**Delivering our purpose – update on our progress in 2016/17**

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**Introduction from our Chairman and our Chief Executive**

Our purpose is to use the power of communications to make a better world.

Our products and services – and the people who deliver them – make a vital contribution to providing the connectivity that is essential in a digital economy.

We believe in using the power of communications to make a better world, and in the opportunity and responsibility BT has to make a positive impact.

We continue to help more people get online, whether that’s through our community fibre partnerships scheme, which helps bring fibre to some of the hardest to reach communities; by working together with Wales and West Housing to create one of the largest free wi-fi networks in social housing; or helping housing associations get tenants online with discounted 4G EE Wi-Fi devices. We take our responsibility as the leading investor in the UK’s digital infrastructure very seriously.

While access to technology is important, so are the skills that people need to use it – that’s why we’re committed to help build a culture of tech literacy in the UK – and we’re on track to reach 5m kids by 2020. We believe tech literacy, the confidence to use everyday technology and understand how it works and shapes society, is as important as reading and writing. And through the Barefoot Computing project, which brings computer science alive across the curriculum, we’ve already reached over a million primary school children. We’re uniquely positioned to help this next generation of young people.

In addition, this year we’ve also helped over 2,050 young people, many from disadvantaged backgrounds, get better prepared for the world of work through our Work Ready programme and partnership with the Rio Ferdinand Foundation.

Together with Unicef UK, we’ve reached more than 14,500 teachers, parents and children as part of the Right Click programme, helping them become confident digital citizens.

And we’ve also launched the Tommy Flowers Institute, for Higher Education ICT training, at our research labs at Adastral Park, Ipswich.

We’re a signatory to the UN Global Compact principles, are committed to implementing the UN Guiding Principles on Business and Human Rights and are actively contributing to the UN Sustainable Development Goals.

We expect everyone who works with us to live up to our values and act with integrity. And the behaviours and practices we found in our Italian business, as well as Ofcom’s findings around Openreach’s use of the Deemed Consent process a number of years ago, have no place in BT. We take these extremely seriously, and have put in place new measures, controls and people to prevent them from happening again.

Although our carbon footprint has grown with the addition of EE, we remain a ‘net positive’ business, with our emissions offset by the carbon savings our products and services bring to our customers by a ratio of 1.8:1. Our aim is to move to 100% renewable electricity wherever we can. This year, 82% of electricity worldwide came from renewable sources.

By using our technology for good causes we’ve helped raise over £62.6m for 11,000 charities, through telethon appeals and MyDonate, our online fundraising platform. BT Sport customers donated more than £1.6m to The Supporters Club, providing grants to 13 charities in the UK and around the world. We’ve also begun a three year partnership with the Premier League to inspire disabled people through sport.

Looking to the future, we’re excited about the continued role we will play in creating connections and helping people, businesses and communities thrive in a digital world.

Sir Michael Rake, Chairman

Gavin Patterson, Chief Executive

"I’m extremely proud of how BT uses the power of communications to make a better world. As I hand over my role as Chairman to Jan du Plessis in November, I do so in the knowledge that BT’s products and services play a vital role in helping customers to thrive, and make a positive impact to society and the communities where it operates."

Sir Michael Rake, Chairman

**In this report**

This report shows how we're delivering against our 2020 ambitions, and how we’ve been bringing our purpose to life during 2016/17.

**Delivering our purpose**

We're supporting society and the environment in an increasingly digital economy, while taking our responsibilities seriously in everything we do.

**Overview and highlights**

Our purpose is to use the power of communications to make a better world.

We’re doing this by connecting society and helping people thrive in a digital economy, by supporting our communities and by delivering environmental benefits. We've set bold ambitions for 2020 in each of these areas and we’re making progress towards them (see table).

To achieve our purpose, we must do business responsibly. That means behaving ethically, respecting people and the environment, and investing in society. This is essential to build trust, protect our reputation and deliver sustainable, profitable revenue growth.

By delivering our purpose, we're creating shared value for society, the environment, our people and our business.

|  |  |  |  |
| --- | --- | --- | --- |
| **Our 2020 ambitions** | | | **Progress to date** |
| **Connecting society** | **9/10** | Give nine out of ten people in the UK access to high-speed broadband | Premises reached by March 2017:  8.8/10 |
| **10m** | Help 10 million people overcome social disadvantage through the benefits our products and services can bring | Helped since 2014/15:  3.9m |
| **5m** | Help 5 million children receive better teaching in computing and tech skills | Helped since 2014/15 school year:  1.1m |
| **Supporting our communities** | **£1bn** | Use our skills and technology to generate more than £1bn for good causes | Generated since 2012/13:  £422m |
|  | **66%** | Inspire 66% (two-thirds) of our people to volunteer their time and skills | Volunteered in 2016/17:  31% |
| **Delivering environmental benefits** | **3:1** | Help our customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business | Achieved in 2016/17:  1.8:1 |

What’s new this year

EE

With EE now part of the BT family, we’ve fully included them in our reporting for the first time.

Modern Slavery

We’ve partnered with Unseen to launch the UK’s Modern Slavery Helpline and Resource Centre.

Cyber Security

We’re contributing to the UK’s first National College of Cyber Security, and have set up the Tommy Flowers Institute to explore further innovations in this field.

Tech Literacy

We continue to train teachers in tech literacy: more than a million children now have the skills they’ll need for the future.

Land Rover BAR

We’re providing our technology and expertise to help Land Rover BAR, as they aim to become the first ever British team to win the America’s Cup.

Regulatory and compliance matters

The behaviours and practices we found in our Italian business, as well as Ofcom's findings about Openreach's use of the Deemed Consent process a number of years ago, have no place in BT. We take these issues extremely seriously and have reviewed all aspects of our governance, putting in place new measures and controls to prevent them from happening again.

**Our business**

We’re one of the world’s leading communications companies. We're based in the UK but serve customers across 180 countries.

We sell fixed-voice, broadband, mobile and TV products and services to individuals and households in the UK. For businesses we offer a variety of communications services, ranging from phone and broadband through to complex managed networks, IT services and cyber security protection. Many public services rely on our technologies and, in the UK, we help other communications providers to service their own customers.

Our organisation is made up of three strong brands: BT, EE and Plusnet. We've 106,400 employees in 63 countries. 82,800 of them are in the UK. We've six customer-facing lines of business, supported by our internal service unit as well as Group Functions. Following Ofcom’s Strategic Review of Digital Communications, BT and Ofcom announced on 10 March 2017 that Openreach will become a legally separate company within the BT Group.

For more details see our Annual Report at <http://www.btplc.com/Sharesandperformance/Annualreportandreview/index.htm>.

Our strategy in a nutshell

The diagram below shows the main elements of our strategy and how they work together to support our purpose and goal.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Our purpose | To use the power of communications to make a better world | | | | | | |
| Our goal | Growth – to deliver sustainable profitable revenue growth | | | | | | |
| Our strategy | Broaden and deepen our customer relationships | | | | | | |
| Deliver great customer experience | | Invest for growth | | | Transform our costs | |
| Differentiated content, services and applications | Best network in the UK | | Fully converged service provider | Market leadership in all UK segments | | Focus on multinational companies globally |
| A healthy organisation | Best place to work | | | | | | |

Our lines of business

Consumer

We’re the largest provider of consumer fixed-line voice and broadband services in the UK.

EE

We’re the UK’s largest mobile network operator and we also offer fixed broadband and TV.

Business and Public Sector

We sell communications and IT services in the UK and the Republic of Ireland.

Openreach

We build the network that connects Britain’s homes and businesses to the future.

Global Services

We’re a leading global business communications provider, supplying ICT services to 5,500 multinational companies in 180 countries.

Wholesale and Ventures

We help other companies provide fixed or mobile telephony services, as well as running a number of BT’s specialist business units.

Technology, Service and Operations (TSO)

Our internal technology unit is responsible for creating and operating our global networks, platforms and IT systems.

**Total revenue 2016/17: £24,082m**

|  |  |
| --- | --- |
| Asia Pacific | 2.8% |
| Americas | 4.8% |
| Europe, Middle East and Africa, excluding UK | 11.8% |
| UK | 80.6% |

We create value for our stakeholders by developing and selling products and services that are an essential part of modern life.

How we’re organised

Our business is structured in a way that enables us to serve our customers, respond to their needs and consistently create value.

**Our priorities**

We listen to our stakeholders and track emerging trends, to help inform our business strategy and shape the programmes we invest in to deliver our purpose.

How we prioritise

Every year, we draw from a range of information sources to understand what matters most to our stakeholders and our business.

We review feedback from external stakeholders and look at emerging trends and global challenges like the United Nations (UN) Sustainable Development Goals (see box) to understand the potential opportunities and principal risks for our business. Alongside these external inputs, we gather insights from our strategy team and other functions within the business.

All of this feeds into our materiality process to identify our most important issues. Our approach is assured against the AA1000 Assurance Standard 2008.

Contributing to the UN Sustainable Development Goals

We support the UN Sustainable Development Goals (SDGs). These global goals set clear objectives for ending poverty, promoting prosperity and wellbeing, and tackling climate change.

Business has an important role to play in achieving the SDGs, but it can be difficult for companies to measure the specific contribution they are making in relation to the targets set against each goal. That’s why we’ve joined a working group for the UN Conference on Trade and Development that is exploring how to enhance the role of corporate reporting in attaining the SDGs.

Last year, we did an initial mapping of our ambitions to the SDGs to show how we contribute. This year, we highlight how we're contributing to the SDGs in a number of case studies throughout this report. We also show where our activities and reporting align with the SDGs in our GRI index.

What matters to our stakeholders

At the end of each calendar year, we draw on multiple sources of qualitative and quantitative information that have been gathered throughout the preceding 12 months. This is to determine the relevance and significance of issues identified through stakeholder engagement. This mapping supports our strategic decision-making and directs our reporting.

We listen to customers, employees, suppliers, government bodies and investors to find out what’s important to them and get feedback on how we’re doing. Engaging with these stakeholders helps us build strong relationships and maintain trust.

Our interactions range from everyday conversations with customers through surveys and via social media, to broader discussions with NGOs and through groups such as the World Economic Forum and the World Business Council for Sustainable Development.

The grid shows which issues matter most to different stakeholder groups. Each row lists the issues that significantly matter to the named group of stakeholders. The issues that matter most to them are shown in coloured boxes (the different colours only relate to chapters in this report, as repeated in the diagram on page 10).

What we heard

We identified several issues that have increased in importance to our stakeholders this year.

These include:

Demand for universal service

The UK Government has extended its ambition to achieve a higher minimum speed of broadband service across the UK and superfast connections in the majority of premises. This will demand an increased focus on our network investment.

Cyber security threats

High-profile data breaches reported in the media this year emphasise the importance of keeping our network and customers’ data secure.

Focus on business ethics[[1]](#footnote-1)

With corporate corruption scandals continuing to feature prominently in the media, consumers are becoming more aware of companies’ ethical practices and investors are more attuned to the long-term financial costs of misconduct.

Geopolitical changes

Political upheaval has brought uncertainty and a new set of potential risks around regulation, trade and our employees.

What matters to our business

What matters to our stakeholders matters to us. We also look at how our own business strategy and activities fit into wider trends to understand the potential opportunities for our business and the risks we need to manage.

Identifying potential opportunities

The world is changing. Social and demographical changes, increasing economic inequality and worsening environmental impacts are becoming the new norm. We believe that technology has an important part to play in addressing these challenges and realising the outcomes envisaged by the UN’s SDGs.

Our research shows that, as well as supporting economic growth, ICT can enable carbon reductions 12 times greater than its own direct carbon footprint, with impacts across many different sectors, e.g. health, agriculture and transport. And this can bring £122bn of annual sustainable economic benefits to the UK in 2030. This creates a big enough opportunity for everyone to benefit from, and a long-term opportunity for us to achieve our goal of sustainable profitable revenue growth, while delivering our purpose.

|  |  |  |
| --- | --- | --- |
| **Our principal risks** | **What's changed this year?** | |
| Ethical culture and controls | Increasing/worsening | The inappropriate behaviour we identified in our Italian business |
| Security and resilience | Increasing/worsening | Increased threat to our network from cyber attacks, as well as the continuing threat from extreme weather |
| Supply chain | At a similar level | Risks from emerging geopolitical changes, such as the UK leaving the EU, and risks from climate change and modern slavery |
| Processing customer data | Increasing/worsening | Regulators are scaling up the protection of  citizens’ privacy and data protection rights |
| Health and safety | Increasing/worsening | New services have increased the range and complexity of safety risks we must manage, including risks from doing more construction and electrical engineering work on networks, and health concerns about exposure to radio frequency emissions |
| Climate change | Climate change feeds into two of these risks, with extreme weather posing a risk to the resilience of our network and the security of our supply chain. As a signatory to the Climate Disclosure Standards Board's (CDSB) Statement of Fiduciary Duty, we see disclosure on climate change as part of a company’s duty to its shareholders. | |
| Addressing health concerns about radio frequency emissions | Acquiring EE increased our focus on radio frequency (RF) emissions from wireless mobile devices and mobile telecoms sites. Media reports have suggested these emissions may cause health issues, including cancer, and may interfere with some electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing.  According to the World Health Organization’s Fact Sheet Number 193, last reviewed in October 2014, there are no known adverse effects on health from emissions at levels below internationally recognised health and safety standards.  We sit on an RF Compliance working group with other mobile industry operators and we work to make sure that our products comply with safety regulations, including meeting industry standards for RF emissions. Even so, we can’t provide an absolute assurance that research in the future won’t establish links between radio frequency emissions and health risks. | |

Deciding our priorities

In 2016, our most material issues continued to be around connecting society, including network investment, customer experience and ensuring everyone has the skills to participate in our increasingly digital world.

Business ethics, economic impacts and privacy, data and cyber security also remain key priorities. Our materiality analysis took place before the full impact of the investigation into our Italian business had been completed, and was also prior to Ofcom's findings around Openreach's use of the Deemed Consent process. Climate change is still as important to our business as last year, but we've seen a relative decline in concern over environmental issues from our stakeholders, when compared against other issues.

The chart shows our most material issues. We also monitor and manage a range of other issues that are less material, like risks associated with street works and water usage, as well as minor enforcement notices we're served, often relating to repairing damage caused by third parties on or near our property.

**Governing our purpose**

We've a clear governance structure to help us achieve our 2020 ambitions and make sure we do business responsibly.

Leadership

Our purposeful business strategy is led by a committee of our Board, the Committee for Sustainable and Responsible Business (CSRB). It meets twice a year to give strategic direction and track progress against our 2020 ambitions, and reports to the Board annually. The committee is made up of BT executives, employees, and non-executive and independent members. It’s chaired by our chairman, Sir Michael Rake (see table).

