We employ 97,798 people worldwide of which 79,832 people are employed in the UK. Some of our employees work part time so our worldwide workforce is the equivalent of 96,059 full time people and our UK workforce the equivalent of 78,218, full time people.

Our people are crucially important to our reputation and success. They are the talent behind our innovation and our public face, while on business and out of hours.

When our people reach their full potential it benefits BT, our customers and society. We want to empower our people by investing in their skills and motivating them to help BT and our customers operate more sustainably.

We strive to treat our people fairly and responsibly, help them achieve their full potential, and respect their personal and community commitments. We communicate our business principles to all employees in The Way We Work.

In this section, we explore how we attract the best people to work at BT, the training, development and career opportunities we provide, how we communicate with and engage our employees, and how we create an inclusive workplace where health, safety and wellbeing is a priority. The section covers:

- What we offer
- Unlocking Talent
- Communication and Engagement
- Equality and Diversity
- Health, safety and wellbeing.

This section also features case studies which demonstrate how our policies are put into practice.

**Key performance indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement index</td>
<td>A measure of the success of BT’s relationship with its employees through its annual employee attitude survey</td>
<td>3.61</td>
<td>BT will maintain or improve the 2009 level of employee engagement</td>
</tr>
<tr>
<td>Diversity</td>
<td>A measure of the diversity of the BT workforce</td>
<td></td>
<td>BT is in the top 10 placement in four of five major diversity benchmarks</td>
</tr>
<tr>
<td>H&amp;S: lost time injury rate</td>
<td>Lost time injury cases expressed as a rate per 100,000 hours worked on a 12-month rolling average</td>
<td>0.160 cases</td>
<td>Reduce to 0.157 cases</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>2.17%</td>
<td>Reduce to 1.90% calendar days lost due to sickness</td>
</tr>
</tbody>
</table>

Note 1: We moved to a five point scale (five being good) this year and have restated previous scores
Note 2: Includes four UK benchmarks and the Schneider-Ross global diversity benchmark (from
BT targets

<table>
<thead>
<tr>
<th>Start Date</th>
<th>End Date</th>
<th>Description</th>
<th>Update</th>
<th>Target Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2009</td>
<td>March 2010</td>
<td>BT will maintain a top 10 placement in four of five major diversity benchmarks. Includes four UK benchmarks and the Schneider–Ross global benchmark.</td>
<td>For the third year we have achieved our target to have a top ten placement in four of five major diversity benchmarks.</td>
<td>Completed</td>
</tr>
<tr>
<td>April 2009</td>
<td>March 2010</td>
<td>BT will maintain or improve the 2009 level of Employee Engagement, 3.61, as measured by its annual employee attitude survey.</td>
<td>We achieved 3.58 against our target of 3.61 (from 5).</td>
<td>Failed</td>
</tr>
<tr>
<td>April 2010</td>
<td>March 2011</td>
<td>We will maintain or improve the 2010 level of Employee Engagement, 3.58, as measured by our annual employee attitude survey.</td>
<td></td>
<td>New</td>
</tr>
<tr>
<td>April 2010</td>
<td>March 2011</td>
<td>We will maintain our top ten placement in four of five major diversity benchmarks.</td>
<td></td>
<td>New</td>
</tr>
</tbody>
</table>

Quantitative data

Number of employees

Lost time injury rate
What we offer

BT needs to provide competitive pay and benefits if we are to continue to recruit and retain the most talented people. Our comprehensive BT Reward Framework plays an important part in maintaining a high-performance culture at the company. In line with our strategic priorities, our approach to reward ensures we are able to recruit talented people and motivate existing employees in a cost-effective way.

This section explains our approach to:
Benefits and reward

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

Our schemes to promote employee share ownership include:

- **Saveshare** – an option to buy shares at a discounted rate. More than half of BT employees participate.
- **Directshare** – employees may buy shares from their pre-tax salary each month. More than 20% have done so.

Our lowest current starting salary for employees in the UK is £11,357 for a 36-hour week, or £6.04 per hour. The UK minimum wage is £5.80 per hour. We operate a flexible benefits programme, called Choices, for UK managers and professionals. This programme enables individuals to exchange a proportion of their salary for additional benefits, such as extra holidays, private medical insurance or a health assessment.

Equal pay

Our policy is to pay BT people fairly regardless of, for example, gender, ethnic origin or disability.

All our engineering, administrative and support roles are in the same pay structure, which bases salaries on the skills required to do the job. Fixed pay ranges ensure jobs of equal value receive equal pay.

