



Our 2011 Sustainability Review

Better Future



Suppliers

BT buys a huge variety of products and services. These range from network and IT equipment and cable, to marketing, advertising and waste disposal services, conferencing devices and corporate clothing.

In 2011, we spent £11.3 billion on products and services with over 17,000 suppliers worldwide. Many of our suppliers are large multinational companies, and we also buy from smaller and niche companies that provide bespoke products such as software. In all our dealings, we are committed to treating suppliers fairly and acting in an ethically and commercially responsible way.

We source skills, products and services from many countries, contributing to economies around the world. However, environmental and labour regulations may be poorly enforced in some countries and local standards are sometimes lower than we consider acceptable.

Our procurement corporate responsibility (CR) team works with our purchasing professionals to meet and maintain standards. We have a well-established CR risk management process which ensures the risks our supply chain poses are addressed, and so of no material significance to our business.

Our spending power means we can influence supplier behaviour. We have detailed labour and environmental standards for suppliers and train our procurement teams to ensure these standards are applied. We assess suppliers against our standards to establish the level of risk they pose, and work with them to raise awareness of our requirements and improve their performance. We will not contract with suppliers that are not prepared to work towards our standards.

Sourcing from a diverse range of suppliers brings flexibility and innovation to BT. Our procurement and diversity teams collaborate to expand opportunities for smaller and minority-owned suppliers.

Supply chain governance

Our Chief Procurement Officer, Hari Sundaresan, has overall responsibility for our CR supply chain programmes and reports to a member of the BT Board. Our procurement CR strategy and policy manager oversees programme implementation and provides advice and direction on CR issues.

Our buyers are responsible for implementing our programmes, supported by our procurement CR managers and responsible individuals within each procurement area. We have procurement teams located across the world.

Supplier relationships

We aim to operate a fair procurement process and administer our tendering and contracting procedures in good faith. Supplier satisfaction is one of our CR key performance indicators (see below).

[Our Purchasing Principles](#) provide a framework to ensure we act in an ethically and commercially responsible way towards suppliers. These Principles are an integral part of our procurement process.

Only authorised procurement employees who are trained to apply our Purchasing Principles can form a contract with a supplier.

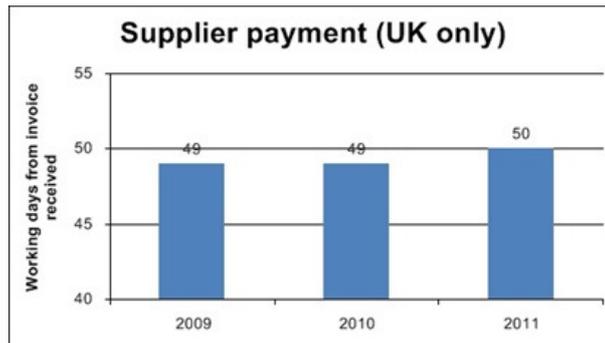
Supplier development

We work with suppliers to develop their knowledge and expertise. We assess them in a number of ways, from basic desktop evaluations to detailed capability assessments.

Supplier payment

Our policy is to pay promptly and as agreed. Our minimum standard payment terms for contracted suppliers are to pay each due, valid and undisputed invoice within 60 days of receipt. This may vary, for example when orders are of low value or due to requirements from customers, or geographic considerations.

In 2011, the average number of days between the invoice date and the date of the payment run for the invoice was 50, compared to 49 days in 2010.



In the UK, BT provides access to a supplier financing scheme which offers contracted suppliers the opportunity to get paid in advance of the agreed terms. Since April 2010, we have subscribed to the Better Payment Practice Code, an initiative that promotes a responsible payment culture in the UK and encourages companies to pay on time. Read more at www.payontime.co.uk.

Supplier satisfaction

In 2011, we asked 1311 suppliers to complete a questionnaire to help us to understand the success of our relationships – one of our key performance indicators. Of the suppliers who responded, 86% said they had an excellent or good relationship with BT. This compares with 86% in 2010, and 85% in 2009. 45% of suppliers said their relationship with BT was improving and 49% described the trend as static. We plan to conduct our next supplier survey in the last quarter of 2012.

