Changing world: Sustained values

Our 2010 Sustainability Review
About us

BT is one of the world’s leading communications services companies, serving the needs of customers in the UK and in more than 170 countries worldwide.

Group results

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
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<tbody>
<tr>
<td>Adjusted revenue(a)</td>
<td>£20,911m</td>
<td>£21,431m</td>
<td>‐2%</td>
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<tr>
<td>Adjusted EBITDA(b,c,d)</td>
<td>£5,639m</td>
<td>£5,238m</td>
<td>+8%</td>
</tr>
<tr>
<td>Adjusted profit before tax(b,d)</td>
<td>£1,735m</td>
<td>£1,454m</td>
<td>+19%</td>
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<tr>
<td>Adjusted earnings per share(b,c)</td>
<td>17.3p</td>
<td>14.1p</td>
<td>+23%</td>
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<tr>
<td>Proposed full year dividend</td>
<td>6.9p</td>
<td>6.5p</td>
<td>+6%</td>
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<td>Free cash flow(c)</td>
<td>£1,933m</td>
<td>£737m</td>
<td>£1,196m</td>
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<tr>
<td>Net debt(c)</td>
<td>£9,283m</td>
<td>£10,361m</td>
<td>£1,078m</td>
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Our structure

We meet the needs of our different customer groups through four customer-facing lines of business – BT Global Services, BT Retail, BT Wholesale and Openreach. These are supported by two internal service units – BT Innovate & Design and BT Operate.

Our products and services

We have a portfolio of around 1,800 products and services. We sell them to consumers and small and medium enterprises in the UK, and globally to national and multinational corporations, government departments and other communications providers.

The information in this report covers our business worldwide for the year 1 April 2009 to 31 March 2010, unless stated otherwise.

Download this review in other languages (Chinese, Dutch, French, German, Italian, Japanese, Korean and Spanish) and read our full sustainability report at [www.bt.com/betterworld](http://www.bt.com/betterworld)

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8. What others think
9. How we did this year
10. Restated for the adoption of the amendment to IFRS2, see our Annual Report and Form 20-F for further details.
11. Items presented as adjusted are stated before specific items, BT Global Services contract and financial review charges in 2009 and net interest on pensions.
12. Adjusted revenue, adjusted EBITDA, adjusted profit before taxation, adjusted earnings per share, free cash flow and net debt are non-GAAP measures provided in addition to the disclosure requirements of IFRS. The rationale for using non-GAAP measures and reconciliations to the most directly comparable IFRS measure are provided in the Financial Review section of our Annual Report and Form 20-F.
13. EBITDA: Earnings before interest, taxation, depreciation and amortisation.
A message from our Chairman and our Chief Executive

Our society faces huge challenges – from climate change and resource shortages, to the issues raised by ageing populations, poverty and social and digital exclusion. We believe that business has a key role to play in tackling these challenges. In BT we aim to do this in partnership with our employees, suppliers and customers.

Sir Michael Rake
Chairman

12 May 2010

Our new apprenticeship framework will enable over 5,000 employees to acquire new capabilities, and our ‘Work Inspiration’ programme will provide work placements at BT for 3,000 young people. This focus on skills goes beyond formal training – our people around the globe spent over 28,000 days volunteering in the community last year. Volunteering gives our people the opportunity to make a difference in their local community and build their skills in ways that benefit them, the community and our business.

We are pleased that our progress continues to be recognised externally. For example, through the Business in the Community Corporate Responsibility Index, which awarded us the highest level, ‘Platinum Plus’, for our ongoing achievements and commitment. For the first time in nine years we were not sector leader in the Dow Jones Sustainability Index, but we are pleased to have maintained our top level gold status. We will build on our continued commitment to excellence as we drive forward to embed sustainability as ‘business as usual’. We are signatories to the UN Global Compact.

We have exciting plans for the year ahead and look forward to updating you on our progress in 2011.

Ian Livingston
Chief Executive

Our society faces huge challenges – from climate change and resource shortages, to the issues raised by ageing populations, poverty and social and digital exclusion. We believe that business has a key role to play in tackling these challenges. In BT we aim to do this in partnership with our employees, suppliers and customers.

Communications technology can help us all to live and work in more sustainable ways – at BT we know this from experience. Conferencing services are allowing us to reduce the need for travel. New ways of storing data are helping us reduce cost and energy needs. Access to information where and when we need it is changing the way we work. We are helping customers to enjoy the same benefits, improving efficiency, cutting costs and CO2 emissions. By using our technology, talents and capabilities, we can help the transition to a low carbon economy and contribute to stable and prosperous societies. We can do this while at the same time taking care of business needs such as reducing our operating costs and opening up new markets. This review highlights just a few examples of the approach we’re taking.

The roll out of our super-fast broadband network in the UK is one of the largest programmes in Europe. This will underpin our growth and enable all UK communications providers to develop products and services with economic, social and environmental benefits.

We know that as we grow as a company, we will face challenges with regard to our own energy use. Yet we remain committed to reducing our own global carbon intensity by 80% by 2020, from 1997 levels. In California, the solar array powering our offices and data centre has seen its first full year of operation. In the UK, we have planning permission for the first of our wind farms, part of our plans for the UK’s biggest corporate wind power project outside the energy sector. Our focus on getting things right first time for customers is paying dividends too; by improving our ‘network health’ we have reduced fault rates, repair visits and CO2 emissions from our vehicles.

We are committed to being a sustainable and responsible business. We will support the development, reskilling and redeployment of our people, in both good and bad economic circumstances. We are investing in skills, talent and leadership development to prepare our people for a low carbon world. New tools and training for our product teams will help us bring more sustainable products and services to the market such as the new more energy efficient BT Vision box.

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Sir Michael Rake
Chairman
BT is a communications company using some of the world’s most advanced technology. But we’re not interested in technology for its own sake. We’re excited about what it can do for our customers, our people, the communities we work in and the planet on which we all depend. This review explains how BT is using communications services and information technology (IT) to benefit people and the planet in three important areas, and in doing so creating a better business with a better future.

In this review

Technology for a connected world

IT has transformed the way we work and communicate, and is improving the delivery of essential services such as healthcare. BT is investing in the IT and communications infrastructure of the digital economy while seeking to maximise its upsides and minimise its downsides, for example by tackling digital exclusion.

Technology for a low carbon future

The communications sector has the potential to reduce global CO2 emissions by 15% by 2020. We’ve cut our carbon footprint by 51% from our 1997 base year and are helping our customers to do the same. We face the constant challenge that delivering more and faster customer services uses more electricity.

Skills for a sustainable BT

Our investment in skills through training and volunteering enables us to keep up with rapid technological change, support the communities we operate in, and help tackle major challenges such as climate change and social inclusion. Our long-standing commitments to diversity and flexible working helps us to retain skills and bring in talent from new sources.

