

BT's Sustainability Report 2007

Business Principles



let's make a
better
world

Business Principles

We are committed to following world class standards of business integrity everywhere we operate.

Here we describe:

- Our Statement of Business Practice, [The Way We Work](#),
- Our [Undertakings to UK regulator Ofcom and the Code of Practice](#)
- Our approach to regulatory compliance through our [Regulatory Compliance report](#) which also includes our second report from the Equality of Access Board, the body that monitors, reports on and advises BT on our compliance with the Undertakings and the Code of Practice
- Our [Corporate Social Responsibility \(CSR\) governance framework](#)
- Our approach to managing our [CSR risks and opportunities](#)
- Our approach to [public policy, political donations and lobbying](#)
- [Our vision and values](#)
- [Our CSR strategy](#)

Statement of Business Practice

Our Statement of Business Practice, [The Way We Work](#), defines BT's business principles that apply worldwide to all employees, agents, contractors and others representing BT. It sets out specific aspirations and commitments that guide our relations with our customers, employees, shareholders, partners, suppliers and local communities.

This section explains how we raise employee [awareness](#) of the Statement and the way in which it is [implemented](#) across the Group, including when we acquire new companies and expand our operations globally.

You can assess our performance against the specific principles, aspirations and commitments we make in the Statement, using this [index](#).

Awareness of Statement of Business Practice

We measure awareness of our Statement of Business Practice annually. In the 2007 financial year we found that 86% of employees were aware of the statement, compared with 77% in 2006.

The Statement is translated into eight languages – Chinese (Mandarin), English, French, German, Italian, Japanese, Korean and Spanish. It is available on our intranet and is sent to all new employees. All new managers also receive a question-and-answer guide to help them brief their teams.

A briefing and copy of The Way We Work is included as part of the induction process for all new employees based outside the UK. This includes employees in our recently-acquired businesses such as Infonet in the US during financial year 2007. In his employee newsletter the CEO of BT Global Services explores a different business principle each month and explains how it applies in practice.

We reward good practice through our Business Practice Excellence award run with the UK's Institute of Business Ethics. Colleagues nominate employees who have met the highest ethical standards in their work.

Implementation of our Statement of Business Practice

It is critical that our Statement of Business Practice is implemented throughout the business. All BT's lines of business are required to comply with the Statement and each has a designated senior manager responsible for making this happen. This section explains how we implement our business principles when expanding our operations and our mechanisms for reporting cases of non-compliance.

Compliance systems

We operate a confidential telephone and email helpline which employees can use to get advice or to report suspected ethical breaches of our policies to the Head of Group Business Practice. The helpline is available 24 hours a day, seven days a week and meets the requirements of the US Sarbanes Oxley Act. During the 2007 financial year the Company Secretary wrote to all BT employees telling them about the helpline and encouraging its use.

CSR in our due diligence process

We are expanding our business globally including in countries where there is a higher-risk of unethical or corrupt practices occurring. We need to assess these risks before deciding whether to tender for new business or establish operations in new countries.

Our online tool, 'CSR Countries at Risk', gives BT employees information on the risks associated with doing business in 158 countries around the world. It enables our sales teams to assess the risk of corruption, human rights issues and other unethical practices through a red, amber or green rating system. It includes an assessment of each country's performance on human rights issues and any reported human rights abuses. Questions on human rights risks are included in our due diligence process used when BT acquires new businesses.

Performance

Our Ethics Performance Measure (EPM) helps us assess how effectively we are implementing our Statement of Business Practice. It has three components:

- [Awareness of the Statement](#)
- An annual ethics benchmarking study that compares BT with other FTSE 100 companies
- An assessment of whether BT people behave in line with the Statement. We conduct an internal annual survey asking the question "Do BT people behave in line with BT's code of ethics, The Way We Work?" This is a new component of the EPM and replaces the questions in our internal HR survey used in previous years. This new question was introduced because it has more relevance to the actual measurement of the ethics of the business than the two CARE questions previously used.