See our website for terms of reference for the CSRB (<http://www.btplc.com/Thegroup/Ourcompany/Theboard/Boardcommittees/CSRB/index.htm>)and more information on corporate governance(<http://www.btplc.com/Thegroup/Ourcompany/Theboard/index.htm>).

|  |  |
| --- | --- |
| **Time spent on each topic in 2016/17 CSRB meetings** | **Percentage** |
| Strategy & governance | 33% |
| Delivering environmental benefits | 9% |
| Volunteering | 11% |
| Supporting charities & communities | 13% |
| Creating a connected society | 17% |
| Engagement and advocacy | 17% |

### Committee for Sustainable and Responsible Business (CSRB)

|  |  |  |
| --- | --- | --- |
| **Member** | **Eligible to attend** | **Attendance\*** |
| Sir Michael Rake | 2 | 2 |
| Tony Chanmugam\*\* | 1 | 0 |
| Niall Dunne | 2 | 2 |
| Phil Hodkinson | 2 | 2 |
| Baroness Margaret Jay | 2 | 2 |
| Lisa MacCallum\*\*\* | 2 | 2 |
| Gavin Neath\*\*\*\* | 2 | 2 |
| Gavin Patterson | 2 | 2 |
| Gunhild Stordalen | 2 | 0 |
| Jasmine Whitbread | 2 | 2 |
| Alison Wilcox | 2 | 2 |

\* Shows number of meetings attended / number eligible to attend

\*\* Stepped down from the CSRB on 13 July 2016

\*\*\* Appointed to the CSRB on 6 July 2016

\*\*\*\* Stepped down from the CSRB on 31 December 2016

Accountability

Our Operating Committee, chaired by our chief executive, Gavin Patterson, has collective responsibility for running our business and executing our strategy. It monitors the group’s financial, operational and customer service performance, and has cross-business oversight of all our lines of business. It also reviews the group’s principal risks and considers potential opportunities. Our chief sustainability officer, Niall Dunne, met with the committee six times this year.

Targets for environmental and social activities within each line of business are set by the Operating Committee. The chief executive officer of each line of business is accountable for meeting these targets. Their remuneration is based on both financial and non-financial performance measures. This is reflected in a scorecard that tracks progress on objectives related to each of our 2020 ambitions.

Wider governance

Other governance bodies support our purposeful business activities. These include:

**Purposeful Business Steering Committee**: seeks to inspire our people to engage with BT’s purpose, through their day job or by supporting community activities. Made up of senior representatives from across the business. Normally meets quarterly.

**Disclosure Committee:** reviews all significant announcements for accuracy and compliance requirements. Made up of the group chief executive, finance director and other senior executives. Chaired by the company secretary.

**Compliance Programme Panel**: responsible for advising, monitoring and assessing BT’s key compliance programmes. Reviewed programmes on broadcast compliance, anti-corruption and bribery, privacy and data governance, and conflict minerals this year. Chaired by our group general counsel and company secretary. Normally meets quarterly.

**Design Council:** responsible for aligning our capital investments in our networks, systems, platforms and products, so that they reflect our strategy, serve the need of our customers and are delivered cost effectively. A sub-committee of the Operating Committee. Normally meets monthly.

**Human Rights Steering Group**: oversees governance and processes relating to human rights. Includes senior representatives from across the business, to oversee the implementation of our human rights programmes. Chaired by our CEO, Consumer. Reports through the Operating Committee to the Board. Normally meets quarterly.

**Group Health, Safety and Wellbeing Forum**: represents all lines of business with support from specialists in areas such as health and safety, legal and audit. Chaired by our group HR director. Reports through the Operating Committee to the Board. Normally meets quarterly.

**Environmental Management Compliance Steering Board:** focuses on our most significant environmental risk areas, including climate risks. Chaired by the head of our energy and environment unit. Represents all lines of business. Reports to the audit & risk committees of each line of business in the UK, regional governance committees outside the UK and the Operating Committee. Normally meets monthly.

**Being responsible**

Being a responsible business is fundamental to delivering our purpose. We strive to behave ethically. Learning from the challenges of this year will make us a stronger company.

**Overview and highlights**

We take our responsibilities seriously – to our people, our customers, our suppliers and society. This is how we deliver our purpose and maintain trust.

We want to have a positive impact on our stakeholders and add value to society. To do this, we must do business responsibly.

We respect human rights. We expect our suppliers to do the same.

We hire great people and help them build their careers in an inclusive and healthy environment at BT. We work hard to improve our customers’ experience, protect their privacy and help them navigate the web safely.

And we make a strong economic contribution by creating jobs, paying tax and investing in society.

|  |  |  |  |
| --- | --- | --- | --- |
| **Being responsible**  We are committed to the principles of ethical behaviour and respecting human rights. Applying these principles helps us do business responsibly, as we extend our impact throughout our value chain. | | | |
| **Our suppliers** | **Our people** | **Our customers** | **Society** |
| * Sourcing responsibly * Being a responsible customer | * Developing talent * Engaging our people * Creating an inclusive workplace * Promoting wellbeing | * Delivering great customer experience * Protecting privacy and data security * Staying safe online | * Investing in society * Contributing to the economy * Paying our taxes |

2017/18 highlights

EcoVadis gold rating

Our gold rating from EcoVadis – achieved for the fifth year running – puts us in the top 2% of companies assessed on environment, labour practices, fair business practices and sustainable procurement. Customers use this rating to assess our sustainability credentials.

FTSE4Good

BT is included in the FTSE4Good Index, which measures the performance of companies demonstrating strong environmental, social and governance practices.

PwC Building Public Trust

We were shortlisted for the PwC Building Public Trust in Corporate Reporting Awards for our strategic and sustainability reporting in 2016. The awards celebrate outstanding reporting in private, public and charity sectors.

Training our people on ethics

99.3% of employees completed mandatory training on The Way Work.

Working with suppliers

Our sustainability assessment tool for suppliers was named app of the year at the BusinessGreen Technology Awards.

Engaging our people

More than 86% of our people took part in our latest employee survey in January 2017, and we achieved a strong engagement score of 71%. The survey was redesigned this year to get more meaningful feedback from our people, through shorter questions more clearly linked to our strategy and values.

Promoting gender balance

Our new maternity handbook has been recognised as best practice by the Equality and Human Rights Commission.

Protecting privacy and staying safe online

We set up the Tommy Flowers Institute, named after the famous computing pioneer, for academics and businesses to explore innovations in cyber security together.

Regulatory and compliance matters

We expect our people to act ethically in everything they do. We're disappointed with the unacceptable practices we found in our Italian business, and Ofcom's findings that Openreach inappropriately applied Deemed Consent to Ethernet Connections. We have detailed the issues that arose and the steps that we have taken in response to those matters. Learning from these issues will make us a stronger company for the future.

For more information see our Annual Report (<http://www.btplc.com/Sharesandperformance/Annualreportandreview/index.htm>)

Our investigation into our Italian business

What we found

In the summer of 2016 we received a whistle-blower report of inappropriate behaviours in our Italian business. We instigated an investigation, which included an independent review by KPMG LLP, with support and oversight from our Legal, Governance & Compliance function and Freshfields Bruckhaus Deringer, reporting directly to both the chair of the Audit & Risk Committee and BT Group chairman, and our own comprehensive balance sheet review, which revealed improper accounting practices and a complex set of improper sales, purchase, factoring and leasing transactions in our Italian business. The investigation identified collusion, circumvention and override of controls within our Italian business that was not identified by our monitoring controls thereby resulting in the misstatement of results going undetected for a number of years.

These activities resulted in the overstatement of profits amounting to £268m in our Italian business over a number of years. The findings from the investigation in Italy led us to review the carrying value of the assets and liabilities on the balance sheet. This exercise concluded that it was appropriate to write-down the value of our balance sheet assets and increase our balance sheet liabilities, resulting in a charge of £245m.

How we responded

The inappropriate behaviour in our Italian business is an extremely serious matter. It has no place in BT and we took immediate steps to improve the financial processes and controls in that business. We suspended a number of BT Italy’s senior management team who have now left the business. The president of our European operations has also left the business.

We have appointed a new president of our European operations and a new CEO and CFO of BT Italy, from outside the Italian executive management team, and they are working hard to re-position and restructure the business for the future including implementing improvements to the governance, compliance and control culture and the capabilities of our people in the organisation.

To ensure independence, KPMG and our internal investigation team, with support and oversight from the Legal, Governance & Compliance function and Freshfields Bruckhaus Deringer, reporting directly to both the chair of the Audit & Risk Committee and BT Group chairman, conducted an investigation of the systems and controls relating to our Italian business. We also conducted a broader review of financial processes, systems and controls across the group. We are acting on both the recommendations of KPMG and our own observations and have taken steps to improve our controls within Italy. We have also taken steps to enhance the wider controls that monitor our overseas operations in our shared service centres, Global Services and at a group level.

The BT Group Remuneration Committee also considered the wider implications of the BT Italy investigation.

What we will do going forward

While we have taken steps to improve our control environment, we recognise we have more to do. We will continue to take steps to improve further our control, governance and compliance environment. These steps include increasing the resources and improving the capabilities of the controlling function and the audit function outside the UK, and further developing our integrated risk and assurance reporting processes. We are also enhancing our controls and compliance programme to strengthen awareness of the standards we expect, the capabilities of our people, and to reinforce the importance of doing business in an ethical, disciplined and standardised way.

The new CEO and CFO of BT Italy will continue to review the Italian management and finance teams and work with BT Group Ethics and Compliance to improve the governance, compliance and financial safeguards. Going forward, we will also continue to rotate senior management among countries to ensure an independently governed and rigorously controlled organisation throughout all parts of Global Services.

For more details see our Annual Report (<http://www.btplc.com/Sharesandperformance/Annualreportandreview/index.htm>).

Deemed Consent

On 26 March 2017, Ofcom published the findings of its investigation into the historical use of ‘Deemed Consent’ by Openreach. Deemed Consent is an agreed process between Openreach and its communications provider (CP) customers, which allows Openreach to halt the installation and reschedule the delivery date for providing dedicated business services (known as Ethernet) in a number of specific circumstances which are beyond its control. Ofcom found that Openreach had breached its contractual and regulatory obligations by inadequately and retrospectively applying Deemed Consent to reduce compensation payments to CPs between January 2013 and December 2014.

As a result of the findings, Openreach has agreed to compensate CPs and Ofcom has imposed a fine of £42m, reflecting the seriousness of the failings. This includes a 30% maximum discount for BT admitting its liabilities and agreeing to compensate the affected CPs in full. The precise amount of these compensation payments will result from discussions with the affected parties and is currently estimated at £300m. The fine and associated compensation payments are treated as a specific item charge in this year’s income statement, with the cash expected to be paid in 2017/18.

We take this matter very seriously and we’ve put in place additional controls to safeguard against this happening again and to make sure that we’re providing the highest standards in serving our customers.

For more details see our Annual Report (<http://www.btplc.com/Sharesandperformance/Annualreportandreview/index.htm>).

**Behaving ethically and respecting human rights**

We expect everyone who works with us to follow our values, act with integrity and respect human rights.

Doing business ethically

We expect our people and our suppliers to act ethically in everything they do. The behaviours and practices we found in our Italian business, in addition to Ofcom's findings on Deemed Consent process in Openreach, have no place in BT. We take these issues extremely seriously and are putting in place new measures, controls and people to prevent them happening again.

Doing the right thing

We expect our employees and suppliers to follow our ethics code: The Way We Work. This offers clear guidance on how we make decisions, including on gifts and hospitality, conflicts of interest, data privacy and human rights. We don't tolerate bribery or corruption in any form.

This year, we’ve carried out an extensive review of the code. We'll launch the updated version in 2017/18.

We require all our employees to complete annual training on The Way We Work: this year 99.3% of our people did so[[2]](#footnote-2). We also provide further training on issues like anti-corruption to people who work in roles or environments where these risks are more prevalent. Senior managers must also sign up to an additional code of ethics with specific requirements for their roles.

Building awareness

Sometimes it’s hard to know what to do when confronted with a sensitive situation. That’s why we regularly publish case studies on real dilemmas faced by our employees as part of our ethics in action series.

We share stories on ethics with senior managers through a quarterly newsletter, and encourage them to stress the importance of ethical behaviour when they talk to their teams.

We’ve changed the way we report and measure the level of ethical engagement among our people. We’ve simplified the questions in our employee survey to encourage greater participation, and we changed the scoring system to make it easier to analyse the results. In January’s survey, 76% of participants agreed or strongly agreed that we do business ethically. The new scoring system means that the results are not comparable with previous years, so we cannot now compare results year on year.

Speaking up

Anyone worried about an ethical issue, even if they just have a suspicion, is encouraged to use our independent Speak Up service to report their concerns on the phone or online − anonymously if they prefer (subject to local laws). It’s open to employees, contractors and suppliers.

People raised 296 concerns this year, compared with 263 last year. Almost a quarter of reports were duplications, were following up on existing cases or were redirected to other more appropriate reporting channels. We investigated the remaining reports. Just over 40% of these were found to be unsubstantiated, while the remainder were either fully substantiated, resulted in guidance or recommendations given, or are still under investigation.

Speak Up played an important role in uncovering events in BT Italy. We were alerted to potential allegations in relation to inappropriate behaviour in BT Italy in the summer of 2016. This was brought to the attention of the Speak Up forum and led to us carrying out our initial investigation.

Acting on improper behaviour

Despite our efforts, unfortunately not everyone gets it right every time. We disciplined 201 employees in the UK as a result of ethical misconduct this year, and 98 left the company[[3]](#footnote-3). The most common issues related to inappropriate use of company vehicles or falsified records such as timesheets.

As part of the investigations into BT Italy, we suspended a number of BT Italy's senior management team, who have now left the business.

This year we introduced a new reporting framework for non-financial controls. The revised framework is designed to improve governance, ethics and compliance standards worldwide. It requires quarterly self-certifications from country managers on the status of non-financial controls, and provides clear plans to address any risks identified.

Respecting human rights

We're committed to respecting human rights and we use the UN Guiding Principles on Business and Human Rights to inform our approach. We believe our products and services can have a positive impact on society and empower people to exercise their rights and freedoms. We’re also addressing human rights risks in our business and our value chain.

We focus on the human rights issues that are most significant to our business: privacy, free expression and labour conditions in our supply chain.

Creating strong governance

The Way We Work sets out our approach to human rights, and we’re developing an overarching human rights policy that’s being reviewed by internal and independent experts. Our training on The Way We Work includes a human rights module. We’re updating the course to help our people understand and identify modern slavery and human trafficking risks. And all our buyers must complete training on our Sourcing with Human Dignity standard.

Our Human Rights Steering Group oversees our work and reports into the Operating Committee and the Board. This year, the steering group explored ways to improve due diligence on modern slavery and human trafficking in our business and supply chain. It also reviewed our due diligence sales tool, and discussed the nexus between sports broadcasting and human rights.

Engaging with the issues

We engage on a range of human rights issues, such as privacy, free expression and modern slavery. We played a central role in the debate leading up to the new UK Investigatory Powers Act (IPA), which introduced significant changes to the Government’s investigatory powers.