We’ve already seen the potential of technology to change the way we live and work – from the globalisation of trade to the emergence of virtual businesses and advances that allow us to see inside the human body in amazing detail. Through the internet we have access to vast amounts of information and knowledge at the press of a button. But we’re still near the beginning of the digital revolution and the biggest changes may yet be to come.

In this review, we set out our agenda in each of the three areas profiled to the left, summarise our past performance and show how we are tackling new opportunities, risks and dilemmas arising from the use of technology. We also share some of our thoughts on how technology will shape the world and show how BT can contribute to a better future. We include a fact file with performance highlights and data illustrating our commitment to responsible business practices across our operations on pages 12 to 13.

Our corporate responsibility (CR) strategy

The contents of this review closely reflect the four pillars of our corporate responsibility (CR) strategy:

- Acting as a responsible and sustainable business
  We know that success comes from strong foundations and are committed to operating responsibly and sustainably in all areas of our business; supporting our people, customers, suppliers and the communities we work in.

- Helping to tackle climate change
  We are working with our employees and suppliers to reduce our energy consumption.

- Developing sustainable customer solutions
  We aim to meet growing customer demand for accessible, lower carbon products and services that bring social benefits.

- Enabling skills for an inclusive society
  We want to play our part in creating a connected world where everyone has the opportunity to benefit from technology.
Technology for a connected world

We want to use technology as a force for good, helping customers and communities to improve productivity and quality of life – while growing our business.

No-one should miss out on the benefits and we’re committed to helping more people use technology. We must also work with policy makers and others to address associated challenges such as privacy, piracy and data security issues.

Technology has already changed our lives – how and where we work, shop, and enjoy TV, film and music; how we stay in touch. Many of the effects are positive and embraced by governments. The UK Government’s Digital Britain Report of June 2009 highlighted the opportunities IT provides to society and the economy, as well as actions needed to ensure everyone can benefit. Similar conclusions are reached in the US Federal Communications Commission’s National Broadband Plan and the EU 2020 strategy for delivering sustainable economic and social benefits from a digital single market.

This section focuses on our role in the UK, where we provide products and solutions to customers ranging from single residential customers to large scale enterprises.

Getting the infrastructure right

The potential benefits of technology won’t be realised without the most up-to-date, reliable and secure IT infrastructure.

We are investing £1.5bn and aim to make fibre-based broadband services available to at least 40% of UK premises in 2012 – the largest investment in super-fast fibre-based broadband ever undertaken in Europe. We aim to make our fibre services available to 4 million UK premises by the end of 2010. Assuming an acceptable environment for investment, we see potential to expand our fibre roll out to about two-thirds of the UK by 2015. Other communications providers will be able to connect quickly and easily to our network and bring super-fast broadband services to their own customers.

There will be some locations, particularly in rural and remote areas, where public sector funding or other support is needed to make super-fast broadband commercially viable. Partnerships can play an important role in ensuring that no-one misses out on the commercial, educational and social opportunities presented by the internet.

For example, we are involved in a partnership in Northern Ireland to rollout fibre-based broadband in urban and rural areas, through joint public-private sector investment.

The rollout of super-fast broadband builds on our investment in the UK’s infrastructure which has already helped bring broadband to over 99% of premises. Our wi-fi network is the largest in the UK and Ireland, comprising over 1.5 million hotspots. We support the aim to bring at least 2Mbps broadband speeds to virtually every home in the UK by 2012. We continue to develop services to improve access to broadband in remote areas.

Tackling digital exclusion

An external perspective

Helen Milner
Managing Director, UK online centres

Can we get one million more people online in the UK in the next three years? Yes. But why bother?

Internet use in the UK has tripled in less than ten years. It now provides most of us with daily communications, commerce and entertainment. By last year, 70% of UK households had internet access – up 11% in just 12 months. However, one in five adults – 9.4 million people – have never been online, and are excluded from the advantages the internet offers. Thirteen per cent of new jobs are only available online, while internet users save £560 a year through the discounts available, and feel more connected to friends and family.

UK online centres’ priority for the next three years is to get one million more people online. We aspire for each one of them to become confident IT users. High-profile employers like BT can help; their staff can volunteer to support grassroots organisations working with the digitally excluded, and pass on their IT knowledge to digitally excluded people they know (see www.helppassiton.co.uk). By working together we can make our country better connected.

£1.5bn

Investment in fibre-based broadband

Bringing it to at least 40% of UK premises in 2012

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Internet policy
A BT perspective
Simon Milner
BT Director, Group Industry Policy
We support worldwide government ambitions to create digital economies where everyone can enjoy the benefits of being online. The way the UK uses IT will have real impact on the environment, economy and quality of life.

In supporting these efforts, we face conflicting public demands. We are encouraged to build faster, more reliable internet capacity while suppressing its less desirable consequences, such as the sharing of copyrighted content without permission via ‘peer-to-peer’ technologies – a major element of the new UK Digital Economy Act.

Freedom of expression has to be balanced against calls to correct some internet users’ behaviour and protect business models threatened by changing technology and the ways people use it. In most cases we believe it is for customers to decide what they should or should not use their internet access for. It is not our place to judge what is right or wrong, block access or censor information. These are issues for public authorities, including the courts.

When we intervene it is to keep our networks and services running efficiently and, in an exceptional case, to block access to child sexual abuse images identified by the independent Internet Watch Foundation. There are calls for us to suppress other content and applications, but introducing checkpoints and blockages would hamper our ability to provide the fast and reliable internet access our customers demand.

Being impartial doesn’t mean we are indifferent. We give customers power over their use of the internet, and offer privacy and security services such as BT Family Protection, so parents can choose what their family accesses without restricting the choices of other users.

We continue to encourage public debate on these complex issues, and actions based on broad agreement.

High speed broadband supports innovation
A recently published OECD report shows that high-speed broadband networks support innovation throughout the economy in much the same way electricity and transportation networks did in the past.

It urges governments to invest in open-access high-speed national broadband networks that can serve as the future delivery mechanism for a huge range of innovative new services such as smart electrical grids, tele-medicine, intelligent transportation networks, interactive learning and cloud computing.

The report shows that national broadband networks can pay for themselves within ten years, through dramatic efficiency savings in electricity, healthcare, road transport and education. Read the Network Developments in Support of Innovation and User Needs Report at www.oecd.org

Improving essential services
We already use technology to help our public sector customers improve delivery and increase access to essential services such as healthcare and education. Here we profile two recent examples.

The national broadband network for England’s National Health Service (NHS), delivered by BT, links hospitals, medical centres and GPs and is enabling more patient-centred care. For instance, doctors at the Darent Valley and St Thomas’ Hospital in Kent now use broadband to send angiogram images instantly and discuss them in real-time with experts in London. Patients can now have their angioplasty procedure carried out safely in Kent, rather than travelling to London.

