



Better Future Report 2014

We use the power of communications to make a better world

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Message from our Chairman and Chief Executive



Sir Michael Rake
Chairman



Gavin Patterson
Chief Executive

We use the power of communications to make a better world

Communications are transforming just about every aspect of our lives – how we work, how we shop and how we think. They are helping to create new businesses and business models; reshaping the way governments operate; bringing new ways of providing healthcare and education and also enabling social mobility – BT is right at the heart of this. Our purpose is to use the power of communications to make a better world.

These days, life and work are built around connectivity. Through us, millions of individuals connect to friends and family and have a wealth of information and entertainment at their fingertips. From small local businesses right through to large multinationals, we help companies to work smarter and compete in global markets. BT also enables essential public services to be delivered and underpins the growth of our national and regional economies.

By bringing together our networks, our technology and the hard work and expertise of our people, we develop services that generate value for our shareholders, for our customers and society. We believe that people want to

do business with a company that supports their ability to grow and is a positive force in the communities where it operates. That's why we're using our networks and technology to help raise £1 billion for good causes by 2020. It's why we created The Supporters Club, BT's charity partnership dedicated to using the power of sport to improve lives. It's why we're committed to digital inclusion, because we recognise getting online can make a huge difference to people's life opportunities.

And it's also why we launched The Right Click: Internet Safety Matters in partnership with UNICEF – a three-year programme that will provide practical advice about online child safety to around 35,000 teachers, parents and children in the UK.

Greenhouse gas emissions are another major challenge for society and that's why, through our Net Good programme, not only have we committed to reduce our own impact, we're also committing to use our products and services to help customers reduce their emissions by at least three times the end-to-end carbon impact of our business.

Our people also believe in using the power of communications to make a better world. During the winter floods in the UK, our engineers came in over the Christmas period to help reconnect customers as quickly as possible – because they felt it was the right thing to do. BT volunteers were there after the typhoon in the Philippines, setting up emergency networks so the aid agencies could coordinate efforts and the country could start to get back on its feet.

And it's reflected in the attitude our people bring to work, whether that's during the course of their day job or when volunteering their time to good causes like answering calls during telethons for Children in Need and Comic Relief.

We believe that businesses that flourish are the ones with a purpose that's more than simply making money. They're businesses that see no compromise between financial results and social returns. That's why we remain committed to demonstrating our contribution to society as a signatory of the UN Global Compact. We are excited about the future. Not just about what technology can do, but what everyone can do with it. Not just about what we do as a business, but how we do it.

And not just about having a purpose, but being purposeful in everything we do. We are determined to be right at the heart of that future.

By bringing together our networks, our technology and the hard work and expertise of our people, we develop services that generate value for our shareholders, for our customers and society. We believe that people want to do business

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7 May 2014



Sir Michael Rake – Chairman



Gavin Patterson – Chief Executive

To review the report online, visit www.bt.com/betterfuturereport

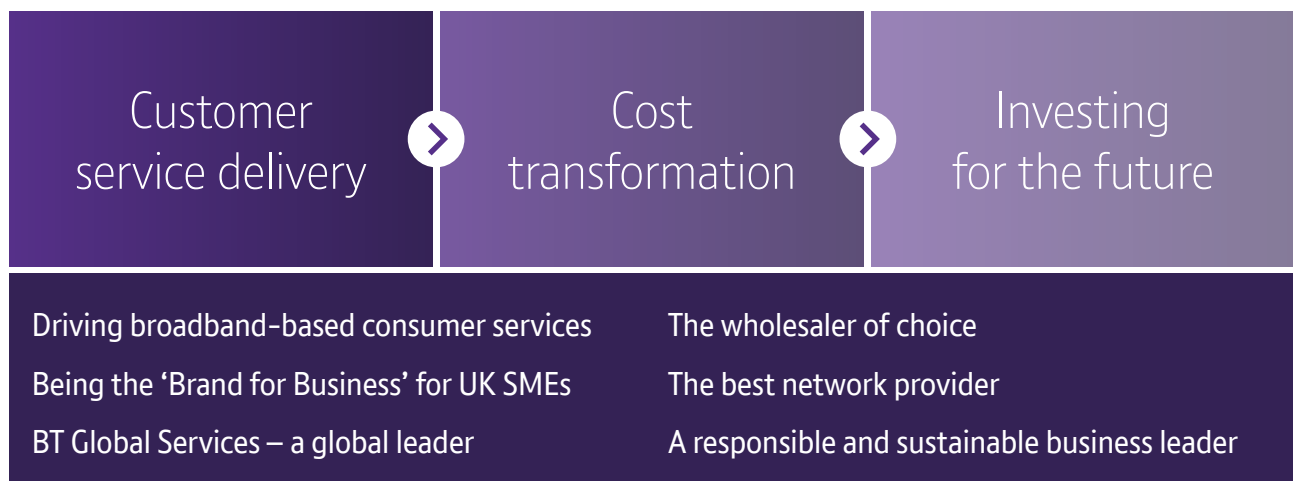
About Better Future



We use the power of communications to make a better world. We bring together the best networks and technology with the expertise of our people to help businesses grow, communities flourish, and individuals get more out of life.

Being a responsible and sustainable business leader remains at the heart of our strategy and underpins BT's purpose. It supports our aim to deliver sustainable, profitable revenue growth, whilst ensuring we




maximise the contribution we make to society and the environment. The three core elements of our strategy are; delivering superior customer service, transforming our costs and investing for growth.



For BT, being a responsible and sustainable business leader is not a stand-alone strategic priority, but is part of who we are and how we do things. We believe that people want to work with a company that supports their ability to grow and is a positive force in the communities where it operates.

Our Better Future programme helps us achieve this – through our people, products and operations. We have set a Better Future vision and goal for 2020 in each of three priority areas. Achieving these will help BT and our customers to grow sustainably in the years to come.

BT as a responsible and sustainable business leader

 <p>Connected Society</p>	 <p>Net Good</p>	 <p>Improving Lives</p>
<p>Vision: To help improve society through the power of digital connections</p> <p>2020 goal: 9/10</p> <p>More than 9 out of 10 people in the UK will have access to fibre-based products and services</p>	<p>Vision: To help society live within the constraints of our planet's resources through our products and people</p> <p>2020 goal: 3:1</p> <p>We will help customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business</p>	<p>Vision: To help improve hundreds of millions of lives globally through our products and people</p> <p>2020 goal: £1bn</p> <p>To use our skills and technology to help generate more than £1bn for good causes</p>

How we will achieve these goals

<p>1</p> <p>Through our people and values</p>	<p>2</p> <p>What we sell and how we do business</p>	<p>3</p> <p>By supporting the local communities where we operate</p>
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We also recognise that we need to get the basics right and this means ensuring that our employees, customers and suppliers feel valued and respected. Whether this is by demonstrating good business practice and maintaining high ethical standards in our supply chain, or simply proactively engaging with our numerous stakeholders world-wide, it is still crucial to our employees, our customers, our shareholders and society as a whole. We refer to these as our foundation activities and to find out more about our progress this year, visit our section on being a responsible business.

Our Better Future performance summary provides an overview of our performance in 2013/14 against our goals.

Performance in 2013/14

- Embedding Better Future and all our sustainability programmes across BT relies on robust governance, clear priorities, input from stakeholders, and the realisation of economic benefits for our business and those it touches. Using progressive techniques such as crowdsourcing opinion, we incorporated more stakeholder views into our Better Future programme and discovered a rising interest in sustainability.
- Our comprehensive annual materiality review uses these views to help shape our Better Future focus areas. This is discussed in more detail in our materiality review.
- Building on frequent stakeholder engagement, our first online Better Future Forum in July 2013 brought together almost 200 sustainability experts from 22 countries. This event focused on our Net Good programme and generated nearly 800 comments about the potential for business to make a net positive contribution to the environment.
- BT products and services, for which we have calculated a carbon abatement benefit for our customers, generated revenues of £3.1bn globally. Our product

inclusion criteria and methodology is endorsed by the Carbon Trust and further details are available on the Net Good section of our Better Future website.

Read more about our progress in these areas on our stakeholders, our materiality review, creating shared value and governance pages.

For an overview of our performance across all Better Future programme areas, visit our Better Future key performance indicators page at www.bt.com/betterfuturereport

Assurance of our Better Future report

Again this year, Lloyd's Register Quality Assurance (LRQA) was commissioned by BT Group plc to provide independent assurance on our Better Future Report 2014 to a high level of assurance using AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS). By having the report externally assured, we have been able to review, benchmark our performance and also receive valuable feedback against those areas where we need to improve for next year. The principles of inclusivity, materiality, responsiveness and reliability were all reviewed by LRQA, across the whole of the Better Future report.

One area that LRQA highlighted and we will look to improve for next year is that of our Data management systems. In the main, LRQA found these to be well defined and implemented, however we need to improve the clarity around and apply the consistent use of emissions factors for Scope 3 Greenhouse Gas calculations for activities such as homeworking and business travel. Another area for improvement is the need for increasing the internal verification performed on the employee self-declared volunteering data to improve its reliability. This will also ensure the accuracy of the data relating to BT's £1bn 2020 goal. Our LRQA assurance certificate is available to review.

KPI	2013/14 target	2013/14 result
Investment in society	1% of profit before tax invested in responsible and sustainable business activities	Achieved: Invested £27m directly in responsible and sustainable business activities in 2013/14, which is 1.01% of adjusted pre-tax profits

Our stakeholders

This year we have introduced innovative techniques to crowdsource opinion to help BT to incorporate more stakeholder views and greater analysis into our Better Future programme.

Why it matters

We can learn a lot from customers, suppliers, investors, employees, government bodies and non-governmental organisations. Listening to them and acting on their feedback builds trust and creates better working relationships for the future.

Our approach

We regularly talk to people with a stake in our business to explain our approach, and to understand what they expect of us and how well they think we are doing. This takes place during our daily dealings with different groups, through online discussion forums, phone conversations, meetings, focus groups, social media and regular dialogue with expert membership groups, such as Business in the Community (BITC) and Chatham House.

Progress in 2013/14

In 2013/14, we sought additional stakeholder views by identifying and analysing public content from blogs, social media and online news sites, as well as on TV and radio. This technique gives us a better understanding of issues that are important across all stakeholder groups and of who is influential in relation to those issues. We monitor how these issues affect our business and Better Future programme, feeding the insights into our business decisions and materiality process. Find out more on our materiality review page.

The analysis supplements more traditional stakeholder engagement such as meetings and focus groups to give us access to a much broader stakeholder perspective. The results confirmed that economic impacts such as pricing, job creation and pay and benefits remain high on the agenda for most stakeholders. Other findings included:

- greater demand for consumerism that is also sustainable is becoming more desirable, driven by young consumers in emerging markets and amplified by technology and social media;

- large commercial organisations maintaining their commitment to sustainability, despite economic uncertainty. Like us, they understand that sustainability creates value and matters to their stakeholders;
- sustainability opinion leaders remain concerned that solutions are not developing at the speed and scale needed to avert widespread environmental, social and economic disruption;
- our employees are excited about how our technology can be a force for good, but would like to see this reflected more in their jobs.

In July 2013, we ran our first online Better Future Forum, bringing together almost 200 sustainability experts from 22 countries to discuss the potential for business to make a positive overall contribution to the environment. A panel of 15 experts moderated by GlobeScan shared their thoughts, and participants globally responded with almost 800 comments.

The event was an extension of the approach we used to develop our Net Good goal. The results confirmed that collaboration is essential to spurring innovation and inventing new business models, and to change mind sets and behaviour.

Driven by these insights we worked with WWF-UK, Forum for the Future, The Climate Group and leading UK and multinational companies to launch the Net Positive Movement, a diverse group working together to promote the Net Positive approach and encourage other businesses to focus on having a positive impact on the environment. In 2014, we also became a member of the World Business Council for Sustainable Development (WBCSD).

Future plans

Following the success of the Better Future Forum, we have scheduled a second event for the start of July 2014. We will focus the next event on how to use Big Data for the benefit of society. The Forum will be open to anyone to register and participate in the live online-only discussions, commenting and tweeting around a main panel discussion with experts and thought leaders from industry, academia and NGOs from around the world.

Our materiality review

BT pioneered the use of a formal materiality process, and we continue to find new ways to broaden our perspective and incorporate stakeholder views.

Why it matters

Through our Better Future programme and all that we do, BT seeks to use the power of communications to improve lives. We study the different ways we can affect society and the environment to make sure we prioritise the right issues and make our programme a success.

Our approach

Since 2006, we have applied a process to gain a comprehensive and balanced understanding of the issues facing BT and our stakeholders. Every year we:

- assess the issues stakeholders say are important and how significant they are to our business;
- review peer companies' sustainability reports to gauge what they consider to be the most important issues;

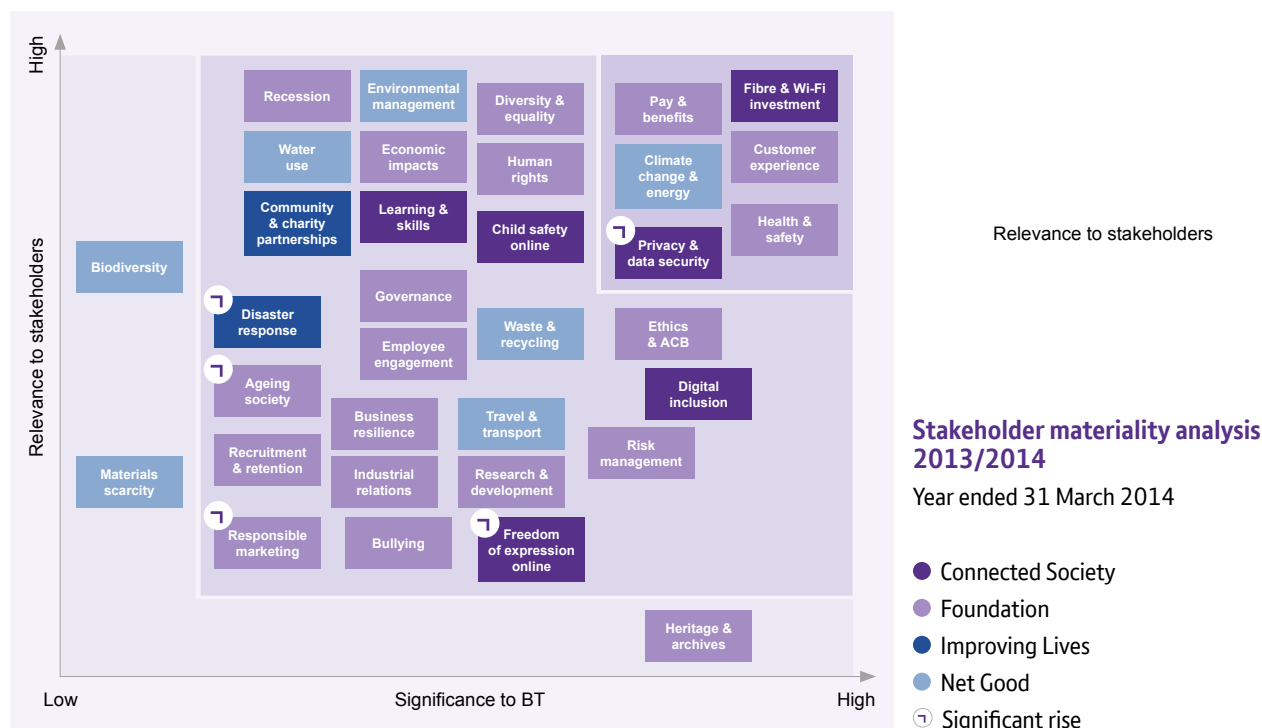
- review the findings to determine the financial, reputational and strategic importance of each issue, and identify any exceptions or surprises.

The combined findings help us to set our priorities and spot any gaps in our Better Future programme, and help to determine the topics to cover in this report and in the BT Group plc Annual Report & Form 20-F. Our approach is independently reviewed by LRQA during the assurance of our Better Future report against the AccountAbility AA1000 Assurance Standard (2008).

Progress in 2013/14

In 2013/14, we extended this process by identifying and analysing public content, typically from blogs, social media and online news sites, as well as on TV and radio. Read more on our stakeholders page.

We have also categorised the issues so that we can map them to the corresponding Better Future programme area. This has enabled us to confirm that our programme is tackling the most important issues for our business and stakeholders. Our materiality matrix below outlines which issues are material and by clicking on the online version, this redirects you to the correct section of our Better Future report or website.



Notable findings from the process include a rising interest in sustainability across all stakeholder groups. In particular, all groups are becoming more interested in issues raised by society's increasing reliance on ICT, such as privacy and data security. No issues decreased in importance in 2013/14. We have acted on these findings to help us further focus our Better Future resources around the most relevant and significant issues to stakeholders.

Future plans

We will continue to carry out an annual materiality assessment, and to strengthen this with broader stakeholder perspectives gathered through crowdsourcing activities.

Following the success of the Better Future Forum, we have scheduled a second event for the start of July 2014. To participate in the Better Future Forum event, give us feedback on our materiality review or any other aspects of the Better Future report, please contact us via **Twitter @BTBetterFuture** or email us at **betterfuture@bt.com**.

Creating shared value

Being a responsible, sustainable business supports our continued commercial success, maximising the contribution we make to our society and the environment.

Our approach

Being a responsible and sustainable business leader is now part of who we are and how we do things – not a standalone priority. Looking ahead, our focus is shifting more towards our goal of delivering sustainable, profitable revenue growth. To achieve this we need to broaden and deepen our relationships with consumers, businesses and public sector clients, increasing our relevance to them as markets and technologies change.

We partner with many organisations, which has enabled us to continue to deliver real impact. By harnessing BT's strengths and expertise, we help our partners to make the most effective use of our resources; our people, products and services. We have specifically tried to focus on those areas, where we can make a real difference that we have highlighted in our materiality review.

We aim to create shared value for our business and society through our commercial and community activities. Enabling more people around the world to access communications represents a significant business opportunity and creates social, environmental and economic benefits too. For example, our products and services can help reduce the cost of living for UK households and help businesses worldwide operate more efficiently.

As a global company that has generated revenue of over £18bn this year, we continue to contribute directly to communities by providing jobs, working with suppliers to buy and sell products or services and paying tax.

We invest at least 1% of adjusted profit before tax in being a responsible and sustainable business leader. This includes investing in projects which make a positive contribution to society and the environment. Our stakeholders have told us they expect this type of direct investment in society from us, and we believe doing so enhances our brand value and business performance in

the long term. These types of projects are embedded across the business through our Better Future governance model. More detail about our approach in this area can be found in our Shared Value Policy.

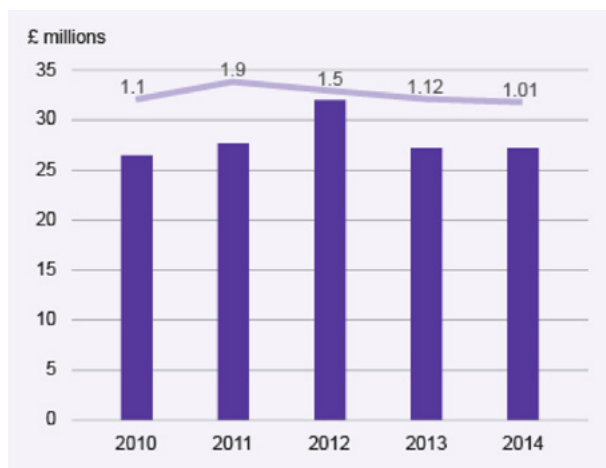
Progress in 2013/14

We employ 87,800 people in 61 countries, and spent £9.8bn with our 17,400 suppliers around the world, ranging from multinational companies to small and medium-sized enterprises. We collected and contributed £3bn of direct and indirect taxes in the UK. We also helped to shape the tax debate by participating in UK and international consultations directly and through the Confederation of British Industry (CBI).

We invest in our infrastructure, products and services, market expansion, research and development; as well as the skills and capabilities of our people. Find out more about progress in these areas in BT Group plc's Annual Report & Form 20-F 2014.

Total investment in society

Year ended 31 March



Source: BT Finance LBG Model

- Investment – time, cash and in-kind support
- Percentage of previous year's adjusted profit before taxation

Our direct investment in society totalled more than £27m. This was made up of a mixture of cash, time volunteered and in-kind contributions, as shown in the chart above. This equates to 1.01% of our adjusted profit before tax, bringing our total investment to over £165m over

the past six years (an average of 1.3% of profit before tax each year). We estimate that 84% of this aligns with London Benchmark Group guidelines for reporting community investment.

Total investment in society

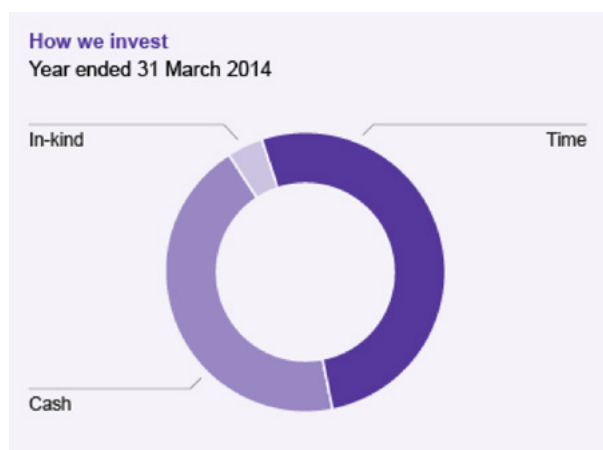
Year	£ millions	%
2010	26.4	1.1
2011	27.6	1.9
2012	31.9	1.5
2013	27.1	1.12
2014	27.2	1.01

How we invest

Our Better Future programme supports business growth and innovation. For example, many large businesses and governments request information about our sustainability credentials as part of their criteria for awarding contracts.

How we invest

Year ended 31 March 2014



How we invest

Time	52%
Cash	44%
In-kind	4%

We seek to use our products and services to help customers live more sustainably around the world. Reporting the revenue associated with the Net Good portfolio highlights the connection between our business and our positive impact on society and the environment. This year the products and services for which we have calculated a carbon abatement benefit for our customers generated revenues of £3.1bn globally. Our product inclusion criteria and methodology is endorsed by the Carbon Trust and further details are available on the Net Good section of our Better Future website.

The Better Future programme also helps us to carry out our work more efficiently. For example, this year:

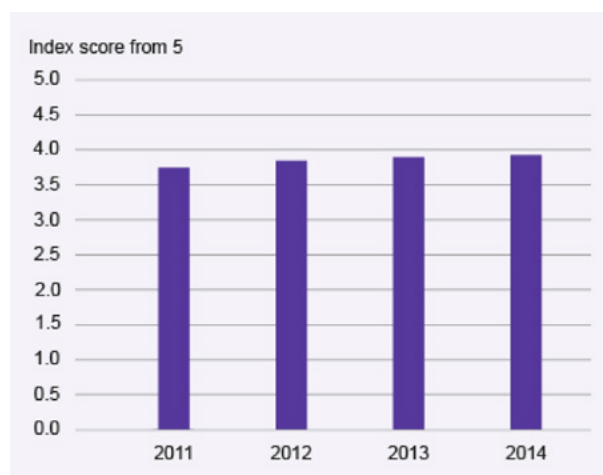
- reducing the size and reprogramming the engines of our Openreach fleet to save fuel achieved annualised savings of £3.5m;
- despite higher energy prices and increased business volumes, we have reduced energy consumption by 3%, with energy savings programmes generating more than £25m in annualised cost saving. This takes the total annualised saving, from programmes run over the last five years, to £131m;
- upgrading our network and data centres, and installing newer, more efficient servers achieved annualised savings of £61,000.

Read more about our 3:1 goal and efficiency measures that have helped us to manage costs in Net Good.