We believe people should be free to access whatever content and services they want on the internet, as long as it’s not illegal. This year, we advocated for changes to the UK Digital Economy Act. We support the act’s intent to protect children by introducing age verification for pornography websites. There must, however, be a clear legal framework to make sure that the result does not unduly restrict people’s right to freedom of expression or their right to a private life. We’ve shared our views (<https://hansard.parliament.uk/lords/2017-02-02/debates/B7776F4D-0C4D-4E5E-B69E-226853036A96/DigitalEconomyBill>)with Government and parliamentary committees and drafted amendments for them to consider.

Our modern slavery statement (<https://www.btplc.com/Thegroup/Ourcompany/Ourvalues/ModernSlaveryAct/ModernSlaverystatement.pdf> ), published in 2016, sets out our stance on modern slavery and human trafficking. We’ve also helped to set up the UK’s Modern Slavery Helpline and Resource Centre (<http://www.modernslaveryhelpline.org/>)(see case study).

Major sporting events can have a positive social impact on many people, but they can also carry human rights risks, such as labour rights violations and displacement of communities. We were invited by the Institute for Human Rights and Business (IHRB), as the secretariat of the Mega-Sporting Events Platform for Human Rights, to lead work looking at the role of broadcasters in these events. With input from other UK broadcasters, we wrote a white paper (<https://www.ihrb.org/megasportingevents/mse-news/sporting-chance-white-papers>), published by the IHRB, on the human rights dilemmas faced by broadcasters and ways to tackle these. We presented the findings at the Sporting Chance Forum (<https://www.ihrb.org/news-events/news-events/sporting-chance-forum>) this year.

We continue to engage with others on human rights issues through a range of forums, including speaking at the UN Forum on Business and Human Rights, participating in a roundtable with the UN Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression, and holding meetings with NGOs Share Action and Privacy International.

BT partners with Unseen to tackle modern slavery

We believe technology can play a role in ending human trafficking and modern slavery. That’s why we’ve partnered with Unseen to launch the UK’s Modern Slavery Helpline and Resource Centre. We provide communication services, equipment and consultancy.

Unseen is a UK charity fighting to erase slavery in all forms. In October 2016, we launched the helpline at a multi-stakeholder event at the BT Tower where we debated important questions about the role of technology in tackling modern slavery.

We produced a short video (<https://www.youtube.com/watch?v=1RBblPD60Wg>) on how to spot the signs of modern day slavery situations. Using the hashtag #Freetheunseen, it reached 2.8 million people through social media. More than 2,600 of our employees reviewed the video to help them promote the helpline to others. We’re determined to continue raising awareness of modern slavery.

**Sourcing responsibly**

Our suppliers are our partners. We need them to help us deliver our products and services – and our purpose. We work together to demand high ethical standards and improve sustainability in our supply chain.

We spent around £14.1bn this year with more than 18,000 suppliers across 150 countries. We only work with suppliers[[4]](#footnote-4) who agree to meet our environmental, social and ethical conditions. The Way We Work is part of the purchasing terms included in their contracts.

Assessing supplier performance and risk

Most new suppliers4 are required to complete our questionnaire on Sourcing with Human Dignity. Existing suppliers must also do this when their contracts are being renewed or renegotiated. We use their responses to identify their risk profile as low, medium or high, and to define any follow-up actions required. We've a quarterly target to review the suppliers classified as medium or high risk and ensure follow-up actions are identified before the next quarterly report.

This may include further engagement, requests for additional evidence or an on-site assessment. If we find unsafe or unfair practices, we work with suppliers to improve conditions. For example, we helped strengthen health, safety and labour practices for battery and LED suppliers in China and Taiwan.

This year, we visited more supplier sites − 63 compared with 47 last year. This increase was largely related to the UK Modern Slavery Act. We also conducted a detailed assessment to better understand the risks of forced labour and human trafficking in our supply chains.

|  |  |  |
| --- | --- | --- |
| **Supplier assessments** | **2015/16** | **2016/17** |
| New or renewed contract suppliers completing self-assessment | 635 | 1,030 |
| Suppliers identified as needing improvement on labour standards | 109 | 149 |
| Suppliers identified as high or medium risk | 74 | 134 |
| % reviewed, of those identified as high or medium risk | 100 | 100 |
| On-site assessments | 47 | 63 |

Promoting environmental sustainability

Working with suppliers that manage their environmental impacts reduces risks to our reputation and helps us meet our business goals. We want suppliers to shrink their carbon footprints and cut waste. And we want them to be successful by doing so.

When suppliers first contract with BT, or have their contract renewed, they must complete self-assessments on their efforts to manage climate impacts and other environmental concerns, as well as responding to our questionnaire on Sourcing with Human Dignity. We use their responses to assess risks and manage any follow-up issues arising.

New buyers receive training on our responsible sourcing practices, including how we manage supplier questionnaire responses. We then provide further training across our procurement teams, on specific issues according to need; as we did this year on modern slavery.

We share best practice and tools to help 12 of our key strategic suppliers improve through our Better Future Supplier Forum. Our new online assessment tool, shared through the Forum, enables suppliers to benchmark their sustainability performance against global best practice in ten key areas.

The Forum also helps us extend our reach further down the supply chain. Six of those suppliers, including two networks suppliers, have cascaded the online assessment tool to over 200 organisations within their own supply chains this year.

We’re also working with the QuEST Forum, a global association of companies working to improve the quality and sustainability of ICT products and services, to give its members access to our tool and methodology. The Land Rover BAR sailing team has also adopted the tool to use with its suppliers. BT sponsors the team as its sustainability in technology partner.

The BusinessGreen Technology Awards named our assessment tool app of the year. We were shortlisted for the Edie Sustainability Leaders Sustainable Supply Chain Award. And CDP has identified us as a world leader for supplier engagement on climate change.

Working with Huawei to improve sustainability in our supply chain

Huawei is the world's largest telecoms equipment manufacturer. They state that their products and services help more than a third of the planet communicate. Managing sustainability is important to Huawei: it helps the company manage risks, cut costs and grow its business.

Huawei is a member of our Better Future Supplier Forum and used our assessment tool to spot ways to strengthen sustainability in its operations and supply chain.

The company formed an action team that worked with us to identify sustainable product development projects specifically for BT. Huawei has also put sustainability high on the agenda of an annual conference for its own suppliers, attended by more than 170 companies.

Checking for conflict minerals

We use the Conflict-Free Sourcing Initiative template to ask suppliers of applicable – including BT-branded – products, whether their products contain minerals that may have been sourced from the Democratic Republic of the Congo or neighbouring countries. This helps us avoid minerals from these regions (mainly the 3TG metals: tin, tantalum, tungsten and gold), the mining of which can be used to fund wars and abuse human rights. We also need to show due diligence on this to comply with the US Dodd-Frank Act and our Securities Exchange Committee (SEC) obligations.

See our conflict minerals disclosure (<http://www.btplc.com/Purposefulbusiness/Ourapproach/Ourpolicies/index.htm>)for more details.

Being a responsible customer

In previous years, we've run a survey to assess levels of supplier engagement. This year, we've changed our approach and are now focusing on strengthening our collaboration and support for them instead.

This year, the BT Supplier Finance scheme, in partnership with Lloyds Bank, enabled 124 of our suppliers to receive early payments totalling over £1.4bn, to help them invest and grow.

While our main suppliers are multinationals, we're mindful of our responsibilities to support smaller companies and those run by underrepresented groups. This year we bought £37m worth of goods and services from such businesses in the UK and USA, the two countries where supplier diversity has significant regulatory focus. This 2.8% increase on last year was primarily from UK suppliers.

**Investing in our people**

We want to make BT a place where great people can do brilliant things. Giving our people a great experience helps them do the same for our customers.

We're creating a working environment that inspires people to do their very best. We start by attracting and recruiting the best talent. We help people develop, engage them in our purpose and strive to create a culture of innovation. And we promote an inclusive and healthy work environment.

At the heart of this are our values: Personal, Simple, Brilliant. Everyone in BT has a role to play in bringing these values to life. That’s how we’ll deliver on our purpose, and use the power of communications to make a better world.

This year we were deeply disappointed with the improper practices of a few individuals in our Italian business, and the investigation into historical Deemed Consent which identified poor processes in Openreach. We know the vast majority of our people want to do, and will do, the right thing; but this highlights the necessity to live our new values and work in an ethical way at all times.

Developing talent

We have 106,400 employees working across 63 countries. With more than 82,800 based in the UK, BT is one of the largest employers in the country. This year, we strengthened our focus on attracting the best talent, helping our people connect with customers and demonstrating the values that make us tick.

Attracting new talent

We work in a fiercely competitive environment. To attract the most talented people, we must make a strong case for why they would want to be part of the BT story. One important selling point is how our values – Personal, Simple and Brilliant – are building the company culture.

We’ve launched a new careers website that provides a window into life at BT. Nearly 17,500 people joined the company this year, excluding acquisitions, including 10,500 based in the UK. We’re thrilled when people plan to start their careers with us. They bring new ideas, perspectives and talent. This year, we recruited 300 graduates globally, and we plan to hire more than 450 next year. We were included once again in the top 50 graduate employers in the annual list by The Times and we’re one of only five companies in the ICT sector to feature in the top 100.

Our apprenticeships help people learn on the job from experienced colleagues, and work towards a nationally recognised professional qualification. This also means paid work and a permanent job with us. This year we hired 900 new apprentices, even more than last year. We expect to hire more than 2,000 next year, as part of our contribution to the UK Government’s apprenticeship levy fund that aims to fund three million apprentices by 2020.

This year, BT was recognised as winner of the Macro Employer of the Year award by the National Training Federation of Wales, BPP Large Employer of the Year, and the Apprentice Champion award at the National Apprenticeship awards, as well as being a finalist in the Scottish Apprenticeship awards. BT people also won the Apprentice of the Year, Mentor of the Year and Women in Telecoms awards at the Institute of Telecommunications Professionals annual awards.

We’ve recruited almost 1,500 people into Openreach and 3,600 people into customer-facing roles in our BT UK contact centres. We've seen a net increase of 200 people in EE's stores and contact centres. We've also recognised the importance of retaining experience, by converting almost 1,600 skilled agency workers into permanent employees.

Developing our people

We learn so we can grow. Everyone at BT gets the tools and training they need to do their job, build their skills and gain experience. Employees also receive regular development reviews to learn and develop professionally.

The BT Academy provides learning resources, training courses and a community for employees to share knowledge and best practice. Around 25,000 of our employees use the Academy each month. Managers also offer regular coaching and support for their teams.

Our key leadership programmes have reached 1,400 leaders globally in 2016/17. We’ve launched a new programme to develop aspiring first line leaders and introduced a leadership model that emphasises the importance of establishing deeper connections with customers.

Engaging our people

To achieve our purpose, we need to listen to our people and make sure they understand and share our ambitions.

Members of our executive team speak directly to employees through round tables, town hall debates, site visits and webchats. We ask people to share their views on how we’re doing as an employer through a survey twice a year. The results help us gauge how people feel about working for us and how we can give them an even better experience.

Listening to our people

We’ve revised our employee survey this year. The new twice-yearly Your Say survey has shorter questions that are more clearly linked to our strategy and values. Over 85,000 (80%) of our people took part in the first Your Say survey in June 2016 and more than 93,000 (86%) took part in January 2017.

Our engagement outcome result stays strong at 71%, and we've seen momentum in every engagement driver category. 18 of the 20 driver items are starting to move in the right direction: the table overleaf provides a snapshot of this.

Results show improvements in five of the six key categories for engagement shown, and people in most lines of business feel better able to provide an outstanding customer experience. But we still have some work to do, particularly when it comes to leading our people, and BT remains below average compared with external benchmarks.

We’ve made our detailed reports on the survey results simpler for managers and their teams to see the key actions they need to take to improve levels of engagement and customer experience. The latest results show that people feel we're listening to them, with 54% of participants agreeing that their team had made positive changes based on the last survey (compared with 50% last time).

We also listen to employee concerns through more formal engagement channels such as our European Consultative Council, and discussions with the Communication Workers Union and Prospect in the UK.

|  |  |  |
| --- | --- | --- |
| **Your Say survey results** | **JAN 2017 SCORE** | **CHANGE SINCE JUNE** |
| Engagement outcome | 71% | -1 |
| Example drivers | | |
| Leading our people | 53% | -1 |
| Managing our people | 78% | +3 |
| Empowering & equipping our people | 58% | +3 |
| Enabling outstanding customer experience | 59% | +3 |
| Working together | 60% | +4 |
| Personal growth | 69% | +3 |

Engaging people through our purpose

People want to work for companies that make a difference to society[[5]](#footnote-5). Our purpose fits that bill and this is central to our engagement campaign as we continue to welcome EE employees into the BT family.

We want our people to feel empowered to work in ways that create value to our business, our customers and society. A new learning resource within the BT Academy aims to help people understand and connect with our purpose.

Our Purposeful Business Steering Committee enables and encourages senior leaders from across the business to mobilise employees. This year, 16 graduates and apprentices from around the world became ambassadors to help build a community of BT people who are passionate about working for a purposeful business.

We ran a short series of campaigns inviting our people to help us innovate by pitching their ideas on ways that BT can help vulnerable people and tackle societal issues (see case study). We also launched a volunteering community on our intranet, where people can share stories on their volunteering and fundraising experiences.

Three BT graduates joined other bright young people at the annual One Young World Conference that aims to make lasting connections and create positive change. They came back with creative ways to engage more employees by using the power of communications to make a better world.

Making a pitch for change

Who better to solve some of society’s biggest challenges than our talented people? We asked our employees to pitch their ideas on the ways we can use BT’s capabilities to tackle social issues.

Nearly 6,000 employees across the company showed an interest, and almost 200 ideas were submitted. The finalists had an opportunity to pitch their ideas to a panel of senior managers, including Board members, at three events in England, India and Wales, based on the Dragons' Den TV series. Ideas ranged from an app to let EE customers donate unused mobile data allowances to charity, and a digital noticeboard to help the homeless find a bed for the night, to a “School in a bus” that uses football training as a catalyst for empowering adolescent girls in the slums of India.

This was a great way to get ideas and get people engaged. One participant said: “I feel really inspired about working at BT. It has given me the motivation to try and do different things, coming up with new innovative ideas that really make a difference.”

Rewarding and recognising our people

We benchmark pay and benefits against companies of a similar size and complexity to help us offer competitive packages. Pay for our UK engineering and support staff is negotiated through collective bargaining with recognised trades unions. Our leaders receive bonuses based on business performance and their personal contribution to the company. Executives may receive long-term share awards to reward the creation of shareholder value.

We provide a range of retirement and pension benefits, including a savings-related share option plan called Saveshare. This year, around 52% of our employees from 25 countries took part in Saveshare.

See our Annual Report ([www.bt.com/annualreport](http://www.bt.com/annualreport)) for more information on pay and benefits.

We also recognise employees for their contributions to customers and society. The Challenge Cup promotes innovations to improve customer experience (see case study) and the BT Chairman’s awards recognise employees who’ve made contributions to the community or the environment.