Our joint venture with Suffolk County Council and Mid Suffolk District Council, Customer Service Direct (CSD), uses enhanced IT networks and customer service techniques to improve social care. CSD people work alongside social workers and occupational therapists to assess a customer’s needs. This means most residents need only speak to one person to receive their care, and only the most complex cases are referred to specialists, freeing up social care professionals for the people most in need.

Technology for everyone
Social and digital exclusion are often closely related. People on low incomes or out of work and the elderly are much less likely to have internet access at home. As more activities are conducted online, non-internet users may suffer reduced access to jobs, education, training and government services. The economic benefit of getting everyone online in the UK is estimated at £22 billion (the Economic Case for Digital Inclusion – October 2009).
We support efforts to see more people benefit from the digital age, such as Race Online 2012, an initiative launched by the UK’s Digital Inclusion Champion to give four million socially and digitally excluded people the chance to get online. We aim to get at least 100,000 people who are currently digitally excluded online by 2012. Other programmes to remove barriers to digital inclusion include:

- The BT Internet Rangers website, which provides tools for young people to teach older relatives how to use the internet.
- One Economy, in the USA, where we are providing support over two years to help young people teach adults how to use the internet.
- Support for EverybodyOnline, run by Citizens Online, which helps disadvantaged people across the UK use digital technology. We also support Age UK, which encourages older people to use unfamiliar technology.
- Our work with Katha, an education charity, which is bringing IT education and training to disadvantaged children in India. With our help, since 2001 Katha has awarded over 16,000 IT certificates of which 54% went to girls and women.

We develop products and services that help people of all abilities get the most from IT. By incorporating accessibility across our consumer range we are providing products with a wider customer appeal. For example, improvements to the BT Home Hub (our wireless internet router) make it simpler to use for all customers.

We know price can be a barrier for some customers. We launched our best ever value ‘bundles’ of broadband, calls and Vision TV service in 2010. We have been working with others to campaign for lower mobile termination rates (MTRs – the charges paid to mobile operators to connect calls from landlines or other networks to mobile phones), to help reduce phone bills for all customers, and welcome Ofcom’s recommendation for lower MTRs. PlusNet, a BT business, provides a low-cost broadband service in the UK.

A view from BT’s Leadership Panel

We will soon need the kind of internet-enabled infrastructure that BT is investing so much in, to substitute directly for physical (and carbon intensive) infrastructure. However, we must make sure that internet-enabled connectivity doesn’t become a substitute for the physical communities on which individual wellbeing and social capital depend. ‘Virtualising infrastructure’ can be a good thing; ‘virtualising communities’ can often be a wretched thing. IT leaders like BT must acknowledge and address the dilemmas associated with the use of technology and be ready to respond to diverse and sometimes conflicting views. Digital inclusion must remain a focus to enable everyone to share in the benefits of the internet enabled world.

The potential of technology

A future scenario

It’s 07:03 and you’re woken as the lights gradually brighten in your bedroom. After shaving, you ask the mirror to photograph your face and compare it with an image from last week. You’re worried that one of the moles on your face is getting bigger. The mirror analyses the images and compares them with thousands of others stored on medical databases. The results are sent on to your doctor.

Your daughter is already up and watching the latest science lesson from Dr Si on her mobile device. This computer generated teacher combines the teaching methods of the best ever science presenters into lessons customised to appeal to different students. Since starting these lessons her interest in school has improved dramatically.

On your way to work you’re alerted that your doctor’s computer has analysed your images and suggests an appointment. You accept an appointment near your morning meeting at the live conference centre. Live conferencing means that your colleague in the Berlin office and your potential new client in the US appear just a few metres away, even though you are all thousands of miles apart.

Leaving the conference centre you are guided to the medical centre via GPS. Your face is re-photographed using cameras that can see under the skin, and it is agreed that removing the mole is the best option. An automatic robot carries out the procedure. Simple surgery like this is now done by automatic robots, allowing surgeons to focus on more complex procedures. The robots can be controlled remotely, enabling specialist consultants to operate on patients thousands of miles away.

After the procedure you receive an alert on your mobile device that your elderly father’s stock of heart drugs is running low. You are about to click send to automatically dispatch the medicine, but think again. It’s been a while since you saw him so you decide to do it the old way, stopping off at the pharmacy and delivering them yourself on the way home.

Ian Neild
BT technology evangelist
To avoid the most dangerous effects of climate change, governments, businesses and individuals must radically reduce greenhouse gas emissions. Change on this scale requires a fundamental transformation, not incremental improvement.

IT will significantly help most sectors move to a low carbon economy by helping to monitor and reduce energy use and replace physical products and activities with virtual ones. We are already seeing growing demand for lower carbon products and services, and increasing carbon regulation in key markets. Environmental performance is becoming a formal requirement in procurement processes, with more contracts awarded based on issues such as energy and carbon efficiency.

The ICT sector’s own carbon footprint currently accounts for around 2% of global emissions and this could rise significantly according to the GeSI SMART 2020 report, while enabling other sectors to reduce their energy needs. Whilst our energy use from delivering new and faster services is increasing, we have set a target to reduce our net energy consumption by 3% in real terms next year.

Helping customers cut CO₂

This year we focused on further understanding the commercial implications of the transformation to a low carbon economy by considering what it will mean for our products and services in the short, medium and long term.

We already offer products and services to help customers operate more sustainably by improving energy efficiency and boosting productivity. Greatest demand for sustainable solutions currently comes from large corporate and public sector customers. BT Global Services supports these customers through services including conferencing, agile working and automated field service management. Our Sustainability Practice helps large customers measure their carbon footprint and identify ways to reduce energy use and operating costs.

We are developing low energy networks and data centres and helping customers to improve energy efficiency in their existing data centres. Our virtual data centre service provides on-demand, flexible computing services that can lower costs by up to 40%, reduce the amount of space required and lower power use and CO₂ emissions.

Our research (based on our own and customer experiences) suggests up to 1.2 tonnes of CO₂ emissions can be avoided per year for every employee who works from home. Our Field Force Automation solution (providing real time information and dynamic work scheduling to people on the road) can reduce vehicle journeys and related CO₂ emissions by up to 20%.

A view from BT’s Leadership Panel

2009 was the year of the disappointing Copenhagen climate summit and the backlash against climate science. Looking beneath the media frenzy, the underlying science remains rock solid and, in fact, has become more serious since the last IPCC report in 2007. On the policy front, the run-up to Copenhagen did produce an unprecedented set of national commitments, including notably from the big emerging economies. But these are insufficient and the pathway to a global deal remains unclear. In this situation the world needs the private sector to take the lead and companies like BT are doing just that; setting stretch targets, devising strategies for meeting those targets, and getting on with delivering carbon savings.

