementation. These two themes sum up our approach: our search for commercial opportunities that address sustainability challenges, and our commitment to embedding sustainable practices into core business processes.

The review is structured around the four strands of our corporate social responsibility (CSR) strategy and contains information on our aspirations as well as progress made. We concentrate on the issues most relevant to BT and our stakeholders, which we identified through a formal materiality process (see page 16).

Key performance indicators (KPI)
Where you see this symbol • • •, there is related performance data in the KPI table at the back of this review.

External views
There is a summary of feedback on this review from our Leadership Panel, a group of external experts who advise BT on sustainability, on page 18.

The review has been assured by Lloyds Register Quality Assurance (LRQA) against the AA1000 Assurance Standard (see page 19).

Our full Sustainability Report
This review is intended for our employees, key business customers, investors and analysts.

For comprehensive information on our sustainability approach and performance please visit our Sustainability Report at www.btplc.com/betterworld. This follows the Global Reporting Initiative Guidelines and includes information relevant to the UN Global Compact.
Who is BT?

BT is one of the world’s leading communications services companies. Our vision is to be dedicated to helping customers thrive in a changing world.

Our capabilities range from:
- the provision of a single, domestic telephone line in the UK to the development of an innovative global network infrastructure for the twenty-first century;
- mission-critical global networked IT services for multinationals to broadband packages for the home;
- next-generation TV to Voice over IP services; and
- innovative calls packages for homes and businesses to value-added services such as online trading communities and comprehensive IT support.

Our more than 16 million customers range from individual consumers with a single phone line, to government departments and some of the world’s biggest multinational companies.

2008 revenue by customer segment (%)

- Major corporate: 26%
- Business: 37%
- Consumer: 24%
- Wholesale/carrier: 13%

BT serves customers in over 170 countries. In order to be where our customers need us to be, we are growing our global business organically and through acquisition.

Non-UK regional revenue growth in 2008
- Europe (excluding UK): 15%
- Americas: 19%
- Asia Pacific: 66%

The BT values capture the way we get things done. They are at the heart of every compelling customer experience.

Our values are:
- Trustworthy: we do what we say we will
- Helpful: we work as one team
- Inspiring: we create new possibilities
- Straightforward: we make things clear
- Heart: we believe in what we do

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

We are meeting the needs of our different customer groups – major corporates, government and financial institutions; consumers; small and medium-sized enterprises; and other communications providers – through four customer-facing lines of business, supported by two internal functional units.

We are BT Design

We are BT Operate

BT Group
Continuing the CSR journey

Joining BT as chairman this year has been hugely exciting. BT is a great brand involved in an incredibly important industry, with an inspiring track record of leadership in corporate social responsibility (CSR). We operate in a highly competitive industry and a fast changing world. Our business has already undergone rapid transformation and global expansion, and we need to continue and even accelerate this process.

Continuing the CSR journey

We are delighted that Dame Ellen MacArthur has agreed to be ambassador for our worldwide CSR programme. Our three-year sponsorship of the Offshore Challenges Sailing Team, led by Dame Ellen, will raise awareness of our commitment to CSR among a wider global audience.

Of course we have much more to do. Extending our programmes and successes across our global business remains a priority and a challenge. Key to our success will be our ability to attract the most talented people from around the world. Our CSR strategy creates the right work environment to help our employees flourish and build their skills for the 21st century.

We recognise the importance of transparency and accountability. As well as detailing our progress in our Sustainability Report, we are signatories to the UN Global Compact and publish BT’s performance against its principles, which are listed at www.unglobalcompact.org.

This report is a taster of the activity going on around BT. Each section includes a Q&A with BT leaders to explain how we deal with some of the tensions and synergies that can arise between our business strategy and our sustainability goals.

We have applied the principles of the Accounting for Sustainability project established by HRH the Prince of Wales to our KPI table this year. This combines financial and non-financial information for the first time, which illustrates the close relationship between the two.

We are trying to get it right in all areas, but have more to learn in some, and a lot of work to do. I welcome your ideas and feedback.

Sir Michael Rake
Chairman

Our CSR strategy provides a clear vision for how we can continue this transformation in a way that benefits BT, our customers, society and the environment.

I’m delighted that our progress and commitment continues to be recognised. This year we were ranked sector leader in the Dow Jones Sustainability Index for the seventh consecutive year and were named Company of the Year in the Business in the Community Awards for Excellence. But even more pleasing for me is the genuine commitment to our values I’ve seen from people across BT. There is real passion to apply communications to help create a better, more sustainable world.

We have made good progress against our goals. In our own operations we have reduced energy use, increased recycling and announced our intention to develop our own wind farms to generate up to 25% of our UK energy needs.

We are committed to putting our customers first. Excellent customer service is our number one priority. The launch of our Sustainability Practice will help customers reduce their environmental footprint. Our Inclusive Society programme is spreading the benefits of enhanced communications more widely and our new Inclusive Design Toolkit will encourage more accessible design across the industry. Through our Sustainable Economic Growth programme we have started to truly embed sustainability into our business thinking and product development processes.

Sir Michael Rake
At BT, we know that responsible behaviour and sustainable development matter to our business, and we are determined to make a positive contribution to society. In this context, there is no doubt that climate change is one of the most pressing issues now facing the world. This has become abundantly clear to me while chairing the Confederation of British Industry Climate Change Task Force.

A global challenge

At BT, we’ve long recognised this global environmental threat, setting our first reduction target for CO₂ emissions in 1992. Since then the problem has become ever more urgent and decisive action is needed.

I am convinced that business has a key role to play, alongside governments and individuals. We have the resources, the talent and the creativity to find the solutions. And if we get it right and invest now, we have everything to gain – new markets, lower operating costs and stable prosperous societies.

BT and the other Task Force members have agreed challenging targets to help transform the UK into a low-carbon economy. We will step outside our comfort zone and accept greater regulation and costs in some areas. Translating our commitments into reality with the urgency required will be a real test – and we can’t afford to restrict our efforts to the UK, we must tackle climate change globally.

As this report shows, BT is already well on the way. We have reduced our own footprint in the UK by 58% since 1996 and have set a stretching new target for our global business. We are finding new ways to involve our employees and suppliers in our efforts and offering solutions that empower our customers to make a difference too.

We must continue to deal with climate change in the same way we tackle all business challenges. We need a clear vision of what we want to achieve and a road map for how to get there.

I am truly proud of the progress we have made on this and other CSR issues since I joined BT in 2002. It’s particularly rewarding that this has taken place alongside our business transformation – in particular our successful entry into the broadband market and the implementation of our 21st Century Network. This reflects the hard work and commitment of people throughout BT, and I thank them for all their efforts.

When I step down as chief executive on 14 May 2008 I have every confidence that BT will continue to lead the way as a sustainable business, putting customers at the heart of what we do. My successor, Ian Livingston, has already played a key part in BT’s transformation in his previous roles as finance director and head of BT Retail. I leave the business, our customers and our commitment to society in very capable hands.

