



# *Suppliers*

**Better World – Our Commitment to Society**

## *Suppliers*

BT conducts a vast range of procurement activities with thousands of suppliers around the globe.

Our annual spend with our suppliers in 2001/2002 was £9.8 billion pounds, excluding the spend of BT former mobile operator (BT Wireless), now known as mm02.

This was spent on a wide range of goods and services, from major network and IT equipment, cables and software to design services and disposals.

We are committed to ensuring that all our dealings with suppliers – from selection and consultation, to recognition and payment – are conducted in accordance with the principles of fair and ethical trading.

## ***Selection***

BT operates a fair procurement process – administering tendering and contracting procedures in good faith. We value the diversity of our suppliers and we will not make the award of a contract conditional on a supplier being a customer of BT.

These and other specific commitments are detailed in our Purchasing Principles.

Authority for forming a contract is restricted to our authorised procurement professionals, trained to world-class procurement standards and applying BT’s purchasing principles.

Our supplier selection process ensures that high safety, environmental and social standards are met.

BT plays its part in a number of Government and commercially-sponsored initiatives, designed to enhance small suppliers’ awareness of total quality so that they can compete for business more effectively in the global marketplace.

In addition, our Supplier Diversity Programme aims to ensure equality of opportunity for Minority Business Enterprises (MBEs) to participate in BT’s procurement process, to facilitate the mentoring of MBEs by existing suppliers and to promote the development of MBEs in the wider community.

### **Better World Links:**

- [Supplier Diversity](#)

### **See also:**

- [Purchasing Principles](#)

## *Development*

BT currently uses a range of tools – from basic desktop evaluation to sophisticated supplier capability assessment and partnership evaluation processes - to assess and develop our suppliers. These processes are now fully deployed within BT procurement and are ensuring supplier risk and relationships are professionally managed.

In order to improve supplier performance and provide our suppliers with a better understanding of our assessment requirements, we have begun to hold a number of bespoke supplier training workshops, especially in the "partnership" area of our strategic relationships. BT procurement works closely with our key partners and shares benchmarks of partnering best practice in order to strengthen its relationships. This partnership evaluation process, known as the PEM process, has recently won an award from the Institute of Quality Assurance ( IQA ) for its leadership in the complex area of partnership development. The benefits for companies engaging with the PEM process are becoming clear, with one BT partner exploring eight new business opportunities following the evaluation identifying potential growth areas.

The PEM process also enhances the skills of our suppliers, in understanding partnership working and in this way not only benefits BT, but can also be of real use to them when they compete for non-BT work. It is envisaged that all BT major supplier relationships will be evaluated using the PEM process.

BT also shares learning and expertise in the areas of quality, the environment, diversity and ethical trading with its suppliers.

## ***Relationship Management***

At BT, we value the relationships we have with our suppliers and encourage the free exchange of views, either informally or via a wide range of formal meetings.

In November 1999, we launched a supplier relationship management programme (SRM) to manage our relationships with our suppliers in such a way as to ensure clear and coherent two-way communication.

The need for a relationship management programme arose from the changing commercial landscape. In recent years, relationships with many of our suppliers have become more complex. Whereas it used to be simply that of customer and supplier, we now recognise that a supplier can – at one and the same time – be a partner, customer and/or competitor.

Responding to this change, we appointed a BT relationship manager and a senior executive sponsor to manage and develop the relationship with key strategic suppliers via a dedicated “stakeholder board”, which brings together interested parties from across the supplier interface.

At the heart of the SRM programme are the regular meetings (supplier summits) that we hold with our suppliers at senior level. These meetings are the primary forum for exchange of information, discussion of collaborative and partnership opportunities, and two-way communication.

Between launch and March 2002, we held one or more supplier summits with each of our 17 key suppliers.

86 per cent of participating suppliers said that they believed their overall relationship with BT had improved since the programme’s introduction (Source: Strategic Procurement - Supplier Perception Survey, Dec 00).

All our suppliers get the chance to express their views and get a response via the supplier feedback form on our Selling2bt web site (<http://www.selling2bt.bt.com/talktous.htm>).

We also seek the opinions of our key network and IT suppliers, using a formal supplier perception questionnaire, which helps the BT people who own and manage our supplier relationships gain a better understanding of supplier concerns and where we ourselves can improve.

In the last survey conducted, our 22 top suppliers were invited to participate and 19 responded. In response to the statement “Overall, I am satisfied with my relationship with BT”, 69 per cent agreed compared with 67 per cent in 1999. (Source: Strategic Procurement - Supplier Perception Survey, Feb 2000 and Dec 2000)

NB: The number of suppliers taking part in the SRM varies as the strategic nature of individual supplier’ changes to reflect changing BT activities.

