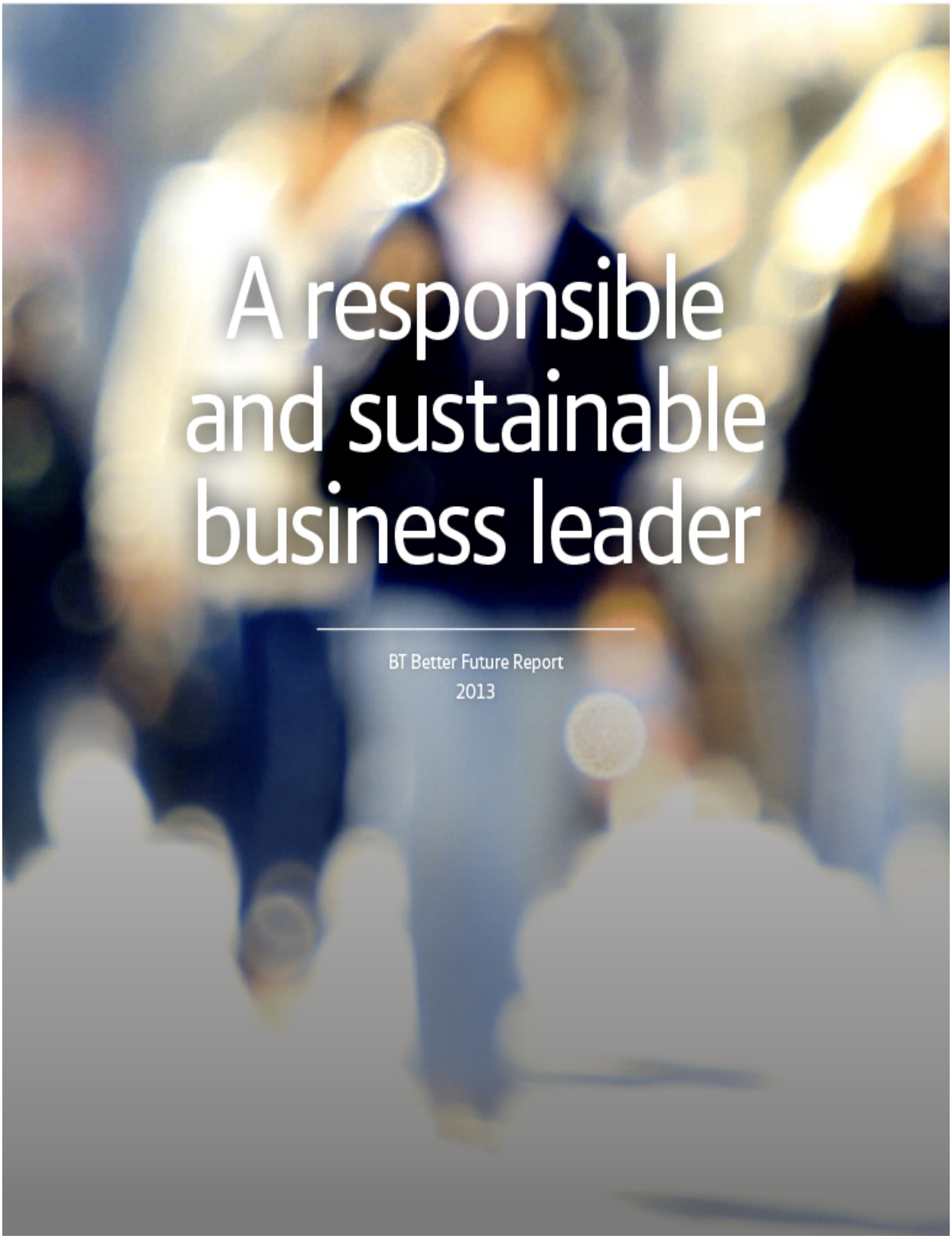

A responsible and sustainable business leader

BT Better Future Report
2013

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A message from our Chairman and Chief Executive

The contribution BT can make to a better future couldn't be clearer. Our networks, technology and expertise create the connections and possibilities that help businesses to grow, communities to flourish and people to get more from life. Our challenge is to help everyone reap the benefits, and to achieve this in a responsible and sustainable way.

In a year in which a 1,000-strong BT team guaranteed flawless communications for the London 2012 Games, there is much to be proud of. Nothing in our history has been a stronger test of our ability to manage and deliver large and complex projects. Across the company, our people came together, whether supporting our communications services or as 'Games Makers' volunteering at venues around the UK.

Through our Better Future programme we're asking our people to help deliver solutions to some of the major issues that we are facing as society.

Globally, we use 1.5 times more resources than the planet can renew in a year, and our population is growing – fast. With two billion extra mouths to feed by 2050, we must find ways to reduce consumption and live within the limits of the world's resources. This means business has to change the way it thinks and acts – using technology to achieve more with less, for example, and seeing waste as a resource, not a disposal problem.

Our Better Future programme aims to create an environment where our people can innovate and create the services needed to enable us to grow sustainably in the years to come. We have set out a clear vision and ambitious goals for each of our three focus areas: Connected Society, Net Good, and Improving Lives.

Connected Society

By improving access to markets, information, education and employment, and by enabling collaboration and co-operation on a massive scale, internet-powered communication services can make change possible. We are playing a vital role in this transformation by improving the reach and quality of our digital network. In our UK market, more than nine out of ten people will have access to high-speed broadband products and services by 2020 at the latest.

Net Good

Proud as we are of our own record, doing less environmental damage is no longer enough. We are moving beyond simply making our own business more resource-efficient to using our products and services to help customers do the same. As a start, we aim to help customers avoid carbon emissions equivalent to at least three times the end-to-end carbon impact of our business by 2020.

Improving Lives

We are uniquely positioned to enable charities to raise funds and promote their work – and in some cases have been doing so for more than 25 years. Our technology makes possible telethons that raise millions and disaster recovery efforts that save lives. These are the organisations that are making a difference day in, day out to people's lives around the world. By 2020, we will ensure our technology and skills have helped generate more than £1bn for good causes.

Highlights in the year:

- group-wide carbon intensity has reduced by 77 per cent since 1996/97. In the UK, we agreed with energy supplier npower to source 100 per cent of our electricity from renewable sources. This means that we have reduced our absolute carbon emissions by 80 per cent from 1996/97, three years ahead of target
- our business has also supported social and economic progress. More than 15 million UK properties now have fibre-based broadband access thanks to our £2.5bn investment programme
- our MyDonate services helped generate £25m in donations for our charity partners
- BT people have spent more than 43,600 volunteering days in the community this year, worth around £13m.

We are extremely mindful that not everything technology is used for is good for society. You will see that from much of what we say in our report that it's our people and values that underpin our Better Future vision. We work with suppliers to raise labour standards and prevent the raw materials in our products from funding conflict. And even in times of change and economic uncertainty, we aim to make BT a healthy, inspiring place to work, and to uphold external commitments such as the UN Global Compact.

There are serious challenges facing the world and we must step up our efforts to help address them. No one individual, organisation or country can become sustainable alone, but through partnership with customers, industry peers, charity partners and many others, we feel confident we can achieve our goals and be a positive influence on the world. Our Better Future programme and the passion and creativity of our people are keeping us on course.

Sir Michael Rake

Ian Livingston

10 May 2013

Our better future

We were one of the first companies in the world to grasp the link between being sustainable and succeeding as a business. Now, we're focusing on integrating sustainability into everything we do.

There are three areas where we can benefit society most. We have a vision for each, and a goal we're aiming for by 2020.

Realising these visions and achieving our goals will help create a better business and a better future. Every employee has a role to play, wherever they work in BT.

Our Better Future programme

Our commitment to use the power of communication to improve lives and ways of doing business – without it costing the earth.

Why it matters

The world is changing faster than ever, and not always for the better. The global population already consumes 1.5 times the resources than can be renewed in a year, and two billion extra mouths to feed by 2050 will intensify this pressure.

Society faces living within both financial constraints and the planet's finite resources. And these challenges apply to customers running multinational organisations as much as people managing household budgets.

How we can help

Communication technology helps people, businesses and other organisations to become more efficient. By switching physical products with digital equivalents, such as virtual meetings that avoid travel or solutions that help businesses manage their supply chains, it helps to save both money and resources.

Technology also enhances people's quality of life by improving access to information, education and employment and enabling collaboration and co-operation.

Our approach

Being a responsible and sustainable business leader is at the heart of our strategy. As well as trying to be more sustainable ourselves, we recognise the broader value we can deliver for society.

Our Better Future programme is our commitment to use the power of communication to improve lives and ways of doing business. This year we set three goals to achieve by 2020 to shape our Better Future vision. They're built on what we do best – bringing together our networks and technology with the expertise of our people to make a better world.

Our goals

This report covers the thinking behind our goals and progress this year.

Better Business

As well as our goals we are committed to running our business to high ethical, environmental and supply chain standards. But we must also look after our bottom line too, which means adding value, saving costs and managing our relationships with our people, customers, suppliers and governments. Read more about Better Business.

Related content:

Video: BT people are rising to the challenge of creating a Better Future

Our stakeholders

Feedback helps us shape our strategy and communicate what we do better.

Why it matters

If we listen and respond to customers, suppliers, investors, employees and non-governmental organisations, they'll trust us more. That leads to better relationships which strengthen our business.

Considering and responding to our stakeholders' views is good practice too – in line with standards like AA1000 Assurance.

Our approach

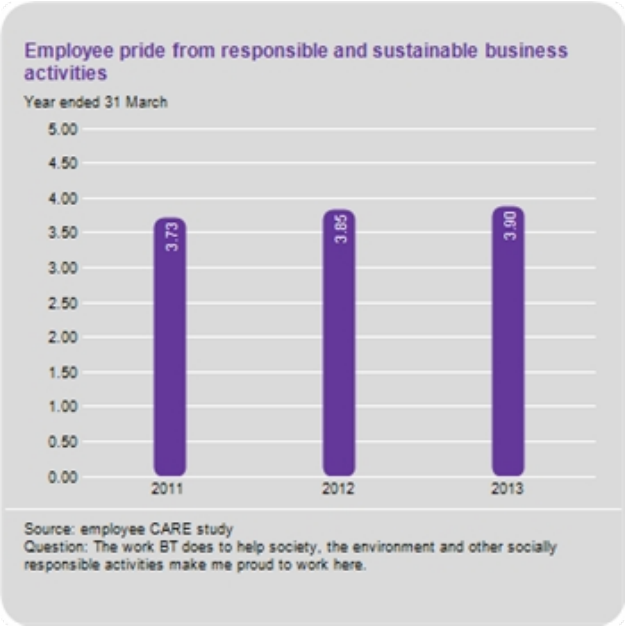
We talk to people with a stake in our business regularly. We explain our strategy and approach. We try to understand what they expect of our business and how they think we're performing.

We gather feedback in lots of our daily dealings with stakeholders, using channels like online discussion forums, phone conversations, meetings, focus groups and social media. And we present the most recent results below.

Progress in 2012/13

Employees

This year our employees pride in our responsible and sustainable business activities rose for the fourth year.



We regularly ask employees for their views through surveys, focus groups and online. For example:

- BT Your Views discussion forum, a moderated online area for employees, which often covers corporate responsibility and sustainability topics
- throughout the year our CEO and CFO lead live online question and answer sessions where employees are able to ask questions directly
- we get comments on articles in BT Today, our online newspaper for employees
- views are shared daily on ‘Office Talk’, our internal online chat platform
- we also have on-going dialogue with trade unions and our people networks, as well as networks of employees who are engaged with elements of our Better Future programme.

Sustainability experts and opinion leaders

Commitment to sustainability values is still seen as the most important reason for a company to be considered a sustainability leader, according to Globescan and SustainAbility who surveyed 1,170 qualified sustainability experts spanning 73 countries during early 2013. Other factors on the increase are transparency and communication, integration into the core business model and environmental and waste and water management. A combination of relative ambition, effective communications and follow-through was determined to be vital to capturing and holding the imagination of sustainability experts.

This year, the independent research company MMEye held telephone interviews with 235 key opinion leaders worldwide to understand their views of us. The responses to the question ‘BT takes its responsibility to society, communities and the environment very seriously’ showed a 3 per cent decrease (to 67 per cent) from last year highlighting the need to better communicate our

activities.

UK public and residential customers

In January 2013 Globescan randomly surveyed 1,000 people in the UK about their perceptions of BT. Their concerns for financial stability and a secure future for their children showed that BT's quality, pricing and ethics remain of high importance to them, but our work supporting charities and in opening up educational and economic opportunity both increased in their importance.

Public perceptions of BT as a responsible business have improved to the highest level in five years and also improved among long-time customers after a decline last year. More long-time customers (28 per cent) believe that BT takes its responsibilities "very seriously" than in the last five years.

Future plans

We are developing a new online stakeholder forum that will involve more people in our Better Future programme, in more dynamic ways. We want to stimulate the sharing of ideas on how to create a better future, in addition to gathering feedback on how we are doing.

The Forum will invite external experts across a broad range of stakeholder groups to discuss relevant aspects of our Better Future programme, or issues or dilemmas the company and our industry is facing.

The outcomes of this engagement will help us continue to evolve our programme strategy, and we will summarise them to those involved at the time and in a statement in forthcoming Better Future reports.

We are also exploring the use of social media listening tools to better identify and understand different stakeholder perspectives around the material issues we face. Our goal is to use these tools to dynamically scale up our identification of stakeholder insights. We will share these with employees across our business so that we can make more informed decisions about our strategy and activities to be a more responsible and sustainable business.

Related content:

Join our Better Future Forum events.

Material issues

We focus our sustainability reporting on the areas that matter most to our business and stakeholders.

Why it matters

Large companies like us affect people and the planet in many ways. We study these affects. That way we make sure we prioritise the issues that will most influence our business, or will make the biggest difference, and which matter most to our stakeholders. This activity shapes our programme plans and, in turn, what we report on.

The concept of materiality (relevance and significance) is also a key principal of the AA1000 Assurance Standard 2008, which we use in our reporting.

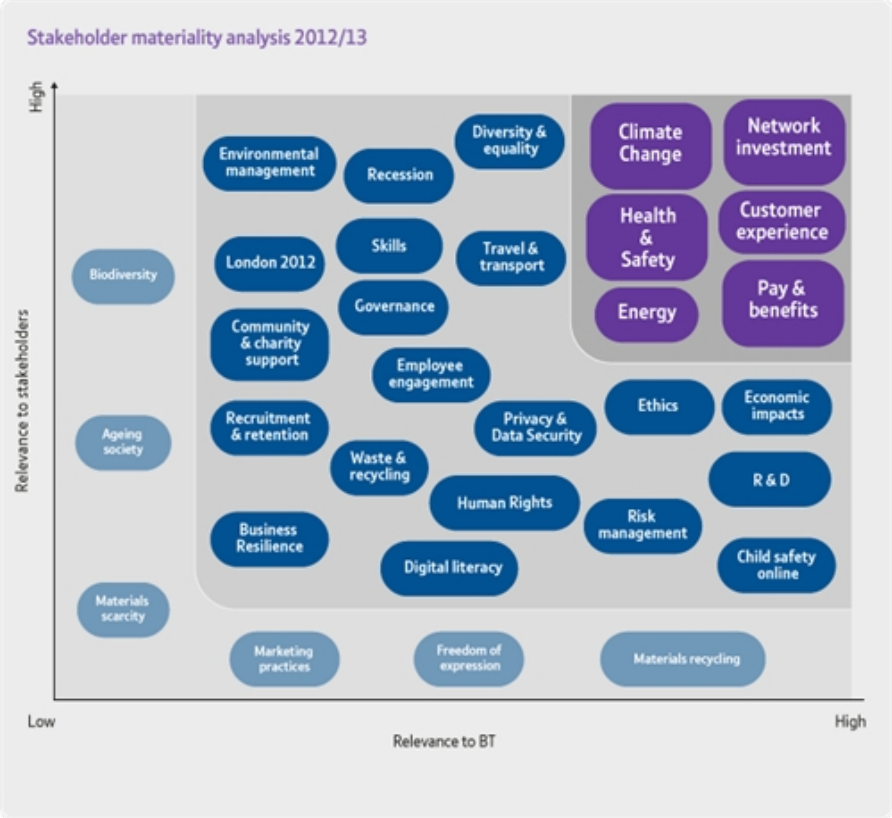
Our approach

BT pioneered the development and use of formal processes to assess the environmental and social risks and opportunities facing an organisation as early as 2006. We still follow a structured approach. So every year we:

- benchmark peer companies' sustainability reports to gauge the most important issues and which businesses are best at sustainability reporting
- assess the issues stakeholders say are important and how significant they are to us. We take in the views of customers, our people, shareholders and investors, suppliers, governments and the media
- review the findings to determine the financial, reputational and strategic importance of each issue to us, and to identify any exceptions or surprises.

Progress in 2012/13

The matrix below shows the outcome of our materiality process in 2012/13.



Issues that increased in importance during the year were:

- network investment, in particular interest in fibre based broadband
- ICT solutions for carbon abatement such as smart metering
- business ethics
- human rights

While issues that received less attention in 2012/13 were:

- inclusive design
- our marketing practices
- product recycling and take-back programmes.

Governance

From engineers laying fibre, designers dreaming up new products and volunteers taking calls on telethon nights, everyone in BT can help create a better future.

Why it matters

We want all our people to feel inspired and get involved. But it's still important to involve our leaders, provide direction, and make sure someone is ultimately responsible for making things happen. That's what our Better Future governance model is designed to do.

Our approach

We have a clear organisational structure for implementing our Better Future programme and achieving our 2020 goals, illustrated in the diagram below.

Progress in 2012/13

We have made a number of changes to support our Better Future strategy by placing

accountability for achieving our goals within each line of business and function. This will integrate responsible and sustainable business more firmly into our daily work. The main changes are:

- refocusing our Board Committee for Sustainable and Responsible Business (CSRB) towards setting our future direction and strategy
- establishing a Sustainable Business Leadership Team (SBLT) comprising senior executives from each line of business and support functions, such as human resources. Team members are responsible for performance against our Better Future programme strategy in their part of the business
- shifting our Better Future programme management office (PMO) away from direct delivery of our programme from the centre to coordinate Better Future activities across BT, and measuring and reporting our progress
- replacing our external Leadership Advisory Panel by increasing the number of independent experts on our CSRB, and by developing our capability to have a more dynamic engagement with a wider range of external stakeholders in the future, for example, through online collaboration and discussion events . Read more in Our Stakeholders.

Investment for a better future

Each year we make significant investments. These both support BT's strategic priority to deliver a better future for our stakeholders, and our aim to be a responsible and sustainable business leader.

Here are five of our most important investments years:

Infrastructure and platforms

We invested to accelerate our roll-out of fibre-based broadband services in the UK, which underpins the commitment to our Connected Society vision. Other significant investments have been made to support the launch of 4G mobile services in the UK, and in securing TV content rights to strengthen our broadband offering. For more information, see BT's 2013 Annual Report and Accounts.

New markets

We have made further investments in high growth regions around the world, including Asia Pacific and Latin America. These investments help our customers to expand into these regions and support local economies as they expand globally, using our IT services as an enabler. For more information, see BT's 2013 Annual Report and Accounts.

Innovation

We invested £544m in global research and development to cultivate innovation. For more information, see BT's 2013 Annual Report and Accounts.

Our people

We invested in recruitment and the development of the capability and skills of our people. For example, this year we recruited some 480 apprentices, and we established a new approach to learning and development – the BT Academy. You can read more here.

Society

On top of our commercial investments we kept our promise to invest 1 per cent of adjusted profits before taxation in responsible and sustainable business activities across the world. Overall we invested £27.1m (1.12 per cent) through a mixture of cash, time (volunteering) and in-kind investments. You can read more about those investments here.

Related content:

See our website for the latest innovation news

Investment in society

Our investment totalled just over £27m this year. This equates to 1.12 per cent of our 2011/12 adjusted profit before taxation, meeting our target to invest a minimum of 1 per cent of the previous year's adjusted profit before taxation.

Our commitment

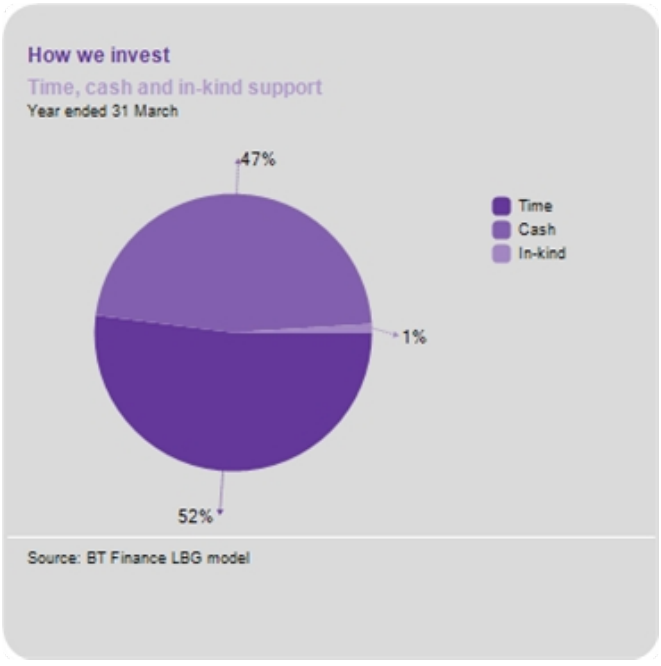
On top of our commercial investments that contribute to a better future, we kept our promise to invest 1 per cent of profit before taxation in responsible and sustainable business activities, and charitable donations, across the world.

Progress in 2012/13

Overall we invested £27m in these types of activities during the year, bringing our total investment in society to around £135m over the past five years. These figures exclude Better Business (business as usual) activities such as the cost of environmental, ethical and safety management systems, and commercial investments, such as the roll-out of fibre-broadband and developing sustainable products.

The total value of £27m was somewhat lower than last year, primarily as a result of a lower number of volunteering days achieved. During the year we refocused our volunteering strategy to drive up wider employee participation and away from long term secondments to the charity sector.

Our investment in society comprises a mixture of cash, time (volunteering) and in-kind contributions as detailed in the table below. Of the total, we estimate 88 per cent complies with London Benchmark Group guidelines for reporting community investment.

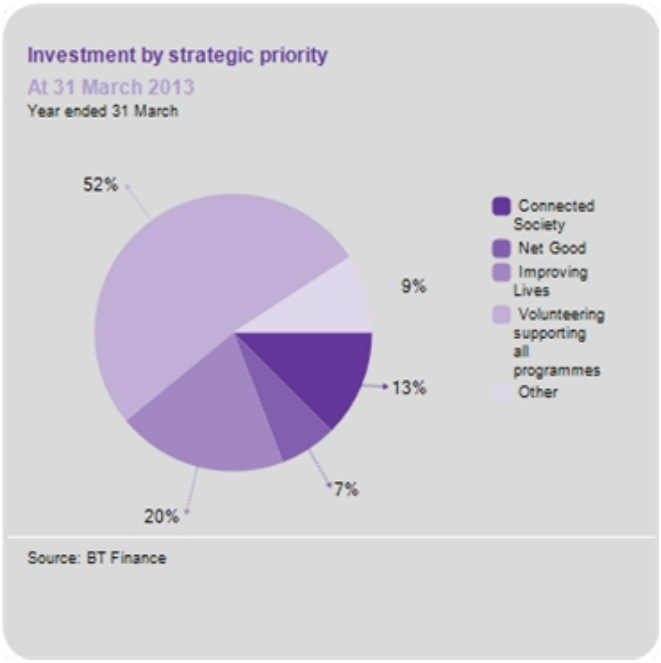


The remaining 12 per cent consists of investments to support activities such as developing the

Designing our Tomorrow Toolkit and the Better Future Supplier Forum. We have chosen to do these projects to help influence suppliers and product designers to recognise the need to produce products using less of the planet's finite resources. This supports our ambition to be a responsible and sustainable business leader.

Investment in strategic areas

We have also estimated how our investment splits out across the main aspects of our Better Future programme, as outlined in the table below.



Some examples of our investment are:

- **Connected Society** - our digital engagement and digital literacy activities
- **Net Good** - the development of free-to-use and publicly available tools such as the Designing our Tomorrow Toolkit and circular economy thinking
- **Improving Lives** - elements of the free-to-use MyDonate platforms for charities, telethons and appeals
- **Volunteering** -external and internal recognition and engagement activities
- **Other** - activities supporting our broader responsible and sustainable business agenda, such as stakeholder engagement.

Future Plans

During 2013/14 we will invest at least 1 per cent of this years' adjusted profit before taxation in community and sustainability leadership initiatives, and charitable donations, across the world.

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will maintain our minimum investment of 1% of the previous year's adjusted profit before taxation.		New
April 2012	March 2013	We will maintain a minimum investment of 1% of underlying pre-tax profits (based on our 2011/12 results).	We invested 1.12% of 2011/12 adjusted profit before taxation.	Completed

Business benefits

We make sure everything we do benefits our business, stakeholders and the planet.

Why it matters

Delivering against our Better Future programme and 2020 goals will undoubtedly require investment and effort. But the benefits will offset the money and effort. That's because:

- understanding social and environmental risks and opportunities helps us manage our business more effectively
- our sustainability performance informs investors' assessment of our business's worth
- we can cut costs by using resources such as energy and materials more efficiently reduces costs
- Our people tell us they're motivated and inspired by our better future programme
- customers want us to become a more sustainable business, just as they expect want us to operate safely and provide a quality service.

Progress in 2012/13

Risk management

Like all businesses, we are affected by a number of risks and uncertainties. We have in place group-wide risk management processes for identifying, evaluating, responding to and monitoring risks that have the potential to impact our business, revenue, profits, assets, or reputation.

In 2012/13, as part of our continuous improvement activities and the development of our pan-BT Better Future programme, we have reviewed the material risks relating to responsible and sustainable business. Many of these risks relate to our people and the way we work, such as health & safety, diversity, labour standards in our supply chain and business ethics. Others risks such as privacy, data protection and risks arising from climate change relate more to the products and services we provide. All risks are owned and managed by the business units that are best placed to mitigate the impacts.

As a result of the review, we plan to work over the year 2013/14 with risk owners around the business to;

- further understand the relationships of these risks to each other
- explore business value opportunities arising from the risk assessments
- improve the flow of stakeholder insight to inform our risk assessment

Ratings and recognition

Increasingly in UK public surveys we are being recognised – unprompted – as a company fulfilling its responsibilities to society better than others. We have also continued to demonstrate our strengths as a responsible and sustainable business leader by achieving recognition in independent sustainability ratings and awards. We focus on the investor ratings our stakeholders tell us are most credible, and which use a rigorous and balanced approach to assess companies.

Dow Jones Sustainability Indexes

We remain highly ranked in the DJSI World Index achieving in 2012 a 92% rating, our best ever score.

CDP
DRIVING SUSTAINABLE ECONOMIES

In 2012 we improved our disclosure score by 4% (now 88%) and maintained our performance banding ‘B’.

There is an increasing trend towards using our public reporting as a source for awards and ratings. Our Better Future report and our external website are now seen as a critical channel to share key information on our programme activities. We ensure the information available via these channels is credible and accurate. Recent information via our report and website reflects our outstanding achievements in this area.

We have been top of our sector in the FTSE4GOOD ESG ratings since this launched in 2011.

In Nov 2012 BT was ranked number one in a leading global Corporate Social Responsibility (CSR) index. The Vigeo league table tracks 2,000 global companies and 170 states and has named BT as the company most committed to CSR and environment on a global scale.

Managing costs

By managing resources more carefully, we contribute to our companywide goal of reducing costs. In the year:

- We reduced global energy use by 3.3%, saving £33m per annum and achieving our targeted 1.5% reduction on 2011/12. These reductions occurred despite an increase in business volumes
- Income from recycling was £5.64m in 2012/13, helping to save over £0.2m after costs and landfill tax
- Buying more efficiently and reducing travel by using our own conferencing services has saved us time and money, and reduced carbon emissions. We reduced our travel and subsistence spend by £14m (12%) in the year.

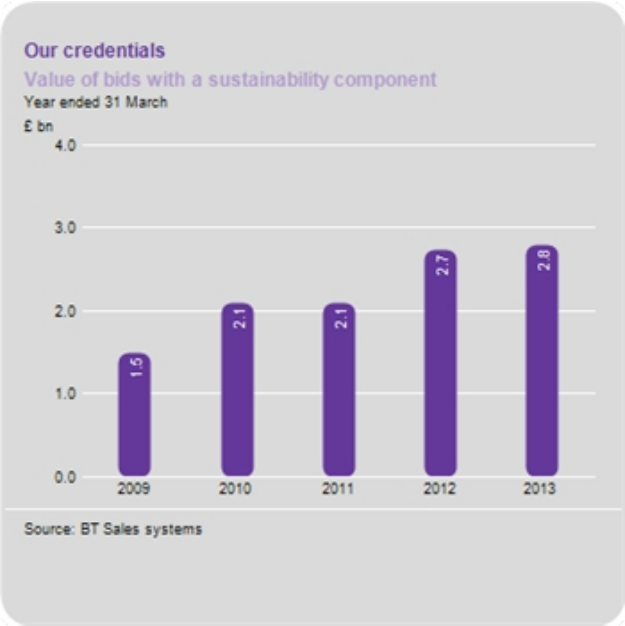
Employee motivation

People throughout BT are improving lives through volunteering, reducing our environmental impact by cutting energy use and reducing waste, and creating a connected society by delivering our business strategy.

We ask all employees how important Better Future activities are to them through our regular, group-wide employee survey, and saw an increase in our score this year for the third consecutive year. See Our Stakeholders for more details.

Customer expectations

The chart shows the total value of the contracts with large business and governmental customers we bid for in the year that requested information on sustainability.



Note: We have excluded Broadband Delivery UK bids which have a total bid opportunity value around £1bn over 2012-2015

Future plans

We have seen that our stakeholders are increasingly asking for us to describe the value that we bring to society in the widest sense. This is something we will be working on in the coming year, in particular through work that we have started for our Digital Inclusion activities.

About our report

In this report we try to give a fair assessment of our progress towards becoming a more responsible and sustainable business.

It is our our annual update to stakeholders on the issues that they have told us are relevant to them. This includes helping our customers, employees, investors and wider society understand the actions that we are taking to maximise our contribution to society.

Our report is a repository of information that helps us respond to requests for information, for example, in tenders or in response to ratings agency questions throughout the year.

Our Materiality Analysis helps us decide what to include.

Scope of the report

This report provides information relating to our material social, economic and environmental issues for the financial year ending 31 March 2013, unless stated otherwise. Our previous report covered the year to 31 March 2012.

The report covers all BT's wholly-owned activities in the UK and internationally, unless otherwise stated. In 2012/13, our UK operations accounted for approximately 77 per cent of turnover and around 75,000 (83 per cent) of employees.

In this document, references to 'BT Group', 'BT', 'the group', 'the company', 'we' or 'our' are to BT Group plc (which includes the activities of British Telecommunications plc) and its subsidiaries and lines of business, internal service unit, or any of them as the context may require.