Competing to improve customer experience

Our people thrive on competition. We created the Challenge Cup to harness this competitive spirit to create growth, save money, drive innovation and bring our purpose to life. Teams from across the business compete to come up with the best ways to improve customer experience.

This year, more than 5,500 people from 28 countries took up the challenge. Finalists included a cyber bullying fix, enhanced accessibility features for customers with hearing impairments and a contactless fundraising device to support charitable giving.

Creating an inclusive workplace

It’s crucial that our people reflect the diversity of our customers from around the world. And we know that having people from all walks of life makes us a more creative and innovative company. We want our people to feel valued and appreciated, no matter who they are or where they come from.

The Global D&I SteerCo leads our strategy on diversity and inclusion, and reports progress to our Operating Committee every three months. The SteerCo is made up of senior representatives from all lines of business, and energises efforts on diversity and inclusion across the business.

Our people can connect with each other to seek mentoring and support through our employee networks for gender equality, ethnicity, LGBT+, disability, faith and carers. These networks champion employees’ interests with BT management, including at Board level.

We’re tackling unconscious bias head-on with training and resources to help managers recruit the best people. We run training for senior managers, specifically to help them manage diverse teams. We also train employees to be sensitive to diversity when talking to our customers.

Promoting gender balance

This year, women made up 25% of our workforce, including three of our 11 Board members. This is on target with the UK Government’s goal for women to represent at least a quarter of executive board members. But we want to go further by creating a supportive environment for women to join, stay and build their careers with BT. Pay audits help us address the gender pay gap and we train managers to avoid unconscious bias in performance and pay reviews.

To support a healthy work−life balance, we offer a range of flexible working options and help people identify job-sharing opportunities to suit their lifestyles. We’ve created a maternity handbook to support women taking maternity leave and returning to the workplace, sharing the experiences of our people about what worked well for them and what could have been done better. Our return to work rate[[6]](#footnote-6) of 88% is higher than the UK national average.

The maternity handbook was developed with our gender equality network and has been recognised as best practice by the Equality and Human Rights Commission. We’ve also joined the Commission’s Working Forward campaign to inspire other organisations, including our suppliers, to eradicate discrimination and support pregnant women and new mothers.

We’re promoting the role of women engineers in Openreach and our TechWomen network offers professional coaching and peer-to-peer support to help women advance their careers in technical roles that are central to our industry. We also work with others in our industry to run the Step into STEM programme that aims to encourage more young women to pursue careers in technology and telecoms.

Supporting people from black, Asian or minority ethnic backgrounds

Count me in. That’s the motto of our campaign to encourage people to share their diversity data with us so we can get a better picture of our workforce. This year, 12% of our UK employees identified themselves as being from black, Asian or minority ethnic (BAME) backgrounds.

Our race champion within the business is developing a BAME mentoring programme, and we strive to make BT an attractive employer for diverse graduates and apprentices. We’ve used the findings of research we did with Business in the Community last year to inform our diversity strategy.

Including people with disabilities

We don’t want disability to be a barrier to working at BT. This year, we appointed a new disability sponsor within the business and put in place more inclusive customer service systems. This includes a specialised team to help customers, and a video service to enable deaf customers to communicate with our customer service agents.

Our commitment to support employees and customers with disabilities has been recognised by Business Disability Forum’s Silver Level Disability Standard. And we’re delighted that other companies are adopting some of our ideas. This includes the passports we provide to help people with caring responsibilities, health conditions, or disabilities to move around the business.

We are a 'Disability Confident'[[7]](#footnote-7) employer and actively encourage the recruitment, development and retention of disabled people. We'll automatically 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 a recruitment process. We're making progress on improving diversity but recognise that there's a lot more we need to do.

Stand by me

In the UK, just one in three gay men and one in four gay women are happy to be out to all their managers and senior colleagues[[8]](#footnote-8). We want to create an environment where our people can feel open about being themselves at work. As part of this, our LGBT+ employee network is asking people across the business to stand by LGBT+ colleagues to create a respectful and supportive working environment. The LGBT+ Allies programme calls on them to be visible and vocal in their support, and take an active interest in LGBT+ topics.

See our website (<http://www.bt.com/deliveringourpurpose>) for diversity data on gender, ethnicity, age and disability.

Promoting wellbeing

Promoting the health, safety and wellbeing of our people is the right thing to do. It’s also good for our business. Most injuries and many illnesses can be avoided, reducing costs and human suffering.

That’s been our goal for more than a decade, and we’ve lowered our accident rate and work-related ill health by around 90%, while encouraging our people to lead healthier lifestyles. We’re now taking a broader approach to wellbeing based on the latest research. Safety and health remain critical, but we’re aiming to integrate that activity with the support we give our people in areas like financial security, personal relationships and developing their sense of purpose.

Making work safe is fundamental, and we’ve reduced our injury rate even further this year by more than 17%. We monitor near misses as well as accidents, so we can learn from every incident. We’re investing in improved equipment and training, and our compliance rate for mandatory safety courses has risen to 99.4%. More than 46,000 of our people drive when on business, so road safety is critical for us. We continue to develop our award-winning driver safety programme, and this year we introduced automated licence checking with the Driver and Vehicle Licensing Agency to further strengthen our systems in the UK.

We don’t always get things right, but we try to learn from the experience. During the year, BT was successfully prosecuted by the UK Health & Safety Executive in connection with two incidents from 2010 and 2011 in which employees were injured. The first incident involved two of our engineers who fell from a stepladder in the Darlington exchange, after coming into contact with a defective light fitting. BT pleaded guilty, and was fined £600,000 plus £60,000 costs.

The second incident occurred in a block of flats in Tower Hamlets in London, where our engineer fell from a partially boarded loft. BT was found guilty, by a majority verdict, of failing to ensure our engineer’s health and safety, and was fined £500,000 and £99,000 costs. Action was taken immediately after both incidents to remedy faults and tighten procedures. The judge in the first case noted that we've an excellent safety record for a company of our size.

Our sickness absence rate had been rising for the past two years, but we’ve turned that round this year and it’s dropped by 6%. We’ve made particular progress in reducing mental ill health and that’s down by 13%. A major focus has been on managing change, and we’ve made sure our managers have the skills to transform the business in a way that doesn’t harm our people. Our other main focus is related to musculoskeletal disorders. We’ve run a major initiative to help people avoid strains as part of our wider Fit for Life campaign to help our people get fitter. In January, we hit our five-year target of getting 10,000 people more active, three years early.

We understand that some people will suffer illness and injury despite our best efforts at prevention. We invest in rehabilitation services to supplement the treatment they receive in the healthcare system. Our mental health and musculoskeletal rehabilitation services now get nearly 93% of the people who use them back to their own jobs, quickly, full-time, without restrictions. We’re constantly thinking of how to improve our services. This year, we launched a prehabilitation service for people who have planned surgery, so they can get fit and recover faster.

Our business is changing all the time and we have to continually adapt our approach to health, safety and wellbeing. Regular consultation takes place with trades union partners and works councils on a full range of such issues. The integration of EE has allowed us to benefit from shared learning. The strengths of EE’s externally accredited systems are being rolled out across other parts of BT, and the sophisticated approach to occupational health developed by BT is being implemented in EE. The common philosophy is that keeping our people healthy and happy is good for them, good for business and good for society.

Working absences

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Lost Time Injury Rate** | **2013** | **2014** | **2015** | **2016** | **2017** |
| **Cases per 200,000 working hours** | 0.46 | 0.39 | 0.30 | 0.27\* | 0.24\*\* |

\*Excluding EE. Including EE 0.29

\*Including EE.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sickness absence rate** | **2013** | **2014** | **2015** | **2016** | **2017** |
| **Percentage calendar days lost to sickness absence** | 2.29 | 2.10 | 2.23 | 2.35\* | 2.32\*\* |

\*Excluding EE. Including EE 2.45

\*\*Including EE.

**Putting customers first**

What matters to our customers matters to us. We work to improve their experience with us, protect their data and help them stay safe online.

Delivering great customer experience

Everything we do contributes to what our customers think about us, whether it’s fixing a fault, marketing a new product or delivering a new contract. We work across our entire business to improve our customers’ experience of BT.

We see customer experience as an important growth driver. It's a key part of our strategy and is central to the way we measure how we're doing as a business. Getting things done right first time is critical: we want every interaction to contribute to a great customer experience.

We've performed much better than last year, with our Right First Time score improving by 6.4%. Our customers' perception of us is up by 5 points, with improvements across all our lines of business.

We've done much to improve our customers' day-to-day experience this year. We've improved broadband speeds for more consumer and business customers, and we're answering more customer service calls in the UK and Ireland. We've given customers control over unwanted and nuisance calls with our new free product, BT Call Protect; and made it easier for customers to interact with us through the My BT app. We've invested in our networks, and on measures designed to help keep people connected even in extreme weather. On average, we're now fixing consumer landline faults 24 hours quicker than we did last year. And we're helping customers contribute to good causes that matter to them.

Protecting customer privacy and data security

Privacy and data security are important to customers: 72% of Britons are concerned about their private information being exploited[[9]](#footnote-9). We take concerns about privacy and data security very seriously.

We integrate privacy issues into our training and product design, and put safeguards in place when managing requests from law enforcement agencies. Our robust security systems keep customer and BT information secure.

Protecting privacy

Privacy – and the role of companies in protecting it – is an issue of great public interest. We contribute to the debate on privacy, working with organisations like Privacy International, and with the UK Information Commissioner’s Office (ICO).

We're open about our privacy policies, helping our customers understand in simple terms how their personal information is used. Our privacy centre (<http://www.productsandservices.bt.com/products/static/privacy-policy/>) gives a detailed breakdown by service to show customers how we collect and use their personal information.

Managing privacy issues relating to mobile data is an important focus for us with EE now on board. This year, we worked to further integrate and align EE’s approach with BT’s policies and management systems.

Privacy principles (“Privacy by Design”) are integrated into our product design process. The next stage of development only proceeds if our privacy criteria have been met.

For example, as part of our work to launch the next generation of telephone kiosks, we're conducting privacy impact assessments to understand how personal data will be collected, used and stored. This will enable us to draft a privacy notice so people using the kiosk can understand in clear and simple language how their data will be used.

All our employees receive mandatory training on privacy and data protection. Those with greater access to customer data get more extensive training. Non-compliance can result in disciplinary measures.

Complying with privacy regulations

The ICO upheld 21 of the 88 complaints made this year about the way we processed personal data. This is less than last year, when 25 of 88 complaints were upheld.

New and revised privacy laws continue to be introduced across our markets. A tough new EU regulation will strengthen data protection across Europe. It is scheduled to come into force in the UK in 2018, and the UK Government has confirmed that the country’s decision to leave the EU will not impact this legislation. Our dedicated privacy team reviews regulatory changes to ensure that our privacy policies and processes are aligned with what is expected of us wherever we operate, including for third parties who process data for us.

Managing law enforcement requests

Like others in our industry, we receive requests from law enforcement agencies to provide customer data. These investigatory powers are essential to keep society safe from terrorism and serious crime, and we've a legal obligation to comply.

But we also have a duty to safeguard our customers’ privacy and data. We've strong internal oversight and seek expert advice to inform our approach. Members of the Board and other senior leaders oversee how we balance our legal obligations with privacy and human rights considerations. Our report on Privacy and Free Expression in UK Communications (<http://www.btplc.com/Thegroup/Ourcompany/Ourvalues/Privacyandfreeexpression/index.htm>)sets out our approach.

Keeping customer data secure

Cyber attacks threaten our customers and represent a serious business risk for us. We face threats that include data theft, fraud, infrastructure damage and service interruption. Any breaches can affect our customers and may result in fines or damage to our reputation. We take these threats very seriously: our president of BT Security normally reports to the Board twice a year.

Every year, cyber attacks increase in sophistication and frequency. We’re investing heavily to protect our systems and our customers from such attacks. We share intelligence with other ICT companies, suppliers and regulators to combat this common threat, including through the UK Government’s Cyber Security Information Sharing Partnership.

This year, we announced a partnership with Intel Security to create new solutions to help organisations improve security and prevent cyber attacks.

Strengthening defences

With EE now part of BT, we’ve seen a substantial change to our security risk. The large volumes of bank account and credit card details, that we've added to our customer records, are tempting for hackers. We’re also exposed to attacks from criminal gangs and people hired by nation states to steal data and cause disruption.

We’ve managed to repel the vast majority of these attacks, and the 2% that did get past our first line of defence were dealt with by our security teams. We’ve deployed more scanning, monitoring and logging tools to identify and monitor intrusions as early as possible. We’re pioneering research into quantum key distribution, to ensure our customers’ data is protected while on our network. We’re also auditing our suppliers to check for compliance with our security policies.

Investing in skills

We've nearly 2,000 accredited security professionals in 28 countries, and the BT Security Academy is open to everyone at BT as a place to develop their skills.

We welcome the UK Government’s new National Cyber Security Strategy and we’re helping to make it happen by investing in skills. BT is the UK’s largest recruiter in this area. This year, we recruited and trained 45 cyber security graduates and 48 apprentices. We’ll be recruiting a further 32 people in 2017/18 to a degree apprenticeship that we helped to design. We’re also helping to train experts outside the business. Our new Tommy Flowers Institute, named after the renowned computing pioneer, will bring businesses and academics together to explore innovations in cyber security. We’re helping teach cyber skills in schools. And our experts are contributing to the syllabus of the UK’s first National College of Cyber Security (see case study).

Staying safe online

Our research has shown that most Britons assume that they are more likely to fall victim to a physical home break-in than a digital crime. In fact, those aged 16-44 are now almost as likely to suffer from increasingly sophisticated cyber threats such as phishing emails, malware and inappropriate web content. That’s why helping our customers stay safe online is so important to us. We offer consumers free internet security solutions such as BT Web Protect, BT Virus Protect and BT Call Protect. We also help educate consumers through our help pages (<http://www.bt.com/help/home/security.html>) and our website (<http://bt.com/scams>) on scams.

In the event of a breach, we work with customers to reset their account information and, where necessary, block their account for as long as needed. This year, we also acted against more than 5,000 phishing sites that attempted to fool customers by mimicking our brand. We also use BT Assure products and services to protect business customers. This year, one of our solutions won Light Reading’s award for the most innovative security strategy by a service provider. We partnered with Palo Alto Networks to integrate their malware prevention solution into our service to strengthen cloud security for organisations. We’ve also launched a new consulting programme to give major customers a tailor-made plan for their cyber security.

Keeping children safe

The web can be a wondrous place for children to explore and learn. But we’re keenly aware of the dangers. We want kids to enjoy the internet, while helping parents keep their families safe online. Our solutions, such as BT Parental Controls, help parents install appropriate controls to protect their children.

We’re supporting parents to have open and honest conversations with their children about online safety. BT is a founder of Internet Matters, an organisation that advises parents on web safety issues such as cyber bullying, and that is a major supporter of Safer Internet Day – which this year we hosted at our headquarters. To support Safer Internet Day, we developed a quiz that tests parents’ knowledge of the online slang children use.

