



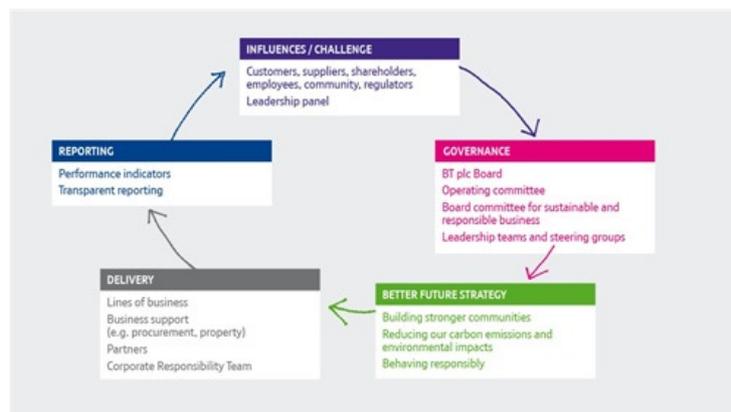
Our 2011 Sustainability Review

Better Future



Governance and management

Our strategy is to do business in a responsible and sustainable way that benefits BT, our employees, suppliers, customers, society and the environment. Our organisational structure ensures there is clear accountability for implementing this strategy. Read more about [corporate responsibility \(CR\) governance](#).



This section describes how we ensure responsible and sustainable behaviour in our daily business, and covers:

- Business ethics
- Public policy
- Stakeholder engagement
- Human rights
- Economic impacts.

Corporate responsibility governance

For BT, corporate responsibility (CR) is integral to how we do business - in a responsible and sustainable way that benefits BT, our people, our customers, society and the environment. It is our contribution to sustainable development. We have an organisational structure in place to ensure there is clear accountability for achieving our strategy.

Committee for Sustainable and Responsible Business

Our Board committee, chaired by Sir Michael Rake, sets the corporate responsible and sustainable business strategy for the BT group globally (including wholly owned subsidiaries) for approval by the Board. It includes three non-executive directors and three independent members, as well as key executives. Jonathon Porritt, chairman of our Leadership Panel, attends on an annual basis.

The Committee met 4 times in the 2011 financial year and reviewed

- Progress against our strategy and Key Performance Indicators
- Our community and charity support programmes, particularly our UK company charity partner and in-country partnerships outside the UK
- The development of MyDonate

- The progress of BT's volunteering and sustainability skills programmes
- Activities supporting BT's environment and Climate Change programmes

The committee has close links with BT's CR Leadership Advisory Panel (the Panel); Jonathan Porritt (chair of the Panel) attended the December 2010 meeting of the Committee and Dame Ellen McArthur attended the May 2010 Panel meeting. Gavin Patterson is a member of the committee and he attends the CR Leadership Advisory Panel meetings.

The board committee is supported by three leadership teams:

Our Responsible and Sustainable business leadership team - chaired by Gavin Patterson, CEO BT Retail and our CR sponsor, this team is responsible for delivering our strategy and monitoring our performance.

Our Sustainability leadership team - is chaired by Mike Galvin, Managing Director, 21C Customer Experience. This team defines the vision for, and monitors, our environmental and sustainability performance.

Our Community Investment leadership team - is chaired by John Petter, Managing Director, BT Retail, Consumer. The team is responsible for focusing and aligning our employee engagement and community investment activities and monitoring progress.

Our external Leadership Panel

BT's Leadership Advisory Panel is a group of external experts renowned for excellence in their field. The panel members in 2011 were:

- Jonathon Porritt, Chair of the Panel and Director of Forum for the Future, a UK sustainable development think tank
- Mark Goyder, Founding Director, Centre for 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.

The panel encourages innovation and leadership on CR and sustainability in BT. It meets four times a year and provides independent guidance and expert advice on key areas of strategy and performance. These include policy, performance measures, targets, future objectives, governance, stakeholder relationships and external communications.

The main items the Panel discussed in 2011:

Performance measurement

The Panel has helped review the 12 CR Key Performance Indicators, which BT has been reporting on for a number of years.

Climate change

The Panel reviewed BT's analysis of the ICT sectors energy/ carbon footprint '[Are ICT emissions running ahead of expectations?](#)'. And the plans to continue to reduce energy use.

Sustainability Leadership

Throughout the year The Panel has advised and input to BT's leadership credentials and its ambition to continue to be a sector leader.

Sustainability reporting

The Panel provides input to BT's reporting process. And commented on both content and approach as well as being active participants in BT's materiality determination process.

Embedding (integrating) sustainability

The Panel continues to be interested in how sustainability considerations are part of the way BT does business.

Supply chain influence

The Panel discussed activities within BT's supply base. BT's influence, through its procurement activities, its success in reducing energy consumption through key consumer products such as BT Vision set-top boxes and Home Hubs (wireless routers). BT's new procurement standard is leading edge and encourages low-carbon innovation amongst its suppliers.

CR Risks

The Panel actively participates in BT's annual review of its CR related risks.

The Panel provides an annual [comment](#) on our performance and sustainability report.

Business ethics

Behaving responsibly towards our customers, employees and suppliers is fundamental to our approach to business. We aim always to do the right thing and act within the law. We have stringent measures to prevent improper conduct such as bribery, corruption and fraud in our business relationships and dealings.

This can be challenging. For example, economic growth in emerging markets is creating many commercial opportunities for BT, but these are sometimes in countries where business practices do not meet our ethical standards. This could lead to us rejecting potential business if it would force us to compromise our integrity.

In this section we discuss the measures we have in place to ensure everyone who represents BT does the right thing every time. These measures include:

- Our Statement of Business Practice: The Way We Work, and related policies and a complementary [code of ethics](#) which applies to senior directors.
- Training and awareness to ensure employees are aware of their ethical responsibilities, and know how and when to seek advice.
- Mechanisms for reporting and investigating concerns about our business practices.
- Performance metrics for tracking our progress.

Our vision and values define the kind of company we want to be, underpinning our commitment to ethical business practices.

Governance and responsibilities

We have a robust governance structure in place to ensure our ethical policies reflect best practice and are routinely applied. This includes an Ethics Steering Committee, which meets every other month and is chaired by the Company Secretary. The Committee oversees the development and implementation of our ethical policies.