A reference to a year expressed as 2012/13 is to the financial year ended 31 March 2013 and a reference to a year expressed as 2013 is to the calendar year. This convention applies similarly to any reference to a previous or subsequent year. References to 'this year', 'the year' and 'the current year' are to the financial year ended 31 March 2013. References to 'last year' are to the financial year ended 31 March 2012.

Measuring our progress

We set ourselves improvement targets in the areas where our stakeholders tell us they want to see progress. We have a mix of short-term and long-term targets, and provide an annual update on our progress, and indicate some of the challenges we face.

We have been reporting on our non-financial key performance indicators (KPIs) for a number of years. They are designed to provide a quick overview of our successes and challenges during the year. These are a higher level than the comprehensive set of performance indicators found throughout the report.

In last year's report we said we would review our KPIs to ensure that they are the most material metrics for our stakeholders and align with our Better Future programme.

Because our programme is still evolving, this report uses our established seven KPIs, alongside our three new 2020 goals. We will provide an update on any new KPIs in our next report.

We welcome your feedback on indicators you favour.

Standards and guidelines

We applied the Global Reporting Initiative (GRI) guidelines and telecommunications sector supplement to level A in producing this report. On pages that feature disclosures required by GRI, we provide an icon on the right of the screen that identifies links to the relevant section of the GRI Index for full details.

We also use this report as our United Nations Global Compact Communication on Progress.

Our report is externally assured by LRQA against the AA1000 AccountAbility Assurance Standard

2008. See our assurance statement for full details.

Restatements of information

We have made no material restatements of information this year.

All financial information has been adjusted in line with reported numbers in our 2013 Annual Report and Accounts and Form 20-F (Annual Report).

Carbon Dioxide equivalent (CO2e) emissions have been restated for this year and previous years to reflect changes in emissions factors published by government and other non-material corrections. We include emissions data from acquisitions back to our base year, where it is deemed material, and information is available in a robust and supportable manner by the company acquired. Similarly for divestments we will remove these from reported figures for our operational emissions. These may subsequently be included in our supply chain emissions reporting.

People data

All employee numbers relate to 'people in post' rather than 'full time equivalent' employees. This differs from the basis used in our Annual Report as we report the number of part-time employees and job sharers.

Data on disability and ethnicity is self-declared and voluntary.

We have calculated the value of volunteering time to our communities by using the salary of the volunteer multiplied by the number of hours volunteered. To this we have applied a multiplier to take account of other pay-related costs (e.g. pension and other benefits).

Unless stated otherwise all data represents our worldwide employee base.

Environmental data

We have stated the sources of data within each section of our report.

We collect and assess data from the 19 countries, including the UK, where BT has a significant business presence. These countries represent over 97 per cent of BT's employees. Unless stated otherwise, all data relates tothese 19 countries.

Our 2020 goals

This year we set three goals to achieve by 2020 to shape our Better Future vision. Here's how we are measuring them;

Connected Society

Our goal - More than nine out of ten people in the UK will have access to fibre-based products and services.

To calculate the number of people helped to get online, we have taken the publically available figures for premises passed by fibre broadband and multiplied that figure by an industry standard average figure of 2.3 people per UK household;

- fibre broadband - as published in BT and BDUK press releases
- the figure of 2.3 people is based on calculations by Eurostat (part of the European Commission.

It should also be noted that the assurance statement given by Corporate Citizenship on the Get IT Together figures relates to data for the year 2011/12.

Improving Lives

Our goal - To use our skills and technology to help generate more than £1bn for good causes.

This includes all monies raised:

- using MyDonate for fundraising, telethons and appeals, including Gift Aid
- by our people on BT's time, not using MyDonate
- through payroll giving, including our matched giving programme
- the value of time volunteered by our people during working hours
- all donations, sponsorships and match-funding given to charities, not-for-profits and social enterprises, including membership fees
- all payments and in-kind support made to charities, not-for-profits and social enterprises to run projects aligned with our vision.

Additionally we include funds raised as a result of our financial support and the use of our technology, skills and assets, for example:

- by sponsored fundraising events such as the BT Comic Relief Celebrity Challenges
- where we provided professional call management/ network routing services to enable public donations
- where we have loaned assets such as the BT Tower.

Costs excluded from the £1bn calculation include our investment in infrastructure, such as MyDonate, internal administration costs and related marketing activities.

Net Good

Our goal - To help our customers reduce their carbon emissions by at least three times the end-to-end carbon impact of our business.

We have been working with several expert organisations to calculate our end-to-end carbon emissions – full details can be found here.

Reporting on the emissions from our own operations

We have reported our operational carbon emissions since 1992 and follow the Climate Disclosure Standards Board (CDSB) framework which builds on the World Resource Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol (GHGP). We also report our emissions to the Carbon Disclosure Project and EU Emissions Trading Scheme and under the UK Government's CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment).

For full transparency, our operational carbon accounts show our gross footprint based on the 'grid average' carbon content of purchased electricity and our net footprint - taking account of the carbon savings associated with the purchase of renewable and low-carbon intensity energy.

At the core of our approach are the following principles:

- to report consistently internationally
- to provide as true a picture of our emissions as possible
- to handle all emissions (or lack of them) in a similar way
- to use our reporting to drive behaviour, both inside and outside our company that helps to deliver a low carbon economy.

Greenhouse gases

All greenhouse gas (GHG) emissions figures are in thousands of tonnes CO2e and include all six GHGs covered by the Kyoto Protocol – carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and sulphur hexafluoride (SF6) emissions, plus other GHGs not covered under the Kyoto Protocol.

Organisational boundary

Both the CDSB and GHGP allow a company to define the organisational boundaries for carbon reporting according to definitions of 'equity share', 'financial control' or 'operational control'. The CDSB and UK government guidance both recommend use of the 'financial control' approach.

Taking the financial control approach would omit most of our buildings, which would not be a proper reflection of our business. Therefore, to give the most representative footprint for BT, we take a hybrid approach. In essence, we report on the emissions associated with energy that we buy or generate worldwide. Where the energy is provided by landlords as part of a full service contract we have not included these emissions. We take a consistent approach where we are the landlord. We do not report on countries that have never reached 250MWh per annum electricity use, nor where we do not have a controlling interest in any joint ventures or partnerships.

Operational boundary

For the first time this year we are reporting on our end-to-end carbon emissions, through a combination of our own analysis and with support from Small World Consulting. This covers our longstanding operational (direct - scope 1 and 2) emissions and, for the first time, we have consolidated our Supply Chain and customer product emissions. We cover all the corporate value

chain categories in the GHGP scope 3 accounting and reporting standard.

Please see the table below for a comparison.

Geographic scope

CO2e emissions that fall within the organisational and operational boundaries have been reported for all worldwide operations.

Conversion factors

For our UK reporting we use conversion factors published by the Department for Environment, Food and Rural Affairs annually. As electricity fuel mix and associated carbon intensity differ from one country to another, we use the GHGP or International Energy Agency conversion factors unless specific national or contract factors exist.

To report carbon emissions for our home-workers in the UK we have derived the impact using the non-taxable allowance (tax-free payments that BT home-workers claim from the company) permitted by UK tax authorities and applied that to average home gas/ electricity mix.

Data links:

Carbon emissions operational boundary

Connected Society

Around 55 per cent of the UK population has access to fibre-based products and services; we want to make that nine out of ten.

The internet connects people and societies, is the backbone of our global economy and helps shape and share ideas that will change our world for the better. Our core mission as a business is to improve its reach and quality for everyone's benefit.

Around 4.6 billion people are "off grid" globally and more than one in ten UK people have never been online. We want to help people gain the access and skills they need to join the online community and enjoy the benefits this brings. Alongside our UK fibre roll-out, we are partnering with others to boost access internationally using broadband, 4G and satellite technology.

We believe getting online can help those most in need in society to get more from life personally, financially and socially. We are developing projects that we believe will help people to gain the experience and confidence they need to get the most from technology.

Making connections

We are improving people's lives helping create a better future through building networks and making connections.

Why it matters

We believe that a connected society is a better society. Technology can enhance people's quality of life by improving access to information, education and employment and by enabling collaboration and co-operation on a large scale.

Many of us now take for granted that we can pick up a laptop, tablet or smartphone and almost instantly connect to the internet. Our job is to make this possible for more people, communities and businesses around the world

Attendees at the Latheron, Lybster and Clyth Community Development Company Community Connections training session

Our approach

To achieve our vision for a connected society, we work in partnership with communities, social enterprises, governments and other businesses both at home and abroad.

In the UK, we are working closely with central and regional government to give more homes and businesses access to high-speed fibre-based broadband. We are laying tens of thousands of kilometres of fibre cable to provide faster, more reliable connections for individuals, homes, communities and businesses.

In doing so, we are making sure we give customers a great experience, keep their data secure, help them maintain their privacy, and provide the skills to make the most of communication technology.

We are also involved in a range of other initiatives globally to increase access to communications, including in some challenging, remote locations.

Connections in the UK

We have accelerated our fibre roll-out. It should be available to two-thirds of UK homes and businesses during spring 2014, more than18 months ahead of our original schedule. Openreach is closely tracking the scale of the roll-out, and 120,000 homes or businesses were connected on average every week, and over 15 million UK properties now have fibre broadband access as a result.

The roll out of our fibre network supports the UK government's Broadband Delivery (BDUK) programme. BDUK aims to increase access to broadband for households and business in poorly served areas such as rural communities. The programme's primary goals include ensuring minimum broadband speeds of 2Mbps throughout the UK and providing the best superfast broadband in Europe.

One successful project is Superfast Cornwall, a pioneering partnership between BT, the EU and Cornwall Council to boost broadband access in this rural part of the UK. The initiative received its third international award-the 2012 European Growth Leadership Award in Rural Broadband Deployments. This award recognised Superfast Cornwall's economic contribution – it has created 4,000 jobs and safeguarded 2,000 more, and enabled the creation of new businesses which otherwise could not have existed in the region.

We won 19 BDUK bids to deploy fibre broadband in areas outside our commercial fibre broadband footprint in the year, including:

- Connecting Devon and Somerset, which aims to deliver fibre broadband to around 90 per cent of premises by the end of 2016, to ensure minimum broadband speeds of 2Mbps for all. BT is contributing £41m of the £94m total budget

- Wiltshire and South Gloucestershire, which is set to improve broadband access for more than 104,000 homes and businesses in the area by the end of March, 2016. BT is providing £12.8m of the £35.6m total investment
- a £220m BT investment in fibre broadband in Wales.

Global connections

Beyond the UK, we are finding ways to help communities in developing countries to get online. As these are often remote locations, the internet brings access to information and services that would be otherwise unavailable.

Future plans

Launching this year, our Connecting Africa programme has the potential to significantly improve quality of life across Africa. By providing internet services via satellite for 20 locations initially, we will create access to information and critical services such as healthcare for up to 100,000 people. Our partner in the initiative is SOS Children's Villages, a charity that works around the world to make sure that orphaned and abandoned children can grow up safe and in a family. Together, we will provide the technology and infrastructure required along with a team of volunteers to deliver the project.

As the project develops, we believe that up to 700,000 people in 12 countries across East, West, Central and Southern Africa could benefit.

In the UK, our future plans remain focused on helping our customers to stay "best connected" wherever they are. We are exploring innovative ways to achieve this, including research into alternative access technologies such as TV whitespace and 4G mobile spectrum. This will allow us to offer enhanced mobile broadband services to consumers and businesses. We are also working with social housing providers to develop affordable access for their tenants.

We will also continue to work with governments, international businesses, charities and aid agencies to increase access to products and services that support the global economy and provide real benefit in the developing world.

Related content:

Our Including You website has help and advice for those who need extra help with communications
See our next generation broadband website for the latest news.
Video: Our Connecting Africa project.

Creating possibilities

We are working with local partners on projects to give people the experience and confidence to get the most from technology.

Why it matters

Many of us have been using the internet for years, but around 7.42 million people in the UK aren't yet online – many of them older, unemployed or living with disabilities. And 4.6 billion people around the world don't have access to the internet.

We believe everyone should be able to use the connections we provide. So we help break down barriers such as affordability and digital literacy, which can discourage vulnerable communities from using technology.

Our approach

We work with local partners to help people gain the experience and confidence needed to make the most of technology. Through our Get IT Together programme, we spread digital know-how by encouraging internet-savvy people to pass on their knowledge and advice to friends and family.

Our employees sometimes get involved in these programmes, which gives them first-hand experience of how people use our products and services so we can continue to meet their needs.

Get IT Together

The Get IT Together programme provides information, advice and resources for both 'helpers' and 'starters'.

Get IT Together regional projects are delivered through our partner Citizens Online and currently run in 15 locations across the UK. These projects are tailored to meet the specific needs of the communities in which they are based. The projects range from helping older people to gain confidence online, to helping people to improve their chances of finding employment. We work with mixed ability groups. In total, these projects helped more than 5,100 people gain the confidence to go online last year, more than an eight-fold increase from the previous year. Long-term surveys show that more than half of people taking part in our courses help others to get online. You can read about our regional projects on our website.

The BT Internet Rangers and BT Digital Champions programmes recognise young people who

share their digital skills with older generations. Working in association with the Transformation Trust, we encouraged more than 14,000 children across the UK to become ‘Digital Champions’ sharing their IT skills and helping others to get online for the first time.

Nathan Chaplin, the 2012 Wales and overall Internet Rangers award winner

We received 127 entries from schools and students for Internet Rangers awards this year.

The student winners were:

- Nathan Chaplin from Port Talbot in Wales
- Hannah McInally from Cumbernauld in Scotland
- Jonah Conley from St. Helens in England.

Read their stories on our website. Bankside Primary School in Leeds won the £3,000 primary school award and Port Glasgow High School and St. Stephen's High School (which share a campus) won the £4,000 secondary school award.

BT Community Connections

We helped more than 4,200 people get online by granting a year’s free broadband to more than 200 community groups.

Community Connections award winner – Restore Loughton

Community Web Kit

Another element of our digital inclusion programme offers community groups and charities a free website-building and hosting service. Almost 8,300 groups have now used this service, up nearly 25 per cent from last year.

Supporting global communities

Outside the UK, we run programmes to increase digital inclusion and provide a range of support to charities in communities near our operations, as well as in disadvantaged regions. The areas in which we have worked last year include:

- Katha Information Technology E-commerce School, working to provide children in New Delhi's poorest communities with high-quality education and access to IT and computer skills. In doing so, it transforms them into skilled and knowledgeable workers able to support their families and play an active role in India's growing IT industry. We also support the St. Crispins Home IT Centre Training Centre
- in Colombia BT has helped bring telephony and internet services to thousands of people in rural areas while employee volunteers help schoolchildren with their IT skills
- in Brazil our partnership with Liga Solidara used computer programmes and games to help children aged 6-15 increase their learning potential. The initiative taught children how to use the internet and technology on a daily basis, while giving them experience of programmes they may use later in their working lives
- in Benelux our partnership with the Johann Cruyff Foundation helps improve the future lives of youngsters through BT's IT skills and resources to support the local community.

You can read about our projects around the world on our website.

Access for all

We believe that everyone should be able to use our products, irrespective of their capability. Our Including You website offers a full range of products, information and advice to make sure this is the case.

We publish newsletters and blogs to keep customers informed about new products or services we have developed and promote our accessible products to social and health groups and to social care professionals at exhibitions and events.

Technology is changing the world of work in ways that wouldn't have seemed possible a few years ago. This can make changing jobs or returning to work after time off a daunting experience. We work with organisations such as the Citizen's Advice Bureau (CAB) to break down barriers to using technology. We have provided equipment and volunteers in a number of UK locations to train local job-seekers and to help them overcome any fears about technology.

Future plans

We plan to demonstrate the value to society that our Connected Society programmes create by using a social return on investment (SRoI) model. We intend to use this during 2013/14 for all our digital inclusion initiatives – beginning in the UK – using societal measures to capture each project's benefit. We will engage with our stakeholders to develop these measures. This approach will help to inform, shape and strengthen our strategy as we evolve our Connected Society programme worldwide. Our aim is to build programme targets and measures based on things that are important to people and which improve their life chances regardless of location, age, ability or gender.

Related content:

An independent assessment of our Get It Together programme (pdf)
Wanting to help someone get online? See our online resources

Targets

Start	End	Description	Update	Target Status
April 2011	December 2012	We aim to support another 10,000 'Digital Champions' by the end of 2012 - part of our Race Online 2012 support (UK).	Working in association with the Transformation Trust, we encouraged more than 14,000 children across the UK to become ‘Digital Champions’ .	Completed
April 2010	July 2012	We aim to get at least 100,000 more people who've never used the internet before online by London 2012 - part of our Race Online 2012 support (UK).	Fuelled by our position as the UK’s leading ISP, we estimate that, during the year ended 31 March 2012, we added over 110,000 people who are new to broadband.	Completed

Our learning and skills programme

We’re helping young people to develop their speaking and listening skills, and to get a good start in life.

Why it matters

Today’s children are our future customers and employees. It makes sense for us to work with education professionals and other partners to help them learn to communicate and collaborate well. And to apply these skills in the workplace and wider life.

Our approach

Our learning and skills website for teachers, young people and their families provides free resources such as videos, workbooks, online activities and games for use in schools and at home. Two of our most popular resources are:

- Moving On - which helps young adults aged 14-19 (and beyond) to develop job application and interview skills
- All Talk - which supports English GCSE and A level students in the study of the Spoken Language and Speaking and Listening curriculum.

More than 5,000 teachers and education professionals have registered to use All Talk and the resources have been downloaded more than 58,000 times.

> English teachers have been waiting a long time for a set of resources such as this. The authors have drawn together an impressively diverse, culturally rich selection of recordings and transcripts with thought-provoking activities for studying language at both GCSE and AS level.

Ruth Doyle, English teacher, Queen Margaret's School, York

This year we ran three projects to build on our role as a Sustainability Partner of the London 2012 Olympic and Paralympic Games: Big Voice, Coaching For Life and Communication Triathlon.

BT's 'Big Voice' film competition asked young people to explore issues in their community around the themes of diversity and inclusion.

The ideas for the films were generated by younger students (11-19 years old) and the production support came from students on film and TV courses at college and universities.

All of the films in the competition were based on young people's views on issues that they want to change or improve in their community or society such as bullying, racism and anti-social behaviour.

All of the short-listed Big Voice films, including the overall winners film from Morpeth School in Bethnal Green, East London can be viewed here. So far, the Big Voice films have been viewed more than 50,000 times.

> I was extremely impressed by the amount of hard work and original thought the young filmmakers had put into this competition. They have every right to be very proud of their films, and what they've learned and achieved in making them.

Film producer Lord Puttnam, who led the Big Voice judging

Progress in 2013

Our learning and skills website remained popular during 2012/13, with more than 378,000 visits.

BT Young Scientist and Technology Exhibition

The BT Young Scientist and Technology Exhibition is the final stage of a competition to celebrate innovation in secondary school children across Ireland, both North and South. The programme

aims to inspire young people to develop their interest in the vital subjects of science and technology as well as developing key supporting skills such as presenting and team-working all of which are valuable assets for their professional lives.

We have organised the exhibition for the past 13 years. Last year, a team of three from Kinsale Community School in Cork became BT's Young Scientist and Technologists of the Year 2013 for their work on the statistical investigation of the effects of diazotroph bacteria on plant germination.

Read more about the programme.

> There is little doubt that the encouragement (students) receive through their participation in this wonderful event gives them the confidence and determination to stay the course and build a career in research.

The Irish Times

Future plans

As a large employer, we recognise the shortage of skills that many young people have in the key subject of computer science. Building on the success of the BT Young Scientist and Technology Exhibition in Ireland, our aim is to extend its ethos further. We are looking into new ways to help develop a better skilled workforce in the UK in the years ahead.

Related content:

Free resources: Moving On - job application and interview skills for young adults.
Free resources: All Talk - supports English GCSE and A level students in the study of Spoken Language and Speaking and Listening.

Net Good

At the moment, our end-to-end carbon impact is roughly equal to the emissions our products help customers avoid. We want to change that. We'll help customers avoid three times our carbon impact. We want our overall impact on the world to be positive, and we call this Net Good.

Our technology and expertise has the potential to use fewer natural resources. In the past we have done well at doing less harm, but this is no longer enough. Now we must find ways to do more good than harm.

We are calculating our end-to-end carbon emissions – from our supply chain, our own operations and how our products and services are used. Then by the end of 2020 we'll help customers save three times that amount.

Our experience of making our own operations more efficient will help us do this. Beyond carbon emissions, we are trying to design out waste from our systems and products. That limits our own pressure on the world's resources.

Working with our supply chain

Our supply chain represents 64 per cent of our end-to-end carbon emissions. So we are encouraging suppliers to reduce emissions and create products that use less energy and have a lower carbon footprint over their lifecycle.

Why it matters

We don't manufacture our own products, but source equipment and services from a large network of suppliers. Because of our size, we have the spending power and influence to help shape a lower-carbon supply chain.

Our approach

Our aim is to work with suppliers to reduce the emissions associated with the products and services we buy in ways that create mutual benefits for both parties.

We require all our contracted suppliers to complete an online environmental impact questionnaire, which assesses their policies and performance, and to agree to take action to improve their performance if necessary.

Suppliers of electrical and electronic equipment (EEE) also have to complete our product stewardship questionnaire to aid compliance with environmental legislation.

All waste contractors must provide a statement on their waste disposal procedures and we audit a selected number of contractors annually as part of BT's legal Duty of Care requirement.

Our Procurement Principles on Climate Change state that:

- we will harness the capability, diversity and innovation of our supply base to add value to our business and encourage suppliers to offer solutions which have a reduced environmental impact
- the energy consumption and environmental impact of a product or service (from manufacture, through usage, to disposal) is a mandatory criterion in all tender adjudication
- the energy consumption and environmental impact of any replacement product (from manufacture, through usage, to disposal) is less than its predecessor.

Our procurement standard on climate change encourages suppliers to reduce their greenhouse gas emissions. The standard is included in new contracts and we track suppliers' progress via our climate change questionnaire.

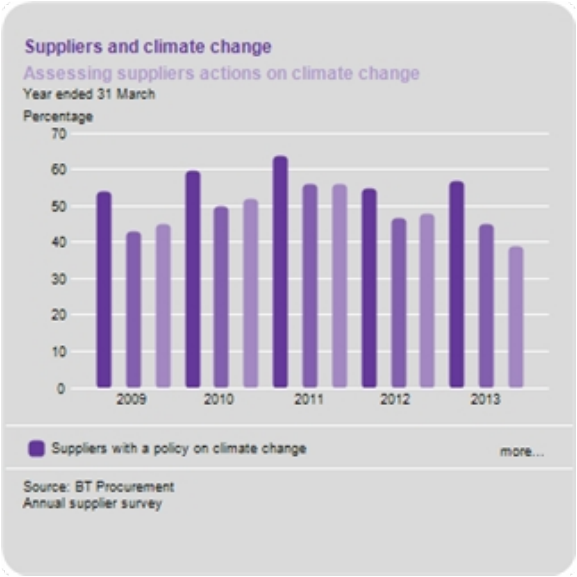
Progress in 2012/13

We set two targets last year to help embed these principles in our procurement activities.

1. for 90 per cent of contracts placed to have considered energy consumption and/or environmental impacts in the bidding process. In the year, we achieved 88 per cent missing the target by 2 per cent
2. to include our climate change standard in 85 per cent of applicable new contracts. In the year, we achieved 87 per cent exceeding the target by 2 per cent.

We also evaluate the progress suppliers are making on climate change. Our annual survey, to assess the action our suppliers are taking, found that:

- 57 per cent said they had a policy on climate change
- 45 per cent monitor their CO2 emissions
- 39 per cent have climate change targets in place.



Also - 29 per cent measure their total water use and 18 per cent have targets or a water management plan, compared with 26 per cent and 15 per cent, respectively in 2012.

Understanding our supply chain emissions

We encourage our key suppliers to report annually on their performance through the Carbon Disclosure Project (CDP). Supplier participation in reporting to the CDP is at 55 per cent (higher than the global average of 39 per cent), which suggests that our supplier engagement activity on carbon reduction is taking effect.

Detailed analysis showed that:

- our suppliers reporting to the CDP reduced their Scope 1 and 2 emissions by 2 per cent on average between 2011 and 2012
- 80 per cent of our 20 key suppliers reported to CDP in both 2011 and 2012
- 55 per cent of the 20 key suppliers have set and are on track to meet carbon reduction targets.

As a result of the BT climate change workshops we ran in 2010, 92 per cent of the respondents of the 29 suppliers who attended, have now set targets for carbon and/ or energy reductions.

Developing our methodology

Our project with Small World Consulting and the CDP to measure and report the carbon emissions from our supply chain continued this year.

The project looked at the carbon footprint of the products and services that we buy using Environmental Economic Input Output (EEIO) analysis of our supplier spend. As a result of this

work, we now have an assessment of the carbon emissions associated with our end-to-end supply chain.

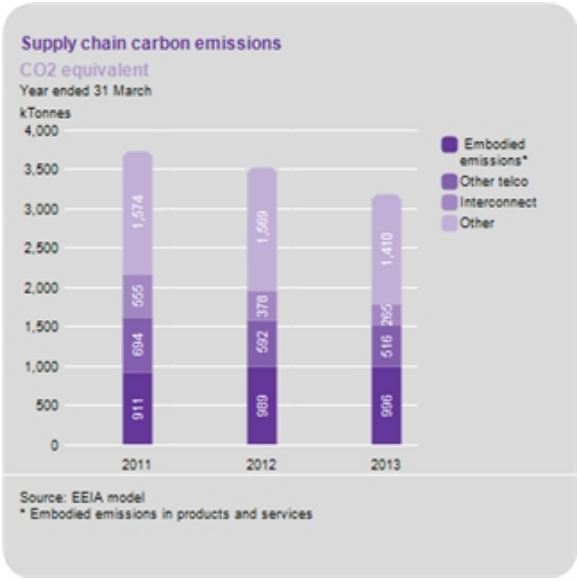
Our supply chain emissions can be broken down as:

- 24 per cent generated by BT's engagement with other telecommunications companies
- 31 per cent related to the ICT and electrical products we buy
- 44 per cent related to all services and consumables we buy.

Recalculation of previous years

Last year we reported on our initial assessment of our supply chain carbon emissions, trialling three different methodologies, including EEIO. We estimated the 2010/11 emissions associated with our supply chain to be 5.5 megatonnes (Mt) of carbon dioxide equivalent (CO2e) emissions.

This year, we reviewed this work and analysis with Small World Consulting to develop a more robust approach. The recalculation of our 2010/11 supply chain emissions reduced our previous estimate to 3.7 Mt CO2e. The main reason for the reduction was the use of more up to date emissions data for some metals, in particular copper. We have included employee commuting to our supply chain (upstream) emissions.



Better Future Supplier Forum

We established our Better Future Supplier Forum (Forum) this year to encourage our suppliers to innovate in sustainability. We have developed an approach and tools to assess our suppliers' capabilities against best in class, while simultaneously offering education in sustainability principles to encourage best practice. We start with a baseline assessment, including:

- eco product design

- circular economy life cycle
- environmental management
- GHG emissions strategies
- supply chain management.

We have developed a sustainability product innovation process that delivers innovative market solutions through a ‘Game Changing Challenge’. Forum members work with us to identify key product development needs and come up with new ideas. The work culminates in suppliers presenting their innovation concepts to a BT senior stakeholder evaluation team.

Future plans

We plan to expand our Forum membership to include additional suppliers.

We have set two new targets for the year 2013/14:

1. for 90 per cent of contracts we place to have considered energy consumption and/ or environmental impacts in the bidding process
2. we will include our climate change standard in 85 per cent of applicable new contracts.

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will ensure that the Climate Change Procurement Standard, will be used on at least 85% of applicable new contracts.		New
April 2013	March 2014	We will ensure 90% of competitive contracts in the year, include energy use /environment impacts, as part of the adjudication criteria.		New
April 2012	March 2013	To include our climate change standard in 85% of applicable new contracts.	In the year, we achieved 87% exceeding the target by 2%.	Completed
April 2012	March 2013	90% of competitive contracts in the year will include energy use /environmental impacts as part of adjudication criteria.	We managed to achieve 88% for competitive contracts with energy use/ environmental as part of adjudication criteria.	Failed

Our own operations

Our operations represent 8 per cent of our end-to-end carbon emissions. Nearly 90,000 BT people support customers around the world. They work from around 6,400 UK buildings and 1,750 international ones. Our premises are offices, call centres, exchanges, data centres, engineering depots and motor transport workshops. And we run one of the largest fleets in the UK, with around 26,000 engineering vehicles.

Our environmental policy and management saves money and improves business efficiency, alongside keeping us focussed on the resources that we use.

Reducing our own carbon emissions

This year we reduced our emissions by 323,000 tonnes. We achieved this through energy efficiency measures, increased use of renewable energy and better fleet management. Our own emissions represent 8 per cent of our end-to-end carbon emissions.

Why it matters

In our first environment report in 1992 we calculated our carbon emissions for the use of energy to power our networks and building, alone, at 2 million tonnes (Mt). We also set our first target to stabilise energy related emissions by 1995. Back then we were a large UK company with no international footprint. A lot has changed since then.

We are now looking at our own carbon emissions as a component of our end-to-end emissions. This is some 5Mt with our operational emissions accounting for 8 per cent. Our focus on reducing these further remains solid.

Our approach

We account for 0.7 per cent of the UK's electricity use, so our drive to reduce energy consumption and use more energy from renewable sources will significantly contribute to cutting carbon emissions. In addition, our vehicle fleet is the second-largest commercial fleet in the UK. Improvements in fleet fuel efficiency are also reducing emissions

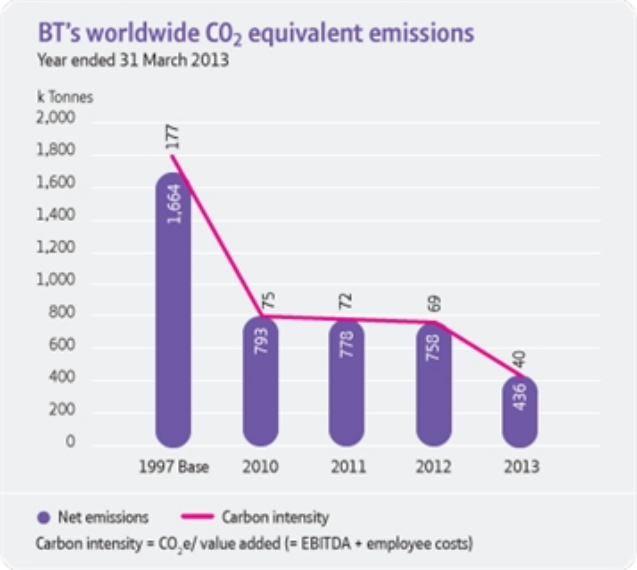
We aim to reduce our own carbon emissions by:

- upgrading our networks and equipment in order use less energy
- optimising the fuel efficiency of our fleet
- better controlling energy usage in our office facilities
- reducing business travel
- working to secure affordable, low-carbon intensive energy.

