



Bringing it all together

Our 2011 Sustainability Review

Better Future



ABOUT BT

We serve the needs of customers in the UK and in more than 170 countries worldwide.

We compete in a number of markets including the consumer and small and medium enterprise markets in the UK and delivering managed networked IT services for multinational corporations. We also offer a range of wholesale and access products and services to communications providers.

Our business model

BT GROUP PLC				
	BT GLOBAL SERVICES	BT RETAIL	BT WHOLESALE	OPENREACH
WHAT WE DO	BT Global Services is a managed networked IT services business, serving customers in more than 170 countries worldwide	BT Retail provides communications products and services to the consumer market, and provides IT and communications services to small and medium-sized enterprises	BT Wholesale provides products and services to over 1,000 communications providers in the UK	Openreach is responsible for the 'last mile' of the UK access network and for the roll-out of super-fast broadband
CUSTOMERS	Multinational corporations Domestic businesses National and local government organisations	UK consumers UK SMEs Republic of Ireland businesses, government and communication providers	UK communications providers Mobile operators Internet service providers Broadcasters	UK communications providers
SALES CHANNELS	Account management	Call centres Online Account management BT local businesses	Online Account management	Online Account management
PRODUCTS AND SERVICES	Networked IT services Ethernet Fixed calls and lines Audio & videoconferencing Wi-fi & mobility Professional services Wholesale network capacity	Fixed lines and calls Broadband TV services Wi-fi & mobility IT services Audio & videoconferencing	Wholesale network capacity Wholesale broadband Private circuits Ethernet Managed network services Content distribution services	Wholesale fixed lines Local Loop Unbundling Ethernet Physical infrastructure access
BT INNOVATE & DESIGN AND BT OPERATE				
	BT Innovate & Design researches, designs and delivers the processes, networks and platforms on behalf of the customer facing lines of business		BT Operate manages BT's IT and network infrastructure platforms	

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A MESSAGE FROM OUR CHAIRMAN AND OUR CHIEF EXECUTIVE

Our commitment to being a leader in responsible and sustainable business goes beyond a statement of strategic intent and beyond managing our own social and environmental footprint. We're also passionate about the role that BT can play in helping others to live and work more sustainably through our technology and the skills and expertise of our people. This report is about the actions we are taking and contains examples of our commitment from right around the business.



Sir Michael Rake
Chairman



Ian Livingston
Chief Executive

There are three key broad and interlocking themes in our approach.

First, our significant investment in the UK's digital infrastructure will improve access to technology at the same time as our community programmes are helping more people get online. Our investment in super-fast broadband will enhance business competitiveness, digital participation and the delivery of public services. We are on track to pass 5 million UK premises by spring 2011 and continue to work in partnership with national and local government and others to make sure that rural and remote communities are included.

We also launched our 'Get IT Together' campaign to get at least 100,000 digitally excluded people in the UK online by 2012, and continued to work with partners internationally to help more people benefit from technology around the world. For example in Columbia our people are working with community schools and villages in remote areas, delivering satellite internet access and helping them learn how to use the internet for the first time.

Second, we recognise the essential role that charities play in tackling social and environmental issues, and we want to help them do this more efficiently and effectively. This year we launched MyDonate, our new free online fundraising service, to help UK charities raise more money online. We also enabled £34m to be raised for charity through our support for telethons and disaster appeals. BT people provided over 49,000 days of volunteering activity in the community, the value of which we estimate at £13.8m.

Third, climate change remains one of the most pressing sustainability challenges. We are fully committed to reducing the environmental impacts of our products and services and to bringing to market new low carbon solutions that help our customers to reduce energy use and CO₂ emissions. Examples this year include our Green Branch service in Spain, which enables banking clients to monitor and reduce power consumption in their branches by up to 30%, and our SmartReach consortium, offering a plan to accelerate Great Britain's smart meter programme. Of course we continue to tackle our own use of resources too and we're pleased to report a 2.5% reduction

in energy use this year and planning approval for the first BT wind farm, allowing us to generate our own clean electricity. Our new climate change procurement standard, one of the first in the UK, is gaining recognition as being a major step forward in encouraging suppliers to use energy efficiently.

We are excited too, to be both the communications services provider and a sustainability partner for the London 2012 Olympic and Paralympic Games. We have integrated sustainability into the design of our communications solution for the Games from the beginning. For example, rather than installing separate networks for voice and data traffic, BT is delivering both more efficiently through a single converged communications infrastructure – the first of its kind for a summer Olympic Games. We are also using the momentum of the Games to help young people develop their communication skills through our 'Get Set' London 2012 educational programme.