Targets

Start	End	Description	Update	Target Status
April 2011	March 2012	BT will survey its suppliers to determine the percentage that agree with the statement 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'.		New
April 2010	March 2011	To achieve a rating of over 80% or more based on the question 'How would you describe the quality of your company's relationship with BT?'	We achieved a rating of 86%	Completed
April 2010	March 2011	By March 2011, BT will survey its suppliers to determine the percentage that agree with the statement 'BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner'.	From the responses from the 2011 annual suppliers survey 86% of suppliers agreed with this statement.	Completed

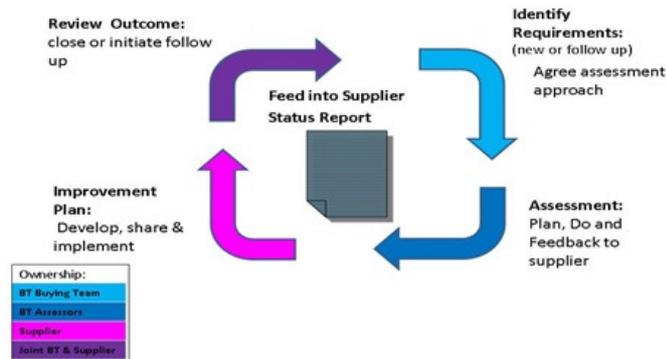
Onsite supplier assessments

We carry out detailed follow ups and engage with suppliers identified as high or medium risk through our corporate responsibility (CR) self-assessment questionnaires. We also have an ongoing programme of site assessments for a number of high-risk suppliers.

These assessments help us to work with suppliers to identify areas for improvement and resolve issues identified. The most effective way to create lasting improvement is to help suppliers build the knowledge and skills to manage risks in their own operations and supply chains. Assessments also raise awareness of our standards and emphasise the importance of CR to BT.

Onsite assessments may also include an assessment of a subcontractor alongside a company that supplies us directly. This joint approach helps our direct supplier to understand our requirements and increases our influence with the subcontractor.

Simple BT Supplier Assessment Process



Site assessments check compliance with our [Sourcing with Human Dignity](#) standard and our [environmental](#) standards. A typical assessment includes:

- A review of documentation such as payslips, accident reports and personnel records
- An assessment of the premises, including canteen and accommodation, as well as the office and production facilities
- Interviews with managers
- Worker interviews
- Consideration of environmental and safety factors including safe storage and handling of hazardous materials and preventative measures to protect the environment.

We discuss assessment findings with suppliers and agree appropriate improvement plans. We monitor progress against these plans through follow up reports, review meetings, or return visits.

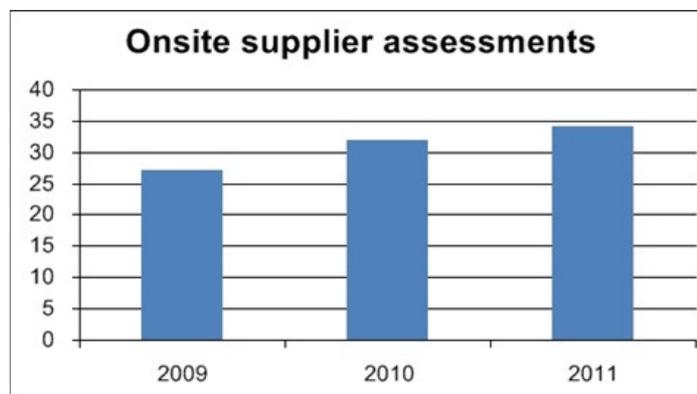
Our assessments in 2011

In the financial year 2011(2011), we completed 34 site assessments, compared with 32 in 2010 and 27 in 2009. The majority of assessments were in China, as well as in Vietnam, Turkey, Sri Lanka, the UK, Ukraine and Spain. We employ our own assessor based in Shanghai, which has enabled us to focus on the large number of suppliers we have in China.

The suppliers assessed included:

- 21 existing or potential tier one suppliers
- 8 existing tier two suppliers
- 6 joint assessments (tier two suppliers jointly assessed with tier one)

The most common significant issues found during site assessments related to health and safety, working hours and employee welfare. In 2011, we did not stop using any suppliers due to their CR standards.



In 2011, our approach was recognised as leading. In May, we won the CSR Award at the Procurement Leaders Awards 2010, a global award recognising best practice in purchasing, while in November we won the annual ProcureCon Sustainability and Green Sourcing Award. The ProcureCon Awards recognise and promote best practice and leadership in procurement in .