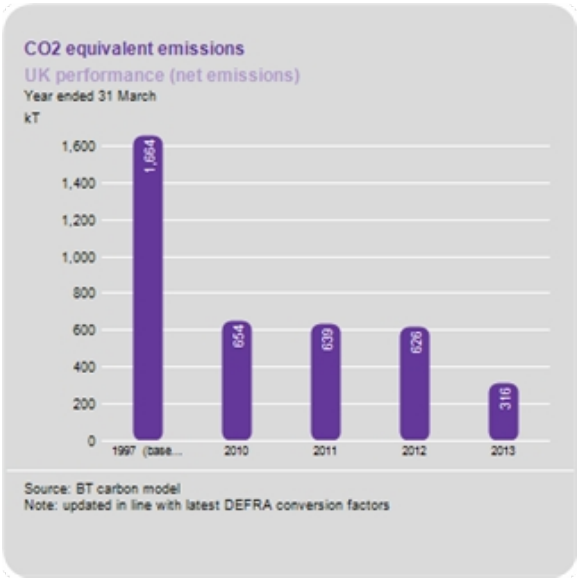
Progress in 2012/13

We have achieved 77 per cent reduction in our worldwide carbon dioxide equivalent (CO_2e) compared with our 1996/97 baseline, and are well on the way to our targeted 80 per cent reduction by 2020.

This year we achieved a 42 per cent reduction (323kt) in absolute CO_2e emissions, worldwide, compared with 2011/12.



In the UK, we have achieved our target of an 80 per cent reduction CO2e from our 1997 baseline, three years ahead of our 2016 deadline.



Our full carbon emissions model can be found in the data centre of this report.

The energy section of this report covers our efficiency drive, and the travel and transport section covers our activities to reduce CO2e emissions.

Decarbonising energy

Affordable low-carbon energy

A key step towards a low-carbon BT this year is our agreement with energy supplier npower to source 100 per cent of our UK electricity from renewable sources. As part of the contract, npower have issued a new electricity carbon label to BT to certify that every unit of electricity supplied to BT is A-rated; this means that a matching number of units from renewable sources are fed back into the electricity grid by npower for every unit BT consumes. Providing visibility of the carbon content of electricity will stimulate demand for more A-rated electricity and encourage investment in renewable energy, driving down carbon emissions. We are seeking similar contracts with international suppliers where feasible.

Electricity Source Label		CO_2/kWh	% matched consumption	tCO_2e
A	Renewable	0g	100%	
B	Low carbon / CCS	<200g		
C	Gas CHP	<300g		
D	CCGT Gas	<400g		
E	UK Average / Gas	<600g		
F	Good Coal / Oil	<800g		
G	Coal	>800g		
Total Electricity CO_2		0g	A	0

BT's UK electricity carbon label. For the period 1 October 2012 to 31 March 2013.

Paul Massara, CEO of npower, said;

> BT's decision to match its electricity use with 100 per cent renewable energy sends a real signal that renewable energy is important to the UK and to British business. We've worked in partnership with BT for many years and are delighted to have created this bespoke contract as part of the targets set out in BT's sustainability plan. We look forward to continuing to working with BT in the future to help them strive to achieve their aims.

Generating renewable electricity

We have made the difficult decision to drop our target of producing 25 per cent of our own energy from wind on BT (or adjacent) premises by 2016. This is because of difficulties faced in getting planning consent and unpredictable government policy on incentives. Instead, we have committed to working with strategic partners to incentivise the creation of low-carbon energy.

For example we have an agreement with British renewable energy company RES to develop a wind farm in Northumberland. RES has more than 30 years of experience in wind farm planning

and development. RES will plan, design and build the project and we have the option to purchase the energy produced.

We continue to generate solar energy at three of our own sites internationally, and use biomass and natural water heating and cooling at three UK sites, generating around 12,000 MWh of energy a year.

Future plans

To step up our use of low-carbon energy, we will work with electricity generators through long-term renewable electricity purchasing agreements. We will also continue to encourage policy-makers to create clearer incentives for companies to purchase renewable energy and stimulate demand.

Related content:

Green mist key to energy saving future at BT's Cardiff data centre
Read our full carbon accounts 2013 (pdf).

Data links:

Carbon emissions

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will maintain our UK emissions at 80% below our 1996/97 baseline.		New
April 2012	March 2013	We will reduce our worldwide carbon emissions (after purchase of low and zero carbon energy) by 1.3% compared to 2011/12.	We achieved a 42% reduction in our worldwide carbon emissions. This was as a result of a renewable energy contract with npower.	Completed
April 2008	December 2020	We will reduce our worldwide CO2e emission intensity by 80% compared to 1996/97 levels by December 2020 (KPI).	March 2013 update - we have reduced our CO2e emissions intensity by 77% compared to our 1996/97 base year.	On Target
April 2007	December 2016	We will reduce our UK carbon dioxide emissions (measured in tonnes CO2 equivalent) to 80% below 1996/97 levels.	We have met our target three years early. We are now purchasing 100% renewable electricity in our UK market. We have reduced our CO2e emissions by 81% from our base year.	Completed

Environmental management system

Our environmental management system – certified to the international ISO 14001 standard in seven countries – helps us to comply with environmental legislation and to plan improvements.

Why it matters

Good environmental management saves money and improves business efficiency, as well as ensuring we are doing all we can to reduce the environmental impacts that inevitably result from our operations.

Our approach

Our environmental management system (EMS) is certified to the international standard ISO 14001 in Belgium, Germany, Ireland, the Netherlands and the UK. Our operations in Italy and Spain have their own ISO 14001 certifications and BT Spain is also certified to the European standard, EMAS.

We use a regularly updated web-based environmental management tool called enviroMANAGER™ to demonstrate that we adequately manage our environmental impacts. This system allows us to record compliance with legislation, carry out risk assessments and provide documentary evidence of our environmental management processes and procedures.

Our EMS reporting covers 19 countries, representing more than 95 per cent of our employees and the bulk of our major energy-using operations.

Progress in 2012/13

We improved our reporting processes this year by increasing the number of individual buildings reporting data across our operations. This has enabled us to monitor changes within different areas of the business, such as data centres, office buildings and network operations.

We have introduced an integrated energy management system (IEMS) this year. We have included management tools to capture, assess and store a range of environmental data (e.g. waste, fuels, etc.) where this is deployed. And we can now analyse this data down to individual buildings.

Through comparative analysis and prompts to provide justification where there is a significant difference from previous years, IEMS helps to eliminate administrative errors and at the same time, provides more accurate information on trends and target monitoring.

During the year, BT received no financial environmental prosecutions.

Data quality

Data collected must be both accurate and reliable. We therefore request supporting evidence for the data provided, such as renewable energy certificates, utility bills or waste collection invoices. This increases confidence that the information is correct, and enables us to use the data to calculate our renewable energy use and waste recycling levels more accurately.

External verification

We review our reporting process regularly with our data providers and environmental aspect owners, to ensure it remains current and fit for purpose. In addition, the data and evidence are externally verified by Lloyds Register Quality Assurance (LRQA) before the data can be accepted and publicly reported. A copy of the Assurance Statement can be found here.

Future plans

We continue with our efforts to maintain ISO14001 certification in our existing operations and we are constantly reviewing the potential for extending our certification globally.

Related content:

Our environment policy (pdf)

Energy

We are one of the top energy users in the UK, accounting for around 0.7 per cent of all electricity consumed in the country. We have expanded our energy control network to more buildings, enabling us to deliver a record fourth year of energy reductions.

Why it matters

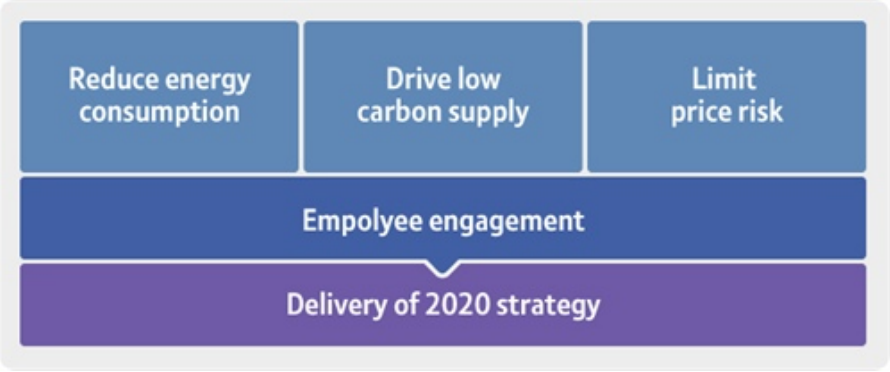
Our usage contributes to our end-to-end carbon emissions and, as energy prices continue to rise, presents a significant risk. This year we spent around £275m on energy in the UK alone.

Our approach

Our 2020 energy strategy is based on three key principles:

1. reducing our energy consumption
2. working with key strategic partners to generate low-carbon supplies at an affordable cost
3. limiting price risk.

We recognise the importance of setting ourselves targets for reducing energy use. All of this is underpinned via an extensive energy engagement campaign with our employees.



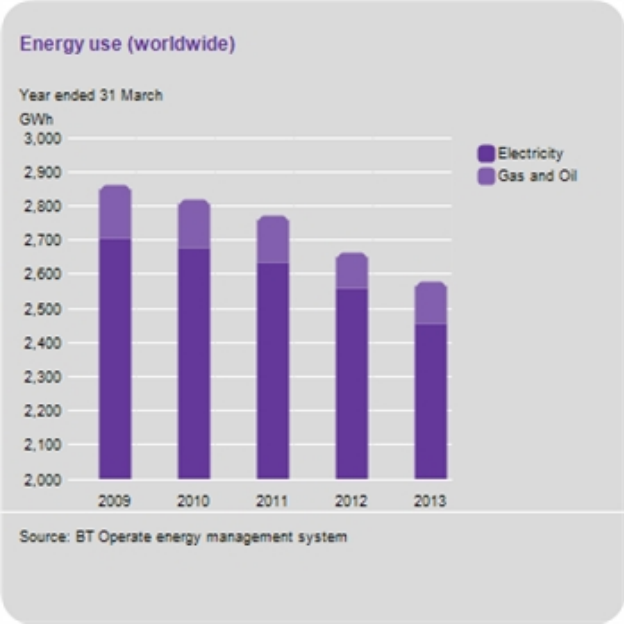
Progress in 2012/13

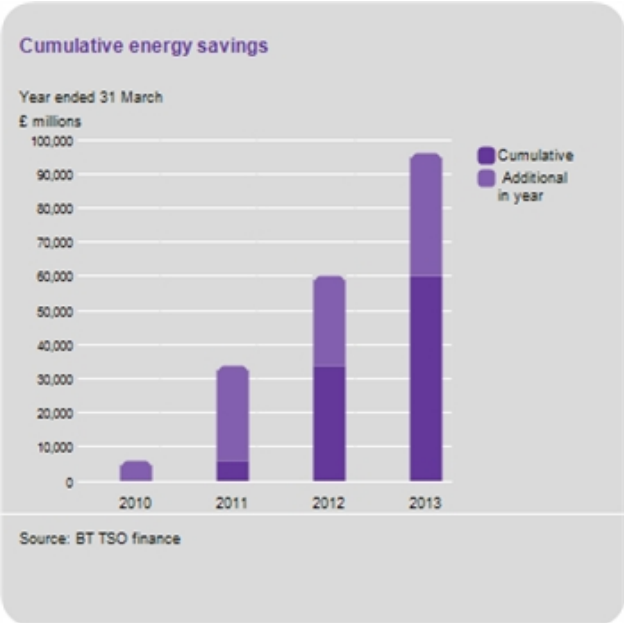
In the year our energy use decreased - for the fourth consecutive year. We achieved a 3.3 per cent

worldwide reduction to 2,575 GWh, from 2,665 GWh.

This was ahead of our 1.5 per cent reduction target and has saved the business £33m in annualised energy costs.

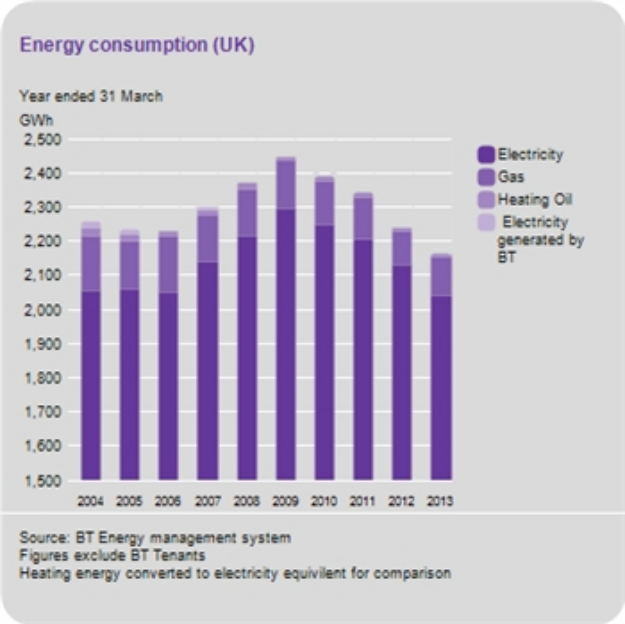
This reduction is after increasing energy demand from business growth in key areas such as fibre-based broadband.





Of the energy we consume, 84 per cent is used in the UK and 16 per cent internationally. Our new contract with npower means that 100 per cent of our UK electricity comes from renewable sources.This is an increase from 41 per cent renewable energy sourced for BT in 2011/12.

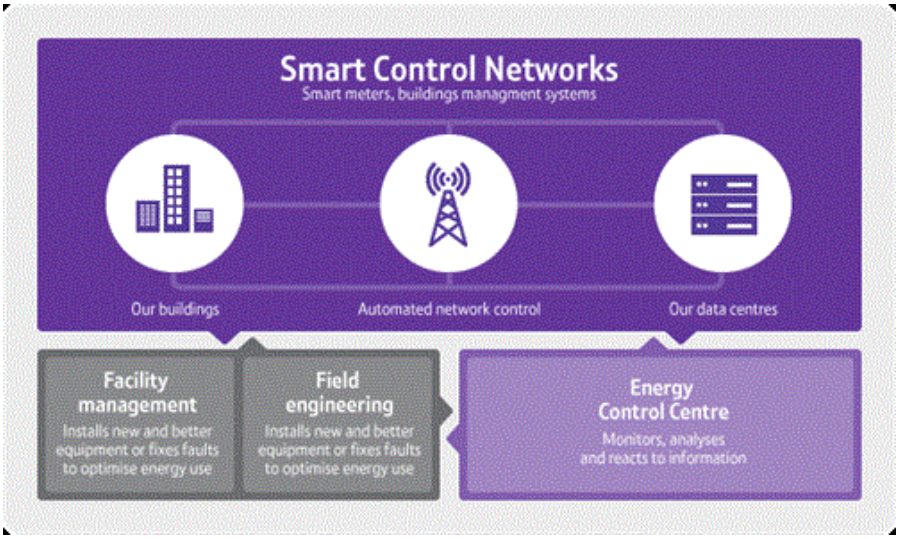
In our UK operations, this year, we have achieved a 3.4 per cent reduction to 2,165 GWh, compared with 2,241 GWh in 2011/12.



Reducing our energy consumption

Our reduction this year is primarily the result of rolling out a smart energy management network across our business; and of rationalising infrastructure in our data centres, networks and buildings.

Our SMART energy control network monitors and improves energy usage. This consists of: smart meters which monitor energy consumption; a Building Energy Management System (BEMS) which helps us to control specific sites across our estate; and an Integrated Energy Management System (IEMS) which helps us pull together all of the data and check it against our bills.



The IEMS platform validates approximately 100,000 invoices from more than 30 suppliers. This validation offers us better visibility and control of our usage. Additionally, we have rolled out our BEMS to over 2,200 sites.

New and innovative approaches to servicing our customers are providing opportunities to streamline our infrastructure in three areas:

1. **data centres**: we are improving and virtualising storage capabilities in data centres so we can decommission unused and older, less efficient servers. This makes both energy use and customer service more efficient. In the year, we retired over 2,300 servers and saved a total of £5m in annualised benefits
2. **networks**: we are migrating customers from older network infrastructure onto newer, more efficient platforms. Last year, our networks programme resulted in more than £21m in benefits
3. **buildings**: by introducing energy-efficient fittings and facilities services, we have created more than £6m in energy benefits. We are trialling further initiatives such as LED lighting at some of our largest sites.

Generating low-carbon energy

Working with suppliers and other partners to generate greater renewable energy supplies is a priority. We are doing this through:

- our four-year deal with npower to purchase 100 per cent renewable energy in the UK, and our commitment to source similar contracts internationally
- our agreement with leading British renewable energy company, RES, to develop a new wind farm in Northumberland, England. RES has developed and/or built more than 6.5GW of wind energy capacity worldwide over 30 years.
- supporting the Aldersgate Group to propose to policymakers and roll out a carbon labelling system for electricity across the UK. BT and npower have jointly issued a sample label to demonstrate the concept.

Limiting price risk

We have developed a strategy to hedge prices up to three years out within specified risk limits to protect the business from price strikes. Signing long-term Power Purchase Agreements with our renewable electricity suppliers also reduces our exposure to rising costs and creates visible long term demand.

Engaging our people

Everyone can help save energy. Our energy engagement campaign aims to get all our people involved, regardless of location, role or seniority. The campaign has five main strands:

1. Switch to saving energy

This is the main theme of our campaign. Stickers and posters promote the campaign in all BT's major office buildings, and we give branded materials such as lanyards and ice scrapers to the people participating. In the year, we held events at 40 sites to further raise awareness and participation.

2. Energy champions

More than 5,800 volunteer energy champions in 24 countries across all our lines of business take small steps to reduce energy every day. Examples include turning off lights or unused equipment, highlighting faults that waste energy and spreading the energy-saving message to friends and colleagues.

3. Energy Stars / Superstars

Over the last two years, peers have nominated 15 BT people as Energy Stars - people enthusiastic about saving energy at work. Two of the 15, Simon Jones and Bobby Singh, have been designated as Energy Superstars for their passion and inspirational qualities.

4. Energy saving ideas

Last year, we received more than 200 suggestions to our dedicated mail box, which combined to deliver big potential savings. For example, by prompting us to turn off a chiller unit when not in use, field engineer Duncan Watson has saved us more than £1,000 per year.

5. Energy Saving Week

In October 2012, BT supported Big Energy Saving Week, a joint initiative between the Citizens Advice Bureau and the Energy Saving Trust. The campaign raised awareness about the importance of saving energy using a range of channels. These included a viral animation, events, quizzes and competitions, and a volunteering scheme that encouraged employees to help a relative, friend or neighbour to reduce their energy bills.

Last year, more than 58,000 people (65 per cent of direct employees) took part to help reduce our

energy use.

Future plans

In 2013/14, we aim to achieve our fifth consecutive year of global energy reductions, by continuing to cut consumption faster than our network expands. This means that we will need to look at ever more innovative and exciting ways to reduce our energy consumption and drive growth in the business.

We also aim to increase the number of employees involved in reducing energy use to 85 per cent by 2020.

Data links:

Energy Model

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will reduce our worldwide energy use faster than the growth in energy required from network expansion.		New
April 2012	March 2013	We will reduce our energy consumption by 1.5% compared to 2011/12.	We achieved a 3.3% reduction in energy use compared to 2011/12.	Completed
April 2007	December 2012	20% of BT's employees will be actively engaged in reducing carbon footprint and energy savings at work and at home.	Last year, more than 58,000 people (65%) of our employees took part to help reduce our energy use.	Completed

Transport and travel

We run one of the largest commercial fleets in the UK with over 26,000 vehicles. To meet service needs, in part as a result of record rainfall and flooding in the UK, our fleet travelled more than 12m km that last year. Other business travel decreased however, we reduced the distance travelled by air by more than 23m km.

Transport - with size comes responsibility

BT Fleet is a wholly owned subsidiary of BT Group, providing fleet management, vehicle maintenance and accident management to some of the country's most recognisable businesses including BT Group.

It operates a fleet of approximately 26,000 commercial vehicles and 5,400 company cars on behalf of BT. The annual distance travelled by BT's commercial fleet alone is 431m kilometres generating more than 102 kilotonnes (kt) of CO2e emissions annually.

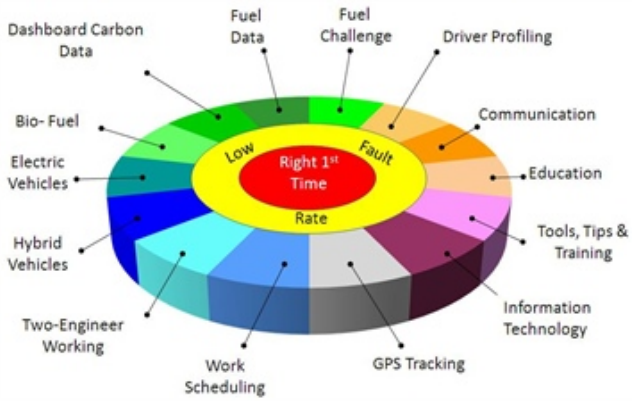
We take the challenge to reduce these volumes seriously and run a number of programmes to support reduction activities alongside new initiatives being introduced.

BT Fleet is the market leader in fleet maintenance in the UK. Our market-leading position helps generate new business as new and existing customers ask for our experience and guidance to improve their own fleet operations. This benefits not only the marketplace and stakeholders but helps maintains our focus on our environmental impacts.

Improving transport efficiency

We are not reliant on new technologies alone to deliver environmental improvements. We review our fleet to look for opportunities to reduce our total number of vehicles alongside ways in which we can operate our legacy fleet more efficiently.

We operate a 360degree approach which encompasses:



Travel – we're travelling smarter

We focussed on reducing the cost of business travel this year. Our 'every penny counts' campaign

focussed on encouraging our people to reduce their travel.

Worldwide our people do need to travel on business. We make sure our company travel policy balances employee safety, business need, flexibility, cost-consciousness and travelling time. And our line managers have a responsibility to apply it consistently.

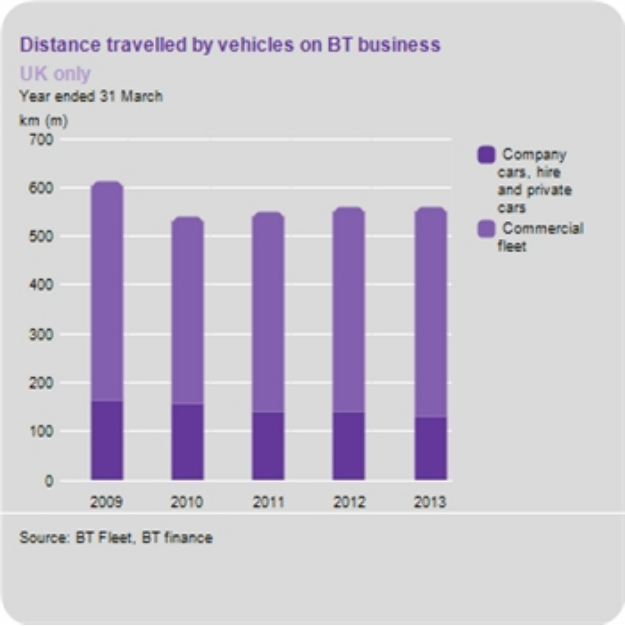
Our travel policy requires all our people to:

- use their judgement to question requests for travel, so that travel is only when business and operational critical needs cannot be met through conferencing
- use conferencing instead of travelling whenever possible
- if there is a need to travel, to book as far in advance as possible, which helps saves money and gives more choice.

Progress in 2012/13

UK road travel

The distance travelled by our commercial fleet and company cars increased by 2m kilometres (km) this year. The reduction in distance travelled by company car drivers (10m km) was offset by a 12m km increase in the commercial fleet, as a result of increased visits needed to restore customer service after the extreme weather seen in the UK.



We have maintained our commercial fleet size despite an increase in BT's engineering staff through better vehicle usage.

Our engine remapping programme, the largest in Europe to date, saw around 21,000 vehicles visit

our workshops for adjustments to improve fuel efficiency, reduce emissions and improve driveability. This programme is as a result of extensive research and testing at Millbrook Proving Ground in early 2012.

We have seen reductions of up to 25 per cent in exhaust emissions including on average a 16 per cent reduction in hydrocarbons (HC) and nitrogen oxides (NOx).

Electric vehicles (EV)

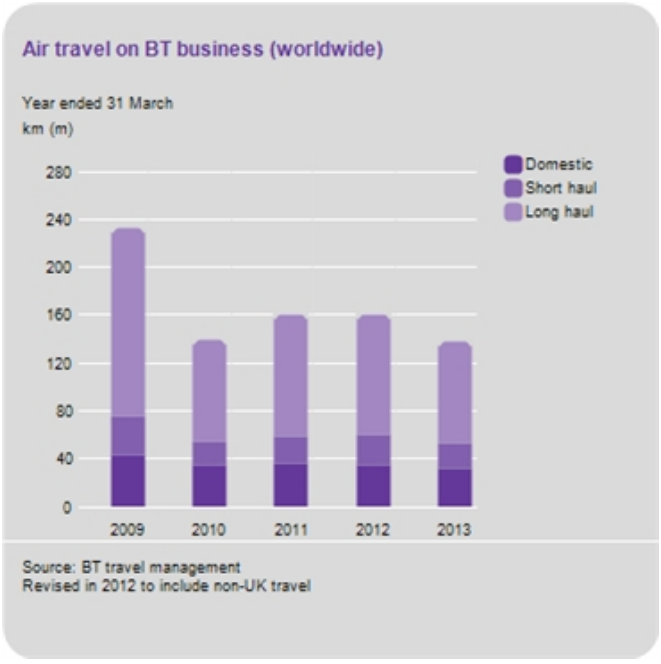
We continue to investigate the operation of this type of vehicles within our fleet. However, we will wait for improvements to EV range capacity before extending our use. Our trial vehicles are still popular and we continue to use them to raise driver awareness of our work with alternative drive trains.

Work on our specialist fleet continues with smaller more efficient vehicles and ancillary equipment having being trialled in the field. This programme will roll-out in 2013/14.

BT Fleet won the Fleet News Awards 2013 ‘Cost Savings Initiative of The Year’ award for its programme of engine remapping.

Our worldwide travel reduction campaign

Our ‘every penny counts’ campaign has helped to reduce worldwide air travel by 14 per cent.



We are proud to have been awarded WWF-UK’s One in Five Challenge

Our finance cost transformation team, working with procurement and our travel suppliers have:

- encouraged everyone to consider conferencing rather than travel
- encouraged rail and air travel bookings though approved suppliers to help save costs

Our own use of conferencing services

We have nearly 60 Telepresence suites and 100 other video-conferencing facilities across our estate worldwide. We make extensive use of phone-conferencing, whether for large team event calls or simpler project/ team update calls. All our conferencing services are capable of sharing and viewing documents, presentations and other computer applications in real-time

We have been assessing our own use of BT Conferencing services for a number of years. This year we commissioned Professor Peter James, of the Department of Environmental Science at the University of Bradford, to provide an independent review.

In summarising his findings, Professor Peter James says: “In the year ending March 2012, conservative estimates suggest that use of BT Conferencing services avoided a net 43,839 tonnes of greenhouse gas emissions and created financial benefits for BT totalling £188m”.

The report also highlighted that BT’s own use of its conferencing services is avoiding one million face-to-face meetings in 2011/12, each with a mean travel saving of 197 miles.

Future plans

Our finance and procurement teams will continue to campaign across all our employee communications channels under the ‘stay local, meet global’ strap-line.

We will continue to progress our vehicle remapping programme and expand it further within BT to our HGV fleet. Company cars are also being considered for inclusion.

We will continue to monitor the development of alternative-power vehicles and are currently helping a UK company to develop their hybrid light commercial vehicle for this market.

New vehicles alongside ancillary equipment will be reviewed as part of our procurement policy. We are working with a number original equipment manufacturers to develop their current offerings in the market.

Driver aids and telematics continue to develop at a fast pace and we will use elements of these technologies to further improve our drivers awareness of the impact of their driving on the environment.

A joint Green Driver competition is being launched with Openreach, and will be the largest competition of this type to date.

Related content:

Case study: BT Conferencing
WWF - One in Five challenge website.

Data links:

Transport and travel

Waste management and recycling

We are committed to using resources efficiently. We aim to recycle or reuse any waste, where possible. This year we recycled 38,400 tonnes (87 per cent) of our total waste.

Why it matters

Creating waste signals inefficiency and is a misuse of natural resources. We are committed to promoting a circular economy where all wastes become resources.

Our approach

Our waste ranges from decommissioned network equipment, cabling and telegraph poles to used paper and general office waste. Our UK business creates around 42.2 kilotonnes (kt), 96 per cent, of our waste per year.

We have processes for effectively managing the disposal of waste, which forms a vital part of our Environmental Management System and ISO14001 certification. All of our waste is handled by specialist contractors, with whom we work in partnership to ensure effective waste management that meets all legal requirements as a minimum.

We have a named person responsible for co-ordinating waste management processes to ensure high standards across the company. Our internal waste forum is made up of the people directly responsible for our waste streams. The forum's role includes considering new ideas for managing waste and setting and monitoring waste targets.

We identify three categories of waste – category 1 represents the least risk to the environment, category 2 moderate risk and category 3 the highest risk.

Non-hazardous waste disposal

We run several schemes to collect recyclable materials. This increases the availability of recycled resources, reduces waste to landfill and landfill costs and, in many cases, generates revenue, as we are paid for the materials collected.

Most of our general waste is processed through material recovery facilities (MRF) or waste transfer stations (WTS), which separate recyclable materials such as paper, cans, cardboard, plastic and paper cups for reprocessing. Non-recyclable materials either go to landfill or are incinerated via the Refuse Derived Fuel process to produce energy.

Hazardous waste disposal

We are registered with the England and Wales Environment Agency for all our sites that produce more than 500kg of hazardous waste annually. We have around 2,750 registered sites and these sites are mostly telephone exchanges.

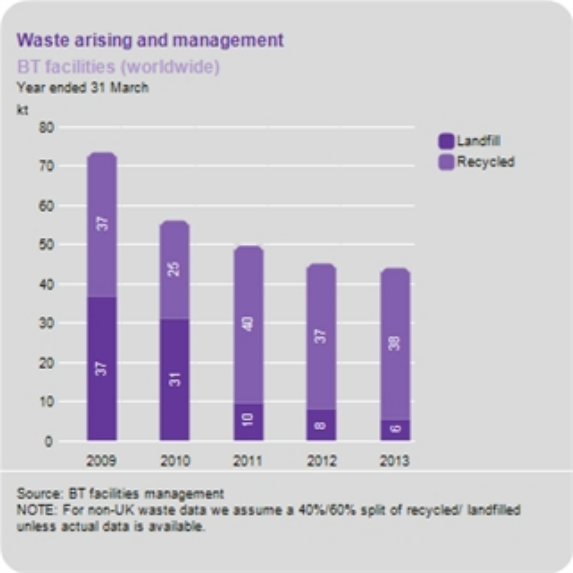
Hazardous waste produced at these sites include:

- fluorescent lighting tubes
- refrigerants
- batteries
- clinical waste
- oil
- vehicle waste
- gas cylinders.