What we do also matters to the communities that we are in and to wider society. Our Better Future programme and volunteering activities are major factors in keeping our people motivated, improving organisational health and helping us attract new talent into the business. Each quarter, around 32,000 people provide feedback about working for BT through our engagement survey. This year more employees agree that they were proud of BT's work to help society, the environment and other socially responsible causes.

Employee pride from responsible and sustainable business activities

Year ended 31 March



Source: Employee CARE study

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

Employee pride from responsible and sustainable business activities

Year ended 31 March

Year	Score
2011	3.73
2012	3.85
2013	3.90
2014	3.93

Some Better Future projects also develop the skills of our people, particularly our employee volunteering scheme. Find out more about the benefits our volunteering programme brings to our business and communities in our section contributing to communities. Other activities across the Better Future programme, such as the launch of our portfolio of services for charities and Click and Connect, the pilot project helping social housing tenants in Glasgow to get online, are helping to enhance our reputation with a range of stakeholder groups. MSCI, a leading rating agency used by socially responsible investors (SRI), recognised our commitment by awarding BT an 'AAA' Environmental Social and Governance (ESG) rating, putting us in the top 2% of our industry.

Risk mitigation

Our Better Future programme helps us take better account of social and environmental risks that are important to stakeholders and can impact our reputation or the operation of our business. Examples include internet safety and climate change adaptation. Internet safety is increasingly important to our stakeholders. In November 2013, we announced a new initiative in partnership with UNICEF – The Right Click: Internet Safety Matters – to help children stay safe online. Read more about our commitment and progress in this area in online safety and privacy.

We commissioned a UK Climate Impacts Programme (UKCIP) study to assess how the telecommunications sector is preparing for climate change. It identified that Openreach will need to be more flexible in how it operates because of increasingly variable weather affecting its services. It also highlighted that because some of Openreach's infrastructure has a long lifespan, it is important to consider how it will adapt its business to the changing climate. We are committed to providing reliable customer service now and in the future, and so we will use these findings to inform our long term planning. Find out more about how we are managing the environmental impacts of our business as part of our strategy to mitigate climate change in Net Good. Find out more about our efforts to improve service delivery on our Customer service page.

Future plans

Our purpose is to use the power of communications to make a better world. We will do this by:

- serving our customers better;
- connecting more people, safely and reliably;
- using innovative technology;
- delivering essential public services that help drive local, national and global economies;
- developing our people;
- being a positive force in society, supporting social mobility and helping the world live within its resources.

Creating value for our customers and society in these ways will, in turn, create value for our shareholders.

Governance

Clear leadership and accountability help us deliver our Better Future programme and achieve our goals.

Why it matters

Everyone at BT plays a part in making sure we continue to be a responsible and sustainable business. Our Better Future governance structure clarifies who is responsible for different aspects of the Better Future programme, including progress toward our 2020 goals.

Our approach

The Committee for Sustainable and Responsible Business (CSRB) is our Board level committee for setting the strategy and direction for the Better Future programme and reviewing progress against our three key themes. Our diverse membership brings a wide range of views to support our strategic priority to be a responsible and sustainable business leader.

CSRB committee members	Meetings	
	Eligible to attend	Attended
Sir Michael Rake (Chairman)	2	2
Clare Chapman ^a	2	1
Tony Chanmugam ^b	1	0
Niall Dunne ^a	2	2
Lord Michael Hastings ^{c, d}	1	1
Phil Hodgkinson	2	2
Baroness Margaret Jay ^c	2	2
Dame Ellen MacArthur ^c	2	1
Gavin Neath ^c	2	2
Gavin Patterson	2	2
Jasmine Whitbread	2	2

^a BT employee

^b Tony Chanmugam joined the committee on 10 December 2013

^c Independent member

^d Lord Michael Hastings retired from the committee on 10 November 2013

The members aim to inspire a culture of continuous improvement and innovation, and set policies which promote sustainable, transparent and responsible business practices. The CSRB annually approves BT's investment in the Better Future and associated sustainability programmes.

The CSRB is supported by the Sustainable Business Leadership Team (SBLT). The SBLT members are champions in BT for the programme, using their skills and influence to help embed Better Future across all aspects of our business. The SBLT met four times during the year, to translate the Better Future strategy into action and review our plans for 2014/15.

The Better Future programme team is responsible for developing and managing programme and related projects throughout BT, in partnership with business units and functions through our organisation. The team is also responsible for coordinating and communicating the programme, while the work towards achieving our 2020 goals is embedded across the business. Find out more about the structure and roles of the individuals and committees included within this governance structure on the Better Future website.

Progress in 2013/14

The CSRB approved an investment of 1% of adjusted profit before taxation, based on the 2012/13 group results. This investment is split between programmes the CSRB directly oversee in the Better Future programme and activities embedded in the lines of business.

In the last twelve months, the CSRB met twice and the discussions reflected its focus on the three Better Future goals and the supporting theme of employee volunteering.

Additionally, CSRB members joined the many contributors at the 50th event of the BT Young Scientist and Technology Exhibition (BTYSE) in Dublin in January 2014. This exhibition promotes science to school children across the island of Ireland. The BTYSE is organised and staffed by BT volunteers and is a great example of how our people make a positive impact in society.

We hosted a two-day Better Future Forum to specifically communicate with our online stakeholders in July 2013. CSRB members attended the forum sessions and contributed to the debates. Members also participated in online debates with stakeholders about Net Good methodology and goals through the Better Future Forum in July 2013.

All BT's senior leaders are learning about the Better Future programme as part of their personal development. By emphasising the importance of the programme's values and goals to those with greatest influence, it will continue to become part of our everyday culture. We have focused on raising awareness of the Better Future programme, resulting in the Lines of Business taking greater ownership of programme activities.

This means more people, at all levels across BT, are adopting the Better Future values, vision and goals within their area of work.

Connected Society

Connected Society is BT's programme to help deliver the benefits of being online to everyone, no matter who they are or where they live.

We aim to improve society through the power of digital connections. To achieve this, we have committed to providing access to fibre-based products and services to nine out of ten people in the UK by the end of 2020. We believe that no one should be excluded from technology because of cost, disability or lack of digital skills. Our customers can feel confident that we are keeping their access secure and their personal information private. Find out more about our 2020 goal on the Better Future website. To see an overview of our performance this year, please download our Connected Society performance update from our Better Future website.

Progress in 2013/14

- Provided access to fibre-based products and services to more than 19 million UK premises, giving around 44.2 million, or 6.6 out of 10 people access to high-speed internet.
- Through our regional Get IT Together projects, we have helped more than 10,800 people to participate in courses that have helped them to gain confidence and competence in using the internet.

- Launched a new cyber-security operations centre to monitor and respond to cyber threats and protect customer data, all day, every day.
- Connected 19 locations in Africa to broadband internet via satellite as part of our Connecting Africa programme, improving access to critical services for around 95,000 people and indirectly benefiting up to 570,000 people.
- Launched Click and Connect – a pioneering partnership with the Scottish Government to bring affordable Wi-Fi to 138 tenants living in a housing association in Glasgow.

Read more about our progress in Connected Society on the Broadband network, Access to products and services, Digital skills, Safety and privacy and Global projects pages.

For an overview of our performance across all Better Future programme areas, visit our Better Future key performance indicators page at www.bt.com/betterfuturereport

KPI	2013/14 Target	2013/14 result
In the UK, our goal is for nine out of ten people to have access to fibre-based products and services by 2020	5.8 out of 10 people will have access to fibre-based products	Achieved: Rolled out high-speed broadband to 6.6 out of 10 people in the UK.

Broadband network

We are investing billions to expand our fibre broadband network in the UK and provide access to fibre-based products and services to nine out of ten people by the end of 2020.

Why it matters

If people cannot access superfast broadband, they risk exclusion from the benefits of the internet and from the growing digital economy. Improving the reach and quality of the internet is important to our stakeholders, benefits society and is central to what we do.

Our approach

BT is investing billions of pounds to extend its network of fibre broadband cable in the UK. This will deliver more information, more quickly and more reliably to our customers. We are also exploring innovative technologies such as TV white space and 4G mobile spectrum, to offer broadband access while customers are on the move. To help bring broadband to unconnected communities, we support the UK Government's Broadband Delivery (BDUK) programme, which aims to increase broadband access in remote rural locations. To read more about our approach to expanding superfast broadband in the UK, visit our Better Future website.

Progress in 2013/14

By 31 March 2014, more than 19 million UK premises could access our fibre broadband network, over 4m more connections than in 2013, 21 months ahead of the original target date. This equates to roughly 6.6 out of 10 people in the UK, and means we are on track to achieve our 2020 Connected Society goal of providing more than nine out of ten people in the UK with access to fibre-based products and services.

We continued to support the BDUK programme which is increasing remote rural locations' broadband access and connecting people across the UK to broadband speeds of at least 2Mbps (megabits per second). We have won 44 competitive BDUK bids to deploy fibre-based broadband to areas and work is underway in all of them, including:

- Superfast Leicestershire, a £18.6m partnership with Leicestershire County Council to roll out high-speed fibre-based broadband to 96% of homes and businesses in Leicestershire by 31 March 2016.
- Oxfordshire and Worcestershire, as part of a £45m scheme to supply 119,000 premises with superfast broadband by 2015.
- Superfast Staffordshire, where a partnership between BT and Staffordshire County Council will lay more than 1m metres of fibre optic cable, and more than 500 new street-side cabinets, to bring fibre based broadband to 97% of homes and businesses by 2016. BT has invested £12.47m of the £27m total scheme investment.

More than 630,000 largely rural premises have been passed with fibre to date under the programme.

Future plans

We remain committed to expanding our super-fast broadband network as we progress towards our 2020 goal of providing access to fibre-based products and services to more than nine out of ten homes to fibre-based internet. For example, as part of our commercial roll out in Staffordshire, we will bring faster fibre-based broadband to more than 360,000 homes and businesses by the end of spring 2014, and around 472,000 premises by spring 2016.

BT's fibre footprint is set to grow considerably in the year ahead as it enables further areas with the assistance of the public sector. Our fibre investment will take many years to pay back. But it is the right thing to do for our customers and for BT – and it will drive significant economic benefits for the UK.

Access to our products and services

We offer specially designed products and services to help reduce the barriers that might stop people getting online.

Why it matters

In 2013, 87% of adults in the UK had used the internet. But around 6.7m adults have never been online. Many of them are older, unemployed or living with disabilities. We believe everyone should have the opportunity to benefit from the power of communications, and we continue to develop products and services to help them.

Our approach

We offer a range of products and services to help everyone benefit from access to the internet, as well as advice and services designed to help people to use technology, regardless of their age, background or ability.

Collaboration with external disability experts and other organisations helps us to better understand the issues our customers face, and improves our ability to respond. Find out more about our approach to making our services affordable and accessible on the Better Future website.

Progress in 2013/14

Low cost products and services

Around a third of the 6.7m adults in the UK who are not yet online live in social housing. BT is targeting these areas of digital and social exclusion and bringing cost effective internet access to those who need it.

This year we announced a pioneering partnership with the Scottish Government and Glasgow Housing Association that will help tenants in one of the association's block of flats to access affordable, high-speed Wi-Fi.

Accessibility

People with impairments and older people are among those least likely to use the internet, despite the potential for it to transform their lives. This year we continued

to work with the disability charity, Scope, as part of Connect to Control – a three-year research project exploring the ways disabled people can access technology more easily and lead independent lives as a result. We funded Enabling Technology, a report that highlights the challenges disabled people face in using technology and recommends ways to make technology more inclusive.

Low cost internet in Glasgow

Launched in October 2013, Click and Connect is linking 138 previously unconnected homes in Glasgow Housing Association blocks to Wi-Fi, for around £5 a month. Each resident has been provided with a tablet to access high-speed Wi-Fi points that are installed throughout the building, and link to BT's broadband network via a fibre cable. Helping tenants get online is life-changing – enabling them to find out about jobs, access training and career advice, and save money by shopping online.

The technology is also helping the housing association run more efficiently, for example by paying and processing tenants' bills online. This pilot project was the first of its kind at this scale in Scotland. Based on its success, we plan to extend this programme to other housing associations in the UK and help millions of tenants who are currently not connected.

To act on these recommendations, we have funded a 15-month project to develop prototypes of inclusive digital technologies. These included Pop-up Reader, a mobile phone accessory that allows a blind person to read a letter using their smartphone; and Tailored Touch, which uses touch sensitive pads to make a mouse on any surface, of any shape or size for people who find using a conventional mouse difficult.

To support older people to get online, in 2013/14 we joined the Age Action Alliance. This is a collaboration of more than 30 organisations that uses the internet to improve quality of life for older people by helping

them keep in touch with friends and family and access community support services. See the Digital skills page for more information on how we are helping older people learn how to use technology through our Get IT Together programme. For details of BT's products and services for people who need extra help communicating, visit our Including You website.

External engagement

In 2013/14, we continued to engage with public, private and not-for-profit organisations to raise awareness of digital inclusion. Our Customer Inclusion Leadership Panel provides independent advice from experts on disability and ageing, to help us better respond to the needs of all our customers. The panel, now in its fourth year, met three times in 2013/14 and discussed topics such as how to help customers manage unwanted calls and how best to support older and disabled people to live independently. The panel also suggested future focus areas for BT, including tackling social isolation and developing technologies that support independent living without compromising people's privacy. Visit the Better Future website for more information on our approach to privacy.

This year we participated in the Government Digital Services stakeholder advisory board, providing expertise to support the development of the UK Government's digital inclusion strategy, which was launched in April 2014.

Future plans

We will continue to invest in initiatives to help people with impairments, older and unemployed people and low-income households to get online. For example, we plan to provide tenants living in housing associations across the UK with access to our broadband network and low cost computers through Click and Connect.

We are continuing to invest in expanding our range of products and services so that we can make communication technology more accessible to more people.

Digital skills

We are providing people and charities UK-wide with the knowledge needed to get online, and spreading digital skills by encouraging others to do the same.

Why it matters

Just connecting homes to the internet does not guarantee that people can use it. There are many reasons why people in the UK do not use the internet, but lack of skills, knowledge, motivation and confidence remain major obstacles. Without the skills to use a computer or tablet, or to navigate the web, people cannot realise the benefits, and we cannot achieve our vision of a Connected Society.

Our approach

In partnership with the charity Citizens Online, we run Get IT Together regional programmes providing training courses to help beginners and more advanced users understand the benefits of being online.

We also aim to spread digital skills across the UK by encouraging internet-savvy young people to pass on their knowledge and advice to friends and family and become BT Digital Champions. Find out more about our approach to developing the UK's digital skills on our Better Future website.

Progress in 2013/14

Get IT Together programme

This year, we expanded our Get IT Together regional programme and reached more than 10,800 people by the end of the year, up from 4,500 last year. Many of the participants were over 55 years of age or unemployed – two groups of people that research shows can benefit most from being online.

We surveyed people taking part in 15 regions and found that 60% went on to share their skills and help others get online. Read more about Get IT Together and find a local programme to help you or someone you know get online on our Better Future website.

Sharing digital skills between generations

For younger generations, using technology and the internet is second nature. BT's Digital Champions programme encourages young people to share their knowledge with older generations, and become BT Digital Champions.

This year, working with children's charity The Transformation Trust, more than 8,800 students (BT Digital Champions) from across the UK helped more than 15,000 older people in their local communities get online for the first time. The Digital Champions also benefited. We surveyed students who had completed assignments and found that 78% felt more confident, 81% had learned something new, and 90% were more motivated to do better at school. To reward BT's Digital Champions for their work, they attended a music festival at Wembley Arena.

BT is also developing young people's digital skills to help them make the transition from education to work. For example, this year we supported the Heart of the City programme to pilot its School2Business initiative, which aims to develop free educational resources to equip students with the skills employers look for.

To find out how BT's programmes are helping young people develop their communication and life skills, visit our Learning and skills page on our Better Future website.

Technology4Good Awards

BT recognises other inspiring UK-based organisations that use technology to benefit their communities by sponsoring the Technology4Good Awards. In 2013/14, the BT Get IT Together Award went to an ethical IT company called Cosmic, a social enterprise which spends its profits on digital inclusion programmes in the community.

BT recognises Cosmic as 2013 Get IT Together award winner

In 2013, the BT-sponsored Technology4Good Awards, now in its third year, recognised social enterprise Cosmic for its efforts to help individuals and businesses benefit from the internet. Over the last 17 years, Cosmic has helped thousands of people through a number of community projects, including a skills-based digital mentoring scheme that is now being replicated nationally.

Future plans

BT has committed to support the implementation of the government's digital inclusion strategy which aims to reduce the number of people offline in the UK by 25% by 2016.

We will do this by achieving scale on our regional Get IT Together programme. We will also be supporting the Go ON UK regional roll out, beginning in Northern Ireland where Go ON NI aims to bring basic online skills to around 294,000 adults.

Following an evaluation of our Get IT Together programme, we are developing methodologies to assess the social impact of our digital skills programmes. This will help us begin to measure the social impact of a wider range of BT programmes and initiatives. We plan to share this methodology to support other organisations to tackle digital exclusion.

We intend to further develop our capabilities to measure the social impact of our products and services and utilise this insight to create new disruptive scalable commercial propositions which tackle social and digital exclusion in tandem. Our immediate focus will be on the UK and then we intend to extend this to our emerging markets globally.

Online safety and privacy

We want customers to feel secure while using our technology, and confident that we will respect and protect their personal information.

Why it matters

Hackers trying to access data and damage computer networks are increasingly sophisticated. As a large data handler we need to stay one step ahead of potential cyber-attacks and use state-of-the-art technology to protect our own, and our customers' data.

To remain the UK's number one broadband provider, we need to give customers the best possible online experience by helping them keep their devices free from viruses and spam, and making sure families can enjoy the internet without worrying about their children accessing inappropriate content.

As well as keeping data secure and helping keep the internet safe, we have a duty to respect our customers' privacy. In today's digital economy, everything we do involves personal data being stored somewhere. BT uses this data for its own legitimate business purposes and to develop products and services for our customers, and to help offer them a better, more personalised service. However we recognise our responsibility to make sure customers know how their personal data is being collected and used.

Our approach

Safety and security

We have security systems in place to keep our network and our customers' devices secure. As well as protecting our own customers' data, we use more than 70 years of experience to offer managed security services that help our enterprise customers protect their clients' data. Our free advice and security software helps consumers to keep their devices secure from viruses and their families' safe while online. We also collaborate with other companies and government bodies to better understand cyber threats and raise awareness of child internet safety. To find out more about our approach to internet security, visit our Better Future website.

Privacy

Transparency is at the heart of our approach to customer privacy. We are committed to being open and honest about how and why we collect and use our customers' personal information, and aim to build privacy features into our products from the outset. We also engage with employees, consumers, regulators and governments to understand different views on privacy and promote best practice throughout our business and the organisations we work with. Learn about our approach to privacy and read our privacy policy on our Better Future website.

Progress in 2013/14

We continued to strengthen our ability to manage increasing and changing cyber-threats. This year, we launched a cyber-security operations centre to monitor all internal networks and cyber related incidents round the clock. The centre helped launch BT Sport safely and securely in August 2013, and provides enhanced network and systems monitoring during high-profile UK Premiership matches. See Responsible content below for more on BT Sport.

We also help our enterprise customers protect their clients' data. In 2013, research we conducted into the changing nature of cyber-security for businesses globally found that UK companies are less prepared than US companies to deal with cyber-attacks. Just 37% of senior employees in the UK have received IT security training, compared with 86% of their US counterparts. We also found that hackers and malicious insider threats are both considered high risks to business over the next 12 months.

Raising data security standards

BT collaborated with other internet service providers and UK Government to develop a set of Guiding Principles on Cyber Security, which were published in December 2013. As voluntary signatories, we have committed to help our customers understand online threats, and to provide tools and advice on security software to help keep them safe while online.

Child safety online

BT takes online child protection very seriously. Since 2010, we have invested more than £5m in filtering tools and education to help children and young adults use the internet safely. This year, we launched a new filter, BT Parental Controls, which gives new customers the option to install network-based parental controls as standard. To help our Wi-Fi site partners stop pornographic and child abuse material being viewed on their premises, we have launched BT Wi-Fi Protect. This free filtering service is used by 50 of our Wi-Fi partners (representing 90% of our hotspot traffic) and all new partners receive this service as standard, unless they opt out.

Filters and software are important tools to protect children online, but parents also need to take responsibility for monitoring their children's internet use. In 2013/14, we launched The Right Click: Internet Safety Matters in partnership with UNICEF – a three-year programme that will provide practical advice about online child safety to up to 35,000 teachers, parents and children in the UK. See our feature for more details.

Making internet safety matter

In the UK, around 70% of parents of 12-15 year olds think their children know more about the internet than they do. BT and UNICEF UK's three-year partnership, The Right Click: Internet Safety Matters, aims to change that. By running workshops in 600 schools across the UK, we will provide face-to-face training to up to 35,000 teachers, parents and children to give them practical ideas to keep children safe online and help parents feel confident when speaking to their children about their online activities. Working in partnership with Sky, TalkTalk and Virgin Media, we have created Internet Matters – an organisation that promotes child online safety to parents. The supporting campaign emphasises the message 'Learn about it. Talk about it. Deal with it.' Find out more about the campaign on the Internet Matters website.

This year we increased our annual funding to the Internet Watch Foundation (IWF), a hotline for reporting criminal child abuse content, from £40,000 to £75,000. This will further support their efforts to identify and remove illegal content from the internet. To deter users from accessing child abuse material identified by IWF, we also launched a new 'splash page' that makes clear why access has been denied, warns users that viewing indecent images of children is a criminal offence, and provides the number of Stop it Now!, a confidential helpline for those with concerning or illegal internet use.

Responsible content

With the launch of BT Sport, we became a TV content provider as well as a communications service provider. This brings new responsibilities to ensure the programmes and adverts we show are appropriate for the time of day and target audience.

Privacy

We ensure our employees understand the importance of privacy and their role in protecting our customers' personal information. All of our 87,800 employees participate in mandatory privacy training, and we conduct awareness-raising workshops for employees across our operations who are directly involved in managing customers' data.

We recognise that there is always room for improvement and have implemented a consequence management system for violations of our privacy policies to help employees learn from their mistakes.

Future plans

We will focus on initiatives that raise awareness of internet security and child safety, and encourage customers to take care while online. For example,

- we have committed to provide £1.5m to the Internet Matters: Learn about it. Talk about it. Deal with it. marketing campaign over the next three years, as well as providing marketing expertise worth almost £8m.
- BT Wi-Fi Protect will be rolled out to BT's Wi-Fi network of more than 5m public wireless hotspots in 2014.
- As part of our partnership with UNICEF UK – The Right Click: Internet Safety Matters – we will provide funding to enable UNICEF to recruit 80 more schools into its Rights Respecting Schools programme.

By aligning with privacy best practice and working with internal and external stakeholders to engage in open dialogue on privacy, we will continue to balance the expectations of society with our legal obligations.

Global projects

We're spreading the power of communications around the world by helping communities in developing countries access information and services.

Why it matters

An instant internet connection is something many of us now take for granted. But in many parts of world, the basic infrastructure needed to connect people and communities to the internet does not exist. Although there has been a rapid increase in the use of the internet in developing countries, globally around 4.4bn people remain unconnected.

Internet access can revolutionise these people's lives and transform their community services. For example, health centres can share knowledge and operate more efficiently, and schoolchildren can explore a wealth of knowledge that supports their education and development.

Our approach

Last year we launched our flagship programme, Connecting Africa, that uses the skills and expertise of BT people and our technology to put in place the infrastructure needed to connect remote communities to the internet.