Targets

Start	End	Description	Update	Target Status
April 2010	March 2011	To achieve 100% follow up within 3 months for all suppliers identified as high or medium risk through our ethical standard questionnaires.	We completed 70 risk assessments with 100% follow up.	Completed

Our standards

BT has detailed labour and environmental standards for suppliers. This section summarises these standards in three areas: environment, human rights and supplier diversity.

Environment and climate change

We are one of the largest purchasers in the UK, so our environmental impact extends well beyond our own people and workplaces. We seek to influence the environmental performance of our suppliers and contractors through our purchasing policy, by:

- Assessing suppliers' environmental policies and procedures. All major suppliers must complete our [environmental impact online questionnaire](#) (GS13) and agree to take action to improve their performance if required.
- Managing the environmental impacts of electrical and electronic equipment (EEE). We do not manufacture anything and use a network of suppliers to manufacture BT-branded products and to source equipment for our networks. Our pre-contract [product stewardship online questionnaire](#) (GS19) is mandatory for all potential electronic and electrical equipment suppliers. This includes questions to aid compliance with [environmental legislation](#).
- Managing waste contractors. All these contractors must provide a statement on their waste disposal procedures. A selected number of contractors are audited.

We have established procurement principles that support BT's climate change strategy. These state that:

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

As part of our commitment to reducing carbon emissions throughout our operations and supply chain, in January 2011 we introduced a Climate Change procurement standard that will apply to all suppliers. This standard encourages suppliers to use energy efficiently and reduce carbon during the production, delivery, use and disposal of products and services supplied to us.

View the new standard [here](#), or download as a [pdf](#).

Read more about our work with [suppliers on climate change](#).

Human rights

We expect suppliers to provide working conditions which meet the standards of the [Universal Declaration of Human Rights](#) and the [International Labour Organization](#) Conventions.

Our Sourcing with Human Dignity standard specifies the minimum standards we expect of our suppliers in relation to:

- Child labour
- Cruel, harsh and inhuman treatment
- Forced labour

- Discrimination
- Freedom of association and collective bargaining
- Health and safety
- Wages
- Working hours
- Regular employment entitlements.

Find out more on [Sourcing with Human Dignity](#).

Supplier diversity

The following questions on supplier diversity are included in our labour standards questionnaire, GS18:

- How many employees are there in your company?
- How is your company owned?
- Do you consider yourself to be a Minority Business Enterprise (MBE)?
- Where is your company headquartered?
- Do you monitor the diversity of your workforce relating to ethnicity?
- Do you monitor the diversity of your workforce relating to disability?
- Do you monitor the diversity of your workforce relating to gender?
- Do you monitor the diversity of your workforce relating to age?
- Do you monitor the diversity of your workforce relating to sexual orientation?
- Do you monitor the diversity of your workforce relating to belief?
- Do you monitor the diversity of your supply chain?

Targets

Start	End	Description	Update	Target Status
April 2011	March 2012	We will achieve 100% follow up within 3 months for all suppliers identified as high or medium risk through our ethical standard questionnaires.		New
April 2011	March 2012	100% of replacement products sourced in the year will have improved energy efficiency and/ or reduced environmental impact.		New
April 2011	March 2012	85% of competitive contracts in the year will include energy use/ environmental impacts as part of adjudication criteria.		New
April 2010	March 2011	To achieve 100% follow up within 3 months for all suppliers identified as high or medium risk through our ethical standard questionnaires.	We completed 70 risk assessments with 100% follow up.	Completed
April 2010	March 2011	By March 2011, 80% of replacement products with improved energy efficiency and/or reduced environmental impact.	100% of 'product replacement contracts' awarded demonstrated an improvement in energy efficiency and/ or reduced environmental impact, exceeding our 80% target.	Completed
April 2010	March 2011	By March 2011, 80% of competitive contracts with energy/environment as part of adjudication criteria.	80% of contracts placed as a result of competitive tenders considered energy consumption and/or environmental impact to award business	Completed

Supplier diversity

We believe that doing business with diverse suppliers enables us to reach more customers and helps us create innovative new products and services. Our procurement team works closely with our diversity team to expand opportunities for minority businesses and to increase the diversity of our supply chain.

Using our supplier survey we identified that we spent £18 million with diverse suppliers in the 2010 financial year.

There is growing interest in supplier diversity in the UK and we frequently receive enquiries on our approach from potential public sector and corporate customers.

Assessing the diversity of our supply chain

We use a questionnaire to help us understand the diversity of our global supply chain and identify ways to help more small and minority owned businesses work with BT.