Our EPM score was 84% this year. Our target for the 2008 financial year is 86%.

We act against anyone abusing our business principles. During the 2007 financial year, 120 employees were dismissed for unethical behaviour. The following examples are illustrative:

- A BT employee was dismissed for making large numbers of calls to chatlines
- A contractor was removed from a BT contract after being found responsible for the theft of a laptop
- A contractor was dismissed and convicted of offences under the Protection of Children Act 1978
- A contractor was dismissed following misuse of one of our customer databases

Our Statement of Business Practice includes a no-bribes policy. During the 2006 financial year we measured our efforts against the [Transparency International](#) model on bribery and corruption. We used the results to help us update and simplify our online ethics training.

Telecommunications Strategic Review – Code of Practice

In the 2006 financial year, there were significant changes to the way telecommunications are regulated in the UK, following a Strategic Review of Telecommunications by the industry regulator, Ofcom.

Following this, BT volunteered legally-binding [Undertakings](#) to Ofcom, which are designed to focus regulation where it is needed and reduce it elsewhere. Ofcom accepted these Undertakings.

'It Matters', our [Code of Practice for BT people](#), sets out the rules employees must follow to comply with the Undertakings.

Importantly, this Code is part of our statement of business practice, '[The Way We Work](#)', and is therefore part of BT's corporate governance framework. The Code explains the rules in the Undertakings for:

- access to, and dissemination of, customer confidential information and commercial information
- restrictions on influencing commercial policy
- the different parts of BT Wholesale

and the disciplinary consequences of non-compliance .

The Code draws attention to BT's confidential hotline telephone number and other ways to report concerns about our compliance with the Undertakings. The Code also mentions the role of BT's Equality of Access Board and our commitment to give the Equality of Access Office reasonable access to any information it needs.

A programme of briefing and training ensures all relevant BT employees are aware of their responsibilities regarding compliance with the Undertakings.

Our mandatory regulatory compliance training for all employees covers compliance with the Undertakings and the Code of Practice.

Regulatory compliance

We produced our fourth regulatory compliance report in the 2007 financial year.

Ofcom, the telecoms industry regulator, confirmed a new regulatory settlement in September 2005. The settlement was agreed after the acceptance of legally-binding Undertakings by BT. Our [Regulatory Compliance report](#) is available as a PDF download. A distinct part of the Regulatory Compliance report is the second summary report of

the Equality of Access Board, the body which monitors, reports on and advises BT on our compliance with the Undertakings and Code of Practice. This is available as a [PDF download](#).

CSR Governance

The BT Board discusses our Corporate Social Responsibility (CSR) strategy, performance and risks at least once a year. The Board is kept informed of emerging issues and changing stakeholder expectations that may affect its duties.

Social, ethical and environmental matters are included in our directors' induction programme, to support the integration of CSR into daily management.

A dedicated CSR Team is in charge of daily activities. A number of committees provide input and oversight including our:

- Operating Committee
- CSR Steering Group
- Community Support Committee
- Environmental Policy Implementation Committee
- Task Forces to support our CSR strategy
- CSR Practitioners Forum

Our [Leadership Panel](#) composed of external experts, challenges our thinking and provides advice on our strategy.

Operating Committee

The Operating Committee is made up of BT's CEO, the CEOs of each line of business, and BT's Company Secretary. It has collective responsibility for running the BT Group business. This includes agreeing on issues not reserved for the Board, and determining group policy on CSR, ethics and business practice, employment and health and safety standards.

Community Support Committee

This Board Committee oversees social investments and establishes our strategy for maximising BT's contribution to society. The Committee is made up of representatives from BT businesses and external non-executives with a reputation for excellence in this field.

See more in the [Community section](#).

CSR Steering Group

Our Corporate Social Responsibility Steering Group (CSRSG) oversees the strategic implementation of all social and environmental programmes across BT. It reviews activities such as ethical trading, environmental management, risk management and reporting.