We have rigorous processes to ensure our waste management contractors handle our hazardous waste correctly. These contractors are externally audited under our Duty of Care obligation.

Progress in 2012/13

We produced 43.9kt of waste, a reduction of more than 1.2kt from the previous year. Of this, 5.5kt went to landfill, 2.6kt less than last year. We reduced our waste sent to landfill by 32 per cent against our target of 10 per cent. Some 38.4kt of waste - 87 per cent of our total - was recycled or recovered.



NOTE: For non-UK waste data where no actual amounts are available, we assume a 40 per cent/60 per cent split between recycled and landfill based on number of people and average weight produced per person based on industry standard.

We also recovered around 55kt of redundant cable (this is excluded from our recycling figures as it is part of a special project rather than business as usual) and introduced a Refuse Derived Fuel process, treating more than 2kt of waste.

Future plans

We continue to seek opportunities to reduce our burden on the environment through increased recycling, reducing waste across our business and ultimately sending less waste to the landfill.

Data links:

Waste and recovery

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will reduce the amount of waste sent to landfill by 30% compared to 2012/13.		New
April 2012	March 2013	We will reduce the amount of waste sent to landfill by 10% compared to 2011/12.	We achieved a 32% reduction on the amount of waste sent to landfill (reduced by 2,624 tonnes) compared to 2011/12.	Completed

Water

We are concerned about the increasing scarcity of clean water and have taken a number of steps to improve the efficiency of our water management. We reduced UK water use by 3.8 per cent this year.

Why it matters

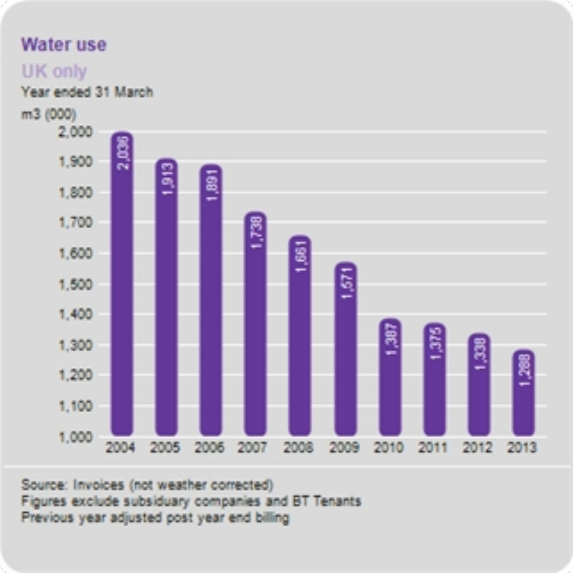
Minimising our use of water is good practice, respects the needs of communities and saves money.

Our approach

BT is not a water-intensive business. We use small quantities of municipal water for catering, toilet facilities and vehicle wash stations. We focus on maintaining a good infrastructure and eliminating leaks.

Progress in 2012/13

We achieved water efficiency improvements for the 11th consecutive year, decreasing UK water use by 3.8 per cent, from 1,338 million cubic metres last year to 1,288 million cubic metres.



We worked with suppliers to reduce leakages and wastage.

Future plans

We will continue to explore ways to expand our water metering programme to include our top sites, both nationally and internationally, to better control our water usage and reduce water consumption.

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will reduce our UK water consumption by 1% compared to 2012/13.		New
April 2012	March 2013	We will reduce our UK water consumption by 1% compared to 2011/12.	We have achieved a 3.8% reduction in water use in the UK compared to 2011/12.	Completed

Fuel storage

We store fuel carefully, following best practice techniques to avoid leaks and spillage.

Why it matters

It is important to carefully store fuels for vehicles, heating and standby generation because leaks and spills can cause long-term harm to the environment.

Our approach

We monitor the condition of our fuel storage tanks using alarm systems, testing and inspections.

Best practice is utilised when handling hazardous liquids and gases but cases of accidental spillage, leaks or foul play remain. We are committed to transparency around pollution incident reporting and to investigating any incidents promptly to reduce their severity. We use the lessons learned to prevent recurrence.

We classify incidents as:

- serious – where the spill has entered, or is likely to enter, either the drainage system or topsoil
- significant – where the spill covers a wide area but is confined to a hard standing area only and there is no evidence of entry into the drainage system or topsoil
- minor – where a minor spill is contained within a very small area.

A specialist contractor cleans up significant and serious incidents. We inform the Environment Agency (the regulator for England and Wales) or the Scottish Environment Protection Agency of all serious incidents, where the spill is known to have entered the drainage system, or has contaminated land.

Progress in 2012/13

In the year we installed 328 new fuel storage tanks following the decommissioning of existing underground network storage tanks. The new tanks are bunded to contain leaks and spillage. This leaves only 27 sites with 43 underground tanks remaining across our UK estate, which will be replaced with new, bunded, internal tanks next year.

Future plans

We will continue assessing the types of fuel stored in our bulk storage in the UK, to either dilute or replenish with low-sulphur fuel.

Targets

Start	End	Description	Update	Target Status
April 2011	March 2013	We will replace existing underground fuel storage tanks in the UK through a structured programme.	We failed the objective, however it has been replaced by a decommisioning programme which will be reviewed on an ongoing basis in 2013/14.	Failed

Emissions to air

Our air conditioning systems are monitored on an on-going basis to ensure we comply with regulations while meeting our own targets for minimising refrigerant gases.

Why it matters

We need to ensure that we meet European Union (EU) regulations which forbid the purchase or use of virgin hydrochlorofluorocarbons (HCFC).

Refrigerant gases that accidentally escape from air conditioning equipment are our most significant emissions of greenhouse gases (GHG), after carbon dioxide emissions from our energy and fuel use. It is therefore important that we seek solutions to decrease the amount of gases we emit.

Some refrigerants also deplete the ozone layer, and we are eliminating these gases in line with regulatory requirements.

Our approach

Where possible, we use fresh air to cool our data centres and network equipment.

We set a target of 50 per cent reduction in the amount of the most environmentally significant refrigerant gas (R22) we use in our air conditioning systems and review our performance and approach.

We have also begun replacing HCFCs with non-ozone depleting hydrofluorocarbon (HFC) refrigerants and we monitor compliance with the EU Ozone Depleting Substances and Fluorinated Gas (F-Gas) Regulations, which aim to reduce emissions of fluorinated GHG covered by the Kyoto Protocol.

Progress in 2012/13

We aim to ensure that all our power field engineers are trained to obtain the highest J11 F-Gas

Category 1 standard. To date, all of our engineers who work on refrigerated systems have been awarded the required construction skills accredited certification, which expires every five years. J11-F Gas Category 1 certificate holders may carry out all refrigerant handling activities for any size of Refrigerated Air Conditioning (RAC) systems containing F gases. This includes leakage checking, refrigerant recovery, installation, maintenance and servicing.

We are audited by REFCOM on an annual basis to monitor compliance with F-Gas Regulation processes such as refrigerant handling and training.

Future plans

We plan to reduce our dependency on refrigerated systems by using Fresh Air Systems wherever possible. There is currently a programme to replace refrigerated systems that have reached their end of life or are beyond economical repair with the aim to replace a large percentage of these units with Fresh Air Systems.

Our products

Our products make up 28 per cent of our end-to-end carbon emissions. That comes from the materials they are made of, how easily we can transport and recycle them, and how much energy they consume when customers are using them.

Why it matters

The products we buy, use and sell should have the lowest possible impact on the environment through their lifecycle. We work towards this by cutting the cost of disposing of them, reducing how much energy they use and by lowering the amount of embedded carbon they have in them.

Our approach

Working with the University of Cambridge Engineering Design Centre, we are developing a toolkit for sustainable product design. The initiative, called Designing Our Tomorrow (DOT), is equipping people and organisations with the skills and tools to design products while taking into account the full lifecycle impacts.

We are also seeking opportunities within the circular economy, which sees used or unwanted goods as resources rather than as waste. This is helping us to design more resource-efficient products while continuing to meet our regulatory obligations.

Product stewardship is an integral part of our environmental management system.

Regulatory compliance

Regulation is important for setting the minimum standard of environmental performance. Wherever we operate, legislation is subject to change and we work closely with our suppliers to ensure we are compliant.

We support efforts by the European Union to reduce the environmental impacts of electrical and electronic equipment (EEE) and comply with the:

- Waste Electrical and Electronic Equipment (WEEE) Directive, which requires companies to collect and recycle used products at the end of their life
- Batteries and Accumulators and Waste Batteries and Accumulators Directive
- Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive (RoHS).

We manage regulatory risk in various ways, including internal training and awareness-raising, our tendering process and monitoring the work of industry organisations.

- our Product Stewardship Forum, which includes representatives from across our business, meets quarterly. It reviews and reports on risks, raises awareness of product stewardship issues among employees, and monitors and improves our product stewardship processes
- we train our buyers and product managers in product stewardship and provide information on product stewardship online
- potential suppliers receive our Product Stewardship Generic Standard 19 (GS19) during the tender process. GS19 includes a list of materials giving cause for high concern and a link to the Registration, Evaluation, Authorisation and restriction of Chemicals (REACH) candidate list via the European Chemicals Agency website. Suppliers must confirm if the products they intend to supply us contain these substances.

Progress in 2012/13

As part of our work towards our 2020 Net Good goal, we have assessed the total energy use and associated carbon dioxide equivalent (CO2e) emissions of the products we provide to retail and enterprise customers.

The results show that the use of these products accounts for 1.42 megatonnes (Mt) of CO2e emissions, 28 per cent of our end-to-end carbon impact.

In 2011/12, we identified opportunities to improve our product stewardship reporting systems and initialised a full review of our systems and processes. In response, we set a target to review and improve our reporting. We sought expertise from independent environmental consultants.

This has resulted in improved processes across our UK business and more accurate reporting methodologies. We have also revised our governance and management processes to place greater responsibility for product stewardship within our lines of business.

By applying circular economy principles, we have identified product packaging and used product returns as two areas for action. As a result, we have:

- replaced the BT Home Hub 3 packaging for new units from two glossy boxes made of virgin

cardboard to one box made of recycled cardboard

- launched the BT Hub 3 Swap Box – a brown cardboard box to send out refurbished hubs to customers. This is designed to return defective or spare hubs through the postal system to BT for repair and refurbishment. The box is designed to be re-usable
- introduced Swap Box use by our Openreach teams to exchange BT Home Hubs on repair visits too, increasing the return rate by 43 per cent
- saved on material resources and costs that would otherwise be needed to manufacture additional hubs.

Future plans

The DOT Toolkit will be published in the summer of 2013, and we have launched an internal computer-based training course to support the initiative.

In addition, we are working with key suppliers to explore commercial opportunities within the circular economy. We are also integrating the principles of the circular economy into our product development process.

We will continue to monitor the work of industry bodies such as the UK Industry Council for Electronic Equipment Recycling (ICER) and the Information Technology, Telecommunications and Electronics Industries Association (INTELLECT), to keep abreast of change.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will review and drive improvements in methodologies used for its product stewardship reporting obligations.	We achieved the objective and have implemented robust methodologies related to this area.	Completed

Helping our customers

We provide products and services to our customers which help them to be more efficient, lower their environment ‘footprint’ and live within the constraints of the planet’s resources.

Why it matters

The information and communications technology (ICT) industry will play a key role in the transition

to a low carbon economy. Estimates suggest the sector could help cut global carbon dioxide (CO2) emissions by 16.5 per cent for 2020.

ICT also helps other sectors to become more efficient, by streamlining their processes and giving them the data they need to manage their energy use better.

Our approach

We have been tracking the resource efficiency benefits from using our own services for many years. Many of these are now offered to our customers. Examples in the year include:

Improving health care services

Providing remote access to medical notes saves time, transport and energy while improving care and productivity.

Through the introduction of BT Mobile Health Worker a National Health Service Trust in the north of England has given 600 community-based nurses automatic and secure access to patient records, as well as enabling them to immediately update and forward customer records to the central information system without the need to return to base.

The Trust estimates travel cost savings of around £600,000 a year. We believe this equates to around 100,000 gallons of diesel fuel avoided, equating to about 1,445 tonnes CO2e emissions avoided per annum.

Software saving carbon emissions

Our professional services team in the United States ran a global software solution pilot that interrogates the energy management capability in more than 12,000 IT devices across a key customer's network over a period of eight weeks.

This enabled us to identify patterns of energy consumption and device usage, resulting in a series of recommendations for centralised management of the devices. When implemented, this will enable, cost savings, an energy reduction of 70 per cent and a saving of 843 tonnes of CO2 emissions.

Conferencing

We commissioned Professor Peter Jones of Bradford University to revisit his assessment of our use of conferencing services for the year ending 31 March 2012. He reviewed and updated the findings from his 2008 study, based on a survey of 10,000 of our people. His key findings were:

- conferencing eliminated 1 million face-to-face BT meetings, removing the need for travel and saving almost 44,000 tonnes of CO2
- over a 12-month period the financial advantage to BT of using our own conferencing products and services was approaching £190 million.

Separately, as part of our cost transformation activities, we reduced our travel and subsistence

spend by £14m (12 per cent) in 2012/13. Buying more efficiently and reducing travel by using our own conferencing services has saved us time and money, and reduced carbon emissions.

Future plans

Enhancing and growing the portfolio of solutions that we have in the marketplace is a key element of our 3:1 goal - to help our customers cut carbon emissions by at least three times the end-to-end carbon impact of our business.

Our website will be refreshed regularly as this evolves.

Related content:

Find out more about the BT Global Services portfolio of sustainable products ranging from virtual data centres to flexible working systems.

Measuring our goal

We are going to help customers reduce their carbon emissions by at least three times the end-to-end carbon impact of our business. How are we going to do it? By reducing the carbon impact of our supply chain, our own operations and the direct impacts of our products. We will also use products and services to keep helping our customers reduce their emissions.

Why it matters

It is no longer enough to only reduce the carbon emissions of our operations. So we encourage our suppliers to develop more sustainable practices. And BT products and services such as audio, video and web conferencing cut carbon emissions compared with business travel.

Our methodology

We have published our carbon accounts annually for many years. These have included the carbon emissions resulting from our own operations, predominantly the energy we use running our networks, offices and running our commercial fleet and company cars.

However, we recognise that our business is indirectly responsible for emissions at both ends of our value chain; in our supply chain (producing the products and services we buy) and from our products and services (when used by our customers).

These three elements (supply chain, our own operations and our products) make up our end-to-

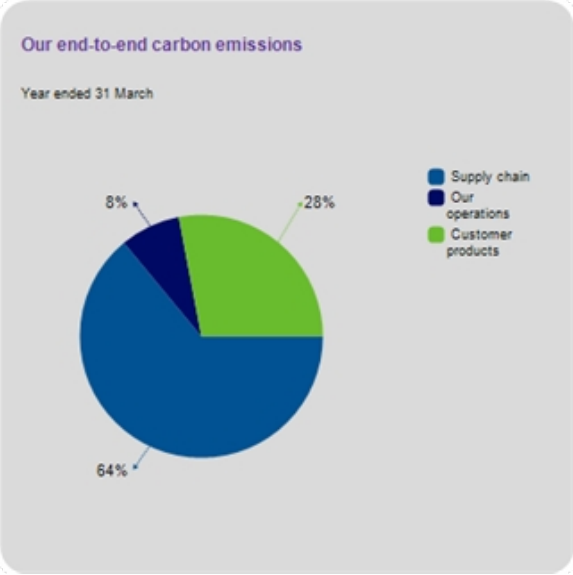
end carbon impact.

The methodology which we have developed to underpin our 2020 Net Good goal has two core components:

1. our end-to-end carbon impact, made up from emissions, in our supply chain our own operations and from our products and services

2. the potential of our products and services to reduce our customers' carbon footprints – carbon abatement.

Our end-to-end impacts



Supply chain

We estimate our supply chain emissions using the Environmental Economic Input Output (EEIO) analysis method developed by Small World Consulting with Lancaster University. This allows us to make a calculation of emissions factors per unit of our expenditure.

Our own operations

We have been measuring and reporting on emissions from our own operations for more than 20 years following the widely used Greenhouse Gas Protocol. Read more here.

Our products

We have calculated our product emissions by assessing the energy consumption of the equipment

we supply to our customers, worldwide. This includes all proprietary equipment provided to our customers as part of a managed solution plus all BT branded equipment (e.g. the BT Home Hub, our range of phones and the BT Vision Set Top Box).

Helping reduce customers' impacts

The carbon abatement of our products and services is estimated by identifying an appropriate measure of abatement (unit). This is then multiplied by the sales volume. We reference, where possible, published case studies.

Our **Flexible Working Solutions** enable employees to work from home, enabling reductions in office space. We have estimated the typical carbon abatement resulting from the release of an office desk, the number of desks released in a typical contract (unit) and multiplied this by the number of such contracts we win each year.

Similarly, we have used knowledge of the usage of our worldwide **Telepresence** rooms to estimate the reduction in travel that their use facilitates.

In our residential markets we have estimated the carbon abatement resulting from applications which are **enabled by broadband**, for example, telecommuting, email, eHealth and online shopping, and we track the number of broadband lines we have provided.

Progress in 2012/13

We have been working on developing our methodology throughout the year. It has been validated and revised in consultation with the Carbon Trust and Camanoe Associates and used to estimate the ratio between the carbon abatement enabled by our products and services and our end-to-end carbon impact. This is a ratio that we call our *carbon abatement ratio*.

We have calculated our carbon abatement for 2012/13 as 5.1MtCO2e, while our end-to-end carbon impact has been calculated as 5.0 MtCO2e. Our 2012/13 carbon abatement ratio is therefore 1.02:1. Our carbon abatement ratio target for 2020 remains 3:1, and we are working to develop programmes that will help us to achieve this.

This is an evolving area, we welcome your comments and support in helping us to further develop this model. Use our Feedback on this report, to comment on how you might wish to engage with us.

Working with others to develop and share best practice

We are working with a number of organisations to develop best practice methodologies on carbon reporting and then share the results so that others can benefit.

Greenhouse Gas Protocol ICT sector guidance

We have been working for a number of years with the Greenhouse Gas (GHG) Protocol initiative to forge global agreement on a methodology for carbon footprinting of ICT sector services.

The GHG Protocol ICT sector guidance initiative was set up to provide a consistent approach to

assessing the lifecycle GHG impacts of ICT products and services. The initiative is convened by the World Resources Institute, the World Business Council for Sustainable Development, the Carbon Trust and the Global e-Sustainability Initiative (GeSI).

A second draft of the ICT Sector Guidance was released for public comment in early 2013.

SMARTer 2020 report

Together with other member companies of the Global eSustainability Initiative (GeSI), an ICT industry partnership for sustainability, BT sponsored the SMARTer 2020 report on emissions abatement, which was published in December 2012.

According to the study, energy and fuel savings of $1.9 trillion could be made by increasing the use of ICT. Projected global greenhouse gas (GHG) emissions could also be slashed by 16.5 per cent by 2020 by using ICT solutions.

The study looks at six sectors of the global economy power, transportation, manufacturing, consumer and service, agriculture and buildings.

Emission reductions come not only from initiatives such as cloud computing and video-conferencing, but also through efficiency gains such as optimisation of variable speed motors in manufacturing, smart livestock management to reduce methane emissions, and 32 other ICT-enabled solutions. The study can be found here.

We also sponsored a GeSI study which examined the link between broadband usage and energy reduction in regard to online activities such as telecommuting, using the Internet as a primary news source, online banking, ecommerce and downloading music. The study was conducted by the Yankee Group and the American Council for an Energy-Efficient Economy (ACEEE) and can be found here.

Our Net Good methodology takes the macro sector wide approach of SMARTer 2020 and applies it to BT to create a company level version of the principles.

European Commission ICT pilot testing project

We were involved in a European Commission pilot to test various carbon footprinting methodologies. The aim of the project was to pilot the compatibility and workability of various methodologies on the energy and carbon footprints of ICT products, services and organisations. Twenty-seven ICT companies and organisations participated in the pilot.

BT participated in a consortium together with Alcatel Lucent and Cisco and tested the following methodologies on BT's Wholesale Broadband Connect Service: ETSI TS 103 199, ITU-T L.1410 and the Greenhouse Gas Protocol ICT-sector Guidance on Telecommunications and Network Services.

BT also piloted the ITU-T L.1420 methodology and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard.

Sharing our experience on green procurement

In November 2012, BT shared its experiences and best practices on green procurement at a seminar with the Chinese government. The event, in China's Guizhou province, was sponsored by the Chinese and UK governments and aimed to raise awareness within the Chinese government about energy efficiency and emissions reductions.

Future plans

Our goal is to both reduce our end-to-end carbon emissions and drive customer uptake of our sustainable portfolio (products and services which can deliver carbon abatement). By 2020 we aim to be enabling our customers to reduce their carbon emissions by at least three times our end-to-end carbon impact. We will open source our methodology so others can consider if it works for them and provide feedback. And we will continue to consult with industry and stakeholders to revise and further enhance our methodology.

We will continue to work in collaboration with others on initiatives such as the GHGP ICT sector guidance initiative. Following the release of the second draft of the ICT sector guidance, we will collaborate on the finalisation and publication of the guidance in mid-2013.

Related content:

Video - how BT's Net Good approach addresses the resource challenges facing the planet
Read our full carbon accounts (pdf).

Improving Lives

We have a long history of working with good causes to help improve peoples' lives. And this year we helped generate £59m for good causes.

Our people and technology underpin charity telethons such as the UK Children in Need appeal, UNICEF's Soccer Aid and the Disaster Emergency Committee's crisis fundraising.

We help charities and community groups of all sizes. Both through MyDonate, our commission-free giving website, and through providing free websites and broadband connections. Our people also raise funds for good causes and give their time as volunteers.

Our Emergency Response Team steps in to deal with major service effecting incidents, such as severe weather, in the UK. And they help get vital communications links back up and running when communities around the world are struck by natural disasters.

Our charity partners

We partner with charities that make a difference here in the UK and around the world.

Why it matters

BT's technology enables charities to raise funds swiftly and effectively. As a result, charities have raised many millions over the years, providing help to millions of people around the world.

Our approach

Our approach is based on long-term partnerships. We have supported ChildLine and Comic Relief since these initiatives were founded more than 25 years ago, alongside telethons such as the annual Children in Need appeal.

We make our technology available to our charity partners to support their high-profile appeals. At the same time, large numbers of BT staff volunteer in various ways, such as working in call centres on the night of the appeals.

Our collaborations with our partners mean we understand how charities and third-sector organisations need supporting – and we use this greater understanding to offer improved support to many other charities.

Progress in 2012/13

Comic Relief

Comic Relief is one of the largest grant-giving charities in the UK, supporting tens of thousands of projects around the world. We've been working with Comic Relief since its foundation in 1985.

Our support comes in three main forms – we provide the technology that supports their telethon service, our staff act as volunteers and we raise funds through employee activities or by supporting celebrity challenges.

On the night of Comic Relief (15 March 2013) we handled around 458,000 incoming calls. More than 10,000 volunteers across 147 UK call centres, including more than 630 BT volunteers in seven BT call centres, made sure all calls were seamlessly processed through the single charity phone number. We provided an automated system for donations and had our own fundraising platform, **MyDonate**, on standby throughout the night should it be needed.

We also sponsored two celebrity challenges on the day. 'Through Hell and High Water' saw a team of celebrities raft down the Zambezi River, and 'Miranda's Mad March' had Miranda Hart complete a number of different challenges. Together these initiatives raised more than £1.8m for Comic Relief.

We had set ourselves the challenge of raising £500,000 through internal fundraising activities. With hundreds of our people taking part and combined with the proceeds from our 'Celebrity BT Speaking Clock' and 'Chat for Change' schemes, we exceeded our target and raised £507,000.

All this combined to help Comic Relief raise £75m – the highest on-the-night total in Red Nose Day's history.

BBC Children in Need

Our support for BBC Children In Need this year helped raise millions for disadvantaged children. The live telethon in November is one of the biggest fundraising events in the BBC broadcasting schedule.

Our network infrastructure supports every appeal by carrying and routing calls from donors, while

donors can also use MyDonate for debit and credit card transactions. Over the seven-hour TV marathon in November 2012, we handled more than 182,000 calls and processed nearly £9m in donations. This contributed to a record-breaking total of more than £26m, bringing the amount that BBC Children in Need has raised since its foundation to more than £650m.

Our commitment to the charity goes beyond technology; it is a cause that is particularly close to the hearts of our people too. This year, more than 700 volunteers were on duty in London, Lincoln, Warrington, Newcastle and Glasgow, answering calls and processing donations.

> Incredible technical expertise and the inspirational commitment of staff have put BT at the heart of BBC Children in Need for over 30 years. During that time we have raised over £650m which has been used to help hundreds of thousands of children living tough lives right here in the UK.

David Ramsden, Chief Executive BBC Children in Need

ChildLine

We have been partnering with ChildLine, a service provided by the NSPCC, for more than 25 years. During the year, we worked with ChildLine to develop its technology strategy and improve its website, so more children can access helpline services. This is improving mobile access to ChildLine 121, an important online service that provides free 24-hour counselling for children and young people in the UK.

This new approach reflects the way in which people contact ChildLine.

> Last year we saw almost 15 per cent growth in the amount of ChildLine website visitors originating from a mobile device. As of February this year at least a quarter of our monthly visitors are mobile and this number is predicted to grow. With some of the more high risk and serious concerns often talked about online, BT's help is ensuring that more children can get through to our online services to receive critical support.

Peter Liver , Director of ChildLine Services

We also encourage our people to support fundraising activities for ChildLine and during the year our employees raised more than £140,000 and volunteered more than 80 days of their time.

Future plans

As well as continuing our work with our long-term partners, we are establishing a new partnership with Comic Relief, known as the Supporters Club. This will fund a team of mentors, coaches and teachers to help young people from disadvantaged backgrounds in the UK and around the world to fulfil their potential.

Customers of our new BT Sport service can make donations through their BT bill, and the proceeds will fund grants for community initiatives. We plan to broadcast programmes showcasing charity projects and how customer donations are benefitting the community. BT will pay for operating costs as well as making a sizeable donation to kick start the fund, so every customer pound donated will go straight to the Supporters Club Fund managed by Comic Relief.

We are also seeking to improve our technical support and connectivity for ChildLine by making BT's wi-fi service available for any young person to contact the service.

Related content:

Video - BT' support for Red Nose day 2013.

Enabling our people

We want our people to feel empowered to support the charities and causes closest to their hearts.

Why it matters

Our people have just as big a role to play in their communities as they do at work. We encourage employees to participate in local initiatives and work to embed a spirit of giving and community volunteering.

By getting closer to their communities, our people see at first hand the positive impacts of our combined efforts. Volunteering enables our people to experience new situations, bringing new skills and ideas into the business, while enhancing our reputation.

In addition, by harnessing the energy and skills of our people, we can help improve the environment, encourage and support young people and improve the lives of those people living in vulnerable communities.

Our approach

Our employees can take up to three days every year to volunteer for one of our charity partners, or a charity of their choice.

There are a number of ways in which we help our employees get involved; through our Better Future programme; through payroll giving; arranging to use BT vehicles for charitable purposes; or even by identifying local schemes that would benefit from our unwanted office furniture.

We have been offering payroll giving since the 1980s. The scheme means charities receive regular funding and can plan for the future, and that employees can donate to a charity of their choice in a tax-efficient way. BT benefits in turn, as it helps increase employee pride.

Progress in 2012/13

Payroll giving

Our payroll giving scheme has more than 11,000 BT staff members and donated to more than 2,000 charities in 2011/12. Payroll donations from the UK, Ireland and the United States rose to £2.9m, which was supplemented by an additional £1m contribution by BT

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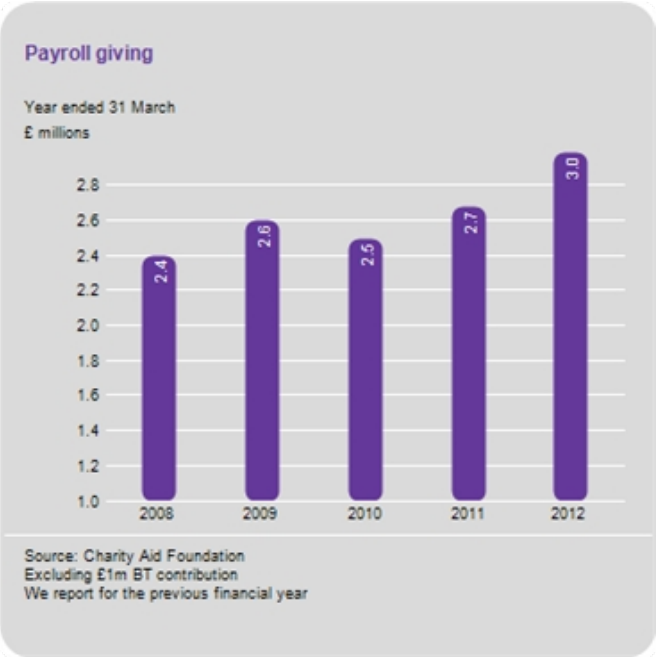


Our commitment to payroll giving was recognised in April 2012, when we received a Platinum Payroll Giving Quality Mark, a government-funded scheme which recognises organisations for making payroll giving available to their staff. We had previously held the Gold Mark. We also received a National Payroll Giving Excellence Award – an awards programme that showcases the best payroll giving schemes in the UK. We also won the Best Large Employer Campaign award in recognition of the creative way we promote payroll giving to our employees.

Charities benefiting from payroll giving in 2012/13 included the Prisoners' Education Trust, whose fundraising manager Cassie Edmiston argues that:

> Such giving schemes and matching donations... really do add to an increase in the culture of giving in the UK.

Volunteering

Each year, BT people around the world chose to volunteer their time with community groups. Last year around 43,600 days of BT people's time was spent benefitting good causes.

Volunteers can choose to engage in centrally organised programmes or they can volunteer in local activities close to their own heart. Last year's activities ranged from, staffing call centres for UK broadcasted telethons including BBC Children in Need, Red Nose Day and UNICEF's Soccer Aid,

through to helping build 56 houses in rural Cambodia and selling 45,000 poppies in Liverpool for the Royal British Legion. Read more about our global volunteering programmes here.

Future plans

Our volunteering programmes allow us to get closer to the communities in which we operate, to understand their needs and to develop our skills and capabilities. This is helping us develop a new portfolio of products and services to inspire and enable charities for launch in early 2013/14.

Related content:

BT people awards - rewarding employees and the communities they volunteer in.

Enabling charities

We are committed to using our skills and technology to help charitable organisations thrive and grow.

Why it matters

The charities, community groups and other non-profit organisations that make up our vital third-sector economy often need more than financial contributions. BT can play an important role in making sure these groups benefit from increased connectivity that in turn helps them expand their good work.