We have reviewed this structure during the 2011 financial year (2011) to prepare for the introduction of the UK Bribery Act in 2011. This new law applies to all our operations, employees and contractors worldwide, and we have introduced regional ethics boards and appointed business unit representatives to reinforce ethical behaviour throughout BT, regardless of location.

The Bribery Act makes it an offence for companies to fail to prevent bribery within their organisation. We have implemented a comprehensive anti-corruption and bribery programme to build on our ethical culture and ensure that BT has adequate procedures in place to prevent bribery and corruption by BT people and those who act on our behalf. This programme includes comprehensive measures from visible leadership, policies and risk assessment to training, communication and whistle-blowing procedures.

Targets

Start	End	Description	Update	Target Status
April 2011	March 2012	We will improve or maintain our 2011 index score (4.16 from 5)		New
April 2010	March 2011	To maintain or improve our ethics performance measure at 4.10 (from 5).	We achieved an index score of 4.16 (from 5)	Completed

Our statement of business practice

Our statement of business practice, [The Way We Work](#), describes the conduct we expect from everyone who represents BT, including employees and contractors of all levels, in every country where we operate. It is available on our website, and has been translated into 11 languages: Chinese (simple and traditional), English, French, German, Hungarian, Italian, Japanese, Korean, Portuguese and Spanish

We have a policy on [Anti-corruption and Bribery](#) available externally and internal policies on Gifts & Hospitality and Charitable Donations & Sponsorships together with guidance.

All employees and contractors must regularly sign up to The Way We Work, and this is part of the induction process for new joiners. We provide tailored training and communication to ensure they understand and follow the code, and provide a confidential helpline so people can report concerns

We also write compliance clauses containing specific anti-corruption and bribery commitments into all new procurement contracts. These are available in 15 languages for use by our procurement teams to ensure our partners understand our ethical commitments. We are reviewing existing contracts to ensure our ethical requirements of suppliers and service providers are clear, starting with consultants and intermediaries who act on our behalf.

We updated our Anti-corruption and Bribery policy in 2011 to ensure it meets the requirements of the new UK Bribery Act. The main changes included stating expressly that BT's existing zero-tolerance of bribery policy applied to commercial and business-to-business corruption, as well as that involving public officials. The Ethical Policies have been supplemented by additional guidance on blackmail and extortion and on engaging with public officials.

Read more about our ethical policies in the [Company Profile](#) section of our website.

Reporting concerns

We operate a confidential helpline for employees, contractors and agency staff to report concerns or suspected breaches of our ethical policies. It has been publicised widely in BT and may be used by third parties, such as suppliers. In 2011, the helpline was outsourced to provide greater accessibility and independence, as well as improved global coverage. People can make reports to the helpline by speaking to a call handler (including live translation where required), by leaving a voicemail or by making a web report. In addition, the Ethics team runs an internal ethics helpdesk for people to get advice or further guidance in relation to our ethical policies and procedures.

The helpline is available in all countries where we operate 24 hours a day, seven days a week, and meets the requirements of the US Sarbanes Oxley Act. As of January 2011, the helpline is operated by an external provider to reassure employees of its independence.

We investigate all reported breaches of our ethical policies and follow a breach process for all reports, whether they are notified to us via the confidential hotline or other means. All reports are treated in strictest confidence. A review panel comprising senior personnel from Compliance, Legal, Human Resources and Security meets weekly to check progress of investigations, confirm that outcomes, including disciplinary sanctions and remedial actions, are consistent and unbiased and ensure lessons are learned.

Training and awareness

We provide regular training and communications to maintain a high level of understanding of our ethical policies. We encourage employees to seek advice if they are uncertain of the best course of action, to prevent ethical incidents from occurring. Advice is available in our Statement of Business Practice: [The Way We Work](#), on our intranet, and through our confidential hotline.

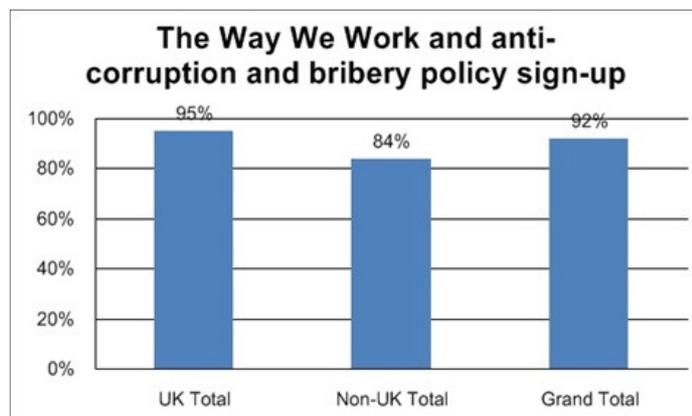
An ethical culture relies on setting the right tone at the top. We expect senior managers to lead by example and reinforce the importance of high standards of business conduct – and the legal risks to both our business and individual employees if they fail to comply.

In 2011, we undertook our first independent culture survey to assess the impacts of our ethics programme to date and to inform the messages to be used as we drive the programme forward.

We are in the process of incorporating compliance conduct as part of Senior Managers' performance reviews. We are also reassessing the way we incentivise our sales teams to make sure their targets reinforce our policies and discourage unethical practices. We are also running a briefing programme for senior managers in BT subsidiaries around the world, to ensure they are aware of their responsibilities under the new UK Bribery Act

We require all those who represent BT, including the Board, employees and contractors to sign up to The Way We Work and our Anti-Corruption and Bribery Policy. The sign up is refreshed every two years. Tailored in-depth training is being rolled out on a risk-based approach to populations identified as being at higher-risk of coming into contact with unethical behaviour. More than 10,000 people have been trained so far. Training is followed up by monthly refresher messages.

Employee sign-up to 'The Way We Work' ethics code and anti-corruption and bribery policy



In 2011, we wrote to all employees to remind them of our zero tolerance approach to unethical conduct and the importance of reporting unethical behaviour, and rolled-out a communications programme to publicise details of our enhanced confidential hotline service.

Performance

We use a range of measures to monitor the effectiveness of our ethical policies, training and awareness programmes.