The CSRSG is made up of senior CSR champions nominated by BT's lines of business and seven support functions (Human Resources, Corporate Governance, Health and Safety, Group Property, Brand, Internal Audit and Procurement).

The CSRSG meets quarterly and is chaired by BT's overall CSR champion Meryl Bushell, Chief Procurement Officer.

The main responsibilities of the CSRSG are to:

- Ensure the BT CSR programme meets the needs of the business
- Champion major social and environmental initiatives and improvements
- Maintain BT's ISO14001 certification for environmental management
- Agree company policy on specific social and environmental issues
- Assess risks
- Agree key performance indicators and strategic targets.

Examples of issues considered by the Committee during the 2007 financial year are:

- BT's CSR risks
- BT's CSR strategy, including our climate change strategy
- CSR and innovation

- BT's taste and decency guidelines.

Corporate Responsibility Team

BT's Corporate Responsibility Team is made up of professional CSR experts who coordinate and maintain BT's CSR strategy and environmental management system.

The team promotes awareness of BT's social and environmental policies among employees and investigates long-term social and environmental trends that may affect BT's business. It supports BT's commercial activities, for example by providing information on the company's social and environmental credentials when BT is bidding for new work.

The team provides assistance to the CSR Steering Group, the Community Support Committee and BT's Leadership Panel.

CSR Task Forces

We are setting up Task Forces to help us implement the four strands of our CSR strategy.

Our Climate Change Task Force is well established and meets monthly. It is chaired by BT's Environment Champion and its members include environment champions from each line of business and representatives from our Climate Change, Environment, Legal and Public Policy functions.

A Sustainable Economic Growth Task Force will be established shortly.

Environmental Policy Implementation Committee

The Environmental Policy Implementation Committee meets monthly to ensure BT's environmental policy is put into practice effectively. The Committee is made up of senior operational managers from areas of the business with environmental implications, for example managing BT's energy consumption. Its main responsibilities are to:

- Meet the environmental improvement targets and objectives agreed by the CSRSG
- Maintain the register of BT's environmental impacts

Ben Verwaayen, BT's CEO, takes overall responsibility for BT's environmental performance.

CSR Practitioners Forum

Our CSR Practitioners Forum is made up of employees with responsibility for day-to-day implementation of our CSR strategy. The Forum is chaired by BT's head of Sustainable Development and Corporate Accountability.

Forum members are drawn from across our business functions to reflect the different elements of our CSR strategy. Their responsibilities include business ethics, environment, age and disability, internal audit, and digital inclusion.

Leadership Panel

The Leadership Panel is our advisory group of external CSR experts who are known for excellence in their field. The Panel currently has five members:

- Mark Goyder, Director, Centre for Tomorrow's Company, a UK think tank
- Elizabeth Laville, Director of Utopies, a Paris-based sustainability consultancy
- Jorgen Randers, Professor, the Norwegian School of Management, Oslo
- Nick Robins, Head of SRI Funds, Henderson Global Investors
- Jonathon Porritt, Chair of the Panel and Co-Founder and Programme Director of Forum for the Future, a UK sustainable development think-tank

Two people resigned from the Panel during the 2007 financial year, Kate Fish from BSR and Rob Lake from Henderson Global Investors.

The panel meets four times a year to advise us on our CSR strategy and performance, to ensure that we don't avoid difficult subjects and to bring an independent perspective to our understanding of societal issues and their implications for BT.

Issues considered by the Leadership Panel during the 2007 financial year include:

- CSR and research and development
- Responsible political lobbying
- BT's climate change strategy
- BT's approach to materiality in its social and environmental reporting.

The panel provides an [annual comment on our performance](#) which forms part of our sustainability report. In 2006 the panel carried out a review of its effectiveness, available as a [PDF download](#).

