

Better Future report 2012



Our Better Future report covers progress against our goal to be a responsible and sustainable business leader.

Online Better Future report
www.bt.com/betterfuture

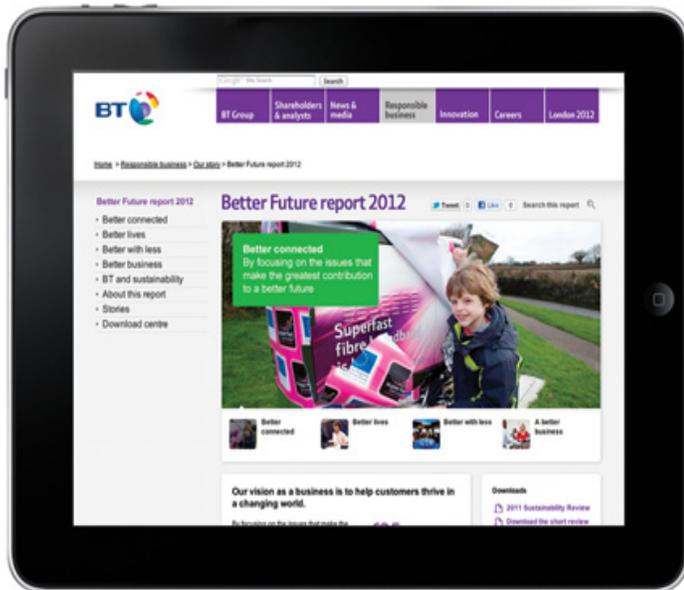


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BT and sustainability

We make many positive contributions to society, the economy and the environment through our products and services, employment practices, community involvement, and responsible resource use.

BT has worked hard to be a responsible and sustainable business for years. We can demonstrate this in many ways, including our consistently high ranking in the Dow Jones Sustainability Indexes for our sector.

Our business strategy

Our strategy, described in our [Annual Report](#), is composed of six key areas of focus. Five areas relate specifically to our products and services, while a sixth specifically outlines our ambition to be a responsible and sustainable business leader. This recognises the role that long term sustainability thinking has to play in creating business value and underlines our belief that this is essential for BT to achieve long-term profitable growth.

Our Better Future strategy

Our Better Future (CR) strategy sets out how we will become a responsible and sustainable business leader. This is continually evolving, as our operating environment and the opinions of our stakeholders will always change and we need to respond.

In 2012, we have carried out an internal review of our approach. The result is a simple framework consisting of three focus areas:

The first focuses on the creation of a **Better Connected** society. We want everybody to enjoy the benefits of a more connected society, no matter who they are or where they live

The second focuses on doing **Better with Less**. We believe that BT can be a force for net good by providing services which help us to live within the environmental constraints of our planet.

And the third focuses on creating **Better Lives**. We believe our technology and people can be powerful enablers which help support people all over the world to improve their lives.

Underpinning these areas is our commitment to **Better Business Practices**. These 'foundation' areas include the issues that we believe all businesses that consider themselves to be responsible and sustainable need to consider and manage. These include ethics and compliance, creating a great place to work and supplier engagement.

Other developments in 2012

As well as developing this new framework for responsible and sustainable business at BT, we also ran a two-day hothouse in February 2012. These sessions were led by our new Chief Sustainability Officer, Niall Dunne, and were used to define how our new strategy might work in each of our lines of business. Outputs from these sessions are currently being explored by management teams in each line of business.

Our values

We aim to deliver our strategy in line with our publicly stated values. These give us a common language and understanding of what good looks like, and will support the delivery of our business and CR strategies.

- **Trustworthy:** we do what we say we will
- **Helpful:** we go out of our way to make a difference
- **Inspiring:** we do things that excite and amaze
- **Straightforward:** we make things simple and clear
- **Heart:** we give it everything we've got

Related content:

[Our vision is to be dedicated to helping customers thrive in a changing world.](#)

A message from our Chairman and Chief Executive

A year ago, being a 'responsible and sustainable business leader' joined our list of strategic priorities. What have we done since? What's still to do?

You'll find the answers here, in our second annual Better future report. You'll also discover some of the ways we're busily creating a better future through our people, products and services. And there are stories of how we're helping people be better connected; growing while cutting our carbon footprint; contributing to better lives in our communities; and developing better ways of running our business.

Helping people be better connected

Fibre is our future. We think our £2.5b investment in it is money well spent. Fibre broadband for the whole of the UK means people and businesses can share and work together much more easily.

There is evidence of strong demand for fibre broadband wherever we make it available. We've been laying the fibre faster than pretty much anyone else in the world. Which means businesses can make video calls, use conferencing and work at home - working smarter, and cutting CO2 emissions. And as fibre arrives in new neighbourhoods, more will do the same.

To get fibre broadband to people at the fastest possible pace, we've had to commit investment and develop and deploy new technologies. We've also recruited hundreds of former Armed Forces personnel to join a mobile team of engineers to help speed up the roll-out.

We're co-investing with central and local government and the EU to reach areas that would

otherwise not be economic. Putting that money to work will mean that in roughly five years' time, 90 per cent of UK properties should be able to get fibre broadband. Go to Cornwall, the Scilly Isles or Northern Ireland and you'll see that private-public cooperation is working really well.

Getting fibre broadband to the other 10 per cent is even more tricky. We're busy working out how we can use our technology in new ways to get faster there as well. So people and businesses across the UK can share in a more connected future.

Cutting our carbon footprint

We're now growing our business but using less energy to do it. Last year, we used 3.3 per cent less energy than in 2011 (our target was two per cent) and that saved us £21.9m. How did we do it? We installed smarter meters in 1,900 of our sites. And our 1,500 energy champions campaigned tirelessly in their own communities for people to get smarter about the way they use energy.

Since 1997, our carbon emissions intensity has dropped by 60 per cent. Back then, we promised 80 per cent by 2020. We still do. But it's getting harder to push ahead with the wind and solar power plans which will help us hit that number, because we need more clarity from policy makers. We are in dialogue with government, seeking changes to things such as the way that companies report on their carbon emissions.

Better lives in our communities

We help the neighbourhoods we work in, too. Every day, there's a new story about our people raising money for a charity somewhere in the world. On top of that, we still support UK charities like Children in Need and Sport Relief. We helped the latter raise more than £50m this year – through our technology, through 700 BT people taking donations over the phone on telethon night and through sponsoring three Sport Relief challenges.

All over the world, more than one-in-ten of us volunteered to help build better local communities last year. That's over 50,000 days with a value of roughly £15.9m.

But it's not just our people improving the communities we work in. Our MyDonate platform is the UK's only donation website with no service or commission charge. It only launched last year, but already more than 3,000 charities are benefitting.