Our approach

As part of our wider volunteering programme, we offer skilled volunteering where specialists from across our business spend time helping voluntary organisations tackle the issues they face. Our Troubleshooter teams help solve problems ranging from technological issues through to getting the most out of funds raised.

A key component of our support for charitable organisations is our Community Web Kit – a simple way for charities to create a website and improve their profile and services. We host the sites for free and provide technical support. Our Charities Club enables charities to group together to receive reduced call rates through an aggregated purchasing agreement.

Progress in 2012/13

More than 8,000 charities and community groups are now using Community Web Kit our free, easy-to-build website and hosting service – an increase of 25 per cent from last year.

This year, we provided a total of £165,000 in donations to 619 charities who were nominated by BT employees through our BT People Awards. An additional £7,500 was awarded to charity through our annual Chairman's Award, which recognises BT people who have demonstrated an exceptional contribution to society. There were 280 Chairman's Award nominations this year, an increase of 40 per cent from last year.

Through our Troubleshooter programme, BT teams have used their skills and knowledge to help a wide range of well-known international organisations and smaller local charities with business challenges. In the year nearly 300 BT people took part in Troubleshooter sessions benefiting 22 charities. We have received positive feedback from charities for example:

> The BT team were... good listeners, enthusiastic about how they could help us solve a problem, and true to their word in following through afterwards, most of all, they gave my team the confidence to progress their own ideas and take on new ones.

James Partridge, CEO of Changing Faces

Related content:

BT Community Web Kit – a free and simple way for UK charities and community groups to create a website.
BT Troubleshooter - how to apply.

Fundraising

Our network technology and expertise, secure online payment platforms and call centre support enable charities to raise millions of pounds every year. This year we helped raise £25m for good causes through MyDonate.

Why it matters

In today's tough economic climate, effective fundraising is increasingly important for charities. BT is uniquely positioned to help charities fundraise – providing the technology and expertise for them to maximise money raised for their cause.

Unlike similar services, the commission and subscription-free service means all the money donated reaches the charity, with the exception only of charges made by the donor's debit or credit-card company.

Our approach

Our MyDonate family includes our fundraising service, a free online donations platform for UK charities, and MyDonate for Telethons and Appeals.

We are experts in secure online payments. Website development and network technology teams work together to develop and maintain the free service, so our charity partners can raise the critical funds needed for their work.

Progress in 2012/13

More than 3,600 charities are already using MyDonate for Fundraising, with about 60 more registering every week. This year more than 14,000 new fundraising pages were created. This is fewer new charities than expected and, as a result, the level of donations was lower than anticipated.

However, in the year, we still helped raise £25m for good causes. For example, we processed online donations for telethons including BBC Children in Need, Cancer Research UK's Stand up for Cancer and UNICEF's Soccer Aid. We also supported the Disasters Emergency Committee's Syria Appeal, launched in March 2013.

Taking feedback from charities, we enhanced the functionality of MyDonate for Fundraising during the year by adding:

- improved reporting facilities
- the ability to use it remotely on mobile devices
- the ability to add multiple charity events.

We also added a 'popular events' feature so charities can create personal fundraising pages linked to mass participation events such as the BUPA Great Run or the London Marathon.

Children's charity, Childreach International, switched all its online fundraising to MyDonate during 2011/12, saving around £100,000 a year on transaction fees and card costs. The money saved by using MyDonate helped provide an additional 25,000 children in the developing world with access to education, health and protection. The charity named MyDonate as its Supplier of the Year in 2012/13.

Firoz Patel, Childreach International's CEO, praised MyDonate's free-to-use and high quality of service, saying:

> "Our fundraisers now have a fantastic online resource that allows them to track and monitor their fundraising in a clear and accessible way."

Future plans

Next year we plan to promote MyDonate more widely and directly with small- and medium-sized charities, to increase uptake and encourage charities to urge more of their supporters to use our free service.

We want to make MyDonate for Fundraising even easier to use and will continue building on the improvements made this year.

We also aim to increase the number of charities benefiting from the free MyDonate for Telethons and Appeals service. We plan to expand our existing support for telethon and large-scale fundraising campaigns to new partnerships, building on our experience of events such as Text Santa and Stand Up to Cancer.

Finally, we plan to ask a panel of charities to help steer new developments for MyDonate and the other services we offer charities and community groups.

Related content:

MyDonate - our commission free online fundraising service for UK charities.

Disaster response

Our specialist response teams support communities affected by disaster, restoring communication services and helping to save lives.

Why it matters

When disaster strikes, people need to be able to access help, but telecommunications infrastructure may have been destroyed or disabled.

Whether it is to co-ordinate a multi-agency response, share vital information on the internet or to contact loved ones via phone, email or social networks, re-establishing communications is vital.

Our approach

We work with leading humanitarian organisations, the Red Cross and the Disasters Emergency Committee, to help manage donations and communications in disasters, wherever they take place. We make an annual financial donation of £50,000 to the British Red Cross and provide it with equipment in Sierra Leone, South Africa and the UK.

We also have our own emergency response team within BT – a highly trained, well-equipped group of people who work with different agencies and organisations around the world to plan for,

prevent and manage the impacts of major disasters. The training includes instruction on how to deal with hazardous materials, flooding and working in a hostile environment.

Our efforts to help restore communications improve the chances of saving lives and help communities return to normal as quickly as possible.

Progress in 2012/13

South Africa

This year our funding supported a video-conferencing facility for the South African Red Cross (SARCS), which was used to strengthen planning and coordination across the country, and to encourage collaboration with other offices. Time and money have been saved as conference calls have been held for the first time, including joint meetings between representatives in the UK and South Africa. Additional benefits include improved reporting mechanisms, while long-term programmes like SARCS HIV have benefited from improved communications.

London 2012 Olympic and Paralympic Games

Our funding also helped establish a coordination hub to use during emergency operations in the UK and overseas. The hub was not required this year and so was used as a base for the preparations and monitoring involved during the Games. During the Games, the British Red Cross Emergency Planning and response team monitored activity and site reports from community-based teams across the country 24 hours a day.

> The equipment funded by BT supported the emergency planning and response team as they co-ordinated communications and site reports from emergency response teams from across the UK. This was vital in terms of helping to provide an overarching viewpoint of national activity, a key element in ensuring the British Red Cross was prepared to respond to the unexpected.

Martin Annis, Senior Emergency Planning Officer

Disasters Emergency Committee (DEC)

DEC is an organisation of 14 members that provide humanitarian aid in times of disaster. If a major disaster or emergency cannot be dealt with by the usual in-country response, then DEC will offer assistance. Through our MyDonate system, we provide secure online donation services for DEC fundraising appeals.

In March 2013, DEC launched an urgent appeal to raise funds to help the millions of children and

families who have been displaced by the escalating humanitarian crisis in Syria. By the end of March 2013 more than £2m had been raised.

Our emergency response team

Our emergency response team has built its experience by responding to events in the UK and overseas over the last 10 years. The Indian Ocean tsunami in 2004, Kashmir earthquakes in 2005, Gloucester floods of 2007, Cumbria floods in 2009 and 2010 floods in Pakistan, all presented very different problems and all helped shape the way the team functions today.

Most recently the team provided emergency communications during the London 2012 Olympic and Paralympic Games in Weymouth, where the sailing events took place. The team also responded to a sub-sea cable theft in the Highlands of Scotland and stepped in to deliver laptop equipment to a remote location in Columbia.

Related content:

Our civil resilience website.

Better business

All of our work is underpinned by our people. In our daily work we strive to maintain good business practices. That means maintaining high standards of ethics, human rights, privacy and data security. It also means managing our relationships with employees, customers, suppliers and governments.

Customer service

Good customer service is fundamental to our strategy and underpins both cost transformation and the investments we are making.

We constantly try to improve the service we provide to our customers. In practice that means understanding what they need, making it easy for them to deal with us, keeping our promises, keeping them informed, and acting quickly to fix things if they go wrong.

Our approach

We try to improve our quality of service so fewer problems occur, and when they do we respond quickly. We continue to improve our diagnostic tools and customer processes.

We use ‘Right First Time’ (RFT) as a key metric to gauge our customer service, and between 2006/07 and 2011/12 we saw a year-on-year improvements.

Progress in 2012/13

Record rainfall led to flooding across the UK this year, causing a higher number of faults in the network. To make sure we fixed these faults as quickly as possible, we had to transfer resources away from provisioning new orders. As a result, customers had to wait longer for those orders, we had more calls from customers and it took us longer than normal to answer those calls. So this year we did not improve our service as we aimed to, and our RFT measure declined by 4 per cent.

We are investing in our networks so we can better protect customer service during bad weather. Examples of activities around the business include:

Global Services

Global services have made improvements in RFT this year, reducing customer faults by13 per cent, and increasing order accuracy. This was achieved in part by improving proactive service diagnostics to help anticipate and prevent customer service issues.

BT Retail

We invested in making things simpler for customers, amending many processes to save time and reducing the number of contacts required; for example, by improving our self-help capabilities on bt.com, our desktop help application and our automated voice self-help capability. We now handle 75 per cent of all customer service contacts via digital channels.

Customer service in BT Business has improved further. Complaints are down 24 per cent. That has been done that by fixing things before customers get in touch and by focusing on getting things right first time. Cancelled orders have been cut by 35 per cent and unnecessary visits to customers by 16,000.

BT Wholesale

We have become better at diagnosing problems, which led to a 9 per cent reduction in broadband faults reported in the year. Diagnostic tools automatically fixed 79 per cent of reported faults, up from 67 per cent in the prior year, giving advisors more time to focus on better customer service. For example we sorted out problems before they affect end-users and kept customers informed on how their orders were progressing.

Openreach

Service delivery was strong in the first quarter but deteriorated for the next two quarters following some wet weather. This meant more time than expected was spent on repair work.

There were more faults to fix and it took longer to put them right. This additional work meant that the delivery of new services was not as quick as planned. To meet higher levels of demand and improve customer service, we hired and trained more than 2,500 new engineers. We also made a big investment in the tools used by our engineers, making them more productive.

Thanks to these changes, Openreach was able to carry out 16 per cent more customer visits in the second half of the year than in the second half of 2011/12. By February 2013, provision lead times were back at the levels we have committed to.

Future plans

We want to improve RFT to more than recover the decline in performance seen in 2012/13.

Related content:

Contact information for customer queries.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	The Group customer service measure will consist of continuing Right First Time (RFT) and the new measurement of customer issue reduction. We will publish the result in our 2013 report.	4% decline in RFT from 2011/12.	Failed

Broadband usage policy

We believe in an open, competitive and innovative internet.

Why it matters

We believe that an open, competitive and innovative internet delivers enormous benefits to society. We strive to deliver a consistent broadband experience to ensure that customers can do what they need to do, even at peak usage times.

Our approach

We do not charge content providers for basic internet delivery, but we believe that Internet Service Providers (ISPs) and content providers should be free to strike deals over how traffic is managed.

Alongside other UK operators, we follow the Broadband Stakeholder Group's voluntary code of practice on traffic management. Find more detail on the Broadband Stakeholder Group's website.

We have made four key public commitments:

- our broadband customers will be able to access any internet-based service or application
- no legal service or application will be blocked on these products
- content and application providers will not be charged for basic internet conveyance
- we will provide up to date, transparent information to customers on our traffic management practices in line with industry best practice.

Broadband usage policy

We publish Key Facts Indicators (KFIs) to enable customers to compare traffic management practices across all major service providers. These KFIs allow people to find out what sort of traffic (e.g. email, Voice-over-IP and peer-to-peer) is slowed down, blocked or prioritised, and at what times of day this happens.

KFIs also show customers what data caps and download limits are applied to their specific broadband products. Our KFIs are available on the Broadband Usage Policy section of our

website.

The aim of this transparency is to help consumers make the right choice of service provider/ product for their needs, and to give them the tools necessary to switch providers should traffic management be important to them. We think people will be surprised to see that most traffic is unrestricted.

To give all customers optimum service, irrespective of network demand, we have a usage policy for our 'capped' products covering monthly usage allowances and network traffic management of specific applications. Customer usage is measured from the first to the end of each calendar month. We provide an online tool for our 'capped' customers, so that they can proactively monitor their usage, as well alerting them by email as they approach the limit of their monthly allowance. For customers on BT Retail Unlimited Broadband packages taken after the 1st February 2013 we have removed all traffic management restrictions.

Broadband speed

BT supports Ofcom's Code of Practice on Broadband Speed. We are committed to providing the best information about what affects customers' speeds and how we are managing our service to optimise the experience for all our customers. To find out more about Ofcom's Code of Practice on Broadband Speed visit Ofcom's website.

Data security

Whether at home or at work, our customers need to feel confident that their personal information won't fall into the wrong hands.

Why it matters

In a world where hacking has become highly sophisticated, robust data security practices are needed to stay a step ahead of the criminals. BT employs security professionals around the world to ensure our customers' personal data is safe.

Our approach

Underpinning our systems and practices is a set of security policies, which meet the requirements of ISO 27002, the International Code of Practice for Information Security Management. These policies mean that all our customers' personal data is treated with respect and in accordance with Code of Practice obligations.

Our 11 Security Operations Centres around the world monitor more than 300,000 customer devices 24/7 to identify and act on potential weak spots and breaches and keep our network secure.

Our Security Operations Centres are accredited and audited to recognised standards including

SSAE16 and ISAE3402, and to government information assurance standards where applicable. In addition, more than 120 other key sites and services are certified to ISO 27001, the international standard on information security.

In addition to keeping our own customers' data secure, we offer managed security services to enterprise customers around the world, to give them the confidence that their own clients' data is in safe hands. See our Global Services website for more details.

We also work as a partner to the UK government – and have done so for more than 100 years – on matters of national security.

We are a founding member in the global multi-stakeholder initiative, Partnering for Cyber Resilience (PCR), launched at the World Economic Forum (WEF) in February 2012 and sit on both the Executive and Programme Boards. The aims of the PCR are to improve cyber resilience, raise business standards and to contribute to a safer and stronger connected society.

Progress in 2012/13

Our Chief Executive was one of the panel members at WEF in February 2013 debating the topic 'How can countries and companies develop cyber resilience in a hyper-connected world?'.

Future plans

We will continue to engage with stakeholders to raise data security standards.

Related content:

BT Assure - security and risk management products for large businesses and public service sector.

Privacy

Helping people maintain their privacy is the right thing to do and makes good business sense. We want customers to trust BT to handle their personal information responsibly and use it only as agreed.

Why it matters

We live in an increasingly interconnected world where the global digital economy relies on the growing use of personal data.

In parallel, the use of personal data is increasingly governed by data privacy laws and best

practice obligations that clearly define how personal data may be processed.

Our approach

Consumers and businesses need to understand and feel comfortable with the way their data is being processed, without deterring them from the benefits technology offers. Our approach involves:

- providing technology and systems that incorporate privacy by design, so our customers feel sure that when they provide their data, it will be processed in line with their expectations
- participating in discussions to understand the views of consumers, industry, regulators and governments where data privacy is a concern
- working closely with in-country regulators to promote compliance with best practice in addition to our own policy expectations.

Everyone has the right to know how their personal and private information is handled, so we make our privacy policy, including our use of cookies, publicly available online. Customers can also request the policy by telephone. Our employees have access to our employee privacy policy via our Intranet.

Progress in 2012/13

We educate our employees and third parties about the significance of data privacy as part of their daily work. Training is mandatory every two years at all levels of the company.

Future plans

As we approach 2016, privacy regulation will continue to evolve, with substantive changes expected within the European Union. Our data privacy methodology and compliance framework will adapt to the changes.

Related content:

Our privacy policy
Our internet and computer privacy products and services.

Child internet safety

We work with governments, police and other partners to raise awareness of internet safety and provide services to help customers protect their families.

Why it matters

Access to the internet is now part of family life. Going online allows us to connect and educate, but also brings security and privacy challenges. Raising awareness and providing parents with tools to control what children can access online and on TV helps to give our customers peace of mind over what their children are viewing.

Our approach

As the UK's number one broadband provider, we're committed to keeping families safe online and to working alongside other Internet Service Providers (ISPs) to improve the effectiveness of internet security information for parents.

We have continued to work in partnership with the UK Council for Child Internet Safety (UKCCIS), the Child Exploitation and Online Protection Centre (CEOP) and the Internet Watch Foundation (IWF) to educate parents on practical ways to protect their children

Promoting safety through our products and services

BT Retail offers technological solutions to all customers so they and their families can browse the internet more safely:

- we provide BT Family Protection Software, a free parental control tool, to all our Broadband and BT Infinity customers. Parents can block up to 35 categories of online content - everything from pornography through to suicide promotion sites. Parents can also limit the time spent online by children every day; receive email and text alerts if children try to visit blocked sites or chat-rooms; control their children's use of social media; and get reports on children's online activity. Different settings can be chosen for children of different ages, and the settings can be easily adjusted by parents
- new customers using their broadband or Infinity installation CD now have to make an "active choice" about the child protection settings. The CD takes them through a process where they have to make a choice about having individual filters on or off. A decision on whether to install child protection controls cannot be avoided or put off to another time
- BT Vision provides a parental locking system that lets parents easily decide what their children can watch. Parents can choose to prevent unsuitable "on demand" content being ordered, while also blocking channels that are similarly inappropriate for children.

In addition to promoting safety through our products, we realise that some customers simply need help to understand the online world their families interact with. This year we piloted Living with Technology, a series of workshops giving our customers, and employees, practical advice on how to better protect their families while online. Feedback showed that 91 per cent of customers taking part said they had learnt something new, while over 87 per cent of customers and employees said they would take action as a result of the programme. We are now reviewing next steps, including assessing the feasibility to launch a wider scale programme and whether such a launch would offer significant enough benefit to warrant further activity.

Shaping the regulatory landscape

We continue to play a role in shaping the regulatory landscape across the UK and Europe. This year we worked with the European Commission and key industry players to develop the following recommendations for promoting children's online safety and wellbeing:

- provide simple and robust reporting tools for end users
- define and share best practices for age-appropriate privacy settings
- promote age-rating and content classification of Pan-European Game Information (PEGI) pictograms
- provide and promote parental control mechanisms
- be open and transparent about the notification and take-down of child-abuse images.

Future plans

In 2013/14 we are enhancing BT Parental Controls to offer an 'active choice' solution that will enable parents to apply child protection filters to all electronic devices – such as smartphones, iPads and laptops – connected to their home broadband.

Related content:

See our products and advice for staying safe online.

Advertising, marketing and selling

We aim to communicate openly and honestly with current and potential customers, and sell our products fairly. This includes setting and communicating clear prices.

Why it matters

Customers expect companies to advertise and market their products truthfully and accurately, and to be sold the product or service that is right for them. Our sales and marketing practices are designed to make sure our customers are sold the right product and know exactly what they are buying. At the same time, we have policies in place to ensure that we act with integrity and retain the long-term trust of our customers.

Our approach

We are one of the UK's largest advertisers. Our spending of £79.4m in the 2011 calendar year places us as the ninth largest, according to Nielson Media research. Our Statement of Business

Practice commits us to being truthful and accurate in all our communications with customers, and helpful and honest in all our dealings with them.

Our sales and marketing practices guide our sales people in following the rules and regulations so customers are sold the right product for their needs and know exactly what they're buying.

Mis-selling

Sometimes customers tell us they've been transferred to another phone company without their knowledge or consent – known as mis-selling. Our website contains general advice on mis-selling, including tips on prevention and what to do if it happens.

BT works with the industry and Ofcom to establish better protection for customers who switch suppliers.

Pricing

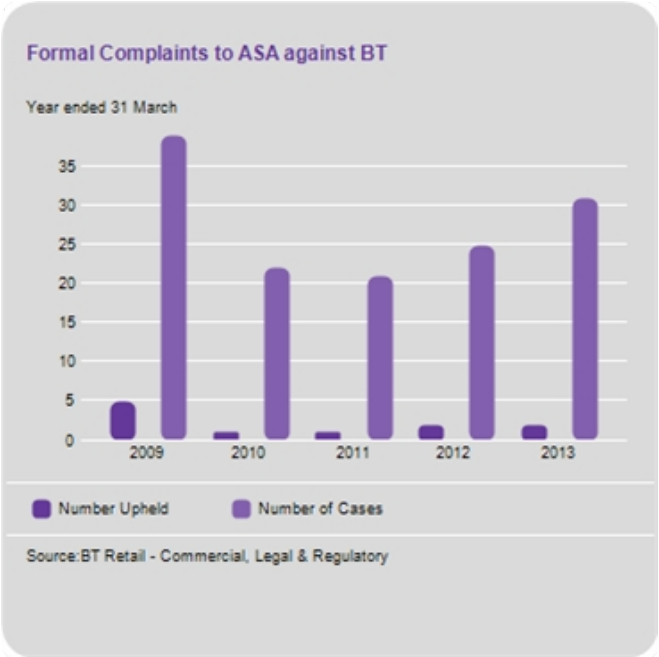
Across our businesses, we aim to make our prices as clear as possible so customers know what they will pay. For UK consumers, we publish a tariff guide, explaining the costs for residential customers' telephone lines and calls, discount plans, broadband internet and BT Vision. For UK businesses, we provide business packages, which include pricing details for our telephone, broadband, wi-fi minutes and other IT support services.

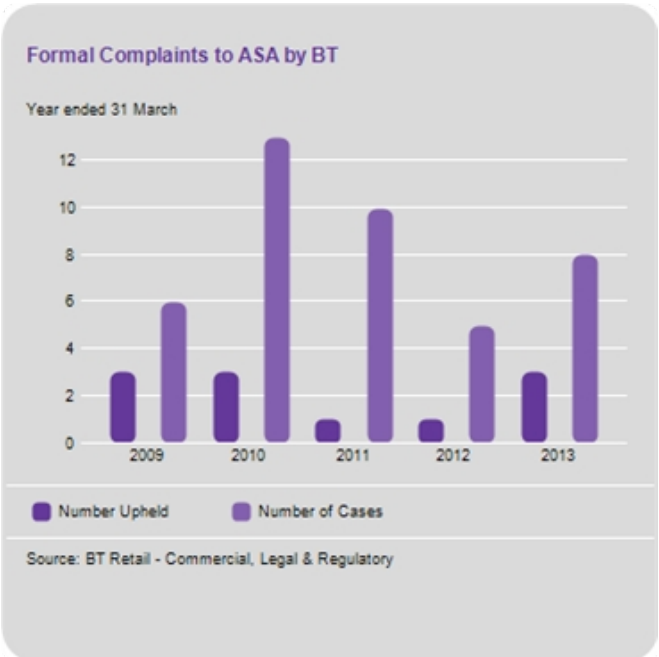
Our BT Global Services business for large customers tailors its services to the individual customer, so the price of these services varies.

BT is a leading communications services provider in the UK. Control of the access network in the UK is with Openreach, a BT Group business, which was set up to provide access network services and products on an equal basis to all the UK communications industry. Pricing for these services are agreed with the UK regulator and published on www.openreach.co.uk.

Progress in 2012/13

In the UK, the Advertising Standards Authority (ASA) regulates advertising practices. In 2012/13, 31 complaints were made to the ASA about BT and two of these were upheld. BT made eight complaints to the ASA about competitors', of which three were upheld.





A great place to work

Every day BT employees help millions of people to communicate, do business, be entertained and stay informed. Investing in our future means making sure our people have the skills and resources to do a great job.

We are very proud of BT's role at the heart of the London 2012 Olympic and Paralympic Games, delivering the essential communications services and infrastructure for the most connected Games ever.

We designed and delivered a communications infrastructure second to none. Thousands of BT people were involved in the five year build-up to create, test and support the huge range of communications services we provided to the Games. And a dedicated team of 1,000 BT people were on the ground across all London 2012 venues, making sure we provided flawless delivery right through the Games.

This is a fabulous achievement – testimony to the hard work, skill and dedication not only from those directly involved in delivering the communication services for the Games and communicating BT's involvement, but from everyone at BT.

Working well

Providing a healthy workplace benefits our people and our business and, by helping to improve our service delivery, wider society.

Why it matters

Our business and customers need our people to be motivated and engaged so we do our best to help them flourish. We want our people to be willing and able to make a difference for a company they care about. We continually strive to be flexible, coach for success and reward great performance.

Our inclusive working environments support the full diversity of our workforce, regardless of gender, sexuality, race, age, family, physical ability or belief. Read more about diversity and inclusion .

Communication is our business, and we reflect this in the way we engage with our people — we talk with them on a regular basis, listen to what they have to say and act on their feedback.

Our approach

We focus on creating an environment where people can be productive and innovative — where they can reach for a personal best. Through our wellbeing framework, we encourage workplaces which support our employees and deliver for our customers, and where we can each contribute to the health of our business, and of society as a whole.

This year, we continued to partner with Business in the Community (BITC) to develop the framework and last year BT was ranked as a top five company by BITC for public reporting of employee engagement and wellbeing. We have restructured our reporting to reflect the different segments of the BITC Workwell model, and it will continue to evolve as the initiative develops.

External awards and case studies

By benchmarking our efforts against industry accreditations we ensure our approach is credible, and represents current thinking. Each year, we test ourselves against a range of awards, and as a result we are regularly cited as a good practice example of wellbeing, inclusion, safety and health.

In 2012, we tested our mettle against the BITC 'Race for Opportunity' benchmark, receiving Platinum status and being named in the top 10 private sector companies for both gender and ethnicity. Similarly, BT attained a score of 89% and third place in the Business Disability Forum's Disability Standard benchmark.

Other awards we won this year included:

- The Times 'Top 50 Employers for Women in the UK'

- the ‘Top 10 Top Employers for Working Families’ benchmark and awards
- Asian Women of Achievement, Young Achiever
- WISE ‘Excellence Award’
- Employee Benefits Awards in recognition of effective strategies to encourage workplace savings
- BitC Big Tick Re-accreditation for Work Inspiration
- Opportunity Now ‘Transparency Award’.

Data links:

Employee - profile summary

Diversity and inclusion

Diversity within BT covers a range of issues – disability, gender, race, age, families, religion and sexual orientation. We have policies in place that set out our vision for an inclusive workplace and detail the steps we will take if our policy is not followed.

Why it matters

We operate in a global market where our customer and supplier base is incredibly diverse. An equally diverse and engaged workforce ensures we understand their needs and offer them the products and services our customers require.

In addition, an environment where everyone is treated fairly and receives the same opportunities for personal and professional development provides access to more talented people.

Our approach

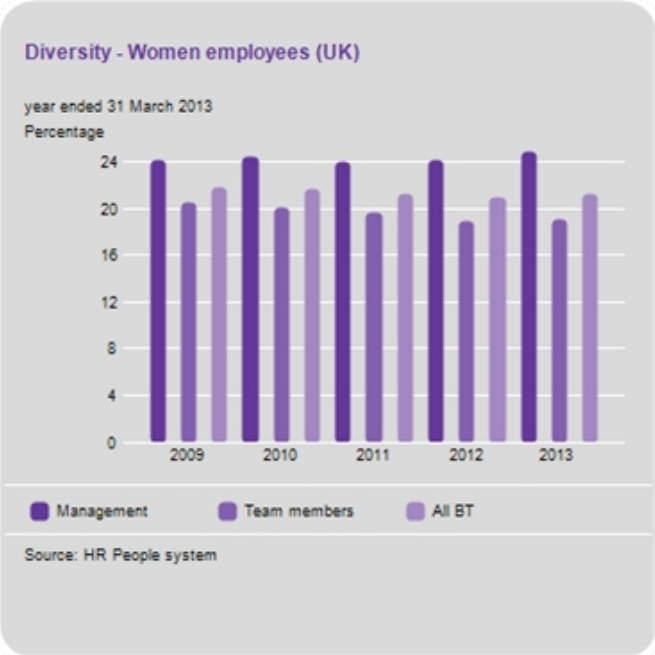
We value the influence that a diverse workforce can bring and will do our upmost to protect our people’s personal liberties.

We work in partnership with a number of external agencies to ensure our approach reflects current thinking, and to benchmark our progress against other organisations. We are working to improve our reporting outside the UK, to better reflect the global transformation of our business, taking into consideration the constraints in some countries.

Gender

Technology has traditionally been male dominated. We are addressing this issue by promoting greater gender diversity at all levels of our business. We identify any barriers preventing women from progressing at BT and work to overcome them. Our Women's Network plays a key role and continues to link its members with activities focused on knowledge and experience sharing, charity and networking. The network currently has 1,366 members from across the business.

We demonstrate our commitment to equality from board-level down: 30 per cent of our board is female, exceeding our 25 per cent target for the year. Twenty five per cent of our managers are women in a workforce which is 21 per cent female overall.



Race

Reflecting the ethnic diversity within local communities helps us understand the needs of customers in the area. Our Ethnic Minority Employee Network offers its members the opportunity to mentor. This year, we piloted partnership arrangements with three schools in the London area with high ethnic minority populations. Network members mentor young people at the schools to help equip them with the skills to develop a valuable career. This helps both the young people and our people develop their own skills and experience.

Diversity - ethnicity profile

Self declared (UK)

year ended 31 March 2013

Source: HR People system
Declaration - from an ethnic minority

Recruitment - ethnic minority

Self-declared (UK)

year ended 31 March 2013

Source: HR People system

Disability

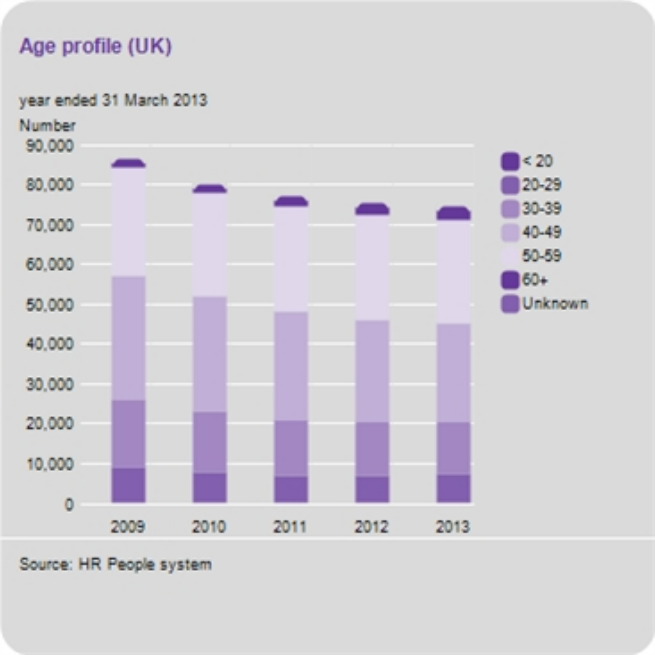
Physical and mental disability should not be barriers to employment. Our Able to Work programme saw 12 disabled people recruited into roles in our contact centres in the year. We supported 987 existing employees with disabilities through our Enable programme, which provides specialist advice and tailored adjustments to keep people in productive work. Overall, 4.92 per cent of BT people have declared a disability – this has increased for the seventh year in a row.

Elsewhere, we ran targeted work experience programmes for specific groups to give an insight into the workplace, including injured Armed Forces personnel and young and long-term unemployed candidates identified by partner charities including Remploy.