CSR Risks and Opportunities

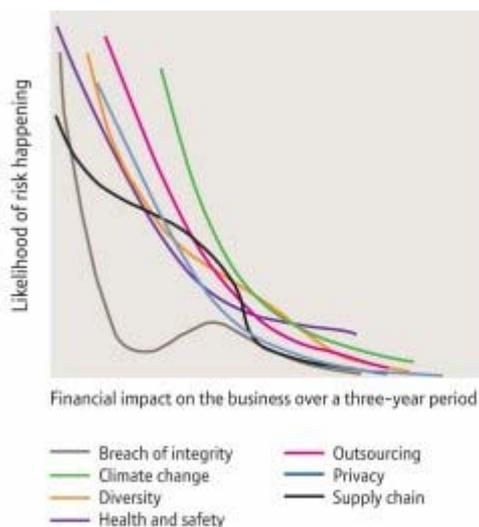
For several years we have had a formal process in place to ensure we take account of significant CSR/sustainability risks to our business. We are now establishing a formal process to make sure we identify and take advantage of the opportunities presented by CSR.

CSR risks

The Board takes regular account of significant social, environmental and ethical matters that relate to BT's business. Our CSR risk register quantifies our most significant social, ethical and environmental risks. These are disclosed below and in our annual financial report and accounts. There is a senior person responsible for each risk and all have a mitigation strategy in place. The register is updated twice a year and reviewed by the Board annually.

Of our seven key CSR risks, we have identified none that would have a material financial impact on our business. Our key CSR risks are:

- Breach of integrity
- Climate change
- Diversity
- Health and safety
- Outsourcing
- Privacy
- Supply chain working conditions



Further details on our CSR risks are available in the [Investors](#) section of our sustainability report.

CSR opportunities

CSR presents many opportunities for BT and not just as a means to strengthen our brand and reputation. New technological solutions are required to help companies, governments and individuals find more sustainable ways of communicating, working and living. We are well placed to respond to these commercial opportunities.

We are developing a CSR Opportunities Map, to build our understanding and knowledge of the different opportunities that exist around our business.

Public Policy

We meet regularly with governments and regulators to discuss issues and legislation that affect our business. Our public policy and lobbying activities are becoming more global as we grow our business outside the UK.

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

- Our lobbying standards
- Our processes to ensure consistent lobbying across the company

- Our public policy activity during the 2007 financial year
- Our membership of trade associations and CSR organisations

Lobbying standards

We do not make any political donations. This policy extends to the US and includes donations to political parties, politically-aligned individuals and trade associations involved in politics or government. We do not operate any Political Action Committees.

We give limited funds for activities focused on individual parties as defined under the Political Parties, Elections and Referendums Act. These funds are equally distributed between political parties. In the 2007 financial year this expenditure amounted to £18,000.

Keeping our lobbying consistent

It is important that we take a consistent approach in all our public policy work. Our Communications Council is made up of representatives from Group Communications, all lines of business and regulatory teams from across BT. It meets regularly to discuss public policy issues and ensure consistency across BT Group. Positions on key public policy issues are referred to the Operating Committee for sign off.

The BT Story sets out our public policy positions (subject to issues of commercial confidentiality). It is publicly available [here](#) and is updated weekly.

Public policy activity during 2007

Within the UK our top lobbying issues this year have been:

- BT's strategy of transformation – the growth of our new wave business, based on networked IT services, mobility and broadband
- BT in the global market – how BT is now delivering services to customers in more than 170 countries, with employees in over 50
- Broadband – almost 100% of homes in the UK now have access to broadband. The debate has now moved away from availability towards the type of services that can be delivered through quicker broadband speeds
- Mobility and Convergence. All forms of communication are becoming wireless. BT has innovative mobile products – Fusion (the world's first phone service to offer the flexibility of a mobile and the quality and price of a landline) and Movio (a digital radio and TV services delivered to a mobile handset). We also have 12 Wireless City networks around the UK.
- 21 century network (21 CN) – BT is investing billions in the telecommunications network in the UK to create an IP based network which will deliver services to customers faster and more efficiently
- The role of business in society, in the context of BT's social responsibility programme.