We are also working with charities to support smaller local initiatives that improve IT education worldwide, including in Benelux, Colombia, India, Indonesia and Ireland. To find out more about our approach to connecting communities around the world, visit our Better Future website.

Progress in 2013/14

Connecting Africa

Since the launch of Connecting Africa last year, we have worked with the charity SOS Children's Villages to provide internet connections via satellite to 19 remote locations in nine African countries, including the Democratic Republic of Congo and the Central African Republic.

To date, the project has improved access to critical services for around 95,000 people and we expect that up to 570,000 people living in the villages and surrounding areas could indirectly benefit. Read the feature and quote below, to find out more.

BT provides connectivity in war-torn Central African Republic

Violent conflict in the Central African Republic has left half the population in need of assistance such as food aid and medical treatment, and forced more than 1m people to flee their homes. In remote locations, such as the village of Bouar, insecurity and poor infrastructure make the delivery of life-saving humanitarian aid a major challenge. On 24 February 2014, we installed a satellite in Bouar and helped connect the village to the internet – a link that has been invaluable to the charity SOS Children's Villages as they continue to reunite lost children with their families and provide life-saving healthcare.

We are using the skills and expertise of BT people to support SOS Children's Villages. This year, our Client Delivery Director spent three months working with SOS Children's Villages in Africa, with the aim of assessing how ICT could help the charity's health centres operate more efficiently and made a series of recommendations. For example, by replacing manual, paper-based systems for managing patient records and drug stocks with an IT healthcare management system, the charity could improve efficiency and reduce costs. We are exploring the opportunities to implement some of these recommendations, making long-term improvements to healthcare provision in Africa. See below for more on how we are enhancing healthcare provision.

Sharing knowledge is critical to making Connecting Africa a success after our support ends. Our Client Delivery Director also set up a 'knowledge call' to provide SOS engineers with access to expert advice from BT engineers to help with the installation of the network infrastructure.

"The internet connection provided by BT enabled the interaction of SOS Canchungo with different SOS facilities in Guinea-Bissau and the world. Besides contributing in reducing the costs of travel and communication by telephone, currently our employees are constantly informed about events and issues that allude to our daily work. There is no longer that sense of geographical isolation because we can interact directly with all co-workers and donors involved in our cause."

Cecília Brandão Dos Santos

Director, Guinea-Bissau.

Enhancing healthcare provision

Communication links between remote communities and healthcare centres are critical to providing life-saving treatments. BT is working in partnership with global pharmaceutical, communications and technology companies to support One Million Community Health Workers – a campaign that aims to help prevent 2m child deaths each year by using communications technology to improve healthcare for the rural poor in sub-Saharan Africa.

Developing IT skills in India

In partnership with Katha, a not-for-profit organisation based in India, we founded the Katha Information Technology and E-Commerce School (KITES) in 2001. Since then, more than 19,000 children from Govindpuri, Delhi's poorest slum, have completed IT courses at KITES. 90% of these children have gone on to find jobs. In 2013/14, 1,450 children attended IT courses – more than half of whom were girls.

With BT's support Katha has also been able to start using technology to scale up its teacher training program – Katha is currently running a pilot to introduce basic computer training and eLearning to 750 teachers across 75 government schools. As well as creating an online resource for teachers including eBooks and eTLM.



On 8 November 2013, HRH The Prince of Wales, accompanied by The Duchess of Cornwall, visited the Katha IT and E-Commerce School.

“His Royal Highness was able to see first-hand the positive impact that UK corporates such as BT can have when working in partnership with charities like Katha and The British Asian Trust.”

Hitan Mehta

Executive Director, The British Asian Trust

Future plans

Following the success of our projects in 19 locations, we are working with SOS Children’s Villages to identify other regions in Africa that could benefit from our expertise. We are also planning to implement healthcare technology in the charity’s health centres to help them operate more efficiently.

Net Good

Our vision is to use our products and people to help society live within the constraints of the planet's resources. Our 2020 3:1 goal is to help customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business.

To see an overview of our performance this year, please download our Net Good performance update from our Better Future website.

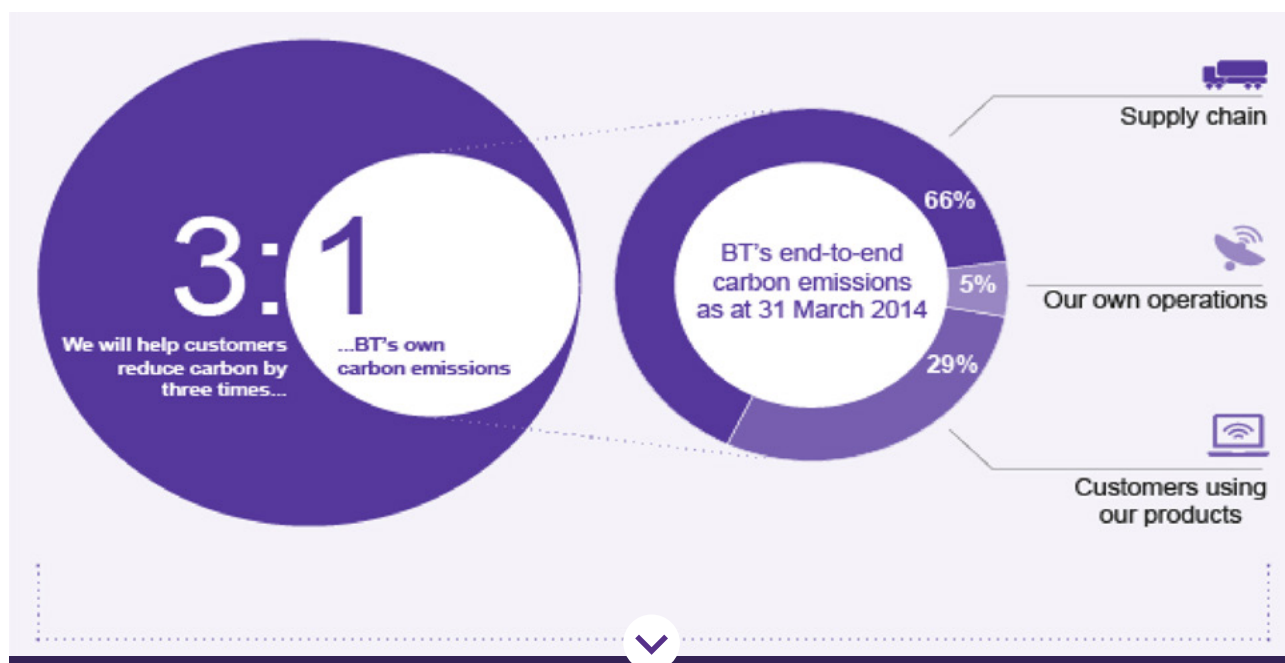
From smart systems that manage resources across entire cities to video conferencing that helps avoid air travel, communications technology can help society make better use of the planet's resources. Our market-facing units work with our customers to identify their needs and specify products and services to meet them. These products and services are designed and delivered by our operations, product and procurement teams working with our suppliers.

We aim to lead by example by managing and reducing our own impacts (through our environmental management system) and through procurement working with our suppliers to reduce their impacts.

Our environmental management systems are certified to the international standard ISO-14001 in Belgium, Colombia, Germany, Ireland, Italy, the Netherlands, Spain, France and the UK.

Our 3:1 goal compares the carbon abatement effect of BT's products and services against our end-to-end carbon impact, including Greenhouse Gas Protocol scope 1, 2 and 3 emissions. Further information on our Net Good methodology can be found on our Better Future website.

Our supply chain accounts for 66% of the end-to-end carbon impact of our business. Our products and services in use by our customers account for 29% and our own operations 5%.



How we will achieve these goals

1

Use conferencing, flexible working and less resource-intensive products to help customers cut carbon

2

Continue to reduce our end-to-end carbon emissions

Progress in 2013/14

This year, we have made good progress in reducing the carbon emissions and other environmental impacts across our customers, suppliers, products and operations:

- this year the BT products and services, for which we have calculated a carbon abatement benefit for our customers, generated revenues of £3.1bn globally;
- this year we helped our customers avoid emissions amounting to 1.3 times the end-to-end carbon impact of our business (1.3:1). This was an improvement on last year, but we still have some way to go to achieve our 2020 goal of 3:1;
- we worked with the Carbon Trust to develop and confirm their endorsement of our 3:1 methodology

and with Small World Consulting and CDP to assess and report carbon emissions in our supply chain;

- we have quantified 15 ways our products and services help our customers to avoid carbon emissions. These delivered abatement of 6.4 Mt CO₂e;
- the end-to-end carbon impact of our business was 4.8 Mt CO₂e;
- we have assessed emissions from every tier of our supply chain using environmentally extended input-output analysis (EEIO). This technique estimates the direct and supply chain emissions for different industries by combining macroeconomic data on output and trade with emissions data. The emissions due to our supply chain in the year were 2.8 Mt CO₂e;

- we reduced operational carbon emissions from our global business by 25.5%;
- our overall energy usage decreased by 2.8% compared with last year;
- all our UK electricity now comes from renewable sources, and 78% of employees are involved in energy saving initiatives;
- the carbon emissions associated with equipment on customers' premises has been assessed at 1.4 Mt CO₂e;
- we are increasing product sustainability by rolling out our Designing Our Tomorrow checklist in product development processes across BT, and to suppliers through the Better Future Supplier Forum;
- waste to landfill reduced by 57% compared with our 30% target for the year;
- water use in the UK decreased for the twelfth consecutive year in 2013/14, to 1,276m cubic metres from 1,308m cubic metres.

We have worked with a consortium including WWF-UK, Forum for the Future, The Climate Group and leading UK and multinational companies to launch the Net Positive Movement. This is a diverse group working together to promote the Net Positive approach and encourage other businesses to do more than simply reduce harm to the environment.

We also continued to work with external policy groups including the CBI Energy & Climate Change Board, the Aldersgate Group and the Climate Leaders Group to provide a pro-business and pro-environment voice on climate change and sustainability policy.

Over the past year we called on the UK government to agree the Fourth Carbon Budget as soon as possible, and on the EU to put in place a strong carbon reduction target for 2030. We have joined a large coalition of organisations aiming to limit carbon emitted to the atmosphere to a trillion tonnes and global warming to 2 degrees Celsius.

Read more about our progress relating to customers, suppliers, products and operations.

For an overview of our performance across all Better Future programme areas, visit our Better Future key performance indicators page at www.bt.com/betterfuturereport

For a full set of environmental data, visit our data centre, part of our online resources in our Better Future report.

For the latest information on Net Good programme and our methodologies, visit our Better Future website – www.bt.com/betterfuture

KPI	Target	2013/14 result
Net Good	By 2020, we will help customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business	Ongoing: At the end of 2013/14, we had helped customers reduce carbon emissions by 1.3 times our end-to-end carbon impact
Climate Stabilisation Intensity	By December 2020, we will reduce our CO ₂ e emission intensity by 80% against 1996/97 levels	Ongoing: We have achieved a 79% reduction from our 1996/97 base year. This includes the purchase of renewable and low-carbon energy
Absolute carbon reduction	We will maintain our UK emissions at 80% below our 1996/97 baseline.	Ongoing: Total UK emissions remained 82% below our 1996/97 baseline. This includes the purchase of renewable and low-carbon energy

Customers

BT's technology is helping customers to make better use of the planet's resources.

Why it matters

Communications technology has a vital role to play in reducing our demand for resources and cutting carbon emissions. By 2020, our goal is to help customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business.

This is not only necessary for society to live within the planet's resources, but also opens up new markets and business opportunities for BT. By offering more products and services that help our customers cut carbon emissions and resource use, we can help customers to achieve their own environmental goals and grow our revenues.

Our approach

Customers can cut their carbon emissions by using communications technology to live and work in smarter, more efficient ways. From systems that manage energy use in buildings to video conferencing that helps avoid air travel, our products and services are helping customers to do just that. Read more about our Net Good methodology and our approach to helping customers avoid carbon emissions on our Better Future website.

Progress in 2013/14

This year, we calculated the projected carbon emissions savings of residential customers using superfast broadband to reduce travel and replace physical products with virtual alternatives. Our Net Good methodology already estimates the carbon emissions saved by the use of standard broadband, and new calculations show that the additional savings incurred as we roll out superfast broadband will be substantial. We have updated our Net Good methodology to reflect these savings in future years.

This year we helped our customers avoid carbon by 1.3 times (6.4 Mt CO₂e) the end-to-end carbon impact of our business (4.8 Mt CO₂e). We have identified 15 ways in which our products and services help our customers to

avoid carbon emissions, and which count towards our Net Good 3:1 goal.

Our customer centre at Adastral Park in the UK, showcases BT's products and services and highlights our innovation credentials. In September 2013, we introduced a dedicated Better Future section, which demonstrates how our technology can be a force for Net Good and includes content and demonstrations highlighting our Better Future vision and goals. The customer centre hosts more than 150 major events each year, often at senior executive level. Bids won by BT, supported by these events, value more than £700m annually.

We are also involved in research and pilot projects that aim to realise technology's full potential for carbon abatement. These include:

- the Milton Keynes SMART project which will aim to gather and analyse real-time information from across Milton Keynes to cut the city's water use by 20% and traffic congestion by half. This project is a strong example of how communications technology can reduce pressure on resources;
- providing an online hub of real-time transport data collected from sensors, to help create a smart transport and logistics sector in the East of England.

Future plans

In 2014/15 and beyond, we hope to turn the research and pilot projects we are involved in into commercial propositions that will help customers further reduce their emissions. From making cities smarter and more sustainable to making precious resources easier to track and trace, the potential for innovation is huge.

Suppliers

As a global business, we aim to use our sizeable spending power and influence to shape a more resource-efficient, low-carbon supply chain.

Why it matters

We do not manufacture the majority of our own products, but source the equipment and services we use ourselves and provide to our customers from a large network of suppliers. The companies we buy from use large amounts of natural resources and energy to provide us with what we need. They produce 66% of the end-to-end carbon emissions for which our business is responsible, compared with 5% from BT's own operations.

Our approach

We set clear environmental standards for our suppliers, and assess their compliance using questionnaires on environmental impact, climate change and product stewardship. Through our Better Future Supplier Forum, we share ideas and encourage innovation among the companies that sell to us, to help them reduce their use

of resources and design more sustainable products for us to sell to our customers. Read more about our approach to helping suppliers to reduce their environmental impacts and design more sustainable products on our Better Future website. There's more information about becoming a BT supplier on the Selling2BT website.

Progress in 2013/14

Our targets for 2013/14 were:

- for 90% of contracts we place to have considered energy consumption and/or environmental impacts in the bidding process. We achieved 96%, compared with 88% in the previous year;
- to include our climate change standard in 90% of applicable new; contracts. We achieved 98%, compared with 87% the previous year;
- to survey suppliers to determine the percentage agreeing that: 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'. Our survey went to 1,170 suppliers and of the 116 that responded, 85% agreed with the statement.

Breakdown of upstream (supply chain) Scope 3 emissions (kilotonnes CO₂e)

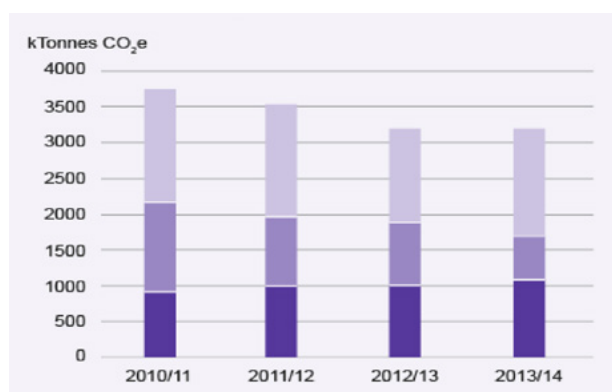
Year	Other supply chain emissions (materials, cable, fuels & services)	Other telco & interconnect	Embodied emissions of ICT equipment
2010/11	1,574	1,249	911
2011/12	1,569	970	989
2012/13	1,410	781	996
2013/14	1,478	606	1,087

Source: EEIO model

This year, our supply chain emissions broke down as shown in the chart below:

Breakdown of upstream (supply chain) Scope 3 emissions (kilotonnes CO₂e)

Year ended 31 March 2014



Source: EEIO Model

- Other supply chain emissions (materials, cable, fuels and services)
- Other telco and interconnect
- Embodied emissions of ICT equipment

Understanding our supply chain emissions

We estimate our supply chain emissions by using environmentally extended input-output analysis (EEIO). This technique combines macro-economic data on the output of industries and the trade between them with data on the total emissions arising directly from each industry to make estimates of the direct and supply chain emissions attributable per unit of output of each industry. This approach has allowed carbon intensity estimates to be attributed to each of our purchase categories.

This year, we updated our analysis using the latest available figures from the UK Office of National Statistics. The analysis has also been enhanced by mapping these onto our current framework of 'purchase categories' rather than the more 'top level' categorisation used in previous years. In addition, we enhanced our approach by using a process-based method for the assessment of emissions arising from waste disposal rather than relying on EEIO for this category. We provide more details of this methodology on the Better Future website.

We encourage key suppliers to disclose their greenhouse gas emissions by participating in the CDP. This year, 54% of invited suppliers did so, similar to 55% in the previous year. Their average disclosure score was 70, significantly higher than the global supplier average of 49.

In addition:

- 86% reported Scope 1 and Scope 2 emissions and climate change related risks;
- 92% have integrated climate change into their business strategy;
- 76% have set emissions reduction targets;
- 88% reported emissions reductions initiatives.

Our efforts to disclose and reduce emissions in our supply chain earned BT a place in the first CDP Supplier Climate Performance Leadership Index, in addition to the 2013 Climate Performance Leadership Index.

"BT's efforts to reduce carbon emissions and actions to mitigate impacts of climate change have been publicly recognised in CDP's 2013 Climate Performance Leadership Index. I would like to congratulate BT for being a leader in the telecoms sector and leveraging their position in the market to inspire multiple stakeholder groups and effect tangible positive change."

Paul Dickinson

Executive Chairman, CDP.

Better Future Supplier Forum

Three suppliers participating in the Better Future Supplier Forum, Huawei (network products), Sagemcom (BT Home Hub) and SGW Global (handsets), saved a combined 250,000 tonnes of CO₂e across their whole operations this year, not just their work for BT. Carbon-cutting initiatives included reducing packaging and energy consumption in products such as our Home Hub wireless routers, and significant material reductions in printed circuit boards used in phone bases and handsets.

As part of the Better Future Supplier Forum, we also run Game Changing Challenge sessions for suppliers. During these challenges, eligible suppliers submit a sustainability concept, which senior leaders from BT evaluate to select a winner.

This year, the Better Future Supplier Forum was shortlisted for the Procurement Leaders Award in two categories, and for the Guardian Sustainable Business Awards. We won the Guardian Sustainable Business supply chain award, which recognised BT for our supply chain category innovation and for initiatives that embed a respect for human, economic and environmental rights across a business or product's supply chain. Read more about the achievements of these and other BT suppliers' initiatives on the Better Future Supplier Forum website.

Future plans

We have several plans in place to increase the scale and reach of the Better Future Supplier Forum in 2014/15. These include:

- developing a 'carbon bank' to capture the savings from sustainability initiatives throughout the BT supply chain;
- scaling up our supplier assessment and development processes across key suppliers;
- welcoming additional suppliers to the Better Future Supplier Forum;
- Continue running Game Changing Challenge sessions for suppliers.

Products

Our Net Good goal is spurring innovation as BT sets out to design the low-energy, low-carbon, resource-efficient products of tomorrow.

Why it matters

Our products use resources throughout their lives – from the materials they are made from to the energy they consume when plugged in. In fact, 29% of the end-to-end carbon emissions our business generates come from customers using our products and services. Because resources are limited, we need to work towards a circular economy, where old products are stripped down and turned into new ones, without any waste.

Our approach

We continually try to reduce our environmental impacts through good product stewardship. This includes using fewer materials and resources to make products in the first place, and designing them to use less power and be recyclable when no longer needed.

We have worked with the University of Cambridge Engineering Design Centre to develop a Designing our Tomorrow (DOT) framework – a guide for building sustainable design principles into products, services and processes. Read more about product stewardship on our Better Future website.

Progress in 2013/14

To help our product managers spot potential sustainability improvements and to provide guidance in applying the DOT framework, in early 2014 we developed and launched an online DOT Checklist.

This checklist supports our aim to reduce the carbon emissions (CO₂e) of both our business and our customers. It has been developed to help educate product and services designers about minimising environmental impacts at each stage of a product's life cycle, and to help them explore ways to do so. We are introducing the DOT framework to suppliers via workshops as part of the Better Future Supplier Forum – see our Suppliers page for more details.

There were several examples of product improvements to increase sustainability this year. For example, we have reduced the power consumption of our Home Hub 5 wireless router by 30% compared with the previous version. This has been achieved by building in superfast broadband capability and removing the need for a separate modem, giving an estimated CO₂e saving of 13,000 tonnes a year.

We have also enabled our Home Hub 4 to download set-up information over our network, so we no longer need to provide a set-up CD. This eliminates the use of polycarbonate, aluminium and other materials to make the CDs, and reduces waste to landfill as this combination of materials isn't easily recycled. The instructions are now printed on our Home Hub packaging instead of a separate leaflet, and these combined measures have saved an estimated 147 tonnes of CO₂e a year.

We redesigned the packaging for our Home Hub 4 and 5 models so that they fit through most letterboxes. This means it can be delivered even if the customer is not in, saving 37 tonnes of CO₂e a year from transporting it back to the postal depot and redelivering it later. Read about these and other case studies on the DOT Checklist website.

We continue to advocate for better legislation related to product stewardship issues through industry bodies such as Tech UK (formally Intellect) and the Industry Council for Electronic Equipment Recycling (ICER). For example, in 2013/14, we were involved in developing proposals for implementing the Waste Electrical and Electronic Equipment Regulations 2013, which came into force in the UK on 1 January 2014.

We also contributed to the development of the Greenhouse Gas (GHG) Protocol ICT Sector Guidance which will be published in summer 2014 and will help companies to assess the life-cycle carbon impact of ICT services.

Future plans

We will continue to integrate the DOT Checklist into product development processes throughout BT.

Operations

If we expect our customers, suppliers and partners to work with us to achieve our Net Good vision, we need to lead by example.

BT operates from around 7,150 buildings in the UK and another 1,740 internationally, including offices, call centres, exchanges, data centres, engineering depots and motor transport workshops. We also run one of the largest vehicle fleets in the UK, with around 26,000 engineering vehicles.

Together, these operations account for 5% of the end-to-end carbon emissions our business is responsible for, use large amounts of energy and create considerable waste. Find out more on the Carbon emissions, Energy and Waste and recycling pages.

Our environmental policy sets out our commitment in this area. Our environmental management systems help us to comply with environmental legislation and to continually improve our performance in these areas. We are certified to the international standard ISO 14001 in Belgium, Colombia, Germany, Ireland, Italy, the Netherlands, Spain, France and the UK. Where we do have impacts such as in water use and fuel storage, we are continuing to manage and improve our performance.

Carbon emissions from our operations

This year we cut our carbon dioxide equivalent (CO₂e) emissions from our worldwide operations by 25.5% compared with the previous year.

Why it matters

Extreme weather caused by a changing climate poses a significant risk to our operations and communications infrastructure, and can seriously affect customer service. Carbon emissions from our operations represent 5% of BT's end-to-end carbon emissions impact. Operational emissions result from energy and fuel use in our offices, data centres, networks and vehicles – we run one of the largest commercial fleets in Europe. We report our greenhouse gas (GHG) emission sources, in accordance with the new UK regulations.