We're also still pushing for better lives for the people across our global supply chain, through fighting for better labour and environmental standards from suppliers, and progress against our UN Global Compact commitment.

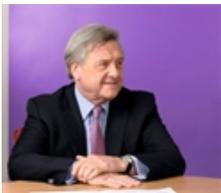
Better ways of running our business

We want to be a healthy, inclusive and nourishing place to work. That's why we never stop investing in our next generation – from apprentice engineers to future leaders. And through our Work Inspiration programme, more than 4,000 young people got to experience BT, and the world of work, for the first time. We hope a few will one day be BT people themselves.

What happens next?

Society is still facing some monumental challenges. To help meet them, we'll be unveiling some long-term goals after the London 2012 Olympic and Paralympic Games, of which we are proud sponsors. These new goals will be bold, hopefully inspiring and certainly measurable. They'll bind the best of what we do to some of the greatest social and environmental challenges of our time.

We need to think big – which means ensuring we take our customers, partners and suppliers with us. However difficult that may be, it will be the only way to succeed for shareholders, keep our customers happy and motivate our people while sustaining the societies we all rely on.



Sir Michael Rake

Chairman

14 May 2012
every day, we create benefits for the company, its people, customers, society and the environment.



Ian Livingston

Chief Executive Officer

14 May 2012

Governance

We have a structure in place to ensure there is clear accountability for achieving our Better Future strategy. This helps us to ensure that, from the boardroom to the people that deliver for customers

Executive responsibility

Our Board committee

Our Committee for Sustainable and Responsible Business (CSRB) is chaired by Sir Michael Rake (our chairman) and sets the corporate responsible and sustainable business strategy for BT group globally (including wholly owned subsidiaries) for approval by the Board. It includes two non-executive directors: Phil Hodgkinson, Jasmine Whitbread and three independent members: Baroness Margaret Jay, Lord Michael Hastings, Dame Ellen MacArthur, as well as key executives. Clay Brendish retired from the Committee on 31 August 2011. Jonathon Porritt, chairman of our external Leadership Advisory Panel, attends on an annual basis.

The Committee met 4 times in the 2012 financial year and reviewed items such as;

- Our Better Future strategy
- Key CR performance indicators
- Key CR programmes
- CR governance

The committee has close links with BT's Leadership Advisory Panel (the Panel); Jonathan Porritt

(chair of the Panel) attended the December 2011 meeting of the Committee. Gavin Patterson, CEO BT Retail, provides a permanent link between the committee and Leadership Advisory Panel.

Our Chief Sustainability Officer

In June 2011, we appointed a new Chief Sustainability Officer, [Niall Dunne](#). Niall is tasked with delivering against our strategic priority to be a responsible and sustainable business leader. Niall has been named a Young Global Leader for 2012 by the World Economic Forum

Before joining BT, Niall spent a decade leading sustainability practices in Saatchi & Saatchi and Accenture. He has also chaired the Sustainable Consumption Project Board for the World Economic Forum (2009) and the Board for the Green Awards (2010), and was recently a judge for The Guardian's Sustainable Business Awards.

Our external Leadership Advisory Panel

BT's Leadership Advisory Panel is a group of external experts renowned for excellence in their field. The Panel members in 2012 were:

- Jonathon Porritt, Chair of the Panel and Director of Forum for the Future, a UK sustainable development think tank
- Mark Goyder, Founding Director, Centre for Tomorrow's Company, a business think tank
- Elisabeth Laville, Founder-Director of Utopies, a Paris-based sustainability consultancy
- Jørgen Randers, Professor of climate strategy at the Norwegian Business School.
- Nick Robins, Head of Climate Change Centre of Excellence at HSBC in London.

The panel has encouraged innovation and leadership on CR and sustainability in BT. It met four times in 2012 and has provided valuable independent guidance and expert advice on the development of our Better Future strategy and governance. As part of this governance review the Panel stood down in May 2012. Their annual statement can be found [here](#).

Stakeholder engagement

Across the year we engage with our stakeholders to understand their expectations of BT as a responsible and sustainable business, and how we are performing against these expectations in their eyes.

This understanding gives us valuable insight to help us shape our future strategy, approach and activities and it also helps us better communicate what we do, in ways that are most relevant for our stakeholders.

Some feedback comes through surveys whilst other feedback comes through two-way dialogue with stakeholders. We also gather insight from ad-hoc dialogue, including online discussion forums, telephone calls, one-off meetings, focus groups or through social media such as blogs.

We engage with stakeholders regularly and through various channels. Many of the views on particular activities or programmes are included in the other sections of this report. Key insights

from our wider stakeholder research and engagement are detailed below.

Global stakeholders

Global research into CR trends shows that, in the last decade, there has been a widening gap between the general public's expectations of companies' CR activities and perceptions of their performance, although this has narrowed for the first time in many years during 2012.

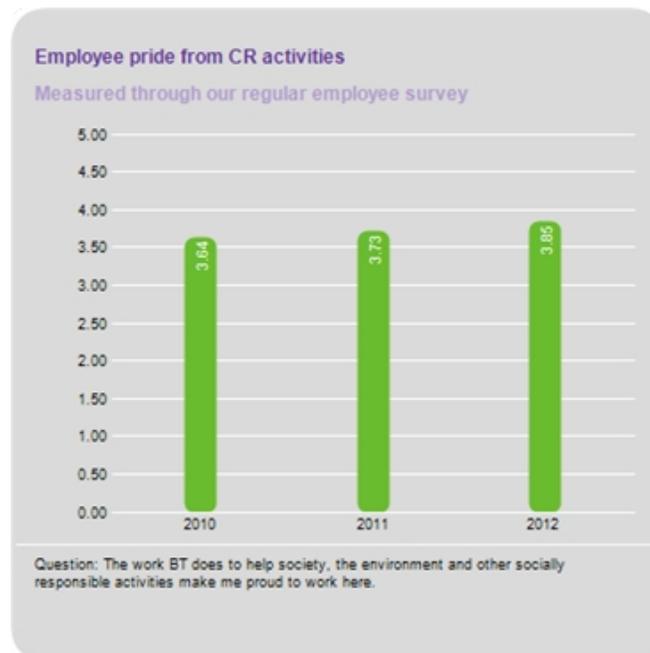
Expectations, at a global level, are no longer rising—perhaps in response to tougher economic circumstances—while there has been a rise in perceived CR performance across a number of sectors.

People across the world continue to expect companies to maintain performance on their core responsibilities—especially around product safety, environmental integrity, responsible supply chains, and employee treatment. Public expectations around employee treatment and applying high standards globally have intensified over the past two years.