### **See Also:**

- Selling2bt

## *Payment*

As stated in BT's Annual Report and Accounts 2001/2002:

BT's policy is to use its purchasing power fairly and to pay promptly and as agreed. BT has a variety of payment terms with its suppliers.

The terms for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers. It is BT's policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the company in a timely fashion and is complete. BT's payment terms are printed on the company's standard purchase order forms or, where appropriate, specified in individual contracts agreed with the supplier. The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the 2002 financial year and the amounts owed to its trade creditors at the end of the year was 18 days.

## Supplier Awards

Judging is now complete for the 5th Investing in Excellence Awards, and winners will be announced at an awards ceremony on 12 November.

These prestigious awards are an ideal opportunity for BT to recognise the significant contribution of our suppliers, showcasing examples of innovation and forward thinking. They also confirm the strategic importance of teamworking between purchasers and suppliers.

A judging panel consisting of BT people assessed the entries. They looked for suppliers who had excelled in the following award categories:

- Quality of Product and Service
- Innovation and Responsiveness
- Reduced Whole Life Costs
- Commitment to Social Responsibility

The 2001 awards was the first year in which a 'Commitment to Social Responsibility' Award was introduced. This looked for suppliers who had implemented policies, systems or initiatives that demonstrated their commitment to social responsibility where a BT Contract was concerned. Suppliers could demonstrate this in areas such as the environment, supply chain human rights, diversity or other areas of social responsibility.

31 suppliers were shortlisted and invited to attend the awards ceremony. The winner who received the overall trophy was Joseph Gleave & Son Ltd.

The judges' final comment when selecting this company as the winner was "in this area of our business, they have driven up service, driven down lead times, and enhanced everything in the supply chain".

The category winners were:

- |  |                         |
|--|-------------------------|
| • Quality of Product and Service:      | Joseph Gleave & Son Ltd |
| • Innovation and Responsiveness:       | Siebel Systems UK Ltd   |
| • Reduced Whole Life Costs:            | Enterprise PLC          |
| • Commitment to Social Responsibility: | Pirelli                 |

A special Breaking the Mould - eEnabling Award was also awarded to Ericsson.

Further information on the winning supplier entries is available on the Investing in Excellence Awards web site.

### See also:

- Investing in Excellence Awards <http://www.selling2bt.com/html/investing/default.asp>

## ***Ethical Trading***

Society expects the products bought from and by BT to be manufactured under working conditions consistent with international guidelines. Chief among these are the UN's Universal Declaration of Human Rights and the International Labour Organisation conventions.

To ensure that we meet this expectation, in April 2001 we launched Sourcing with Human Dignity, a supply chain initiative which seeks to ensure that the working conditions in our supply chain really do meet accepted standards.

Although the promotion of these standards is common practice in the retail sector, it is a relatively new development for the communications industry.

Of course, BT alone cannot commit to Sourcing with Human Dignity – it is a collaborative undertaking that requires the active support of all our suppliers. We are in the process of seeking to win this support through a phased approach, discussed in the sections Progress to Date and Future Plans.

### **Better World Links:**

- Sourcing with Human Dignity  
(<http://www.selling2bt.com/html/working/humandignity/default.asp>)

### **See Also:**

- Universal Declaration of Human Rights (<http://www.un.org/Overview/rights.html>)
- International Labour Organisation conventions  
(<http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm>)

## *Progress to Date*

### **Key Network and IT Suppliers:**

We need our suppliers' help in delivering to our ethical trading standards. That's why, in 2001/2002, we focused on gaining the support of our key network and IT suppliers.

We worked to achieve this through special supplier forums on the issue and by seeking suppliers' written support.

BT hosted three supplier forums last year. These began to engage our key suppliers on issues such as:

- Why we need to address the issue of supply chain working conditions
- Determining Ethical Trading Standards in our industry
- How to assess your supply chain – examples of processes and tools
- Collaborative working on Ethical Trading

A number of participating companies shared their approaches to this issue and open debate was encouraged amongst the attendees. External experts, including a representative from the Ethical Trading Initiative, also came to share their experiences with the group.

In addition, by the 31st March 2002, 11 key suppliers (58% per cent of those targeted) also signed an agreement with BT giving their written support concerning this issue. Since this time, a further 5 companies have agreed to sign, bringing the total to 79%.

Through this combined approach of asking for written support and seeking their attendance at the forums, we succeeded in raising the issue of supply chain working conditions on our key suppliers' agenda, and many of them are now actively demonstrating their support.

### **High-risk industry sectors**

In 2001/02 we also prioritised industry sectors where we believed that the risk of falling short of our Sourcing with Human Dignity standards was at highest. In these areas we began to conduct on-site assessments to identify to what extent suppliers are meeting the Sourcing with Human Dignity (SWHD) standard.