Our approach

We are reducing carbon emissions from our operations by:

- finding new ways to use less energy in our offices, data centres, networks and equipment;
- using electricity from renewable sources;
- aiming to cut business travel and reduce fuel use in our fleet through driver training, product innovation and long-term partnerships with vehicle suppliers.

Find out more about our approach in each of these areas within our Better Future website and read more detail about our progress on the Energy page.

Progress in 2013/14

We have made good progress toward our target of reducing global CO₂e net emissions per £m of value added by 80% from 1996/97 levels, by December 2020. This year we have achieved a 79% reduction from our 1996/97 base year. This intensity measure demonstrates the decoupling of our climate impact from business growth.

CSI – Climate Stabilisation Intensity = net emissions (scopes 1, 2 and partial scope 3) per unit of Value Added (EBITDA + Employee costs).

GHG emissions:

Scope 1 (Direct emissions) = combustion of fuel and operation of facilities

Scope 2 (Indirect emissions) = electricity purchased for own use

Scope 3 (Indirect emissions) = other indirect emissions

Gross = Total scopes 1, 2 and partial scope 3 (excludes 3rd party consumption)

Net = Gross less the purchase of low and zero carbon electricity (excludes 3rd party consumption).

Total worldwide CO₂ equivalent emissions

Year ended 31 March 2014



● Net emissions Kt (Excludes 3rd party consumption)

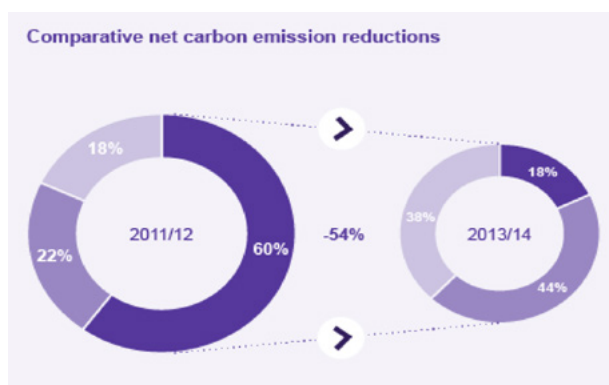
● CSI Tonnes per £m value added

Total worldwide CO₂ equivalent emissions

Year	Net emissions kilotonnes (kt) (Excludes 3rd party consumption)	CSI Tonnes per £m value added
2010	873	82
2011	866	80
2012	847	77
2013	522	48
2014	389	36

Our total operational CO₂e net emissions reduced from 522 kilotonnes (kt) to 389kt this year and represents a 25.5% decrease since the previous year. This is due to our first full year of sourcing 100% renewable electricity in the UK, representing 72.1% of our total gross operational emissions. As a consequence, since 2011/12 our emissions landscape has changed significantly, with travel and fleet now representing 44% of our net operational emissions.

Comparative net carbon emission reductions



- Scope 1 & 3 (travel and fleet only)
- Scope 1 & 3 (other)
- Scope 2 (electricity)

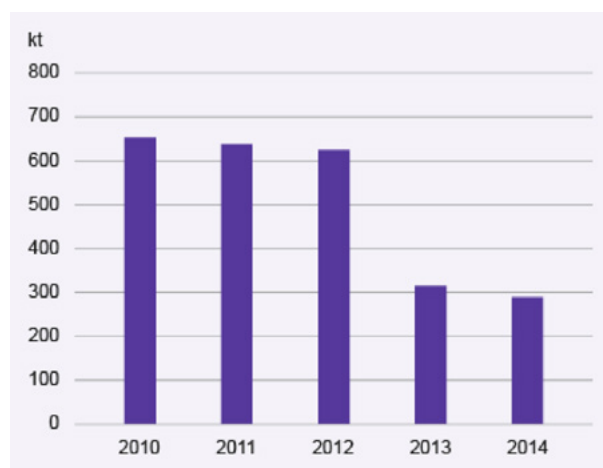
Total UK net emissions remained 82% below our 1996/97 baseline and we met our target to maintain an 80% reduction.

CO₂ equivalent emissions – UK performance (net emissions)

Year	UK performance (net emissions) – kilotonnes
2010	726
2011	718
2012	705
2013	393
2014	290

CO₂ equivalent emissions – UK performance (net emissions)

Year ended 31 March 2014



Source: BT carbon model

Note: updated in line with latest DEFRA conversion factors

Visit the data centre to download a breakdown of our global operational carbon emissions by source. See our About our report for more information on the scope of our reporting.

Scope 1: Combustion of fuel & operation of facilities

Scope 1 CO₂e emissions reduced by 12kt (6%), despite greater distances travelled by our commercial fleet to maintain service levels and install fibre broadband. BT Fleet operates around 26,000 commercial vehicles and around 5,200 company cars in the UK. Our commercial fleet drives around 440m km and generates almost 100kt of CO₂e each year.

Our investment in reprogramming the engines of our Openreach fleet is paying dividends. It will reduce our fleet's CO₂e emissions by 25% as well as cutting fuel costs. Openreach engineer Hadleigh Rolph became our inaugural Better Future driver of the year in 2013/14. He beat off competition from more than 54 other entrants, 16 of whom made it to the final. We plan to repeat the competition in 2014/15, and to attract 500 of our drivers to participate.

Higher UK summer temperatures led to increased air conditioning maintenance and an increase in refrigerant replacement of 2kt (53%) compared with 2012/13.

Scope 2: Electricity purchased for own use

The first full year of sourcing 100% of electricity from renewable sources in the UK led to a 119kt (63%) reduction in scope 2 CO₂e net emissions. We receive an electricity carbon label to certify that every unit of electricity supplied to us is A-rated, as shown below, which means it is replaced by renewable energy fed back into the grid.




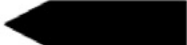

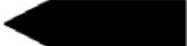

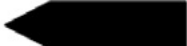







Using this labelling system to make the carbon content of electricity transparent will stimulate demand for more A-rated electricity and encourage investment in renewable energy, driving down carbon emissions. BT advocates the label's more widespread use through our position on the steering board of the Aldersgate Group of green leaders. The following label covers the period 1 April to 30 September 2013. To find out more about the full label and subsequent updates, please visit Our carbon emissions page within our Better Future website.

Outside the UK, we have renewable electricity contracts in countries including Belgium, Italy, Germany, the Netherlands and Spain.

In February 2014 we installed photovoltaic solar panels at our Adastral Park campus in Suffolk, after BT people voted this the top-rated carbon-saving idea in an employee suggestion scheme. The array is expected to generate 700 MWh of electricity over its lifetime, potentially avoiding 370 tonnes of CO₂e emissions. Employees can monitor the energy generated and carbon saved from this on our intranet. Find out more on the Energy page.

Scope 3: Other indirect emissions

In 2013/14, global CO₂e emissions from business travel continued on an annual decreasing trend, reducing by 1.3kt (2.4%) compared to last year. We have a comprehensive corporate travel policy and guidance, where we continue to encourage the use of our web, video, and audio conferencing services to avoid business travel wherever appropriate. However, car travel has increased. We clearly need to do more to encourage our employees and suppliers to assess whether they need to travel or use one of the other conferencing alternatives available.

Electricity Source Label		CO ₂ /kWh	% matched consumption	tCO ₂ e
	Renewable	0g		
	Low carbon / CCS	<200g		
	Gas CHP	<300g		
	CCGT Gas	<400g		
	UK Average / Gas	<600g		
	Good Coal / Oil	<800g		
	Coal	>800g		
Total Electricity CO ₂		0g		0

External recognition

BT has achieved Carbon Trust Standard Certification for the third time, for reducing operational carbon emissions in the UK between 1 April 2011 and 31 March 2013.



The Carbon Trust rated our effectiveness at responding to climate change through governance, carbon accounting, and carbon management at 91%.



CDP Global 500 Climate Performance Leadership Index CDP FTE 350 Climate Performance Leadership Index CDP Supplier Climate Performance Leadership Index



CDP FTSE 350 Climate Disclosure Leadership Index

The CDP Global 500 Climate Change Report 2013 shows that BT has achieved the lowest scope 1 and 2 emissions per unit of revenue of the 10 largest telecommunication companies globally. BT also came second in the consultancy Carbon Clear's annual assessment of carbon reporting among FTSE100 companies.

We were delighted to win several motor industry awards in 2013/14, including the Energy Saving Trust's 2013 Fleet Heroes Leadership Award and the 2014 Fleet News awards Green Fleet of the Year.

Future plans

We will continue to encourage policy-makers to create clearer incentives for companies to purchase renewable energy and stimulate demand.

A 'Dragons Den' initiative will incentivise employees to submit additional technical cost-saving suggestions for commercial vehicles.

Energy use in our operations

We have reduced the energy needed to run our business for five consecutive years.

Why it matters

We are one of the top energy users in the UK, and have a big responsibility to keep reducing our consumption. Minimising the energy we use to run our network, data centres and buildings will help us to cut carbon and protect our business from energy price rises.

Our approach

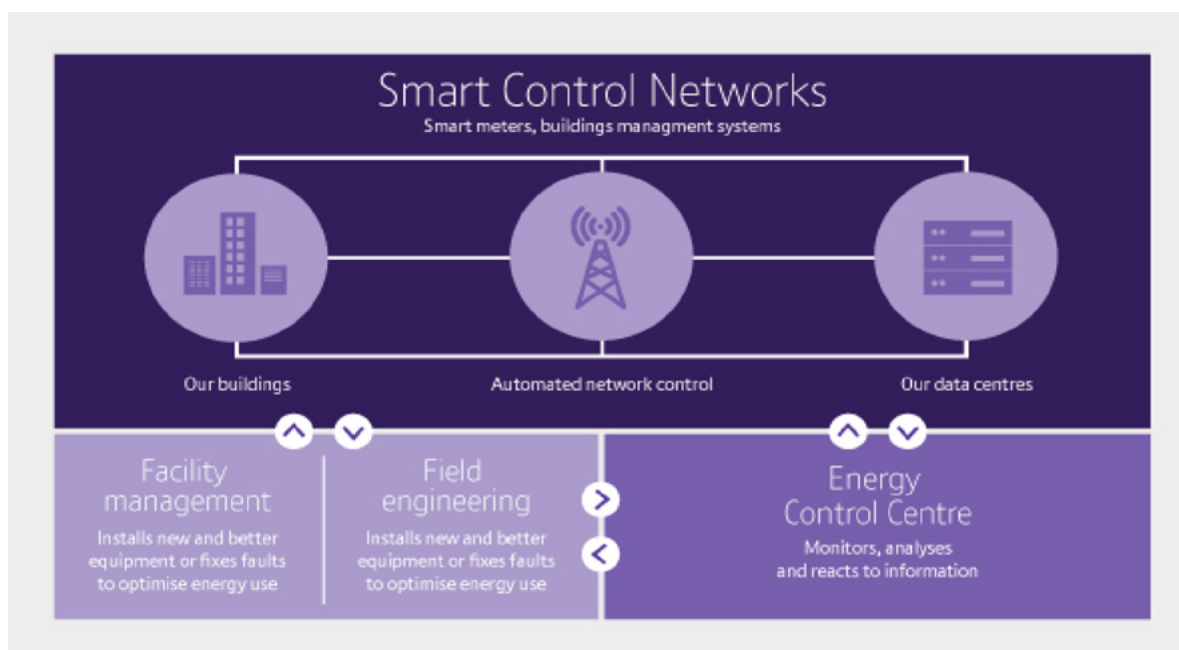
As well as working with partners to generate renewable electricity supplies, we are reducing our demand for energy by rolling out a smart energy management network that monitors and controls our usage. We are also retiring or replacing old equipment in our data centres, networks and buildings with newer, more efficient alternatives. Our cutting-edge TRIAD energy management programme uses more than 1,400 generators to take our buildings off the grid at peak demand times, when energy providers charge big companies more for their power. Find out more about our smart energy management networks and our employee engagement programmes on our Better Future website.

Progress in 2013/14

This year, we focused on saving energy in three areas:

1. Intelligent Exchange

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. This high level of control over our energy usage led to annualised savings of nearly £5m.



2. Upgrading our estate

By upgrading cooling systems, boilers, lighting and variable speed drives, we achieved annualised savings of £3m.

3. Improving the infrastructure in our networks and data centres

By retiring obsolete parts of our network and installing newer, more efficient servers, we achieved annualised savings of nearly £18m.

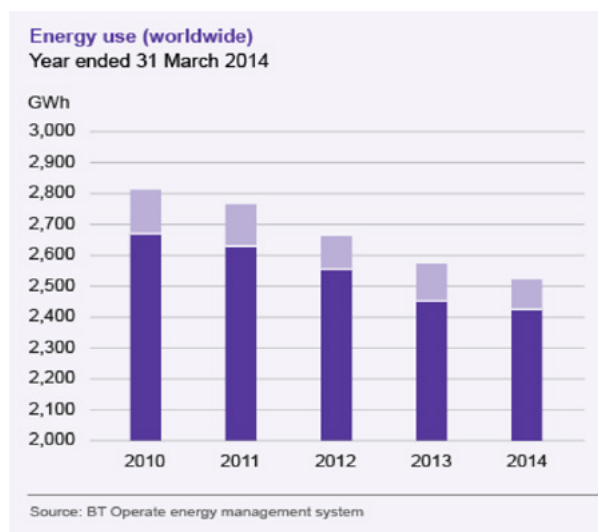
As a result, our global energy use fell for the fifth consecutive year, from 2,600 GWh in 2012/13 to 2,527 GWh in 2013/14, a 2.8% reduction. Consequently, we achieved our target of reducing worldwide energy use, faster than the growth in energy required for network expansion.

Energy use (worldwide)

Year	Gas and Oil (GWh)	Electricity (GWh)
2010	139.7	2,646
2011	120.6	2,641
2012	98.6	2,581
2013	111.5	2,488
2014	96.3	2,430

Energy use (worldwide)

Year ended 31 March 2014



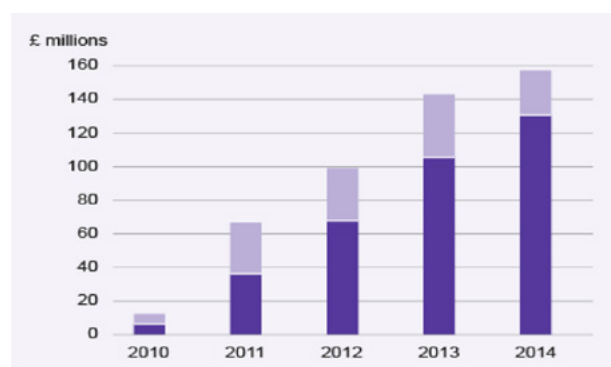
Source: BT Operate energy management system

- Electricity/Oil
- Gas

Energy figures restated for previous years see About our report for details. This has saved the business more than £131m in annualised energy costs over our five years of energy programmes.

Cumulative energy savings

Year ended 31 March 2014



Source: BT TSO finance

- Cumulative
- Additional in year

Cumulative energy savings

Year	Additional in year (£millions)	Cumulative (£millions)
2010	6.01	6.01
2011	30.40	36.41
2012	31.51	67.92
2013	37.83	105.74
2014	25.98	131.74

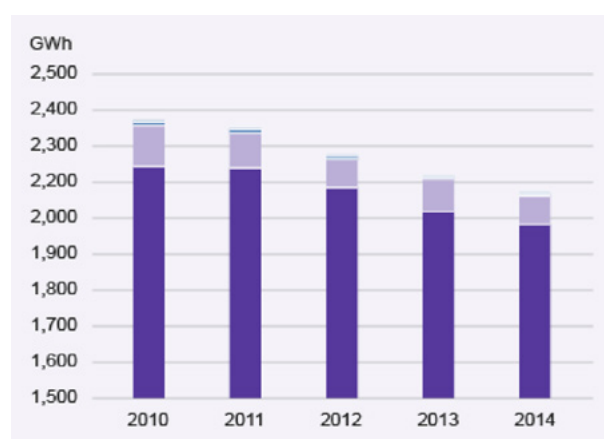
Operations in the UK accounted for 84% of our global energy use in 2013/14, with all UK purchased electricity supplied from renewable sources. Our global operations continue to reduce their usage to cut costs, with the UK this year achieving a 2.5% reduction to 2,135 GWh, from 2,189 GWh in 2013/14.

Energy consumption (UK)

Year	Electricity (GWh)	Gas (GWh)	Heating Oil (GWh)	Electricity generated by BT (GWh)
2010	2,216	125	14	3
2011	2,212	108	12	3
2012	2,150	89	9	5
2013	2,075	104	6	3
2014	2,036	88	6	4

Energy consumption (UK)

Year ended 31 March 2014

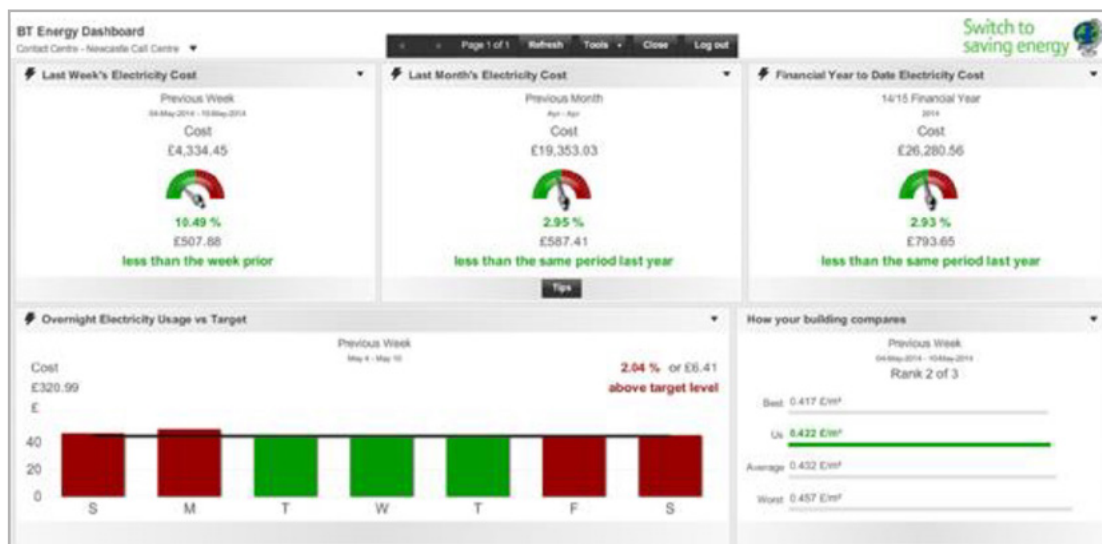


Source: BT Energy management system Figures exclude BT tenants Heating energy converted to electricity equivalent for comparison

- Electricity
- Gas
- Heating oil
- Electricity generated by BT

Involving employees

We have made excellent progress toward our goal of getting 85% of our people involved in energy-saving initiatives by the end of 2020. By the end of March 2013, 78% were already playing their part and we had more than 10,000 energy champions. This is the result of several concerted campaigns to raise awareness of the need to reduce energy use and the programmes we have in place to do so.



In particular, our energy dashboard (see image) means anyone in BT can compare the energy use in their building on a weekly, monthly or annual basis to check whether performance is improving.

Each month, we select an Energy Star – an employee nominated by colleagues for making an extra effort to save power at work. This year, employees were recognised for their passion in encouraging colleagues to save energy, for installing lower-energy lighting systems, and for identifying unused equipment that could be switched off. One employee in Spain spotted 373 items of network equipment to shut down, generating savings of more than £1,300 a month.

In addition, we held energy-saving events and an employee suggestions competition. The latter generated more than 100 energy-saving ideas, which we then put to a company-wide vote. The top-rated suggestion was to install solar panels at our Adastral Park research and development headquarters, work which is now underway. Read more on the Carbon emissions page.

Our Accredited Learning Pathway in Energy is ensuring we have the right level of energy expertise within the business. It has three levels – bronze for all of BT, silver for employees working in energy management, and gold for senior energy management staff. We have also introduced computer-based training for reducing energy consumption at work and at home, which more than 2,700 employees have taken. This training will be available as a service for our customers in early 2014/15.

Future plans

In 2014/15, we will continue to extend our smart energy management network to smaller sites, and to replace refrigerated cooling systems with more energy efficient fresh air and evaporative cooling units. Find out more on the Other impacts page. We will also focus on shifting our energy use away from peak times to help ease pressure on national supplies.

Waste and recycling

Reducing resource use is a major part of our Net Good vision, along with waste management and recycling, these are key priorities for BT.

Why it matters

Creating waste signals inefficiency and is a misuse of precious natural resources. It is also costly to dispose of.

Our approach

We are reducing waste by sending less to landfill and encouraging recycling across our operations. Ultimately, we believe in the idea of a 'circular economy', where materials are reused and nothing is wasted. Our business produces many different types of waste, ranging from paper to cable and network equipment. We handle these types of waste in different ways using a series of specialist contractors.

Some of our waste, such as fluorescent light tubes, batteries and oil, is classed as hazardous. Again, specialist contractors make sure this waste is disposed of responsibly and in keeping with legal requirements. Around 2,400 of our sites (mostly telephone exchanges) are likely to produce more than 500kg of hazardous waste annually, so are registered with the appropriate UK environment authority as hazardous waste producers.

Progress in 2013/14

This year, the total waste generated across our global operations reduced to 41.9 thousand tonnes (kt) from 43.9kt in 2012/13. The amount of this waste sent to landfill reduced by 57% compared with our 30% target for the year. Just 6% of the waste we generate is now sent to landfill. The remaining 94% is either recycled or converted into refuse-derived fuel and incinerated to generate energy.

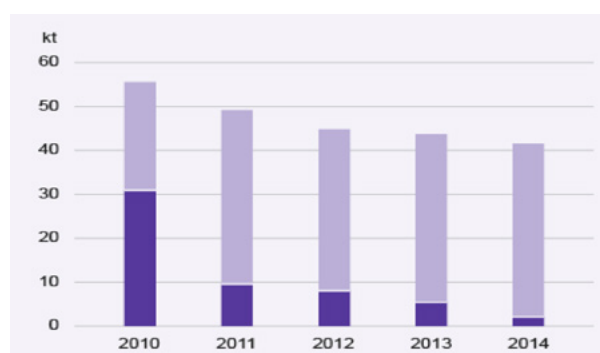
The increased recycling and recovery rate is partly the result of working with our waste contractor in the UK, Biffa, to convert more waste into refuse-derived fuel. In addition, recycling has increased thanks to improved recycling services and ongoing, targeted internal awareness campaigns in each line of business, to remind our people to separate waste into the right containers.

Waste arising and management (BT facilities worldwide)

Year	Landfill (kt)	Recycled and Recovered (kt)
2010	31.1	24.8
2011	9.6	39.9
2012	8.1	37
2013	5.5	38.4
2014	2.3	39.6

Waste arising and management (BT facilities worldwide)

Year ended 31 March 2014



Source: BT TSO finance

- Landfill
- Recycled

Actual amounts are not available for all non-UK waste data. In these cases, we estimate waste tonnages based on the number of employees and the average waste produced per person, and assume a 40/60 split between recycling and landfill.

Future plans

Our long-term target is to send zero qualifying waste directly to landfill by year-end 2015/16. This target is for 'business as usual' waste only. It excludes certain types of waste such as asbestos, which is hazardous and cannot be recycled or incinerated.

Other impacts

Being a good neighbour involves carefully managing any environmental impacts that could affect local communities.

Why it matters

BT's water use, emissions to air and fuel storage have a lower environmental impact than energy use, carbon

emissions and waste. However, these impacts can affect our local communities and surroundings, so it is still important to manage them carefully.

Our approach

These other impacts are an integral part of our Environmental Management System.