In terms of the specific expectations of companies in the UK, product health and safety is the most crucial, with employee welfare, environmental impact, consistent application of high standards, and responsible supply chain management also scoring highly.

Employees

We regularly ask employees through surveys and focus groups for their views. 86% of our employees think BT takes its responsibility to society, community and the environment seriously - up from 85% last year and 69% (index score of 3.85 out of 5.0) of employees say they are proud of BT's activities for society and the environment – up from 64% (index score of 3.73) last year.



Our people consider the most important things for BT to focus on (with equal weighting) are

- Offering apprenticeships to young people
- Reducing BT's environmental impact and
- Creating more sustainable products.

This is closely followed by reducing energy use, helping recycle BT products no longer in use, providing support for telethons and encouraging employees to volunteer for charity.

Our employees have also suggested how we can improve further, with the most recommendations relating to

- Reducing travel and enabling more homeworking
- Promoting and communicating our corporate responsibility activities more widely and
- Encouraging managers to offer more support to take part in volunteering activities during work time.

We also have on-going dialogue with trade unions, our People networks as well as networks of employees who are engaged with elements of our Corporate Responsibility programme. The BT Your Views discussion forum is a moderated online area for employees, which regularly covers corporate responsibility and sustainability topics.

Opinion leaders

In addition to our regular dialogue with journalists, analysts, politicians and charities, our independent research company MM Eye held telephone interviews with 277 key opinion leaders around the globe, to understand their views of BT. We were pleased to hear that 74.7% said we take our responsibility to society, community and the environment very seriously - up from 67.8% in 2011.

Sustainability Experts

We also review GlobeScan's Sustainability Survey which monitors spontaneous mentions of sustainability leaders among 559 sustainability experts across 66 countries. BT is mentioned by 3% of respondents in Europe which has remained constant to findings in previous years (this was the 11th highest rating in Europe).

Sustainability experts, when given reasons for sustainability leadership among companies, cited "commitment to sustainability values" (integrated long-term commitments and taking action on sustainability promises). This indicates that, in order to be considered a leader in this area (especially by those who work in the field), it is vital for companies to be committed to sustainability for its own sake rather than as a market differentiator.

Sustainable products and supply chain management, although experiencing a drop since 2010, is still the second-most important factor in determining sustainability leadership and, as seen in the Radar survey, is of high importance among the general public.

Communication and transparency and integration of sustainability into the core business model also score highly

We also describe our engagement with policy makers elsewhere in our report.

UK stakeholders

Residential customers

67% of our UK consumer customers gave BT a positive corporate responsibility rating in 2012 (down from 74% last year) and the general public rating remained unchanged at 62%. BT was named – unprompted – as the joint sixth most responsible company in the UK, down from joint third position in 2011.

The main factors behind positive perceptions of BT's CR are wide-ranging but frequently involve BT's customer service (increased mentions), products, prices and personal experience. People increasingly recognise the need for BT to take CR seriously in order to remain a market leader – it is seen more as a minimum standard rather than a differentiator.

The top reasons behind negative ratings for CR include poor customer service (increased mentions), profit focus, and high prices.

Specific expectations of BT

When asked how BT could have a better impact on society, these customers and potential customers said we should focus on

- Reducing prices and giving better value
- Talking about our societal programmes more, and
- Improving broadband, network reliability and speed.

Top actions identified for BT to have a better impact on the environment were:

- Using underground cables (and consequently having a less disruptive effect on landscapes)
- Lowering emissions and creating a lower carbon footprint, and promoting recycling of old equipment.

We have established a Customer Inclusion Leadership Panel of independent experts in the field of age and disability. This Panel drives BT Retail's inclusion strategy by scrutinising our approach and priorities and making recommendations for further improvements. You can read more about this [here](#).

Business customers

Our business tracker survey also shows that providing better customer service is seen as the most important social and environmental issue that BT should be taking action on, followed by reducing our carbon footprint and price reductions.

[Consult 21](#), a programme of dialogue with business customers and industry stakeholders gives us regular feedback on BT's 21st Century Network rollout.

Our [Equality of Access Board \(EAB\)](#) regularly meets external communications providers which provides regular feedback on our performance. The EAB is a BT Group plc board committee with a

majority of independent members. It monitors and reports annually on BT's compliance with its Undertakings and associated Code of Practice.

We also have regular dialogue with CR leaders in other organisations through industry fora such as Governing Board of Corporate Responsibility Officers Association, Accountability Global Leadership Network and BSR.

How this feedback is making a difference

We are using this feedback to drive our current work to refresh BT's strategic approach and vision for a Better Future.

Specific examples of our feedback in action can be seen in many other sections of our Better Future report, including:

- Customer experience
- Employee engagement
- Environmental performance
- Supplier management

We are increasingly using social networking sites, CR blogs and Twitter to engage with customers, wider society and other CR practitioners. Our [CR blog](#) on the BT website encourages debate and discussion with all stakeholders around responsible and sustainable business.

This real-time dialogue is something that our stakeholders see as really important and which we plan to extend significantly over the next years.

What's next?

We are in the process of formulating plans to enhance our communications around responsible and sustainable business. Both our approach and our areas of focus will reflect the feedback we have received from stakeholders, in order to provide them with the information they care most about. We will also use this feedback to inform our own management processes, with the aim of driving performance on the issues that matter most to them.

And we welcome your views, across this site you will find ways of getting in touch with us. Please do!.

Our economic impacts

BT makes a considerable contribution to the UK economy, and also generates wealth in the other markets where we operate.

We have direct economic impacts through the jobs we provide, the goods and services that we buy from suppliers, the products and services we sell to customers, the taxes we pay, and the financial returns we deliver to investors. These issues are explored in this section of our report.

Sector impacts

In addition, the information and communications technology (ICT) industry fuels economic growth by improving efficiency and productivity.

According to the Boston Consulting Group latest 'Connected World' report.

66

'The economic impact of the internet is getting bigger – just about everywhere – and it already has an enormous base. In the UK, for example, the Internet's contribution to 2010 GDP is more than that of construction and education.

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The OECD's Communications Outlook 2011 added that:

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Communication technologies and broadband, in particular, are increasingly perceived as a critical factor in social and economic development. They provide the underlying connectivity for a range of innovative applications in areas like smart energy, electronic health services, e government, and so forth.

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While the World Bank's Little Data Book on Information and Communications Technology 2011 stated:

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The impacts of information and communication technologies cross all sectors. Research shows that investment in information and communication technologies is associated with such economic benefits as higher productivity, lower costs, new economic opportunities, job creation, innovation, and increased trade and exports. Information and communication technologies also help provide better services in health and education and strengthen social cohesion.