Ben Verwaayen
Chief executive

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Ben Verwaayen
Responding to and anticipating change

We operate in a fast-changing world. Social and environmental factors such as climate change, resource use and population growth are creating huge challenges for society. At the same time, technological innovation is transforming the way we communicate and do business, stimulating economic growth and enabling the globalisation of business. The rise of economies such as India and China is altering the global political and business environment.

To remain profitable we need to anticipate change of all kinds – technological, economic, social and environmental. We must be flexible and confident enough to embrace these changes and seize the opportunities they present. We must understand what each change means for our customers and respond to their needs with innovation and creativity.

We are seeking out new uses for our technology that help our customers thrive in this changing environment, grow our business and contribute to a better, more sustainable world.

Our business strategy

BT has changed profoundly in the last 20 years. We have evolved from a UK telecoms business to a global provider of communications solutions and services, using advanced technologies to serve customers worldwide.

Our commitment is to improve shareholder returns by building long term partnerships with our customers. We do this by providing a combination of traditional communications services and new wave products and services such as broadband and managed services, and by creating the next generation of products through our innovation pipeline.

Our strategy

- **Long-term partnerships with our customers**
  - Defend traditional business
  - Grow new wave products and services

- **Global 21CN platform**
  - Increased focus on providing global, real-time and open platforms and putting the customer at the heart of everything we do

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Key sustainability trends affecting BT and our customers

- **Globalisation** results in commerce taking place on a global stage. Customers need reliable and secure ICT solutions that keep their business connected across all their locations.

- **Rapid economic growth in emerging markets** is creating new commercial opportunities for BT and many of our customers. We need to offer products and services that meet the needs of our growing customer base in these regions. At the same time we will face increased competition as companies based in emerging markets become global players.

- **Climate change and rising energy costs** will mean businesses, governments and individuals in all countries seeking out energy-efficient products and services.

- **Population growth, urbanisation and migration** will require governments, with the help of business, to provide basic services in new ways to more people.

- **Poverty** is a pressing social concern in many parts of the world. There is a growing gap between the middle class and the poor, with the potential to cause social unrest and instability.

- **Ageing populations and a rise in the incidence of chronic disease** will continue to strain national healthcare systems. New ICT solutions may be able to help, for example, by allowing remote monitoring and treatment.

- **Resource shortages including water scarcity** are making efficiency an ever more important business issue.
Our CSR strategy

We want to grow our business in a way that benefits our customers and society, and to use communications technology to help tackle social and environmental challenges.

We have a very long-standing commitment to responsible business and work hard to maintain this momentum. We established our Age and Disability Team to champion accessibility in 1984, launched our environmental management system in 1991, set our first carbon dioxide (CO₂) reduction target in 1992 and have been accredited to the Investors in People training standard since 1998.

Our CSR strategy is to continue this world-class performance while challenging ourselves even further in key areas. We prioritise three issues where BT has the most opportunities to make a difference and grow our business: climate change, social inclusion and sustainable economic growth.

Our most innovative actions in these areas in the 2008 financial year were:

- developing a stretching new climate change target for our global business, which links our economic and environmental performance to the global action required to stabilise our climate (see page 6)
- creating an opportunities map to help us communicate and prioritise sustainable business opportunities throughout our business (see page 17).

We have task forces made up of representatives from our different lines of business for each of our three focus areas. The task forces are chaired by senior BT executives, who provide the support and guidance needed to turn our goals into reality.

We discuss our strategy, progress and future plans for all three priorities in more detail on pages 6–11. We also include Q&A discussions with each of our task force sponsors on the challenges and opportunities BT faces.
Climate change looks certain to shape our society, environment and way of life in the future, affecting businesses, governments and communities worldwide. All our customers can reduce their energy consumption using ICT products and services. We can boost our profitability and enhance our reputation by meeting this growing demand.

In 2007, BT’s chief executive, Ben Verwaayen, chaired the Confederation of British Industry (CBI) Climate Change Task Force of leaders from 18 major UK companies. We have pledged to help fulfil the Task Force’s commitments, which are included in its report, Climate Change: Everyone’s Business.

Our carbon-busting strategy

Work is underway right across BT to implement the four elements of our global carbon strategy:

- **Reducing** the impact of our operations
- **Empowering** customers to reduce their impacts by offering innovative products and services
- **Influencing** our suppliers to provide more energy efficient products and services
- **Encouraging** our employees to reduce their carbon footprint at home and at work.

Here we focus on the first two elements. There is more information on our carbon strategy in our online Sustainability Report.

**Reducing the impact of our operations**

We have already reduced total carbon dioxide (CO₂) emissions in our UK business by 58% since 1996. This figure is lower than the 60% we reported last year primarily due to changes in electricity conversion factors published by the UK Government. Our UK target is to achieve an 80% reduction by 2016. Reducing our worldwide carbon footprint alongside our growth will not be easy, but it is essential. This year we have set a stretching new target to reduce our worldwide CO₂ emissions per unit of BT’s contribution to GDP by 80% from 1996 levels, by 2020. This directly links our economic and environmental performance to the global action required to stabilise the climate. We discuss this further in our online Sustainability Report.

We are working towards our targets in three ways:

**Reducing our demand:** this year we carried out energy audits at ten UK data centres and three in Europe. We now plan to cut their energy use in line with our carbon reduction targets. For example, we are reducing energy use in our iNet data centre in Italy by using water from wells to cool the site instead of refrigerated air conditioning.

**Buying low-carbon electricity:** our green electricity contract in the UK is one of the largest in the world. We also have low-carbon electricity contracts in Belgium, Germany and Italy.

**Generating low-carbon energy:** renewable electricity supplies are limited in most countries and growing demand is pushing up prices. This year we announced plans to develop our own wind farms in the UK. This is the UK’s biggest wind power project outside the energy sector and by 2016 will satisfy up to 25% of our UK electricity needs. We are exploring suitable sites and expect to start generating power in 2012. We are also installing a photovoltaic solar system at our office complex in southern California in the USA. At our Adastral Park site in the UK we are building an energy efficient combined cooling, heating and power plant.

We are committed to transparency, and have proposed a labelling scheme for UK electricity supplies similar to the A to G rating already used for electrical goods. The proposal has been well received and we hope it will be included in UK energy policy.

**Empowering our customers**

We are developing innovative products and services to help our customers reduce their climate change impact. In January 2008, we launched a range of energy efficient phones that cut electricity use by roughly half. More than 90% of our home-phone range will be more energy efficient by July 2008, cutting an estimated 195,000 tonnes of CO₂ emissions over the next three years. Sustainability is an integral element of our approach to product design (see page 10).

We launched our Sustainability Practice in 2007 to help our large corporate and public sector customers make better use of ICT to become more sustainable. The first service launched as part of the practice is the BT Carbon Impact Assessment, which calculates organisations’ CO₂ emissions and recommends ways to reduce them. Learn more about our actions in each element of our carbon strategy at our climate change website:

[www.btplc.com/climatechange](http://www.btplc.com/climatechange)
Can business grow while reducing its energy use?
Yes, if we can achieve a step change in our energy efficiency and in our consumption. New generations of equipment necessary for our business and the way in which we design and operate them will help us achieve this. Also, we are in the ICT business. Effective deployment of ICT will reduce energy needs, including close monitoring of energy consumption.