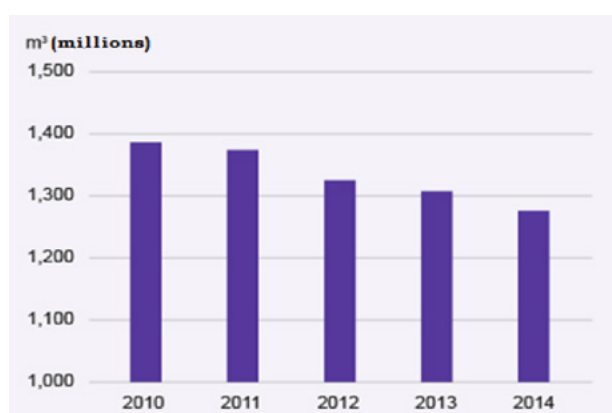
Water use	We are not a water-intensive business. Nonetheless, we have taken steps to minimise water use in catering, toilet and vehicle-washing facilities across our business
Fuel Storage	We store fuel to power the back-up generators for our exchanges and for heating our buildings. We are reducing the risk of leaks and spillages by installing double skinned fuel storage tanks and secondary catchment areas where appropriate.
Refrigerant gases	We use various gases, which are potent Greenhouse Gases, in the refrigeration equipment that cools our network and data centres. To prevent emissions of refrigerant gases, we are taking action to reduce leaks and replace refrigerated cooling systems with alternatives such as fresh-air and evaporated cooling systems.
Biodiversity	Biodiversity is becoming more and more prominent in environmental thinking and increasingly important to BT and our customers. As we manage such a large and diverse estate, this puts us in a powerful position to make a positive contribution to the environment.
Trees	Trees play an important part of the natural environment by providing oxygen, improving air quality, conserving water, preserving soil, and supporting wildlife. We will ensure that BT's tree stock is not just maintained but grows. To support this, we have established a two for one tree policy. If a tree on BT land has to be felled, for example it is diseased or is causing damage to a building, it will be replaced by two trees somewhere within the BT estate. We will also work with the Woodland Trust and Forestry Commission to see how we can help try and prevent the spread of diseases within our tree stock.
Protected habitats and species	Protected habitats and species are also an important aspect of the BT estate. BT has a number of Sites of Special Scientific Interest and other protected sites. We also have a number of endangered, protected and beneficial species that have habitats on our estate – such as peregrine falcons and bats, so we will work to ensure that these habitats and species are protected and supported.
Wildflower meadows	Wildflower meadows are a threatened but extremely important habitat for many flowers, insects, birds and mammals, however, due to intensive farming practices, in the last 50 years 95% of the UK's wildflower meadows have been lost and many are still under threat. We have been trialling meadow management at a number of BT sites to try and support wildflower meadows in the UK. In carefully selected areas wild flowers and plants are being allowed to develop naturally throughout the spring and summer months and we will look to extend this across the BT estate.

Progress in 2013/14

Water use – Our water use in the UK decreased for the twelfth consecutive year in 2013/14, to 1,276 million cubic metres from 1,308 million cubic metres. We achieved a 2.5% reduction against a target of 1%.

Water use (UK only)

Year ended 31 March 2014



Source: Invoices (not weather connected) Figures exclude subsidiary companies and BT tenants 2013 adjusted post year end billing

Water use (UK only)

Year	m3 (millions)
2010	1,387
2011	1,375
2012	1,326
2013	1,309
2014	1,276

We do not include water where it is provided by the landlord as part of a full service buildings contract.

Refrigerant gases

This year, BT installed 203 evaporated cooling systems to replace refrigerated systems at 50 sites. These systems may increase our water use in future, but more importantly will reduce our energy and remove the potential for the leakage of powerful greenhouse gas emissions. Refrigerated cooling systems have now been replaced with either fresh-air or evaporated cooling systems at 24% of UK sites.

Fuel storage

Whilst most of the fuel oil for heating, standby generation systems and fleet services is stored in double skinned tanks above ground and internally sited within buildings, BT has a residual number of tanks that are externally sited, either buried or above ground. The external buried fuel tanks for the standby generator systems are all due to be removed in 2014/15; however the buried tanks for heating and fleet services will be regularly inspected, maintained and tested and, where there is a higher risk of a leak or spill, decommissioned and replaced.

BT has recorded a number of oil spillages from above ground tanks due to theft, accidental damage and equipment failure and these have been dealt with in accordance with BT's environmental management processes, to ensure the impact is limited and no lasting impact is sustained.

Improving Lives

We have a long history of supporting good causes to help improve people's lives.

We aim to help improve hundreds of millions of lives globally through our products and people. To achieve this, we have committed to using our skills and technology to help generate more than £1bn for good causes by the end of 2020. Read more about our 2020 goal on the Better Future website.

To see an overview of our performance this year, please download our Improving Lives performance update from our Better Future website.

Progress in 2013/14

- We helped raise more than £265,000 for ChildLine, and £11.65m for the annual BBC Children in Need appeal.
- We generated more than £9m for Sport Relief by powering the telethon fundraising appeal and through our celebrity sporting challenge.
- We enabled the Disasters Emergency Committee to respond rapidly to Typhoon Haiyan and the Syria crisis – MyDonate for Telethons and Appeals took more than £24m.

- Our Emergency Response Team (ERT) was on the ground restoring vital communications links in the Philippines within two days of Typhoon Haiyan striking.
- Jointly with Comic Relief, we created a brand new charitable initiative, The Supporters Club, and raised more than £2m to help improve young people's lives using the unique power of sport, in the UK and worldwide.
- Thousands of charities are using our portfolio of services for charities, including more than 5,800 charities, which have raised £16.41m using MyDonate for Fundraising.

Read more about our progress and performance in Improving Lives on the Charity partners, The Supporters Club, Services for charities and Disaster response pages.

For an overview of our performance across all Better Future programme areas, visit our Better Future key performance indicators page at www.bt.com/betterfuturereport.

KPI	2013/14 target	2013/14 result
Help improve hundreds of millions of lives globally through our products and people	To use our skills and technology to help generate £63m	Achieved: We used our skills and technology to help generate £85.53m for good causes

* The £59m we reported last year has been restated to £60.84m following the confirmation of additional contributions in the year after publication of the Better Future report 2013.

Charity partners

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

Why it matters

The more rapidly charities can support people in need, the more effectively they can help to tackle pressing social and health issues. Using BT's technology, charities have long been able to raise funds quickly and efficiently, helping millions of people worldwide in the process.

Our approach

Our people and technology have helped charities to raise hundreds of millions of pounds over the years. Find out more about our long-standing partnerships with four major charity partners: BBC Children in Need, Comic Relief, ChildLine and the Disasters Emergency Committee (DEC) on our Better Future website.

Progress in 2013/14

ChildLine

We're helping ChildLine, a respected support service for children and young people in the UK, to develop its website for mobile users to ensure that young people can access its online services safely and effectively. In 2013/14, we invited our employees to volunteer to be ChildLine Champions, and lead colleague fundraising and raise awareness for the charity. There are now more than 50 ChildLine Champions across BT. In December, they supported ChildLine's 'Letter from Santa' campaign, encouraging colleagues with children to donate and request a Christmas letter from Santa.

Children in Need

For more than 30 years, our people and technology have formed the backbone of the annual televised BBC Children in Need telethon, which raises funds to help disadvantaged children and young people across the UK.

In 2013/14, we helped to generate £11.65m in total for Children in Need. Our MyDonate for Telethons platform processed £10.5m of online donations and we handled 245,000 calls, with more than 700 BT employees volunteering to answer phones on the night.

Comic Relief

We help Comic Relief, a ground-breaking sustainable development charity, by providing the communications technology to support its appeals, as well as through employee volunteering and sponsoring the BT celebrity challenges. We supported Sport Relief, a major initiative from Comic Relief, to bring people together to get active, raise money and change lives. Through in-kind support and donations from BT and our employees, our Sport Relief activities contributed more than £9m towards our 2020 goal to generate £1bn for good causes.

We powered Sport Relief's fundraising efforts by coordinating 87 call centres, handling more than 230,000 calls, and for the first time we also provided our MyDonate platform for call centres to process donations. The BT Tower in London acted as a network infrastructure headquarters for the charity.

Our people were crucial, with more than 1,250 BT Sport Relief ambassadors leading fundraising activities across the business, and 1,000 telethon volunteers staffing the call centres. Two of our dedicated volunteers were invited to meet the Prime Minister in recognition of our campaign.

Going 'Beyond Breaking Point' for Sport Relief

BT Sport Relief Challenges are one of the ways that we support Sport Relief each year. This year UK television presenter Davina McCall took on the BT Challenge and raised £2.4m.

After running, swimming and cycling from Edinburgh to London in seven days, covering over 500 miles and battling freezing winds, rain and snow, Davina arrived triumphant at London's Tate Modern gallery on 14 February 2014.

Davina was also the voice of BT's Speaking Clock from 27 January until the 23 March, and every call received from a BT landline generated a 10p donation from BT. We also donated 1p for every phone call made from a BT residential or business landline and BT payphone, and 25p for every call to BT's Directory Enquiry Service 118500 on Dial for Davina Day.

Our CEO Gavin Patterson bravely abseiled down the 620ft BT Tower in the company of celebrities including England Rugby World Cup winner Ben Kay in his own BT Sport Relief Challenge. The Royal Marines Charitable Trust Fund, which celebrates its 350th anniversary in 2014, provided vital support for the abseil. Funds raised from the activity have been shared between them and Sport Relief.

Find out more about what was achieved through our partnership with the DEC on the Disaster response page.

Future plans

In the year ahead we plan to continue to work closely with our strategic partners and again look to power telethons for Children in Need and Comic Relief, helping raise even more money for these two good causes. As well as providing enhanced support for telethons we will engage with our workforce and provide volunteering opportunities at Children in Need and Comic Relief projects around the UK, giving them further access to our people's skills.

We also plan to work more closely with DEC and its partners to create a more structured and proactive plan so that we can deploy our people, our skills and our technology even faster and more efficiently should another disaster occur.

The Supporters Club

The Supporters Club is BT's new initiative that aims to improve lives by bringing people together through sport. We invest money raised by BT Sport customers in charitable projects hand-picked with Comic Relief.

Why it matters

Millions of young people around the world face incredibly tough challenges such as exclusion from education, exploitation and abuse. We believe that sport has the unique ability to bring young people together and make a positive difference to their lives. We established The Supporters Club to do exactly that, and are using the funds raised to change lives in the UK and across the world.

Our approach

Working with our charity partner Comic Relief, we are making grants to support the work of charities working to transform young lives. BT Sport customers can join The Supporters Club by simply adding £1, £3 or £5 to their monthly bill.

Progress in 2013/14

We launched The Supporters Club in July 2013 and by the end of March 2014 had raised over £2m. This includes over £600,000 in customer donations and £1.5m given by BT to kick start the initiative. We have made grants totalling £1.1m to 11 charities, of which five are in the UK and six are international. By June 2014, we aim to have allocated £2m. The UK-based organisations we're already supporting include:

- the **Dallaglio Foundation**, which helps young people gain confidence and learn team skills through rugby. Thanks to money raised by The Supporters Club it can now expand into another nine British cities as well as double its London activity;
- **StreetGames**, a charity working with young people in deprived areas of Wales and Scotland, supports young people to gain accredited qualifications and experiences that will enhance their life chances and encourage them to become positive role models in their communities;

- **The Riding for the Disabled Association**, which aims to boost the well-being of people with disabilities through horse-riding has used money raised through The Supporters Club to build a brand new horse-riding arena in Carlisle and will continue to support front-line staff— meaning more disabled children and young people can benefit.

Outside the UK, we are focusing our efforts on sub-Saharan Africa, Brazil and India. For example, we are providing two-year grants for Street Child World Cup teams from Tanzania, India and Brazil.

In Tanzania, we support The Amos Trust which works with **Caretakers of The Environment**, helping nearly 2,000 children and young people who have ended up on the streets of Mwanza. The charity uses football to reach out to these children, bring them together and turn their lives around. The money raised by The Supporters Club helps children access social workers and vital healthcare services to provide the support needed to build a better future.

BT Sport created two documentaries following the journey of a group of these children from Tanzania to winning the Street Child World Cup in Rio, Brazil, helping to raise awareness of the plight of street children across the world.

You can watch the films we've made on these projects and others on The Supporters Club website.

The Supporters Club makes grants to charities that aim to change the lives of disadvantaged young people. These disadvantaged young people are typically not in education, employment or training; living or working on the street; at risk of exploitation or abuse; or living with disability. We specifically invest in the front line people (volunteers, mentors, social workers etc.) that are crucial to making positive change happen. The outcomes we look for include improved health and well-being; reducing the levels of exploitation and abuse; improving enrolment and achievement in school; and building greater confidence and self-esteem.

The majority of this money is spent on projects that use sport as the enabler for social change. A key element of our grant making criteria is for charities to be able to deliver and measure lasting change. Even if a project

isn't suitable for a grant, we encourage them to access support from BT.

Future plans

The Supporters Club is a central part of BT Sport's activities and we aim to inspire customers and employees of the power of sport for social change.

We're aiming to increase customer donations in 2014/15, and to achieve this, we'll ensure our people fully understand the aims and benefits of The Supporters Club so they can inform potential donors. We will also make it easy to give money online via The Supporters Club website and continue to offer customers the option to donate via text message.

We'll raise awareness of the work of The Supporters Club by broadcasting documentaries that showcase the projects we're funding on BT Sport. These films will use BT Sport presenters and sporting celebrities to create interesting and engaging content. We have five documentaries planned for 2014/15.

We'll also work with strategic partners to make sure projects get the best possible value from our grants. We've already funded Premiership Rugby's healthy eating initiative for schools, 'Something to Chew on'. We're also supporting a joint-funded programme with The Premier League and the British Council in India and Brazil. This aims to provide a safe and healthy environment for youngsters to play football, as well as inspire people to take an active interest in developing their own community.

We will use The Supporters Club as one of many ways to make working at BT a great experience. Ultimately, we want employees to take ownership of The Supporters Club by volunteering their time to support it, raise money for it and having a say in the vital work it does. Find out more about how our people are using their skills and time to make a difference in Contributing to communities.

Services for charities

BT offers a wide range of services to help charities thrive and grow.

Why it matters

BT can offer unique services, technology and skills that can help charities grow by enabling them to save vital resources, operate more efficiently and fundraise more effectively. We can make a big difference to communities by offering support that few other companies can provide. We are committed to sharing our skills and technology to build capability and capacity within the voluntary sector. Our employees tell us this type of activity makes them proud to work here.

Our approach

As part of our commitment to improving lives in the communities where we live and work, we have a strong tradition of charity fundraising and support. We've now brought together the different support we offer to create a single portfolio of propositions designed to meet the needs of the voluntary sector. These fall into three main categories: sharing our skills, support for fundraising and providing technology. Find out more about our portfolio of services for charities on the Better Future website.

Progress in 2013/14

Sharing our skills

This year, we increased our efforts to raise awareness of our two main skills-sharing services, BT Troubleshooter and BT Community Challenge. We ran a successful online campaign to let over 10,000 charities know about our volunteering services, by working with the voluntary organisation National Council for Voluntary Organisations. We also targeted users of our website hosting service, BT Community Webkit, to alert them to these other propositions that may be of interest.

Support for fundraising

The MyDonate family of free fundraising services combines our expertise in secure online payments, call centre capabilities and the skills of our technical teams. These combine to provide a world class appeals platform

and a fundraising platform, without BT charges, for online donations.

In 2013/14, we ran targeted marketing campaigns to promote our free online donation service, MyDonate for Fundraising. There are now thousands of charities using the service, with an increase of 60% since 2012/13. The number of donations has also increased by 60% year on year, and over 17,000 MyDonate fundraising pages have been created. Since its launch in 2011, charities have used the service to raised £26.87m (including Gift Aid), of which £16.41m was raised in 2013/14.

This year, MyDonate for Telethons and Appeals enabled charities to raise over £41m. Our MyDonate technology is designed to enable us to respond quickly to the needs of our partners and the capability was thoroughly tested this autumn as it powered simultaneous appeals for Children in Need and the Disasters Emergency Committee (DEC). It was also used by Comic Relief this year as their call centre donation platform, we received excellent feedback from the charity.

The BT Tower Dining Club is a new service launched in November 2013 to offer charities access to the prestigious BT Tower in London as a fundraising venue. The Club is generating great interest, with charities using the opportunity to meet new donors, thank supporters and raise awareness of fundraising campaigns. We're encouraging charities to make the most of the opportunity by offering Dining Club tables as fundraising prizes. In 2013/14, one charity raised £4,000 for a single table.

Providing technology

We help charities keep their running costs down by providing access to essential communications services like websites and telephone services at low or no cost, through the BT Community Webkit and the BT Charities Club.

The BT Community Web Kit is a service which helps UK charities build, manage and update their own website and offers charities web addresses, hosting and helpdesk support for free. In 2013/14, we hosted nearly 9,000 charity and community group websites – an overall increase from 8,300 in 2012/13. To find out more about how your charity could build its own website, visit BT Community Webkit.

The BT Charities Club enables UK charities to combine their purchasing power so that we can offer them cheaper services. In 2013/14 this enabled 500 charities to receive reduced rates on calls, service and account management.

Creating a new charity helpline for older people

BT has supported the launch of a free and confidential 24-hour helpline for older people. By calling The Silver Line, older people across the UK can access information and advice, and meet new people in their community. The service also links callers with local groups and services, and can help to protect those suffering from abuse or neglect.

In its first week, The Silver Line received nearly 8,000 calls, with 1,500 of callers taking up the offer of regular calls from the charity so that they can continue to receive support and friendship. On average, 500 people are now calling daily, which means that in its first year of UK-wide operation, The Silver Line expects to take almost 200,000 calls. Meanwhile, nearly 5,000 people have offered to become Silver Line volunteers and make calls to older people seeking regular contact, and more than 1,000 Silver Line Friends will have been trained by May 2014. The Silver Line is already using MyDonate and hopes to raise £2m over the next two years, so that it can expand and improve its service.

BT people

Our people really get behind charity appeals and enjoy volunteering their time to help worthy causes. Many also make personal donations.

We won a Platinum Payroll Giving Quality Mark at the 2013 National Payroll Giving Excellence Awards for our UK 'Give As You Earn' payroll giving scheme. This gives employees the opportunity to contribute a proportion of their salary to a particular charity. Our people gave around £2.74m to charity through payroll giving in 2012/13. BT added an extra £1m to this figure, which we shared on a pro rata basis between different charities.

Our Charity Register helps BT people to maximise their fundraising potential and contribute to our goal of generating £1bn for good causes by 2020. It tracks the funds they raise, connects those who are supporting the same charity and encourages them to collaborate. By working together, they create strong and positive relationships across the business. Every month BT offers £1,000 of match funding, with all employees that have registered fundraising going into a prize draw.

Our people can also benefit from spare office furniture and make use of BT vehicles to support charities of their choice.

Future plans

We'll continue to evaluate how to enhance the services we provide to charities to ensure they deliver great benefits. In 2014/15, we plan to support Cancer Research UK's 'Stand Up To Cancer' telethon to help raise funds for scientific research into cancer cures and the UNICEF Soccer Aid 2014 telethon to help the world's most vulnerable children get life-saving food, medicine and clean water.

Disaster response

In the event of a disaster, communications technology can save lives and accelerate recovery.

Why it matters

Emergencies and natural disasters can happen at any time, in any place, and affect millions of people each year. In the aftermath, communications help to coordinate relief efforts and ensure resources reach those who are most affected by the disaster. Longer-term, communication links help communities to return to normality and regain their quality of life.

Our approach

BT people use our equipment and their experience to help those affected by crises around the world. Our MyDonate technology helps our long-term strategic charity partner, the Disasters Emergency Committee (DEC), to raise funds rapidly and at short notice through emergency appeals. Our own Emergency Response Team works on the ground to restore communications links that help to re-build communities and improve lives.

The Emergency Response Team is made up of highly skilled BT engineers who are trained to restore communications following disasters both in the UK and around the world using specialist skills and equipment.

Using BT's technology for its website and our MyDonate service to take and process donations, DEC can launch fundraising appeals quickly in the wake of a disaster, processing hundreds of transactions quickly and securely. Read more about our approach to supporting disaster response on our Better Future website.

Progress in 2013/14

Supporting DEC appeals

In 2013/14, the DEC was able to launch fundraising appeals to support those affected by the Syrian crisis and the humanitarian disaster wreaked by Typhoon Haiyan in the Philippines within a matter of days, using our MyDonate for Telethons and Appeals platform.

We helped to raise £1.82m for people in Syria through our technical support for the DEC appeal, and we also invited journalists and bloggers to the BT Tower in London to raise awareness of the crisis via social media where we hosted a live stream Q&A.

Building on this experience, we held a celebrity telethon and a live stream event in support of Typhoon Haiyan victims in November 2013, chaired by DEC CEO, Saleh Saeed. By 31 March 2014, we had helped to raise a total of £22.3m for the DEC Philippines appeal.

Our Chief Executive, Gavin Patterson, hosted an event with DEC Chief Executive, Saleh Saeed and Save the Children's Global Chief Information Officer, Andy Williams, to recognise the efforts of all those involved in the Philippines response. We also celebrated DEC's 50th anniversary in July 2013 by hosting a celebratory event at the BT Tower and displaying a message to London on the BT Tower's electronic infoband.

Emergency Response Team

This year, the team restored vital communications on the ground in the Philippines. A seven-strong team was deployed to the Philippines within just two days of Typhoon Haiyan and conducted a two-week response operation. We worked together with other companies and non-governmental organisations (NGOs) under the banner of international humanitarian organisation NetHope. Our collaboration with NetHope allowed us to shorten our preparation time by more than six weeks.

Employee fundraising

Our employees raised over £39,500 for disaster relief this year through their fundraising activities, and donated £37,665 to the DEC and over £1,800 to SOS Children's Villages, a charity supporting orphaned children around the world. BT matched these amounts as a show of support for our charity partners, our employees and those affected by the disaster.

British Red Cross

We announced our support of British Red Cross through the provision of Beneficiary Registration Kits (BRKs) at the 2013 Clinton Global Initiative Annual Meeting in September 2013. With BT funding, these kits will help people affected by disaster to access the resources they need more quickly.

This year, we helped the British Red Cross to create BRKs in Panama, Nairobi and Kuala Lumpur. These kits can provide up to 150,000 people with beneficiary cards to access support, cash or vouchers to meet their basic needs immediately after disaster has struck. And they are already being used elsewhere. The BT-funded kits have helped 100 families affected by floods in a suburb of Dakar, and following Typhoon Haiyan in the Philippines, more than 6,000 families were able to access support through the BRKs.

“BT has already helped us improve our telecommunications infrastructure to support our response following disasters around the world. Now, with this mobile device-based system of collecting information and allocating relief, we will be better able to provide effective humanitarian assistance to the most vulnerable people during times of disaster”

Pete Garrett

Disaster Response Manager, British Red Cross

Future plans

We plan to evaluate the lessons we have learnt to make our emergency response operations even more efficient, and to collaborate with aid charities to pool our knowledge and experiences. Our long-term vision is to strengthen our emergency preparedness to improve response times and processes.

Being a responsible business

To achieve our ambition of being a responsible and sustainable business leader, we need to get the basics right. This means ensuring that our employees, customers and suppliers feel valued and respected. Maintaining good relationships with them is critical to our business success.

Our corporate values, which have been refreshed this year, reflect what really matters to our people. We want our people to thrive and contribute to our business and we invest in their skills and development. Our ambition is to provide excellent customer service as standard and ensure our suppliers are treated with respect. This helps us attract and retain the most talented people and maintain our position as one of the world's leading communications services companies.