Age

Our company, like our industry and society, has an ageing population. We are keen to harness the experience and other strengths that brings, but we also need to tailor our workplaces to help older people keep working. In addition, we need to try harder to attract the next generation of employees.

Many of our policies, such as flexible working, disability adjustments and carers' support are more relevant to employees later in their working life. Programmes like Work Inspiration focus on exciting the younger generation about careers in technology. For employees considering retirement, we offer courses that provide guidance on subjects such as pensions, capital investment, making a will and tax efficiency.



Networks

Our networks offer support to specific groups and help enhance employee engagement opportunities on key issues. Employees run these groups on a voluntary basis, to help us maintain an inclusive, supportive and diverse workforce.

For example, our 967-strong Carers Network offers support to BT people caring for both young children and elderly relatives. BT Kaleidoscope, our lesbian, gay, bisexual and transgender (LGBT) network, remains very active, with more than 450 members.

> I joined BT on the Graduate Programme in September 2011 and became a diversity champion for LGBT graduates. I was keen to inspire more LGBT people to join BT on the Graduate Programme, so worked on writing blogs that were shared on the BT Graduate Careers Facebook page for thousands of prospective employees to see and be inspired by, and also sent information about the Kaleidoscope network to key universities that BT recruit from. I also worked to set up mentoring links with Salford University – again, to inspire people to want a career with BT. Since doing this work, graduates within BT have approached me and become keen to get involved in the Kaleidoscope network. It enables them to get involved with diversity and inclusion, network with people across the business, and learn new skills that they can use in their day job.

James Hull, Graduate diversity champion

Our Christian and Muslim Networks are also popular, and we provide quiet rooms for prayer, mediation or contemplation at 14 of our largest UK buildings.

Data links:

Equality and diversity

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will maintain a top 10 placement in four of five major diversity benchmarks.	We were in the top 5 placement for five diversity benchmarks.	Completed

Better work

We are introducing new ways of working that will equip and empower our people to continuously improve their work and better serve our customers.

We are building strengths and capabilities throughout BT in a variety of ways, including:

- investing in our leaders, to ensure we continue to achieve our business objectives. We have set out our expectations of being a leader in BT and are training thousands of leaders at all levels of the business
- our Graduate and Apprentice programmes, which help young people to see BT as a great place to work and attract future employees with the fresh thinking and creativity to keep our products and services competitive
- developing home-grown talent to improve business performance in an ever-changing and highly competitive marketplace. Our new BT Academy will improve learning and development and help us stay up to date with the skills our customers expect from us
- offering training programmes that give our entire workforce access to the support, training and professional skills they need, irrespective of role or location. We improved the skills of 11,000 engineers through more than 200,000 hours of training in Openreach alone in 2012/13 offering fair and competitive pay and benefit schemes - especially important in the current economic climate.

Developing the next generation

We want young people to see BT as a great place to work and to attract future employees by demonstrating the range of opportunities within our organisation. One way we do this is by offering apprentice and graduate schemes. Their fresh thinking and creativity helps keep our products and services competitive.

Our approach

Apprenticeships

We offer two- and four-year training programmes to young people joining BT as an apprentice. Their training provides the key skills and requirements for their role, and we expand on this by offering courses for building confidence and developing life skills.

Our apprentice recruitment portal is open all year round, and we also advertise on other sites such as NAS Vacancy, and the GoThinkBig scheme (launching May 2013).

Graduates

We support graduate programmes across the business, with specialist initiatives tailored to local

business priorities. Each graduate is exposed to wider business processes and insights through pan-BT networking, training and other interactive sessions to develop their leadership and business skills.

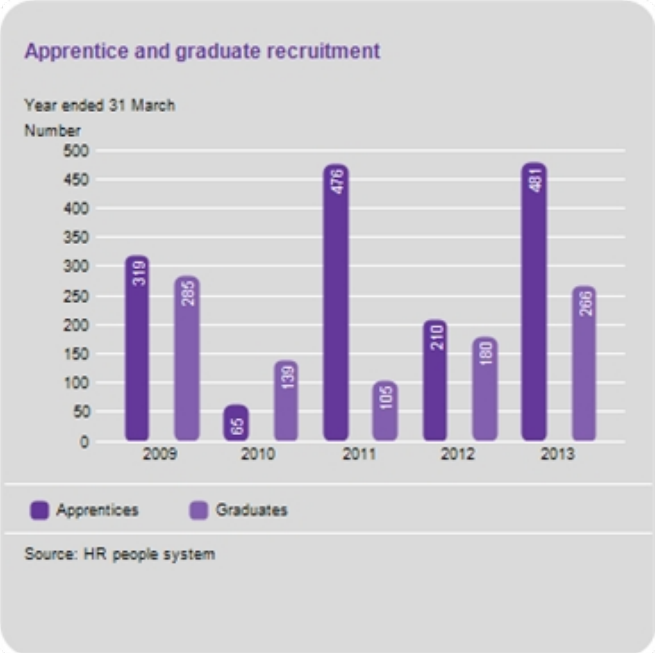
We have recruited more than 400 people onto our Graduate Development Programme over the last five years globally.

Progress in 2012/13

This year, we had around 16,000 applications for our apprenticeship and graduate programmes, which demonstrated the demand for schemes that support young people into work.

We expanded our apprenticeship programme and now offer 11 courses, including a new human resources programme, which demonstrate that we see apprenticeships as a valuable way of bringing talented people into BT.

In addition, we hired 266 graduates, focusing on those with the technical skills our business needs. Our approach is working well and will continue in 2013/14, including recruitment of graduates for BT Sport.



Awards and recognition

Our talented young employees have been recognised by several national award schemes:

- STEMNET Awards – Laura Harvey (Winner - Most Inspirational Technician category)

- ITP Awards – Sinead Watt (Winner – Advanced / High Apprentice of the Year category)
- National Apprenticeship Awards Higher Regional Winners: Gareth Owen, James Mellor and Emma Harvey

BT has been recognised for:

- Training Federation Wales Macro Employer of the Year - Winner
- National Apprenticeship Service Macro Employer of the Year - Category Finalist
- OFSTED inspection of BT's apprenticeship and graduate programmes – awarded 'Outstanding' rating.

Future plans

We aim to continue to work with both our governmental and non-governmental partners in 2013/14 to ensure we continue to improve our programmes and provide opportunities for the next generation to join, develop and build successful careers at BT.

We are working with e-Skills UK and The National IT Partnership for IT (NITP) to deliver 'National Skills Academy for IT Gold Standards' apprenticeships in smaller companies. Our aim is to create 550 new IT apprenticeships by September 2013; our role is to provide a quality assurance service that ensures the standard BT would expect for its own apprentices.

Related content:

See our website for more information on careers in BT
Are you looking for an apprenticeship in BT?
Browse our website to get connected to the world of BT Graduates, and discover more about a career at BT

Data links:

Employee - young people recruitment

Developing talent

Having people with the right skills, capabilities and behaviours in the right roles will be essential for growing our business over the next five to ten years.

Why it matters

In an ever-changing and highly competitive marketplace, we gain significant advantage by spotting

and developing our own talent as well as bringing in the best from outside.

Our approach

We want to nurture our talent and grow our own leaders from within, so that we are spoilt for choice for every vacancy in the business. Our approach is founded on three beliefs:

- opportunity is open to all - this means casting our net wide to spot and develop those with passion, capability and ambition, and who also deliver, at every level of our business
- coach for, and recognise, great performance – we appreciate and reward great performance and use feedback to encourage people to reach new heights. Leaders help their people be the best they can be
- assume everyone has talent – we need to be alert to individual aspirations and abilities. Learning is continuous and development is not just for a privileged few.

Training and skills development

Training begins when people join BT and continues throughout their careers. We focus on helping our people develop both personally and professionally.

Our approach is recognised through our status as an Investor in People, an accreditation that recognises good practice in training and development. This popular external benchmark challenges us to improve the way we develop our people.

Offering a range of training programmes and methods gives all our people access to the support and training they need. Our online learning portal, Route 2 Learn, is a comprehensive learning resource that provides employees access to training programmes that support their personal and professional development. In addition to formal learning, we offer networking and knowledge-sharing to provide help and guidance through 20 BT-wide professional communities that between them have almost 35,000 members.

Performance management

We are working towards our performance process being a straightforward two-way process between each employee and their line manager. Both are encouraged to take responsibility for performance, development opportunities and identifying future career aspirations. These sessions take place quarterly.

A big investment is being made over the next two years to develop the skills needed for these performance conversations to be effective opportunities for coaching and continuous improvement.

Talent management

We offer employees who show potential a range of support mechanisms and development opportunities. These include access to senior leaders through talent events designed to build knowledge, visibility and networks; and support from Human Resources in creating a tailored development plan.

As our markets and environment change, the skills we need change too. If we no longer need a particular skill or role, our transition centre helps people learn new things and look for alternative roles in the business. Since April 2006, more than 21,000 BT people have gone through the centre.

Progress in 2012/13

The satisfaction rating, shown through our employee engagement survey, among employees taking part in our talent development programmes is 94 per cent, while only 7 per cent of people believe they are unlikely to be working for BT in five years' time.

We also welcomed over 200 modern apprentices last year. We almost doubled the overall number of learning days from 66,000 in 2011/12 to over 106,000 this year.

We continued to invest in strategic skill development programmes, known as Accredited Learning Pathways (ALP), which combine external best practice and accreditation with unique BT knowledge. In BT TSO in the year, over 5,000 people have completed at least one ALP at Bronze level, over 1,400 have completed a Silver-level ALP, and nearly 200 have achieved Gold.

We have also developed some specific ALP learning collateral to support our Better Future strategy by demonstrating the impact that sustainable design and service can have on BT, our customers and the planet. This programme has been made available to all BT employees.

Bespoke training courses such as our 'Difference is You' programme, provided training to over 1,000 people on employee management and coaching techniques in the last two years.

Future plans

In an industry as fast-paced as ours, we need to build dynamic and broad capabilities that enable us to deploy the right skills and experience at the right time, in the right place.

Our new BT Academy will establish a common language and standards – The BT Way - supporting faster, transportable and more efficient learning across four distinct areas or 'faculties': Leadership, Customer, Technical and Business. The faculties will provide the foundation for new career pathways, helping us to attract, retain and develop people with the skills needed to succeed at BT. The principles of continuous development, alongside an individual's responsibility for developing their personal skills, will become pre-requisites for career progression.

Case studies: The Fast Track to leadership

Our three-year Fast Track Leadership Programme provides employees who demonstrate great potential for achievement with opportunities to train up for top management positions. Participants rotate around the business every nine months, with their first rotation aligning closely to their existing skills and experience. Subsequent rotations move Fast Trackers into areas that will stretch and develop their skills, including aspects of business where they have no previous experience. By the end of the programme, participants have a solid understanding of what it takes to be a BT leader.

Johanna Dijk joined the programme after spending four-and-a-half years working in human resources and IT roles at an international consumer goods company in the Netherlands, her native country. Fast Track gave her experience of new tasks such as leading a transformation programme in Openreach, where she worked with ex-engineers to standardise teams and consistently measure performance at seven sites across the UK.

Others, like David Harper, joined BT as a Fast Tracker after leaving university and completing a graduate scheme in business improvement. He chose the programme to gain responsibility at a fairly senior level, coupled with the freedom to select roles that will shape his career. With just a few years' experience prior to joining Fast Track, he now works as a business improvement consultant in one of BT's newest areas: Technology, Service & Operations (BT TSO).

Applying as an internal candidate after completing BT's graduate scheme, Liam Connors joined Fast Track because of the challenge and the reward it offers. The sharp learning curve has given Liam the opportunity to use his existing expertise while simultaneously being forced to learn new skills in a fast-paced environment. Though demanding, the rewards are worth it. The programme has equipped Liam with the understanding, confidence and sense of responsibility needed for senior roles. Liam currently works as a business manager for our chief executive, also in BT TSO.

Before joining the programme, Priya Hunt worked for a large international airline where she managed IT infrastructure and transformation across all offices from Africa to Australia. Her decision to apply for Fast Track was based on a desire to gain the experience only a rotational programme at senior level can offer. Her current role is head of high-level escalations for BT Wholesale, where she manages around 50 people and resolves some complex customer issues that have been escalated to a senior level.

Each participant's experience varies, but all agree that to succeed in the Fast Track programme candidates must be ambitious, adaptable and able to deliver results. The programme offers an intellectual challenge and a solid base for building a great career.

Case study: BT Troubleshooters support Changing Faces

More than one million people in the UK are affected by a disfigurement to their face, hands or body. The charity Changing Faces aims to help these people through its Skin Camouflage Service (SCS), where trained volunteers teach them how to apply specialist cover creams. The SCS team runs more than 160 clinics a month across the country, but high demand meant the team needed help to become more efficient.

At a day-long event in Holborn, London, volunteers from BT's Fast Track Leadership and MBA programmes teamed up for the first time to help Changing Faces streamline their services and remain financially sustainable. Volunteers applied their expertise and experience to enable Changing Faces to expand the reach, breadth and accessibility of its services.

Recommendations included a move to online referrals, introducing a paperless office, using Excel to share and merge information, and putting clinic waiting times online to help clients book a consultation more easily.

Claire Jones, manager of BT's Fast Track Leadership Programme, said the BT team provided a good mix of skills and that everyone worked collectively to deliver valuable assessments and recommendations. "It was a good opportunity to use leadership and management knowledge

outside of BT for a positive outcome," said Claire.

"The charity was easy to work with and its people gave excellent detailed answers. In return, our team was very creative and developed some innovative ideas by covering a huge amount of work in a very short time," she added.

Chief Executive of Changing Faces, John Partridge, said: "A huge thank you to BT for all the time, effort, energy and goodwill that went into the troubleshooter event. I know from my team how enormously they valued the insights, listening and, above all, the support the BT team gave to them."

BT continues to support the SCS team on a range of projects.

Case study: Openreach

Openreach, a BT Group business, recruited extensively in the year bringing highly skilled people into the business with the experience needed to support our growth.

David Gwillim joined BT in 2011 as an Openreach engineer after previously working as a Royal Marine in the Armed Forces. He applied after spotting the vacancy on the Career Transition Website which is available to Ex-Forces personnel. He knew he wanted to be working outside and has already recommended working for BT to old Marine colleagues.

> When I started, I had the three weeks training at the Croydon centre which was good. It was explained in a way that was easy to understand and the instructors were approachable and supportive. In this job every day is different and I'm not in an office. This is my sort of job, hands on. I enjoy getting up and going out to work. They give me the work I need to do and I go and do it. Everyone is happy. It's been brilliant, absolutely fantastic working for BT.

After just one year in his role, David received up-skill training and is now working as a Mobile Team Engineer on Fibre and Copper lines, doing repairs, installs and provides. But it doesn't stop there as David is keen to progress his career. He's now part of the Openreach Academy and already provides cover for his manager.

Leadership

Having the right leaders in our business now and in the future will ensure we continue to achieve our business objectives.

Why it matters

At BT, we see the ability to lead people as vital for achieving sustainable performance improvement. Effective leadership will keep us focused on improving our business and controlling costs, while improving customer service and identifying new revenue opportunities.

Our approach

Our focus is to have the right leaders with the right qualities to lead BT now and in the future; leaders who support our people to achieve more than they think is possible, equipping them to tackle the tough issues. We help leaders understand what's expected of them at every level, continually checking our strengths and areas for development.

We ensure we review our succession and development plans regularly so we can act quickly to changes in our markets, ensuring our supply of leaders meets our demands through development, deployment and recruitment.

Progress in 2012/13

In 2012/13 we determined the leadership approach that will help BT become an even better business. We refreshed our leadership framework clarifying our expectations for our leaders, focusing on the behaviours which are most likely to result in higher performance and wellbeing. The framework is designed to leave plenty of room for individuality and personal initiative.

We also developed tools that provide better insight into successful leadership. For example, a new diagnostic tool supports performance discussions, and prioritised learning programmes for development via the BT Academy to enhance strengths and address capability gaps.

Future Plans

We have already engaged our most senior leaders in determining and testing our new leadership approach. They will continue their own personal leadership programmes and play an instrumental role in how the framework and approach is adopted across our organisation. We intend to grow by being clear on what is expected of leaders, who coach, challenge and inspire our people. We want to empower our people: to improve agility, commitment, and build skills for the long term.

Training and skills development

Through our learning and development plan, we help our people to be the best that they can be.

Why it matters

We need to continually invest in our people to maintain a workforce that is up to speed with rapidly changing and emerging technologies, and able to respond to customer requirements.

Our approach

Training begins when people join BT and continues throughout their careers. We focus on helping our people develop both personally and professionally.

Our approach is recognised through our status as an Investor in People, an accreditation that recognises good practice in training and development. This popular external benchmark challenges us to improve the way we develop our people.

Offering a range of training programmes and methods gives our entire workforce access to the support and training they need, irrespective or role or location. Our online learning portal, Route 2 Learn, is a comprehensive learning resource that provides employees and their families with access to online and offline training programmes that supports their own personal and professional development. In addition to formal learning, we offer networking and knowledge-sharing to provide help and guidance through 20 BT-wide professional communities that between them have almost 35,000 members.

Progress in 2012/13

Openreach, a BT Group business, recruited extensively in the year to meet continued high demand for our services, bringing highly skilled and motivated employees with skills demanded to support our growth.

David Gwillim, Openreach

David joined BT in 2011 as an Openreach engineer after previously working as a Royal Marine in the Armed Forces. He applied after spotting the vacancy on the Career Transition Website which is available to Ex-Forces personnel. He knew he wanted to be working outside and has already recommended working for BT to old Marine colleagues.

> When I started, I had the three weeks training at the Croydon centre which was good. It was explained in a way that was easy to understand and the instructors were approachable and supportive.

After just one year in his role, David received up-skill training and is now working as a Mobile Team Engineer on Fibre and Copper lines, doing repairs, installs and provides. But it doesn't stop there as David is keen to progress his career. He's now part of the Openreach Academy and already provides cover for his manager.

David said

> in this job every day is different and I'm not in an office. This is my sort of job, hands on. I enjoy getting up and going out to work. They give me the work I need to do and I go and do it. Everyone is happy. It's been brilliant, absolutely fantastic working for BT.

We also welcomed over 200 modern apprentices in the same period. We almost doubled the overall number of learning days from 66,000 in 2011/12 to over 106,000 this year.

We continued to invest in strategic skill development programmes, known as Accredited Learning Pathways (ALP), which combine external best practice and accreditation with unique BT knowledge. In BT TSO in 2012/13, over 5,000 people have completed at least one ALP at Bronze level, over 1,400 have completed a Silver-level ALP, and nearly 200 have achieved Gold.

We have also developed some specific ALP learning collateral to support our Better Future strategy by demonstrating the impact that sustainable design and service can have on BT, our customers and the planet. This programme has been made available to all BT employees.

We also offer bespoke training courses such as our 'Difference is You' programme, which provided training to over 1,000 people on employee management and coaching techniques in the two years to 31 March 2013.

Future plans

Our future focus will be to continually improve the way we train employees, for example by making mandatory training more engaging, and by developing a BT Academy and supporting Pioneer Programmes to give employees the skills needed to be the best they can be.

Pay and benefits

As with so many organisations, the pay and benefit schemes we offer are a key issue for so many of our employees - especially in the current economic climate.

Why it matters

Ensuring our people are well rewarded for their effort and commitment is one way we ensure that they focus on achieving our business objectives while offering our customers a great experience.

Salaries

We regularly benchmark how much we pay against other companies to ensure we pay fair salaries in all markets. In addition, eligible employees receive bonuses based on business success and personal performance.

This year, we offered pay increases in line with business performance and benchmark results in all markets. In the UK, we increased pay by 3 per cent.

We also monitor our fairness from an equal pay perspective. In the UK, we set aside 0.3 per cent of the value of management salary increases to reduce any discrepancies.

BT's policy on remuneration for the Chairman, executive directors and certain senior executives is agreed with the Remuneration Committee. For more information see page 77 in our Annual Report and Accounts.

Pensions

We offer pension schemes in more than 50 countries where we operate. These are typically supplementary schemes or via contributions to state provided arrangements. Our policy is to always offer fair retirement benefits, wherever our employees are based in line with local market norms.

The largest open pension scheme we operate is in the UK, where the BT Retirement Savings Scheme (BTRSS) lets employees determine their own level of contribution and choose from a range of investment alternatives. This empowers members to determine their own level of retirement benefits.

The former scheme known as the BT Pension Scheme (BTPS) although now closed to new employees, still has considerable financial implications for BT Group. BT and the Trustee of the BTPS reached agreement on the approach to the 2011 triennial funding valuation and recovery plan.

Following the introduction of new UK auto-enrolment regulations which took effect from 1 November 2012, BT re-offered pension scheme membership to eligible employees who had previously elected not to participate in our pension scheme. As a result, almost 99 per cent of eligible UK workers now contribute to and/or receive a pension from BT.

Other benefits

Our employees receive a range of additional benefits in line with local practice. These include options such as life insurance, healthcare cover and company car schemes.

Better relationships

Our communication with BT people is based on two-way conversation. Proper dialogue helps keep them engaged about where we are heading as a business, and makes it easier to track their feedback.

We continuously keep our people in the loop with company results, major business decisions and other things that affect them. We use a variety of print and digital communication channels to do this. We give them plenty of opportunities for direct discussion with leaders, so they can ask questions that matter to them. These are either online chats, 'town hall' meetings or round tables.

We also carry out surveys to ask people for their opinion. These help us measure how engaged our people are overall, so we can spot issues that need looking into. In April 2013 we updated our company values to better reflect the type of company our people think we are and should be.

Read more on:

- our communications and engagement activities
- our flexible working policies
- how our volunteering is helping improve our people skills and the communities we operate in.

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will improve or maintain the level of employee engagement compared to 2012/13 (3.69 from 5).		New
April 2012	March 2013	We will improve or maintain the level of employee engagement compared to 2011/12 (3.68 from 5).	We met our target, achieving an index score of 3.69.	Completed

Communications and engagement

We regularly ask our people about work-related issues. We measure our success through our Employee Engagement Index our score has improved for the last four years.

Why it matters

Effective internal communication is two-way – which means sharing our priorities with employees and listening to what they say.

Our approach

We try to make all employee communications as clear as possible, using our BT Tone of Voice.

Print and online channels

BT Today is the main, company-wide print and online channel. All BT employees and retirees receive BT Today quarterly magazine, and the website is updated daily with news.

The BT Today website includes the functionality for readers to comment on stories, and share and bookmark content. Employees can also 'like' stories - part of a continuing shift toward more interactive forms of internal communication.

We produce other communications as required to support internal campaigns and major company announcements, such as our quarterly financial updates which are tailored to employee needs.

Leadership communications

Dialogue with leaders helps people feel connected to the business and engaged with our strategy. We make this happen through:

- face to face forums with senior leaders
- online chats, for example with Ian Livingston, our Chief Executive
- video interviews.

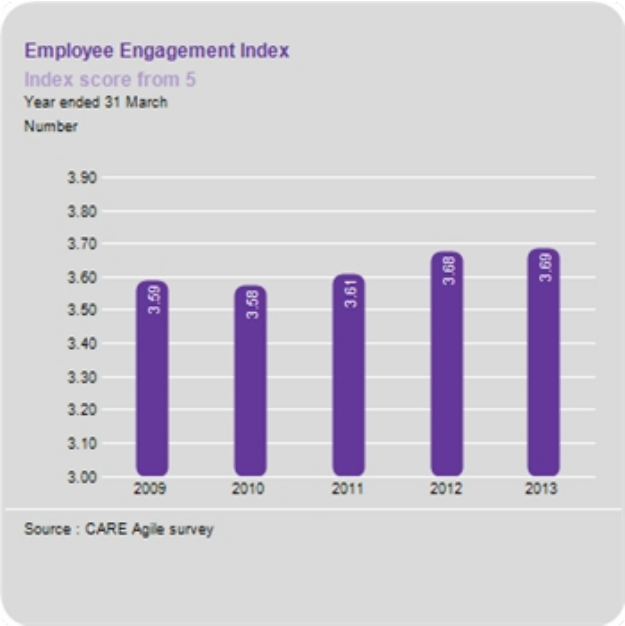
We share the outputs from these sessions after the events themselves, so people can access them at a time that suits them.

Local communications

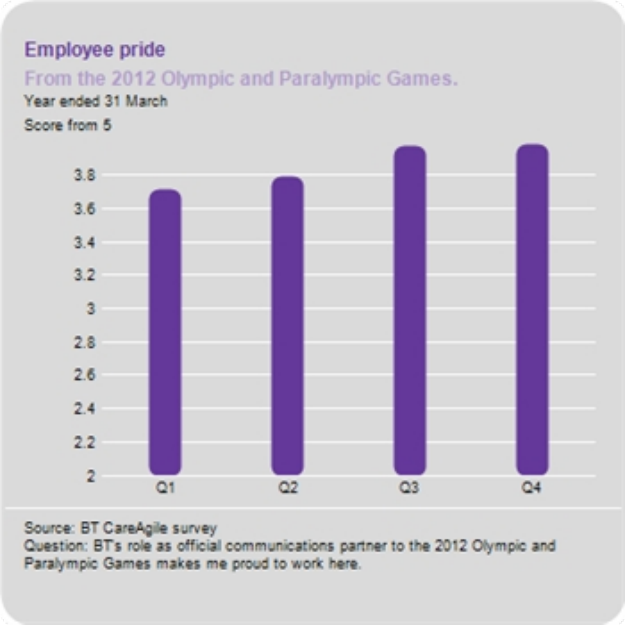
We supplement group-wide channels with local communications in our lines of business. One example is 'Newswire', a weekly email bulletin. Newswire content is personalised in two ways: firstly, it is filtered to provide relevant information to specific teams within the business; and secondly, employees can choose to receive information that they are particularly interested in.

Progress in 2012/13

We regularly ask our people about work-related issues. We measure our success through our Employee Engagement Index which is based on a five point scale. This year, we improved on our 2011/12 score.



Our role in the London 2012 Olympic and Paralympic Games also helped improve employee pride in BT.



Empowerment initiatives

We aim to have a culture where people are encouraged to identify and solve their own problems where they can – and know how to involve the experts where they can't. It underpins our commitment to continually improving the way we work and the service we give our customers.

For example, our My Customer Challenge Cup competition encourages helps our people to work together to come up with ideas to make things better for our customers and supports them to deliver the improvements.

Consultation

We believe in treating our people fairly and seek to create mutual trust between BT and our people. We work with recognised trade unions to ensure our approach is consistent, and we engage openly with our employees on important issues such as dispute resolution, discrimination, performance management and company restructuring.

Working with unions

We welcome union support and appreciate the value they bring. To ensure our employees are well represented in discussions, we have collective bargaining arrangements in place with two unions. Around 55 per cent of our people are members of the Communication Workers Union (CWU), which represents engineering and call-centre staff. Prospect represents professional and managerial people working within IT and telecoms in the UK. Our managers are free to join should they wish.

Though our industry has experienced much change, we have maintained positive relationships with both unions. The current economic climate is sharpening our focus on operating more efficiently to meet customer requirements and remain competitive. As a result, we are reviewing some flexible working practices, which means discussing new contractual arrangements for some of our field-based and call-centre employees. In addition, some functions that were previously managed overseas have returned to the UK.

Our consultative council

BT's European Consultative Council (BTECC) is a company-wide group that facilitates dialogue between employees and executive management. It has been running for almost 20 years in the UK, during which time it has helped shaped the direction we have taken on issues such as performance and strategy, jobs and employment plans, and commercial and regulatory factors affecting our operations.

Other relevant issues such as training, health and safety, environmental stewardship and sustainability are also discussed at these sessions. The council meets up to four times per year, usually following announcements detailing Group financial results. We facilitate separate works councils in the European countries we operate in.

Resolving disputes

We take any concerns raised by our employees very seriously. We provide support and advice on issues such as bullying, harassment and discrimination through teams of experts. However, if an employee needs further assistance we offer a specialist employee assistance programme that is available 24 hours a day.

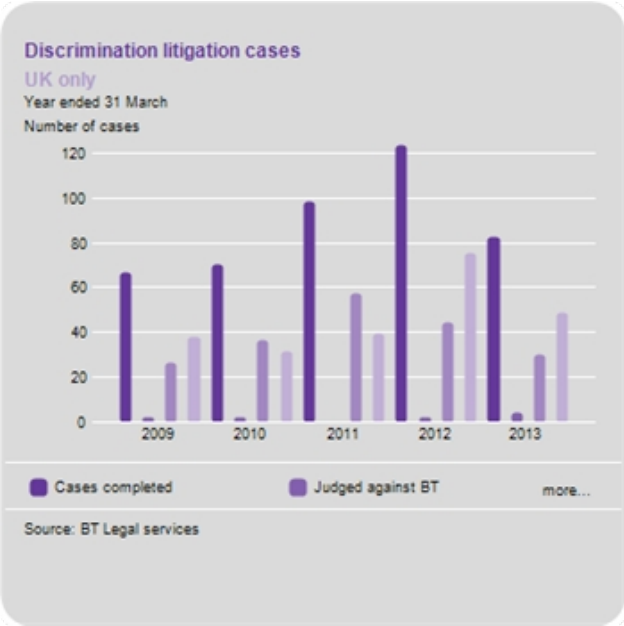
We encourage employees to discuss and resolve their issues informally and provide information and advice about how to manage conflict. To support this process, we have an internal team of accredited mediators who help employees in all parts of the business to resolve disputes without the use of the formal grievance procedure.

In some situations it is not possible to resolve the issue this way. In these cases, complaints are fully and professionally investigated through a formal grievance procedure, which includes an appeal stage for anyone who remains concerned. Managers involved in such disputes are supported by a team of case management specialists to ensure fairness, impartiality and procedural accuracy.

Discrimination cases

We aim to create a fair and inclusive working environment and feel that a single discrimination case is one too many. Our policies forbid discrimination and harassment of any kind.

In 2012/13, BT faced 146 new discrimination-related cases in the UK. Of the 83 cases closed, 49 were won or withdrawn, 30 settled and four lost. Some of the claims were multiple claims and not discrimination-related claims on their own.



Restructuring our business

As our business develops, and as we respond to the continued tough economic climate, the skills our business needs are changing. Our Transition Centre offers employees affected by these changes the opportunity to retrain for alternative roles at BT. We have also brought many roles back into BT that were previously held by consultants, and have trained existing employees to take on these new roles. This year, the Transition Centre supported more than 2,500 people to seek a new role with us.

Future plans

We aim to maintain or improve our 2012/13 Employee Engagement Index.

Flexible working

As a leading telecommunications provider, we know how technology can enable flexible working and appreciate the value this brings.

Why it matters

Our workforce and operating structure are diverse and dynamic. Flexible working patterns such as shift work help to provide the right staffing levels when they are needed. This means we can meet customer requirements while enabling employees to balance work and wider life.