Is competition for limited supplies of green electricity a worry for BT, given that this accounts for a high percentage of your CO2 reduction?
Yes it is a concern. Our plan to generate our own wind energy is one of the ways we’re protecting future supplies and guarding against potential scarcity. We’re looking at opportunities across our global business too. For the last three years we have purchased a significant proportion of the UK’s green electricity output and we believe this commitment is helping to encourage greater production.

About 15% of the electricity used in a UK home is wasted by electronic equipment left on standby. Is BT reducing the standby energy consumption of its products?
This is a priority for our retail division and supports the CBI Climate Change Task Force commitments. Energy consumption is one of the sustainability criteria we now use to help us assess potential new products and services, and we’re working hard to improve existing products. We’ve made significant improvements on some products, such as our new energy efficient cordless phone range. We also plan to reduce the amount of power BT Vision set-top boxes use when on standby. Other product improvements we’re working on include including a power-saving mode for the BT Home Hub broadband router. We will also communicate better with our customers about our progress.

As a major buyer of network equipment, how successful has BT been at influencing its suppliers on energy efficiency?
We fully recognise that to make the largest impact we need to influence our supply base. This year we introduced three new procurement principles as part of our actions to address the climate change challenge. We launched these to our top 200 suppliers in June, the response has been extremely positive. In our Supplier Innovation Awards which ran over summer 2007 we had over 130 entries, 28% of the suppliers highlighted innovations in the areas of energy efficiency and improved environmental impact.

How important is employee engagement and how successful has BT been in this area so far?
It is absolutely fundamental. In such a complex business there is no way we can have a policy or guidance note for everything. We need the collective will and individual action of our employees. Our Carbon Clubs and network of senior manager champions are starting to make a difference in this area. We’re also beginning to build in sustainability in business cases, which will encourage everyone at BT to consider climate change in any major business decision. I believe there is now widespread recognition of the importance of climate change in the company and the role BT can play. This will only increase as our customers become more engaged.

Over half of BT’s waste is still going to landfill. Is this a significant cost to the business and are you doing anything to tackle this?
It is a cost to the business and we are focusing on reducing waste year on year. The increase in recycling across our operational and office estate has improved significantly this year and we are also undertaking a project to assess what an appropriate long-term target would be for BT and how we might achieve greater reductions in the future.
We believe that an inclusive society where everyone can participate will be more stable and productive. ICT can give individuals and communities everywhere the opportunity to take part in the global economy. The challenge is to ensure the benefits are felt equally. Millions still lack access to technology and the skills to use it, and in many countries the gap between rich and poor is widening.

We want everyone to share the benefits of communications technology. Our Inclusive Society programme promotes inclusion by:

- making our products readily available, affordable and easy to use in our consumer markets
- increasing communication and ICT skills through community investment programmes
- creating an inclusive culture across BT.

Inclusive products
We consider accessibility in product design and aim to make our entire consumer product range easy for everyone to use. A number of our products have features specifically for people with disabilities. These include visual ring indicators, big buttons and hearing aid compatibility. One in four UK consumers have a disability or has a close friend or relative that has a disability; and half of our retail customers are over 45.

In 2007, we set up a new Centre of Excellence for Inclusive Design to work more closely with BT designers and product managers to incorporate accessible measures throughout the design process. We also trained over 130 BT Retail product managers in inclusive design. July 2007 saw the launch of the Inclusive Design Toolkit, developed by BT and i~design (a business and academic consortium). This is free and is publicly available at www.inclusivedesigntoolkit.com. The toolkit includes a calculator to help designers understand how accessibility features can increase a product’s market potential.

Increasing skills and benefits
Even when communications technology is readily available some people do not feel able to use it. For example, while we have made broadband available to almost 100% of UK households, the UK Office for National Statistics estimates that 33% of adults lack the skills or motivation to use the internet.

We help to increase digital inclusion in some of the UK’s most deprived communities, in particular through the EverybodyOnline programme. Currently active in 13 UK communities and run by the charity Citizens Online, the projects have helped increase internet use by up to 12% in these areas. This year the project has helped almost 5,000 people to improve their skills and 75 people to find employment.

BT also invests in a long-term programme to improve young people’s communication skills. For example, last year over three million students across the UK had the use of free, curriculum-based resources provided by BT, and 1,700 teachers were trained in their use. Feedback from teachers, pupils and parents has been very positive.

We are testing other partnership approaches in our global business. For example, the Lifelines project in India is a phone-based information service providing vital information to rural farmers. Analysis shows that crop quality and animal care have improved as a result, with some farmers increasing their profits by as much as 150%.

An inclusive company
Because our customer base is now global, our workforce is based in more locations. Eighteen percent of our people are now based outside the UK, and creating a supportive and inclusive culture across BT is essential. By embracing different ideas, cultures and experiences we hope to become closer to our increasingly diverse customers, stimulate innovation and sustain our transformation and growth.

This means applying our long-standing inclusive working practices – including our equal opportunities, fair pay and anti-bullying policies – consistently throughout our global operations.

In the 2008 financial year, we benchmarked our global diversity performance for the first time using the Schneider Ross Global Diversity Benchmark. We received the second-highest scores for diversity and inclusion-related processes.

Our own ICT services help our employees work more flexibly, including working from home. This makes employment with BT possible for more people, including working parents and people with disabilities, and helps employees achieve a better work-life balance. There are also financial and environmental benefits from lower operational costs and reduced travel.
Q & A

3 million UK students benefited from BT’s curriculum-based resources

18,000 children

UNICEF
18,000 children in South Africa benefit from our partnership with UNICEF

Skills

Jane Hobbs
Inclusive society sponsor and human resources director, Openreach

Q The high cost of new technologies can be significant in preventing access to technology. What is BT doing to keep the cost low?
A This issue is most relevant to consumers, and we only serve this market in the UK and Ireland. It is a very competitive market, and our prices reflect that. We aim to keep our costs low without compromising customer service. We also offer key services to low-income customers at subsidised rates, such as the BT Basic telephone service. Our Broadband comparison site enables UK residents to easily compare the main UK broadband providers (including ourselves) on the price and features provided. Our challenge is to help make communications services affordable in markets where we have no direct access to consumers. We are working on this as part of our Sustainable Economic Growth programme.

Q Are women under represented in BT’s management? Is this commercially significant and what is BT doing to increase gender representation?
A Women accounted for 22% of BT’s management this year. We don’t have a specific target for increasing gender representation. Rather we focus on creating an inclusive workplace that attracts talented people from all backgrounds. Key elements include our commitment to flexible working practices, and our fair pay, equal opportunities and anti-harassment policies. We also have a gender champion to help promote diversity across BT. BT performs well in independent benchmarks such as that run by the Opportunity Now network, and has signed up to several other external initiatives that promote opportunities for women.