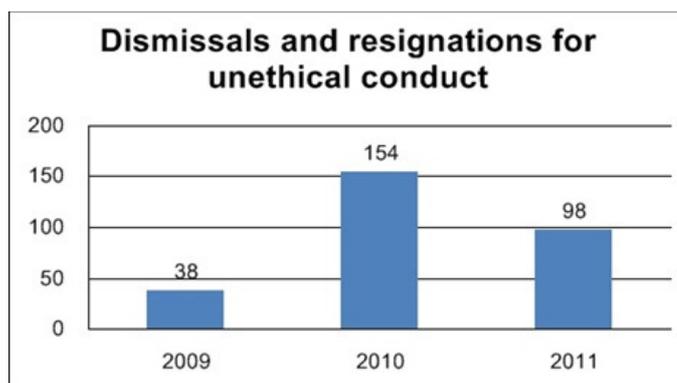
Our main ethical performance measure is one of our CR key performance indicators. It uses results from our quarterly employee survey to assess:

- How well employees understand and comply with our Statement of Business Practice
- The extent to which our senior managers behave with integrity
- How successful our training on ethical issues is.

The results are combined to create an index out of five. Our target for the 2011 financial year (2011) was to maintain or improve our 2010 score of 4.1, and we actually achieved a score of 4.16. We have set a new target for 2012 to improve or maintain this score.

A key requirement of outsourcing our confidential hotline services was to increase confidence in the system and as a result, increase the volume of calls. Since launching our new confidential hotline service in January 2011, the average monthly reports have risen five-fold. All reports are evaluated and investigated.

We act against anyone abusing our business principles. During 2011, 98 employees or contractors were dismissed, or resigned, for unethical behaviour.



Targets

Start	End	Description	Update	Target Status
April 2011	March 2012	We will improve or maintain our 2011 index score (4.16 from 5)		New

Public policy

We aim to be transparent about our public policy activities. This section explains our approach, including:

- Our lobbying standards
- How we ensure consistent lobbying across the company
- Our membership of trade organisations
- Our public policy activity in 2011.

Lobbying standards

We do not make any direct cash donations, loans or in-kind contributions to political parties, individuals aligned with political parties or trade associations directly involved in politics or government.

We keep political representatives (UK Members of Parliament, Members of the European Parliament, Congress and others) and policymakers in governments and international institutions informed of key industry issues and matters affecting BT.

The money we spend on this work qualifies as a political donation under the definition in the UK Companies Act 2006. During 2011, the company's wholly-owned subsidiary, British Telecommunications plc, made the following payments totalling £11,935 (2010: £14,952) to cover, for example, the cost of hosting briefing meetings with MPs and MEPs about the company's activities: Labour Party £2,000; Conservative Party £3,686; Liberal Democrats £600; Scottish National Party £4,650 and Plaid Cymru £999. No loans were made to any political party by any company in the BT group.

The US legal definition of lobbying includes all time BT employees spend meeting with government officials or preparing for these meetings. In 2011, our US lobbying investments totalled \$80,000. We do not operate any Political Action Committees (PACs) in the United States. However, we are a member of trade associations that operate PACs and spend money on lobbying as defined by the US Government. We never directly support these PACs financially or attend their events.

We have signed-up to the voluntary Code of Conduct for Interest Representatives and the register of interest representatives under the European Commission's Transparency Initiative – see: <https://webgate.ec.europa.eu/transparency/regrin/welcome.do>

Consistent lobbying

It is important that we take a consistent approach to all our public policy work. Our Communications Council meets regularly to discuss public policy issues and ensure they are approached consistently

across the Group. The Council is made up of representatives from the Group Communications and Regulatory functions and all lines of business. The Council forms positions on key public policy issues, and refers these to our Operating Committee for approval.

The [BT Story](#) summarises our public policy positions (subject to commercial confidentiality). We update it regularly to reflect changes in the political environment and company strategy.

Trade association memberships

We are members of trade associations and industry bodies around the world, which helps us broaden our perspective and influence public policies that affect our sector.

These groups conduct public policy work on behalf of all their members. We aim to ensure their lobbying reflects our values by working with other members to define positions, and in some cases by attending lobbying meetings with governments and other stakeholders. If a trade association adopts a position we do not agree with, we voice our concerns and dissociate ourselves from the position.

Memberships in, or related to, Europe

In Europe we are members of, for example

- The [European Competitive Telecommunications Association](#) (ECTA)
- The [European Services Forum](#) (ESF)
- The [EU Committee of the British Chamber of Commerce](#) in Belgium
- The [European Internet Foundation](#) (EIF),
- [The Kangaroo Group](#)
- The [European Policy Centre](#) (EPC),
- [Centre for European Reform](#) (CER)
- [Friends of Europe](#)
- [Business For New Europe](#) (BNE)
- [European Policy Forum](#) (EPF)

Memberships in, or in relation to, Asia Pacific

Our trade association memberships in the Asia Pacific region include:

- Chairing the [Asia Pacific Carriers' Coalition](#) (APCC)
- Participating in the regional Regulators' Forum, [APEC TEL](#)
- Being Vice-Chair of the [Internet Service Provider Association](#) in India, and a member of the Indian Government Task Forces related to IPv6 migration and internet address allocation policy
- Chairing the [Association of Competitive Telecom Operators](#)
- Membership of [European](#) and British business groups in India
- Chairing the telecoms carriers committee with the European Business Council (EBC) in Japan
- Membership of EuroCham chapters in the region, particularly those dealing with ICT and free trade agreements
- Participation in regional activities of the [International Telecommunications Union](#) (ITU) pertaining to development of next generation networks.
- [UK India Business Council](#) (UKIBC)

Memberships in the United States

Bodies we are members of in the United States include:

- The [NoChokePoints](#) Coalition, a group of like-minded business users, competitive telecommunications providers and public interest groups seeking pricing reform
- The [United States Council for International Business](#) (USCIB)
- The [British American Business Association](#) (BABA)
- The [European American Business Council](#) (EABC)
- The [Transatlantic Business Dialogue](#) (TABD).
- The [VON Coalition](#)
- The [Organization for International Investment](#) (OFII)

Memberships in Global Institutions

Our trade association memberships in global institutions include:

- The Internet Service and Connection Providers (ISPCP) Constituency in the Internet Corporation for Assigned Names and Numbers (ICANN)
- [World Economic Forum](#) (WEF)
- [Royal Institute of International Affairs](#) (Chatham House)

Priorities and activities

We carry out public policy activities at a Group and regional level, to reflect the priorities of each market. These are summarised below.