At a European level, our priorities have been:

- The European Communications Review which will set the framework for all future communications in the EU
- Open Markets and Trade. BT strongly believes in the enforcement of the single European Market and we take a strong stance against protectionism.
- Managing Trade Bodies. BT is an active member of a number of EU industry trade bodies.
- Content. Regulation of content is becoming an increasingly important issue for BT and our customers.
- Mobile and Spectrum. Mobile and spectrum regulation are key issues for the future of communications companies.

Within the US, our priorities in the last financial year have been:

- Foreign Investment Rules. The US Congress is considering legislation that would change the review process for foreign entities acquiring US companies. BT lobbies to ensure our ability to invest in the US market is not impaired.
- Competing in the US market. It is increasingly difficult for BT to compete against the US incumbent providers. BT lobbies the regulator, Congress and anti-trust bodies to ensure they understand the position of competitive carriers, like BT, in the market.
- Telecoms trade commitments. BT inputs comments into the United States Trade Representatives annual review of international telecommunications trade commitments. The report identifies countries that are not living up to their commitments.

Membership of trade associations and CSR organisations

We are members of trade associations and industry bodies around the world. In the UK, examples include the [CBI](#) and [Intellect](#). In the 2007 financial year our CEO, Ben Verwaayen has led the CBI task force on Climate Change which is due to report in Autumn 2007.

Within Europe we are members of the [European Telecommunications Network Operators](#) (ETNO); [European Competitive Telecommunications Association](#) (ECTA); [European Internet Foundation](#) (EIF) and [European American Business Council](#) (EABC).

In the US, we are members of the [United States Council for International Business](#) (USCIB); [Comptel](#); [Organisation for International Investment](#) (OFII); [VON Coalition](#) and the [European American Business Council](#) which operates in Washington and Brussels.

We are members of a number of organisations that look to influence public policy on corporate social responsibility and sustainable development. They include:

- [The World Economic Forum](#)
- [Employers Forum on Disability](#)
- [Business in the Community](#)
- [CSR Europe](#)
- [Forum for the Future](#)
- [Green Alliance](#)
- [Aldersgate Group](#)

We partner with others to exchange ideas and advance our sustainability goals. For example:

- We are signatories of the United Nations Global Compact, an international commitment to principles on bribery and corruption, human rights, labour and the environment.
- We support the Global Reporting Initiative in developing sustainability reporting guidelines.
- We contribute to multilateral dialogues for example, the Global e-Sustainability Initiative (GeSI), an ICT sector initiative promoting technology that fosters sustainable development.
- We work with the UK Centre for Economic and Environmental Development (UK CEED), an independent charitable organisation aiming to raise environmental standards through research and policy development, and participate in its SustainIT initiative.

BT's Vision and Values

Our Vision

To be dedicated to helping customers thrive in a changing world.

Our Mission

To be the leader in delivering converged networked services.

Our Values

BT's activities are underpinned by a set of values that all BT people are asked to respect:

Trustworthy: We do what we say we will

- We build open, honest and realistic relationships with customers and with each other.
- We are reliable and act with integrity.
- We do whatever it takes to deliver.

Helpful: We work as one team

- We pull together across BT to put the customer first.
- We support each other, without waiting to be asked.
- We help others succeed and celebrate their success.

Straightforward: We make things clear

- We make complex things simpler for customers and for each other.
- We get straight to the point.
- We use our common sense and judgement.

Inspiring: We create new possibilities

- We are determined and passionate about delivering the very best for our customers.
- We come to work to make a difference.
- We set high goals and always give 100 per cent of our energy.

Heart: We believe in what we do

- We create and deliver inspirational solutions for our customers.
- We have the ambition and confidence to do things in new ways.
- We are innovative, creative, and outward-looking.

We are committed to contributing positively to society and to a sustainable future. This is part of the heart of BT.