In 2011, 250 contracted suppliers completed the survey (out of 1311 that we contacted). 8% of respondents identified themselves as a minority business enterprise (MBE). An MBE is a company which is at least 51% owned, controlled or operated by people who are members of an ethnic minority group, women, lesbian, gay, bisexual or trans-gender, or are disabled or supporting disabled people into work.

Working in partnership

We are working with others to improve our understanding of supplier diversity and to find ways to increase the diversity of our supply base. For example:

- We are founder members and on the board of Minority Supplier Development UK (MSDUK), an organisation that provides a link between UK businesses and diverse suppliers. The organisation hosts a website which lists diverse suppliers

Other activities

During 2011 we have:

- Maintained our supplier diversity policy and implementation plan agreed by the chief procurement officer and people and policy director.
Worked with a senior manager as a supplier diversity champion.
- Spoke at the MSDUK Conference in October 2010
- Developed a working group to focus on how we can increase the diversity of suppliers that we use for products and services we will supply to the London 2012 Olympic and Paralympic Games
- Developed a Toolkit for buyers on engagement on supplier diversity in their procurement activities.

Diversity award

BT was assessed for the [Diversity Works for London](#) Standard and was awarded Gold status.

Training and awareness

Employee training

We provide a variety of training using a number of channels to help our procurement teams understand our CR standards:

- Courses on specific topics including product stewardship, climate change and supplier diversity. These are conducted via web-meeting to reduce the need to travel
- One-to-one training sessions
- Induction training and information for new employees.

Buyers and CR managers jointly engage and discuss with suppliers to follow up on the results of their CR questionnaire scores and risk assessments. This helps to increase the buyers' knowledge and awareness of CR standards.

We employ our own assessor based in Shanghai. We have provided training and coaching, both remotely from the UK and face-to-face in China.

Supplier training

In 2011, our assessor in China participated in 6 training and awareness programmes for suppliers, and presented about CR at a conference organised by a key supplier.

We held five workshops and one webinar for suppliers on [climate change](#).

Working with others

We recognise that we cannot tackle the environmental and social issues in our supply chain alone, and work with a broad range of stakeholders to help develop our practices. We are active in the following organisations:

The Global e-Sustainability Initiative

We are a founding member of the [Global e-Sustainability Initiative](#) and we participate in its Supply Chain Working Group. The Group is developing common supply chain standards and assessment processes.

Minority Supplier Development UK

We are a founding member and are on the board of [Minority Supplier Development UK](#), an organisation that provides a link between UK businesses and diverse suppliers. The organisation hosts a website which lists diverse suppliers.

The Carbon Trust

In 2011, we continued working with [The Carbon Trust](#) to develop a best practice approach to engaging with suppliers on climate change. We partnered with the Carbon Trust to deliver five one-day workshops and a webinar on climate change. Over 80 suppliers participated and they are now working on action plans to address energy and carbon in their businesses.

Non-Governmental Organisations

In 2011, we were approached by a group of Non-Governmental Organisations based in China, which were concerned that companies sourcing in China should be aware of, and addressing, sustainability issues in their supply chains. We have maintained contact with the group and begun using its supplier/environment watch [website](#) as part of our assessment approach.

Supplier risk assessment

We source from thousands of suppliers worldwide. It is not possible to engage in detail with all of these companies, so we adopt a risk-based approach to focus our efforts. A supplier may present a higher risk to BT because of its location or the product or service it provides. In some countries, labour and environmental regulations may be poorly enforced and suppliers may operate to standards below acceptable norms.

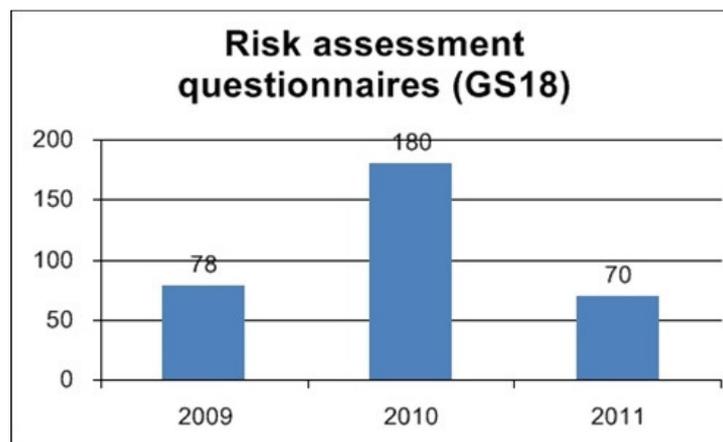
We require all new suppliers to complete our environmental ([GS13](#)) and labour standards ([GS18](#)) self-assessment questionnaires via our [procurement website](#). This helps us to establish whether there is a high, medium or low risk that a particular supplier will not meet our standards. These questionnaires also ask for information on companies' own suppliers, to help us identify risks further down our supply chain.