Q Does diversity in your workforce improve customer service? Has this been measured?
A Our people need to reflect the customers we serve and their differences — be that in terms of ethnicity, gender, sexual orientation, age, belief or disability. We believe this contributes to a better overall customer experience. As we expand globally we need to think about diversity in new ways and ensure that we have the right employees in place to serve our customers wherever they are.

Q Are you helping to address the digital divide in emerging markets?
A We have some great programmes in India, including our KATHA schools project helping young people build their skills and Lifelines India enabling farmers to access expert farming and veterinary advice by phone. We launched a three year partnership with UNICEF last year, helping young people in Africa, Brazil and China develop ICT skills. Beyond this we are exploring the relevance of “base of the pyramid” business models for BT through our Sustainable Economic Growth programme.

Q Is inclusive design commercially significant for BT in your global business?
A There is a large market for more accessible consumer products in the UK, and this is likely to increase as the population ages. Inclusive design is also important for our public sector and business customers worldwide, who need to address the accessibility needs of their own employees, customers and citizens.

Q Given the scale of the digital divide, aren’t your projects just scratching the surface?
A We’ve made great progress through some very innovative programmes. Yet we know that our contribution is relatively small given that millions of people still don’t have access to communications technology. The challenge for BT is to ensure that the programmes we fund are effective and widely replicated, and the support we give our partners helps them to bring their programmes to more people.
Until recently, corporate sustainability efforts have tended to focus on community investment, mitigating risks and reducing an organisation’s social and environmental impacts. This work is essential but is only one part of the story. Tackling the world’s sustainability challenges requires change on a huge scale.

We believe the most significant contribution we can make is to deliver ICT products and services that help our customers become more sustainable. This supports our commitment to responsible business and our long-term commercial growth.

Our Sustainable Economic Growth programme has two equally important elements:

- **innovation** – seeking out new long-term commercial opportunities to create a more sustainable world
- **integration** – making sure that sustainability is embedded into our key business processes and becomes business as usual.

This work is really challenging and requires a long-term approach. During the 2008 financial year we made progress in a number of areas:

### Anticipating sustainable development trends

We are tracking global sustainability trends and using this analysis to better understand how ICT can help solve environmental, social and economic problems. This knowledge will help us create new products and services with a positive sustainability impact.

### Product criteria

In 2007, we established a set of sustainability criteria for assessing potential new products and services. These use qualitative and quantitative measures in five areas:

1. Medium to long-term economic viability of our customers
2. Contribution to wellbeing
3. Materials use and waste
4. Energy use and CO₂ emissions
5. Community impacts from the use of a product or service.

During the next financial year, new products and services will be assessed against the criteria as part of our standard development process. We are running a series of master classes to familiarise our product development teams in all lines of business with the new requirements.

### Creating an opportunities map

We have created an opportunities map to help us communicate and prioritise sustainability opportunities throughout our business.

The map (see page 17) quantifies the commercial potential and sustainability impacts of products and services currently in development, as well as longer-term prospects. We will also use this to raise awareness with investors and other stakeholders. A number of our lines of business are pursuing sustainability-related business opportunities. Our Sustainability Practice for business and government customers is one example (see page 6).

### Future plans

**Innovation**

Our work to find long-term marketplace opportunities through innovation will have two main areas of focus this year:

- reaching the base of the pyramid – many companies operating in emerging markets are adopting ‘base of the pyramid’ business models: commercial products and services designed specifically for poorer customers. We are expanding rapidly in emerging markets and exploring our potential to help meet social needs profitably. This is a challenge because we do not directly serve consumers in these regions. The most promising opportunities for BT lie in using our capabilities and the benefits of ICT to help our business customers and government partners gain access to markets at the base of the pyramid or serve them more efficiently.

- radical energy efficiency – we will develop products and services to help consumers to reduce their energy consumption. This is in line with our CBI Climate Change Task Force pledge to help UK households halve their energy consumption by 2020 (see page 6).

**Integration**

Work will continue this year to integrate sustainability into key business processes and make sustainability business as usual. As part of this we are increasing our focus on product stewardship. We will assess the environmental impact of BT-branded product packaging against best practice standards. Over the next two years we will develop and pilot a methodology for measuring the carbon footprint of our products and services globally.

### Tracking our progress

We will develop a set of indicators to track our progress and publish these in our 2009 Sustainability Report.
How significant a financial contribution will your Sustainable Economic Growth programme make to the business? How do you plan to measure this?

Our Sustainable Economic Growth programme is about creating innovative products and services with a strong positive sustainability benefit over the medium to longer term. It's early days so it's difficult to quantify the business benefits yet, but financial viability is one of the criteria for any new product so there will be a contribution to the bottom line. We are also working to understand whether some of our existing products and services have sustainability benefits that we hadn’t considered before.

Have you measured customer demand for products with environmental benefits? Where is it strongest and is it likely to continue in the long-term?

Our major business and government customers want to examine our sustainability credentials as a part of their tendering processes. As for consumers, we’ve seen a very good response to initiatives in this area such as the new range of energy efficient digital cordless phones we launched in January 2008. Research shows that customers are becoming more interested in environmentally friendly products and services, so I expect to see demand grow over time.

How are you addressing the sustainability needs of customers in less developed countries?

It’s challenging for us to address these needs as we have no significant direct access to consumers outside the UK and Ireland. As a responsible business we still believe we have a role to play in addressing these issues, particularly as our business with commercial, government and third sector customers is growing rapidly in these parts of the world. There are possibilities for our technology to enable others to better reach, serve and interact with so-called ‘base of the pyramid’ customers. This year we will try to determine how to use our skills and expertise to the greatest effect in this area.

Can ICT help governments address healthcare challenges? Does BT see this as an area of potential growth?

Providing adequate healthcare is an enormous challenge for the developing world, given the population explosion and lack of infrastructure and healthcare professionals. BT’s expertise from providing ICT solutions to the UK National Health Service is in demand in around the world, including in the Middle East and Asia. We believe that our BT Vital Life product set has real potential to benefit people with chronic disease and make healthcare more efficient. It enables people with conditions like diabetes and heart disease to monitor their illness and send updates to a central database for review, analysis and alerting.

What is your long-term aspiration for the Sustainable Economic Growth programme? How will it change BT?

I want sustainability to play a much greater role in creating profitable commercial opportunities for BT. Business has a real opportunity to help address the major global challenges that face us all while building sustainable revenue streams for BT.
The business case for CSR

CSR affects business performance in five key areas:

1 Risk management
We have seven key CSR risks: breach of integrity; climate change; diversity; health and safety; outsourcing; privacy and supply chain working conditions.

2 Reputation
BT Retail customers who believe that BT takes its responsibility to society and the community seriously are 49% more likely than other customers to be very or extremely satisfied with BT.

3 Cost reduction
In 2005 we developed a model with Forum for the Future which assesses savings from energy, waste and travel programmes. Over a five year period, 2004–08, we have saved £365 million (see page 13).

4 Employee motivation
Our relationship with employees is crucial to business success. In a recent survey, we found that 66% 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 and supported bids worth a potential £2.2 billion to BT in 2008. Sustainability trends create new market opportunities for us. Through our CSR strategy we are using technology to help organisations, governments and individuals find more sustainable ways of communicating, working and living.