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Our direct economic impacts

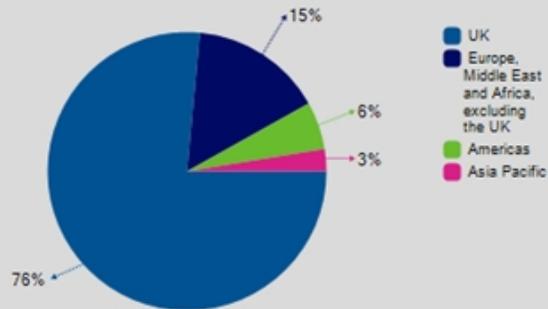
We make a direct economic contribution through our payments to employees, suppliers, investors and governments.

These are the key financial figures for the 2012 financial year, find more details in the BT Group 2012 Annual Report and Form 20-F.

BT revenue

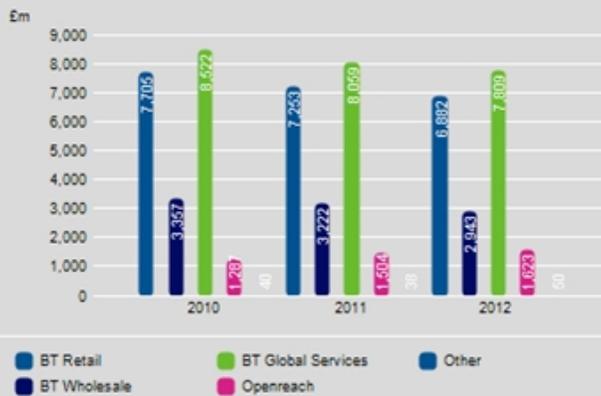
BT revenue of £19,307m, distributed as follows:

Revenue (adjusted) by region



Source: BT Annual Report and Accounts

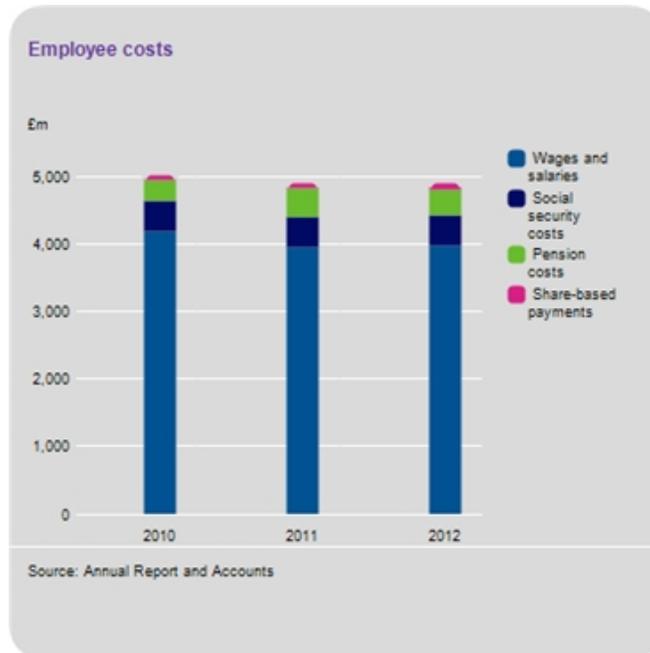
Revenue (adjusted)



Source: BT Annual Report and Accounts

Employees

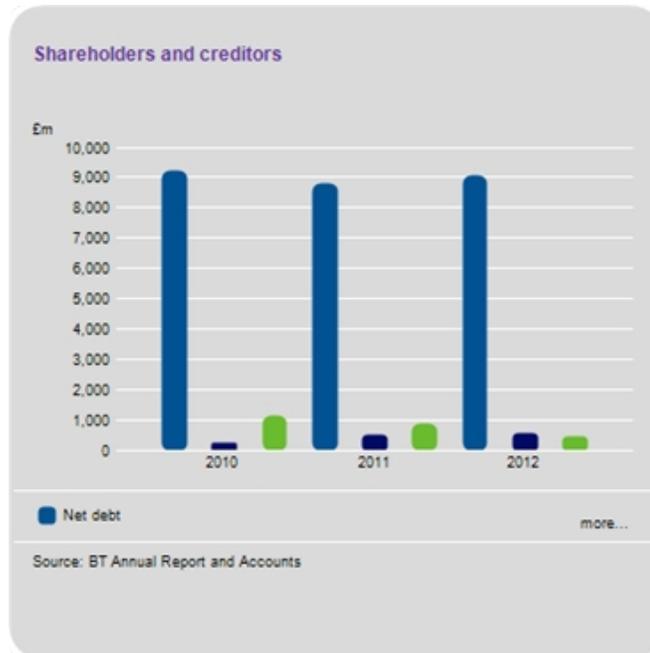
Our economic impact is most significant in the UK, where most 83% of our employees are based.



Suppliers

- Total spend with suppliers: £10.6 billion
- Total capital expenditure: £2.6 billion.

Shareholders and creditors



Related content:

[BT Annual Report and Form 20-F](#)

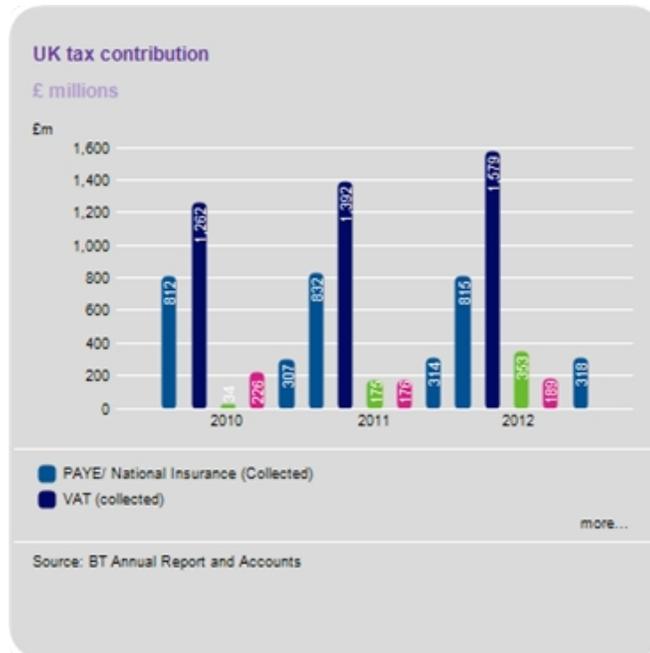
Tax

BT has historically, and continues to be, based in the UK for tax purposes, allowing its business profits to be taxed where they arise.