We operate a performance-based reward system for managers. We did not award any salary increases this year due to market conditions, but have pay review processes in place for years when pay rises are possible. These processes ensure managers are rewarded fairly based on their performance, with higher awards available to those at the lower end of their salary range. This approach progressively decreases pay inequalities with each annual pay review cycle. We conduct an equality audit after each pay review and publish the percentage pay rises awarded by gender.

In the UK, we allocate a proportion of the funds available for salary increases specifically to addressing equal pay issues. We discuss the distribution of these funds with the management representative body and follow clear guidelines to ensure they are allocated fairly and consistently.

Pensions

BT provides retirement schemes in over 50 countries, including 14 defined benefit plans, 38 defined contribution plans, hybrid schemes and unfunded plans.

The triennial funding valuation of the BT Pension Scheme at 31 December 2008 and associated recovery plan has been agreed with the Trustee. Under this prudent funding valuation basis the deficit is £9 billion. BT and the Trustee have agreed a 17 year recovery plan with the first three years’ payments being £525 million. The payment in the 2013 financial year will be £583 million, then increasing by 3% per annum.

The BT Pension Scheme (BTPS) is our largest pension scheme, with around 57,000 contributing members, 183,500 pensioners and 93,000 deferred members. Members contribute at least 6% of their salary and BT pays the balance (currently averaging 13.5% of salary). The BTPS is a defined benefit scheme, with benefits linked to members’ BT salary, not the performance of the pension fund.

We have reviewed our UK pension arrangements to ensure they remain affordable, sustainable and competitive and to introduce greater choice and flexibility. As a result, for benefits accruing from 1 April 2009, we have increased member contributions to the BTPS, raised the normal
pension age to 65, stopped contracting–out of the Second State Pension for Section B & C members and linked the final pension received to members’ career average earnings, rather than their final salary. These steps have been taken to contain the growth of future liabilities of the scheme as it represents the most significant cost of our employee benefit offering. The BTPS was closed to new members in 2001, when new defined contribution arrangements were established although BT continues to support and stand behind the scheme.

Following the pension review, in April 2009 we introduced the BT Retirement Saving Scheme (BTRSS) for UK employees who are not members of the BTPS. The BTRSS is a contract-based, defined contribution plan. This means that the pension members receive is linked to the contributions paid, the performance of the fund, and annuity rates at retirement. Members benefit from low charges, good choice and flexibility and improved access to financial information. They also benefit from wider investment choices, including a low-cost and tax-efficient way of transferring BT share scheme maturities into the BTRSS via a bespoke BT single tracker fund. The BTRSS has over 17,500 members, and most members of the previous schemes have chosen to transfer their accumulated assets to this scheme.

We run financial education seminars to help employees who are considering leaving BT. These help people to understand their overall financial position and make the best decisions about their finances should they leave the company. The seminars cover pensions and other entitlements, options for managing tax liability, BT share schemes and other investments. In January 2010, we introduced retirement planning seminars for all employees aged 55 or over. By the end of March 2010, we had run 245 of these seminars attended by 4,366 employees.

Flexible working

At the end of the 2010 financial year (2010), BT had approximately 4,700 part-time employees, 277 job sharers and around 9,600 registered home workers among its 97,700 strong workforce.

Flexible working enables employees to work productively while managing their personal commitments or interests. It also makes it easier for people with disabilities and/or caring responsibilities for others to work. Flexible working is attractive to prospective employees, helping BT to attract and retain the best talent while meeting the increasingly high expectations of our customers. This winter, the ability to work from home allowed many UK employees to continue as normal when snow caused transport problems, minimising disruption to our operations.

In 2010, we introduced greater guidance on term-time working, which allows employees to manage their childcare during school holidays. It is also a useful business tool and can be used to cover busy periods or manage quieter periods of work. Term-time working is one of many flexible options available, along with part-time work, job sharing, home-working and variable start and finish times. Our extensive guidance provides practical tools to help managers make informed decisions about requests for flexible working.

Home working also benefits the environment, saving over 7,000 tonnes of CO₂ each year from reduced travel to work. BT home workers avoid an average commute of 31 miles per day. See our 2008 study in the Original Thinking section of this report.

BT Home Advisors

Following a successful pilot programme, BT Retail is rolling out a new approach to customer service called Home Advisor. Advisors have call centre technology at home, enabling them to provide the same level of customer service as one of our contact centres. This gives us the flexibility to cover peaks in call levels and respond quickly and cost effectively to unpredictable customer demand.

Home Advisors can live anywhere, helping us to obtain the best talent regardless of geography. We have now recruited 168 Home Advisors and another 28 are going through the recruitment process. This type of home working eliminates time and money spent on commuting and provides flexibility around shift patterns and working hours, so advisors can find a better work/life balance.