This year we completed our three-year internet safety programme, partnering with Unicef UK, to empower children as confident digital citizens. Through The Right Click: Internet Safety Matters, we’ve delivered 527 workshops, with BT volunteers training more than 14,500 teachers, parents and children. We also provided funding for 80 schools from disadvantaged areas to register as Rights Respecting Schools. This will help them embed children’s rights into their culture.

Some children may be abused or exploited online. We want to ensure that professionals working with victims are properly equipped and trained to support these children. Through the CLICK: Path to Protection programme, we partner with the Marie Collins Foundation to train police, social services, teachers, doctors and other professionals who work with the victims and their parents. Over the next three years, we'll be rolling out a training programme to ensure that professionals working with victims are properly equipped to respond to the needs of children harmed online.

“We're extremely proud of the workshops we've run with BT– together we've helped more children stay safe online. And with teachers trained to re-deliver them, the impact of the programme will continue.”

Mike Penrose, Executive Director, UNICEF UK

Supporting the code breakers

Bletchley Park has a history: it’s where Alan Turing cracked the Enigma code, credited with helping the Allies win the Second World War.

The site will now become home to a new generation of code breakers. The UK’s first National College of Cyber Security, opening in 2018, will be a free boarding college for gifted students aged 16 to 19. It will house some of the most advanced cyber test and demonstration facilities in the world.

**Investing in society**

Our purpose is embedded at the heart of our business. It helps us deliver societal and environmental benefits, and stimulate economic growth.

This year we invested £35.6m to support progress on environmental and societal priorities that help to bring our purpose to life, as outlined in this report. This is equivalent to 1% of the previous year’s adjusted profit before tax.

Made up of cash and in-kind contributions, and time volunteered by our employees, we estimate that 74% of this investment corresponds with the externally recognised criteria of the London Benchmarking Group. Over the last five years, we’ve invested more than £157m, an average of 1.08% of our adjusted profit before tax over that period.

Our research shows that we also have a significant wider impact on the UK economy. In 2015/16, we supported around 259,000 full-time jobs across the country – both directly for our own workforce and indirectly through our expenditure with UK suppliers.

We estimate that our total economic impact in the UK was £23.1bn in that year alone. This represents our Gross Value Add (GVA) to the UK economy. It combines the direct, indirect and induced[[10]](#footnote-10) impacts of our activities and spending from both BT and EE in 2015/16.

Together, we supported £1 in every £70 of GVA in the UK economy and 1 in every 95 employees working in the UK.

For more details read the report (<http://www.btplc.com/Thegroup/BTUKandWorldwide/BTRegions/Factsandfigures/SocialStudy2016/index.htm>) on our website.

**Investment in society**

|  |  |  |
| --- | --- | --- |
| Year | % of previous year’s adjusted profit before taxation | £millions invested in time, cash and in-kind support |
| 2013 | 1.12% | 27.1 |
| 2014 | 1.01% | 27.2 |
| 2015 | 1.15% | 32.5 |
| 2016 | 1.10% | 35.0 |
| 2017 | 1.03% | 35.6 |

Paying our taxes

Paying tax is one of the ways we contribute to society as a responsible business. BT was ranked as the fifth highest UK tax contributor in the 2016 review by The 100 Group, whose members include the finance directors of FTSE 100 and other large UK private companies.

Our approach to tax, set by the Board, is to make sure BT complies with our worldwide tax compliance obligations. The group tax team supports regional managers in meeting local requirements, who in turn work with our local businesses to understand the tax consequences of our operations. This ensures we pay the tax appropriate for our business, after claiming routine incentives, reliefs and exemptions. Trade between BT businesses in different countries is carried out as though they were unrelated companies, in line with the principles of the Organisation for Economic Co-operation and Development (OECD).

We've an open working relationship with HM Revenue & Customs in the UK and we take this approach with local tax authorities around the world. This includes discussing the tax impact of major business decisions with the tax authorities when they happen.

See our Annual Report (<http://www.bt.com/annualreport>) for details on our tax payments.

**Connecting society**

We’re connecting millions of people to a world of opportunity that can transform their lives. And we’re giving them the skills they need to thrive in a digital economy.

**Overview and highlights**

We believe that a connected society is a better society. By helping more people get online, we’re opening the door to life-changing opportunities. And we’re investing in young people’s ability to make the most of that connectivity, by building a culture of tech literacy for the next generation.

Access to the internet is a powerful tool for social change. Information and communication technology is supporting the delivery of the UN Sustainable Development Goals by providing better access to education, healthcare and employment. But millions of people in the UK and many more around the world are not online. We’re working to change that.

We can make the biggest difference through our core products and services that contribute to wellbeing, education, and to improving people’s financial prospects. We measure our impact by looking at the number of people helped and the social value this has created. We aspire to become the UK’s digital champion, and are investing in our network to connect people, businesses and communities to superfast broadband. We want to help everyone get connected, and to keep them connected. By supporting the most vulnerable in society, we’re helping them overcome barriers to access like age and impairment.

We’re using our technology to deliver education, healthcare and financial empowerment to those who need it most, as it’s what you can do with that connectivity that really matters. That’s also why we’re committed to building a culture of tech literacy for the next generation, and ensuring young people have the tech know-how to be able to thrive in our digital society.

|  |  |
| --- | --- |
| 2020 ambition | Progress to date |
| More than 9/10 people in the UK will have access to fibre-based products and services | Premises reached by March 2017:  8.8/10 |
| Help 10 million people overcome social disadvantage through the benefits our products and services can bring | Helped since 2014/15:  3.9m |
| Help 5 million children receive better teaching in computing and tech skills | Helped since 2014/15 school year:  1.1m |

2016/17 highlights

Extending connectivity

We’ve reached 88% of UK premises by providing access to our fibre-based products and services. And we’re on track to help the Government achieve 95% fibre coverage by the end of 2017. We've also launched our community fibre partnerships initiative, to work with local groups to bring fibre to their area.

Keeping people connected, whatever the weather

We’re helping people stay connected, even in adverse circumstances such as flooding. We’ve made major upgrades to our flood defence capabilities, and increased the size of our emergency response team.

Supporting online access for all

Together with Wales and West Housing, we’ve created one of the largest free (at point of use) wi-fi networks in social housing. And we’re helping local residents build the skills they need to get online.

Connecting refugees

We’ve provided free wi-fi hotspots and IT equipment to eight refugee centres in Serbia and Macedonia, to help over 315,000 refugees stay in touch with their families and access information to help them on their arduous journeys.

Promoting tech literacy

The Barefoot Computing Project has now reached more than 39,000 teachers and helped 1.1m children get better teaching in computing and tech skills. And we’re helping young people step up to the jobs of the future, through Work Ready and our partnership with the Rio Ferdinand Foundation – reaching over 2,050 young people this year.

**Extending connectivity**

Connectivity is a vital first step to enable people to get online and participate in an increasingly digital society. We have a critical role to play in delivering connectivity across the country and are investing heavily in our networks.

We believe that everyone in the UK should be able to access superfast broadband, wherever they are and as fast as it can be. That's why, in May 2016, we committed to invest £6bn in our wireless and fixed networks over the following three years, consolidating our position as the leading investor in the UK's digital infrastructure.

Our superfast fibre broadband network now passes 26.5m premises, closing in on our 2020 ambition to offer more than nine out of ten people access to fibre-based products and services. And now we’re aiming, by that same 2020 target date, to pass 12m premises with ultrafast broadband – offering even higher speeds.

Through EE we already have the UK’s largest 4G network, with mobile coverage now extending to 80% of the UK’s geography, and 99% of its population. Now we’re investing to expand that geographic coverage to at least 95% of the UK by 2020.

Early in 2016, Ofcom published its Digital Communications Review, designed to make the UK a world-leading digital economy over the next decade and beyond. The UK's coverage is already ahead of its European peers when it comes to superfast broadband. We’re on track to help the Government achieve 95% fibre coverage by the end of 2017. But we’re going further with programmes to improve connection speeds in the 5% of the UK that’s not yet included in any fibre broadband rollout plans.

Delivering fibre to the last 5% is a big challenge – it involves connecting remote locations, often in rugged terrain. We continue to make progress, working with the Government on the Broadband Delivery UK programme. This year, we introduced community fibre partnership grants, working with local groups, such as residents of rural villages or business owners in industrial parks, to help bring fast broadband to their area. Hard-to-reach communities can apply for matched funding of up to £20,000 to help fund part of the fibre build. Around 100 communities across the country are now connected and nearly 50,000 homes and businesses are already enjoying the benefits of faster internet access.

In partnership with Newcastle City Council and Gateshead Council, as part of Go Digital Newcastle, we’re using a mix of BT telephone kiosks, lamp posts and CCTV columns to deliver an outdoor wi-fi service that's free at point of use. It means that residents and visitors can shop, access public services, check travel arrangements and enjoy a variety of online applications when they’re out and about.

We’re also going to be rolling out 750 free ultrafast wi-fi kiosks in London and other major cities over the next few years. With speeds of up to 1 Gbps, this will be the fastest free public wi-fi service available in the UK, and will play a big part in improving connectivity for Londoners and visitors to the city. The kiosks will also offer mobile and fixed-line calls, charging ports for mobile devices, maps and other information services.

Superfast broadband helps carve out a new career

Michael Barnfather dreamt of leaving his office job of 30 years to launch his own business as a cabinet maker. With the arrival of superfast broadband in his seaside town of Withernsea, he’s been able to make this dream a reality.

Before, the limited bandwidth meant Michael often struggled to send large files like the bespoke cabinet designs he needed to show clients. All that changed when BT partnered with East Riding of Yorkshire Council to deliver superfast broadband to Withernsea. Michael now stores all his designs on a remote cloud. He can upload and share large design files in seconds. He’s even created an online showcase of his designs to show customers and help him build his business.

Bristol community marks our fibre milestone

The Yard area of Bristol was the 200th community in the UK to sign a jointly funded deal with BT to get fibre-based broadband for their area. The project is part of our Community Fibre Partnerships programme which exists to get faster internet to the last 5% of the UK not currently covered by the fibre broadband roll-out scheme.

Numerous local businesses and 39 households will benefit from the faster internet connection. The Garden Bristol, an outdoor childcare project based in The Yard, was part of the group that applied for a BT grant. With our £6,426 contribution and additional funding from the local community it will soon enjoy download speeds of up to 80Mbps.

“The Garden Bristol provides a fantastic outdoor childcare service to local families in the area and with the addition of superfast broadband they’ll be able to provide so much more to those children that attend.”

Pete Tiley, local community co-ordinator

**Keeping people connected**

We want to help people stay connected, even in adverse circumstances such as flooding. These climate-related risks increasingly threaten our infrastructure. To minimise the impact on our customers and our business, we're taking steps to strengthen our resilience and adapt to climate change.

The winter storms of 2015/16 brought record rainfall and extreme flooding to many parts of the UK. We responded rapidly by providing temporary communications to isolated communities and making emergency repairs to get our exchanges up and running again. Since then, we’ve made significant investments to improve our defences as part of our long-term approach to address climate-related risks.

We’re now more prepared than ever to protect our infrastructure and support customers when flooding occurs. Building on our flood defence assets, this year we've added two new boats which can transport emergency generators, and six pneumatic line casters which can be used to send cables across wide floodwaters if bridges are damaged. Our flood barriers can hold back water up to 0.9m high, and detailed flood plans enable our teams to deploy defences rapidly and effectively at key sites.

Our mobile networks include thousands of sites across the UK. If one of them goes down or is damaged by storms, we've off-road vehicles that can act as temporary replacements to keep people connected. The vehicles are equipped with an 11-metre telescopic mast and – if that’s not high enough – we’re even developing a patent-pending balloon option that can hold the antenna up to 100 metres off the ground to extend coverage, as well as exploring the use of drone “air masts”.

We’ve also increased the size of our emergency response team to five permanent members and 50 volunteers. They’re all trained to operate in moving water, deploying flood barriers and other equipment to protect our buildings. They use their emergency communications skills to support communities isolated by extreme weather events too.

We put our teams and equipment to the test with a simulated extreme flood event in November 2016. They were in action again in January 2017, as we prepared for possible flooding from a tidal surge off the East coast of the UK that threatened to put a large number of BT buildings at risk.

Our investments to improve the resilience of BT infrastructure align with the short-term expectations set out by the UK Government’s National Flood Resilience Review. Further plans will help communities most at risk of flooding, through enhancements like permanent defences at critical sites or systems to re-route services in the event of damage to an exchange site.

Keeping mountain rescuers connected in the Lake District

The Patterdale Mountain Rescue Team in the Lake District is one of the busiest search and rescue teams in England. It’s made up entirely of volunteers who are on call 24/7. They carry out around 60 mountain rescues a year and respond to local community needs when extreme weather hits.

Patterdale Mountain Rescue (<http://mountainrescue.org.uk/>) depend on reliable communications to quickly co-ordinate and respond to call-outs. We’ve installed a broadband satellite system at their base to provide emergency communications for the team and the local community if regular networks go down. The system’s emergency back-up generator means the team is totally self-sufficient in a power cut too. Keeping Patterdale Mountain Rescue connected enables them to help people in need and save lives, whatever the weather.

**Helping people get online**

The internet opens up a wealth of opportunities, from keeping in touch with family and friends, to better access to education and jobs.

But around 6.3 million people in the UK don't currently use the internet, with over two-thirds of them lacking the motivation or support they need to go online.

The elderly, individuals and families on low income, and people with a disability are most likely to be digitally excluded. As part of the UK Government’s digital inclusion council we're actively helping these people overcome the barriers. Together, we can create an estimated £6.7bn of social value in the UK by connecting those not yet online.

Supporting online access for all

The biggest impact we can make is through offering tailored products and services, helping individuals who are excluded to get online.

80% of Britons say that internet access helps them get involved in their local communities. We support people around the country with community wi-fi. We also offer a low-cost phone and broadband service, BT Basic + Broadband, to people on low-income and certain Government benefits. This year, we introduced a price cap feature so that customers can stay in control of their spending.

We’re also working with housing associations to offer tenants a discounted 4G EE Wi-Fi device on a pay as you go basis. This enables people to get online without a credit check or home telephone line.

And we’ve created one of the largest free (at the point of use) wi-fi networks in social housing (see video) together with Wales and West Housing. We’re helping local residents build the skills they need to get online. With over 2,000 devices connected via this network, it’s clear they’re now able to take advantage of the many opportunities the internet offers.

We also work with other organisations, such as Citizens Online, Go ON Boroughs, Wheatley Group and the Scottish Council for Voluntary Organisations, who complement our work with local reach and resources to help reduce the digital skills gap for individuals.

Through our partnership with Doteveryone, we teamed up with Croydon council and Crisis to help people living in Croydon, South London, join the digital world. Around 85,000 people in the borough do not have basic digital skills, so they’re missing out on opportunities that could enhance their lives.

The digital world can seem intimidating and inaccessible, particularly to vulnerable people. That’s why we gave smartphones to a group of 90 homeless people in the borough and ran workshops on how to use them. After the training, participants said they felt much more confident and comfortable using their phones.