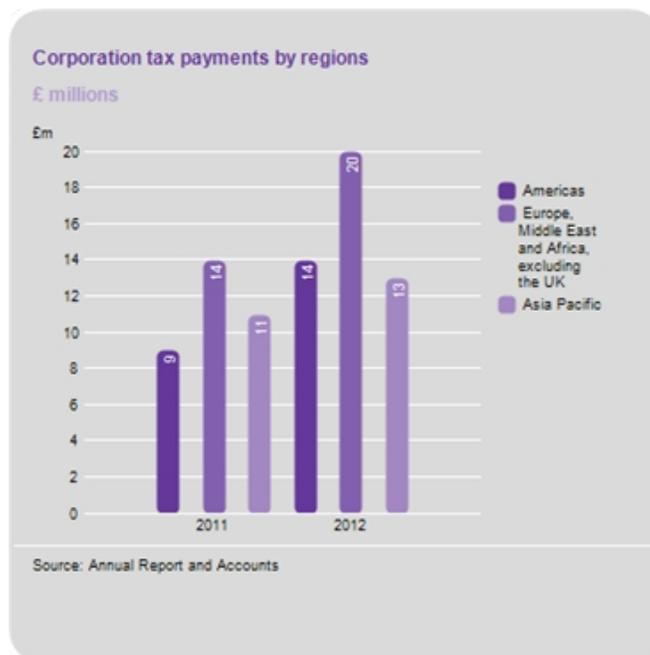
BT makes a significant contribution to the UK Exchequer, where most of our businesses operate. We collect and pay taxes of over £3 billion in a typical year. We also pay a smaller amount of tax in other countries where we operate.

Total tax contribution

In 2012, we paid £3,254m in tax in the UK in total. This comprises £1,579m of Value Added Tax (VAT), £815m of Pay As You Earn (PAYE) Employees National Insurance collected, £318m of Employers National Insurance borne, £353m of UK Corporation Tax, and £189m of UK business and UK network rates.



Elsewhere our corporation tax payments were:



Tax strategy

Our strategy is to comply with all relevant regulations whilst managing our tax burden and seeking to maintain a stable effective tax rate. We seek to achieve this through engagement with our stakeholders including HM Revenue and Customs (HMRC) and other tax authorities, partners and customers.

We are committed to reporting our financial performance in line with leading practices and with the maximum possible transparency, without compromising our competitiveness.

We maintain good relations with tax authorities – including HMRC in the UK – and are committed to prompt and transparent disclosure to them in all tax matters. We recognise that sometimes our interpretation of the law may differ from that of the authorities, and discuss any such discrepancies with them to resolve matters as quickly as possible.

Our policy is to lobby government directly on tax matters likely to affect our business, and to respond to consultation documents where the impact could be substantial. We also lobby the government indirectly through the Confederation of British Industry, various working groups and committees and leading professional advisors.

Tax accounting

It can take several years to agree the exact amount of tax we will pay with the authorities. We have settled all years up to and including 2008.

For more information on our tax policy and strategy, see our Annual Report and Form 20-F.

BT's wider economic impacts

Our contribution to the UK economy amounts to £17bn gross value add (GVA) – or £1 in every £70 of the UK's total GVA.

Understanding our economic impact in the UK

For the third year we have produced '[the Social Study](#)' – "The Economic Impact of BT across the UK". Produced in partnership with [Regeneris](#) the study demonstrates the economic contribution of BT to national and regional economies in terms of jobs, output and Gross Value Add (GVA) supported.

It shows that BT's total impact across the UK amounts to £17 billion GVA which accounts for £1 on every £70 of the UK's total GVA. A proportionate, positive impact is enjoyed by the economies of Scotland, Wales, Northern Ireland and all the English Regions.

The report shows that, in England, Northern Ireland, Wales and Scotland, for the financial year 1 April 2010 to 31 March 2011 (2011):

- We directly employed just over 77,000 people living and working in the UK and a further 8,900 contractors
- The total wage and salary bill of these employees was more than £3billion
- We spent a total of £7.6 billion with suppliers based in the UK in 2011
- Including direct and knock-on effects, BT is estimated to support some 274,000 jobs in the UK with a total value of £8.5 billion in 2011.

This study updates research from 2010. It analyses the overall UK position and each of the regions and nations of the UK

The full report, alongside individual versions for each of the English Regions, Scotland, Wales and Northern Ireland are available to download in PDF format.

Increasing employment

About 900 people will be based in a new business centre in West Bromwich, Sandwell. This includes 400 employees of Transform Sandwell (Sandwell Metropolitan Borough Council's partnership with BT) and a new 300-strong BT customer service team. It will also be the new base of [BT Fresca](#), which provides specialist technology services to major retailers.

We are also creating up to 280 new jobs at a new £10.5m flagship office to help handle increasing sales activity. The consumer sales roles are being created at our Harton Staithes complex in South Tyneside, to promote calls, lines and broadband packages to UK customers.

Around the world

Suppliers play a key role in helping us deliver our products and services to customers and as such play an important role in helping us deliver our strategy. We work with around 18,200 suppliers; spending approximately £10.6bn per year with them, with the top 100 suppliers accounting for around 65% of this spend. For more information on these relationships see the supply chain section.

International employment

In 2012, we announced plans to support customers and to grow our business in key regions. We plan to

- expand in Latin America - doubling business in key countries over the next three years. There will be 250 new staff, new centres of excellence and a wide range of network and customer service improvements
- expand operations across Turkey, the Middle East and Africa with the aim of doubling business in these regions and creating 170 new jobs
- create 60 new jobs in India and open a technology showcase in New Delhi. The new jobs - in sales, delivery and implementation of services for customers - were announced as an update of BT's investment plan in the Asia Pacific region.

Our case for responsible business

We're proud to have been an early adopter of many responsible and sustainable business practices that are now commonplace – including reporting on environmental and social issues.