A stable and well functioning internet is a vital part of BT's business and we are committed to actively participating in the various global organizations that play a role in internet governance. BT is a committed to the multi-stakeholder bottom up approach of the current governance environment, and is a strong supporter of the [Internet Corporation for Assigned Names and Numbers](#) (ICANN) which runs the naming and number function of the internet. BT also believes that the [Internet Governance Forum](#) (IGF), and the [International Telecommunications Union](#) (ITU), are important contributors to the global internet dialogue that seeks to further understanding and ideas about the internet.

For our detailed responses to policy consultations in each region, visit our [public affairs](#) website. Here we summarise the main activities in each region in 2011.

Priorities and activities in the UK

- **Superfast broadband** – our £2.5bn investment in superfast broadband will reach two-thirds of UK premises (about 16 million households) by 2015. Read more in [investing in the future](#). We welcome the Government's announcement that £830m will be available over the course of the next two Parliaments to extend fibre-based broadband to areas that are not commercially viable, and will bid for some of that funding.
- **The Digital Economy Act** – Our activities included applying – along with another UK ISP – for judicial review of the new UK Digital Economy Act's provisions in this area and proposing a new approach to so-called Norwich Pharmacal orders under which copyright owners can seek the identity via a court order of internet subscribers they believe are infringing their copyright. This is a turbulent area of law and public policy in which BT consistently seeks to ensure that the rights and responsibilities of all parties – internet users, subscribers, ISPs and copyright owners – are respected.
- **Child Safety on the internet** – we have taken a lead in enhancing existing internet protection measures, particularly for children, through our involvement in the [UK Council for Child Internet Safety](#) (UKCCIS). We also provide free parental controls with all BT Total Broadband packages

and as part of our online security services. See [Internet security](#).

- **Climate change** – we continue to engage with the UK Government on the development of effective approaches for tackling climate change. We believe the Government needs to give consumers the incentive and ability to influence energy suppliers' investments through their purchasing decisions. We propose an 'A-G' labelling of electricity according to carbon content, similar to that for electronic products.
- **Smart metering** – BT is part of SmartReach, a consortium bidding for the task of rolling out smart meters across the UK. The UK Government has announced ambitions to provide every home, business, and public sector property with smart electricity and gas meters and, through SmartReach, we are working with them to develop the best solution. See [developing smart technology](#).

Priorities and activities in the EU

- Influencing the shape of the new European Commission's Digital Agenda for Europe as well as the new Single Market Act in favour of an open and competitive level playing field in Europe.
- Ensuring that the European Commission's Recommendation for Next Generation Networks favours competition at infrastructure and services level by applying an open access regime.
- Favouring an open approach towards Net Neutrality based on competition at whole sale access level and transparency for consumers
- Avoiding anti-piracy measures, which would impose undue burden on communications services providers and innocent users.
- Expressing continued support for the multilateral trade system under the WTO (Doha Round) and as well as for bilateral free trade negotiations with key markets outside the EU.
- Contributing to the regulatory dialogue between the EU and the United States under the framework of the Transatlantic Economic Council (TEC) which aims for a closer economic integration of the two markets.
- Supporting more ambitious European CO₂ reduction targets, more energy efficiency measures and the use of Green ICT and the development of international carbon accounting standards.

Priorities and activities in Asia Pacific

- Influencing the early stages of privatisation and market creation in India and China, to ensure an open and competitive market.
- Seeking to make the Japanese market more open and promote the benefits of competition at a wider policy level.
- Aiming to ensure that opening up markets in Australia leads to competition at the service level, and that fibre roll out results in an end to monopoly.
- Encouraging openness and predictability at all times in Singapore and Hong Kong – the two most open markets in region – and seeking to ensure that the proposed fibre roll outs result in an end to monopoly in these countries.

Priorities and activities in the United States

- Ensuring communications providers are subject to fair wholesale access rates. We have encouraged the Federal Communications Commission (FCC) to launch a market review for special access services – dedicated high capacity lines for business users and competitive mobile operators
- Reforming the distribution and collection of Universal Service Funds (USF), into which carriers pay a percentage of their interstate and international communications revenue. The FCC has begun a review of how USF money is distributed and the types of services it provides. As a contributor to the fund, we feel the collections process should be simplified and spread over a wider number of carriers.

Stakeholder engagement

Engaging with our stakeholders is a vital part of managing corporate responsibility. It increases our understanding of stakeholders' views and expectations, helping us to improve our strategy, processes and products. Six groups are particularly important:

- Customers
- Employees
- Suppliers
- Investors
- Partners
- Community

Our Statement of Business Practice, [The Way We Work](#), sets out the aspirations and commitments which apply in our relationship with each stakeholder group.

We describe in the individual report sections our relationships with particular stakeholders, their evolution, and the related policies and decisions we have taken as a consequence. In this section, we discuss:

- How we engage with different groups
- Engaging with opinion formers
- Influencing BT's sustainability report

We welcome your views on our report by emailing us at yourviews@bt.com

Targets

Start	End	Description	Update	Target Status
April 2010	March 2011	By March 2011, the percentage of all UK adults surveyed who agree with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will improve from 59% to 62%.	Target achieved - 62% of UK adults agreed with the statement 'BT takes its responsibilities to society and the community very seriously or seriously'.	Completed

Encouraging debate

Our Responsible Business website www.bt.com/betterfuture includes our blog site. Recent topics include;

- Accessibility
- Supporting charities
- Child internet safety

Let us know what you would like to see discussed.

Email us at yourviews@bt.com and tell us what you think of this report and sustainability at BT.

How we engage

Across the year we engage with our stakeholders to understand their expectations of BT as a responsible and sustainable business and we are performing against these expectations in their eyes. This understanding enables us to shape our future approach and contribution to society and the environment and helps us communicate what we do as effectively as possible. Some feedback comes through surveys whilst other feedback comes through two-way dialogue with stakeholders. Other dialogue takes place as required, from ad-hoc online discussion forums to phone calls several times a month to one-off meetings or focus groups or through social media such as blogs. Here are some examples:

Customers

Our annual survey to understand UK customer and potential customer perceptions of BT as a responsible and sustainable company shows the perception of BT's CR performance has continued to improve. Research shows the UK public is more demanding and more knowledgeable about CR initiatives – 68% can now name a responsible company. BT's reputation for corporate responsibility amongst the UK public has steadily risen since 2009, with positive perceptions increasing to 62% overall and to 74% amongst BT customers.