Many low-carbon solutions will emanate from the IT industry, and BT is making an important contribution through its significant R&D activity. BT must also engage with policy makers to ensure that the right incentives and institutions are put in place to deliver ‘green growth’ over the next decade.
Sustainable by design

Tools and training for our product teams are helping us embed low carbon thinking into design and development. We are developing a carbon footprinting methodology for our communications solutions. This is challenging, as our solutions are a combination of physical products, services and networks. We also need to include provision and maintenance related impacts. We will share what we’ve learnt to help others, as part of the development of new international standards.

Our product teams are also sourcing products with a lower environmental impact, and working with industry bodies to raise standards across our global supply chain. This is helping to improve energy efficiency in our consumer product range, including our phones, Home Hub (wireless internet router) and BT Vision box, which is 12% more energy efficient than the previous version. (See page 9)

Reducing our own footprint

We’ve set one of the most aggressive corporate emissions reduction targets in the world to help transform BT into a less carbon intensive business. By 2020, we aim to cut the carbon intensity of our global business by 80% from 1997 levels (carbon intensity relates carbon dioxide equivalent emissions to financial performance). This target is in line with the recommendations of the UN Intergovernmental Panel on Climate Change (IPCC) for developed country reductions. We’ve already reduced carbon intensity by 54% since 1997 by auditing energy use, improving energy efficiency in our offices, network and data centres, building dedicated renewable electricity, switching to low carbon electricity sources and adopting remote working practices.

We’ve made good progress but recognise there is more to do to find cost-effective ways to cut our energy use and emissions. For example, we are leading the UK’s biggest corporate wind power project outside the energy sector the energy system, which aims to produce up to 25% of our UK electricity consumption by 2016. Planning permission, subject to a technical issue with a local airport being resolved, for our first site, with five wind turbines, was granted in February 2010. Read about our plans and the ways we are engaging with communities near proposed wind farms at www.bt.com/betterworld The solar energy system at our North American headquarters in El Segundo, California, now produces 15-20% of its energy use, reducing carbon emissions by more than 300 tonnes annually.

We want everyone in our business to help. We aim to engage 20% of employees in climate change activities by 2012 and over 7,000 already support our actions. We’re focusing on engaging and motivating employees to reduce CO₂ through our energy saving campaign and network of Carbon Clubs.

Technology in action

A customer perspective

Flexible working is paying dividends for Beachcroft LLP, a commercial law firm, through higher productivity and lower costs. Beachcroft reduced office space in one location by 25%. They aim for a total reduction of 50%, with similar cuts in other locations. The reduction in travel from home working is also helping to improve work life balance for employees.

As an early adopter, Christy Farrer, Strategic Project Manager at Beachcroft, is in no doubt about the benefits. “I now work from home three days a week,” she says, “I’m not only saving money on commuting, but I also work during the time I used to spend travelling. So everyone wins.”

Climate change

A BT perspective

Chris Tuppen
BT Chief Sustainability Officer

Last year saw a number of events that led to some people questioning the need to act on climate change. The cold winter in 2010, the leaked e-mails from the University of East Anglia, the misstatement by the IPCC on the rate of thawing of the Himalayan glaciers and, of course, the disappointing outcome from the Copenhagen climate summit.

None of this displaces the basic science that CO₂ warms the planet or that burning fossil fuels increases the concentration of CO₂ in the atmosphere.

Ultimately the political establishment across the world will respond to this harsh reality. Although there is not yet consensus on who is going to do what by when, the messages from Copenhagen were clear: all countries accept the need to act, and there will inevitably be regulation, fiscal intervention, and new markets for low carbon products.

We believe this will drive revenue growth in the IT industry over the longer term. We are preparing for this by engaging in smart metering and smart grid trials, and investigating the holistic concept of smart communities that bring together a whole range of smart technologies.
Carbon reporting

We have reported our carbon emissions since 1992 and follow the Greenhouse Gas Protocol and UK Government guidelines. This year the UK Government published new voluntary company reporting guidelines. These differ from previous guidance. They now recommend that carbon emissions from electricity purchased with zero or low carbon emissions should be reported at the ‘grid average’ intensity. This removes any incentive for large energy consumers such as BT to purchase renewable electricity. We feel this is a retrograde step, especially given the hugely challenging targets the UK has for increasing the amount of renewable electricity over the next decade. The government has agreed to review this recommendation by December 2010.

Depending on the outcome of that review we may need to revise our approach to energy purchasing, carbon reporting and our CO2 targets. For full transparency, our carbon accounts this year show our ‘grid average’ purchases alongside the carbon savings associated with our purchase of low carbon electricity. View our full carbon accounts at www.bt.com/betterworld.

Low carbon economy
An external perspective

Steve Howard
CEO, The Climate Group

In 2008, The Climate Group and the Global e-Sustainability Initiative released the report SMART 2020: Enabling the Low Carbon Economy in the Information Age. This showed that smart deployment of ICT could cut global emissions by 15% by 2020 by making other sectors more energy efficient. How can the ICT industry realise this opportunity? Many companies are beginning to look at their own direct footprint, and many are developing products and services using their expertise in networking or communications.

Once inefficiencies are understood, data can be used to provide a whole range of products and services that save consumers and businesses energy and money. This is already underway, with data management and analytics growing nearly twice as fast as the rest of the ICT industry, at 10% per year.

As well as providing services such as data-analytics, video or tele-conferencing, the ICT industry should work to develop demand for energy efficiency, and support government efforts to encourage energy efficiency and data collection on energy consumption.

Growth in the energy efficiency product market is enabled by agreed standards that allow machine-to-machine and smart grid communications, pilot projects that test new technologies and accepted methodologies that accurately measure the impact of new ICT services on emissions. This will require unprecedented collaboration at an industry, cross-industry and cross-sector level.

Energy efficiency is a win-win for the ICT industry, consumers, businesses and the environment. The companies who choose to innovate will be leading the world into the next decade and beyond.

The potential of technology
A future scenario

It’s early evening in winter; you have spent a day in the office. You type “going home” into your computer. This triggers a message to the members of the car pool, your home is informed of your imminent departure, and all your calls get immediately transferred to your mobile.

You get up from your desk and the screen powers down. No-one has a computer any more – all the intensive computing is done in mega, highly efficient data centres built near sources of renewable electricity. As your screen powers down the data centre immediately re-allocates its server capacity to another user.

You walk down the corridor towards the car park, LED lights gradually brighten in front of you and dim behind – you walk in a halo of light. You are joined by a colleague from the car pool who has been notified you were leaving. You get in your electric car. A fashionable, comfortable vehicle – not something that looks like a converted milk float.