Many of our CSR policies and programmes are very long-standing, but we are not complacent. We strive for continual improvement, to embed responsible business practices in our company and to tackle new challenges created by changes in our business and society. This section summarises our performance on key issues during the 2008 financial year.

Putting customers at the heart of what we do
We have over 16 million customers in over 170 countries. 37% of our revenues are from contracts with organisations with significant global requirements. We only serve consumers in the UK and Ireland.

Maintaining high levels of customer service is essential in such a competitive industry. We need to provide the right products at the right price and the right time, listen to our customers, meet their expectations and treat them fairly.

The more businesses, governments and individuals rely on ICT, the more important it is that our services are innovative, secure and resilient.

Customer service
Our goal is to be number one for customer service. We believe this is vital in all our markets. To measure our progress, we have changed our customer service measures to more directly reflect our customers’ experience throughout their dealings with BT. Our new measures are Right First Time (keeping our promises) and Cycle Time (the speed at which we deliver service). These form part of our corporate scorecard for measuring overall business performance.

We are focusing on getting things ‘right first time’ because this will streamline the customer experience and reduce ‘cycle times’. We set ourselves the group-wide target in the 2008 financial year of improving Right First Time by 11%. In fact, we achieved an increase of around 9% and, for the 2009 financial year our target is to achieve an even greater year-on-year improvement.

Key themes > Responsible business

Responsible business
We want to be known for world-class performance in CSR, across all areas of our business. This supports our long-term growth, creates competitive advantage and builds successful relationships with our stakeholders.
BT’s network proved resilient during the unusual stormy summer weather in the UK in 2007, and customer satisfaction only fell in those areas experiencing the most serious, long-term flood damage. In late summer 2007, some customers experienced delays in the installation of their new phone line, due to teething problems with a new IT system.

We constantly seek to improve the way we handle the millions of customer calls we receive each month. We look for suppliers around the world with the capability to provide our customers with a good service, and ensure this is delivered consistently, irrespective of location, by having the same processes, systems, monitoring and performance measures. Our research shows that in certain areas, such as consumer broadband technical support, the helpdesk being offshore is steadily falling as a reason for dissatisfaction, and satisfaction is increasing thanks to the quality of service provided.

Privacy
In February, we announced that BT, along with other Internet Service Providers, had entered into agreements with Phorm to enable us to offer our consumer broadband customers a new free internet feature, Webwise. Webwise will make web browsing more relevant to users by linking the advertising they see on participating websites to their interests. It will also warn users if they try to visit a known phishing website, automatically increasing protection.

Customer privacy is extremely important to us. The system is designed so that users remain anonymous and does not store any personal information that could be used to identify an individual. Webwise uses cookies that contain a randomly-generated number to identify each computer and match browsing activity to relevant adverts. Customers will be offered a clear choice as to whether they want to use the service. We plan to begin trials of the Webwise service shortly.

Business ethics
It takes a strong ethical culture to perform consistently well on CSR issues. We train all employees in our values and business principles and they can report suspected ethical breaches using a confidential telephone and email helpline. In 2008 we dismissed 59 people for unethical conduct.

We assess the risk of unethical business practices before deciding whether to tender for business or establish operations in a new country. Our online tool, CSR Countries at Risk, helps employees assess ethical risks in 158 countries.

Environment
Reducing our environmental impact helps to improve efficiency and reduce costs. In the five years since 2004 our environmental programmes saved £365 million.

We produced 79,759 tonnes of waste in the UK this year. Of this, we recycled 46% and sent 42,822 tonnes to landfill, 22% less than in 2007.

We use our purchasing power to ensure we achieve the most fuel- and cost-efficient vehicles. Our company car policy rewards employees who opt out of company car ownership or choose lower-emission cars.
Employees

We seek people who share our values and have the skills to help us transform our business. We aim to treat employees fairly and support those affected by our business transformation. We consult with employees through trade unions and the BT European Consultative Works Council.

We want to recruit the best people from all backgrounds as part of our commitment to an inclusive society (see page 8). We encourage personal and professional development that aligns with business objectives and invest in learning and education for all BT people.

Pensions in countries with ageing and/or shrinking populations are facing funding challenges, not least through increasing life expectancy in many countries. We have been making additional contributions of £280 million a year since 31 December 2005 to eliminate a deficit in our defined-benefit scheme.

Making sure our employees can work safely is one of our fundamental responsibilities. In 2008, there were 0.188 lost time injuries per 100,000 working hours, compared with 0.238 the previous year and a target of 0.235. We lost 2.43% of calendar days to sickness, as we did in the 2007 financial year, against a target of 2.4%.

Suppliers

In 2008, we spent over £8.6 billion with thousands of suppliers worldwide. We are committed to trading fairly and to positively influencing our suppliers’ environmental and labour standards.

This year, 234 suppliers completed our Sourcing with Human Dignity and environmental questionnaires and we conducted 25 on-site supplier risk assessments. We are incorporating energy use into our procurement processes and require suppliers to set reduction targets.

We outsource functions such as finance and customer care to external contractors, where efficient and cost-effective. We make sure contractor employment standards meet our own.

Community

The BT Better World Campaign helps young people develop the communications skills they need to succeed in life. It includes a partnership with UNICEF, called Inspiring Young Minds, to bring education, ICT and communication skills to thousands of disadvantaged children in South Africa, Brazil and China. Over 3,000 BT people volunteered their time to community activities this year.

We raised £650,000 this year for ChildLine, our company charity in the UK. We helped Sport Relief, Children in Need and DEC (see below) run telethons which raised over £70 million in total.

In the UK, BT supports the Disasters Emergency Committee (DEC) — an umbrella organisation of thirteen UK-based charities, including the British Red Cross and Oxfam. In June 2007, we also announced a three-year partnership with the British Red Cross to support disaster relief worldwide. We are investing £100,000 a year to provide essential ICT equipment to support their work.

Regulatory compliance

In the UK we have legally-binding Undertakings with the regulator Ofcom. Our Equality of Access Board (EAB) has a majority of independent members and is responsible for monitoring and reporting on compliance with the Undertakings. The EAB annual report is available on our website.
Q & A

Gavin Patterson
Sponsor of our CSR strategy and CEO, BT Retail

Q Can you quantify the benefits to your bottom line of a good CSR performance? Or is CSR only a reputation-building exercise?
A CSR is becoming a prerequisite for discussions with customers of all sizes, from all backgrounds and in all countries. This isn’t just happening in mature economies, customers in emerging markets also want to know what we can do for them on CSR and how we can help them create more sustainable solutions for their businesses. Consumers too are making choices based on CSR credentials and they are smart enough to spot companies whose claims lack substance. We could do a much better job on talking to our customers about CSR, and this will continue to be a major focus area.

Q Is privacy a risk or opportunity for BT? How important is privacy for customers when choosing a communications service provider?
A It is both an opportunity and a risk. If we get it wrong it could be massively damaging to our customers’ business and our reputation. On the flip side, customers are looking for companies who can meet their data and security needs through consultancy, products and services. BT customers rank trust as one of the most important reasons for working with us. Our brand and reputation put us in a strong position to capitalise on this opportunity.