Read some examples of how BT people are benefiting from working from home in our case studies.

Quantitative data
Flexible working – customer advisors

Sandra Hannan, Billing & Enquiries advisor, Stoke

After 22 years with BT and 16 years in our Shrewsbury call centre, Sandra Hannan relishes the peace and quiet of working from home.

“The split shift gives me time during the day to do my housework or meet friends for lunch – and it means I have longer evenings to spend with my partner. After six months I’ve never felt healthier or happier - and I feel much more connected with my customers. I think it’s very smart of BT to be introducing home working for its
advisors and I believe it’s definitely the way forward.”

Steve Lewis, Repair Advisor, Lincoln

With a daily commute of around 40 minutes each way and two young children growing up fast, Steve Lewis was keen to spend more time with his family.

“Working full-time, and doing evenings and weekends didn’t offer a good work/life balance, so when the opportunity arose to work from home I was the first in the queue.”

Today, Steve does the same number of hours but over a four-day week, split into two shifts in the morning and early evening.

“I’m also lucky to have a separate office in my garden so I can focus entirely on work – my performance has improved since I’ve been working from home.”

Mandy Simpson, Billing & Enquiries Advisor, Sunderland

Working from home means Mandy Simpson can care for her granddaughter during the day, allowing her daughter to return to work from maternity leave.

“Working from home for me has become one of the best moves I have done in BT”.

Flexible working – a PA’s story

Bella Morton is a Personal Assistant to a senior HR Director at BT. Bella’s role is traditionally considered to be one where you need to be present in the office, visibly managing the operations, calendar and support for the manager you assist. However, Bella has broken the mould and has shown how such a role can be performed more flexibly and without the constant need for visibility.

Bella worked full time and had about an hours commute into central London. When she returned to work after her maternity leave, she discussed with her manager how flexible working could be used to minimise the commuting and give Bella more time with her young daughter, Alice. Working together, a plan was created so Bella could trial a different way of working - working 4 days a week with two at home and two in the office. Working from home meant that Bella could do a longer day while Alice was at nursery. This also allowed Bella to arrange her hours to coincide with her husband’s shift pattern with the police and enabling them to slightly cut the cost of their childcare. The result is that Bella works from home on a Monday and Wednesday, Mondays being a slightly longer day and Wednesdays for a shorter day to fit with her husband’s shift. Tuesday and Thursdays are in the office as normal. Bella doesn’t work on a Friday but has some quality time with Alice.

The move to a new working arrangement has needed a conscious change in behaviour from both Bella and her manager.

‘I would recommend that individuals and managers agree to give it a trial rather than say no just because it may at first seem difficult’ says Bella.

With the support of her manager and the willingness to change, the current arrangement is working well. Bella plans much further ahead than she used to so she knows everything is covered for the day she is not at work or for the day she starts a bit later. She also arranges their schedules so that they have time together on the days they are both in the office and she makes better use of the technology, such as instant messenger, text & email, to stay in touch. The support provided by BT for occasional homeworkers allowed for a seamless transition from office to home for Bella.

Bella has been open and honest with her manager to ensure that her new working arrangement was effective for both of them. Early on she was doing a really long day on one of her days at home but it was too much. Bella discussed this with her manager straight away, rather than let the problem continue and risk the whole arrangement looking like it wasn’t working. They agreed to alter one or two of the start and finish times, tried it again and now the plan is working well.

Bella is glad that she was able to take advantage of BT’s maternity scheme, which gave her the option of staying at home for a full year and making the most of the time with her baby daughter. Being able to request flexible working has meant Bella has been able to find the optimum balance between her home and work life following her return to work. Bella also takes advantage of the BT Childcare Salary Direct Scheme, helping to make a saving on her childcare.
costs. Bella loves swimming lessons with Alice on a Wednesday and having Fridays at home together makes the week worthwhile.

Unlocking talent

Unlocking the talent of our workforce is a major strategic focus for BT. Creating a connected, low carbon world where technology benefits everyone is a huge challenge that will require the best and most highly motivated people. The speed of change in the ICT sector also means we must invest in our employees to give them the skills they need for BT to succeed in the future.

We are using our technology to introduce increasingly flexible ways of working, enabling us to respond quickly and efficiently to the demands of our business and customers and to attract and retain employees across the globe. ICT is changing the way we live and work, making it possible to do many jobs from anywhere in the world. Technology is helping our workforce and customers to become more efficient, flexible, diverse and geographically spread,

Changes in the ICT sector and our business inevitably mean change for some of our people. We are working hard to support affected employees and help them move on to new careers in BT or elsewhere. We re-train employees to closely align the skills in our workforce with our business objectives.