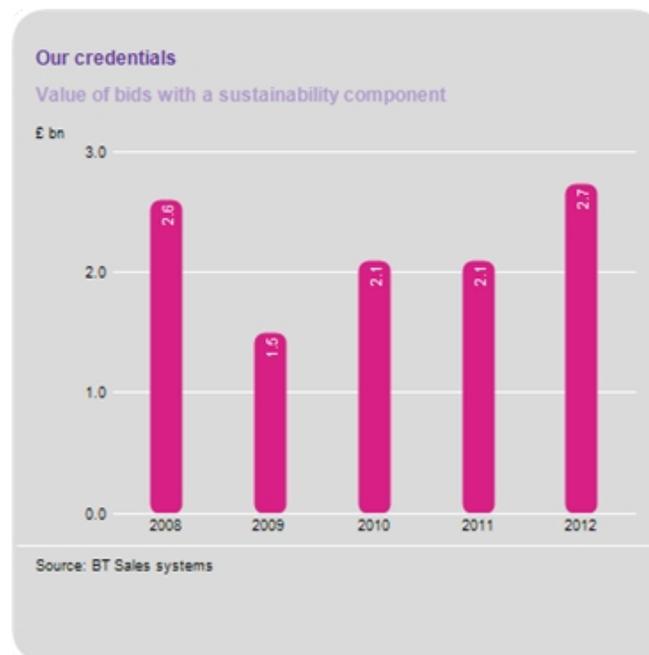
But our decisions to invest in these activities have never been entirely driven by the desire to do

good in the world. Our Better Future agenda brings our business many benefits.

In this section of our report we explore the four key business drivers for corporate responsibility

- Understanding the social and environmental context and challenges for our business helps us manage material risks more effectively
- External stakeholders, particularly investors, expect us to manage extra-financial issues – and use our placing in ratings and benchmarks to inform their assessment of our business
- We reduce costs by running a more efficient and productive business
- Employee pride and motivation is built through our commitment to creating a Better Future.

In addition, the ability to demonstrate that we have strategies in place to become a more sustainable company is now a basic requirement of doing business. The chart shows the total value of the contracts with large business and governmental customers we bid for in 2012 that requested information on sustainability.



Note: We have excluded Broadband Delivery UK bids which have a total bid opportunity value around £1bn over 2012-2015

Our approach

It is our aim to manage risk so that we can successfully deliver our objectives, creating shareholder value while promoting the interests of our many stakeholders through the safeguarding of our assets and reputation.

We have in place group wide risk management processes for the identification, evaluation, response and subsequent monitoring of risks which may significantly threaten the accomplishment of our objectives and long-term strategic aim.

Managing CR Risks

We quantify the most significant social, environmental and ethical risks to BT in our corporate responsibility (CR) risk register, part of our companywide risk management system. This is updated twice a year by our CR Risk Forum, which comprises experts from across our business, and is reviewed annually by our Board. In 2012, we identified no new CR risks that would have a material financial impact on our business. We have been monitoring emerging risks such as conflict minerals, read more [here](#).

We currently have seven CR risks which we monitor and report on.

Climate change adaptation

Our networks and infrastructure around the world are subject to both floods and wind damage. Damage to our networks can impact on customer service and related service restoration costs. Our Business Continuity teams are well versed in responding to catastrophic events effecting customer service regardless whether these are weather related – for example fire in a critical network centre.

We site our facilities in areas of lower risk and are making our networks more weather resilient.

Climate change mitigation

Our risk reflects damage to reputation should we not deliver our emissions reductions targets. We manage this through a comprehensive energy and carbon reduction strategy.

Diversity

Our risk is that our activities and their outcomes do not meet our legal or ethical standards for a diverse workforce. We continue to monitor our performance regularly. Read more [here](#).

Supply chain labour standards

Suppliers play an important part in helping us to deliver our products and services to our customers. Whilst not all of our suppliers provide products or services that are critical to our operations, there are a number that would result in significant harm or disruption to our operations and brand damage if they were to fail on their commitments. See our [Annual Report](#) for more information.

Health and safety

The Health, safety and well-being of our people is critical to us delivering our strategic objectives.

Our [health and safety strategy](#) has delivered significant reductions in our overall exposure to regulatory and business risk in this area. Small scale incidents remain relatively common and we continue to monitor and raise awareness of our policies and practices.

Business integrity and ethics

The global nature of our operations means that we have to comply with a wide range of local and international legislative requirements. Our legal compliance obligations include antitrust and anti-corruption legislation, competition law, data privacy, trade sanctions, import and export controls, taxation and telecommunications regulatory requirements. See our [Annual Report](#) for more information.

Privacy and data protection

Our strong reputation for secure and resilient services relies on the quality, integrity and reliability of our global information systems, transmission networks and infrastructure. Significant volumes of personal and commercially sensitive information are stored and transmitted to meet our own business purposes and those of our customers. See our [Annual Report](#) for more information.

Ratings and recognition

Being a responsible and sustainable business leader enhances our reputation and builds trust among our stakeholders. In 2012 our activities continued to achieve broad recognition through ratings and awards.

We have participated in sustainability ratings for many years as a means of independently demonstrating our strengths in this area. The landscape of ratings has over recent years become crowded with competing ratings and organisations seeking to prove their credentials. Whilst we welcome the mainstream focus on excellence across all aspects of corporate responsibility, the diversity and variability of rating criteria make it increasingly difficult for stakeholders to determine with clarity the leaders from the followers.

In May 2010 the think-tank [SustainAbility](#) embarked upon a research project — entitled Rate the Raters — which attempted to better understand the universe of external sustainability ratings. As part of their research they asked their survey respondents to rate the credibility of 21 well-established ratings. The broad, investor-oriented ratings - Dow Jones Sustainability Index, CDP, FTSE4Good Index – were top amongst those cited as most well-known and considered most credible, reflecting their history and prominence in the field. As institutional investors around the world put increasing focus on environmental, social and governance (ESG) practices of the companies they invest in, ESG risk measures are increasingly important part of the investment process and a driving force behind these ratings.

We continue to focus on these investor ratings which are most credible in the eyes of our stakeholders, and which best demonstrate a rigorous and balanced approach to assessing performance.

BT's performance in sustainability ratings

Rater	Ratings	BT's 2012 Rating	BT's 2011 Rating	BT's 2010 Rating	Rating focus
SAM (Sustainability Asset Management)	Dow Jones Sustainability Index	90%	85%	83%	Investor focus - All aspects of economic, social and environmental sustainability
		SAM Gold Class	SAM Gold Class	SAM Gold Class	
Business in the Community	Corporate Responsibility Index	Platinum Plus and Sector leader	Platinum Plus and Sector leader	Platinum Plus and Sector leader	All aspects of corporate responsibility
Carbon Disclosure Project	Carbon Disclosure/ Performance Leaders Indices (CDLI/CDPI)	84%	89%	65% CDLI member	Investor focus - Evaluation of risks and opportunities in the industry as well as company policies and strategies related to climate change
		Ranked 3rd in sector for CDLI and "B" rated in sector for CDPI	CDLI Sector leader (Global 500 and FTSE 350)	See note	
		(listed in FTSE 350 report)	"A" rated CDPI Sector leader		
Ethical Investment Research Service (EIRIS)	FTSE4Good Index ESG ratings	4.8 out of 5 (equivalent to 96%) and supersector leader (Sept 2011 and Mar 2012)	100% and supersector leader (Apr 2011 – inauguration)	Listed in FTSE4Good Index	Corporate governance, social aspects (including human rights) and environment

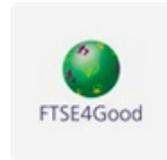
Recognition

March 2012

We retained "platinum plus recognition" from Business in the Community for our impact on society. Only companies that rank highest in BiTC's annual corporate responsibility index are eligible for Platinum Plus status.