We believe that people want to work with a company that supports their ability to grow and is a positive force in the communities where it operates. We are committed to growing a successful business, by being valuable to our customers and society, and to delivering value to our shareholders. This could be making our products and services accessible wherever it is needed, helping our customers to become more energy-efficient or looking for new ways to make healthcare or education more effective.

We also have a responsibility to numerous stakeholders worldwide. As a significant multi-national enterprise, our goal is to meet our tax obligations around the world. Our tax strategy is set centrally at a group level and agreed by the Board. Regional management comply with local tax obligations and group strategy. We seek to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation.

We takes its global fiscal duties and obligations seriously by ensuring the highest quality standards are applied to its tax compliance processes. We are committed to maintaining a transparent and constructive working

relationship with HMRC and local tax authorities. We are committed to full disclosure on a real time basis. Find out more about our approach to being a responsible business on the Better Future website.

Progress in 2013/14

- Our customer service improved this year, but not by enough. Our 'Right First Time' measure increased by 1.5%, but we did not achieve our target to reverse the 4% decline from 2012/13.
- We achieved an ethical performance score of 4.29 out of 5, achieving our target to maintain or improve our 2012/13 score of 4.24 out of 5. This is a measure of our employees' ethics awareness and completed training.
- 89% of suppliers rated their relationship with us as 'excellent' or 'good', maintaining last year's score. 85% of our suppliers agree that our procurement teams work in a socially and environmentally responsible manner.
- We were accredited by Investors in People for the 15th consecutive year.
- We achieved our highest ever Employee Engagement score of 3.82 out of five.
- Our people spent more than 46,000 days volunteering and we provided more than £14m worth of in-kind support to charities and other non-profit organisations
- BT rose 17 places to 43rd in The Times Top 100 Graduate Employers ranking

- We were accredited with a Big Tick Award for 2014, as part of the Work Well Award category for the Business in the Community's (BITC) Responsible Business Awards
- This year, teams across BT identified process and customer services improvements worth £80m through our annual Challenge Cup.

Read more about our progress and performance in Ethics and human rights, A great place to work, Customer service, Procurement and supply chain.

For an overview of our performance across all Better Future programme areas, visit our Better Future key performance indicators page at www.bt.com/betterfuturereport.

KPI	2013/14 Target	2013/14 result
Investment in responsible and sustainable business activities	Maintain 1% of profit before tax directly invested in responsible and sustainable business activities	Achieved: 1.01% investment during 2013/14
Customer service	Improve Right First Time to more than recover the decline in performance in 2012/13	Failed: 1.5% improvement from 2012/13 performance, but not enough to reverse the 4% decline in 2012/13
Employee engagement index	We will maintain or improve our 2012/13 levels of employee engagement	Achieved: 3.82 / 5 improvement vs. 3.69 / 5 in 2012/13
Health and Safety: Sickness absence rate	Improve our sickness absence rate moving us towards best quartile performance in the CBI annual absence survey	Achieved: 2.10% calendar days lost in sickness. An improvement from 2.19% for 2012/13. CBI best quartile performance threshold for 2013 was 3.5%
Ethical trading	To achieve 100% follow up within three months for all suppliers identified as high or medium risk, through our ethical standard questionnaires	Failed: 97% follow-up within three months, for all those suppliers identified as high/ medium risk

Ethics and human rights

Whether it is with customers, employees, our suppliers or their workers, we aim to behave responsibly.

Why it matters

BT is a global business. In some markets where we operate or source products, local attitudes and business practices may differ from ours. Our ethics programme, underpinned by our statement of business practices, helps all employees to behave with integrity and respect others, wherever they work.

Our approach

Our statement of business practice, The Way We Work, guides employees, suppliers and anyone anywhere working on behalf of BT on how BT expects them to behave whatever situations they may encounter. The WayWeWork also sets out how we consider human rights.

BT's Chief Executive, Group Finance Director and senior finance managers sign a supplementary code of ethics. We also have separate policies covering specific ethical issues, including Anti-Corruption and Bribery, Gifts and Hospitality, and Charitable Donations and Sponsorship. Employees with ethical concerns can contact our confidential and independently-run Speak Up channel, by telephone or online.

We take a zero-tolerance approach to breaches of its ethical policies, and takes appropriate action against employees where necessary. More details of our approach to ethics and human rights are available on our Better Future website, including links to relevant codes and policies.

Progress in 2013/14

Ethics

This year, our year end ethical engagement performance score was 4.29 from 5, achieving our target to maintain or improve our 2012/13 score of 4.24. We calculate the score using employee survey data to indicate employee commitment to complying with our statement of business practice, the level of integrity senior managers'

display, and the success of our training on ethical issues. The combined results give a total out of five.

There were 183 reports during 2013/14 (with one case which was carried over from the previous year) made through our Speak Up channel, with the majority involving human resources disputes between employees and BT. We evaluate and investigate all matters raised. During this year, 361 people in the UK were subject to disciplinary action related to ethical misconduct and 179 people left the company.

Following a review of the way we register ethical misconduct, we believe this data to be conservative. Disciplinary cases are often complex and cover a number of issues, and the nature of such processes makes it difficult to capture all those issues at a single point in time.

In July 2013, we introduced a Compliance Programme Panel as planned, to replace our Ethics Steering Committee. The new panel advises on, monitors and assesses BT's compliance programmes globally. The Group General Counsel and Company

Secretary chair the panel, and other members include senior business leaders, the Compliance Director and the Director of Internal Audit. The panel met four times during the financial year, and reviewed BT's compliance programmes regarding anti-corruption and bribery, data governance, international trade and sanctions, international regulation, payment card industry data security standards, human rights, conflict minerals and the environment. The panel also received updates on compliance communications and training, culture survey, and the 'Speak Up' channel.

The Compliance Programme Panel uses BT's Compliance Maturity Model to assess the maturity and performance of each compliance programme. Over time, this approach will highlight trends, identify improvement opportunities and provide end-to-end compliance oversight. For example, a review of our anti-corruption and bribery programme showed that it is relatively mature, but that we can improve in areas such as gifts and hospitality reporting.

We continued to use our Regional Governance Committees to drive our global compliance and ethics agenda. We reviewed the Terms of Reference of these committees, to reinforce their role as responsible for

the monitoring and oversight of the implementation of governance and compliance policies and programmes across the region.

We launched a refreshed version of 'The Way We Work' throughout our global business in October 2013. The accompanying mandatory training has also been refreshed to make responsibilities clearer, and to assess prior knowledge to focus learning on knowledge gaps. New joiners complete the whole course. By 31 March 2014, 99.6% employees had completed training on The Way We Work.

We also target BT people in higher risk roles in the UK and higher risk locations outside the UK with an additional tailored anti-corruption and bribery e-learning course. To date more than 25,000 people have received this supplementary training helping them recognise and mitigate the ethical risks pertinent to their role. This training is followed up by interactive bi-monthly refresher messages to maintain awareness.

Human rights

In 2013/14, we conducted an initial assessment to clarify the areas where our operations are most likely to impact human rights. We will expand on this work during next year.

To comply with the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, our Annual Report and Form 20-F 2014 contains further information on human rights than in previous years.

We have policies and procedures in place to take account of the human rights impacts in our business. As a communications technology company, our impact areas include workers in Procurement and supply chain, online safety and privacy of customers' and employees' data, and the way our products and services are used.

We participate in the wider debate, for example by engaging in multi-stakeholder discussions which explore how best to implement the United Nations Guiding Principles on Business and Human Rights. We contributed to the European Commission's ICT sector guide and spoke on a panel at RightsCon in March 2014.

In 2013, the charity Reprieve brought a complaint

about BT to the UK National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises. The NCP rejected the complaint on the grounds that the allegations were not material or substantiated with regard to BT's obligations under the Guidelines. BT can categorically state that the communications system mentioned in Reprieve's complaint is a general purpose fibre-optic system. It has not been specifically designed or adapted by BT for military purposes. BT has no knowledge of the reported US drone strikes and has no involvement in any such activity. BT takes its human rights obligations very seriously and is fully supportive of the OECD Guidelines.

Future plans

During next year, using our Regional Governance Committees, we will continue to focus on our compliance and ethics programmes across the regions.

On human rights, we will continue the assurance of our compliance framework and undertake a Board-level review of our human rights policy and approach.

A great place to work

Our people are united by the shared purpose of using the power of communications to make a better world – bringing together the best networks, technology and services for our customers. We invest in our people so they can thrive and contribute to our business and the communities in which we work and live.

Why it matters

BT employs 87,800 full time equivalent employees in 61 countries, supporting operations in more than 170 countries worldwide. We take our responsibility to them seriously, investing across the business to attract and retain the best talent, create better products and improve the way we serve our customers. A clear purpose guides everyone's contribution in BT. As our global workforce grows, it is more important than ever to ensure everyone at BT feels united by our shared purpose and values.

Our approach

Ensuring BT continues to be a great place to work means our business will benefit from our people's skills and motivation. We value the diverse contributions our people make to our success. To help all our employees have a fulfilling career, we create an environment of continuous professional development and have invested significantly in tools and training.

It's important that everyone at BT is safe, healthy and motivated, so we also invest in employee well-being, engaging our people and providing opportunities for them to contribute positively to communities. We believe in rewarding our employees. This means providing competitive pay and benefits, as well as an employee share scheme, so that we can reward and recognise the commitment and performance of our people. We also know that it is important to secure the skills we need now and for the future and to create working environments for our people to fully contribute. We are therefore investing in developing the talent of our people.

Our values reflect what really matters to our people. Teams are increasingly using these values to guide the way they work, creating a culture that encourages everyone to get involved in changing things for the better. Our BT values are:



Progress in 2013/14

This year, BT has climbed to its highest position for five years in The Times Top 100 Graduate Employers. We rose 17 places to 43rd position in the ranking of employers offering the best opportunities for graduates. The study is based on an annual survey compiled by asking more than 18,000 final year students at the UK's top 30 universities which employer they believe offers the best graduate opportunities.

“BT has had mixed success in the rankings, falling to 72 in 2010 after appearing to withdraw from the graduate market, before slowly rising to 45 in 2011 and 46 in 2012, before falling back to 60 in 2013. I'm very pleased at our huge rise in the rankings this year – placing BT right next to Apple Inc. This is great news for BT and our graduate programme.”

Hannah Salton

BT graduate recruitment manager

We retrained and re-deployed 2,535 people into new roles using our BT Transition Centre. Around 24,000 employees have received support and training through the Transition Centre since 2006, and we continue to develop the range of services the Centre provides.

We use the Business in the Community (BITC) Work Well model to frame our efforts in this area.

BT has again been accredited with a Big Tick Award for 2014, as part of the BUPA Workwell Award category for the Business in the Community's (BITC) Responsible Business Awards.

We were recognised for continuing to achieve impactful results in helping to secure a fairer society and a more sustainable future. The award recognises companies that demonstrate a holistic and integrated approach to improving engagement with and the well-being of their employees. Our employee reporting was acknowledged by BITC when they ranked BT in the top five companies for their “Workwell” public reporting benchmarking survey.



mobilising business for good

BITC Workwell Model

An integrated strategic approach

- Business Benefits
- Employee actions recommended by Foresight Mental Capital Reports
- Employer actions recommended by BITC
- ↔ Using good work criteria defined by Coats and Lehl (September 2008)

BICT Workwell Public Reporting Benchmark Programme – FTSE 100 Public Reporting Employee Engagement and Well-being

	Better work	Better relationships	Better specialist support	Better physical and psychological health	Working well
Barclays	✓	✓			✓
British Land Company	✓	✓			✓
BT	✓	✓	✓	✓	✓
GSK	✓	✓	✓	✓	✓
RBS	✓	✓	✓	✓	✓

Notes: (1) Companies are listed in alphabetical order. Only leading practice in public reporting is indicated. Companies may have reported against other areas of the Workwell model, but not in sufficient detail to be considered a leading practice. Research identified that BT appears in the top five FTSE 100 companies that displayed leading practice in their public reporting.

Engaging our people

Listening to feedback, communicating effectively and supporting our people is an important part of what makes BT a great place to work.

Why it matters

Our people have the insight, skills and knowledge to make a big difference to our business performance. We gather their feedback to help improve the experience of working at BT and the service we provide to customers. We all share responsibility for working in a way that is healthy and safe. As a responsible employer, BT is committed to creating a workplace that encourages healthy working practices and to ensuring that people are supported if things go wrong. All our employees receive regular performance and career development reviews. Engaging our people in this way means they are more likely to stay at BT and be effective in their jobs.

Our approach

We use a range of face to face and digital communication channels, including round table meetings, town halls, webcasts, blogs and our intranet, to communicate company strategy, successes and challenges to our employees and to hear their views on a range of issues.

Our quarterly engagement survey also helps us gather feedback about what it is like to work at BT. We also consult our people, or their trade unions, to understand their views on decisions that are likely to affect them. Our UK workforce is primarily represented by the Communication Workers Union and Prospect. BT's European Consultative Council (BTECC) is a company-wide group that facilitates dialogue between employees and executive management on a range of issues such as performance, strategy, jobs, regulations and sustainability.

We aim to empower our employees through initiatives like the BT New Ideas Scheme and our Challenge Cup tournament, which help them work together to solve problems and improve processes across the business themselves.

Our seven Employee Networks cover Women, Ethnic Minorities, Disability, Lesbian Gay Bisexual and

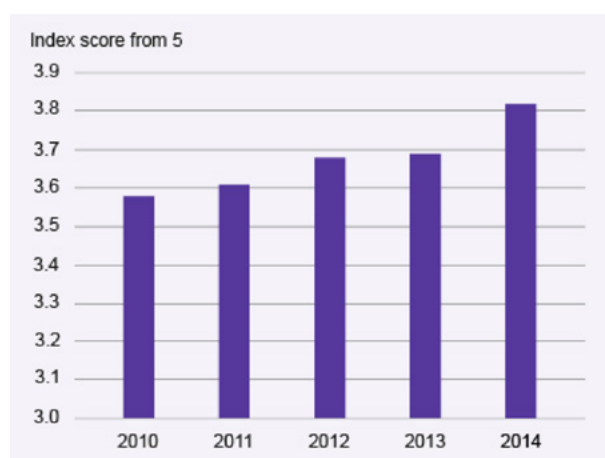
Transgender (LGBT), Christian, Muslim and Carers. They are like-minded people who come together to support each other and coordinate effective communication with the business about the interests they represent. This means BT can meet the needs of its people and customers more closely. Set up and run voluntarily by employees, 6,000 BT people participate in these Networks. We use the 'working well' and 'better relationships' elements of the BITC Work Well model to frame our efforts in this area.

Progress in 2013/14

Each quarter, around 32,000 people provide feedback about working for BT through our employee engagement survey. Engagement levels improved to 3.82 in February 2014, out of a maximum of five. We met our Employee Engagement Index target to maintain or improve our 2013 level of employee engagement, of 3.69. Our engagement measure is now at our highest-ever level, and is on a par with the benchmark for global telecoms operators. All aspects of the employee experience showed improvements, including how people feel about their job, their team, their manager, senior leaders, and the company. Over the last year, feedback from our people shows a growing optimism that things are changing for the better in BT, with a higher level of excitement about the company's future.

Employee engagement index

Year ended 31 March 2014



Source: CARE Agile survey

Employee engagement index

Year	Index score from 5
2010	3.58
2011	3.61
2012	3.68
2013	3.69
2014	3.82

Our people cited a 22% improvement in the internal communications they received over the last three years. We keep our people informed about company results, major business decisions and other things that affect them using a variety of digital channels, as well as using them to comment on and discuss BT news. Our daily online news service received more than 25,000 comments since launch. Three innovations initiated through our New Ideas Scheme were recognised by ideasUK 2013, a charitable association which promotes employee involvement programmes in the UK

- BT Technology, Service & Operations (BT TSO) won an outstanding achievement award for ideas to optimise the physical space available for nodes in BT's network.
- Gavin Hart from Openreach won a customer focus award for his idea to re-shell, rather than replace, damaged fibre broadband cabinets.
- BT also won a platinum award for the way the BT New Ideas Scheme is run, being only one of four organisations to win the platinum award in 2013, a great acknowledgement of the application, process and people from across all of BT who are involved.

BT people have also contributed to the re-design of our online, global human resources portal which will give employees easy access to the services they need, reducing time spent on administration.

Our Employee Networks are collaborating to raise greater awareness of the services that they offer, with the aim of extending their services to more BT people. In February 2014, an online event encouraged more people to participate in our networks, share ideas and celebrate their achievements. 612 people got directly involved over the two days, 564 comments were posted and there were more than 14,000 page views. As a result of the event we now have recruited approximately 1,000 newly active or new network members.

Future plans

We intend to grow membership of our Employee Networks globally. By making the most of our technology, we will make it easier for more employees around the world to participate and communicate with these groups more regularly, and the business can benefit more from their feedback and insights.

Contributing to communities

We want to transform the future of volunteering in the UK and be a force for good at the heart of local communities.

Why it matters

Our commitment to volunteering makes our people proud to work for BT and is an important part of how we fulfil our corporate purpose to be a responsible and sustainable business leader. Our people have been giving up their time and applying their expertise in support of communities for decades and they continue to do so today with great enthusiasm and dedication.

As one of the UK's largest private sector employers, we can make a big difference to communities by empowering our people to volunteer. At the same time, this creates important benefits for our employees and our business: –

- employees who volunteer are more engaged and they develop a wide range of valuable skills and experience through their volunteering roles, which they can apply in their jobs too;
- we also benefit by attracting and retaining people who are committed to BT and are more motivated because of the opportunities they have to volunteer.

To see an overview of our performance this year, please download our Volunteering performance update from our Better Future website.

Our approach

We are proud of the contributions our people make to communities, especially through our volunteering programme. Volunteering is woven into our culture and supported by our managers and senior leaders at every level. All employees can use up to three days a year of work time to volunteer for initiatives that align with our Better Future purpose and values, including services that offer charities access to our skills and world-class technology. We recognise outstanding contributions of our people through the BT People Awards and the BT Chairman's Awards. Our people can also make regular donations to good causes through our payroll giving scheme, Give As You Earn. Find out more about our

approach to volunteering, the range of services for charities our people deliver, and our employee award schemes on the Better Future website. We use the 'better relationships' element of the BITC Workwell model to frame our efforts in this area.

Progress in 2013/14

This year, our people spent more than 46,000 days volunteering and we provided more than £14m worth of in-kind support to charities and other non-profit organisations. Our efforts in employee volunteering contributed to BT being awarded a BITC Big Tick in the BUPA Workwell category. To develop our volunteering strategy further, we refocused our offer into six areas:

- team work
- developing young peoples' work skills
- getting people online
- civic community roles
- sport
- fundraising

By creating a more coherent and targeted menu of opportunities for our people, their efforts will go further and have a bigger impact.

More than 2,200 BT people have been working in teams and using their skills to support communities through programmes such as BT Troubleshooters and BT Community Challenge. The Bobby Moore Cancer Fund, One Foundation, NSPCC and Changing Faces are among the charities that have benefited from BT Troubleshooters in 2013/14 and many other organisations are receiving support from our volunteers. Find out more on the Services for charities page.

This year, over 1,000 donation bags have been collected from across BT for Cancer Research, with an approximate value of £30,000. More than 1,100 BT people from teams across the business filled shoeboxes with items for children, such as toys, books and clothing, through the BT Gift Box initiative, to help families in need both in the UK and globally.

Our volunteers have been helping young people develop the skills they need for work. More than 840 young people participated in 'Bring your sons and daughters

to work', supported by more than 1,300 BT people globally. We have continued with our Work Inspiration programme to give young people an insight into potential career paths with BT. With the help of BT and BITC, Work Inspiration was also launched in Australia in August 2013. Find out more about our Work Experience programme on the Better Future website.

Around 800 employees serve their communities as school governors, more than 170 as military reservists, around 80 as special constables, and more than 1,500 as youth leaders.

In sport, the BT Benelux partnership with the Johan Cruyff Foundation, has helped build and upgrade the Community Programme's e-learning platform and volunteered to support community sport activities. The Community Programme aims to empower 14 to 18 year olds to organise local sports events.

More than 3,700 BT people helped to raise vital funds for our major charity partners; Childline, Comic Relief, Children in Need and the Disasters Emergency Committee (DEC), along with many more raising funds for other charities and community organisations through individual efforts, such as running marathons. Find out more on the Charity partners page.

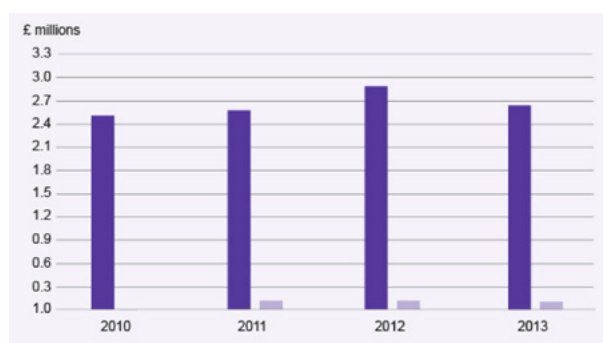
In support of getting more people online, more than 180 BT volunteers ran the Digital Champions' Rock Assembly celebration event for 14,500 young people at Wembley Arena in July 2013.

We have also worked harder at involving more of our workforce, including senior leaders and those outside of the UK, in volunteering. We have developed specific opportunities that enable senior leaders to contribute their skills and experience effectively, such as by taking up non-executive director positions on the boards of charities or mentoring unemployed adults who want to start their own businesses.

In addition to volunteering, BT people contribute to communities by donating money for good causes. Our employees donated £2.74m through Give As You Earn in 2012/13 (as this is measured one year in arrears). We were recognised with a Platinum Payroll Giving Quality Mark by the 2013 National Payroll Giving Excellence Awards held by The Institute of Fundraising and the Charities Aid Foundation.

Payroll giving

Year ended 31 March 2014



Source: Charity Aid Foundation
Excluding £1m BT contribution
We report for donations made the previous financial year 2012/13

- £millions (UK)
- £millions (International)

Payroll giving

Year	£millions (UK)	£millions (International)
2010	2.5	
2011	2.57	0.11
2012	2.88	0.11
2013	2.64	0.10

Future plans

We plan to grow our programme so that even more of our workforce takes part in volunteering. We will continue to focus on encouraging more BT people around the world to get involved, and we will explore opportunities to partner with other organisations so that we can generate a bigger impact through volunteering.

Next year, BT volunteers will deliver workshops in 100 schools as part of The Right Click: Internet Matters in partnership with UNICEF, to help parents and children understand internet safety better. The scale of the programme will grow each year – we plan to visit 200 and 300 schools in the second and third years, respectively.

We will collaborate with other businesses, such as British Airways, to support the development of our respective

employee volunteering programmes. In May 2014, volunteers from BT and British Airways will be coaching primary school children on different sports activities at the British Airways Concorde Club near Heathrow. Volunteering together creates opportunities for sharing ideas and experiences.

Employee wellbeing

BT encourages physical and mental well-being among all its people.

Why it matters

Healthy, happy employees are more effective in their jobs and contribute to a positive and motivated working environment.

As well as reducing the risk of accidents or time lost through injuries or illness, the health, safety and well-being of our employees are critical to our future commercial success.

Our approach

We invest time, money and effort in creating and maintaining a safe and healthy working environment, and we measure our progress against publicly available targets.

Promoting safe working, healthy behaviours and well-being helps to reduce illness and injury among our people. Identifying problems early facilitates timely intervention or signposting to external support and an active approach to rehabilitation ensure that recovery is speedy and effective.