Over the year, ten assessments of factory working conditions were conducted by BT in both China and Sri Lanka. Of these, three involved full two-day assessments being conducted by trained assessors using a new BT assessment tool and methodology developed with the assistance of external experts. These assessments involved:

- Management interviews (including HR, Production and Finance functions)
- Premises walk-rounds (including accommodation where appropriate)
- Worker interviews (conducted by a local independent worker interviewer)
- Documentation Review (including pay and hours records etc).

The other seven assessments also covered most of these aspects. In these instances, sometimes an interpreter rather than independent local worker interviewer was used and some assessments were conducted by BT people who have yet to qualify formally as BT assessors in this area.

In the case of all ten assessments, individual improvement plans have been developed where necessary and progress is being monitored.

## Progress since April 2002

A key focus for this year has been the training of the procurement community to enable wider-scale implementation of the Sourcing with Human Dignity standard:

### Buyers Awareness Training

176 (54%) of BT buyers have attended one of nine half-day awareness-training courses on BT's Sourcing with Human Dignity standard. The training was designed to help them understand why this initiative is important to BT, its key aspects and their role in ensuring its successful delivery within BT's supply chain.

Training of the other 46% of buyers is planned for the remainder of the year.

### Assessors Training

This year BT enlisted the help of an external company to develop and deliver a two-day assessors training course. This course was aimed at training appropriate procurement and quality professionals within BT (or direct suppliers) in the knowledge and skills required to conduct on-site assessments against the BT Sourcing with Human Dignity Standard.

The first of these training courses was held in October and attended by seven BT participants and one person from a direct supplier. These people are now being encouraged to put their training into practice and conduct on-site assessments within BT's supply chain, initially with the assistance of an experienced BT lead assessor.

In addition to this, we have continued to raise the issue of supply chain labour standards with our key suppliers. BT held its 4th Sourcing with Human Dignity Forum with its key suppliers in July. This forum used a 'learning by sharing' format where each participant was asked to present on what their company was doing to address the issue of labour standards in their supply chain.

## *Future Plans*

In the remainder of this year we plan to:

- Review progress with implementation of the ‘Sourcing with Human Dignity’ process
- Make further refinements to the new electronic process
- Apply the SWHD process to a broader range of contracts

In association with these activities we have set a number of targets.

### **Better World Links:**

- Data and Targets

### **See Also:**

- Ethical Trading Initiative

## Diversity

BT has been at the forefront of the evolving equality and diversity agenda for some time and is particularly active in establishing the business case for diversity.

This business case is compelling. The commercial importance of diversity, both in employment and service provision to today's diverse customer base, puts it at the heart of our business objectives. However, if we are to embrace the benefits of diversity it must be truly reflected throughout our operations, including our supply chain. This is essential if we are to create competitive advantage. In an organisation of BT's size and scope the opportunities are enormous.

Through our Supplier Diversity Programme, we work with Minority Business Enterprise (MBE) (businesses that are at least 51 per cent owned, controlled and operated by one or more members of a minority group – including ethnic minorities, women and people with disabilities) to help create a diverse supply chain. The success of the programme to date has proven that MBE companies possess the richness of skills and expertise that we need to ensure that our products and services reflect the diversity of the markets we serve.

Supplier Diversity delivers two independent but complementary programmes:

### **1. Business to Business mentoring – to encourage diversity in our supply base.**

The mentoring programme is a structured, triangular relationship between BT, an MBE owner and representatives from BT's suppliers. This relationship

- enables BT, its suppliers and MBEs to learn from each other's knowledge and experience
- gives MBEs the support they need to access organisational and professional networks
- helps MBEs develop the skills they need to conduct their business more competitively, and enhance their ability to work with large organisations.

### **2. Business development seminars – to encourage the development of Minority Business Enterprise in the wider business community.**

Each business development seminar brings business skills and knowledge to the wider business community, as well as bringing together the experience of BT and other organisations involved with MBEs nationally and internationally.

In 2002/03 we will continue to run a number of business development seminars for MBEs with the support and contribution of BT and BT's suppliers.

## *The future*

The first phase of the Supplier Diversity Programme focused on ethnic minority businesses. Phase two is now in operation and will focus on disabled business owners.

While continuing to mentor the 20 MBEs already involved in the supplier diversity programme, we are also actively supporting and coaching several business development agencies in the UK. We are providing information and advice to help them to improve the development of their own agencies, thus raising the standard of service they provide to other MBEs.

### **Better World Links:**

- [Data and Targets Section of the Better World Site](#)
- [Procurement & the Environment Section of the Better World Site](#)