We are recognised as an Investor in People (IIP). IIP is a business improvement framework that incorporates good practice for training and development and which challenges us to improve our working practices. This framework was devised by leading UK business and employee organisations.

Training and development

All BT people have access to learning and development opportunities that provide the skills they need to be as successful as possible in an extremely competitive global market.

Our Learning Council ensures the training we provide is aligned with our business objectives and equips employees with the skills our business needs for major projects such as the implementation of our 21st Century Network.

BT employees can access an extensive range of instructor-led and e-learning programmes through our web-based learning portal, Route2Learn (R2L). The range of options available gives our people skills that are useful for their job, and for developing their career in an industry characterised by rapid change. Our ability to respond as quickly as possible to changing skills requirements has been enhanced through the development of an internal learning capability that is able to develop and deliver a wide range of technical and professional content across the business. This is as a result of in-sourcing a previously out-sourced contract.

A number of the courses we provide are mandatory, so more than 90% of employees take part in learning. Contractors and others assigned to work at BT also take part in a small number of mandatory courses. Many programmes available through R2L can prepare people for professional or post-graduate qualifications. A separate Leadership portal helps our people learn about BT’s leadership capabilities, identify areas for their own development and find resources to help them progress.

We recognise the life-changing benefits new knowledge can bring, and encourage our people to continue learning by providing non-work-related courses to all BT employees. These are accessible through the R2L portal for employees to complete in their own time, and many are also available to friends and family of BT people.

We also use our experience to help small companies in our supply chain improve the training and development opportunities they provide, as part of the government-sponsored Group Training Associations.

Managing performance
We need a high-performance culture to be number one for customer service. Encouraging confidence and developing our employees’ skills are fundamental to this culture.

We have a performance management framework with three cyclical phases:

- Planning – defining clear job standards, objectives, capabilities and development plans
- Performing – providing continuous feedback through coaching and one-to-one discussions
- Reviewing – holding formal quarterly and year-end reviews and setting development action plans.

Our online performance management system supports employees and their line managers throughout the performance management process, by providing all information about an employee in one place. The system includes a simple performance review form that can be updated at any time, and where BT people can add their own input or ask colleagues to add feedback. When people move within the company, their records can also be transferred.

In the 2011 financial year, we will focus on how this process is applied in practice. We will make clear the importance of leadership and clarify the responsibilities of everyone in BT in making sure performance management is effective.

Our performance management system is underpinned by a set of guiding principles:

- Performance is made up of two main elements - what we deliver (objectives and job standards) and how we deliver (capabilities).
- As leaders, we are responsible for clarifying what good performance looks like and setting appropriate job standards at the beginning of the performance calendar. We support our people, giving fair and honest feedback and coaching throughout the performance cycle.
- Everyone in BT is responsible for their contribution and development.
- We differentiate levels of performance so people are clear on their level of contribution.
- We recognise high performance and ensure talented individuals are developed.
- We deal with under-performance quickly, fairly and consistently, our aim being to improve contribution.
- We provide appropriate training, development and support so people carry out our performance responsibilities effectively.
- We only use objective and job-relevant criteria so there is no discrimination on the grounds of gender, race, disability, age, religion, marital status or sexual orientation.
- Bullying and harassment are not tolerated in our performance management process.
- We do not force distribution of performance ratings to achieve a predetermined outcome or a quota-based approach.

**Resourcing globally**

Resourcing globally describes the way we plan how and where we employ people to deliver the best customer service and expand our business in an efficient and cost effective way.

This approach also gives us greater flexibility, ensuring we have people with the right skills based near our customers, and gives us scope for further innovation by working with key partners.

BT provides elements of customer service from countries as diverse as Brazil, Hungary, China and India. Examples include:

- BT Innovate & Design, our IT arm, sources some software development from India. A large proportion of this is done by TechMahindra, a software development company in which we have a 31% stake.
- While most of BT Retail’s call centres are in the UK, we also have three in India. These are provided by Infosys BPO in Bangalore, HCL in Noida (near Delhi) and Wipro in Mumbai.

While off-shore locations remain part of our resourcing plans, we have listened to customer feedback and are rebalancing customer services within BT Retail to become more UK-based. For example, in November 2009 we began using contact centres in Northern Ireland, rather than India, to handle customer complaints.