This is our tenth annual report on BT's social and environmental performance. We have made considerable progress over the last decade – from reducing our carbon footprint by 53%, to bringing copper broadband to 99% of UK premises, investing over £200m in community and environmental activities and developing challenging supply chain standards. And we are confident we can achieve even more in the next decade and beyond.

We are pleased that our efforts are recognised. We maintained gold sector status in the Dow Jones Sustainability Index and Platinum Plus level in the Business in the Community Corporate Responsibility Index. We were sector leader in the FTSE4Good ESG Ratings, achieved joint first place in the Carbon Disclosure Project's Leadership Index and won the World Communications Awards Green Award and the CSR Procurement Leaders Award.

We have the skills, ideas and passion of BT employees to thank for these achievements – and we will need to continue to draw on their insights and expertise to tackle the challenges that lie ahead.



OUR STRATEGY FOR A BETTER FUTURE

At BT we're determined to create a better business with a better future. We know that long term profitable growth can be aided with responsibility and sustainability at the heart of what we do. Ultimately, we believe that BT will be stronger and more successful if we help make a better future for all.

We operate in a highly competitive industry, subject to rapid technological change, and in a world experiencing significant social, economic and environmental challenges.

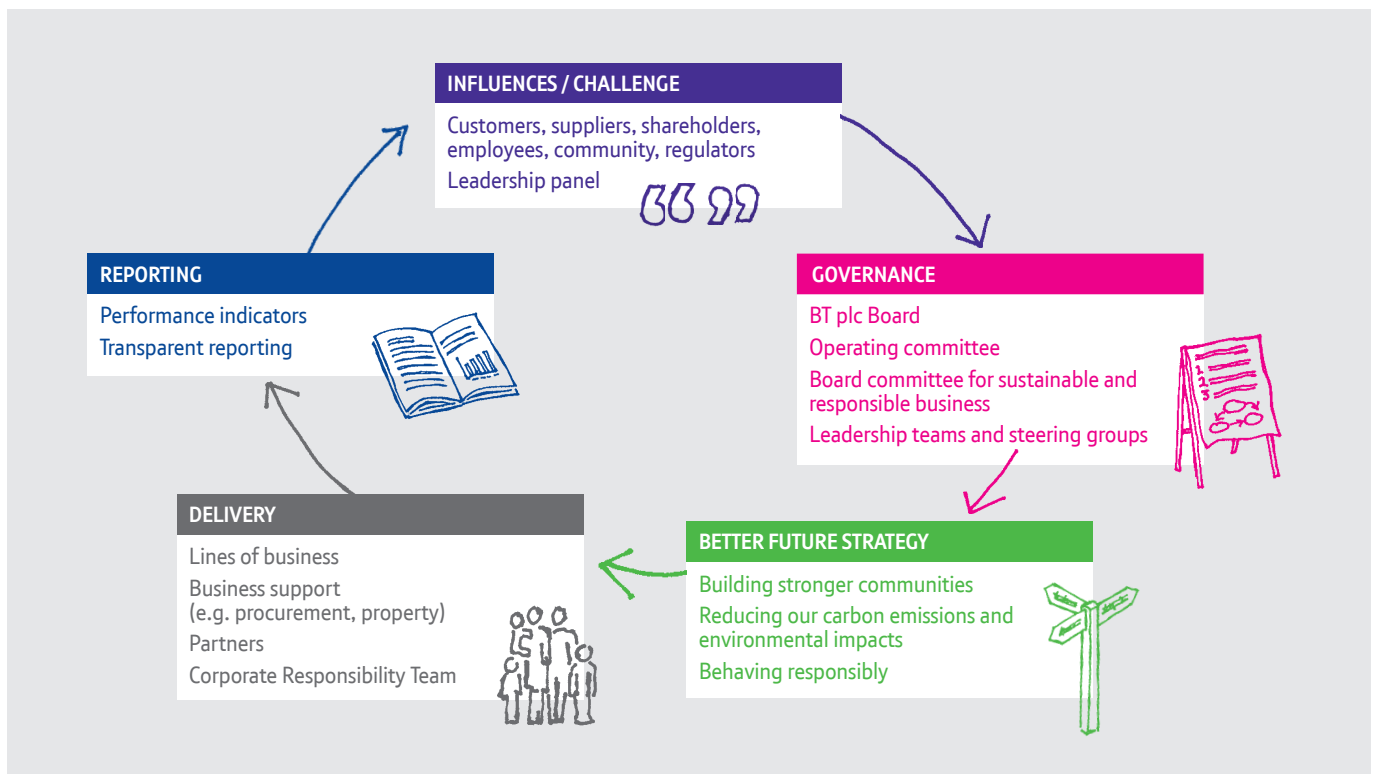
To succeed, we must get things right for our customers, and continue to reduce our costs and invest in the skills and technology of the future. We have a long-standing commitment to supporting the wellbeing of the customers, employees, suppliers, communities and environment on which our business depends. We must maintain this and continue to play our part in addressing the challenges facing society.