People with disabilities can go to our website, Including You, to view information and advice on how to use our products and services, so they’re able to do what’s important to them – whether that’s keeping in touch with friends and family, staying on top of their finances or watching the latest boxset online.

We run annual Tech for Good awards to promote and recognise digital technologies that improve people’s lives. The winner of the 2016 AbilityNet Accessibility Award was the Wayfindr app. It helps people with impaired vision navigate the world independently, with reliable and clear directions through their smartphones.

“BT and Wheatley Group have built a strong working relationship around digital participation over the past five years – from a hugely successful study into connectivity and social use of the internet in a tower block in Glasgow, to early exploration around the benefits of the Internet of Things for all social tenants across the group.”

Graeme Hamilton, Innovation and Online Services Manager, Wheatley Group.

**Connecting the world**

Connectivity gives access to better education, healthcare and livelihoods. We’re using our global reach to empower more people to overcome social disadvantage.

Bringing wi-fi to refugees in Eastern Europe

Persecution, conflict and poverty have forced more than 1 million people to flee to Western Europe in the last two years. Thousands of refugees have passed through Serbia and Macedonia, putting huge strain on resources.

We’ve provided free wi-fi hotspots and IT equipment to eight refugee centres in Serbia and Macedonia, supported by SOS Children’s Villages. For many refugees, free ICT services are the only way to stay connected with their families and friends on their arduous journeys. They can also find out about travel connections and immigration policies of countries along their way.

Over 315,000 refugees used these services in the first eight months. Aid organisations and government agencies also use them for urgent communications in emergency situations.

Connecting Africa

People living in Africa pay up to ten times as much for broadband as they would elsewhere in the world[[11]](#footnote-11). We’ve partnered with SOS Children’s Villages to provide free broadband to 30 villages in 13 African countries. Together, we’re connecting around 145,000 people, helping them gain better access to services like education and healthcare that can be life-changing.

Our free broadband is enabling new healthcare management systems to reach around 100,000 people, supporting health workers in seven SOS Children’s Villages in Cameroon, Burundi, Kenya, Rwanda, Somalia and Uganda.

We did an evaluation to estimate the social impact that this is having at the health centre in Hargeisa, Somalia. We found that our systems helped the centre save over 13 hours of work a day on clinical functions. This in turn has enabled health workers there to see 150 more people and carry out 475 more lab tests a week. Overall, this could save up to £8,500 per year at each centre. We continue to explore similar models in other parts of the world and hope to expand this initiative during 2017.

In Kenya, we’ve helped over 33,000 students improve their prospects through education as part of the Open Space Literacy (<http://solutionscenter.nethope.org/case_studies/view/open-space-literacy-initiative-using-ict-to-enhance-education-improve-liter>) project. And we’re using our expertise to support WEF’s Internet for All project to extend connectivity and maximise the social impact of digital inclusion in Africa.

We support the One Million Community Health Workers campaign (<http://1millionhealthworkers.org/>) to accelerate universal health coverage in sub-Saharan Africa by training and equipping health workers to build healthy communities. With mobile technology, community health workers can access better medical resources and monitor disease outbreaks and public health. Our grant has helped to recruit, train and deploy 700 community health workers. The campaign now has a reach of over 340,000 beneficiaries.

Enabling healthcare in rural Ghana

We’re enabling community healthcare workers in rural Ghana to get expert advice from doctors to help their patients. The new telehealth centre we created with the Novartis Foundation is helping to expand access to quality healthcare in remote areas by cutting down transport times and costs for patients, and avoiding unnecessary referrals. During the pilot phase, hospital referrals have fallen by 37% – which could save the Ghana Health Service over £2bn per year.

“The BT contribution was vital to the future success of the programme. The team has been fantastic to work with as we contemplate a carefully planned scale-up across the country.”

Christina Wadhwani, Project Manager, Novartis Foundation

Connecting the unconnected in India

India has the seventh largest economy in the world, yet internet connectivity continues to lag. Over 1 billion Indians have never been online. Increasing access would mean higher growth, more jobs and better public services.

We’ve conducted research to understand the scope and scale of this issue. We found that adolescent girls are disproportionately affected by a lack of social and digital connectivity. Nearly 64% of girls drop out of school and 47% are married before the age of 18.

Connecting and educating girls can create a powerful force for change. Nearly 80% of every rupee in a girl’s hand is reinvested into her family and community. It’s just 30% for boys. We’re working with NGOs, corporates, foundations and other stakeholders to explore how we can empower adolescent girls using the combined medium of sport and technology.

BT has worked with Katha since 2001. Since 2014, with our support, Katha has helped over 330,000 underprivileged young people through its educational programmes such as “KITES” and “I Love Reading”.

**Building a culture of tech literacy**

Today the UK faces a major challenge. The next generation are great tech consumers, but few are active creators.

In a world where so much of our life and work depends on technology, that may be the difference between people being left behind or getting ahead.

We’re convinced there’s no other answer than to build a culture of tech literacy so young people grow up with the tech know-how to take on the jobs of the future and shape a more inclusive society.

Around 12 million people don’t have the skills to thrive in the digital era. Tech know-how is vital to the UK economy – with an estimated £63bn worth of GDP lost every year to the UK economy due to a shortage in digital skills. Our ambition is to help build a culture of tech literacy, starting with the next generation.

Helping teachers show children the way

At primary school, children begin to form a lasting picture of how they see the world. And teachers play a starring role in giving their pupils the tools they need to achieve their aspirations. That’s why we’re committed to making tech literacy a new cornerstone of modern education in primary schools.

Through the Barefoot Computing Project (<http://barefootcas.org.uk/>), we’re helping primary school teachers get confident with the concepts that underpin tech literacy with a combination of free teaching materials and face-to-face training from volunteers. We’ve now reached more than 39,000 teachers and, through them, more than one million children. And we know it’s having a positive impact.

We commissioned an independent study (<http://techliteracy.co.uk/>) by the market research company, Ipsos MORI. The study found that Barefoot-trained teachers are more confident with tech literacy concepts and use them more in the classroom than their peers. They also believe that understanding computational thinking – which provides the building blocks of the digital world, like logic, sequencing, abstraction and programming – helps kids with numeracy and literacy, as well as other skills like collaboration and problem-solving.

This year, we also launched a new digital education programme for 11 to 16 year olds with the 1851 Trust, the official charity of the Land Rover BAR team, called BT STEM Crew (<https://stemcrew.co.uk/>).

Getting young people work ready

Our Work Ready programme helps 16 to 24 year olds, particularly from disadvantaged backgrounds, get better prepared for the world of work. Young people who are not currently in education, employment or training join BT for seven weeks to develop their skills and gain hands-on experience of what it takes to thrive in a world of work powered by technology.

More than 2,000 young people have taken part in this initiative, since we started providing traineeships and work placements in 2014. This has helped them achieve BTEC level 1 qualifications in work skills and business administration. Over 60% of them have gone on to further education or got jobs, whether at BT or elsewhere.

We’re also rolling out our skills for work boot camps, targeting young people who are still in school but at risk of becoming unemployed when they leave full-time education.

Our new partnership with the Rio Ferdinand Foundation is enabling us to reach even greater numbers of young people from disadvantaged areas. And we’re committed to collaborating with other major employers as a founding partner of Movement to Work, a coalition of UK businesses committed to tackling youth employment. Across all the above initiatives, we've directly helped more than 2,050 young people this year.

Inspiring the next generation

While many teenagers are voracious consumers of technology, too few are inspired to look under the bonnet and become active creators with tech. We want to show young people how tech underpins the things they love – like music and sport – and inspire them with where it could take them.

We used the power of BT Sport in a pilot project (<https://vimeo.com/193083024>) for 12 and 13 year olds at the Manchester Communication Academy. It used an outside broadcast TV truck to lift the lid on how much tech it takes to bring the best sporting action to their screens. We’re now working on plans for a national programme to inspire mainstream kids to want to work towards building their tech know-how.

Shaping the debate

Building a culture of tech literacy requires collaboration. Our chief executive hosted our second Tech Literacy summit at the BT Tower, bringing together business, education, policy and youth engagement experts to find new ways to take tech literacy into the mainstream.

Our new campaign website provides stakeholders with a forum to share ideas and galvanise action. We shared what we’ve learned about what kids, teachers and parents need with organisations like the World Economic Forum and OECD.

“If young people coming into the workforce aren’t tech literate, they will struggle in the digital economy. We need to make sure that all our young people are confident online, or we are going to leave them behind.”

Matthew Gould, Director General for Digital and Culture, at the UK Government Department of Culture, Media and Sport.

**Supporting our communities**

Our people and technology are helping charities and communities raise millions of pounds to support good causes.

**Overview and highlights**

We share our technology and time with charities and communities to help them raise money and change lives for the better. We’re helping employees and customers champion the causes they care about. And we support young people by investing in sport for change.

By 2020, we want to use our skills and technology to help generate £1bn for good causes and inspire two-thirds of our people to volunteer their time and skills. We listened to our customers and employees, and have developed a new charity strategy that aims to reach more of the people who need help most.

We’re sharing the power of our products, people and brand to amplify our impact. And we’re inspiring our people and customers to lend their support.

People and organisations can raise money for thousands of charities across the UK through our commission-free fundraising platform, MyDonate. Charities can benefit from the low-cost communications deals we offer. And our people get involved by volunteering their time and expertise.

|  |  |
| --- | --- |
| **2020 ambition** | **Progress to date** |
| Use our skills and technology to generate more than £1bn for good causes | £422m raised since 2012/13 |
| Inspire 66% (two-thirds) of BT people to volunteer their time and skills | 31% employees volunteered in 2016/17 |

2016/17 highlights

Using our technology to fundraise

We used our technology to raise over £62.6m for 11,000 charities, through telethon appeals and MyDonate, our online fundraising platform.

Standing up to cancer

We put our new strategy into action to help Cancer Research UK. We helped raise £1.3m, and had over 6,600 employees volunteer in support of its Stand Up To Cancer campaign.

Getting involved through volunteering

More than 31% of our employees volunteered over 39,000 days of their time to support charities and local communities.

Changing lives through sport

BT Sport customers donated more than £1.6m for The Supporters Club, providing grants to 13 charities in the UK and around the world.

“Since the very first Red Nose Day in 1988, we’ve relied on the incredible support BT provides. From telephony infrastructure and the call centres themselves, to network management and thousands of hours of staff time to answer calls, BT are the backbone of every telethon we’ve ever done. This year BT Sport and Comic Relief joined forces to create the first ever virtual reality immersive comedy sketch to engage supporters through an exciting new medium. And we’re really proud of it. We literally couldn’t ask for any more from BT. You guys are brilliant – Comic Relief just wouldn’t happen without you! Thank you forever. And a bit longer after that as well.”

Emma Freud, Director, Comic Relief

**Supporting good causes**

We support good causes through our technology and people. Both are helping us build strong relationships with our charity partners.

Using our technology

Our commission-free online fundraising and donation platform, MyDonate, has a big role to play in hitting our target to help generate £1bn for good causes by 2020. Through the platform, charities can set up fundraising campaigns, receive secure online payment processing and get technical and call centre support to run major telethons and online appeals.

This year, we've raised over £62.6m through MyDonate for 11,000 charities. We supported telethon and online appeals for BBC Children In Need, Comic Relief, Stand Up To Cancer, Soccer Aid and this year's Disasters Emergency Committee (DEC) appeals. We also provided the text donation service to raise funds for the Wayne Rooney Foundation from the testimonial football match held in honour of the England player in August 2016, which was broadcast live on BT Sport.

We’re investing in new fundraising technology to help charities deal with the move away from people using cash (see case study). And we’re exploring how virtual reality and other technologies could transform fundraising too.

We also offer charities in the UK discounted call rates and IT support, and we’re developing more tailored support for smaller charities. Our community web kit offers technical support to help charities create websites to raise awareness of their causes.

Enabling people to give

Our MyDonate platform makes it easy to raise money for charities. Anyone can use it to plan, act and appeal for sponsorship or funds via their social media networks.

BT employee Linda Phillips used MyDonate when she shaved her hair to raise money for the Little Princess Trust that provides wigs for children suffering from hair loss. And former England rugby player Ugo Monye used it to raise funds for our charity partnership, The Supporters Club, when he did the Nine Hour Challenge, a mountain biking and hiking endurance event.

MyDonate has 0% commission, no set-up fee or monthly charges. This means more money goes where it should – to the charity.

Going contactless

One in four transactions across the UK are now contactless. We’ve worked with charity partners to develop a new handheld device to take contactless payments. The aim is to make donating a simple, fun experience and help charities meet their fundraising goals.

Trials show that giving people the option to make contactless payments alongside traditional cash collections enables charities to raise up to 50% more in some cases.

|  |  |
| --- | --- |
| **Highlights of 2016/17 telethons and appeals** | |
| Children in Need | £10,598,314 |
| Comic Relief | £3,497,124 |
| DEC Yemen Appeal | £2,914,821 |
| DEC East Africa Appeal | £2,005,342 |

Volunteering our skills and time

Volunteering is not just about helping communities. We believe it benefits BT too, through improved morale and a deeper connection between our people and our purpose. This is an important aspect of engaging our employees.

More and more of our employees are getting involved. This year more than 31% of our people volunteered their time and skills, up from 27% last year. And we’ve been exploring how to encourage more of them to take part to achieve our 2020 ambition to inspire two-thirds of our people to volunteer.

We partnered with Join In, a charity, to investigate the psychology of volunteering. The research helped us identify the key factors that nudge people to get involved in the first place and then keep volunteering. We developed a new employee volunteer portal, which promotes volunteering and gives our people an easy way to find volunteering opportunities and record their time. We’ve also created an online community for our employees to share their stories and ideas for volunteering and fundraising.

We know people can find it hard to make time for volunteering, so we’ve introduced micro-volunteering projects so they can still get involved even if they can only spare half an hour at a time. For example, more than 2,600 of our employees reviewed our modern slavery video.

We’re keen for volunteers to use their expertise to support communities – and build new skills and experiences too. That’s how our people, our communities and our business can get the most out of their valuable time.

Many of our people volunteered their skills to programmes like The Right Click: Internet Safety Matters to train teachers, parents and children on internet safety.

We also advocate for a shift in focus by the UK Government to skillsbased volunteering. Our legal, governance and compliance team developed a programme to provide free legal advice to two charities, Cancer Research UK and Family Action. The Pro Bono Programme has now spent over 200 hours on this and aims to expand next year.

Another way our people can contribute to communities is through payroll giving – donating to causes close to their heart directly from their salary. This year, nearly 11,000 employees gave over £2.5m and EE was recognised at the UK National Payroll Giving Excellence Awards. We’re a founding partner of Geared for Giving (<http://www.gearedforgiving.org/>), a national campaign calling for every UK employer with more than 250 staff to offer payroll giving by 2021.

The BT Chairman’s awards celebrate employees’ efforts in volunteering, fundraising and social innovation on a quarterly and annual basis.