While resourcing globally brings cost benefits and increases the talent pool we have access to, it also brings additional responsibilities and risks. We have a rigorous process to assess our suppliers and partners which considers cultural fit, business fit, social responsibility and quality risk management. We also ensure that BT and our partners have clearly defined roles and
responsibilities and share risks. We strive to be sensitive to cultural differences in countries where we operate, and work with suppliers to make sure their working conditions and environmental standards match our own.

Re-skilling

We support our people’s career ambitions by helping them acquire the skills they need to progress both within BT and the wider job market.

In the 2009 financial year (2009), we introduced an accreditation programme so our people can achieve a nationally recognised qualification that demonstrates their skills. In 2010, more than 5,000 BT people, many of whom have few formal qualifications, will learn new skills and improve existing skills that count toward an apprenticeship, the UK government work-based learning scheme. BT is one of the leading employer providers of Apprenticeships in the country, by volume.

Our dedicated team of Transition Managers offer advice and guidance for employees affected by changes in our business and help them find new opportunities. We provide training and support to help people changing career make informed decisions about their future. We help them review their career plan, assess their skills and options, handle change, write their CV, and improve their interview techniques.

The ICT sector continues to develop at great pace, and skills requirements often change. Our Skills Development Pathways programme identifies the skills that we will require across the business, so we can train and re-skill people before changes to their job take place.

BT’s experience in re-skilling, up-skilling and the accreditation of skills is often in demand. We are advising government departments and their agencies on structure and policy to ensure the support they give companies will meet their needs and make efficient use of public money.

BT Retail – Customer Service apprenticeship scheme

BT has, for many years, run an award winning Apprenticeship scheme for new recruits to the business.

The Apprenticeship Framework delivers technical training in the functional area in which the learner is working as well as ensuring they have suitable maths and English skills. Their ability to put everything they know into practice in their day to day work is proven through competence assessment.

In 2009 we decided that Apprenticeship Frameworks were a useful development tool for people who have worked for BT for many years as well as those people that are new to the company. As a result, we have introduced a programme in BT Retail so that people working in our Contact Centres will receive training and assessment leading to an Apprenticeship Framework in Customer Service.

We now intend to extend Apprenticeship delivery to many more members of our workforce, covering areas such as engineering and IT as well as specialist skills such as Leadership and Management.

Accrediting the skills of our employees gives them a ‘currency’ for their skills, better motivation in their work and greater mobility in an ever changing employment market.

Talent management

Talent management describes our efforts to find and hire the best people for the right jobs, and to develop and engage them so they choose to continue their career with BT.

BT identifies talent pool members – those who have the potential and experience to become the most senior leaders in our organisation – through an annual nomination and review process, managed by the Group Talent team centrally.
We continue to work on a BT-wide talent deal which describes our commitment to employees and specifies what we expect from them in return. The talent deal covers areas such as career and personal development, networking opportunities and mentoring.

We consult with talent pool members annually to make sure we understand and act on their feedback. In the 2009 financial year (2009), they told us it was hard to find out about opportunities across BT. To address this, in 2009 we launched Talent Advance, where people who have agreed with their manager that they are ready for a move can post their details on a dedicated intranet page, and make sure they are considered for any suitable opportunities that arise. Of employees taking part in our talent survey, 69% felt that they have enough information about career options to progress their career within BT, up from 57% in 2008.

Talent Advance is part of a wider effort to engage talented employees within BT, along with events, development and networking opportunities. Overall satisfaction among this group of employees is at an all time high of 92%.

During the last year, we have been working to identify the skills that our people need to drive sustainability into their development and business decisions. We have been testing our people’s understanding of the triple bottom line of ‘economics, environment and social well-being’ using workshops and interviews with our current and future leaders, talent pool members, our CR specialists, champions and ambassadors, as well as a cross section of our people.

We have worked with an organisation called Tomorrow’s Company to create ‘thought pieces’ about the future of Global Talent, engaging with other organisations to define best practice.

These engagements have helped form and validate the behaviours needed to operate effectively in this new context as well as helping shape our understanding of learning and development needs. During the coming year we will be working with business schools, consulting groups and specialist providers to turn this work into training plans.