We aim to increase the positive contribution we make through our products and services; the responsible use of resources; the jobs we

create; and through our involvement in the community. This includes anticipating changing customer requirements such as increased demand for more energy efficient products and services. Implementing our strategy can raise sustainability challenges and dilemmas and we're committed to tackling these.

Taking corporate responsibility and sustainability seriously has been important to BT for many years. To better reflect this, we updated our business strategy this year, making responsible and sustainable business leadership one of our strategic priorities. This will help us to further integrate sustainability into our daily decision making.

Our approach to developing and delivering our Better Future strategy



Responsible and sustainable business at BT – key milestones



Our Better Future strategy

Better Future describes our commitment to being a responsible and sustainable business leader. Our Better Future strategy has three dimensions:

- 1/ **Building stronger communities** through the power of our technology and people
- 2/ **Reducing carbon emissions and our impact on the environment** through our operations and products
- 3/ **Behaving responsibly** towards our customers, people and our suppliers.

Underpinning everything is our commitment to investing in the skills of our people and unlocking their potential to make a positive contribution to our business, society and the environment. We reflect on this theme throughout this review.

About our reporting

In this review, we explain how making BT a better business is contributing to a better future. We show how we're implementing our Better Future strategy, we report our performance against our Key Performance Indicators (KPIs) (see pages 20-21) and we profile examples of our approach in action. We discuss the opportunities created by our commitment to being a responsible and sustainable business leader, as well as how we're managing new risks and dilemmas.

On pages 16 and 17 we've included a fact file that summarises our approach to responsible and sustainable business and highlights our performance across our worldwide operations.

This review is intended to give a snapshot of how we work, and covers the key issues connected to our strategy. It covers our operations worldwide for the financial year 1 April 2010 to 31 March 2011 (2011), unless stated otherwise. Except in relation to our super-fast fibre-based broadband roll-out plans which are based on calendar years. More detailed information on our strategic priorities and the other social and environmental issues we address is included in our full report, available at www.bt.com/sustainabilityreport and on our regularly updated Better Future website www.bt.com/betterfuture

How global sustainability trends affect BT and the communications sector

Global environmental, social and economic trends create risks for BT and other communications companies, as well as commercial opportunities through the development of services which help customers live and work more sustainably. Some of the major trends impacting BT are:

Environmental: Climate change, rising energy and resource costs resulting from materials shortages and the introduction of new environmental legislation directly impact our operating and service costs. They also indirectly affect our ability to do business by impacting global economic stability. ICT can play an important role in enabling the transition to a low carbon economy. As sustainability awareness grows, and the impacts are felt by more people, companies with a strong track record on sustainability are well positioned to become employers and suppliers of choice.

Social: Poverty, population growth and pressure on commodity prices are interconnected issues that will increasingly affect social and economic stability in key markets. Access to ICT can create employment opportunities, contribute to greater social inclusion and help governments to deliver public services in new ways to more people. Ageing populations and a rise in the incidence of chronic disease continue to strain national healthcare systems and increase costs to businesses. There are opportunities for new solutions that help improve quality of care for patients, for example by allowing remote monitoring and treatment.

Economic: Globalisation of commerce creates opportunities for BT and our customers, as well as new risks such as those connected with global supply chains and the cross-border movement of data. Emerging markets represent significant opportunities for growth, while economic uncertainty in other markets can impact revenues and margins. In times of recession, there are opportunities for ICT solutions that enable businesses and governments to deliver services more cost effectively.