“We are hugely grateful to BT, our 2016 Stand Up To Cancer lead sponsor, for once again enabling the live show to take place by providing a quarter of the telephone lines on the night and encouraging hundreds of staff to give up their time to man the phones and take donations. BT have supported Stand Up To Cancer since the campaign began and their people and technology remain instrumental to its success.”

Frances Milner, Executive Director of Philanthropy and Partnerships, Cancer Research UK.

Stand Up To Cancer

Every three minutes, someone in the UK dies from cancer. It’s heart-breaking statistics like this that motivate people to support Cancer Research UK.

Cancer Research UK funds research into more than 200 types of cancer to understand how we can better prevent, diagnose and treat the disease to help beat cancer sooner. The charity’s annual Stand Up To Cancer campaign, with Channel 4, brings the UK together to accelerate progress in life-saving cancer research by asking people to stand up, raise money and save lives.

We brought all the elements of our new strategy together to support Stand Up To Cancer as the lead sponsor of the campaign. Celebrity appearances and other activities to promote the cause were viewed more than 12 million times across 20 BT media channels. BT Tower and three of our call centres provided the technology to run the telethon campaign and we also helped raise money online through MyDonate.

And we mobilised our employees to do their bit too. Over 6,000 of them manned phones, fundraised through bake sales and bucket collections, and shared personal stories of cancer with their colleagues to raise awareness.

The campaign generated around £1.3m for this important cause through money raised and volunteer time. Overall, the Stand Up To Cancer campaign raised over £15m.

Sharing our skills to strengthen charities

|  |  |
| --- | --- |
| **BT employees volunteering**  Year ended 31 March | **Percentage** |
| 2014 | 16% |
| 2015 | 26% |
| 2016 | 27% |
| 2017 | 31% |

Our transformation team works with other teams across BT to achieve cost savings for our business. They also put their expertise and knowledge to use through free one-day classes for charities. More than 50 people from various national and local charities took part this year, learning about useful tools and techniques for problem-solving.

**Sport for change**

Sport can build resilience, character and strength. We use its power to change lives and contribute to positive social change.

We offer premier sports channels through BT Sport. We want to channel the passion that BT Sport customers have for their teams and sports personalities into helping young people.

Many BT Sport customers choose to give generously to The Supporters Club, our charity partnership with Comic Relief, through their monthly bill. The Supporters Club raised over £1.6m from our customers this year. Their donations support education, youth and community projects in the UK and around the world.

This year, The Supporters Club partnered with the England Footballers Foundation to support Onside Youth Zones that will give around 400 young people the chance to gain a qualification in sports leadership. We also provided funding to The Royal Foundation to deliver the Coach Core programme, an apprenticeship programme that helps young people build a career in sports coaching.

We’re extending our partnership with the youth cricket and disability sports charity, Lord’s Taverners, to fit fully equipped multi-sensory rooms at Premier League clubs as part of our BT/Premier League Disability Fund programme. Together with The Shippey Campaign and Lord’s Taverners, we aim to get 20 Premier League clubs to build safe spaces that allow adults and children with sensory difficulties to watch live football matches in a calm environment, away from the noise and crowds.

Inspiring disabled people through sport

We’re partnering with the Premier League on a three-year programme to help disabled people across England and Wales become more active and develop new skills and confidence.

Premier League clubs will employ dedicated disability officers to co-ordinate the programme and promote inclusion. They’ll work with local agencies to support disabled people through sport.

The BT Sport films team will produce and broadcast short films on the individuals involved to engage our employees and customers. We’ll work with the Disability Initiative to create employee volunteering opportunities across the clubs.

**Delivering environmental benefits**

We’re helping customers cut their carbon emissions while we work hard to minimise our own footprint.

**Overview and highlights**

We’re using our technology to help tackle one of the world’s biggest challenges: climate change.

The UN’s Sustainable Development Goals (SDGs) and the Paris Agreement on climate change highlight the need to create a low-carbon economy. Our ambition, as a net positive company, is to help customers reduce their carbon footprint by at least three times our own end-to-end emissions. We can help them achieve this through our products and services.

With the acquisition of EE, we’ve extended our range of technologies that can cut carbon. We helped customers avoid around ten million tonnes of CO2 equivalent (CO2e) emissions this year, enabling them to make savings on their energy and fuel costs. Our carbon-saving products and services are now contributing £5.3bn revenue to our business.

At the same time, we’re working to reduce our own end-to-end emissions – from our supply chain, our operations and customers’ use of our products. We’re committed to using 100% renewable electricity, where markets allow, and we’re encouraging our suppliers, customers and employees to do the same. We also manage other environmental impacts, such as waste and water use, to help us conserve natural resources and manage risks.

|  |  |
| --- | --- |
| **2020 ambition** | **Progress to date** |
| Help our customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business | Achieved in 2016/2017:  1.8:1 |

2016/17 highlights

1st

We topped Carbon Clear’s ranking of carbon reporting performance of FTSE 100 companies for the third year in a row.

3rd

The 2016 Newsweek Green Rankings rated us as the third greenest company in the world – up seven places since last year – and the leading green telecommunications company.

CDP Global Climate A-list

Our A rating in the 2016 CDP carbon assessment for investors indicates a leadership approach to managing climate change in our own operations and beyond. This puts us in the top 9% of participating companies.

CDP supplier engagement leaderboard

BT was one of 29 companies (out of over 3,300 assessed) to earn a spot in CDP’s new supplier engagement leaderboard in recognition of our work with suppliers to reduce emissions and climate risks in the supply chain.

82%

We sourced 82% of our electricity from renewable sources. This is less than last year due to the acquisition of EE, but we’ve agreed a new contract to switch the bulk of EE's directly-billed electricity contracts onto renewable sources. This put us on track to meet our 2020 target of going 100% renewable, where markets allow.

Researching the potential of ICT to cut carbon

Our latest research estimates that ICT could reduce EU carbon emissions by over 1.5 gigatonnes of CO2e in 2030. We aim to harness our technology and capabilities to help realise this low-carbon future.

Technology and expertise

We’re providing our technology and expertise to help Land Rover BAR, as they aim to become the first ever British team to win the America’s Cup. And through 100% Sport we're using this partnership to encourage sports fans to switch to renewable energy.

**Tackling climate change**

The UN Sustainable Development Goals call on businesses, governments and civil society to work together to tackle climate change. We’re determined to play our part.

We’re contributing to a low-carbon economy by cutting our own carbon footprint and helping customers cut theirs. And we’re working with others to do more.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2020 target | | |
| Year | Carbon emission savings | Our end-to-end emissions | 3:1 |
| 2016/17 | 10m | 5.5m | 1.8:1 |
| 2015/16 | 7.6m | 4.8m | 1.6:1 |
| 2014/15 | 7.1m | 4.6m | 1.5:1 |

Our 3:1 ambition

Our products and services enable customers to cut their carbon emissions, for example by working more efficiently and reducing the need to travel.

Our business generates emissions from our supply chain, in our operations and through the energy our customers need to power our products. But the emission savings for our customers outweigh our own footprint.

By 2020, we want to help customers cut their carbon footprints by three times our own end-to-end emissions. That’s our 3:1 ambition. This year, we achieved a ratio of 1.8:1, up from 1.6:1 last year.

The acquisition of EE has increased our end-to-end emissions. But it’s also increased the range of our products and services that can help customers cut their emissions. Our 3:1 calculations this year additionally include smartphone use (eg for navigation), as well as machine-to-machine technologies as are used in smart meters and vehicle telematics.

See the environmental data table in our Download Centre ([www.bt.com/deliveringourpurpose](http://www.bt.com/deliveringourpurpose)).

Collaborating with others

We participated in the COP22 global climate talks in Marrakech in November 2016, sharing our climate action journey, what we've learned on the way and our future plans. We joined other ICT companies to launch the SMARTer2030 Action Coalition set up by the Global e-Sustainability Initiative (GeSI). The Coalition’s aim is to demonstrate how ICT can help to achieve the UN Sustainable Development Goals and cut global carbon emissions, building on the #SystemTransformation (<http://www.systemtransformation-sdg.gesi.org/>) research published by GeSI last year.

GeSI is just one of the organisations we collaborate with to tackle climate change. This year, we continued our work with RE100 (<https://www.theclimategroup.org/RE100>) and the Carbon Trust (<https://www.carbontrust.com/>) (see case study overleaf). We’re also involved with other groups that bring businesses together to deal with environmental challenges, including the Aldersgate Group (<http://www.aldersgategroup.org.uk/>), the Confederation of British Industry Energy and Climate Change Board (<http://www.cbi.org.uk/business-issues/energy/>), The Prince of Wales’ Corporate Leaders Group (<http://www.corporateleadersgroup.com/>), the We Mean Business coalition (<https://www.wemeanbusinesscoalition.org/>), the Environment Strategy Council of industry association Tech UK (<http://www.techuk.org/>) and the World Business Council for Sustainable Development (<http://www.wbcsd.org/>).

Businesses clearly have a role to play in tackling climate change, but so do governments. Together with over 80 other companies, we called on the UK Government to demonstrate its commitment to the UN SDGs, including action on climate, in an open letter (<https://www.ukssd.co.uk/news/ukssds-open-letter-to-the-prime-minister-published>) by the UK Stakeholders for Sustainable Development. The letter also offered support from the business community to deliver the goals.

Setting science-based targets

Last year, we achieved our former climate stabilisation intensity target for 2020 – four years early – by cutting the carbon intensity of our operations by more than 80% from our 1996/97 baseline. We were one of the first companies to set a science-based target like this. It was designed to help cut emissions to a level that will prevent the worst effects of climate change, by limiting global warming to a maximum of 2°C higher than pre-industrial levels. We're now exploring a new science-based target to include EE.

“BT has shown real leadership in embedding sustainable business practices. Bold targets have been matched by a rigorous approach. We have enjoyed working alongside the team to develop pioneering approaches and methodologies, which have raised the bar and encouraged other companies to deliver real change. The ambition to always aim higher sometimes means tackling new areas of relatively uncharted territory, but BT has not been afraid to meet these challenges and we look forward to continuing to support this important work in the future.”

Hugh Jones, Managing Director, Advisory, The Carbon Trust

Partnering to further our climate agenda

Working together with the Carbon Trust has helped us achieve a series of milestones in our efforts to tackle climate change, beginning with a strategy to help us manage our CO2e emissions and a series of workshops to help suppliers manage theirs.

We were one of the first companies to develop a net positive goal and we drew on the Carbon Trust’s expertise to set our 3:1 ambition. With their help, we measured the lifecycle carbon footprints of three consumer products and in 2012 we became the first company in the world to have product carbon footprints independently verified to the Greenhouse Gas Protocol Product Standard. Since we launched our 3:1 ambition in 2013, we’ve worked with the Carbon Trust to track progress and add more products to our methodology every year.

This year, we worked with them to explore a new science-based target, including EE. We also joined other businesses and Government representatives at a series of events held by the Carbon Trust to discuss what would be needed to achieve science-based targets designed to limit global warming to 1.5°C above targets designed to li pre-industrial levels.

Going for 100% renewable electricity

BT is a founding member of RE100, a group of influential businesses committed to using 100% renewable electricity and helping to develop a low-carbon economy. We’re aiming to purchase 100% renewable electricity by 2020, where markets allow: in some countries, or markets, renewable electricity supply may not be available, or its certification is not verifiable through an internationally recognised scheme.

This year, 82% of our electricity worldwide came from renewable sources, including from our solar array at Adastral Park, as well as through long-term Power Purchase Agreements. A further 7% came from zero carbon (nuclear) sources. Prior to acquisition, not all of EE's electricity was sourced from renewable energy. We've now agreed a new contract, to switch over 98% of their directly-billed electricity onto renewable sources during 2017.

Through 100% Sport, we’re partnering with the Land Rover BAR (<http://land-rover-bar.americascup.com/en/news/382_Raising-the-bar-in-sustainable-sport.html>) sailing team, headed by Sir Ben Ainslie, to inspire sports fans to switch to renewable energy and rally their favourite sports teams to do the same. The BT 100% Sport Tech Zone at the America’s Cup World Series sailing event in Portsmouth encouraged spectators to make pledges and share their stories on sustainable ways of living, working and playing.

And we've set up a new deal for our employees: offering a discount on their electricity and gas bills if they switch to renewable energy.

Helping Land Rover BAR to bring the Cup home

We’re playing a crucial role for Land Rover BAR, as Sir Ben Ainslie’s team strives to become the first ever British team to win the America’s Cup this summer.

As the team’s official Technology in Sustainability partner, we’ve combined our strengths in fixed and mobile networks to deliver the team’s innovative Virtual Chase Boat solution.

This lets data on the catamaran’s performance, local sailing and weather conditions be transmitted direct from the boat, back to "Mission Control" rooms in Bermuda and the UK, where the boat’s performance is analysed. BT is also lending Land Rover BAR its expertise in big data analytics to help crew and technical teams to collect, analyse and interpret the boat’s performance data in real time.

“This is a new operational model for our sport and removes a powerboat from the water every sailing day, significantly reducing the team’s carbon footprint and increasing our efficiency. BT are helping us push forward in this area and it will be a vital development for us as a team.”

Sir Ben Ainslie, Team Principal and Skipper, Land Rover BAR

**Helping customers cut carbon emissions**

Our technologies are accelerating the transition to a low-carbon economy by helping customers cut their carbon emissions.

Superfast broadband connections enable people to use online services that replace physical products and reduce the need to travel. Flexible working solutions enable them to work remotely. Working and shopping online reduces the need for office and commercial space. All of these solutions can cut carbon by helping customers save energy or fuel (see table).

Our collaboration and productivity solutions help organisations shrink their carbon footprints by reducing business travel and managing information in the cloud. The BT Carbon calculator for business helps organisations estimate the carbon and cost savings our products and services could offer them.

Our communications technology can enable carbon savings greater than our end-to-end emissions. We’ve helped customers save 10 million tonnes of carbon emissions in 2016/17, up 32% from last year. And it’s clear this is a growth market. We generated £5.3bn this year from products and services that can cut carbon. This represents 22% of BT's total revenue.

**How we help customers cut their CO2e emissions**

|  |  |  |  |
| --- | --- | --- | --- |
| **Impact** | **Reduces need for travel** | **Reduces energy use** | **Reduces amount of materials and manufacturing** |
| **Savings (CO2e)** | **8.1m tonnes** | **1.5m tonnes** | **0.4m tonnes** |
| **Types of products and services** | Broadband  Conferencing  Teleconferencing  Field Force Automation  BT Apps (remote collaboration)  Machine to Machine (M2M) connectivity, such as smart meters and vehicle telematics | Broadband  Ethernet  IP Communications (cloud-based VoIP phone systems)  BT Apps (remote collaboration)  BT Mobility (BT One Phone) | Broadband  Ethernet  IP Communications (cloud-based VoIP phone systems)  BT Mobility (BT One Phone) |

Researching ICT’s potential to enable carbon reductions

We’ve published new research on the role of ICT in reducing carbon emissions in the EU (<http://www.btplc.com/Purposefulbusiness/Ourapproach/Ourpolicies/ICT_Carbon_Reduction_EU.pdf>). This builds on GeSI’s global SMARTer 2030 report (<http://smarter2030.gesi.org/>) and our own research last year on the potential of ICT to help decarbonise the UK.