**Advance – talent management**

Three examples of BT people and the career development pathways:

“In this difficult business climate there are fewer company-wide promotion opportunities than in previous years. However, as Talent Pool members we have a unique advantage in getting sight of and being considered for multi-functional roles. Advance really does support and promote motivated, proactive talent to engineer their next career move. The prospect of recruiting managers from across BT considering my profile encouraged me to rethink my CV and supporting statements in an attempt to stand out from the crowd of exceptional individuals in our Talent Pool. I felt a sense of urgency to complete my profile to not miss the perfect job opportunity. In the space of a few weeks I had my Career Development meeting, uploaded my profile on Advance, was approached by a recruiting manager in my preferred function that matched my skill set, attended an interview and received the job offer. Prepare and be prepared to take advantage of the Advance platform”

Grainne McKenna – Business Improvement, Customer Service training transformation

Following a decision to move roles and expand my experience, Advance was pivotal in finding my new role. After a Career Development meeting with my talent lead to discuss opportunities of a role move, I was advised of Advance and the support it could provide in seeking a new role, in fact I ended up with a list of suitable and available roles that very same afternoon!

Within two weeks, I’d found the ideal role from the many on offer and my talent lead arranged the necessaries required to apply for the role. To my delight I was asked for an interview within days received a job offer and even better it was a promotion. I cannot recommend highly enough the opportunities now available via the Talent Pool and Advance, it certainly is Fast Track!”

Katie Milligan – Head of Next Generation Access product development (Openreach)

I approached my business talent lead at the end of June as I felt the time was right for a career change and I wanted some advice and insight into the types of roles available on Advance. I didn’t really have a clear view on which part of the business I wanted to move to, but having attended a Career Planning course as part of the Talent Pool, I did have a clear understanding of my career drivers and what I wanted from my next role.

We had a call to talk through this where we reviewed a couple of opportunities, one of which seemed to be a perfect match. The following day I had a successful telephone interview and the day after that I was heading into London for a more
Employee volunteering

BT’s investment in skills is not just about formal training. It is equally important to give employees new experiences in other ways, such as volunteering. This empowers our people to make a difference in their own careers and to the communities we work in, and is particularly important during periods of change, to keep employees engaged and feeling valued. Volunteering can be extremely rewarding. BT’s volunteering programme aims to motivate our people and unlock their talent by creating opportunities for them to give their time, pass on their experience and learn new skills. This benefits our people, communities and charity partners, and makes BT a better, stronger business. Volunteering is increasing pride in BT, enhancing productivity and bringing us closer to our customers.

BT Chairman Sir Mike Rake launched the programme in April 2009, and since then employees have contributed more than 28,000 days to local communities and a range of charities and social enterprises. Each employee can volunteer up to three days of work time at a charity they are passionate about. Examples include schools and youth groups, organisations supporting the elderly or disadvantaged groups, and environmental programmes to help make communities cleaner and greener.

BT also sponsors a number of specific programmes to increase skills through volunteering. One supports young people moving from education into work, while another places skilled BT people on secondment to our charitable partners.

During November, BT delivered London 2012 Volunteering Week; during this week BT people provided over 1,000 volunteering days across the UK and made a huge impact in a short space of time through a range of activities from transforming community spaces to coaching children in sport. For example, a team of volunteers cleared waste land in Newham to make way for some new allotments; volunteers took part in an introduction to sports leadership course and coaching young people at Leyton Orient Football Club, whilst others were working with children to discuss the Olympic values in local schools across England. Later in the week, volunteers were helping clear waterways near the Olympic site and tackling three community projects in East London which involved gardening and renovation work.

The impact of the London 2012 volunteering week was far reaching with communities and individuals saying the work done during the week was phenomenal.

“It was fantastic to work with BT to help deliver London 2012 volunteering week,” she said. “Getting company volunteers involved in supporting the communities around the Olympic site is one of the ways we can really ensure that it makes a difference in local communities. BT’s enthusiastic volunteers have had a huge impact and it makes such a difference to the communities who use these centres.” ElBA (East London Business Alliance)

Some teams came closer to their customers in a joint-volunteering day. A group of BT Wholesale employees joined forces with people from Kingston Communications (KCOM), a customer of BT Wholesale, and took part in sports coaching activities at Leyton Orient’s ground as part of BT’s London 2012 volunteering week activities.

The aim of the sports coaching activity was to provide an introductory course that enabled delegates to participate in a series of practical sports coaching and workshop sessions that lead towards a recognised sports leaders UK day certificate in sports leadership award.

“Since signing the landmark deal with KCOM earlier this year we have built a partnership that expands beyond the traditional and into areas such as CR and it is great to see that demonstrated by their commitment to this event – which is the first of many other charity events we are planning.” Gavin Jones, BT Wholesale’s client director for KCOM.

Chris Wise, director of technical services at KCOM added: “As a joined up team we focused ourselves into learning new skills and then
Contracted services

Outsourcing
We outsource some support and business services operations to external contractors to improve efficiency and reduce costs. This works very well as long as we take care when choosing suppliers and managing our relationships with them, the detail of this is covered in the Supply Chain section of the online report.