As you drive home, your mobile is constantly communicating with your home. Your home is extremely well insulated: the roof is covered in photovoltaic cells and the walls absorb heat when it’s hot and release it when it’s cold. The house knows the weather, knows when you will arrive, how much solar heat it has received today, how much electricity it has generated and how much it sold onto the grid. It knows which rooms you will use, so it starts preparing them for your arrival.

The neighbourhood heating system that supplies your home is fed from a massive ground-source heat pump.

You arrive home having dropped off your colleague and plug in your car to charge up. After dinner, you have a weekly video link up with your parents, who are frail but live in their own home. In the last few years, health and social care have been transformed. Sensors check people’s activity and state of health. Regular checkups are undertaken using remote diagnostics. Health problems are detected far earlier.

As you head for bed, the house lights and heating automatically turn off behind you.

Chris Tuppen
BT Chief Sustainability Officer
Skills for a sustainable BT

Creating a connected, low carbon world where technology helps deliver a better quality of life for all is a huge challenge. We need to innovate, help our people develop new skills, and engage everyone at BT in pursuing our sustainability goals.

Only through a focus on skills can we compete successfully on a global scale, keep up with rapid technological change in our sector and help tackle major challenges such as climate change and social inclusion.

We are investing in training and volunteering to equip people at all levels of the company with a wide range of skills, to broaden their outlook and to inspire them to make a difference to our business and the communities we work in. Our commitment to flexible working helps us to bring in talent from new sources with diverse perspectives that add value to our business.

This year improvement in our efficiency has enabled us to reduce our total labour resource (employees, agency staff and contractors) by around 20,000. We have a successful track record of redeploying and retraining people by helping them learn new skills and find jobs within BT’s growth areas. With retraining and support, some 5,000 people have found new roles in the business.

Skills for the future

To achieve our sustainability goals and maximise the benefits of technology, we need our people to understand why sustainability matters to BT and equip them with the skills to make a difference.

During the last year, we began to identify the skills our people need to fully integrate sustainable choices into their development and business decisions. We tested our people’s understanding of the triple bottom line of ‘economics, environment and social wellbeing’ through workshops and discussions with a cross section of employees. Our external Leadership Panel provided insights into the challenges faced and approaches taken by other leading organisations.

This work helped us understand current attitudes, clarify the behaviours we need employees to adopt and identify training and development needs. During the coming year we will work with business schools, consulting groups and specialist providers to turn this work into an employee development programme.

We know our product and marketing teams have a key role to play in helping us develop more sustainable customer solutions. We have developed a toolkit to ensure sustainability criteria are built into product design, and to highlight products that have made a difference to customers (and revenue) to inspire them. These tools will also help our marketing teams understand how our solutions support sustainability, and communicate this to our customers.

Tomorrow’s talent
An external perspective

Tony Manwaring
Chief Executive, Tomorrow’s Company

Perceptions of what value is and how it is created are changing radically, altering our understanding of ‘talent’. In future, strategic decisions will consider environmental and social issues and opportunities as much as economic imperatives (we call this the ‘triple context’).

This requires companies to change mindsets as well as practices – new activities such as developing the truly sustainable and successful new products of the future will fail unless employees understand the thinking behind them, while ideas alone won’t create value without the processes needed to turn them into reality.

BT ‘gets’ this and wants to use IT to find innovative new ways to find talent and change mindsets. The company also recognises that it is both an iconic British brand – with responsibilities and opportunities to support the UK’s transformation into a digital economy – and a global business that needs the skills to support customers of many different kinds, across cultural and corporate boundaries.

It is an approach rooted in trust and respect for its people and the diversity of talent they represent. This has changed what it means to work for BT, bringing flexible working options and greater opportunities for the entire workforce as well as for groups such as disabled people and carers. The company’s focus on volunteering and people engagement is helping to create the all-important new mindset. If successful, this will be BT’s biggest asset as the company adapts to a more connected world.

The Tomorrow’s Global Talent report is available at www.forceforgood.com
Our employees agree that flexible working brings benefits. After 22 years with BT and 16 years in our Shrewsbury call centre, billing and enquiries adviser Sandra Hannan relishes the peace and quiet of working from home. Says Sandra, “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 advisers and I believe it’s definitely the way forward.”

Meanwhile, repair adviser Steve Lewis was keen to avoid his daily commute of around 40 minutes each way and spend more time with his two young children. Today, Steve does the same number of hours but over a four-day week, split into two shifts in the morning and early evening. He adds: “I’m 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.”

Working from home means Mandy Simpson, a billing and enquiries adviser, can care for her granddaughter during the day, allowing her daughter to return to work from maternity leave. In her words, “working from home has become one of the best moves I have done in BT”.

We integrated sustainability into our talent and leadership development programmes this year, to equip our future leaders with the right knowledge, skills and behaviour to achieve business success through environmental and social responsibility. We also reminded managers and teams of the importance of our business principles – The Way We Work. We reviewed and updated our performance management process to ensure we consistently recognise and reward the right behaviour.

Training to enhance skills
Training helps our people keep up with changing technology. For example, as a result of our Right First Time programme and investments in our network, reliability has improved and we need fewer engineering visits to repair faults. We’re retraining our engineers in the skills we will need to roll out our fibre-optic super-fast broadband.

We recognise that skills are important at all levels of the company. This year over 5,000 employees will take accredited learning or apprenticeship certificates. Our apprenticeship programme helps equip young people with the necessary tools to thrive in the innovation age. We have 713 apprentices currently working across BT and during 2011 we plan to recruit more than 200 more.

We are working alongside other employers and Business in the Community (BITC) on ‘Work Inspiration’, a new initiative that will see approximately 3,000 young people gain improved work placements with BT. This will provide an insight into the world of work and help participants decide which career they want to pursue.

A view from BT’s Leadership Panel
The transition to a sustainable society and low carbon economy will require a deep change in our culture alongside an investment in the right skills. The key here is an appreciation of the inter-disciplinary nature of the sustainability skillset, combining technical competence with new abilities to motivate and mobilise internal and external stakeholders. It is encouraging to see BT starting to embed sustainability into decision making as part of its talent development.

This is the start of a journey towards a world where every new product is launched with a prior assessment of its societal, environmental and financial contribution, and where an employee’s contribution to sustainability also involves time spent on activities such as volunteering to causes that might once have been seen as unproductive. Strong data will be needed to prove that BT is again leading by example and to assess the contribution of volunteering and other initiatives to BT’s overall sustainability performance.

The impact of flexible working
Our agile working solutions give employees access to the same information, systems and applications at home, in the office and on the move. More than 9,600 of our people regularly work from home, avoiding the commute, and reducing the amount of office space we need.