CSR Strategy

CSR touches every part of our business, from the way we interact with customers, suppliers and partners, look after our people, give back to communities and support charities such as ChildLine and UNICEF, right through to our practical concern for the environment.

We launched our new CSR strategy in the 2006 financial year which was discussed and agreed by the Board.

Our CSR strategy has four key strands:

1. Maintaining current momentum
2. Tackling [climate change](#)
3. Enabling [sustainable economic growth](#)
4. Helping [to create a more inclusive society](#)

The first strand builds on our long-standing commitment to being a responsible business. It covers our programmes for business ethics, community investment; health and safety; environmental management; waste and recycling. Further details of these parts of our CSR programme are available throughout our sustainability report.

Strands 2-4 address three pressing global issues where we believe we can make a positive difference. We have appointed senior people from within BT's business to champion each of these three strands.

Business principles - Key Performance Indicators

Indicator	Description	Measure	Target
Ethical Performance Measure	A measure of our progress in acting with integrity	74% (old measure), 84% (new measure)	To improve the new Ethics Performance Measure to 86% during the 2008 financial year.

Business principles Targets

Start Date	End Date	Description	Update	Target Status
April 2007	March 2008	BT will increase its Ethics Performance Measure to 86%		New
April 2006	March 2007	BT will maintain its Ethics Performance Measure at 72%.	During the year we replaced this measure with a new ethics measure. Therefore this target has been superseded. The result for the new measure was 84% and we have set an achievement target of 86% for the 2007/08 year.	Superseded
April 2005	March 2006	To help embed CSR into the business and ensure that corporate responsibility becomes part of our day-to-day activities, we will ensure that due consideration to CR opportunities and risks are included as a part of our business case authorisation process and our integration process for newly acquired businesses coming into Global Services (Albacom, Infonet and Radienz). Additionally, we will ensure that awareness of CR is raised through focussed communication across Global	CSR considerations have been built into the GS-wide methodology for mergers and acquisitions. A robust communications plan was agreed and delivered for 06/07 aimed at raising internal awareness of CSR through messages, bulletins and team presentations across the Global Services business. Activities to embed CSR into new business processes have been absorbed into the Sustainable Economic Growth programme and will be delivered through this BT-wide activity during 07/08.	Completed

		Services.	
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Community Support Committee - Key Performance Indicators

Indicator	Description	Measure	Target
Community contribution	A measure of our investment in society	During the 2007 financial year BT provided £21.8m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits.

Community Support Committee Targets

Start Date	End Date	Description	Update	Target Status
April 2006	March 2007	BT will provide a minimum of 1% of our 2005 financial year UK pre-tax profits to activities in support of society, either through direct funding or through support in kind.	The target was achieved with a total figure of £21.84 million representing 1.05% of pre tax profits for the 2005 financial year.	Completed

CSR risks and opportunities Targets

Start Date	End Date	Description	Update	Target Status
April 2007	March 2008	BT will construct an opportunities map of BT's CSR related opportunities.		New