Q How is BT guarding against the loss of personal data through theft and carelessness?
A Data protection is a core competency for everyone in the business. All employees, from the CEO to a temporary sales agent, are required to pass a data protection training course every three years. Training records are reviewed at senior level and chased up personally to ensure compliance.

Q How do you embed BT’s values in newly acquired businesses?
A We’ve acquired over 30 companies in the last two years and have a centre of excellence within BT for integrating these new businesses. This includes coaching to ensure senior management understand and embed BT’s values, and quarterly employee appraisals against our values. But integration has to be a genuine two way process. Many of the businesses we buy have particular expertise that we want to learn from and share across BT. We don’t want to railroad the company we are acquiring. We want it to flourish within BT and for employees to feel the benefits. We track this through employee surveys.

Q Does global sourcing mean job losses in the UK?
A No, we are a big employer in the UK and expect to remain so. However, we need to compete on a global basis, to be where our global customers are and to do this at a competitive cost. This requires us to find talent around the world. Employees shouldn’t have to bear the cost of our business transformation. We operate a non-compulsory redundancy policy and support any employees affected by outsourcing or changes to the business. This includes consultation with trade unions, help finding alternative employment within BT and generous voluntary redundancy packages.

Q Do ‘offshore’ call centres impact customer satisfaction?
A There are a lot of myths around outsourcing and offshoring. For example, that call centres in India are bad for customer satisfaction. Our customer satisfaction surveys and other measures show that this is not true. Whether in India or the UK our call centres are measured in the same way, it is true to say that some call centres score higher on customer satisfaction than others. We need to ensure that customer service is done well, with the right management, systems, processes and training, regardless of location.
Key issues

This report covers the CSR issues which are most relevant and significant (material) to our business and our stakeholders. For the last three years we have identified these through a formal materiality determination process. This helps us to focus our reporting resources in the right areas and ensure that we create a concise but comprehensive report.

How the process works
We assess issues for their internal significance to BT and their importance to our stakeholders and wider society. We consider the internal significance of a particular issue by reviewing our policy, our financial investment and the potential risks it poses to our business.

We determine stakeholder interest through research with customers, employees and suppliers and by analysing parliamentary questions and investor questionnaires. Societal interest is assessed through an extensive media review in seven countries.

We include the issues identified as most material in this report and also in our online report. Only our online report covers less significant issues. We do not report on issues which are not identified as material.

Resolving inconsistencies
Sometimes the materiality process produces unexpected results. Our stakeholders may not identify issues that we think are very important, perhaps because they relate to a new area of our business that is not yet well understood externally.

In these cases we consult our CSR sponsors and our Leadership Panel and may adjust the results of our analysis accordingly.

For more about our stakeholder engagement see our online report: www.btplc.com/betterworld

Identifying our material issues

Allen Ma, Michael Boustridge and Luis Alvarez
Presidents of BT Global Services Asia Pacific, BT Americas, and EMEA and Latin America respectively

Q Allen, what are the key social, environmental and economic challenges affecting BT’s business in Asia Pacific?
A On the economic side, high GDP growth brings great opportunities but also risks. We need to be careful that double digit growth doesn’t end up in a crash. Pollution is a huge problem in Asia, as are poverty and social exclusion. There is increasing polarisation between the very rich and very poor, which can create social unrest and insecurity if it isn’t managed. Our region encompasses many different cultures. We need to adopt a diverse and inclusive management style, and ensure that our marketing reflects cultural differences.

Q Michael, what are the key social, environmental and economic opportunities for BT in North America?
A As global ICT becomes increasingly mission critical to multinational companies, the strong reputation and experience BT enjoys – and which we are building here in America as well – provide many opportunities to broaden our relationships with customers. Helping them to understand how BT uses ICT to reduce our carbon footprint and how the same approach can be applied to their businesses is one example. Just as we enable teleworking for many of our employees to reduce commuting and business travel, our managed mobility, remote access, security and conferencing services can help customers reduce their carbon footprint. Likewise, we design and manage our own data centres for optimum energy efficiency and help our customers to do the same.

Q Luis, you oversee a very large and diverse region. What challenges does this present?
A This region comprises Europe, the Middle East, Africa and Latin America and includes many powerful emerging countries such as Brazil, South Africa and Russia, which are growing at a colossal rate. This is both exciting and challenging. It is widely acknowledged that Brazil and South Africa will be hugely important to the future global economy – but parts remain inaccessible and are home to some of the poorest people on the planet. ICT plays an important role in helping these people to develop skills, access services and build their economies.
Risks, opportunities and governance

Ensuring success in our fast changing world requires focus. We need to manage our risks and target our efforts on areas that present the best opportunities for us and for society. This is part of our CSR governance.

**CSR risks**
Our board takes regular account of significant social, environmental and ethical risks to BT's business. We quantify the most significant CSR risks in a risk register, which we update twice a year and the board reviews annually.

In the 2008 financial year we identified no new social, environmental or ethical risks that would have a material financial impact on our business.

Our key risks are:
- breach of integrity leading to a loss of trust in BT
- impacts on BT's operations resulting from climate change
- effect of diversity on employee relations and customer experience
- health and safety risks to employees and the public posed by BT operations
- impaired employee relations and customer experience caused by outsourcing
- loss of trust caused by unintended release of private customer data
- unacceptable supply chain working conditions.

**CSR opportunities**
We seek out new commercial opportunities with social and environmental benefits. This is a core part of our CSR strategy through our Sustainable Economic Growth programme. We are developing an opportunities map to help us prioritise prospective sustainable products and services and communicate these internally and externally. See page 10 for more information.

**CSR key risks**

**CSR governance**
We integrate CSR and sustainability issues into our governance processes.

There is a full description of CSR governance in our online report. Key elements include:
- BT’s board discusses our CSR strategy, performance and risks at least once a year (and health and safety issues more regularly) and separately discusses and signs off this report
- the board committee for responsible and sustainable business, chaired by BT’s chairman, is responsible for setting the CSR strategy for BT Group (including wholly owned subsidiaries)
- our CSR sponsor and CSR programme sponsors are senior executives responsible for ensuring our CSR initiatives are aligned with our business strategy
- task forces for our key CSR programmes (Climate Change, Inclusive Society and Sustainable Economic Growth), include representatives from across BT and are responsible for driving progress on our CSR programmes.

The Leadership Panel, chaired by Jonathon Porritt, contains external CSR experts that provide insight and challenge. See page 18 for the Panel’s statement.
Leadership Panel

BT’s Leadership Panel is an advisory group of external experts renowned for excellence in their field. The Panel encourages innovation and leadership on CSR and sustainability in BT. It provides independent guidance and expert advice and challenges us on our CSR strategy and performance, as well as comment on this report.

**The Panel’s remit**

Our purpose is to encourage innovation and leadership on sustainable development and corporate social responsibility in BT, by providing independent guidance and expert advice on BT’s activities. We meet four times a year, and have access to all the information we require to carry out specific tasks. Every year, we make a collective statement on BT’s performance in that year. This is not an assurance or verification statement, but our considered, subjective judgement on performance and progress.