We follow up with medium and high-risk suppliers within three months. This can range from a simple discussion to clarify their questionnaire responses, to a full onsite assessment. The number of suppliers completing labour standards questionnaires and the percentage we follow up within three months is one of our key performance indicators.

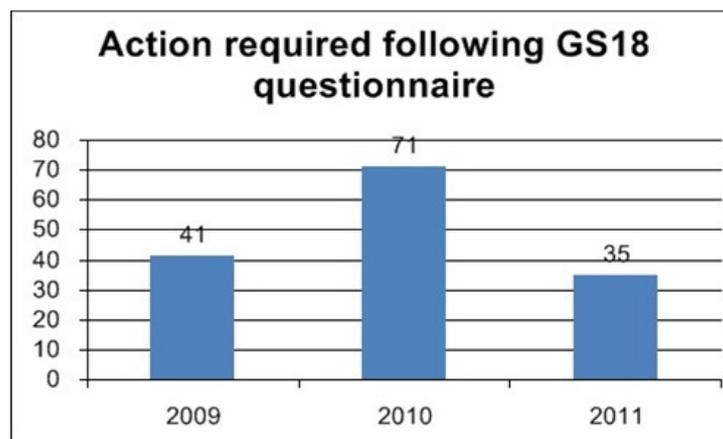
All suppliers of electrical and electronic equipment must also fill in our [GS19](#) questionnaire. This gives us vital information about the environmental impacts of products and helps us select environmentally preferable products and suppliers during the tender process.

Activity in 2011

In the financial year 2011 (2011), 70 suppliers completed our self-assessment questionnaires. We are currently working with 270 suppliers on environmental standards, and 266 suppliers on labour standards. In 2011 182 suppliers filled in our [climate change questionnaire](#).



We met our target to follow up with 100% of suppliers identified as high or medium risk through our ethical standard questionnaires within three months. We also met our target to follow up within three months with 100% of suppliers that needed to improve their scores on our environmental questionnaires.



We use the results of these questionnaires to focus further engagement, including [onsite assessments](#).

Targets

Start	End	Description	Update	Target Status

April 2011	March 2012	We will achieve 100% follow up within 3 months for all suppliers identified as high or medium risk through our ethical standard questionnaires.		New
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Suppliers and climate change

BT does not manufacture anything, but we do source equipment and services from a network of suppliers. It is vital to work with our supply chain to encourage them to reduce emissions and create innovative products that use less energy and have a reduced lifecycle carbon footprint.

The BT Procurement Principles on Climate Change state that:

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

Performance

We set two targets in April 2010 to embed these principles in our procurement activities:

- By March 2011, 80% of contracts placed will have used energy consumption and/ or environmental impact considerations in the process to award business
- By March 2011, 80% of BT 'product replacement contracts' awarded will demonstrate an improvement in energy efficiency and/ or reduced environmental impact.

To measure progress against these targets, we have developed a process to assess suppliers' climate change efforts during tenders and replacement contracts, and tools which buyers can use to measure the environmental impact and energy consumption of products.

In 2011, 80% of contracts placed as a result of competitive tenders considered energy consumption and/ or environmental impact to award business, meeting our 80% target.

100% of 'product replacement contracts' awarded demonstrated an improvement in energy efficiency and/ or reduced environmental impact, exceeding our 80% target.

We held a series of online training sessions for buyers in China, India, the UK and mainland Europe to ensure we made progress toward these targets.