We operate a 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 Chief Executive through the operational management chain. The Chief Executive is supported by the Group People Director who champions health, safety engagement and well-being and monitors progress through a quarterly forum representing all our lines of business. Structures within the divisions are reinforced with pan-BT forums to address specific issues, such as motor risk, working at height, property risk. Our team 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 use comprehensive and easy-to-use online materials to train and raise awareness among our people so they can help themselves and each other. Advice from specialists, like those available through the Occupational Health Service, ensures we are providing appropriate guidance.

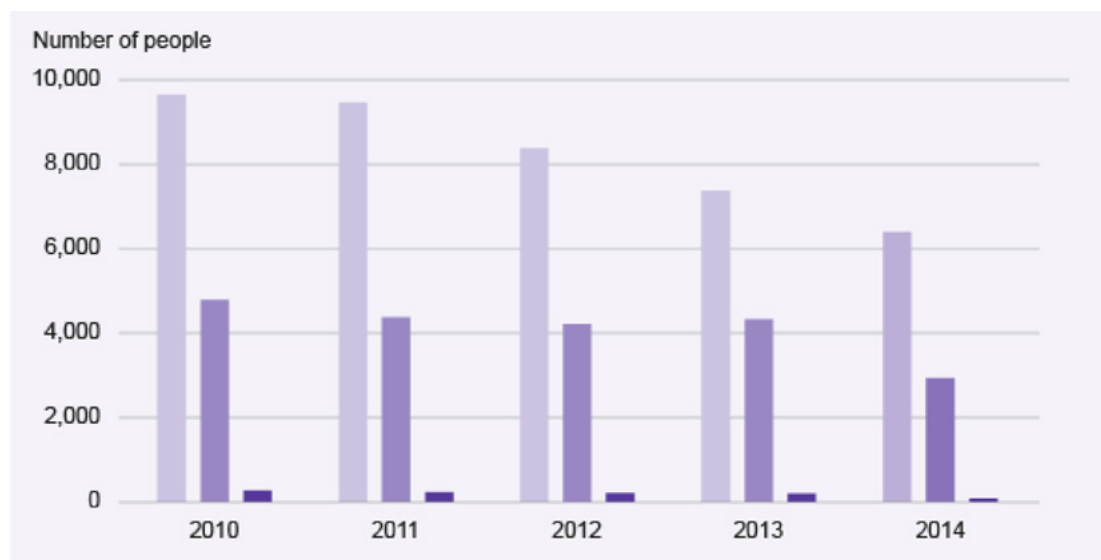
Through our Employee Assistance Services, which offer confidential telephone advice lines and face-to-face counselling, employees around the world can access guidance on personal issues, including legal and financial

problems. This service provides additional support specifically for managers dealing with particularly difficult situations, such as the death of a colleague.

Different roles allow for varying degrees of flexibility in how and where people work. Where appropriate, we support agile working – using BT technology to enable people to work in different locations – to promote employee well-being, healthy work-life balance and to improve business performance.

Flexible working (UK)

Year ended 31 March 2014



Source: HR People system UK only 2013/14 numbers represent full time equivalent (FTE)

- Homeworkers
- Part time
- Job sharers

Flexible working (UK)

Year	Homeworkers	Part time	Job sharers
2010	9641	4782	277
2011	9460	4370	232
2012	8375	4216	210
2013	7363	4322	197
2014	6407	2956	100

2013/2014 numbers represent FTE (full time equivalent)

In spite of offering this element of flexible working, we have seen a decline in the last four years of the number of BT homeworkers in the UK. We use the 'better health', 'better support' and 'better relationships' elements of the BITC Work Well model to frame our efforts in this area.

Progress in 2013/14

Our Lost Time Injury Frequency Rate has reduced to 1.93 incidents per million working hours. Our health, safety and well-being plans for those working on external engineering operations have helped us achieve this result, despite another winter of bad weather.

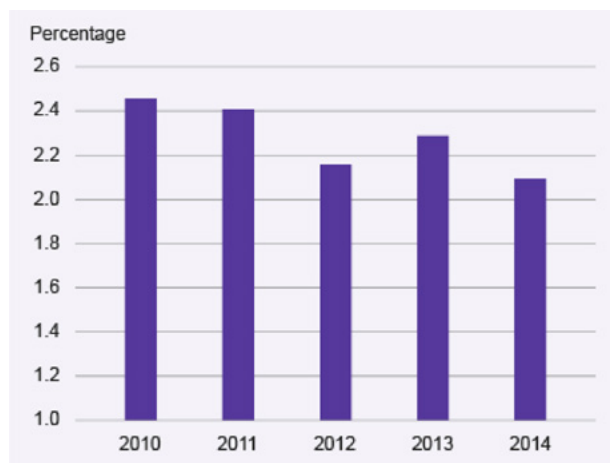
We also track a number of items from our quarterly employee survey which makes up our new Well-being Index. This is calculated from responses to three specific survey questions covering a good work-life balance, being treated with dignity and respect and feeling that my manager cares about me as a person.

In the first year of measurement, we have improved on the Q3 score of 3.65 from 5, moving to 3.85 in Q4 of 2013/14. This is thanks to the continued development and implementation of programmes which support our overarching Health, Safety and Well-being strategy, as well as our Mental Health framework.

We have also improved our Sickness Absence rate from 2.29% of calendar days lost in 2012/13, to 2.10% in 2013/14. This meets our KPI target to 'Improve our sickness absence rate' by moving us towards best quartile performance in the CBI annual absence survey.

Sickness absence rate – percentage calendar days lost due to sickness

Year ended 31 March 2014



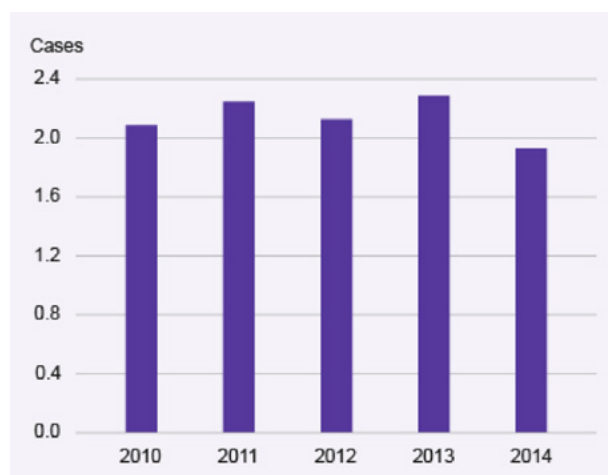
Source: BT Health and Safety management system 12 month rolling average

Sickness absence rate

Year	Percentage calendar days lost due to sickness
2010	2.46
2011	2.41
2012	2.16
2013	2.29
2014	2.10

Lost time injury rate – cases per million working hours

Year ended 31 March 2014



Source: BT Health and Safety management system

Lost time injury rate

Year	Incidents per million working hours
2010	2.09
2011	2.25
2012	2.13
2013	2.29
2014	1.93

We run one of the largest commercial fleets in Europe and driving represents the most significant risk of serious or fatal injury to our people. Our vehicle accident rate has

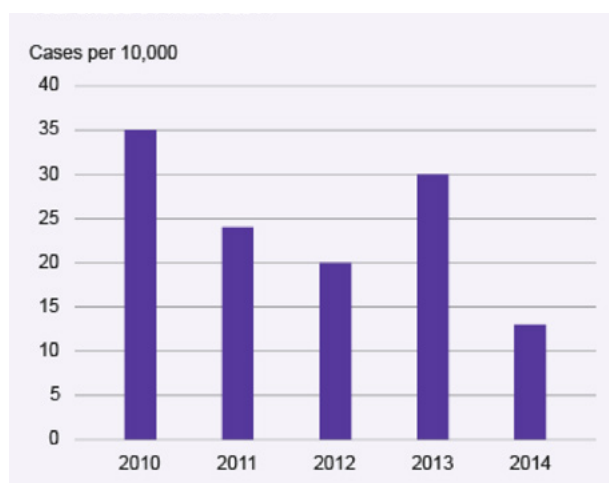
dropped by 12% over 5 years to 29 per 1,000 vehicles. BT has received recognition from a number of fleet safety organisations. We received Brake's – Fleet Safety Analysis and Action Award and were highly commended in their 'Company Driver Safety – larger fleets' and 'Road Risk Manager of the Year' categories. We were also highly commended in the 'Safe Van Fleet of the year' category.

In 2013/14, 901 managers took part in Managing Mental Health training to improve their ability to support colleagues facing these issues. Since 2009, more than 6,000 people managers have received this training. Mental health issues are still the main reason for sickness absence and we are further investing in preventative measures and support. There were no successful health and safety prosecutions or prohibition notices served against BT worldwide, meeting our target.

We focus on training and informing people so they can 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 is 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.

Incidents of work related ill health

Year ended 31 March 2014



Source: BT Health and Safety management system

Incidents of work related ill health

Year	Cases per 10,000 people in post
2010	35
2011	24
2012	20
2013	30
2014	13.95

In the UK, use of our Employee Assistance Services has increased 17.9% since 2012 and of the Employee Assistance Management service by around a third. This reflects increased efforts to promote the service across BT. We have introduced new elements to our comprehensive mental health 'toolkit', such as resilience training, designed to improve employees' ability to adapt to change and respond positively in the face of challenging situations. Resilience is associated with lower levels of absence, higher levels of productivity, greater engagement and better overall well-being. We have continued to support our people to deal with the ups and downs of everyday life. As at end of February 2014, 219 people managers have been trained to enhance their own personal resilience, with improvements being demonstrated in both standardised psychological measures and our own Well-being Index.

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 well-being. This year our campaign was 'Fit for Life' and focused on physical health and mental well-being, and the relationship between the two. A central web site was developed and collateral created which were tailored and implemented at a local level to meet specific needs and issues. Work Fit was recognised by Business in the Community (BITC) as continuing to achieve impactful and current results in helping to secure a more sustainable future for us all. BT was re-accredited the Big Tick award again in 2013.

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 Well-being 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.

Future plans

Resilience modules are now being integrated into our leadership programmes so that all BT leaders receive this training as a matter of course. 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 want to keep getting better; by focusing on delivering continuous improvement and sustained high performance in the areas of personal and business health.

Growing our capabilities

Investing in leadership, development and training will enable us to achieve our business goals.

Why it matters

By investing in the skills, capabilities and behaviour of our people, we will create a workforce that is ready and able to meet our business needs now and in the future. Evolving customer demands require our people to continuously improve so that we can compete effectively in the marketplace.

Our approach

We seek to build the skills of our existing workforce and to recruit new people to grow our capabilities in particular areas.

The newly established BT Academy provides training and development across four faculties: leadership, customer, business and technical. Senior leaders are faculty members and help to define course content so it aligns with business needs and will provide the right knowledge and experiences, to support the planning and roll out of our fibre network across the UK, for example. This is helping our people meet performance targets and improve quality and customer service. Such investment will help us to anticipate and respond to new challenges. We use the 'Better Work' element of the BITC Work Well model to frame our efforts in this area.

Progress in 2013/14

We recruited around 8,100 people in the year. Of these, around 4,800 were in the UK and include 1,400 engineers (500 of whom were former armed forces personnel) and 500 apprentices. Because improving customer service is an ongoing priority, we have implemented a global programme to develop the skills, tools and techniques of our front-line people. To support the launch of BT Sport, for example, we trained more than 8,900 people in the UK, India and the Philippines in selling the new TV channels. This project was Gold Winner in The Learning Awards 2014, hosted by the Learning and Performance Institute.

In the last year, more than 5,000 leaders from across the business have learned new approaches to leadership and coaching and techniques for supporting their teams through the BT Academy.

In 2013/14, the Openreach workforce received more than 108,800 days of classroom or simulated workplace training to help improve their skills. This learning will better equip our engineers to deliver the roll out of our fibre network, provide better service to our customers and educate our workforce about working safely across our network.

Future plans

In April 2014, we launched a new recruitment programme which will reduce the time it takes to hire people and improve visibility of internal opportunities across the organisation. By October 2014 we hope to have completed the roll out of this new approach worldwide, improving the way we recruit to help us build the teams we need to grow our business.

Promoting diversity

A diverse and inclusive workforce makes BT more dynamic and innovative, and better able to respond effectively to customer needs.

Why it matters

We are committed to creating a fair and inclusive working culture which encourages all of our people to contribute to our business and achieve their potential. This will bring a diversity of thought, greater innovation and a better understanding of customer needs.

Our approach

Our commitment to inclusion and diversity starts at the very top of our organisation. Sir Michael Rake, BT Chairman, is a member of Business Disability Forum's President's Group. Tony Chanmugam, Group Finance Director, has joined the Board of Race for Opportunity. Warren Buckley, MD, Openreach is the Chair of the Business Disability Forum's Board of Trustees. Libby Barr, MD Consumer Sales & Service is the Co-Chair of the BT Customer Inclusion Leadership Panel which seeks independent guidance and expert advice and reviews our customer inclusion programme priorities. Dan Fitz, Group General Counsel & Company Secretary is the BT's Inclusion Champion.

As an inclusive employer, we have policies and tools in place to ensure all our people are treated fairly and are supported to achieve their potential. Our self-declared disability rate is 5.3% (we ask our people to report this voluntarily) with 4.1% of this year's new recruits registered as disabled.

Having a physical disability, mental health issue, or other health condition should not be a barrier to employment. As a UK Jobcentre Plus Two Ticks employer, we actively promote the recruitment, development and retention of disabled people. We will put an applicant with a disability or long-term health condition, who meets the minimum criteria for a vacancy, through to the first stage of the recruitment process. Our Enable service advises employees who have a disability about adjustments available to support them in their jobs and if they are returning to work. Enable Plus helps employees

to develop their skills and potential when looking for new opportunities inside BT, and where appropriate, externally too.

Disability profile (self-declared) UK %

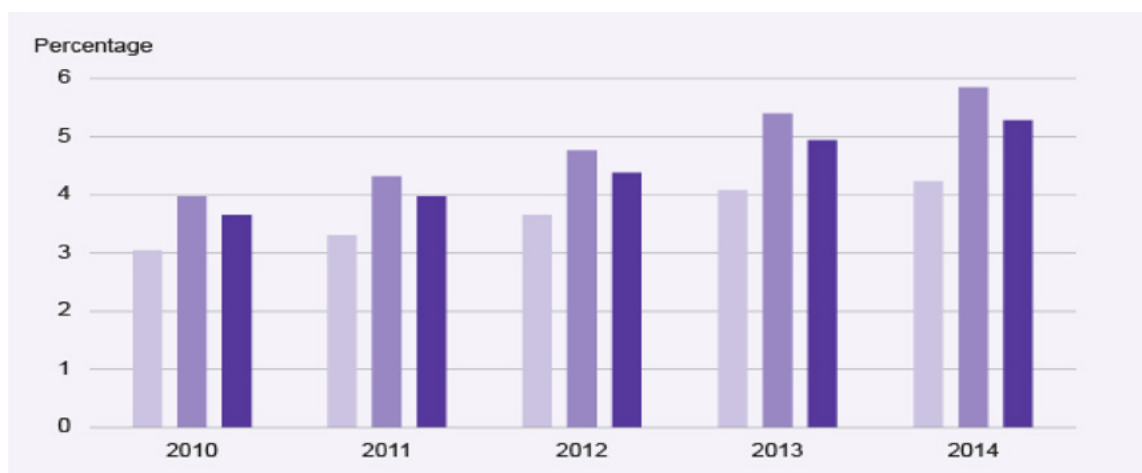
Year	Management	Team Members	All BT
2010	3.02	3.95	3.63
2011	3.28	4.3	3.95
2012	3.63	4.74	4.36
2013	4.06	5.37	4.92
2014	4.21	5.83	5.26

We have seven Employee Networks and we work closely with them to identify and develop opportunities for initiatives, which will help drive our business and individual employees' success. Find out more about our Employee Networks on the Engaging our people page.

Our company, like our industry and society, has an ageing population. We are keen to harness the experience and other strengths that brings. We also need to continue to tailor our workplaces to help older people keep working, while also attracting the next generation of employees. We provide pension and retirement benefits in addition to statutory retirement arrangements. To help our employees make informed decisions about retirement, we offer guidance on subjects including pensions, capital investment, making a will and tax efficiency.

Disability profile (self-declared) UK

Year ended 31 March 2014



Source: HR People system

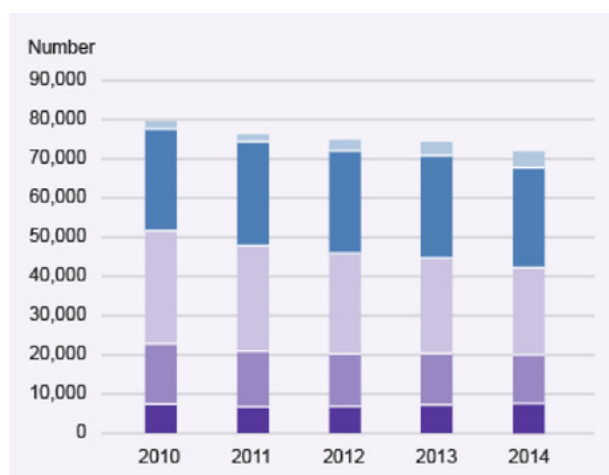
● Management ● Team members ● All BT

Age profile (UK)

Year	< 20	20-29	30-39	40-49	50-59	60+	Unknown
2010	214	7,447	15,455	28,776	26,078	1,858	4
2011	266	6,684	14,201	26,979	26,561	2,403	2
2012	243	6,781	13,471	25,719	26,137	2,844	0
2013	283	7,254	13,059	24,465	26,118	3,468	8
2014	476	7,451	12,443	22,066	25,669	4,029	1

Age profile (UK)

Year ended 31 March 2014



Source: HR People system

- <20
- 20-29
- 30-39
- 40-49
- 50-59
- 60+
- Unknown

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. In the UK, we also provide savings of up to £933 a year on childcare costs through our salary sacrifice scheme for basic tax payers and higher rate tax payers stand to save up to £624 per year. For new parents welcoming adopted children into their family, we offer specific policies and support including parental leave. We use the 'working well' element of the BITC Work Well model to frame our efforts in this area.

Progress in 2013/14

The proportion of women in our workforce slightly decreased from 21.34% in 2012/13, to 21.09% this year. Our gender diversity policy for the BT Board is to aim to have at least 25% female representation. During the year we had at least 30% female representation on the Board. At the year-end this had declined to 22%

(two female directors out of a Board of nine) following the retirement of Patricia Hewitt in March 2014.

We will look to address this in line with our diversity policy. During the year, over 24% of our graduates recruited were female. Our well-established modern apprenticeship programme received more than 650 applicants, of whom 9.5% were female.

Our maternity and paternity policies go beyond the statutory minimum. In 2011/12 (the most recent year for which data is available), 88.5% of women returned to work at BT after maternity leave and remained with us for at least 12 months. This compares favourably with the most recent data available from the Department for Work and Pensions which showed 77% of women returned to work and stayed with their employer for at least 12 months.

We have been commended for our commitment to recruiting, retaining and progressing female talent and ranked in the Top 10 Private Sector Organisations benchmarked by BITC Race for Opportunity and Opportunity Now. BT appeared in the Times Top 50 places for Women to Work in the UK, leading the way in gender equality at work. Openreach was shortlisted for the Corporate Award and Kerry-Anne Lawlor, Director of Field Dynamics in Openreach, won Business Woman of the Future in the 2013 Women of the Future Awards.

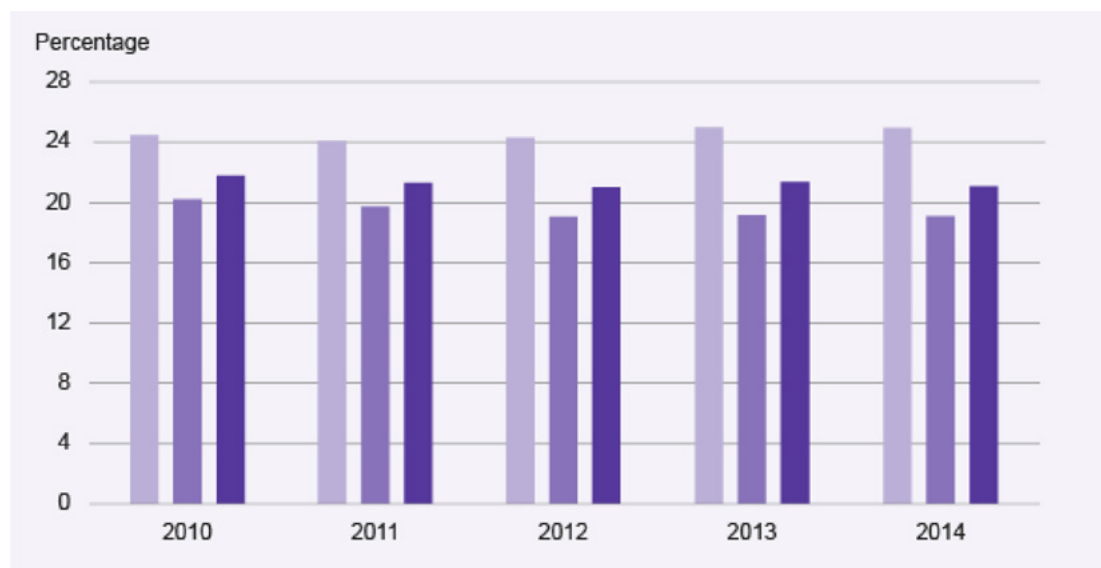
As part of our efforts to encourage more young women to consider careers in technology and engineering, BT Ireland sponsors the BT Young Scientist & Technology Exhibition. This year, more than 4,400 students from 32 counties, covering 550 projects from 379 schools nationwide took part in the competition.

In June 2013, we ran an event to help 168 students, aged 14-15 to understand more about employability skills through the Work Inspiration programme. Following a successful BT Volunteering/ Work Inspiration event held at Presdales School for Girls Hertfordshire, BT has been asked to run the event again this year.

In March 2014, BT co-sponsored the 'It's Not Just for the Boys' event to promote women in technology. This also gave us the opportunity to participate in STEMism UK, a social initiative which brings together female Science Technology, Engineering and Maths (STEM) students and experienced female professionals.

Diversity – women employees (UK)

Year ended 31 March 2014



Source: HR People system

- Management
- Team members
- All BT

Diversity – women employees (UK) %

Year	Management	Team Members	All BT
2010	24.45	20.18	21.78
2011	24.06	19.71	21.28
2012	24.28	19.05	20.98
2013	24.95	19.12	21.34
2014	24.95	19.11	21.09

Our Ethnic Minority Network has set up a mentoring programme in three London schools with a high proportion of ethnic minority students. Participating students meet with a member of the Ethnic Minority Network at least once a month, in small groups, to discuss a range of topics including career aspirations, developing their understanding of the world of work,

and how to write a CV. Reflecting the ethnic diversity of the communities we serve, and engaging them in this way, gives us greater insight into the needs of our customers globally.