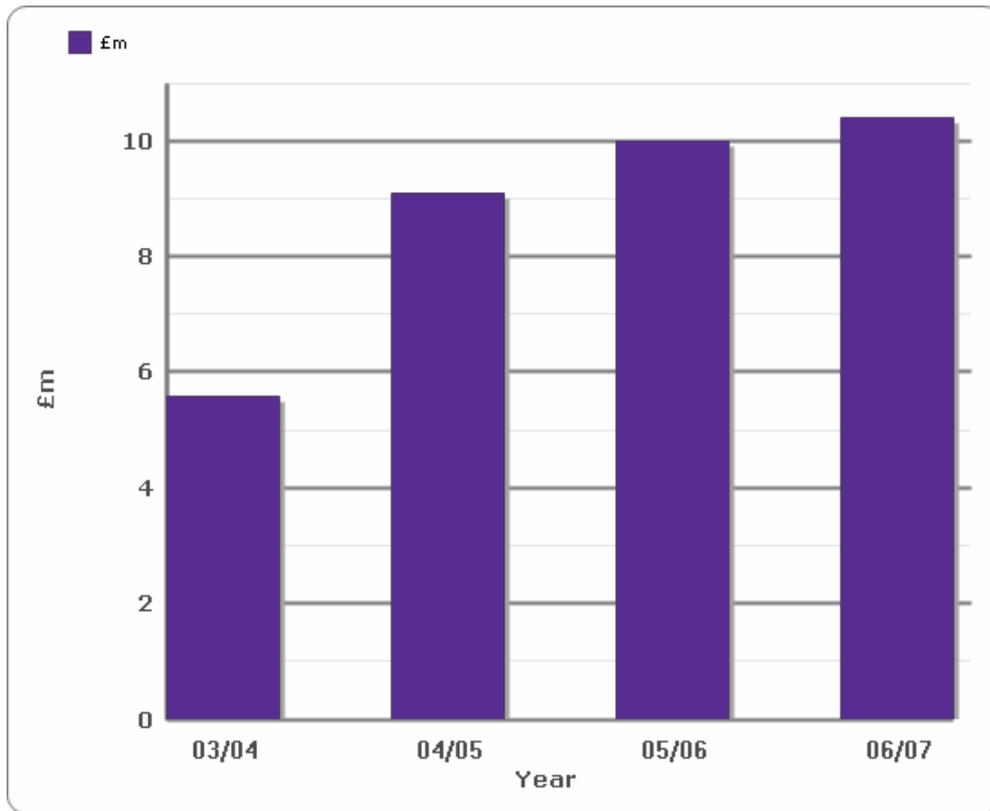
CSR Strategy - Key Performance Indicators

Indicator	Description	Measure	Target
Global Warming CO2 emissions	A measure of BT's climate change impact	2007 financial year UK CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	2016 CO2 emissions to be 80% below 1996 levels.