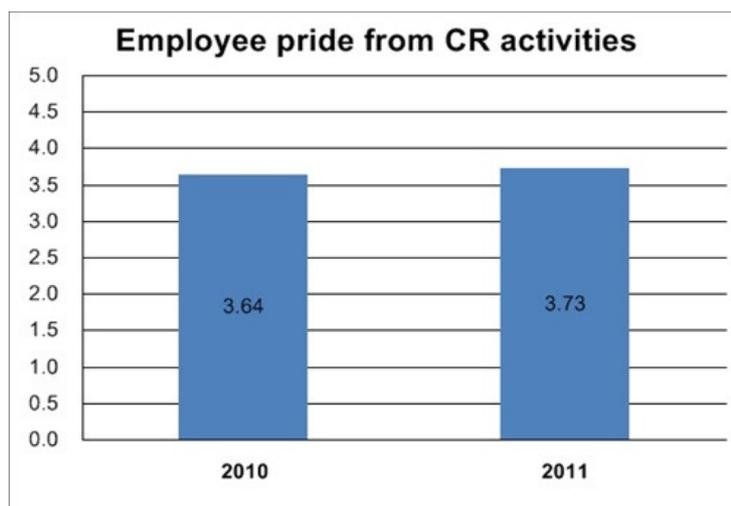
We were pleased that BT was named – unprompted - as the joint third most responsible company in the UK, rising from fifth in 2010 and twelfth in 2009.

- Top areas seen by customers as most important for BT to focus on are quality products and services, new technology, ethical trading and responsible sourcing, fair prices and increasingly on employee welfare. These remain key elements of BT's CR strategy
- We have established a Customer Inclusion Leadership Panel of independent experts in the field of age and disability. This Panel will help drive BT Retail's inclusion strategy by scrutinising our approach and priorities and making recommendations for further improvements.
- [Consult 21](#), a programme of dialogue with business customers and industry stakeholders about BT's 21st Century Network
- Meetings between the Equality of Access Board (EAB) and external communications providers, to obtain direct feedback on our performance. The EAB is a BT Group plc board committee with a majority of independent members. It monitors and reports on BT's compliance with its Undertakings and associated Code of Practice
- BT maintains regular dialogue with regulators including Ofcom about matters of mutual interest in the markets BT operates in
- Using social networking sites / CR blogs and Twitter to engage with both corporate customers and other CSR practitioners. We have this year launched a CR blog from the BT website – Responsible Business section - to encourage debate and discussion with all stakeholders around responsible and sustainable business at <http://www.btplc.com/responsiblebusiness/ourstory/blog/default.aspx>.

Employees

Through our regular employee surveys including an annual survey asking employees their view on where BT should focus future activities for society, community and the environment. Positively, 85% of our employees think BT takes its responsibility to society, community and the environment seriously.

We introduced a new question in 2010 to our regular employee attitude survey (CARE) and set a target to improve our new employee pride index from 2010 score of 3.64 (out of 5). We achieved a score of 3.73.



Source: Employee CARE survey

Question : The work BT does to help society, the environment and other socially responsible activities make me proud to work here

Employees consider managing environmental impacts (e.g. waste, recycling etc), reducing BT's energy consumption as well as creating more sustainable products and services for our customers as the top 3 focus areas for BT. This is closely followed by offering young people opportunities through apprenticeships, supporting employees to volunteer with charities and helping young people to develop the right skills and capabilities to move from education into work and providing telephony, volunteer and technology for Telethons such as Children In Need and Comic Relief.

These are aspects which feature as key elements of our CR strategy but the weighting will help us review our strategy going forward.

- Our relationships with trade unions
- Dialogue with minority groups through our People Networks. e.g. Women's Network,
- BT Your Views – a lively, moderated online discussion forum that covers many CR issues
- Carbon clubs, energy campaigns and activities which bring colleagues together to take action on many different climate change issues
- Networks of CR champions around the world who participate in regular calls to disseminate information and provide feedback on local in-country CR views

Suppliers

- Our annual supplier satisfaction survey
- Questionnaires regarding BT's [Procurement Standards](#)
- Dialogue with key suppliers to determine their views on social and environmental priorities
- Face-to-face interaction at conferences and meetings with key suppliers and industry colleagues

Investors

- [Presentations](#) to industry analysts and Socially Responsible Investor (SRI) representatives on a range of subjects
- Rating agency rankings, which act as an indicator of our progress compared with others and of where improvements can be made

Partners

- BT's involvement with the CBI Climate Change Task Force, leading to significant commitments to tackle climate change
- Engagement with the UK government on revisions to the government's voluntary guidance on carbon reporting and in the final stages of the legislative process concerning the Carbon Reduction Commitment – Energy Efficiency Scheme.
- Our Public Affairs team interacts with governments at all levels – local, regional and national. We are clear about our lobbying positions. We also engage in CR matters through face-to-face

interaction. We held a successful surgery in Parliament for MPs, Peers, Civil Servants and Parliamentary researchers. As part of our programme to promote BT's inclusion work to Parliamentarians, we showcased a range of inclusive BT Retail products and services at a BT surgery for MPs in January 2011.

Community

- Extensive community engagement as part of our national Wind for Change Programme involves meetings with local residents, parish councils and other local community groups to brief them on our renewable energy plans and local wind farm proposals, and to listen and consider their concerns. We also host local public exhibitions for proposed wind farm sites, attended by BT staff and technical specialists and provide easy to use channels for community feedback (e.g. our wind for change email address (windforchange@bt.com) as well as providing regular updates on individual site progress through local press and media, and our website.
- Regular engagement with charity partners such as Childline, Cancer Research UK and Forum for the Future.

Targets

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April 2010	March 2011	By March 2011, the percentage of all UK adults surveyed who agree with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will improve from 59% to 62%.	Target achieved - 62% of UK adults agreed with the statement 'BT takes its responsibilities to society and the community very seriously or seriously'.	Completed
April 2010	March 2011	We will improve our new employee pride index from 2010 score of 3.64 (out of 5).	We achieved a score of 2.73 (out of 5) in 2011 - the second year that we have used this measure	Completed

Opinion formers

We engage with opinion leaders such as politicians, journalists and industry analysts in a variety of ways.