Flexible working helps employees achieve a better work life balance and reduces the environmental impact and cost of travel. Our experience shows that, for appropriate roles, it motivates people and increases their focus and commitment, improving productivity. This helps BT to attract and retain a more diverse pool of employees, with the wide range of abilities and life skills we need. This includes experienced, skilled employees, who place a high value on flexibility, as well as people with disabilities, carers and older people wishing to extend their working lives.
Skills for a sustainable BT

Time well spent

We are broadening the ways our employees can gain new skills and experiences, by increasing our focus on volunteering. This year we significantly expanded our long-standing volunteering programme and committed to allowing all our people, worldwide, to volunteer for up to three days a year in BT time. In 2010, BT people provided over 28,000 days of volunteering activity in the community, the value of which we estimate at £9.4m.

We have developed a wide portfolio of volunteering opportunities to interest and motivate employees, including activities which support BT’s wider sustainability and business objectives, such as a pilot with UK Online to support efforts to tackle digital exclusion. We also organise large-scale volunteering events, such as those run during London 2012 Volunteering Week which have enabled employees to support preparations for the London 2012 Olympic and Paralympic Games, as well as fundraising telethons and disaster appeals run in the UK. Employees can also volunteer with a charity of their own choice.

Volunteering is part of our employee development process, benefiting both BT and our people. We have a charitable secondment programme which enables employees to spend longer periods with key charity partners. This programme is delivering considerable benefits to the charities, while developing skills, motivation and self confidence among BT secondees. Many employees completing the programme have expanded their skills and are now eligible for a broader range of roles within BT.

Future skills
A BT perspective

Caroline Waters
BT Director of People and Policy

Challenges such as climate change and social inclusion increasingly affect our business, alongside the need for market innovation. In this environment we must do business differently to succeed. We need innovative product and solution designers that keep BT ahead of our competitors, providing environmentally sustainable communication services which everyone can use.

This year we have focused on embedding environmentally and socially responsible behaviours into the way our people work, our performance management systems and our talent and leadership development programmes. During the coming year we will build on this, with an employee development programme that embraces the future needs of business and society.

We must explore unconventional sources of talent to ensure we find the best people for this new business environment. BT is reaching out to new communities, including those furthest from the traditional labour market such as carers, to explain the skills we need and the flexible working options we offer, and to encourage different people to apply for our jobs.

Governments, industry and the education system need to work closely together to ensure schools understand the skills businesses need from the future workforce. Our work with employers and Business in the Community on Work Inspiration is a great example of how this can inspire young people about work and the possibilities of a new kind of business.

£9.4m
Volunteering
Our estimate of the value of over 28,000 volunteering days this year
We’re ambitious about what we can achieve for communities and the environment. But we know that success comes from strong foundations. We are committed to operating responsibly and sustainably in all areas of our business, supporting our people, our customers, and the communities we work in.

Below is a snapshot of our approach. You can read more in our full online report at [www.bt.com/betterworld](http://www.bt.com/betterworld)

**Our values**
Our State of Business Practice, The Way We Work, in place for over a decade, defines our expectations of and commitment to our customers, employees, shareholders, partners, suppliers and local communities. Our Ethics Steering Committee meets bi-monthly and is chaired by the Company Secretary. We broadened our ethical Key Performance Indicator this year to help measure the impact of our ethics training and activities to raise employee awareness of our policies on issues such as bribery and corruption, and receiving or offering hospitality.

**Customer service**
In 2010 we achieved a 10.5% increase in the internal scores we use to measure customer service. This compares with a 9% improvement in 2008 and 17% in 2009. These measures are cumulative, so the results show real progress is being made.

**Privacy**
Our comprehensive privacy policy is available on our website. All our managers and all our people who have access to personal employee or customer data take our data protection training course once every three years. In 2010 we continued our ‘protecting information’ employee awareness campaign, helping to ensure that our people understand the criticality of protecting personal data that we hold.

**Inclusive services**
BT has been providing dedicated assistance and services for older and disabled customers since 1984. This includes providing information in large print, Braille, audio or in British Sign Language. Our inclusion website is the first FTSE 100 company to hold the ‘See it Right’ accreditation.

**Civil resilience**
We have an important role in maintaining the UK’s Critical National Infrastructure. For example, torrential storms during 2009 caused severe damage to telephone, broadband, broadcasting and other communications links in North West England, cutting off services to almost 40,000 customers. Within 12 hours, phone services to the majority of customers had been restored, and most broadband lines were working again within 36 hours.

**Diversity**
For the third year we have achieved our target to have a top ten placement in four of five major diversity benchmarks.

**Pensions**
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.

**Health and safety**
There were 0.209 lost time injuries (LTI) per 100,000 working hours, compared with 0.160 the previous year and a target of 0.157. Our LTI increased mainly from slips, trips and falls related to the severe UK winter. Associated costs did not increase as these are relatively minor injuries that do not require much time off work, and the number of more serious and costly injuries reduced. Our sickness absence rate (SAR) was 2.46% of calendar days lost to sickness, compared to 2.17% the previous year, against a target of 1.9%. Our SAR and associated costs rose due to a high number of colds and flu and mental health issues.

**Investment in society**
This year we invested money, time and in-kind support worth £26.4m in our community programmes, meeting our commitment to invest at least 1% of group pre-tax profits. In 2010 we introduced two new investment categories: support for sustainability and climate change, and some public sector volunteering activity. These new categories represent 9.5% of this year’s investment.

**Charity support**
This year, telethons and disaster appeals supported by BT helped raise £150m for our charity partners – Children in Need, the Disaster Emergency Committee (DEC) appeals for Asia and Haiti, and Sports Relief. Our eDonate platform processed in excess of 370,000 donations for the DEC Haiti earthquake appeal, collecting more than £21m, in addition to £3.5m taken via our automated telephone donations system. Our employees gave £2.5m to charities of their choice, to which the company gave an additional £1m.
Heritage

The Connected Earth website (www.connected-earth.com) and partner museums across the UK preserve historic telecommunications artefacts, documents, images and films of acknowledged national significance. There were over 77,000 downloads of free National Curriculum standard teaching resources in 2010. BT Archives preserves the historical information of British Telecommunications plc and its predecessors from the birth of the electric telegraph in the 1830s up to the present day.

Supply chain standards

We have detailed labour and environmental standards for suppliers and monitor compliance using questionnaires and site assessments. In 2010, 180 suppliers completed our self-assessment questionnaires and we carried out 32 site assessments. We are working with 270 suppliers to improve their environmental standards and 261 on their labour standards.

Reducing our carbon

To date, we’ve reduced the carbon intensity of our global business, including the purchase of zero and low carbon electricity, by 54% compared to our 1997 baseline. In the UK our absolute CO₂ emissions have fallen by 7% in the last year and 59% from our 1997 base year.

Reducing energy use

We made significant progress against our target to save 75,000 tonnes of CO₂ by March 2011. Activities around the group to remove redundant equipment from exchanges, make more efficient use of heating systems, optimise the use of office space and decommission servers have paid dividends, reducing CO₂ by 41,800 tonnes.