We outsource the following business functions:

- Employee contracts, pensions, recruitment and reward administration (to Accenture HR Services)
- Payroll, finance and accounting activities (to Steria).

We used to do this work ourselves, and many of our employees now work for the contractors we use. In the UK, the transfer of BT employees to a supplier is regulated by the Transfer of Undertakings – Protection of Employment (TUPE) regulations.

Insourcing
BT manages communications services for many large companies, including Credit Suisse, Virgin Media, Nationwide and Orange, as well as some local government departments. Employees who previously worked in these customers’ ICT departments become BT employees, a practice known as insourcing. Like outsourcing, above, in the UK insourcing is governed TUPE.

We work closely with our customers to manage this transition for affected employees, as we want them to experience minimal disruption and feel they have been fairly treated. We try to set realistic target dates so that we meet trade union and employee expectations. A human resources project manager within BT oversees the process, supported by a team with expertise in employee communications, employment law, pensions, employee services and payroll transition.

Employee communication is vital. We work hard to communicate the benefits of the change, and to give employees the information they need and a sense of belonging to the BT team.

Communications include:

- Employee intranet (including a newsletter and facility for answering employee questions)
- Road shows that provide information on BT and enable potential employees to ask questions
- One-to-one sessions with employees
- Welcome/induction sessions.

Communication and engagement

Good communication is essential to ensure employees understand BT’s business strategy and can contribute fully to achieving it. We also appreciate the need to keep our people fully informed about any changes that may affect their work, especially in a fast-moving industry like ours.

Communication is an important way of engaging employees in their work and ensuring they do the best job they can, while getting the most from their time with us. Our various employee networks allow our people to share experiences and support one another in both their professional and personal development.

Supporting employees to volunteer their time to good causes is also an important way to increase engagement. We have developed a new volunteering programme to give employees more opportunities to make a difference in their local communities. Read more here.
Good employee relations are another essential component of a healthy, successful workplace. Employees are free to join a trade union, and we consult employee representatives about changes that affect our people. We have formal mechanisms for resolving disputes with employees.

**Key performance indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Measure</th>
<th>Target</th>
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</thead>
<tbody>
<tr>
<td>Employee engagement index</td>
<td>A measure of the success of BT’s relationship with its employees through its annual employee attitude survey</td>
<td>3.61</td>
<td>BT will maintain or improve the 2009 level of employee engagement</td>
</tr>
</tbody>
</table>

Note 1: We moved to a five point scale (five being good) this year and have restated previous scores

**BT targets**

<table>
<thead>
<tr>
<th>Start Date</th>
<th>End Date</th>
<th>Description</th>
<th>Update</th>
<th>Target Status</th>
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<tbody>
<tr>
<td>April 2009</td>
<td>March 2010</td>
<td>BT will maintain or improve the 2009 level of Employee Engagement, 3.61, as measured by its annual employee attitude survey</td>
<td>We achieved 3.58 against our target of 3.61 (from 5).</td>
<td>Failed</td>
</tr>
<tr>
<td>April 2010</td>
<td>March 2011</td>
<td>We will maintain or improve the 2010 level of Employee Engagement, 3.58, as measured by our annual employee attitude survey.</td>
<td></td>
<td>New</td>
</tr>
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</table>

**Quantitative data**

![Employee Engagement Index](image)

**Communications**

We have well-established employee communications to help all our people understand business challenges and play their part in BT’s success. We develop both corporate and local communication plans to keep people informed and involved. Two-way communications are important to give people opportunities to express their views and ask questions.

We regularly ask our people about work-related issues through our CARE survey. In the 2010 financial year (2010), we saw improved responses to the following questions relating to senior leaders and communication:

- They give everyone a clear sense of direction
- They communicate openly about our progress
- They inspire people about the future of the company.
Company-wide communications

BT Today, our in-house magazine, is sent to all employees every quarter.

BT Today is also available on our intranet and updated throughout the day. It contains news about BT and our industry and includes media releases, comment and features. Additional features include Your Views, a forum for employee opinion, feedback and debate on work-related topics such as customers, work-life balance, broadband and pensions.

Our intranet also includes social media tools such as blogs, podcasts, BTpedia, a collaborative encyclopedia, and RSS feeds for accessibility. The majority of BT people have online access but we also use audio channels and a phone-in news service for those who prefer this.

Employees have the opportunity to speak directly with our Chief Executive, Ian Livingston. Ian holds regular web chats so employees can raise questions and put forward views and ideas and he can respond in real time, ensuring BT people know their views are considered at the highest level. Our Chief Finance Officer, Tony Channugam, also holds web chats with employees after we announce quarterly financial results.