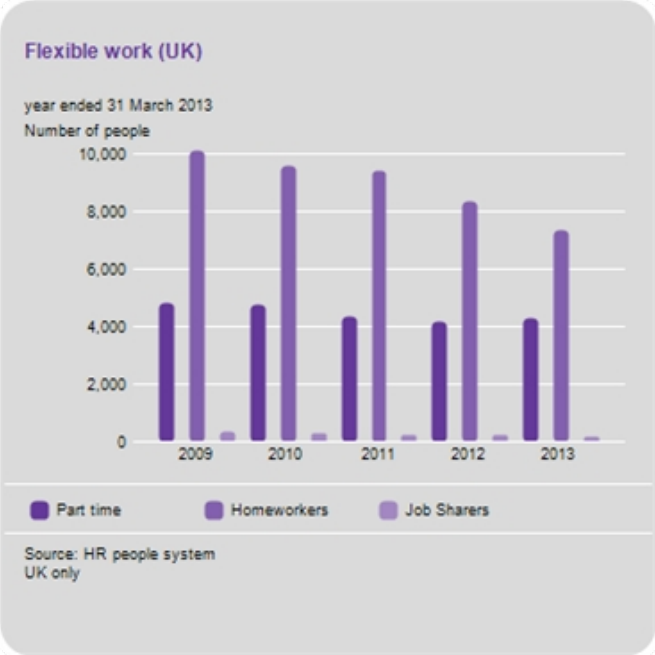
This approach is integral to employee wellbeing and a key mechanism for improving business performance. It is also a way to showcase our products and services and helps us reduce our carbon footprint - the SMART 2020 study estimates that the annual saving per home-based employee is 1.4 tonnes of carbon dioxide equivalents.

Our approach

We support flexible working where it provides an enhanced experience for both customers and employees.

As well as full-time working during the standard working week, we have more than 4,500 employees who work different patterns to meet customer requirements and their own personal commitments.

Using our products and technology, we give every one of our people remote access to their e-mail. We make special provision for people with disabilities and/ or caring responsibilities to use flexible working to overcome barriers to remaining in productive employment.



Family friendly policies and services

We understand that our employees play pivotal roles at work and at home, and we offer a range of family-friendly policies to help them balance their priorities. The ‘Family and You’ section of our intranet provides relevant information for successfully juggling work and home life.

We provide support to our people and their families through every stage of their lives – whether caring for children or elders. Our maternity and paternity policies go beyond the statutory minimum, a fact that helped ensure 99.4 per cent of women returned to work following maternity leave in 2012/13. We also provide savings of up to £933 a year on childcare costs through our salary sacrifice scheme. For new parents welcoming adopted children into their family, we offer specific policies and support including parental leave.

Case study: Liz Emerson, Carer

Liz, 53, lives and works in Swindon and has worked at BT for 30 years. Liz is a business improvement specialist and currently works in the global procurement division.

Since around 2006 Liz has been caring for her estranged husband, who has a degenerative brain disease called multiple system atrophy. Liz's caring responsibilities are varied, they include the day to day management of running two households, as well as paying bills, organising medical care and arranging frequent social services visits.

This takes up a significant amount of time but through the support of her managers, Liz can find the time to balance her work commitments as well as making doctor's appointments, additional travel and planning her regular caring responsibilities.

> One of the most important things that help me balance my work commitments and caring responsibilities is the understanding and support that my line manager has given me. This flexibility helps me to react quickly to any caring needs, as well as being able to meet my work requirements.

Data links:

Employee - flexible working (UK)

Employee volunteering

Our people, by volunteering in the community, provided more than £13m of in-kind support and assistance, some 43,600 days last year.

Why it matters

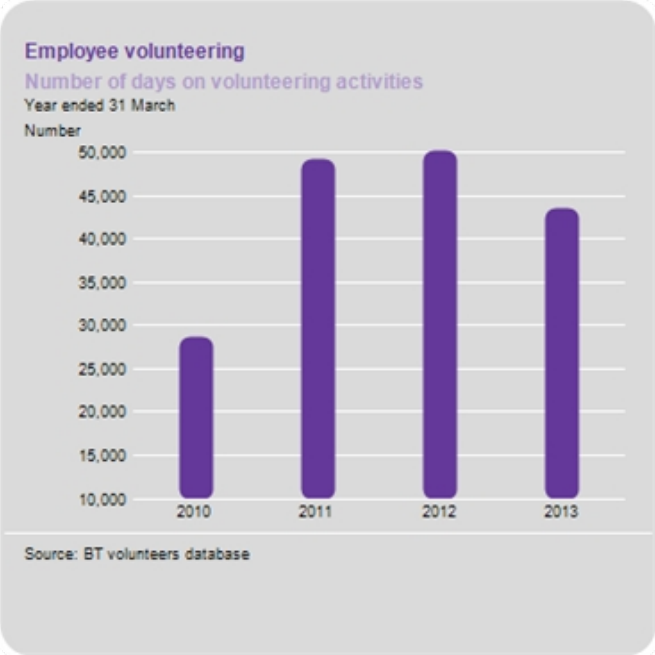
Our employees can play an important role in their local communities. This benefits our business as volunteering helps our people to develop new skills and feel good about working for BT.

Our approach

We offer all employees up to three days a year of work time to volunteer for initiatives aligned with our Better Future programme. Our Trouble Shooter team develops partnerships with charities and community groups where our people can share their skills. In addition, as people often want to support their local community, we give them the opportunity to volunteer for activities they are personally passionate about. For example, more than 800 employees serve as school governors, more than 150 as military reservists, more than 70 as special constables, and around 1,000 as youth leaders. BT also places employees to work directly with charities on secondment.

Progress in 2012/13

This year was incredibly important for our volunteering programme. Alongside our longstanding support for charities and fundraising programmes, we also played a key role in the London 2012 Olympic and Paralympic Games.



London 2012

As the official communications services partner of the London 2012 Olympic and Paralympic Games, and a sustainability partner, we were particularly proud of the role our employees played in making the Games such a success. In total, 576 of our people volunteered the equivalent of 5,239 days of work time, taking up roles as ‘Games Makers’ (event marshals) and torch bearers, and supporting other community initiatives related to the Games.

Many of our employees already volunteer as coaches and sports club organisers. To make sure this success continues, and to reflect our growing sports offering through BT Sport, throughout summer 2013 we will support the ‘Join In’ campaign, which seeks to maintain momentum after London 2012 by encouraging people to volunteer their time to local sports clubs and community groups in their area.

“When I found out I’d be one of just 300 ‘Games Makers’ representing BT I was so proud and excited. And the fact that I wouldn’t need to use my holiday entitlement made it even more exciting. It was great to meet the other volunteers and work together to create a fantastic experience for our customers, the general public. Being part of the Event Services team at the main Olympic Park gave me the opportunity to experience different situations like checking tickets, helping people to get around, and even controlling the crowds around the Park. I picked up some great learning which I can now bring back and apply to my day job in BT and the buzz was like nothing I’ve experienced before. From start to finish, the whole experience was truly amazing. I’m still bursting with pride when I think about our achievements.”

Tracey Young, ‘Games Maker’

Back to work

As the UK economy begins to grow, people will need opportunities to get back into work. Our Adult Work Placement scheme, in partnership with Job Centre Plus, offers long-term unemployed people a 10-week work placement to provide the skills and confidence needed to find a permanent job.

The scheme runs across the UK in Croydon, Coventry, East London, West London, Wessex, Cardiff, Bristol and Leeds. Since its launch in 2011, over half of people taking part have quickly returned to employment. Thirteen people found full-time roles with Openreach and BT Local Businesses. We hope this number will increase as we align this programme with the opportunities presented by our apprenticeship scheme.

Digital inclusion

Providing safe and secure access to digital services is a priority for BT. It is the focus of much of the volunteer work our people do in their local communities.

In addition to our wider volunteering, in 2012 we partnered with the Transformation Trust, a charity working with schools in the UK's most deprived areas. We recruited 14,500 school students from 158 schools to be digital champions in their local communities. Supported by BT's online resources and volunteers, so far they have helped almost 15,000 people to get online, in addition to the more than 7,700 BT has helped to gain digital confidence through other digital inclusion initiatives.

Some examples:

Students Share Digital Knowledge at Clacton Coastal Academy

Blackheath Bluecoat School in London

Read more about our Digital Inclusion programmes in Connected Society.

Supporting homeless people

BT is committed to working with homeless charity Crisis to help people get off the streets, into accommodation and into work. Last year, we helped their management team by facilitating a strategy day, provided operational support to help them reorganise their warehouse systems and provided more than 100 volunteers for their Christmas Centres.

We also funded the North London Rough Sleepers Centre, which was open for eight days over Christmas and provided 900 guests with food, medical and personal care. It also offered an internet café where people could set up an email account – vital for those without a permanent

address. Our next steps are to run an adult work placement scheme with Crisis in Birmingham, where some of our engineers will mentor people as they develop the skills needed to successfully apply for job.

Said some of our volunteers after helping at the Christmas Centre:

> I for one found the experience very rewarding and my pre-conceptions of the homeless have completely changed. It was both an emotionally uplifting and an eye opening experience!

Chris Kelly, BT Technology Solutions and Operations (BT TSO)

> Crisis was an amazing experience! I volunteered as an IT Expert and was on hand to help people create their first email address, find film and music websites and create CV's. It was so important to make the most of the time as some of them won't get a chance to use a computer again for ages. Long, hard days, but well worth it - a really good atmosphere and I will be volunteering again next year!

Hardev Sroa, BT TSO

Making a difference where we live and work

Wherever they are in the world, employees can nominate charities and projects they would like to support through volunteering or funding. Last year, we provided grants to more than 600 community groups worth around £165,000. Read More about BT's support to people and charities.

A selection of the winning community groups

Vikings Wheelchair Basketball Club **, Mary Fryer-Stevens, BT TSO**

African Refugee Services **of Rhode Island**

TEECH **– Telecoms Eastern European Challenge**

Projects that benefited from our support included a scheme in Rhode Island for African Refugees, an outreach programme for disadvantaged children in Durban, South Africa and a safety and education project in Hungary. In the UK, a range of sports, environmental and education projects received funding as they helped bring alive the goals of our Better Future programme.

The feedback we gather from our employees highlights the benefits this activity provides in the workplace:

- 91 per cent of employees bring skills gained from their voluntary work in the community back to BT
- 96 per cent of employees feel more proud to work for BT because of the scheme
- 75 per cent of employees think that the award scheme is very important to community groups.

Related content:

BT Troubleshooter - how small teams of BT people can help your charity find solutions to thorny problems.
BT Community Challenge - teams of BT people helping with short-term community projects.

Better support

We provide the resources to help our people overcome health difficulties and function effectively.

Why it matters

We believe that when considering getting people back to work, human contact is the most powerful therapy – calls and home visits during sickness absence show the person we care.

Our approach

We focus on training and informing people how to help themselves and each other stay healthy. Specialist support is available, but only as a back-up. Return to work needs to be planned – that's why we talk about it while people are still off work. Our line managers are responsible for constructing appropriate individualised return-to-work plans with their people.

Occupational health

We provide an occupational health service in the UK and other principal geographies. This supports our managers and people in dealing with health problems impacting on work. Our third party health professionals are briefed about our issues and policies so that they can provide appropriate advice. These services are quality accredited where schemes exist (e.g. SEQOHS in the UK) and advice is audited to maintain and improve the quality of advice.

Employee assistance programme (EAP)

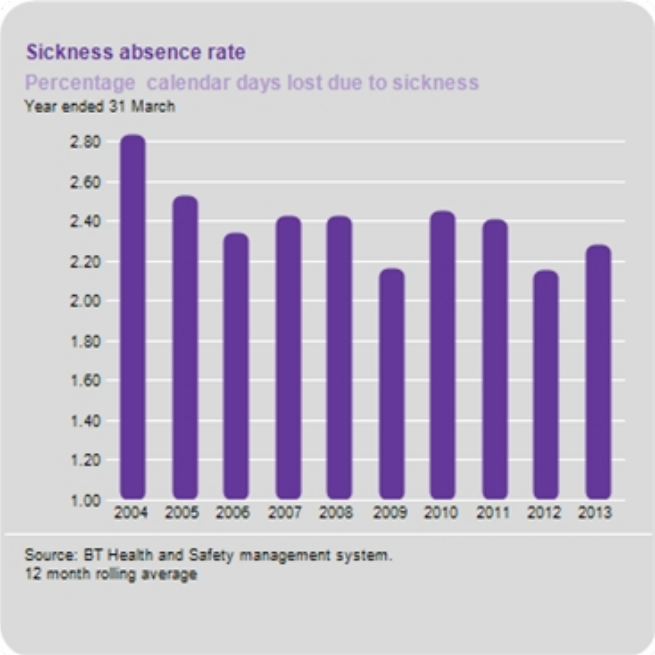
The great majority of our people have access to a confidential advice line which provides guidance on personal issues as well as legal and financial problems. Face-to-face counselling is available through the service to those that require it. We augment the standard EAP with an employee assistance management service which provides guidance to people managers and deals with particularly sensitive cases (e.g. death in service).

Rehabilitation services

The majority of people only need minor and/or temporary adjustments to help them overcome obstacles caused by ill health or injury. For others we have available the Health and Wellbeing Passport, a voluntary initiative particularly suitable for people with long-term or relapsing conditions, and our Managing Changing Capabilities process which gives people with disabilities priority in our redeployment processes. We provide company-funded rehabilitation services for musculoskeletal disorders and mental health problems, and a specialist advice service for more complex adjustments.

Progress in 2012/13

Our overall sickness absence rate has risen slightly in the past year to 2.29 per cent of calendar days, lost as a result of mental health and musculo-skeletal problems. The rise has not been uniform across divisions and we have used the information to target interventions better with a particular focus on areas where we have an ageing workforce.



Our rehabilitation services have delivered improving outcomes since they were established four years ago and some of 91.7 per cent of cases are now discharged to full duties in their own job.

Future plans

It is our strategic goal to achieve at least all industry best quartile performance in both our accident rate and our sickness absence rate. We are currently in the second quartile for both metrics; our plans are geared to delivering continuous improvement and sustained high performance in these measures of personal and business health.

Targets

Start	End	Description	Update	Target Status
April 2012	March 2013	We will reduce to 2.05% calendar days lost to sickness absence (SAR) expressed as a 12 month rolling average.	We missed our target to cut our SAR to 2.05%. Our people experienced more strain caused in part by the bad weather.	Failed

Better health

We want our people to care about the safety, health and wellbeing of themselves and others.

Why it matters

As a company, we believe that helping our people understand risks and empowering them to make informed choices are important ways to deliver effective health safety and wellbeing for our people. We provide information, guidance and support to help them adopt the lifestyle choices and behaviours that will allow them, their family and the company to enjoy a prosperous and successful future.

Our approach

We have a well-developed framework for health, safety and wellbeing that sets prevention at the heart of what we do, with early intervention when problems are identified and the effective rehabilitation of people who become injured or ill. These principles have been extended from solely the management of work-related ill health and injury to dealing with the epidemic of chronic disease in an ageing society and to safety issues outside the workplace.

We provide safe systems of work, equipment, support services and access to specialist advice that allows our people to understand the way in which they need to work and the risks associated with their occupation.

Additionally, we provide information on lifestyle risks and encourage our people to make small but significant changes, which can have a dramatic effect on personal health outcomes in later life.

Management scorecard

We report on a number of key performance indicators to the BT Board on a six-monthly basis. These include:

- Lost Time Injury rate (LTI)
- work related mental health.

Data is shown as spot rates against short-term targets and strategic goals which, in general, seek to position the company in at least best quartile position.

Governance of health, safety, engagement andwellbeing

We operate a non-accredited health and safety management system based on the requirements of the UK Health and Safety Executive guidance note HSG65 (Successful Health and Safety Management). We engage in internal audit and management oversight activities to provide assurance in relation to the management of health and safety risk.

Ultimate oversight is maintained by the Board and responsibility is cascaded from the CEO through the operational management chain. The CEO is supported by the Group people director who champions health, safety engagement and wellbeing and monitors progress through a quarterly forum representing all our lines of business. Structures within the divisions are augmented with pan-BT forums at working level to address specific issues, such as motor risk, work at height, property, etc. A cadre of in-house health and safety professionals is supplemented with a range of specialist external services to ensure that high quality advice is available to the business. We have aligned our processes and documentation to the OHSAS18001 management standard.

Progress in 2012/13

Encouraging physical health

Work Fit is BT's vehicle for health promotion. It is a joint initiative with the BT unions that aims to promote small behavioural changes which, if sustained, will have a long-term impact on health and wellbeing.

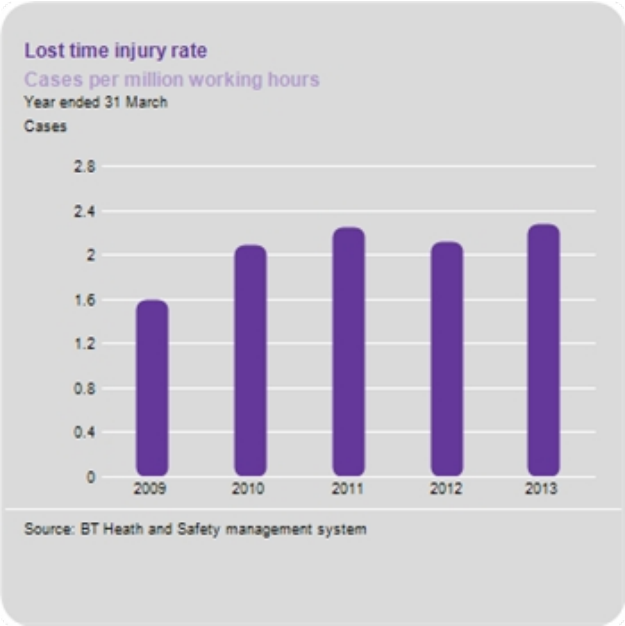
This year, our campaign focused on increasing awareness of key health risk indicators, and lifestyle factors, that can influence the chance of developing cardio-vascular disease. A range of communication channels were employed, alongside a dedicated campaign website. We also ran 56 road shows across the UK, at which key health indicators were measured and appropriate advice was given. Around 1,800 employees attended the road shows, with more than 1,000 taking part in a health check. Feedback from participants has been positive and some follow-up events have already taken place with more planned.

Fostering mental wellbeing

Mental health problems are the most common cause of incapacity from work in BT. We focus on training and informing people at the front line to help themselves and each other. We have trained more than 6,000 people managers in mental health support since 2008. By focussing on educating this community, we aim to normalise mental health and reduce stigma. We have recently piloted a 'resilience building' course for managers which we are linking into our leadership and HR development programmes. We aim to roll this training out more widely in the coming year.

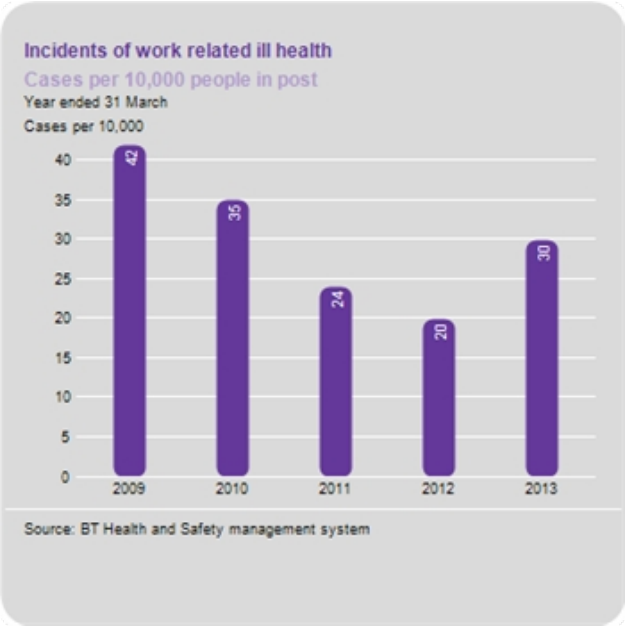
Health and safety reporting

Our accident rate has increased over the last 12 months to 2.29 LTI per one million working hours, failing to meet our target of a reduction to 2.02. This has been driven by an increase in the accident rate within our external engineering operations due, in part, to the unusual and extreme weather conditions experienced this year. However, the picture is complex and other factors, such as the ageing profile of our workforce, are being included in our safety plans for the coming year.



We met our target to have no successful health and safety prosecutions or prohibition notices served against the company worldwide.

Our work-related ill health rate, as assessed by our independent occupational health service, remains at an historically low level 30.36 cases per 10,000 people in post. Mental health reasons predominate and self-reported information to our Employee Assistance Programme indicates that the proportion of all mental health cases attributed to work has remained relatively steady over the last 12 months at 17 per cent.



Future plans

It is our strategic goal to achieve at least all industry best quartile performance in both our accident rate and our sickness absence rate. We are currently in the second quartile for both metrics; our plans are geared to delivering continuous improvement and sustained high performance in these measures of personal and business health

Related content:

Our health safety and wellbeing policy (pdf)

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will have no successful health and safety prosecutions or prohibition notices served against the company worldwide.		New
April 2012	March 2013	We will have no successful health and safety prosecutions or prohibition notices served against the company worldwide.	We had no successful health and safety prosecutions or prohibition notices served against the company worldwide.	Completed
April 2012	March 2013	We will reduce the number of lost time injury cases (LTI) to 2.02 cases per million working hours on a 12 month rolling average.	Our LTI rate is 2.29 cases per million working hours on a 12 month rolling average. Up 7.3% compared to last year.	Failed

Ethics, anti-corruption and bribery

Behaving responsibly is fundamental to our approach to business. Whether it's with our customers, employees or suppliers, we always aim to do the right thing and act within the law.

Why it matters

BT operates in markets around the world. Some of them offer major commercial opportunities, but local attitudes towards the way business is done may differ from ours. Our ethics programme helps ensure that employees at all levels behave with integrity, wherever they are working.

Our approach

We have stringent measures in place to prevent improper conduct such as bribery, corruption and fraud. Dan Fitz, Group General Counsel and Company Secretary, sets out BT's position:

> BT has zero tolerance of bribery. This is vital to protect our reputation for doing business ethically. Wherever we work, everyone is required to act responsibly, as expressed in our Statement of Business Practice, 'The Way We Work'.

Employees and external partners

Our vision and values define the kind of company we want to be, underpinning our commitment to ethical business practices. We have a comprehensive anti-corruption and bribery programme that includes robust procedures to prevent bribery and corruption by BT people and those who act on our behalf.

Employees are required to sign up to 'The Way We Work', our Statement of Business Practice; senior directors and finance personnel also sign a supplementary code of ethics.

Training and communications make employees aware of their ethical responsibilities. We monitor and review the effectiveness of our processes, undertake risk assessments and regular reviews. We have put in place mechanisms for reporting concerns about our business practices and we use performance metrics to track our progress.

Governance

Our governance structures consist of:

- a committee reviewing ethics activities, chaired by the Company Secretary. We are replacing this committee with a Compliance Programme Panel, which will review and assess the overall BT ethics and compliance framework and monitor the effectiveness of ethics and compliance activities
- Regional Governance Boards, which reinforce ethical behaviour throughout BT's regional operations outside the UK
- BT's Nominating and Governance Committee, a main board committee led by the BT Chairman. Its remit includes determining and reviewing BT's governance policies, notably corporate governance, ethics, business principles, international trading regulation issues and data protection.

Progress in 2012/13

We have continued to strengthen our anti-corruption and bribery procedures and policy

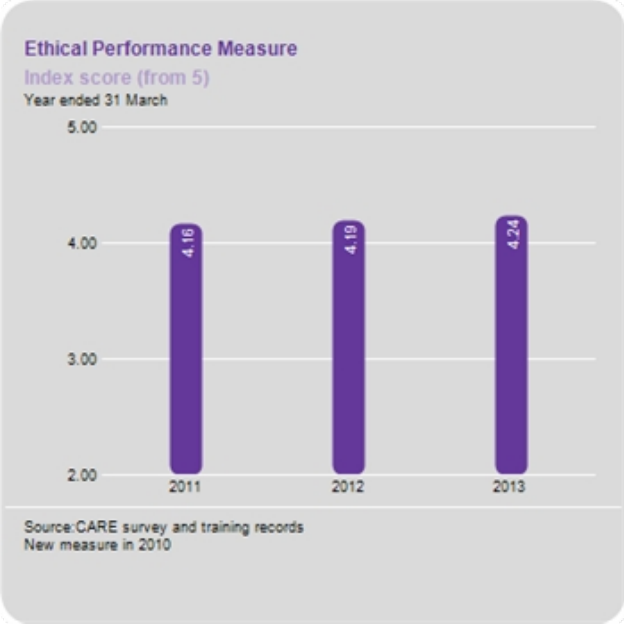
We revised our gifts and hospitality policy and processes, including Charitable donations and sponsorships, to simplify our global approach and be clear about what is, and what is not, acceptable.

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

Our ethical engagement performance measure is one of our corporate responsibility key performance indicators. It uses results from our quarterly employee survey and training to assess:

- how well employees understand and comply with our code of conduct
- the extent to which our senior managers behave with integrity
- the success of our training on ethical issues.

The results are combined to create an index based on a five-point scale. We achieved a score of 4.24 against our target for this year, which was to maintain or improve last year's score of 4.19. Our aim for 2013/14 is to maintain or improve this score.



Our people are required to sign-up to our Statement of Business Practice, 'The Way We Work'.

As part of our drive to mitigate higher ethical risks associated with certain roles and locations, we provide relevant employees with tailored e-learning courses, followed by bi-monthly dilemma-based refresher messages.

Our ethics helpdesk gets a steady stream of enquiries. This year, an average of 27 people per month sought guidance to ensure compliance in their work.

Besides our internal measures, we seek independent assessments of our ethical performance. For instance, BT commissions ICM market research to conduct an independent biennial survey of a representative sample of BT people to find out what they think of our zero tolerance approach. Overall, the findings were positive and identified some areas for improvement. The second survey starts in May 2013.

Our independent confidential hotline for reporting ethical concerns is designed to increase confidence in the process and make it more accessible for employees around the world. The hotline serves 67 countries and 98 per cent of BT employees. It caters for 21 languages and offers telephone and web-based reporting options. Reports are low in number and quite often involve human resources disputes between employees and the company. We evaluate and investigate all matters raised.

We want to ensure that employees are fully engaged with our ethics programme and that non-compliance is penalised. The way we categorise disciplinary measures is under review to ensure it accurately reflects the steps that have been taken.

Future plans

We regularly review our processes to ensure we always work ethically, wherever we are.

Our focus for 2013/14 is:

- to maintain effective anti-corruption and bribery controls
- to launch our refreshed Statement of Business Practice, 'The Way We Work', which is helping to embed anti-corruption and bribery behaviours as a natural part of our decision-making processes
- to review our disciplinary measures and reinforce personal responsibility
- to launch a Compliance Programme Panel which will replace our existing ethics steering group. It will review and assess the overall BT ethics and compliance framework and provide oversight of the effective operation of compliance programmes, including prioritisation, defining best practice, setting policy, and monitoring programme effectiveness.

Related content:

Our business practice and code of ethics.

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will maintain or improve our index score compared to 2012/13 (4.24 from 5).		New
April 2012	March 2013	We will maintain or improve our 2011/12 index score (4.19 from 5).	We achieved a score of 4.24.	Completed

Procurement and supply chain

We spend £9.7bn each year on a wide range of services, from network and IT hardware to waste disposal services and corporate clothing. Like most large organisations, we use our spending power to encourage suppliers to behave more sustainably.

Factors such as energy use and labour standards play a part in supplier selection and long-term relationships help us reduce the risk posed by the actions of others working on our behalf.

Managing procurement and our supply chain

With our significant spending power and around 17,400 contracted suppliers worldwide, we can be

a force for good. We encourage sustainable behaviour in our suppliers and aim to treat them in an ethically and commercially responsible way.

Assessing social and environmental risk

We require all new suppliers to complete our environmental and labour standards questionnaires to help us assess and manage risk.

Onsite supplier assessments

Where suppliers have been as presenting high environmental or social risks, we carry out an onsite assessment to identify areas for improvement.

Suppliers and diversity

We encourage diversity in our supply chain and seek out suppliers that represent minority groups.

Related content:

Our Selling2BT website provides our suppliers and potential suppliers with information on our approach.
Our Better Future Supplier Forum is helping us work closely with strategic suppliers.

Assessing social and environmental risk

As a large purchaser of goods and services, we recognise that our impact extends beyond our own people and workplaces.

Why it matters

Modern supply chains are long and complex, often involving many tiers of companies. Our processes allow us to assess and manage environmental and labour risk at all levels.

Our approach

In recognition of our complex supply chain, we have developed detailed labour and environmental standards for suppliers. These standards help us to reduce risk and drive performance throughout our supply chain.

We source from thousands of companies worldwide. It is not possible to work closely with all of

them, so we adopt a risk-based approach to focus our efforts. A supplier may present a higher risk to BT because of its location or the product or service it provides. In some countries, labour and environmental regulations may be poorly enforced and suppliers may operate to standards below acceptable norms.

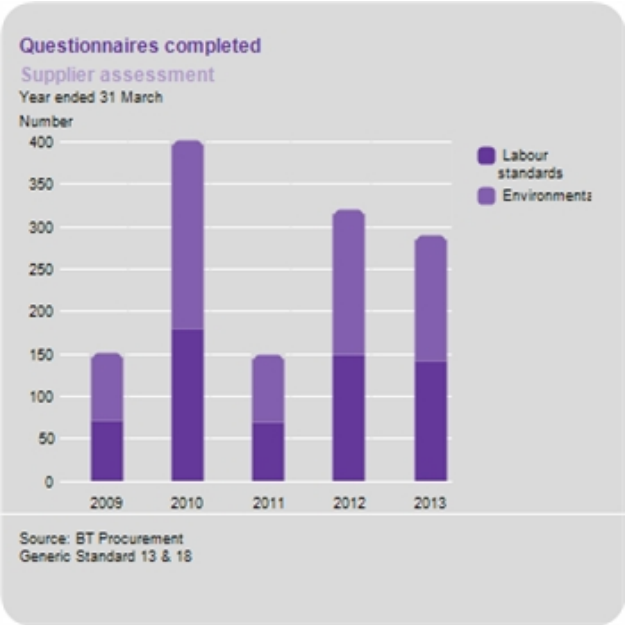
Our supplier risk assessment evaluates supplier performance against three main sets of standards: environment and climate change; human rights; and supplier diversity. We require all new suppliers to complete our environmental (GS13) and labour standards (GS18) self-assessment questionnaires via our procurement website. This helps establish whether there is a high, medium or low risk that a particular supplier will fail to meet our standards. These questionnaires also ask for information on companies' own suppliers, to help identify risk further down our supply chain.

We follow up with medium and high-risk suppliers within three months. This can range from a simple discussion to clarify their questionnaire responses, to a full onsite assessment.