Transport

By reducing the fault rate in our network as part of our customer service programmes we’ve been able to significantly reduce CO₂ emissions associated with engineering visits. Our fleet mileage reduced by 15% and associated CO₂ emissions by 12% in the year. This reduction also reflects our activities to train our people in fuel efficient driving techniques and improved work scheduling, reducing wasted journeys and reducing the load factors of our vehicles – for example by using lighter equipment.

Business travel

Last year, as part of our businesses cost challenge, we avoided over 33 million kilometres and 6,700 tonnes of CO₂ from company car travel, helped by our employees’ use of audio, video and web conferencing collaboration services from the workplace or at home.

Environmental management

Our environmental management system is certified to ISO14001 in the UK, Belgium, Ireland, Germany, the Netherlands and Italy. BT Spain has EMAS certification.

Waste and recycling

This year we reduced waste sent to landfill by 15% compared with 2009, and recycled 44% of our waste globally, meeting our target. In 2010 we also recovered and recycled 8,444 km (76,000 tonnes) of redundant copper cables from our UK network.

Bringing it all together for 2012

As official communications services partner to the London 2012 Olympic Games and Paralympic Games, BT is working to ensure the Games are a success for sport, for the UK, for the people participating and watching and for the communities living near the London 2012 venues.

Working with our fellow London 2012 technology partners, we will carry every image, every commentary, every sports report, and every visit to the London 2012 Games website, along with millions of calls, e-mails, and text messages. We are making a huge investment in bringing fast, reliable and secure BT technology and networks to each of the 94 London 2012 Olympic and Paralympic venues.

As one of six London 2012 Sustainability Partners we want to leave a lasting legacy by making the most of what we do best – bringing people together using eco-efficient technologies. We are designing our communications services to minimize environmental impact, implementing the first ever converged network solution for the games, with a fibre network that will be reused as much as possible by homes and businesses after the Games. We are also measuring the impact of our services using a newly developed carbon footprint methodology and will be capturing lessons learned about where savings can be made for future Games, see page 7.

We want as many people as possible to get involved in the Games and benefit from the experience. BT employees will be involved as volunteers during the Games and over a 1,000 have already signed up to participate in projects in the run up to the Olympic Games and Paralympic Games, including a programme to improve the canals and walkways near the Olympic Park. We’re investing in education programmes that help young people across the UK engage with the Games at the same time as developing their communication skills and with our support a Legacy Centre has been built just outside the Olympic Park as a resource for young people in the area.

We are now in the second year of our four year sponsorship of the BT Paralympic World Cup as part of our on-going commitment to disability sport and working in collaboration with The Lord’s Taverners we will build 12 sensory rooms across the country for young people with disabilities and communication challenges.
Managing risks and opportunities

We quantify the most significant social, environmental and ethical risks to BT in our CR risk register. This is updated twice a year and reviewed with our external Leadership Panel and by our Board annually. Our current key CR risks are:

- Breach of integrity leading to a loss of trust in BT
- Climate change mitigation
- Climate change adaptation
- Effect of diversity on employee relations and customer service
- Health and safety risks to employees and the public exposed to BT operations
- Loss of trust caused by unintended release of private customer data
- Unacceptable supply chain working conditions.

We use an opportunities map to show existing and potential low-carbon products and services and their market attractiveness. The chart illustrates potential solutions, their potential revenue and carbon reduction potential. Some of the opportunities we have considered this year are: cloud computing, conferencing and Field Force Automation.

Dematerialisation is a virtual product replacing a physical one, such as teleconferencing replacing travel.

Our reporting

We use a materiality process to identify the most relevant and significant CR issues for our business and stakeholders. We report on our most material issues in this review and online. The chart includes examples of where issues are covered. Other important but less significant issues and our approach to materiality are covered in more detail in our online report. See www.bt.com/betterworld
What others think

Our Leadership Panel of external sustainability experts meets four times a year. Their advice and guidance help us improve and encourage BT to strive for leadership in sustainability. You can read the panel’s comments on this Sustainability Review below and on pages 5, 6 and 10.

The best test of any company’s commitment to sustainability and corporate responsibility is how it fares during leaner times as well as in the good times. It’s been a tough year for BT, facing intense competitive pressures whilst striving to improve customer satisfaction and maintain the substantial R&D investments on which its future depends.

Happily, BT’s commitment to corporate sustainability remains strong. But BT is no longer the leading company in the Dow Jones Sustainability Index, after eight years at the top. And the five strategic priorities stated in this year’s Annual Report do not explicitly reflect this commitment (although it is stressed in BT’s ‘corporate aim’). Both developments remind us that success cannot be taken for granted and that leadership needs to be nurtured through the entire company.

The Leadership Panel’s starting point has to be BT’s performance in delivering against its own Key Performance Indicators (see pages 16 and 17), and these show another year of steady progress. However, things move on, and we are no longer convinced that this is the best way of measuring progress, let alone capturing the kind of ambition level that BT needs to be aiming at. We have therefore recommended to BT that it should comprehensively review these KPIs, with a view to being at the forefront of developments.

Some of the most stimulating discussions we’ve had over the last year have been around BT’s Carbon Management Strategy. Although the UK Government has effectively penalised companies like BT that have proactively invested in renewable energy, BT continues to demonstrate extraordinary leadership in this area.

BT has been slower to seize hold of the opportunities that will result from the transition to a low-carbon economy, in part because its contribution is intangible and service based. Nonetheless, smart meters, smart buildings, smart grids, integrated networks and infrastructure, tomorrow’s low-carbon lives will depend on a surge of innovation and new technology – and many companies are already aggressively positioning for that very different world.

The entire ICT industry must also wrestle with the scope for web-enabled technologies in increasing emissions of CO2. This is a significant additional challenge requiring profound and rapid attention, otherwise the widespread perception of the ICT sector as ‘a clean and green sector’ will be at risk. We look forward to an engaged dialogue with BT on this during the next period.

The challenges don’t get any easier! All companies have to raise their game to meet those challenges, and the contribution that BT continues to make in this area is as critical as ever.

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
Founder-director of Utopies, a Paris-based sustainability consultancy

Jørgen Randers
Professor of climate strategy at the Norwegian School of Management

Nick Robins
Head of Climate Change Centre of Excellence at HSBC in London

LRQA assurance statement

Lloyd’s Register Quality Assurance Limited (LRQA) assures this review and our online database against the AA1000 Assurance Standard (2008). You can read their full comments in our online report.