Independent research company, MM Eye carries out over 240 interviews to understand BT's reputation among opinion leaders. This research takes place at three levels – UK, regional and international. The questions asked cover corporate responsibility and help us identify expectations on BT's contribution. In the financial year 2011 this research showed that 68% of these opinion formers think BT acts responsibly to society and the environment (increased from 66% in 2010). Their perception of our strengths and weaknesses is helping shape our future plans.

Our [Public affairs](#) team interacts with governments at all levels – local, regional and national. We are clear about our lobbying positions and engage in CR matters through face-to-face interaction – for example we held a successful surgery in Parliament for MPs, Peers, Civil Servants and Parliamentary researchers. As part of our programme to explain BT's inclusion work to Parliamentarians, we showcased a range of inclusive BT Retail products and services at a BT surgery for MPs in January 2011.

Our Global Advisory Boards are made up of independent, high-profile industry and market specialists. They give us advice and support to help strengthen our global strategy and international operations. Advisory Boards exist in the Americas, Asia, Benelux, France, Germany, Italy and Spain.

We also have advisory boards focused on the growth and success of regional economies within the UK. These [boards](#) liaise with regional and national agencies, businesses and community organisations, such as Work Wise UK, a not-for-profit initiative of which we are a member.

Human rights

We respect the dignity, liberty and equality of every BT employee and everyone who has dealings with us.

All relevant BT policies and procedures incorporate these rights, and apply the principles of the [United Nations Universal Declaration of Human Rights](#) and [International Labour Organisation \(ILO\) Conventions](#). We implement our Business Principles across all our businesses and markets.

We have signed the [United Nations Global Compact](#), a set of ten principles relating to corruption, environment, labour and human rights. As a signatory, we are committed to:

- Supporting the protection of human rights within our sphere of influence
- Ensuring we are not complicit in human rights abuses.

Throughout this report, we describe our progress against the Global Compact principles. For more information, click on the Global Compact icon that appears on relevant pages.

Human rights are relevant in most aspects of our business, including:

- Our employment practices
- Working conditions throughout our supply chain
- The way our products and services are used
- How we safeguard customers' data
- Our support for local communities.

This section summarises our approach to managing human rights in each of these areas and provides links to relevant information in other sections of our report.

Implementing human rights

Implementing human rights is a broad challenge in our dealings with employees, suppliers, customers and communities. Respecting human rights requires us to preserve human dignity, individual liberty and personal equality and take action to eradicate any human suffering that might arise from our activities.

We need to identify potential human rights risks everywhere we operate, and put processes in place to ensure we maintain high standards. Our anti-corruption and bribery policies and [Business Principles](#) make clear our intention to uphold human rights in all our dealings, and not to be complicit in supporting regimes that do not protect human rights. See [business ethics](#) for more details. These processes require regular revision to address new challenges that arise as our business develops and legislation changes.

We've followed the development of the United Nations "Protect, Respect, Remedy" policy framework on business and human rights, and the associated Guiding Principles. The Principles were developed by UN Special Representative John Ruggie to provide guidance for companies on due diligence in respecting human rights and are likely to become a global benchmark. We support Dr. Ruggie's work, and plan to assess our current approach against the Guiding Principles following their expected UN approval in June 2011.

Employees

We employ over 94,000 people across 170 countries, and respect the rights of all these people to equal opportunities, freedom of association and collective bargaining.

Our commitment to human rights is included in our statement of business practice – [The Way We Work](#) – which is available to all BT people on our website in eleven languages. All our employees can also access the Universal Declaration on Human Rights on our intranet. See [our people](#) for more information on equal opportunities, employee relations and health and safety.

We want to know what is happening across our operations, and encourage employees to speak up through our confidential email or phone hotline if they witness an ethical or human rights violation including bribery, corruption, or instances of bullying or harassment. We take these reports seriously and use a third party supplier to document the concern in confidence. After issues are assigned to a senior BT manager to investigate, the supplier promptly and securely deletes them from its systems. For more information, see our page on [reporting concerns](#).

Supply chain

BT does not manufacture products and contracts with a number of suppliers to make BT branded phones, modems and other consumer electronics on our behalf.

We establish the minimum working conditions we expect our suppliers to provide in our [Sourcing with Human Dignity](#) global standard, which forms part of our contracts with all our direct suppliers. This promotes high standards among our direct suppliers, and seeks to gain their support in requiring the same standards of their own suppliers. We work closely with suppliers to help them improve working

conditions through agreed improvement plans and on-site assessments when required. We also partner with direct suppliers to evaluate conditions further down the supply chain, improving their ability to gain a true understanding of working conditions for their own suppliers. Our approach, has delivered best practice performance from suppliers. For more information, see [onsite supplier assessments](#).

Conflict minerals

We are concerned about continuing reports by NGOs of a connection between the mining of certain minerals used in electronic products and the funding of armed conflict in the Democratic Republic of Congo (DRC). As a UN Global Compact signatory, any association of complicity between human rights abuse and BT products is unacceptable to us. The minerals of concern, tantalum, tin, tungsten and gold are all used to manufacture components present in ICT equipment and in many other industries.

We believe this issue will be most effectively addressed by working collaboratively with our industry peers in the [Global e-Sustainability Initiative](#) (GeSI). A joint initiative by GeSI and the Electronic Industry Citizenship Coalition (EICC) is working to establish validated conflict free sources of these minerals. In 2011 the GeSI-EICC extractives working group focused on tracing and auditing tantalum and tin smelters. The audits established that smelters receive minerals from multiple mines, and are not able to verify their sources.

GeSI-EICC is working to increase the transparency and traceability of conflict minerals using a "bag and tag" programme. The aim is to validate conflict-free smelters that GeSI-EICC members will require their suppliers to source from, providing a financial incentive for smelter participation.

See the [supply chain section](#) for more information on our activities with our global supply base.

Use of our products and services

We believe in the benefit of an interconnected world, where ICT serves as a catalyst for global change. Wider global access to communications promotes transparency, encouraging exchange of information, ideas, opinions and experiences that can reveal injustices to the world including the abuse of human rights.

Through our communications network in the UK, and our alliance of around 100 national telecommunications companies, we provide end-to-end service to our multinational business customers. We believe that communication can be vital in enhancing prosperity, resolving conflict and bringing people closer together. We remain committed to expanding digital inclusion. See our [community ICT and skills](#) pages for more information.