**Performance and future challenges**

As in previous years, the Panel has been very impressed with the way in which BT has not just maintained its excellent track record across the breadth of this agenda, but has continued to innovate on key aspects of it. This year will almost certainly raise additional challenges for BT. If history provides any guidance here, the downturn in the economy, both globally and in the UK, will mean that some companies will downgrade or delay their sustainable development/CSR commitments. Part of BT’s leadership in this area will be to go on advocating the powerful business case for change which it has worked up over the last few years – indeed suggesting that now is the time for acceleration.

Last year, the Panel focused on two particular challenges: on climate change and on innovation for sustainable growth. On climate change, BT’s emissions have actually plateaued over the last three years, so we have warmly welcomed a number of new initiatives from BT during the course of this year, including BT’s commitment to generating much more of its own energy from wind power, and its ground-breaking Climate Stabilisation Intensity Target.

On sustainable economic growth, we are very pleased to see the steady progress BT has made on this front, particularly through new methodologies such as its Opportunities Map.

At the moment, the principal focus in the sustainable economic growth work is on the developed world markets in which BT has a major presence. During the last year, the Panel has therefore emphasised the importance of what are called ‘Base of the Pyramid initiatives’ – bringing the influence and resources of large multi-nationals to bear on key challenges for the billions of people currently excluded from the kind of benefits we enjoy in the developed world. In future, as BT becomes more global, the embedding of its values and practices in different markets will become increasingly important.

Finally, even with a company like BT, certain ongoing programmes do tend to ‘get a bit stuck’, so we were pleased to hear that the chairman had reconstituted the board committee as the committee for responsible and sustainable business, and this will be reviewing BT’s CSR strategy. We are hoping this will reinforce the discipline of seeing CSR and sustainable wealth creation as a fundamental expression of the company’s values and strategy.

The full statement is available online:

[www.btplc.com/betterworld](http://www.btplc.com/betterworld)

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**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**

Founder director, Tomorrow’s Company, a business think tank

**Elisabeth Laville**

Director of Utopies, a Paris based sustainability consultancy

**Jorgen Randers**

Professor, Norwegian School of Management and Chair, Norwegian Government Commission on Climate Gas Reduction

**Nick Robins**

Head of Climate Change Centre of Excellence at HSBC in London
Lloyd’s Register Quality Assurance Limited (LRQA) assures this report against the AA1000 Assurance Standard. LRQA’s statement, below, explains the assurance process and provides their conclusions.

**Key principles**

BT aims to meet the key principles of the AA1000 Assurance Standard.

**Materiality**
The report must include information about our sustainability performance to help readers make informed judgements, decisions and actions.

**Completeness**
The report must include all material aspects.

**Responsiveness**
The report must demonstrate that BT has responded to stakeholder concerns, policies and relevant standards and adequately communicated these.

**LRQA abridged assurance statement**

**Terms of Engagement**
Lloyd’s Register Quality Assurance Limited (LRQA) was commissioned by BT Group plc (BT) to assure both its Changing World: Sustained Values 2008 printed report and its web-based Sustainability Report 20082. Ultimately, both reports remain the responsibility of and have been approved by BT.

The assurance was undertaken against:

- Accountability’s Assurance Standard AA1000 AS, 2003
- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3), 2006

**LRQA’s conclusions**

Based on our review, our conclusions on the reports in relation to the AA1000 Assurance Standard and the GRI Guidelines are summarised below:

**Materiality**
BT has established an effective process for determining issues that are material to the business. The reports include information that is material to stakeholders and these issues are considered during strategic decision making. We are not aware of any material aspects concerning BT’s sustainability performance that have been excluded from the report.

**Completeness**
The reports are complete in coverage of sustainability performance and there are processes in place for identifying, understanding and managing stakeholder issues and potential risks to the business.

**Responsiveness**
We are not aware of any additional issues of stakeholder interest that should be included in the reports.

**Global Reporting Initiative**
The web-based Sustainability Report 2008 is in accordance with the requirements of GRI G3 and the Telecommunications Sector Supplement.

BT’s self declaration of A+ application level is fairly stated.

**LRQA’s improvements**

Progress on improvements identified in 2007 and areas for further improvement are included in our complete Assurance Statement.

1 The LRQA Assurance Statement is available in the web-based Sustainability Report 2008 at [www.btplc.com/societyandenvironment](http://www.btplc.com/societyandenvironment). This provides additional information on our approach, conclusions and recommendations for improvements.


S M Fletcher    G Farmer

For and on behalf of LRQA, UK
<table>
<thead>
<tr>
<th>Key performance indicators</th>
<th>Direct company impacts</th>
<th>Non-financial indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers</strong></td>
<td></td>
<td></td>
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<tr>
<td>Customer service</td>
<td>A measure of success across BT's entire customer base ¹</td>
<td>To improve customer service in line with the corporate scorecard and to achieve an even greater year on year improvement in Right First Time (RFT)²</td>
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<td></td>
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<tr>
<td><strong>Employees</strong></td>
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<tr>
<td>Employee engagement index</td>
<td>A measure of the success of BT's relationship with employees</td>
<td>BT will maintain the 2007/08 level of employee engagement, 5.04, as measured by its annual employee attitude survey</td>
</tr>
<tr>
<td>Diversity</td>
<td>A measure of the diversity of the BT workforce</td>
<td>BT will maintain a top 10 placement in 4 of 5 major diversity benchmarks. 4 of these benchmarks will be UK based and the 5th a global diversity benchmark</td>
</tr>
<tr>
<td>H&amp;S: lost time injury rate</td>
<td>Lost time injury incidents expressed as a rate per 100,000 hours worked on a 12 month rolling average</td>
<td>Reduce to 0.186 cases per 100,000 hours</td>
</tr>
<tr>
<td>H&amp;S: sickness absence rate</td>
<td>Percentage of calendar days lost to sickness absence expressed as a 12 month rolling average</td>
<td>Reduce to 2.2% calendar days lost due to sickness absence</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td></td>
<td></td>
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<tr>
<td>Supplier relationships</td>
<td>A measure of the overall success of BT's relationship with suppliers</td>
<td>To achieve a rating of 80% or more next year</td>
</tr>
<tr>
<td>Ethical trading</td>
<td>A measure of the application of BT's supply chain human rights standard⁴</td>
<td>To achieve 100% follow up within three months for all suppliers identified as high or medium risk</td>
</tr>
<tr>
<td><strong>Improving society</strong></td>
<td></td>
<td></td>
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<tr>
<td>Community effectiveness</td>
<td>An independent evaluation of our community programme</td>
<td>To achieve a minimum of 82%</td>
</tr>
<tr>
<td>Investment to improve</td>
<td>Maintain a minimum investment of 1% of pre-tax profits</td>
<td>1.07%</td>
</tr>
<tr>
<td>society</td>
<td></td>
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<tr>
<td><strong>Environment</strong></td>
<td></td>
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</tr>
<tr>
<td>Global warming CO₂ emissions</td>
<td>A measure of BT's climate change impact (UK only figures)</td>
<td>To reduce CO₂ emissions to 80% below 1996 levels by 2016</td>
</tr>
<tr>
<td>Waste to landfill and recycling</td>
<td>A measure of BT's use of resources (UK only figures)</td>
<td>To reduce the tonnage of waste sent to landfill by 6%</td>
</tr>
<tr>
<td><strong>Digital inclusion</strong></td>
<td></td>
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</tr>
<tr>
<td>Percentage of UK population who have not used the internet in the past three months</td>
<td>To reduce the percentage of people who are not using the internet to 32.4% by 31 March 2010</td>
<td>New measure in 2007³</td>
</tr>
<tr>
<td><strong>Integrity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical performance measure</td>
<td>A measure of our progress in acting with integrity</td>
<td>To increase to 86%</td>
</tr>
</tbody>
</table>

All targets have an end date of 31 March 2008 unless otherwise stated.