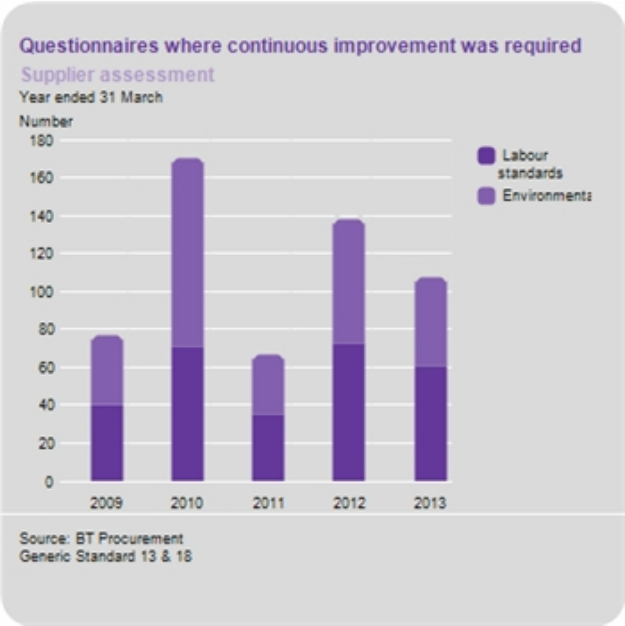
The number of suppliers completing labour standards questionnaires and the percentage we follow up within three months are our key performance indicators in this area.

Progress in 2012/13

This year 148 suppliers completed our self-assessment questionnaires. We are currently working with 46 suppliers to improve environmental standards and 61 suppliers on labour standards. Our sourcing with human dignity questionnaire has been completed by 142 suppliers.



We met our target, this year, to follow up within three months with all suppliers identified as high or medium risk, through our ethical standards questionnaire.



Future plans

We will use the results of the questionnaires to shape future work on assessment, including visits to supplier sites to assess them.

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will achieve 100% follow up within 3 months, for all suppliers identified as high or medium risk, through our ethical standard questionaires.		New
April 2012	March 2013	We will achieve 100% follow up within 3 months, for all suppliers identified as high or medium risk through our ethical standard questionaires.	We achieved 100% of our follow up with our suppliers.	Completed

Engaging our suppliers

Robust supply chain governance enables us to closely manage suppliers and encourage them to behave more sustainably. Training our own people is a key part of ensuring we manage suppliers consistently across our operations.

Why it matters

We buy products and services from around 17,400 contracted suppliers worldwide. These companies range from large multinationals to small niche players, and we expect them all to develop and maintain sustainable practices.

In return, they expect us to act with integrity and good faith. In all our dealings, we are committed to treating suppliers fairly and to acting in an ethically and commercially responsible way.

Our approach

Our procurement governance and sustainability team works with more than 300 BT purchasing professionals worldwide to maintain high standards of conduct in our supply chain. Our chief procurement officer has overall responsibility for this work, while our procurement sustainability strategy and policy team oversees programme implementation and provides advice and direction on sustainability issues.

We have a well-established sustainability risk management process which ensures the risks our supply chain poses are of no material significance to our business. See Assessing Social Risks for more information.

We aim to operate a fair procurement process and administer our tendering and contracting procedures with integrity. Our purchasing principles provide a framework for acting in an ethically and commercially responsible way toward our suppliers. These principles are an integral part of our procurement process.

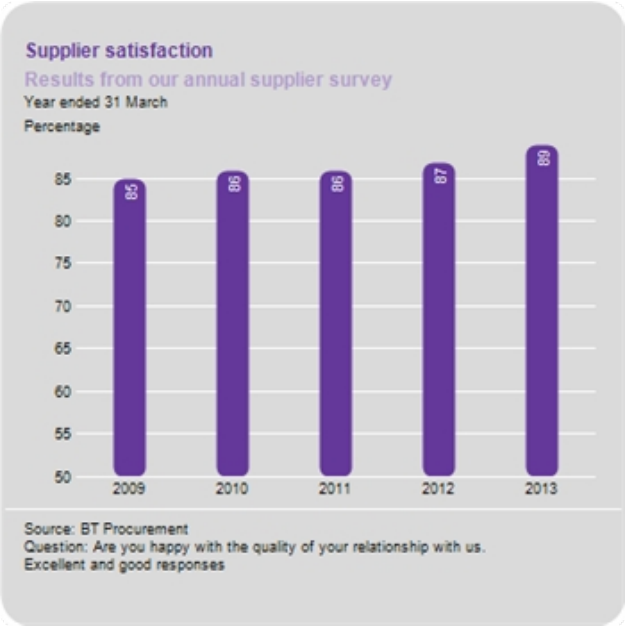
Progress in 2012/13

To maintain high standards in our procurement teams, we provide web-based training on issues such as product stewardship. We also offer one-to-one sessions and specialist training on sustainability and our standards for new employees.

Training our own people enables them to pass on their expertise to suppliers. This year, our assessor in China participated in several training and awareness programmes for suppliers, and presented about sustainability at a supply chain conference organised by Huawei in October. The conference was held in Shenzhen and was attended by senior management and sustainability representatives from more than100 companies.

We are implementing business continuity management (BCM) within the supply chain to ensure supplier companies can maintain sustainable practices no matter what risks exist. During 2012/13, we won an Excellence in BCM Management award from the national standards body in China for the work we have done in building BCM into the supply chain.

To ensure suppliers are happy with the quality of their relationship with us, every year we carry out a supplier survey. In this year's survey, 89 per cent of suppliers rated the relationship as 'excellent' or 'good', up from 87 per cent last year.



We recognise that we cannot tackle the environmental and social issues in our supply chain alone, so we work with a broad range of stakeholders to help develop our practices.

BT is a founding member of the Global e-Sustainability Initiative and we participate in its Supply Chain Working Group. The group is developing common supply chain standards and assessment processes and in particular BT sponsored the SMARTer 2020 report on emissions abatement published in December 2012.

We also continue to work with a group of NGOs based in China seeking to provide guidance to companies sourcing from the country. As a result, this year we started using its supplier/ environment watch website as part of our assessment approach.

Related content:

Case study: Business Continuity Management (pdf)

Targets

Start	End	Description	Update	Target Status
April 2013	March 2014	We will ensure that the Climate Change Procurement Standard, will be used on at least 85% of applicable new contracts.		New
April 2013	March 2014	We will survey our suppliers to determine the percentage that agree with the statement: 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'.		New
April 2012	March 2013	We will survey our suppliers to determine the percentage that agree with the statement 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'.	We met our objective to survey our suppliers and the results from the respondents showed that 80% of suppliers agreed with the statement.	Completed

Onsite supplier assessments

Site assessments are the next step for high-risk companies identified using our self-assessment questionnaires for new suppliers. We completed 49 site assessments this year.

Why it matters

We want our suppliers to provide working conditions and environmental practices in line with the UN Compact on Human Rights and that meet the standards we set. By assessing the sites of suppliers identified as high risk we can work with them to raise standards where necessary.

Our approach

Onsite assessments help us to work with suppliers to identify areas for improvement and resolve issues. The most effective way to create lasting change is to help suppliers build the knowledge and skills needed to manage risks in their own operations and supply chains. Assessments also raise awareness of our standards and emphasise that we consider responsible and sustainable behaviour a priority.

As part of an onsite assessment, we may also partner with the supplier to evaluate their subcontractors. This joint approach helps our direct supplier to understand our requirements, and increases our influence with the subcontractor.

Site assessments check compliance with our Sourcing with Human Dignity standard and our environmental standards. A typical assessment includes:

- a review of documentation such as payslips, accident reports and personnel records
- an assessment of the premises including canteen, accommodation, office and production facilities
- interviews with managers
- worker interviews
- consideration of environmental and safety factors including safe storage and handling of hazardous materials and preventative measures to protect the environment.

We discuss assessment findings with suppliers and agree appropriate improvement plans. We monitor progress against these plans through follow-up reports, review meetings or return visits.

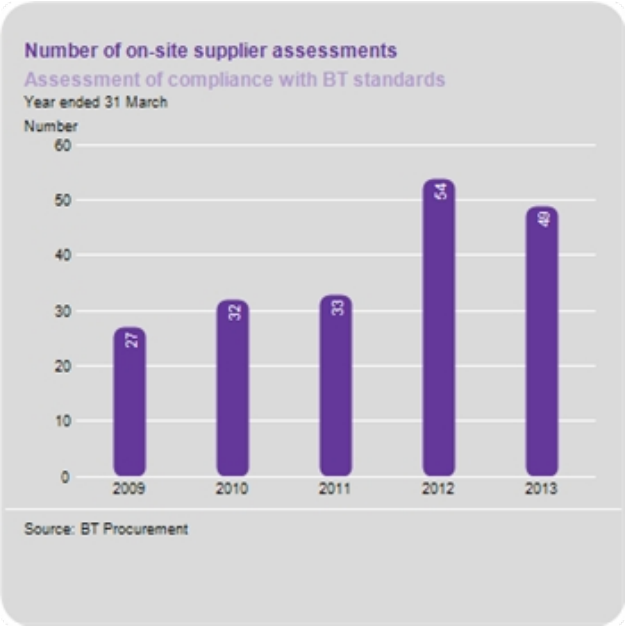
Progress in 2012/13

We completed 49 site assessments this year. The majority of assessments were in China with others in India, Turkey, Poland, Romania, Israel, USA and the UK. We employ our own assessor in Shanghai so we can focus on suppliers in China.

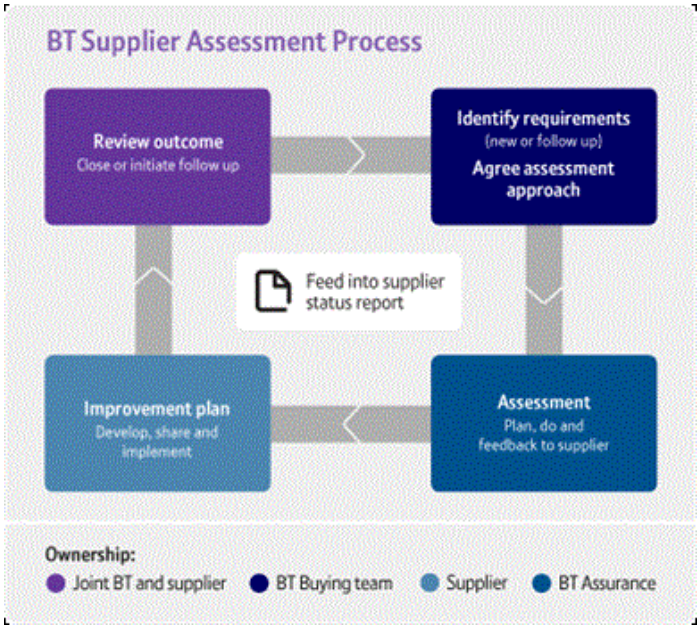
The suppliers assessed included:

- 38 existing or potential tier one suppliers
- 11 joint assessments (tier two suppliers jointly assessed with tier one).

The most common significant issues found during site assessments related to health and safety, working hours and employee welfare. This year, we did not stop using any suppliers because of poor sustainability standards.



Our supplier assessment process



In a separate activity this year we set up the Better Future Supplier Forum (BFSF) to engage our supply chain more directly on sustainability. Its goals are to develop a sustainable supply chain which will reduce supply chain carbon emissions and develop products and solutions that save customers carbon emissions. The BFSF was shortlisted for the Sustainable Business Awards in December 2012.

Case study: SGW Global becoming a more sustainable consumer electronics supply chain partner to BT

We have been working with SGW Global, a leading supplier of our DECT phone range, on sustainability initiatives. SGW Global used the structured approach and best practice tools/techniques delivered through BT's Better Future Supplier Forum (BFSF) to help accelerate their understanding and embedding of sustainability practices into the company.

Following an initial baseline of SGW Global's sustainability performance in June 2012, we worked with SGW to raise overall capacity in the organisation and together identified improvements to be made in 10 key 'best practice' areas, such as supply chain management, carbon saving, eco design and circular economy principles.

Some notable successes are as follows:

SGW BFSF results 2012 versus 2013

Area	Results*
Carbon reduction - manufacturing processes related to BT products	4% reduction (tonnes of CO2)
Water reduction – manufacturing processes related to BT products	7.3% reduction (m3)
Solid waste – manufacturing processes related to BT products	15.3% reduction (tonnes)
Product carbon savings (lowered product carbon footprint across annual production volume)	9,838 tonnes CO2

(* Annualised sustainability savings achieved through BFSF activity - savings relating to BT production only, based on a comparison of 2012 actual to 2013 forecast production)

The results of this approach have seen SGW Global transform the way in which it goes about conducting its business, the process by which it innovates new products and solutions, and how it meets its overall organisational 'sustainability' goals.

In recognition of SGW Global's performance, BT awarded the company silver status as a sustainable supplier.

> The BFSF is by far the most comprehensive program we have found to help SGW Global deliver our sustainability commitment across all aspects of our business. It is not a traditional sustainability program that mainly focuses on factory efficiency, but a full package to ensure best in class design, high efficiency supply chain, greater employee engagement, success within the community and win-wins for all key stakeholders. It also includes some powerful tools to help multiple parties achieve their goals. We will work closely with BT to drive this program forward so that we can continue our journey in our quest to be a better consumer electronic supplier.

John Zeng (SG W Global CEO)

Supplier diversity

Doing business with diverse suppliers enables us to understand the needs of more customers and to create innovative new products and services.

Why it matters

There is growing interest in supplier diversity in the UK and worldwide. As a large organisation, we are well placed to encourage diversity and we frequently receive enquiries on our approach from potential public sector and corporate customers.

Our approach

Our procurement team works closely with our diversity team to expand opportunities for minority businesses and to increase diversity in our supply chain.

Progress in 2012/13

Using our supplier survey, we calculate that we spent £19m with diverse suppliers in the year.

We use a questionnaire to help us understand the diversity of our global supply chain and identify ways to help more small and minority-owned businesses work with us.

Some 250 contracted suppliers completed the survey (out of 1,353 that we contacted). Eleven per cent of respondents identified themselves as a minority business enterprise (MBE). We define an MBE as a company which is at least 51% owned, controlled or operated by people who are members of an ethnic minority group, women, lesbian, gay, bisexual or trans-gender, or who are disabled or supporting disabled people into work.

We are also working with others to improve our understanding of supplier diversity and to find ways to include a broader range of businesses in our supply base. For example, we are founder members and on the board of Minority Supplier Development UK (MSDUK), an organisation that provides a link between UK businesses and diverse suppliers. This year we were the interim chair of the MSDUK Board.

MSDUK sponsored a review of the impact of engagement on supplier diversity in the UK. We contributed to the report, which was launched in October 2012.

We are a member of the MSDUK Certification team that enables businesses to gain certification that their business is ethnic minority-owned. The organisation hosts a website which lists diverse suppliers' certification status, to help promote these companies to buyers.

We spoke at the MSDUK Diversity Day event in April 2012, and at the organisation's Diversity Conference in October 2012.

Human rights

Respecting human rights is fundamental to better business and is rooted in our practices.

Why it matters

Any breach of human rights is unacceptable. Preserving dignity, individual liberty and equitable treatment for all stakeholders is a minimum expectation on which our standards and business practices are built.

We believe that all businesses need to focus adequately on preserving and promoting human rights, engage with key stakeholders to improve their understanding of how business impacts on human rights, and drive up standards globally.

Our approach

We are committed to respecting human rights. We have policies and procedures in place relevant to the salient issues for us as a company. Human rights impacts are complex, often interdependent and wide ranging, and present many dilemmas. We focus on the areas of our business which have the potential to impact human rights the most.

As an information and communications technology (ICT) service provider, these risks are present

and material in three main areas:

- workers in our supply chain
- how we safeguard data about customers and employees
- the way our products and services are used.

These are included in our formal enterprise risk management process. Our policies and procedures to safeguard data are explained in the sections on data security and privacy.

All relevant BT policies and procedures incorporate measures to ensure we respect human rights in the way we do business. Increasingly, we also seek to use our skills and technologies to enhance human rights, recognising the important ways a more connected society and our support for charities can drive positive impacts in rights to education, employment, health and wellbeing.

Our actions are guided by our statement of business practice, 'The Way We Work', which applies the principles of the United Nations Universal Declaration of Human Rights and International Labour Organisation (ILO) Conventions.

As one of the original signatories to the United Nations Global Compact, a set of ten principles relating to corruption, environment, labour and human rights, we underpin these principles with increasingly rigorous due diligence. We have led the way in the creation of standards to commit us fully to:

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

We carry out targeted supply chain risk assessments and review our policies and processes regularly to make sure we apply these principles. We accept that we have considerable influence over our suppliers, and we work with them to set minimum working conditions for their employees. Our Sourcing with Human Dignity global standard is part of all supplier contracts and promotes these standards among companies we purchase from directly, and their own suppliers. More information about how we apply our standards in procurement and in our supply chain can be found here.

We also support the United Nations 'Protect, Respect, Remedy' policy framework on business and human rights, and the associated Guiding Principles that help companies apply due diligence in respecting human rights. We listen to stakeholder views to make sure we understand and address new challenges that arise as our business develops and legislation changes.

Progress in 2012/13

We believe good communications have always been fundamental to society. In recent years, new technologies such as social media have transformed our relationships and helped catalyse global change. These technologies can help promote freedom of expression, enable more sustainable lifestyles and open up otherwise closed societies. Conversely, government interventions in communications can impact on privacy. State actions in this area are often intended to protect society against crime or terrorism, but there is the potential for such action to stifle legitimate political activity.

We are aware of the sensitivities in this area, although we offer only limited fixed line, mobile or internet services for consumers outside the UK. Our international business is focused on multinational enterprise customers, often through a global network of around 100 national telecommunications companies.

International policy development

We contribute to the development of global human rights policy by participating in relevant industry, national and international debates about how our sector can best reinforce human rights. In these debates, opinions often vary regarding what is a legitimate restriction of freedom of expression and the right to privacy. Our position is not to interfere with customers' freedom of expression or privacy, except when required to by law, for example, when someone has committed a crime. We have processes for reviewing government requests for this information, which are handled by highly trained BT employees to assess compliance with legal and due process.

UK policy development

In the UK, the most hotly debated issues relate to the intersection of freedom of expression and intellectual property. Of particular concern are the blocking and filtering of pirate content, and sites that promote extremism or terrorism.

We are a signatory to the voluntary Traffic Management Transparency Code of Practice, which commits Internet Service Providers (ISPs) to provide clear information about the way they manage their networks to keep the internet operating well. This year we also signed up to another world-first voluntary code of practice, the Open Internet Code**.** This commits ISPs to provide full internet access products as the norm, and not to deploy traffic management in a manner that targets and degrades the content or applications of specific providers.

Child protection

There is much debate about imposing measures to more effectively prevent children from accessing adult-oriented material online. BT takes seriously its responsibility to help children browse safely and we continue to take a lead in this area. We were a founding member of the Authority for Television on Demand (ATVOD) and the Internet Watch Foundation (IWF). We were the first to join UK government initiatives such as the UK Council for Child Internet Safety (UKCCIS) and Get Safe Online. The Clean Feed filtering system we developed blocks access to any images or websites listed in the IWF database.

This year we signed up to the first industry-led, Europe-wide guiding principles for developing products and services for enhancing the safety of children online. Published by the ICT Coalition for a Safer Internet for Children and Young People, the principles cover; content; parental controls; dealing with abuse or misuse; child sexual abuse content or illegal contact; privacy and control; and education and awareness.

By signing up to the principles we pledge to:

- develop innovative ways of enhancing online safety and encouraging children to use the internet responsibly
- empower parents and carers to engage with and help protect their children

- provide accessible and clear information about online safety and behaviour
- raise awareness of how to report abuse or concerns, and to whom.

We are also a member of the CEO Alliance on a Better Internet for Kids, led by European Commissioner Kroes.

We support the parental engagement approach advocated by the UK Government's Bailey Review, and invest significant time and money in helping parents keep children safe when using the internet.

Public policy

We aim to be open and transparent about our public policy activities.

Why it matters

It is important that we take a consistent approach in all our public policy work. Our Communications Council and Policy Coordination Group meets regularly to discuss public policy issues and ensure consistency across the Group. They are made up of representatives from Group Communications, Group Regulatory and Strategy, and all lines of business. Positions on key public policy issues are referred to our Operating Committee for sign off.

Our approach

Lobbying standards

We do not make any donations to political parties, individuals aligned with political parties or trade associations involved in politics or government, anywhere. We do not operate any Political Action Committees in the United States.

Our policy is that none of our businesses will make cash or in-kind contributions (including gifts and loans) to any political party.

We continue to make UK MPs and others in the politics around the world aware of key industry issues and matters affecting BT, which makes an important contribution to their understanding of our company.

This year the company’s wholly-owned subsidiary, British Telecommunications plc, made payments totalling £739 (2011/12: £3,550) to cover the cost of a briefing meeting with the Scottish National Party. No loans were made to any political party by any company in the BT Group.

Consistent lobbying

We are members of trade associations and industry bodies around the world, who conduct public policy work on behalf of all their members. We work to ensure that lobbying conducted through trade associations reflects our values. We work with other members to set policies, and may attend lobbying meetings with governments and other stakeholders. If a trade association adopts a policy position we do not agree with, we raise our concerns and dissociate ourselves from the position.

The BT Story summarises our public policy positions. It is available here and updated regularly.

Public policy activity in the UK

This year we engaged on a number of key issues in the UK, including:

- fibre broadband
- internet issues including copyright and child protection
- the Communications Review, particularly regulatory power reflecting convergence
- pensions.

Fibre broadband

The UK's high-bandwidth broadband roll-out is continuing rapidly, and now leads much of the world. BT is now rolling out fibre to more than one million premises each quarter. We have brought forward our investment of £2.5bn to make fibre available to two-thirds of UK premises; this will now be achieved by spring 2014 rather than the original 2015 target.

We want to reach even further into rural areas and we can do this with public support; we intend to bid in all local authority areas for government funding (£530m in total) made available in this Parliament via Broadband Delivery UK (BDUK) to extend fibre to otherwise non-commercially viable areas. We were pleased to announce during 2012 that we won the BDUK bids to roll out fibre broadband across rural areas in Lancashire, Rutland, North Yorkshire, Wales, Surrey, Cumbria, Herefordshire and Gloucestershire, Norfolk and Suffolk. On top of our commercial roll-out, we believe BDUK funding will achieve more than 90 per cent coverage by 2017. We have also secured EU funding in partnership with regional authorities for fibre broadband roll-out in Cornwall and Northern Ireland.

Copyright

BT has a fundamental respect for copyright; we are a rights holder as well as an ISP. Those who own the rights to copyright material want internet service providers to do more to stop online copyright infringement. However, BT and others believe that some content providers and owners should do more to embrace new business models that reflect changing customer demands and technological developments.

Child protection online

There is significant media and political concern that children are protected from pornography and other unsuitable material that can be found on the internet. We share this concern and take

responsibility for child protection online very seriously. We support the parental engagement approach advocated by the Government's Bailey Review, are an active member of the UK Council for Child Internet Safety (UKCCIS) and are engaging at a UK and European level on commitments to keep children safe online.

We have for years blocked illegal images of child sexual abuse, using the Internet Watch Foundation's list to identify such material.

Communications review and convergence

A new Communications Bill is expected to be introduced in this Parliament. BT is pleased to be able to contribute to the Government's thinking in this Communications Review. Communications sectors are key enablers of economic progress. The UK has one of the most competitive, efficient and dynamic sectors in the world. BT endorses the Government's objectives to promote the health of these sectors going forward.

In BT's view this review must ensure that there is an even-handed, objective and light-touch regulatory regime that applies to all parts of the communications industry clearly and consistently. Such a regime would provide the foundation for fair competition and the encouragement of investment across converging communications markets for the benefit of the citizen / consumer.

The boundaries between media and telecommunications are rapidly converging. Many people no longer buy just broadband or just pay-tv or even just a phone line; they buy them together, in 'bundles'. This appears convenient for the consumer but because regulation has not caught up with convergence, the market has become distorted. Communications (broadband and voice services) is very highly regulated, yet the pay-tv element of bundles is hardly regulated at all. We need a regime that can deal with the issues in content and communications at both the market level and at the content standards level in a coherent way.

Public policy activity in the European Union

BT is registered on the voluntary joint European Commission and Parliament code of conduct for transparency of lobbyists.

We joined the European Commission's 'CEO Coalition to make the internet a better and safer place for kids', committing to work on reporting tools, privacy, parental controls and take-down of child abuse material.

This year our activity in Europe has included:

- influencing the shape of the European Commission's Digital Agenda for Europe as well as the further development of the Single Market more generally in favour of an open and competitive level playing field in Europe
- ensuring that the European Commission's strategy for Next Generation Networks favours both investment and competition, at infrastructure and services level, and supports swift deployment, allowing consumers the full benefits of broadband
- advocating a new approach to convergence of telecoms and media, to ensure fair competition across the value chain and greater consumer choice

- favouring an open approach towards Net Neutrality based on competition at wholesale access level and transparency for consumers, so that consumers can enjoy fair access and innovation. We also support maintenance of the current multi-stakeholder approach to internet governance
- promoting a new European data protection regime adapted to the digital environment and which strikes the right balance between the need to protect the privacy of citizens and the ability of business to operate and to innovate
- seeking an approach on the EU Solvency II proposals for pensions governance and funding which take full account of the impact on jobs and growth, and of the need for sustainable pensions
- supporting the drive for effective and ambitious bilateral trade deals by the EU with the USA, Japan, India and elsewhere. We also support the multilateral trade in services dialogue in Geneva with WTO and others

Public policy activity in the United States

Lobbying standards

The US legal definition of lobbying includes all time BT employees spend meeting with government officials or preparing for these meetings. 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 fundraising events.

Priorities and activities

- ensuring communications providers are subject to fair wholesale access rates. We have encouraged the Federal Communications Commission (FCC) to complete a market review of special access services (dedicated high capacity lines for business users and competitive mobile operators) and return competition to the market
- supporting EU and US efforts to negotiate a Transatlantic Trade and Investment Partnership (TTIP). We have encouraged efforts in the EU and US to move forward on an agreement
- reforming the collection of Universal Service Fund (USF), into which carriers pay a percentage of their interstate and international communications revenue. We have encouraged the FCC to move forward on a review of how money is collected.

Related content:

The BT Story summarises our public policy positions.

Our economic impacts

Our aim is to deliver value to shareholders and customers by making BT a better business with a better future.

The cash that we generate from our customers and from our cost transformation activities helps us reward our shareholders. And it means we can fulfil our financial obligations to our people, the pension scheme, suppliers and lenders.

Key financial figures for the year ended 31 March, find more details in the BT Group 2013 Annual Report and Form 20-F.

Revenues

Revenue (adjusted) (£m)	2009	2010	2011	2012	2013
BT Retail	8,148	7,751	7,253	6,882	6,672
BT Wholesale	3,572	3,366	3,222	2,943	2,607
Openreach	1,042	1,241	1,504	1,623	1,747
Other	41	40	38	50	61
Total	**21,431**	**20,911**	**20,076**	**19,307**	**18,253**

By region (£m)	2009	2010	2011	2012	2013
UK	16,777	16,116	15,575	14,766	14,066
Europe (excluding UK)	3,247	3,250	3,064	2,973	2,604
Americas	1,119	1,235	990	1,070	1,057
Asia and Pacific	288	310	447	498	526
Total	**21,431**	**20,911**	**20,076**	**19,307**	**18,253**

Expenditure

We make a considerable contribution to the UK economy, and generate wealth in the other markets where we operate. Through; the jobs we provide, the goods and services that we buy from suppliers, the products and services we sell to customers, the taxes we pay, and the financial returns we deliver to investors.

Employee costs (£m)	2009	2010	2011	2012	2013
Wages and salaries	4,499	4,182	3,947	3,963	3,879
Social security costs	432	447	456	454	443
Pension costs	544	304	416	393	361
Share-based payments	141	71	68	75	64
Total	**5,616**	**5,004**	**4,887**	**4,885**	**4,747**

£bn	2009	2010	2011	2012	2013
Total spend with suppliers	8.9	12.0	11.3	10.6	9.7
Total capital expenditure	3.09	2.53	2.59	2.59	2.44

UK tax contribution

BT has historically, and continues to be, based in the UK for tax purposes, allowing its business profits to be taxed where they arise.

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 smaller amount of tax in other countries where we operate.

£bn	2009	2010	2011	2012	2013
VAT	1.2	1.3	1.4	1.6	1.6
PAYE and National Insurance	1.2	1.1	1.1	1.1	1.2

Shareholders and creditors

£m	2009	2010	2011	2012	2013
Total dividend paid in the year to shareholders	1,222	265	543	590	683
Net debt	10,360	9,283	8,816	9,082	7,797

Our wider contribution to economic wellbeing

The latest version of the Social Study 2012 – "The Economic Impact of BT across the UK" has been produced in partnership with Regeneris.

The study demonstrates the economic contribution of BT to the national and local economies in terms of jobs, output and Gross Value Add (GVA) supported. It highlights BT's total impact across the UK amounts to over £17bn GVA which equates to BT supporting £1 in every £70 of GVA in the UK economy.

We believe that superfast broadband has the potential to transform local economies, businesses, households and public services, and to bring new opportunities to all parts of the community. To highlight the impacts for local businesses in particular, we asked Regeneris to prepare a second report 'Superfast Broadband – Boosting Business and the UK Economy'.

The report found that for any one location such as a rural area, town or city it is expected that superfast broadband could create between £143m and £19.8bn in additional GVA. This equates to an annual increase in GVA of between 0.3 per cent and 0.5 per cent. The focus is on the business impacts which result from superfast broadband, which arise from a combination of improved business performance; business creation as a result of Cloud Computing and enhanced home working opportunities.

Wider research on the economic benefits of high-speed access services

According to the Boston Consulting Group; by 2016, there will be 3 billion Internet users globally,

and the Internet economy will reach $4.2 trillion in the G-20 nations. It is generating tremendous economic value. Across the G-20 nations, the Internet economy amounted to 4% of GDP, or $2.3 trillion, in 2010.

The World Bank study ICT for Greater Development Impact found that a 10 percentage point increase in high-speed Internet connections boosts annual GDP growth in developing countries by 1.38 percentage point. And references additional studies;

- a World Bank study using a panel of 120 countries concluded that a 10 per cent point increase in broadband penetration results in a 1.38 per cent increase in annual GDP growth in developing countries
- McKinsey & Company also estimated that -a 10 per cent point increase in broadband household penetration delivers a boost to a country‘s GDP that ranges from 0.1 per cent to 1.4 per cent
- a study of Organisation for Economic Co-operation and Development countries by Booz & Company found that among high-income countries, those -in the top tier of broadband penetration have also exhibited 2 per cent higher GDP growth than countries in the bottom tier of broadband penetration.

Related content:

See our Annual Report 2013 for more information on our performance.

Data links:

Selected financial data 2012/13

Find out more

Read more online:

Online Better Future report
www.bt.com/betterfuture

Join us on Twitter:

Please join our conversation on Twitter using the hashtag #BTBetterFuture.
Or contact us directly

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Thank you for reading our report – we'd love to hear your feedback and your views

Email us at **betterfuture@bt.com** and tell us what you think.

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The Better Future reporting team