Freedom of expression and censorship

Access to ICT can help to promote freedom of expression and serve as a source of openness in otherwise closed societies. Conversely, Government censorship of communications can be used to stifle political opposition, activism and other forms of criticism. Challenges to privacy and freedom of expression are occasionally justified as counter-terrorism measures required to protect security.

It is extremely challenging to navigate the boundary between legitimate and illegitimate restrictions on freedom of expression. Misuse of the internet remains central to the debate and there are many legal, consumer rights and technical issues that need to be considered in relation to web blocking and surveillance policy.

We have robust standards on data protection, privacy, security and acceptable use which we regularly review and update to ensure we help prevent and mitigate violations.

BT takes child internet safety seriously and works closely with government to prevent illegal activities online. Since 2004, we have provided UK residential customers with a content blocking system which targets websites on a list compiled by the Internet Watch Foundation. The accredited association was set up by the internet industry and helps us to track and block sites containing images of child sexual abuse, which are illegal to view in the UK under the 1978 Child Protection Act.

See more in our [internet security and child protection](#) section.

Privacy and security

Advances in ICT technology mean personal data is captured, stored and transferred more easily, and frequently, than ever before. BT holds customers' personal and financial data and manages data for many of our public and private sector customers. Additionally, our servers and networks are a conduit for information controlled by others. This makes privacy and security particularly relevant for us.

The growth in social networking has led to a rapid increase in the amount of personal information shared online increases the risks. Children are vulnerable to predatory users and all users need to be aware of identity theft and internet fraud. We have robust standards on data protection and keep these under continual review as trends and criminal tactics evolve.

See more in [privacy and security](#).

Communities and wider society

Supporting victims of natural disasters

In the wake of natural disasters, victims' ability to meet their most basic human needs – such as food, water and sanitation – often are compromised.

See [responding to disasters](#) for more information on BT's response.

Supporting young people

We support the rights of all children, which include the right to learn and develop to their greatest potential. BT is committed to improving the communication and collaboration capabilities of young people in the UK and around the world, to enable them to have the skills they need to both succeed in life and to help improve their world. With more education, we hope that these children will further contribute to a world where human rights are respected and protected.

See our [Learning and skills](#) section for more information.

Economic impacts

BT makes a considerable contribution to the UK economy, and also generates wealth in the other markets where we operate.

We have direct economic impacts through the jobs we provide, the goods we buy from suppliers, the products and services we sell to customers, the taxes we pay, and the financial returns we deliver to investors. In addition, the ICT industry fuels economic growth by improving efficiency and productivity.

In this section we discuss:

- Our direct economic impacts
- Our wider economic impacts, such as the effect on the UK economy of the jobs we provide
- The economic impact of our sector
- Our tax payments.

BT's wider impacts

In the UK

The latest version of the Social Study 2010 – “The Economic Impact of BT across the UK” is now available. Produced in partnership with DTZ, the study demonstrates the economic contribution of BT to the national and regional economies in terms of jobs, output and Gross Value Add (GVA) supported.

It shows that BT's total impact across the UK amounts to £13 billion GVA which accounts for 1% of the UK's total GVA. A proportionate, positive impact is enjoyed by the economies of Scotland, Wales, Northern Ireland and all the English Regions.

The report highlights that, in England, Northern Ireland, Wales and Scotland, for the financial year 1st April 2009 to 31st March 2010 (2010):

- BT directly employed just over 79,805 people living and working in the UK and a further 4,368 contractors
- The total wage and salary bill of these employees was more than £2.7billion
- BT spent a total of £7.7 billion with suppliers based in the UK in 2010
- Including direct and knock-on effects, BT is estimated to support some 270,000 FTE jobs in the UK with a total value of £37 billion in 2010 which will be recognised in official GDP figures
- BT committed more than £26 million to community, charity and voluntary programmes across the UK

This study prepared by DTZ, updates the previous 2009 study. It analyses the overall UK position and each region of the UK (in terms of Regional Development Agency, RDA, boundaries), including Scotland, Wales and Northern Ireland. The 2010 report also provides key statistics and impact at sub-regional level within each of these geographies. In addition we have included examples of BT people

case studies to emphasise the social and community impact of BT people in their communities.

The full report, alongside individual versions for each of the English Regions, Scotland, Wales and Northern Ireland are [available to download in PDF format](#).

Around the world

BT works with over 17,000 suppliers across the world, and spent approximately £11.3bn in 2011; the top 100 suppliers accounted for more than 65% of this spend.

We source products and services from across the world and have procurement professionals located in 25 countries. We operate a strategic sourcing process for the vast majority of spend to derive maximum value and to meet BT's cost transformation goals. We ensure that appropriate suppliers are engaged, underpinned by a set of purchasing principles which ensure we act in an ethically and commercially responsible way in our business dealings with our global supply base.

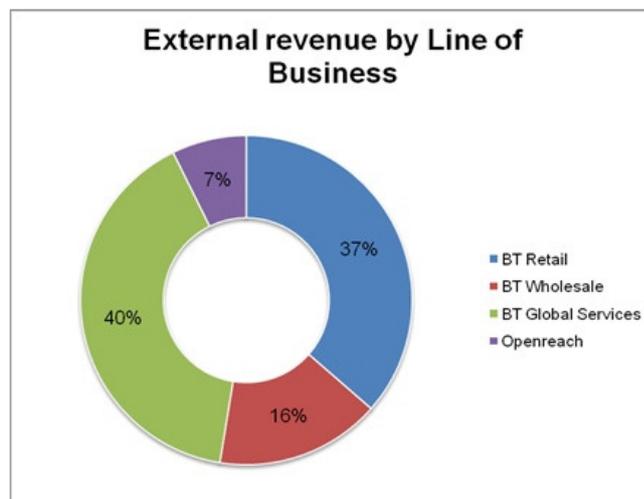
We work with our suppliers to ensure the goods and services we procure are made, delivered and disposed of in a socially and environmentally-responsible manner. Sustainability factors such as energy usage, environmental impact, and labour standards are embedded in our sourcing and adjudication process, and influence supplier and product selection.