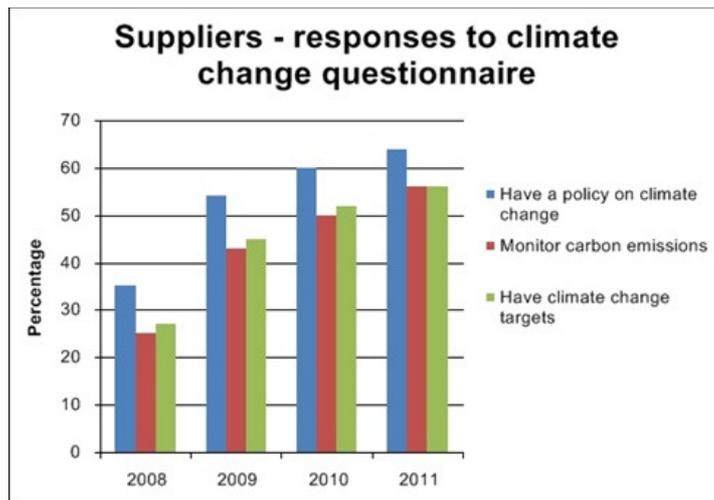
Supplier action on climate change

In 2011, we assessed the extent of the action suppliers are taking to address climate change using our supplier survey, and during a supplier engagement project conducted with the Carbon Trust.

BT supplier survey

In 2011, of the suppliers who responded to our survey assessing action taken to address climate change:

- 64% said they had a policy on climate change, compared with 60% in 2010, 54% in 2009 and 35% in 2008
- 56% monitor their CO₂ emissions, compared with 50% in 2010, 43% in 2009 and 25% in 2008
- 56% have climate change targets in place, compared with 52% in 2010, 45% in 2009 and 27% in 2008
- 30% measure their total water use, and 15% have targets or a water management plan.



Working with the Carbon Trust

We worked with [the Carbon Trust](#), a not-for-profit organisation with the mission to accelerate the move to a low-carbon economy, to engage with BT suppliers on their carbon reduction measures and generate action in our supply chain.

This experience has given us a good understanding of the steps suppliers can take to reduce emissions, particularly those companies who have only recently engaged in this area. In 2011, we launched an engagement programme to share the findings with suppliers, and encourage them to take action on climate change in their businesses and their own supply chains. See the case study for more details.

Targets

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Case Study

Working with the Carbon Trust to cut carbon emissions in our supply chain

BT has been partnering with the Carbon Trust on a programme to inspire suppliers to take action against climate change.

Our purchasing power gives us the ability to influence our suppliers. Alongside our well-established environmental and human rights standards for suppliers, we have introduced a climate change standard that sets minimum requirements for companies wishing to win a contract with BT.

However, our regular supplier survey shows that, while many suppliers have made progress to address climate change over the last three years, almost half still do not measure emissions or set reduction targets. In 2010, we began to work directly with

suppliers to help them reduce their energy use and carbon dioxide emissions, increasing their ability to win further business with us.

We chose to partner with the Carbon Trust to do this as effectively as possible. The Carbon Trust works with companies to reduce the carbon dioxide emissions associated with their activities, including those in the supply chain. It provides advice, certification, workshops, and financial assistance for small companies, and has worked extensively in the Information and Communications Technology sector.

With the Carbon Trust, we held a webinar and five free, one-day workshops at our London head office for smaller suppliers based in the UK. The workshops aimed to improve suppliers' understanding of climate change and the business benefits of energy efficiency and carbon reductions. Participants discussed how BT is achieving its own carbon reduction targets, as well as practical action suppliers can take to be more energy efficient, such as adjusting their lighting, air conditioning and heating.

Each supplier was asked to produce an action plan within two weeks of attending a workshop, and we contacted them six to eight weeks later to check their progress. We contacted the suppliers again at the end of March 2011, and will do so again at the end of March 2012. We had engagement with 80 suppliers and 57% have committed to action, they have demonstrable action plans and are seeing results. We hope these companies will not only make significant reductions in their own companies, but also encourage their own suppliers to take action to address climate change.

Feedback from people attending the workshop has been very positive. Said one participant:

"The presentations converted me to the necessity of environmental policy, whereas I had previously been sceptical."

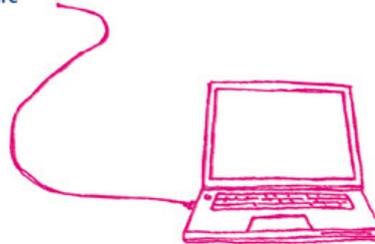
Thank you

for reading what we have to say – now we want to listen to you. Email us at yourviews@bt.com and tell us what you think of this review and sustainability at BT.

If you'd like more details about our corporate responsibility and sustainability activities and performance please visit our website where you can:

- Search our full sustainability report
- Download our free educational resources
- Check out our latest information
- Join in on our blogs

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