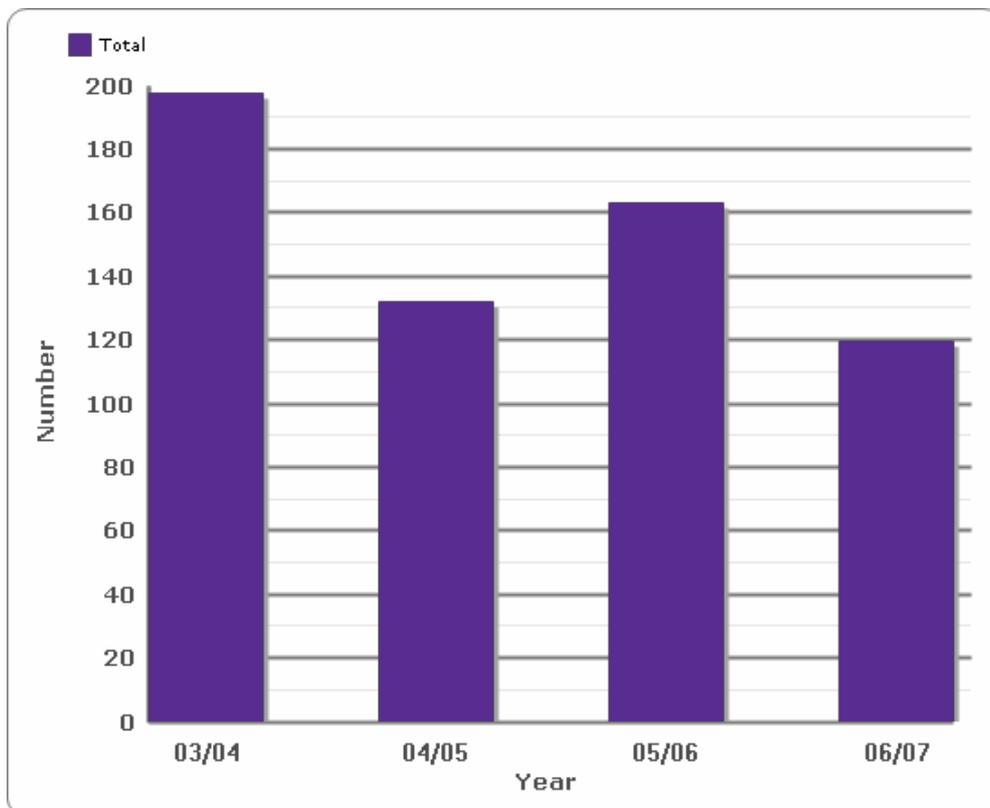
CSR Strategy Targets

Start Date	End Date	Description	Update	Target Status
April 2007	December 2016	BT will reduce its carbon dioxide emissions (measured in tonnes CO2 equivalent) to 80% below 1996 levels.		New
April 2007	March 2008	BT will investigate the development of a key performance indicator for sustainable economic growth.		New
April 2007	March 2008	BT will integrate sustainability into the product and proposition development processes within BT.		New
April 2007	March 2008	BT will construct an opportunities map of BT's CSR related opportunities.		New

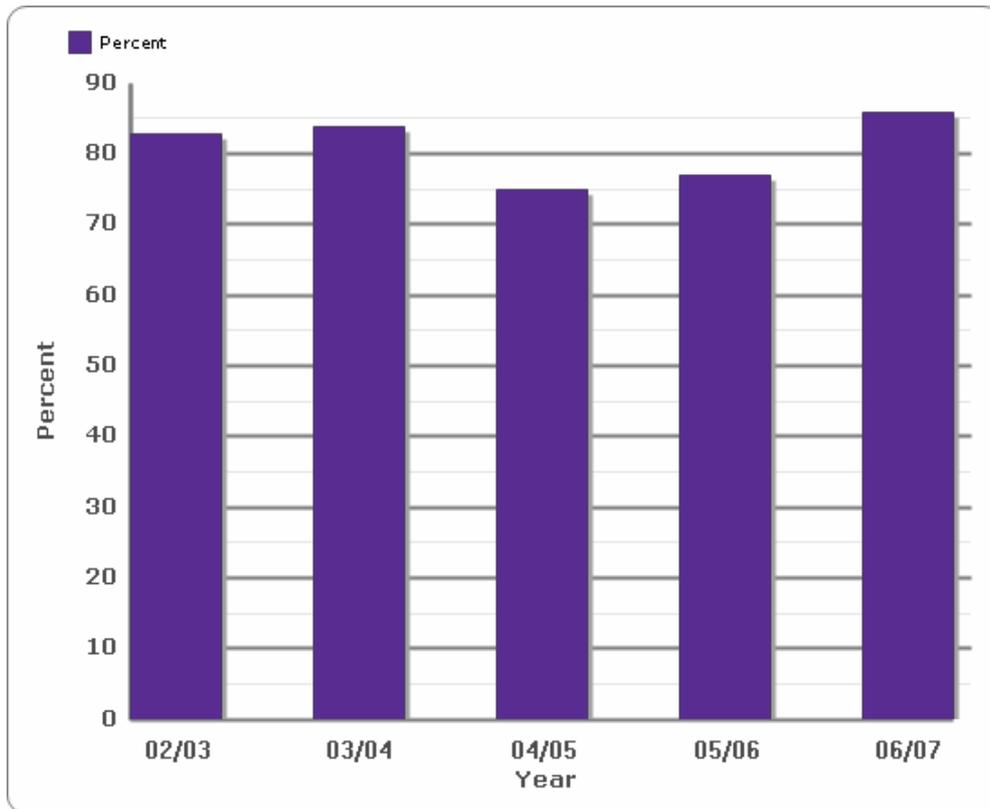
Financial contribution



Dismissals for unethical practice



Awareness of Statement of Business Practice



Ethical Performance Measure