Direct economic impacts

We make a direct economic contribution through our payments to employees, suppliers, investors and governments. These are the key financial figures for the 2011 financial year, find more details in the BT Group 2011 [Annual Report and Form 20-F](#).

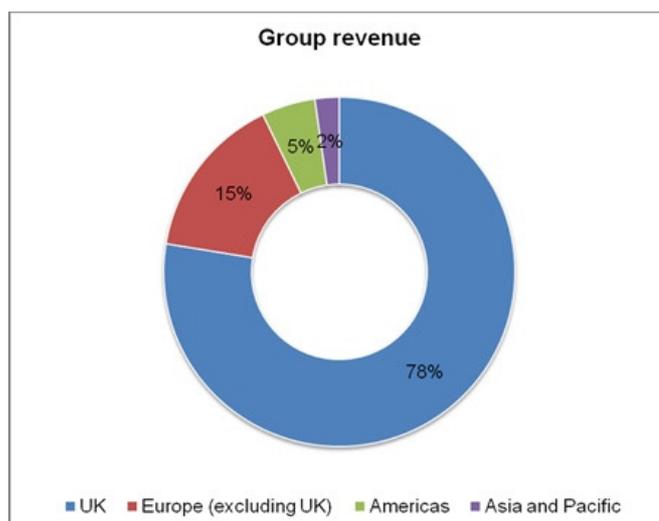
BT revenue

BT revenue of £20,076m, distributed as follows:



Revenue breakdown by geography

- UK £15,575 million
- Europe (excluding UK) £3,064 million
- Americas £990 million
- Asia and Pacific £447 million



Employees

Total expenditure on employees	
Wages and salaries	£3,947million
Social security costs	£456 million
Pension costs	£416 million
Share-based payments	£68 million
TOTAL	£4,887 million

Our economic impact is most significant in the UK, where most (82%) of our employees are based.

Suppliers

- Total spend with suppliers: £11.3 billion
- Total capital expenditure: £2.59 billion.

Shareholders and creditors

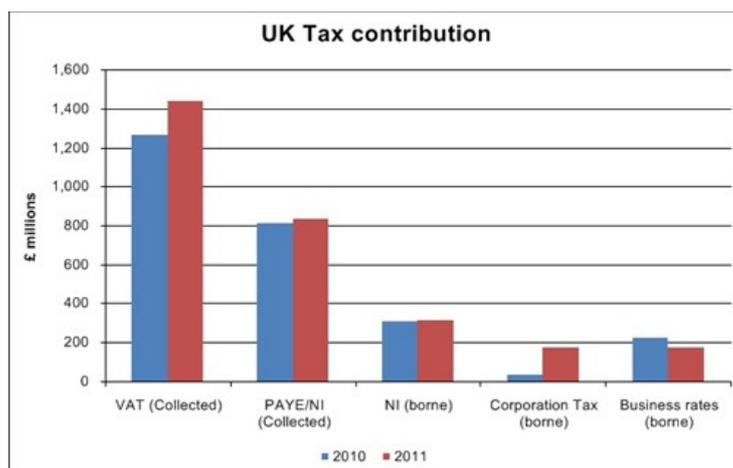
- Total dividend paid in the year to shareholders: £543 million
- Net debt decreased from £9,283 million to £8,816 million
- Net finance expense payable £924 million

Tax

BT makes a significant contribution to the UK Exchequer, where most of our businesses operate. We collect and pay taxes of over £3 billion in a typical year. We also pay a small amount of tax in other countries where we operate.

Total tax contribution

In 2011, we paid £2,936m in tax in the UK in total. This comprises £1,439m of Value Added Tax (VAT), £832m of Pay As You Earn (PAYE) and National Insurance, £175m of UK corporation tax, and £176m of UK business and UK network rates.



Elsewhere our corporation tax payments were:

Region	Amount
Europe	£10m
North and South America	£9m
Asia and the Middle East	£11m
Africa	£4m
Total	£34m

Tax strategy

We are obliged to pay all taxes required by law. Where tax rules allow us to legally minimise tax payments, we have a responsibility to our shareholders to do so. The BT plc Board regularly reviews our tax strategy to ensure it remains appropriate for the business and relevant stakeholders.

We are committed to reporting our financial performance in line with leading practices and with the maximum possible transparency, without compromising our competitiveness.

We maintain good relations with tax authorities – including Her Majesty's Revenue and Customs (HMRC) in the UK – and are committed to prompt and transparent disclosure to them in all tax matters. We recognise that sometimes our interpretation of the law may differ from that of the authorities, and discuss any such discrepancies with them to resolve matters as quickly as possible.

Our policy is to lobby government directly on tax matters likely to affect our business, and to respond to consultation documents where the impact could be substantial. We also lobby the government indirectly through the [Confederation of British Industry](#), various working groups and committees and leading professional advisors.

Tax accounting

It can take several years to agree the exact amount of tax we will pay with the authorities. We have settled all years up to and including 2008, and are currently discussing a single outstanding issue for 2009 with HMRC.

For more information on our tax policy and strategy, see our [Annual Report and Form 20-F](#).

The ICT sector

Information and communications technology (ICT) is transforming the way we work and communicate. Many of these effects are positive. In the UK, for example, it is estimated that the internet contributes an estimated £100 billion – or 7.2% of GDP – to the economy each year. UNESCO has reported that for every 10% increase in broadband penetration, countries experience 1.3% additional growth in GDP.

How broadband contributes to social and economic development

Research suggests that the introduction of super-fast broadband networks will help to increase these benefits. The Broadband Commission – a joint committee of UNESCO and the International Telecommunications Union (ITU) – lists seven benefits of fast access:

- Social mobility
- Financial savings
- Educational attainment
- Improved salary prospects
- Democratic engagement
- Increased satisfaction with public services
- Improved health services.

The European Commission's [Europe 2020 initiative](#) has set targets for deploying fast broadband and expects that:

'Smart, sustainable and inclusive growth ... will very much depend on the efficient and effective use of the internet, and internet access speed will be a key factor in achieving this'.

Thank you

for reading what we have to say – now we want to listen to you. Email us at yourviews@bt.com and tell us what you think of this review and sustainability at BT.

If you'd like more details about our corporate responsibility and sustainability activities and performance please visit our website where you can:

- Search our full sustainability report
- Download our free educational resources
- Check out our latest information
- Join in on our blogs

all at www.bt.com/betterfuture



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