We retained our No.1 position as leader in our sector in the FTSE4Good ESG rating with a score of 4.8 out of 5.



November 2011

We achieved the highest ranking of any Telecommunications & IT company in the UK Carbon Reduction Commitment Energy Efficiency scheme with a score of 95%, ranking us 44th overall out of 2,103 companies.

October 2011

We achieved sixth overall and top telecommunications company in the 2011 Green Rankings of Global 500 companies.

September 2011

We achieved a consistently high performance in the Dow Jones Sustainability Index for 11th year in a row with our highest best ever score of 90%. We led the fixed telecommunications sector for eight years from 2001 to 2008 and have been Gold Class recipients since 2009.



We achieved third place in our sector in the Carbon Disclosure Project's leadership Index 2010.

June 2011

We were recognised as a leader by Verdantix in their European Green Quadrant for Sustainable Telecoms and the industry leader in Green ICT sustainability consulting.

Increasing efficiency

Transforming our cost base is one of the three key areas of our strategy. By managing resources more carefully, we contribute to this company-wide goal.

Saving energy

Last year, our energy efficiency programme decoupled energy use from business growth. This means that even though we delivered more for customers, we were able to reduce global energy consumption by 3.3%, saving £21.9m per annum. We have set a target for a further 1.5% reduction this year.

Waste and recycling

This year has once again seen our recycling activities, in the UK in particular, generate savings. Recycling income has increased from £5.65m in 2011 to £7.89m, helping (after costs and landfill tax) to save over £2m in the year.

Employees

Our investments in employee wellbeing and engagement activities have resulted in reductions in sickness absence, and increases in employee engagement. While these factors increase employee productivity, these factors are often linked to lower recruitment costs. Similarly, innovation in recruitment practices increases our efficiency.

Employee motivation

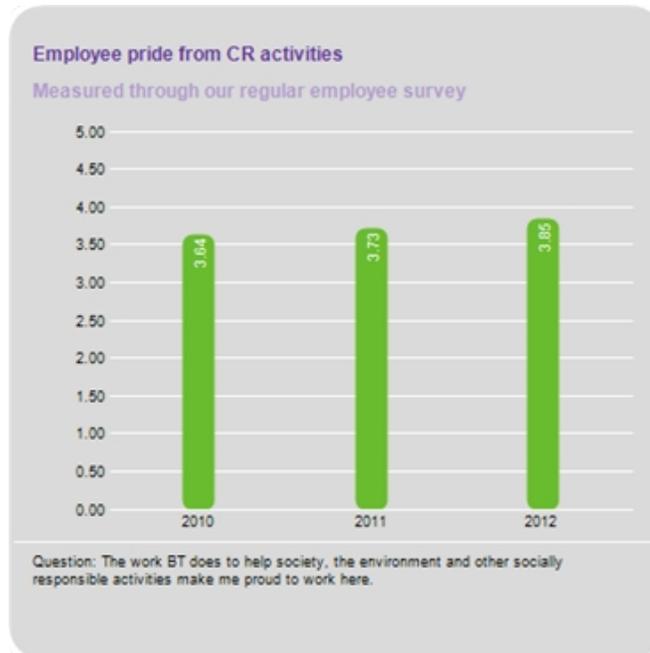
Employee motivation is critical to the success of our business. Corporate responsibility (CR) helps to engage employees with BT and their work.

Throughout this report you will find examples of our people getting involved to help BT become a better business. For example:

- Helping the communities we live and work in through employee volunteering.
- The Team BT 2012 Challenge - an internal programme to help everyone in the company focus on the future. The challenge is a simple one – to make BT a better business with a better future.
- Reducing energy use in our business.

Since 2010 we've measured how important our CR activities are to our employees by including a question in our regular, group-wide employee survey rather than using an annual survey with a small group of our people.

We have seen an increase in our score this year.



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- Ensuring that the European Commission's strategy for Next Generation Networks favours

competition at infrastructure and services level

- Favouring an open approach towards Net Neutrality based on competition at whole sale access level and transparency for consumers
- Avoiding anti-piracy measures, which would impose undue burden on communications services providers and innocent users
- Promoting a new European data protection regime adapted to the digital environment and which strikes the right balance between the need to protect the privacy of citizens and the ability of business to operate
- Expressing continued support for the multilateral trade system under the World Trade Organisation and as well as for bilateral free trade negotiations with key markets outside the EU
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 - UK India Business Council (UKIBC)
-

Related content:

[Our responses to policy consultations \(website\).](#)

[The BT Story, current policy issues \(website\).](#)

Stakeholder engagement

Across the year we engage with our stakeholders to understand their expectations of BT as a responsible and sustainable business, and how we are performing against these expectations in their eyes. This understanding gives us valuable insight to help us shape our future strategy, approach and activities and it also helps us better communicate what we do, in ways that are most relevant for our stakeholders.

Some feedback comes through surveys whilst other feedback comes through two-way dialogue with stakeholders. We also gather insight from ad-hoc dialogue, including online discussion forums, telephone calls, one-off meetings, focus groups or through social media such as blogs.

Our approach

We engage with stakeholders regularly and through various channels. Many of the views on particular activities or programmes are included in the other sections of this report. Key insights from our wider stakeholder research and engagement are detailed below.

Global stakeholders: Global research into CR trends shows that, in the last decade, there has been a widening gap between the general public's expectations of companies' CR activities and perceptions of their performance although this has narrowed for the first time in many years during 2011. Expectations, at a global level, are no longer rising—perhaps in response to tougher economic circumstances—while there has been a rise in perceived CR performance across a number of sectors.

People across the world continue to expect companies to maintain performance on their core responsibilities—especially around product safety, environmental integrity, responsible supply chains, and employee treatment. Public expectations around employee treatment and applying high standards globally have intensified over the past two years.

In terms of the specific expectations of companies in the UK, product health and safety is the most crucial, with employee welfare, environmental impact, consistent application of high standards, and responsible supply chain management also scoring highly.

UK stakeholders: 67% of our UK consumer customers gave BT a positive corporate responsibility rating in 2012 (down from 74% last year) and the general public rating remained unchanged at 62%. BT was named – unprompted – as the joint sixth most responsible company in the UK, down from joint third position in 2011.