Based on the terms of engagement, LRQA’s conclusions are summarised below:

- BT complies with the AA1000 Accountability Principles of Inclusivity, Materiality and Responsiveness
- Specified sustainability performance information is reliable
- BT’s self declaration of GRI G3 A+ application level is fairly stated
How we did this year

We use non financial key performance indicators to measure our progress. This table also includes direct costs to BT related to our environmental and social performance, in line with the principles of the Connected Reporting Framework. Information from this table is included in our Annual Report and Form 20-F.

**Key CR indicators**

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>Non financial indicators</th>
<th>Target 2010</th>
<th>Results 2010</th>
<th>Results 2009</th>
<th>Results 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers</strong></td>
<td></td>
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</tr>
<tr>
<td>Customer service</td>
<td>A measure of success across BT’s entire customer base</td>
<td>To improve customer service based on getting things right first time (RFT) in line with our corporate scorecard (see page 12)</td>
<td>10.5%</td>
<td>17%</td>
<td>9%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Improvement in RFT service from 2009</td>
<td>Improvement in RFT service from 2008</td>
<td>Improvement in RFT service from 2007</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, through its annual employee attitude survey</td>
<td>Maintain or improve the 2009 level of employee engagement</td>
<td>3.58</td>
<td>3.61</td>
<td>3.60</td>
</tr>
<tr>
<td><strong>Diversity</strong></td>
<td></td>
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<tr>
<td>Diversity</td>
<td>A measure of the diversity of the BT workforce</td>
<td>BT will maintain a top ten placement in four of five major diversity benchmarks. Includes four UK benchmarks and the Schneider-Ross global diversity benchmark (from 2008)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>BT is in the top ten placement in four of five major diversity benchmarks</td>
<td>BT is in the top ten placement in four of five major diversity benchmarks</td>
<td>BT is in the top ten placement in four of five major diversity benchmarks</td>
</tr>
<tr>
<td><strong>H&amp;S: Lost time injury rate</strong></td>
<td>Lost time injury cases expressed as a rate per 100,000 hours worked on a 12 month rolling average</td>
<td>Reduce to 0.157 cases</td>
<td>0.209 cases</td>
<td>0.160 cases</td>
<td>0.188 cases</td>
</tr>
<tr>
<td><strong>H&amp;S: Sickness absence rate</strong></td>
<td>Percentage of calendar days lost to sickness expressed as a 12 month rolling average</td>
<td>Reduce to 1.9% calendar days lost due to sickness</td>
<td>2.46%</td>
<td>2.17%</td>
<td>2.43%</td>
</tr>
<tr>
<td><strong>Suppliers</strong></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, based on our annual supplier survey</td>
<td>To achieve a rating of 80% or more, based on the question: ‘How would you describe the quality of your company’s relationship with BT?’</td>
<td>86%</td>
<td>85%</td>
<td>78%</td>
</tr>
<tr>
<td><strong>Ethical trading</strong></td>
<td>A measure of the application of BT’s supply chain human rights standard</td>
<td>To achieve 100% follow up within three months for all suppliers identified as high or medium risk, through our ethical standard questionnaires</td>
<td>180 risk assessments with 100% follow up</td>
<td>78 risk assessments with 100% follow up</td>
<td>234 risk assessments with 100% follow up</td>
</tr>
<tr>
<td><strong>Improving society</strong></td>
<td>An independent evaluation of our community programme</td>
<td>Maintain evaluation score at over 90%</td>
<td>96%</td>
<td>91%</td>
<td>79%</td>
</tr>
<tr>
<td>Investment in society</td>
<td>Maintain a minimum investment of 1% of underlying pre-tax profits</td>
<td>1.05%</td>
<td>1.01%</td>
<td>1.02%</td>
<td></td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CO₂ equivalent (CO₂e) emissions</td>
<td>A measure of BT’s climate change impact</td>
<td>By December 2020, BT Group will reduce its CO₂e emission intensity by 80% against 1997 levels. Target set in 2008</td>
<td>CO₂e 801,000 tonnes 51% reduction, 54% intensity reduction</td>
<td>CO₂e 860,000 tonnes 47% reduction 46% intensity reduction</td>
<td>CO₂e 888,000 tonnes 45% reduction 54% intensity reduction</td>
</tr>
<tr>
<td>Waste to landfill and recycling</td>
<td>A measure of BT’s use of resources</td>
<td>BT Group will reduce the tonnage of waste sent to landfill by 8% from 2009 levels</td>
<td>15% reduction in waste to landfill from 2009</td>
<td>17% reduction in waste to landfill from 2008 (UK only)</td>
<td>22% reduction in waste to landfill from 2007 (UK only)</td>
</tr>
<tr>
<td><strong>Integrity</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Ethical performance measure</td>
<td>An index of the success of BT’s employee awareness and training</td>
<td>We plan to broaden this indicator to include all relevant policies including our new anti-corruption and bribery, and gifts and hospitality policies</td>
<td>4.10</td>
<td>77%</td>
<td>83%</td>
</tr>
</tbody>
</table>

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1 Including interconnect, commissions, utilities and rates
2 Where our suppliers agree that BT ensures its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner (extrapolated from supplier survey responses)
3 Our carbon emissions have been restated to reflect changes to emissions factors published by government and non-material corrections
### Non financial indicators

<table>
<thead>
<tr>
<th>Integrity</th>
<th>Environment</th>
<th>Improving Employees</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain or improve our 2010 index score</td>
<td>Maintain evaluation score</td>
<td>Maintain or improve the 2010 level of employee engagement</td>
<td>Maintain or improve the 2010 level of employee engagement</td>
</tr>
<tr>
<td>BT Group will reduce the tonnage of waste sent to landfill by 10%</td>
<td>Reduce to 2.71% calendar days lost due to sickness</td>
<td>BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008)</td>
<td>BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008)</td>
</tr>
<tr>
<td>BT Group will reduce its CO2 emission intensity</td>
<td>Reduce to 0.209</td>
<td>BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008)</td>
<td>BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008)</td>
</tr>
<tr>
<td>BT Group will reduce its CO2 emission intensity</td>
<td>Reduce to 0.188</td>
<td>BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008)</td>
<td>BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008)</td>
</tr>
</tbody>
</table>

### Financial indicators

<table>
<thead>
<tr>
<th>Key to symbols</th>
<th>Target 2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
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### Key indicators

- **Non financial indicators**
  - Integrity
  - Environment
  - Improving Employees
  - Customers

### Target 2011

- Right First Time continued to be a priority for BT in 2010, making further significant improvements in RFT service, reducing to 1.9% calendar days lost compared to 2.46% in 2009.
- BT is in the top ten of the BT Group plc diversity benchmark (from 2008).
- BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008).
- BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008).
- BT will maintain a top ten placement in the BT Group plc diversity benchmark (from 2008).
Thanks for reading what we have to say – now we want to listen to you. E-mail us at yourviews@bt.com and tell us what you think of this review and sustainability at BT.