Our report suggests that ICT could reduce EU carbon emissions by over 1.5 gigatonnes of CO2e by 2030 – almost 19 times the sector’s own predicted footprint. Resulting new revenues and cost savings could generate economic benefits to the tune of around €1.3 trillion, and bring socio-economic opportunities too.

In other research (<http://www.btplc.com/Purposefulbusiness/Ourapproach/Ourpolicies/cars2025report.pdf>) with Frost & Sullivan, we found that ICT could save an estimated 56 million tonnes of CO2e per year globally in 2025 by supporting new on-demand models for urban mobility like car sharing. With 20 million fewer cars needed on the road, on-demand models could bring additional carbon savings of up to 121 million tonnes of CO2e associated with manufacturing in 2025.

We’re using the opportunities identified in these research studies to investigate how specific BT products and services can contribute to investigate how to carbon savings.

Making cities smarter

We’re working with partners to test out opportunities for technology to make cities smarter by helping them save energy, reduce waste, cut costs and meet the complex needs of the people who live and work there.

We’re part of the innovative MK:SMART project to explore how connectivity and IT can transform the UK city of Milton Keynes. This year, the data hub we developed with The Open University became available to the public. The hub collects and stores real-time information from sensors around the city, to help businesses and councils better understand things like energy use and transport. This data supports the development of solutions that can bring economic and environmental benefits to citizens, from promoting the use of electric vehicles to providing regular automated meter readings for their homes.

The ability to share data between different systems is becoming increasingly important as smart cities and the Internet of Things (IoT) take off. We helped to develop a common specification that sets out interoperability criteria, so that data from multiple platforms can be easily combined. The Hypercat specification was published in June 2016 by The British Standards Institution.

As part of the CityVerve project in Manchester, we’ve launched a Hypercat-enhanced data hub that allows information to be shared with other hubs across the city using a single platform. This means that technical solutions to support smarter services, such as transport or healthcare, can make full use of all the data available.

In Suffolk, the responsive streetlights we tested out have helped the county council reduce its energy bills. They use sensors to dim or brighten the lights according to the volume of traffic. We’re also building on our trial of air quality sensors to explore the use of streetlight sensors to measure noise, pollution, temperature and air pressure.

We’ve also worked with the University of Birmingham to develop a cloud wi-fi solution to support wireless sensors that could help local councils make more informed decisions about winter road maintenance. This is part of the Wintersense (<https://wintersense.com/>) project that’s using the IoT to monitor road surface temperatures.

Seeing sense for city cyclists

We’re always on the lookout for the brightest ideas from small digital businesses. This year, we teamed up with the Cabinet Office, MK:SMART and TechHub to run our BT Infinity Lab SME Awards for Connected Cities.

The competition gave small and medium enterprises the chance to showcase products and services that can help cities become more connected, efficient and sustainable. The overall winner was See.Sense for their intelligent and connected lights for bicycles.

See.Sense bike lights react to their environment and get brighter in risky situations to keep cyclists safer on the road. Their sensors can be used to collect data on crashes, near-miss events, road surfaces, light levels and more. City planners can use this information to create better infrastructure for cycling. See.Sense demonstrates the power of technology to help build safer and more connected cities power of tech of the future.

“BT have worked with us to develop a mechanism for city data to be exchanged, that will break down the silos between applications; and in the future even allow data to be traded between data owners. BT have also deployed a wireless IoT network across the city that enables sensors to send data into the MK data hub.”

Geoff Snelson, Director of Strategy and Futures, Milton Keynes Council

**Reducing our end-to-end emissions**

Helping customers cut carbon is an important part of our 3:1 ambition. But we also need to reduce our own end-to-end emissions.

We monitor our carbon intensity as below, both per value-added and per revenue. The table (right) shows where our biggest impacts lie along our value chain, how we're working to reduce emissions and our performance this year. We also show (overleaf) our operational worldwide greenhouse gas emissions, together with a breakdown of our total upstream supply chain emissions. Including EE in our data has increased our emissions this year.

### Carbon intensity (Year end 31 March)[[12]](#footnote-12)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **1997(base)** | **2014** | **2015** | **2016** | **2017** |
| CO2e/£m value added[[13]](#footnote-13) | 173 | 36 | 36 | 32 | 33 |
| CO2e/£m revenue[[14]](#footnote-14) | 87 | 13 | 13 | 12 | 12 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Our supply chain** | **Our operations** | **Customer use AND DISPOSAL of our products** |
| **% End-to-end emissions** | 67.6% | 6.7% | 25.7% |
| **Source of emissions** | **Emissions from the products and services we buy from suppliers, such as network equipment and data centre services.** | **Emissions from the energy we use to run our networks and power our buildings, and from our fleet of engineering vehicles, business travel and employees commuting to work.** | **Emissions from the energy our customers use to power BT products in their homes or businesses, and the energy used to recycle or dispose of products when they’re no longer needed.** |
| **How we’re reducing these emissions** | – 180 suppliers, representing 47% of our total spend, completed the CDP supply chain questionnaire. Of these, 73% have set targets to cut emissions and 66% are engaging with their own suppliers on climate change.  – Suppliers participating in our Better Future Supplier Forum have saved nearly a million tonnes of carbon since 2012.  – We included our climate change procurement standard in 91% of applicable new contracts this year.  – Our efforts to manage climate risks across our supply chain were recognised as one of 29 companies (out of over 3,300  assessed) included in CDP’s first supplier engagement leaderboard. | ––We’ve cut our energy use every year since 2008. This year we invested a further £13.1m into energy management projects. This has helped us cut consumption (exclusive of EE) by 63 GWh, a 2.7% reduction since last year.  ––Worldwide, we sourced 82% of our electricity from renewable sources this year. And we’re working to achieve 100% across our operations.  ––We’ve replaced a further 460 refrigerant systems with adiabatic units that cool our network equipment using water instead of greenhouse gases.  ––We’re targeting the fuel efficiency of our fleet, using electric and hybrid technologies, and through our annual Green Driver competition to raise employee awareness of fuel-efficient driving.  ––We promote the use of audio, video and online meetings to cut emissions from business travel. And our liftshare service makes it easy for UK employees to cut emissions from commuting, by car sharing. | ––Our design checklist helps us consider environmental criteria in the design and specification of new products and packaging.  ––We work with the suppliers who make our products to look for ways to reduce their energy use and other environmental impacts.  ––We also refurbish and re-use products such as mobile phones, tablets, home hubs and set-top boxes that customers return to us. |
| **Performance in 2016/17** | With the inclusion of EE's suppliers this year, emissions from our supply chain have increased 35% to 3.4 million tonnes, and our total expenditure has risen by over 38%.  Overall, the carbon emission intensity from our procurement (ie emissions/expenditure) has marginally reduced. | Despite these savings, our total energy use rose by 12.5% to 2,630 GWh due to the acquisition of EE. This contributed to a 24.7% increase in net total emissions from our operations worldwide this year, to 0.4 million tonnes. | Emissions associated with use of our products (now including EE’s) decreased this year, even though we continued to extend access to connectivity and broaden our range of services. |

**Our worldwide greenhouse gas emissions (Year ended 31 March)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| CO2e kt | 1997(base) | 2014 | 2015 | 2016 | 2017 |
| CO2e kt | 1,628 | 391 | 387 | 342 | 428 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Supply chain emissions (breakdown of upstream Scope 3 emissions)**  Year ended 31 March | **2013** | **2014** | **2015** | **2016** | **2017** |
| kTonnes CO2e | 2,989 | 3,080 | 2,724 | 2,840 | 3,815 |

**Managing environmental impacts**

We manage environmental impacts to help us conserve natural resources, mitigate risks and comply with relevant regulations.

Our environmental policy (<https://www.btplc.com/Purposefulbusiness/Ourapproach/Ourpolicies/Environmental_Policy.pdf>) sets out our commitment on this, and this year our environmental management systems have been certified to the international standard ISO 14001 in Belgium, Colombia, France, Germany, Ireland, Italy, the Netherlands, Spain and the UK.

We're also exploring how we can use the new protocol (<http://naturalcapitalcoalition.org/protocol/>) from the Natural Capital Coalition to identify potential risks and opportunities for our business. The protocol is a management tool designed to help businesses incorporate natural capital into decision-making by looking at the potential costs, financial savings and revenue streams associated with environmental considerations.

Conserving natural resources

Carbon emissions from our energy use and commercial fleet are the most significant aspects that impact the environment as a result of our business operations. We therefore focus on reducing energy and fuel use as part of our efforts to tackle climate change. However, we also aim to conserve resources by managing waste, water use and biodiversity. And we encourage our people to do their part; to be aware of their energy use, to reduce their travel and to recycle waste.

Waste and recycling

We work with suppliers to minimise the materials that go into our products and packaging, and make sure they are recyclable. We support the principles of the circular economy by turning waste into resources, reusing and recycling materials and equipment wherever we can.

This year, we produced 28,587 tonnes of waste in the UK (17% less than last year). Over 97% of this was recovered or recycled and we achieved our UK target, to send zero qualifying waste directly to landfill by year-end. Worldwide, we recovered or recycled 93% of our waste. Specialist contractors ensure hazardous waste is managed responsibly in compliance with relevant regulations.

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| --- | --- | --- | --- | --- | --- |
| **Waste generated and recycled (BT facilities worldwide)**  **CO2e kt**  Year ended 31 March | **2013** | **2014** | **2015** | **2016** | **2017** |
| **Total** | **43.9** | **42.0** | **42.6** | **36.4** | **31.1** |

We offer take-back schemes for customers to send their old products back to us to be refurbished or recycled. Mobile phones and tablets can be returned through EE’s Recycle & Reward (<https://recycle.ee.co.uk/>) programme and our website (<http://bt.custhelp.com/app/answers/detail/a_id/53417/~/how-to-return-and-recycle-your-old-bt-hub-and-tv-equipment-for-free>) explains how to return BT TV boxes and BT Hubs (see case study).

BT Home Hubs go circular

We’re giving BT Home Hubs a new lease of life and supporting the circular economy by refurbishing, re-using and recycling the hubs customers return to us.

Whenever they replace their BT Home Hub, we encourage customers to return their old one to us. We treat these used products as valuable resources, not waste. At our warehouse in Northallerton, we check and upgrade the software, replace old parts and give them a good clean.

Once the refurbished hubs are as good as new, we use them to replace any that customers return as faulty. This reduces the total volume of new hubs we need to purchase, saving resources, energy and costs. We’ve refurbished over 500,000 BT Home Hubs over the last year and a half, and we’re installing a new production line so we can do even more next year.

Water use

We use water in our offices and catering facilities, and in cooling systems at our exchanges and data centres. We estimate we've saved nearly 62 million litres of water this year, by monitoring water usage and targeting leaks. Despite these savings, our total water use has increased by 17% to 1.4bn litres overall due to the acquisition of EE. We also encourage suppliers to take action to reduce water use as part of our Better Future Supplier Forum.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Water use (UK only) m3 (000)**  Year ended 31 March | **2013** | **2014** | **2015** | **2016** | **2017** |
| **m3 000** | 1,307 | 1,294 | 1,136 | 1,206 | 1,409 |

Biodiversity

We aim to do our bit to promote biodiversity by using our sites to provide natural habitats such as wildflower meadows that support rare flora, insects and wildlife. We support the use of BT land for allotments and we’re working with the UK National Allotment Society to create plots for employees, communities, charities and schoolchildren to use.

Managing environmental risks

One of the most significant environmental risks we manage is the potential for leaks or spills from our oil storage tanks across the UK.

We've over 6,000 tanks of oil that are used for heating and to power standby generators that keep our network going in emergencies. To mitigate the risk of adverse environmental impacts and ensure regulatory compliance, we’ve installed additional physical controls to prevent leaks that could cause pollution. These are now in place at sites in England and Scotland, with Northern Ireland completing next year. In Wales we're implementing a four-year plan to meet new regulatory requirements.

Our products are subject to regulations such as the European Directives on Waste Electrical and Electronic Equipment (WEEE), the Restriction on the Use of Certain Hazardous Substances (RoHS) and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). We require suppliers providing electrical or electronic equipment to our UK business to complete our product stewardship questionnaire (<http://www.selling2bt.bt.com/working/ProductStewardship/default.htm>) to show our products comply with these regulations.

We work closely with the relevant market surveillance authorities to manage environmental issues proactively. This year our in-life quality assurance testing processes found two non-compliances, both of which were reported to the relevant market surveillance authority. On the basis of our mitigation plans, no further action was required.

“Regulatory Delivery had two engagements with BT during the last financial year, relating to non-compliant products placed on the market in error. In both instances, we found BT’s approach to be forthright and proactive and we were able to work with them towards a constructive solution. From these engagements, we have forged a positive working relationship and hope this will continue.”

Dave Symons, Contracts and Investigations Manager, UK Government Department for Business, Energy and Industrial Strategy – Regulatory Delivery.

1. Our materiality analysis took place before the full impact of the investigation into our Italian business had been completed, and was also prior to Ofcom's findings around Openreach's use of the Deemed Consent process. [↑](#footnote-ref-1)
2. Excludes those on maternity, paternity or long-term sick leave or with other extenuating circumstances. [↑](#footnote-ref-2)
3. Figure does not include EE or Plusnet employees, as comparative data is not available. [↑](#footnote-ref-3)
4. Excluding those managed via purchase order, or those few taken on as a novated contract. [↑](#footnote-ref-4)
5. The 2016 Deloitte Millennial Survey – Winning over the next generation of leaders. [↑](#footnote-ref-5)
6. Women who took maternity leave two years ago, returned to work and stayed for at least 12 months. [↑](#footnote-ref-6)
7. Disability Confident is an accreditation which includes Two Ticks, that is given to organisations that are committed to employing disabled people. [↑](#footnote-ref-7)
8. Workplace Equality Index, 2015 [↑](#footnote-ref-8)
9. 2015 YouGov survey. [↑](#footnote-ref-9)
10. Our definitions:

    **Direct impact**: people employed directly by BT (including contractor employees) who receive wages and salaries.

    **Indirect impact**: income and employment created with suppliers, as a result of BT's spending on goods and services.

    **Induced impact**: further income and employment generated, as wages created directly and indirectly are spent within the economy. [↑](#footnote-ref-10)
11. Relative to local income and local connectivity costs. Broadband Affordability, 2011 [↑](#footnote-ref-11)
12. Includes all scopes 1&2, plus scope 3 excluding upstream/supply chain and downstream emissions. Uses Market-based emissions accounting method, excluding third party consumption [↑](#footnote-ref-12)
13. Value added = EBITDA adjusted (before specific items) + Employee costs [↑](#footnote-ref-13)
14. Includes scopes 1&2 only. Revenue is before specific items. [↑](#footnote-ref-14)