¹ Revenue weighted.
² Customer service is defined as - ‘Right First Time’ (keeping our promises) and ‘Cycle Time’ (the speed at which we deliver service). In 2007/08 the Group target was focused on Right First Time.
³ In 2007/08 the Employee Engagement Index was based on an average of the mean results across a reduced number (4) of key questions so a comparison with the 2007 score of 65 is not possible. Using the same calculation method the 2007 EEI was 5.07.
⁴ See archived reports for earlier measures.
Our non-financial KPIs reflect BT’s most significant and relevant sustainability issues. Following a year-long study sponsored by HRH the Prince of Wales, we have applied the principles of the new Connected Reporting Framework. This aims to improve the consistency of sustainability reporting and encourage companies to report on the wider environmental and social costs of their actions. Read more in our online sustainability report at www.bt.com/betterworld

### Financial indicators

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>£19,514m</td>
<td>£20,223m</td>
<td>£20,704m</td>
</tr>
<tr>
<td><strong>Average revenue per (UK) consumer household</strong></td>
<td>£251</td>
<td>£262</td>
<td>£274</td>
</tr>
<tr>
<td><strong>Employee costs</strong></td>
<td>£4,966m</td>
<td>£5,223m</td>
<td>£5,358m</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>104,400</td>
<td>106,200</td>
<td>111,858</td>
</tr>
<tr>
<td><strong>BT sick pay costs</strong></td>
<td>£58.1m</td>
<td>£84.7m</td>
<td>£89.8m</td>
</tr>
<tr>
<td><strong>Total spend with suppliers</strong></td>
<td>£4bn</td>
<td>£6.8bn</td>
<td>£8.6bn</td>
</tr>
<tr>
<td><strong>Value of procurement contracts where our suppliers agree that we work with them to improve sustainability impacts</strong></td>
<td>First measure in 2008</td>
<td>First measure in 2008</td>
<td>£5.7bn (66% of supplier spend)</td>
</tr>
<tr>
<td><strong>Investment to improve society (funding and support in-kind)</strong></td>
<td>£21.3m</td>
<td>£21.8m</td>
<td>£22.3m</td>
</tr>
<tr>
<td><strong>Total energy costs</strong></td>
<td>£172m</td>
<td>£185m</td>
<td>£194m</td>
</tr>
<tr>
<td><strong>Waste income</strong></td>
<td>£3.23m</td>
<td>£4.48m</td>
<td>£6.7m</td>
</tr>
<tr>
<td><strong>Waste costs</strong></td>
<td>£7.97m</td>
<td>£5.15m</td>
<td>£7.27m</td>
</tr>
<tr>
<td><strong>Landfill tax savings</strong></td>
<td>£0.76m</td>
<td>£0.84m</td>
<td>£0.89m</td>
</tr>
<tr>
<td><strong>Net waste cost(-ve) / profit (+ve)</strong></td>
<td>-£3.98m</td>
<td>£0.17m</td>
<td>£0.32m</td>
</tr>
<tr>
<td><strong>Broadband revenue</strong></td>
<td>£1,459m</td>
<td>£2,016m</td>
<td>£2,219m</td>
</tr>
<tr>
<td><strong>Revenue support (customer bids with a sustainability component)</strong></td>
<td>£1.3bn</td>
<td>£1.8bn</td>
<td>£2.2bn</td>
</tr>
</tbody>
</table>

### Indirect impacts

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<tbody>
<tr>
<td><strong>BT will develop a relevant financial indicator for diversity next year</strong></td>
<td></td>
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<tr>
<td><strong>BT will seek to develop the relevant financial metrics to publish a cost to the business for lost time injuries next year</strong></td>
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</tr>
<tr>
<td><strong>BT sick pay costs</strong></td>
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<tr>
<td><strong>Value of procurement contracts where our suppliers agree that we work with them to improve sustainability impacts</strong></td>
<td>First measure in 2008</td>
<td>First measure in 2008</td>
<td>£5.7bn (66% of supplier spend)</td>
</tr>
<tr>
<td><strong>Investment to improve society (funding and support in-kind)</strong></td>
<td>£21.3m</td>
<td>£21.8m</td>
<td>£22.3m</td>
</tr>
<tr>
<td><strong>Total energy costs</strong></td>
<td>£172m</td>
<td>£185m</td>
<td>£194m</td>
</tr>
<tr>
<td><strong>Waste income</strong></td>
<td>£3.23m</td>
<td>£4.48m</td>
<td>£6.7m</td>
</tr>
<tr>
<td><strong>Waste costs</strong></td>
<td>£7.97m</td>
<td>£5.15m</td>
<td>£7.27m</td>
</tr>
<tr>
<td><strong>Landfill tax savings</strong></td>
<td>£0.76m</td>
<td>£0.84m</td>
<td>£0.89m</td>
</tr>
<tr>
<td><strong>Net waste cost(-ve) / profit (+ve)</strong></td>
<td>-£3.98m</td>
<td>£0.17m</td>
<td>£0.32m</td>
</tr>
<tr>
<td><strong>Broadband revenue</strong></td>
<td>£1,459m</td>
<td>£2,016m</td>
<td>£2,219m</td>
</tr>
<tr>
<td><strong>Revenue support (customer bids with a sustainability component)</strong></td>
<td>£1.3bn</td>
<td>£1.8bn</td>
<td>£2.2bn</td>
</tr>
</tbody>
</table>

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5 This includes the Schneider Ross Global Diversity Network in fulfilment of the 2007 target.
6 Risk assessments are based on completed questionnaires.
7 Figures recalculated to take account of updated Defra Company Reporting Guidelines (2007) (Annex 1)
8 Question asked in 2008: “How would you describe your company’s relationship with BT in terms of overall quality of relationship?” 78% said the relationship was excellent or good. See archived reports for earlier measures.
9 Extrapolated from a statistically representative survey of BT’s supply base.
10 See page 6 for our approach to reducing our worldwide carbon footprint.
Thanks for reading what we have to say – now we want to listen to you. Email us at yourviews@bt.com and tell us what you think of this report.