Communications in our businesses

Each of our lines of business runs two-way employee communications on local issues, led by their CEO and other senior managers. These include briefings and seminars, webcasts, video and audio conferences and online meetings. In the 2011 financial year we will introduce a new online news channel called News Wire in each line of business, to standardise the way we communicate news.

Pensions and BT Team 2012 challenge

Pension review

Involving our people in our pension review process and keeping them fully informed throughout enabled us to successfully make changes in a highly sensitive area.

In April 2009, we introduced new UK pension arrangements to ensure they remain affordable, sustainable and competitive and to provide greater choice and flexibility. We first held a major communication and engagement campaign to explain the changes and why they were needed, and to gain our employees’ agreement.

We explained that pension costs were rising because people are living and drawing pensions for longer. We also gave assurances that the changes would not affect the benefits people had built up. During the review, we kept employees regularly informed of progress, including the options being explored in consultation with trade unions. We created a comprehensive website to provide information about the changes and a facility for asking questions, publishing answers to common issues raised. The website also contained videos, booklets and a tool to help employees calculate the impact of the proposed changes on their pension.

Once we had agreed a proposal with the unions, we held a two-month consultation for employees to have their say. We posted a booklet explaining the proposed changes to all scheme members, which included examples of how the changes would affect a variety of typical BT employees. The booklet illustrated BT people from different backgrounds to ensure help engage everyone in the consultation process. We replied to more than 2,200 individual queries over the course of the consultation. Following a membership ballot on the proposed pension changes, the union members voted in favour.

BT Team 2012 challenge

BT is one of the main sponsors of the London 2012 Olympic and Paralympic Games. We are using this opportunity to engage our people in achieving our business goals, using a communication campaign called the BT 2012 Challenge.

From January 2010, teams across BT began working on local, short-term business targets called sprints. There are eight sprints of three months each, and different teams will each complete a sprint before 2012. For example, sprint 1 in BT Retail included: ‘Increase the overall customer service wide One Contact Resolution (OCR) score by five points’ and ‘Migrate one million customers on to the Wholesale Broadband Connect platform’. The best performers will win a pair of tickets to top events at the Games, such as the opening and closing ceremonies, or BT ambassador Chris Hoy’s attempt to beat his medal-winning tally for cycling from the Beijing
Engagement

We want everyone at BT to enjoy coming to work and do their best. People who are engaged in their work perform well, get results and keep customers satisfied. Employees of all levels are helping to create a culture where everyone feels part of a winning team.

Monitoring engagement

We ask people how it feels to work at BT every quarter, so we can monitor levels of employee engagement. We use various channels to do this – including our employee survey, CAREgile – but also focus groups, forums, employee networks and special events. We ask people to tell us about five aspects of their BT employee experience:

- How we feel about our day to day work
- What it’s like to work in our team
- Our relationship with our direct manager
- Perspectives on senior leaders
- The way we feel about working for the company.

Managers get a report based on their team’s responses, which they discuss with their team and work together to agree better ways of doing things. This quarterly feedback cycle is well established, and in the 2011 financial year (2011) we will focus on highlighting what the most highly engaged teams do well, so others can learn from their experience.

Building engagement

We have companywide engagement priorities to guide people’s decisions and actions. These are

- Consistent and simple ways of doing things end to end for our customer
- A positive and involved management style and tone
- Excellent people managers who create an engaging environment for their teams.

Each line of business also has specific priorities to complement these, which relate to their business objectives and employee needs.

We run engagement events to help our people better understand BT’s priorities and what they can do to help deliver them. There is usually a strong focus on customers, as well as on collaboration and achievement. In the 2010 financial year, we invited Olympic athletes along to BT events to help our people think differently about their motivation and ability to succeed. Our engagement events always involve lots of discussion between employees and leaders, including open conversation and Q&A sessions. Leaders and employees often learn new skills together during these sessions.

Line managers play a pivotal role in running engagement events and ensuring teams apply the skills and knowledge they learn in their work. We run many specific initiatives to improve engagement among groups with a particular interest. This includes gaining new skills and qualifications or speeding up and simplifying the way we work. Whenever we can, we involve people in developing these initiatives, as this in itself improves engagement.

We also run a team challenge called the My Customer Programme, which has three main components:

- Back to the Floor – where leaders spend valuable time with colleagues and look at processes from end-to-end, identifying opportunities to improve customer experience.
- The Challenge Cup – a tournament designed to encourage our people to create improvements for the business and our customers.