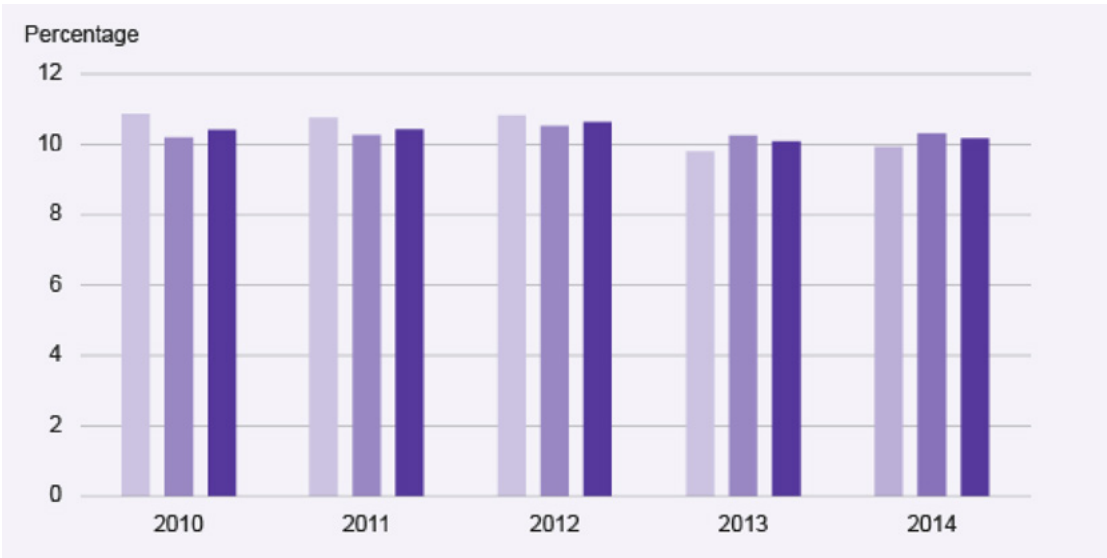
Diversity – ethnic profile UK (self-declared) %

Year	Management	Team Members	All BT
2010	10.86	10.18	10.41
2011	10.74	10.25	10.42
2012	10.82	10.52	10.62
2013	9.78	10.23	10.07
2014	9.94	10.31	10.18

1,020 people received Enable and Enable Plus support in workplace adjustments from our specialist suppliers. In 2013/14, BT faced 69 new discrimination-related

Diversity – ethnic profile UK (self-declared)

Year ended 31 March 2014



Source: HR People system
Declaration: From an ethnic minority

- Management
- Team members
- All BT

cases in the UK. Of the 91 cases which were closed; 57 were won by BT, 28 settled and 6 lost by BT. Some of the claims were multiple claims and not discrimination-related claims on their own.

Future plans

We will use the UK National Equality Standard to develop our framework for improving our diversity and inclusion practice, including reporting metrics and a transparent assessment to evaluate companies’ inclusion performance. We will continue to enter best practice benchmarks and awards to support our policies and practices as an inclusive employer.

Developing new talent

We inspire and support the next generation to develop relevant skills and capabilities so they can contribute to our future success.

Why it matters

We need to support the next generation of BT employees to acquire the skills, knowledge and capabilities to meet the needs of our future customers. This will mean we can remain competitive and continue to grow as a business.

Our approach

Over the last four years, we have hired more than 2,200 new apprentices and graduates. Most joined our IT, technology, research, software design and engineering functions, and many are based at our research campus at Adastral Park, near Ipswich in Suffolk. Inventions created at Adastral Park have become critical to the world's communications networks and services.

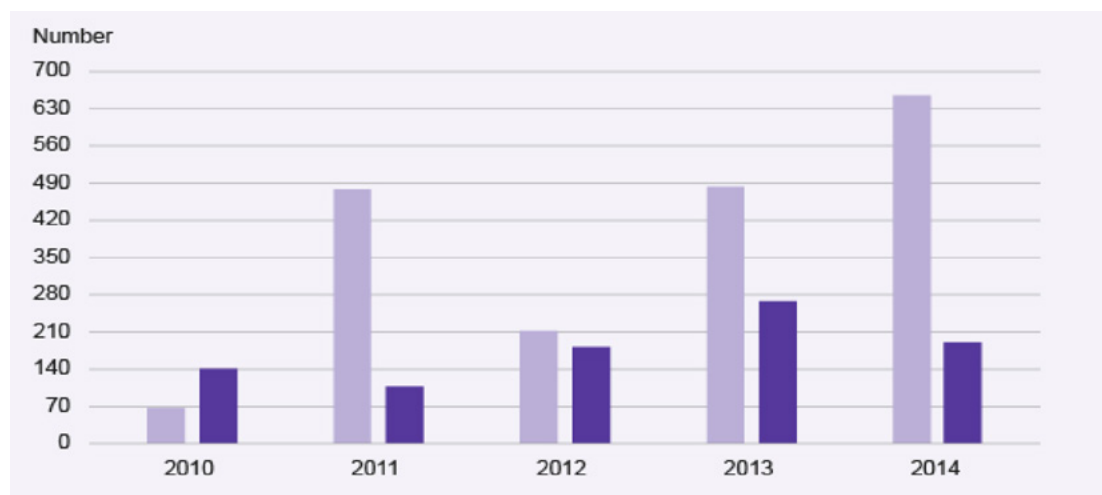
Our technology graduates and technical apprentices work on a range of cutting edge projects, including the future of broadcasting and wireless technology, Big Data and the Internet of Things, and help to pioneer new developments in high-speed fibre communication networks. Researchers at Adastral Park recently worked with Alcatel-Lucent to break data transmission speed records, by transmitting 1.4 terabits of data per second over a fibre-optic link between the research park and the BT Tower in London. Find out more about how we are helping to inspire young people to think about careers and develop their skills on the Better Future website. We use the 'Better Work' element of the BITC Work Well model to frame our efforts in this area.

Progress in 2013/14

We have continued to build our pipeline of future talent through the recruitment and training of over 600 new apprentices and graduates. Of the 188 graduates who joined BT this year, 31 are from outside the UK.

Apprentice and graduate recruitment

Year ended 31 March 2014



Source: HR People system

- Apprentices
- Graduates

Apprentice and graduate recruitment

Year	Graduates	Apprentices
2010	139	65
2011	105	476
2012	180	210
2013	266	481
2014	188	654

We created a new digital media technology apprenticeship and launched our new traineeship programme. The technology apprenticeship provides new recruits with experience and skills in web development, digital networks, digital TV and digital media distribution. The traineeship helps prepare young people for work by giving them the opportunity to get important work experience and obtain four externally recognised qualifications.

Investors in People recognised our continued commitment to developing our people's skills and capabilities with accreditation for the 15th consecutive year. Our Accredited Learning Pathways won Skillssoft's 'Best IT Training 2013. During the year we secured global accreditation from the Chartered Institute of Management Accountants for our BT Learning Pathways programme. BT is the first corporate organisation in the world to go through accreditation of this kind.

Future plans

We will continue to invest in future talent and plan to recruit around 900 apprentices and graduates in 2014/15. Most of the new roles will be in the areas of IT, technology research and engineering, with other training programmes available in business and finance. We are participating in the UK's employer-led initiative, 'Movement to Work', which aims to tackle youth unemployment, and have pledged to provide up to 1,500 vocational training and work experience placements for out-of-work young people over the next 18 months. This is a major boost for UK youngsters and demonstrates our desire to become a magnet for talent.

Rewarding our employees

We reward and recognise our people with competitive pay, benefits, pensions and employee share ownership plans.

Why it matters

Our competitive reward packages show our employees that we value their contribution and commitment, and help us attract and retain the best talent to achieve our business goals.

Our approach

We compare salaries with other companies to maintain competitive packages in our markets. In the UK, the pay for most engineering and support people is agreed through collective bargaining with trade unions, to ensure fair terms and conditions for all.

We determine managers' pay and bonuses by assessing both business and individual performance. We measure our annual business performance; such as revenue, EBITDA and customer service metrics. We combine this performance metric with our employees' personal contribution, which is measured on how well they demonstrate our corporate values in their work. The combination of the two performance metrics helps us decide the bonus amount.

Long-term incentives for our executives are linked to the creation of shareholder value, measured over a three-year period. In line with regulatory obligations, incentives for senior leaders in Openreach are tied to its performance, rather than to the wider BT Group.

In addition to statutory retirement arrangements, we provide pension and retirement benefits. To help our employees make informed decisions about retirement, we offer workshops and guidance on subjects including pensions, capital investment, making a will and tax efficiency.

Employees can own shares in BT through our savings-related share plans. Our people are the driving force behind our commercial success, and our share plans enable employee the opportunity to share in the success of the company. This boosts motivation and performance

levels. We use the ‘Better Work’ element of the BITC Workwell model to frame our efforts in this area.

Progress in 2013/14

Around 60% of our people take part in one or more of BT’s savings-related share option plans (saveshare), which operate in more than 25 countries. In August 2013, almost 12,000 people benefited from saveshare, receiving, on average, BT shares worth almost £5,000 – a gain of around £2,800. In August 2014, more than 22,000 people in our 2009 (5-year plan) could each receive shares worth over £48,000 on average (based on the share price as at 31 March 2014). We believe this will be one of the largest ever pay-outs from an all-employee saveshare plan made by a UK plc.

Customer service

Our customers simply expect good service. It is fundamental to building healthy, long-term relationships that ensure our business is successful.

Why it matters

The level of service we provide can determine whether or not customers stay with us. To attract new customers to BT and delight existing customers, it is important that we consistently improve the service we provide. This means understanding what people need, being easy to deal with, keeping our promises and fixing any problems quickly. We aim to improve our quality of service to prevent issues from occurring, and respond quickly when they do.

Our approach

We aim to ensure that our customers have a great experience of the products and services they buy from us, from their initial contact with our sales people to paying their bills.

For example, we prioritise protecting customers in our sales and marketing practices, by being fair and transparent, giving our people the right training and follow the appropriate rules and regulations. By continually improving every aspect of our customer service, we can save time and money, and ultimately invest more in developing new products and services.

‘Right First Time’ (RFT) is our key metric for customer service and we use this to measure our service levels, so that we can take action to improve, where necessary. This means measuring to what extent our customers believe that we are fulfilling or exceeding their expectations. For example, we look at how quickly we respond to customers’ calls, whether we complete orders or fix problems on time and if any issues reoccur. Doing things right first time allows us to remove failure and eliminate waste – it also contributes to cost efficiencies.

In practice, RFT means understanding what our customers need, keeping our promises to them, keeping them informed, and acting quickly to fix things if they go

wrong. The RFT measure that we report compares the average for the fourth quarter with that for a year earlier.

Progress in 2013/14

We have improved our customer service this year, but not by as much as we had wanted to. Our aim for the year was to recover the 4% decline in RFT performance reported last year, but we only achieved a 1.5% improvement.

Our service in the year was impacted in the UK by the widespread storms and flooding across the UK which led to record levels of faults and meant that it took longer than normal to provide our services. In BT Global Services, RFT did not increase by as much as planned, partly as a result of a backlog of orders. We also saw a significant rise in demand following the launch of BT Sport in August. This put pressure on our contact centre resources which affected the levels of service some customers received.

Our strategy begins with customer service delivery, so we are disappointed with any setbacks in our quality of service, whatever the reason. We received some bad press on customer service during the year and we did let some customers down. We apologised where we had done so.

Customers are increasingly reliant on their fixed lines for access to the internet. Their expectations around service continuity and reliability have therefore risen. We have not always kept pace with this change. And our processes have also not been good enough. We are therefore making further investments in our systems, our people and technology and in the resilience of our networks. We want to deliver a step-change to provide a superior service to all our customers. This year we have:

- recruited hundreds of extra people into our contact centres;
- invested in software to improve our performance in calling customers back;
- recruited an additional 2,000 engineers;
- equipped our engineers with new diagnostic tools to help them locate faults more quickly;
- removed process failures allowing us to hit more of our customer appointments on time.

We also made progress on the focus areas that we outlined in last year's report; such as early life failures,

repeat visits and how we respond to major service outages. These measures are already having an impact and we are now receiving fewer complaints.

Future plans

We will continue to make changes to improve our customers' experience in the coming years. Going forward, we plan to:

- invest proactively in our network to make it more resilient to bad weather and reduce the number of faults that occur;
- improve our online capabilities so our customers and people can track what is happening more easily;
- re-balance our resources so a higher proportion of customer calls are answered from UK call centres;
- improve our ability to recover quickly for customers when things do go wrong;
- change some of our key processes relating to installations and house moves to deliver service more quickly and reliably.

As a result, we will continue to improve 'Right First Time' measure to reverse the 4% decline experienced in 2012/13.

We will also continue to enhance the service we provide to customers in areas such as product accessibility, data security, privacy and child protection; visit Connected Society to find out more.

Procurement and supply chain

This year BT spent £9.8bn on products and services, so we have a big responsibility to promote sustainable practices and reduce the impact our supply chain has on society and the environment.

Why it matters

Having the support of our 17,400 global suppliers is vital to fulfilling our commitment to help our customers to cut their carbon emissions and to provide high quality products. We need reliable suppliers with high labour and environmental standards, who understand our expectations and can contribute towards our goals. This in turn helps us to improve our performance, reduce risk and provide the transparency that many customers require.

Our approach

We commit to treating our suppliers ethically and responsibly and developing long-term relationships, so that we can support them to be more sustainable, reduce risks and improve standards. Read more about how we assess and manage social and environmental risks in our supply chain on the Better Future website.

Progress in 2013/14

Training is central to our efforts to encourage sustainable practices among our suppliers and employees. This year, we provided a webinar on the Carbon Disclosure Project (CDP) for those suppliers who had agreed to disclose their impacts, and five specialist sustainability training sessions for supply chain colleagues.

Our focus on building long-term relationships with a selection of trusted suppliers is enabling us to help them introduce and maintain more sustainable practices. We seek our suppliers' views on the quality of their relationship with us via an annual survey. This year, 89% of suppliers rated the relationship as 'excellent' or 'good', the same as last year, thanks to our ongoing engagement throughout the year. Meanwhile, 85% of our suppliers

agree that our procurement teams work in a socially and environmentally responsible manner.

As part of our efforts to collaborate with a broad range of stakeholders on supply chain issues, we engaged with a number of customers to share our approach to sustainable procurement or support their sustainability programmes this year. We are also working with a group of Chinese non-governmental organisations to provide advice and guidance to suppliers sourcing from China. We have started using the group's supplier/environment watch website to inform our assessments.

We always look for opportunities to work with Minority-Owned Businesses (MBEs). For us, this means companies that are at least 51% owned, controlled or operated by people belonging to ethnic minority groups; women; lesbian, gay, bisexual or trans-gender people; or those who are disabled or helping disabled people into work. From our supplier survey, we also learned that 9% of suppliers stated they were an MBE and in 2013/14, we spent a total of £32.6m with them.

We work with diversity-focused organisations, including Minority Supplier Development UK (MSDUK). We are represented on the board of MSDUK. Through MSDUK, companies can certify that their business is ethnic minority-owned and promote their services to buyers via the organisation's website. Visit the Better Future website and read our case study on the Better Future Supplier Forum to find out more about how we support and collaborate with suppliers.

Conflict minerals

In 2013, we made our Conflict Minerals Policy available to our suppliers; which states our position on conflict minerals. To comply with the Dodd-Frank Act and our SEC obligations, we asked our suppliers whether their products contain certain minerals which may have been sourced from conflict areas such as the Democratic Republic of the Congo. We will file with the SEC the required report following our due diligence and reflecting the responses we received.

In 2014/15, we will continue our work to determine whether BT-branded or BT-manufactured products contain conflict minerals.

Assessing social and environmental risk

To manage our impact on society and the environment, we need to assess the risks posed by the companies that provide us with goods and services.

Why it matters

It is vital that we continue to monitor our suppliers' social and environmental practices to ensure they meet our rigorous standards. This allows us to pinpoint high risk suppliers and work with them to improve their practices.

Our approach

We take a risk-based approach to assessing our suppliers' performance across three main areas: environment and climate change, labour standards and supplier diversity. We conduct on-site assessments with high-risk suppliers to help them build the knowledge and skills required to manage risks in their own operations and supply chains. Find out more about how we assess social and

environmental risk in our supply chain on the Better Future website.

Progress in 2013/14 This year, 614 suppliers completed our environmental and 'Sourcing with human dignity' self-assessment questionnaires. We are currently working with 115 suppliers to improve their environmental standards and 49 suppliers on labour standards.

Our Procurement teams took action within three months to initiate follow up of 97% of suppliers' assessments which were identified as high or medium risk, narrowly missing our 100% target.

We conducted the majority of high risk assessments in China, Korea, Slovakia, the Philippines, Romania, the USA, Mexico and the UK. A BT employee is based in China, acting as a dedicated assessor to work with our suppliers. As part of our ongoing assessment programme, we assessed 54 existing or potential tier one suppliers and conducted 13 joint assessments (tier two suppliers jointly assessed with tier one).

The most common significant issues we identified related to excessive working hours and health and safety risks. Issues like this are fed back to the suppliers for improvement which we track and monitor.

BT supplier assessment process



Ownership

- Joint BT and supplier
- Supplier

- BT Buying team
- BT Assurance

This year, we decided not to partner with a major software provider that did not meet our social and environmental standards. We also removed a supplier from our Better Future Supplier Forum due to failure to control excessive working hours; however we continue to work with them to address the social and environmental issues where they were failing to meet our standards.

Future plans

We will continue to analyse the social and environmental risks posed by all our suppliers and plan to maintain the same risk-based approach to assessing their performance in 2014/15.

About this report

We aim to be a responsible and sustainable business, and to use this report to give a fair assessment of our progress.

Scope of the report

This report provides information relating to our material social and environmental issues for the financial year ending 31 March 2014, unless otherwise stated. Our previous report covered the year to 31 March 2013. The report covers all BT's wholly-owned subsidiaries worldwide, unless otherwise stated. In 2013/14, our UK operations accounted for approximately 77% turnover and around 72,200 (82%) 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 units, or any of them as the context may require.

A reference to a year expressed as 2013/14 is to the financial year ended 31 March 2014 and a reference to a year expressed as 2014 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 2014. References to 'last year' and 'the prior year' are to the financial year ended 31 March 2013. Unless stated otherwise our data covers the year 1 April 2013 to 31 March 2014 in line with our financial reporting.

Reporting people data

In order to improve the alignment between the Better Future report and BT Group plc's Annual Report 2014 & Form 20-F, all employee numbers for 2013/2014 will use the 'full time equivalent' measure not 'people in post' unless otherwise stated. Data on disability and ethnicity is self-declared and voluntary. Unless stated otherwise all data represents our worldwide employee base.

Reporting on our 2020 goals

Here's how we are measuring our goals;

Connected Society

Our goal is to give access to nine out of ten people in the UK to fibre-based products and services by the year 2020. To calculate the number of people helped to get online, we have taken the publicly available figures for premises passed by fibre broadband by Openreach and expressed this as a number out of ten. This is so that we can illustrate the direct impact on people and not just buildings where the fibre is available. Therefore the calculation is;

- fibre broadband numbers – as published in BT and BDUK press releases (19m as at 31 March 2014);
- divided by the total number of homes in the UK as published by the Office of National Statistics (ONS) (29m as at 31 March 2014);
- expressed as a number out of ten (6.6/10).

Improving Lives

BT has set the goal of using our skills and technology to generate more than £1 billion for good causes by 2020. We have defined what will count towards this goal, and will track progress year-on-year, please refer to Improving Lives for more information.

This includes all monies raised using MyDonate for fundraising, telethons and appeals (including Gift Aid), through payroll giving, and by BT employees fundraising during their working hours. Other contributions include the value of time volunteered by our people to good causes during working hours. We also count membership fees, donations, sponsorships, matched-funding and the value of in-kind support given to charities, not-for-

profits and social enterprises. We also include payments made to these organisations to run projects aligned with our vision to ‘help improve hundreds of millions of lives globally’.

Finally, we include funds raised as a result of BT’s financial support and the use of our technology, skills and assets. This includes monies raised by BT-sponsored fundraising events such as the BT Comic Relief Celebrity Challenges, where our provision of professional services enabled public donations, and where our BT assets such as the BT Tower in London enable fundraising events.

We exclude from the £1 billion calculation our investment in infrastructure, such as the set up and running of MyDonate and its associated internal administration costs.

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).

Net Good

Our goal is to help our customers reduce their carbon emissions by at least three times the end-to-end carbon impact of our business (3:1) by the year 2020. We have been working with several expert organisations to calculate our end-to-end carbon emissions. Read more about our Net Good methodology on our Better Future website.

Reporting operational environmental performance

We have reported on all of the carbon emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013. We have used the World Resources Institute (WRI) Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard (revised edition). Unless stated otherwise we report on our gross emissions (using grid conversion factors). Where we report our net emissions, this reflects reductions in emissions associated with the purchase of low and zero carbon electricity.

We do not include emissions from energy provided by a landlord as part of a full service buildings contract nor, as landlords do, we include the emissions from energy charged to our tenants based on metered consumption.

We do not report on countries that have never reached 250MWh per annum electricity use, nor on joint ventures or partnerships where we do not have a controlling interest. We will continue to progress work on this to better understand how much of this contributes to our footprint.

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 from 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 (scope 3) reporting, if the divestment is sourcing a service.

Find out more about our progress and performance data on the waste and recycling and other impacts pages.

Conversion factors

To calculate greenhouse gas emissions in the UK we use conversion factors published annually by the Department for Environment, Food and Rural Affairs. For other countries, we use GHGP or International Energy Agency conversion factors unless specific national or contract factors exist. Carbon emissions for home-workers in the UK are based on their expense claims and the average domestic gas and electricity use.

Standards and guidelines

The Global Reporting Initiative (GRI) Sustainability Reporting Framework is widely used by organisations around the world. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organizations can use to report their economic, environmental, and social performance. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. Our Better Future report has been prepared using the GRI G3.1 Guidelines and the pilot version of the Telecommunications Sector Supplement (2003). The report has been prepared according to the GRI Guidelines, at Application Level A.

We have been a signatory to the Global Compact since 2000 and we reaffirm our support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. We provide an annual Communication

on Progress which provides links to content and performance data related to the ten principles.

ISO 26000 'Guidance on social responsibility' provides a guidance framework to help businesses and organizations operate in a socially responsible way. This is the fourth year that we have provided a cross reference to content and performance data relating to the core subjects and issues of the guidance.

Assurance

Our report is externally assured by LRQA against the AA1000 AccountAbility Assurance Standard 2008. See our assurance statement for full details.

Restatements of data

With the advent of mandatory Greenhouse Gas reporting for GHGP scopes 1 and 2 emissions in the UK the UK Government published revised guidance for those companies affected. Consequently we have revised our two carbon emission models as follows:

Carbon dioxide emissions equivalent (CO2e) model

We have restated our emissions data across all reported years to:

- move CO2e emissions relating to 'energy transmission and distribution' from scope 2 to scope 3, around 80,000 tonnes pa over the period. For transparency we have included this in our operational CO2e model;
- reflect revised guidance for the emissions from air travel;
- to reflect revised conversion factors

Additionally we have made the following non-material changes;

- improved data collection (specifically in gas);
- replacement of any estimates with actual figures once the final energy bills were received.

Our Net Good end-to-end carbon emissions CO2e model;

The key improvements and updates to the model and methodology since last year's report are:

- the use of the most up-to-date Office of National Statistics (ONS) national accounts, including a transition to a 110 sector environmentally extended input output (EEIO) model;
- a revised and more granular mapping of BT purchase categories onto the industrial sectors of the national accounts;
- the use of process-based emissions factors to estimate emissions arising from waste;
- in line with DEFRA's revised guidance, separately reporting emissions associated with electricity transmission and distribution losses

Improving Lives – £1bn goal outcome

The £59m we reported last year has been restated to £60.84m following the confirmation of additional contributions in the year after publication of the Better Future report 2013.

Contact information

We welcome feedback on this report, the Better Future programme and our performance as a sustainable and responsible business. Please complete this online feedback form or contact us via our Twitter account **@BTBetterFuture** or by emailing **betterfuture@bt.com**



Stay in touch

Your views on our Better Future report are important because they help us improve and understand what is important to our customers, our stakeholders and society as a whole.

Give us your feedback, fill out our survey online at **www.bt.com/betterfuturereport**

Find out more about our Better Future programme at **www.bt.com/betterfuture**

Follow BT Better Future on Twitter **@BTBetterFuture**

Or email us on **betterfuture@bt.com**