The main factors behind positive perceptions of BT's CR are wide-ranging but frequently involve BT's customer service (increased mentions), products, prices and personal experience. People

increasingly recognise the need for BT to take CR seriously in order to remain a market leader – it is seen more as a minimum standard rather than a differentiator.

The top reasons behind negative ratings for CR include poor customer service (increased mentions), profit focus, and high prices.

Specific expectations of BT

When asked how BT could have a better impact on society, these customers and potential customers said we should focus on

- Reducing prices and giving better value
- Talking about our societal programmes more, and
- Improving broadband, network reliability and speed.

Top actions identified for BT to have a better impact on the environment were:

- Using underground cables (and consequently having a less disruptive effect on landscapes)
- Lowering emissions and creating a lower carbon footprint, and promoting recycling of old equipment.

We have established a Customer Inclusion Leadership Panel of independent experts in the field of age and disability. This Panel drives BT Retail's inclusion strategy by scrutinising our approach and priorities and making recommendations for further improvements. You can read more about this [here](#).

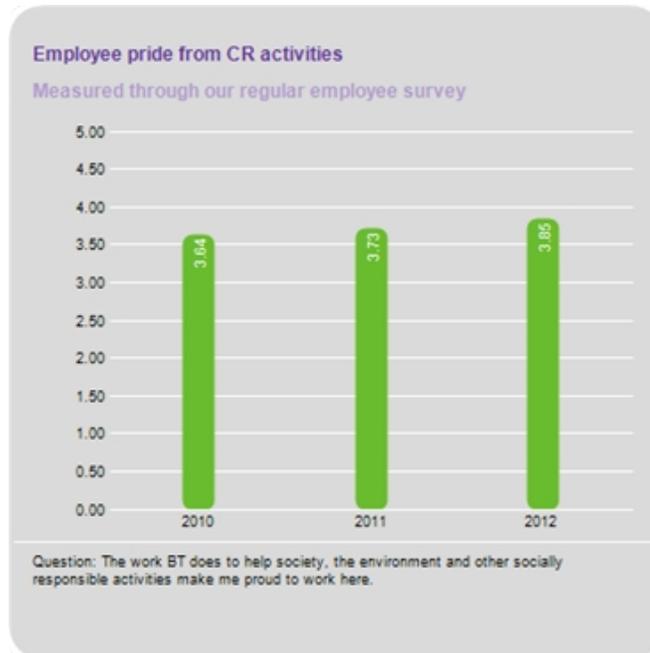
Business Customers: Our BT Business tracker survey also shows that providing better customer service is seen as the most important social and environmental issue that BT should be taking action on, followed by reducing our carbon footprint and price reductions.

[Consult 21](#), a programme of dialogue with business customers and industry stakeholders gives us regular feedback on BT's 21st Century Network rollout.

Our [Equality of Access Board \(EAB\)](#) regularly meets external communications providers which provides regular feedback on our performance. The EAB is a BT Group plc board committee with a majority of independent members. It monitors and reports annually on BT's compliance with its Undertakings and associated Code of Practice.

We also have regular dialogue with CR leaders in other organisations through industry fora such as Governing Board of Corporate Responsibility Officers Association, Accountability Global Leadership Network and BSR.

Employees: we regularly ask employees through surveys and focus groups for their views. 86% of our employees think BT takes its responsibility to society, community and the environment seriously - up from 85% last year and 69% (index score of 3.85 out of 5.0) of employees say they are proud of BT's activities for society and the environment – up from 64% (index score of 3.73) last year.



Our people consider the most important things for BT to focus on (with equal weighting) are

- Offering apprenticeships to young people
- Reducing BT's environmental impact and
- Creating more sustainable products.

This is closely followed by reducing energy use, helping recycle BT products no longer in use, providing support for telethons and encouraging employees to volunteer for charity.

Our employees have also suggested how we can improve further, with the most recommendations relating to

- Reducing travel and enabling more homeworking
- Promoting and communicating our corporate responsibility activities more widely and
- Encouraging managers to offer more support to take part in volunteering activities during work time.

We also have on-going dialogue with trade unions, our People Networks as well as networks of employees who are engaged with elements of our Corporate Responsibility programme. The BT Your Views discussion forum is a moderated online area for employees, which regularly covers corporate responsibility and sustainability topics.

Opinion Leaders: in addition to our regular dialogue with journalists, analysts, politicians and charities, our independent research company MM Eye held telephone interviews with 277 key opinion leaders around the globe, to understand their views of BT. We were pleased to hear that 74.7% said we take our responsibility to society, community and the environment very seriously - up from 67.8% in 2011.

Sustainability Experts: we also review GlobeScan’s Sustainability Survey which monitors spontaneous mentions of sustainability leaders among 559 sustainability experts across 66 countries. BT is mentioned by 3% of respondents in Europe which has remained constant to findings in previous years (this was the 11th highest rating in Europe).

Sustainability experts, when given reasons for sustainability leadership among companies, cited “commitment to sustainability values” (integrated long-term commitments and taking action on sustainability promises). This indicates that, in order to be considered a leader in this area (especially by those who work in the field), it is vital for companies to be committed to sustainability for its own sake rather than as a market differentiator.

Sustainable products and supply chain management, although experiencing a drop since 2010, is still the second-most important factor in determining sustainability leadership and, as seen in the Radar survey, is of high importance among the general public.

Communication and transparency and integration of sustainability into the core business model also score highly

We also describe our engagement with policy makers elsewhere in our report.

How this feedback is making a difference

We are using this feedback to drive our current work to refresh BT’s strategic approach and vision for a Better Future.

Specific examples of our feedback in action can be seen in many other sections of our Better Future report, including:

- Customer experience
- Employee engagement
- Supplier management

We are increasingly using social networking sites, CR blogs and Twitter to engage with customers, wider society and other CR practitioners. Our [CR blog](#) on the BT website encourages debate and discussion with all stakeholders around responsible and sustainable business.

This real-time dialogue is something that our stakeholders see as really important and which we plan to extend significantly over the next years.

What happens next

We are in the process of formulating plans to enhance our communications around responsible and sustainable business. Both our approach and our areas of focus will reflect the feedback we have received from stakeholders, in order to provide them with the information they care most about. We will also use this feedback to inform our own management processes, with the aim of driving performance on the issues that matter most to them.

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Thank you

for reading what we have to say –
now we want to listen to you.

Email us at crrreporting@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

all at www.bt.com/betterfuture



Bringing it all together

BT Group plc

Registered office: 81 Newgate Street,
London EC1A 7AJ
Registered in England and Wales No.
4190816

www.bt.com