2001
Launched 'Sourcing with Human Dignity' – a supply chain initiative which seeks to ensure that the working conditions in our supply chain really do meet accepted standards



2001
Published our first combined social and environmental report

2002
Launched our eDonate platform to collect online donations for BBC Children in Need

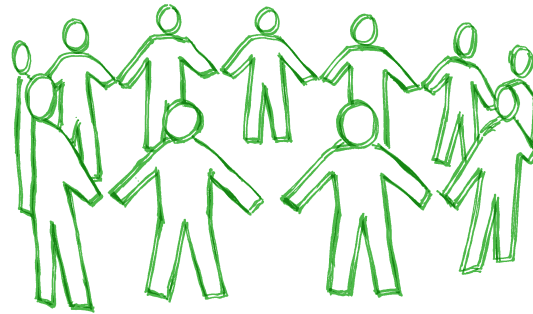
2004
Signed what was then the world's largest green energy contract



2007
Business in the Community, Company of the Year Award

2011
Gold class in the Dow Jones Sustainability Index for the second successive year and sector leader from 2002 to 2009

2011
New procurement standard launched, requiring all suppliers to measure carbon emissions and set reduction targets



Building stronger communities

What we did

- Fibre broadband network roll-out is on track to pass 5 million UK premises by spring 2011
- Worked in partnership with government and others to extend super-fast broadband to remote and rural areas in Cornwall and Northern Ireland
- BT people provided over 49,000 days of volunteering activity in the community, the value of which we estimate at £13.8m
- Launched our 'Get IT Together' campaign to help us get at least 100,000 digitally excluded people in the UK online by 2012
- Announced our support for 'Hello', the National Year of Communication to help more young people develop their communication skills
- Enabled £34m to be collected for charities through BT people and technology
- Country charity partnerships launched in South Africa and Benelux whilst maintaining our existing partnerships in countries such as India and the United States.

Key indicators

Investment in society

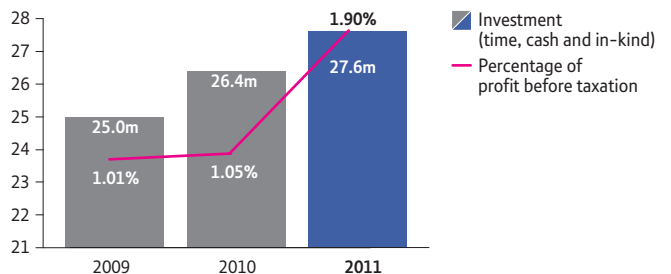
Responsible and sustainable business investment

Target 2011 Maintain a minimum investment of 1% of underlying pre-tax profits



Community investment

£m



Community effectiveness measure

An independent evaluation of our community programme

Target 2011 Maintain evaluation score at over 90%



Stable, prosperous societies are built on strong communities. We aim to make a positive difference to economic development and social inclusion in the communities we work in, and depend on, using our technology and the skills and creativity of our people.

The most important contribution we make is through our investment in communications networks and services. Our networks connect people and organisations to each other, and to information. They support business growth, job creation and access to services.

We want to help give everyone the opportunity, skills and confidence to use digital services, including elderly, low income and disabled people, and we support efforts to increase digital inclusion through our 'Get IT Together' programme.

Our commitment to communities is not just about technology. Charities and community organisations play a valuable role in tackling social and environmental issues at local and national level. We are using our resources and, through our volunteering programmes, the skills and commitment of our employees to support their work.

Investing in the UK's digital infrastructure

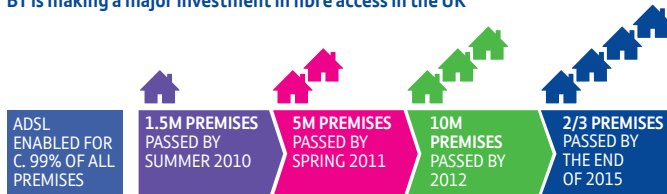
We believe deployment of super-fast broadband will provide social and economic benefits to the UK by:

- Enhancing business competitiveness and attracting new types of businesses
- Improving public service delivery, leading to cost savings and better access to quality services
- Encouraging greater digital participation as new products and services entice more people to learn, shop and communicate online.

The economic benefits of getting everyone in the UK online are believed to exceed £22bn ('The Economic Case for Digital Inclusion', October 2009).

We aim to extend super-fast broadband to two thirds of UK homes and businesses by the end of 2015, given the right investment and regulatory conditions and access to government funds

BT is making a major investment in fibre access in the UK



There is a risk that people in remote and rural areas may miss out on the benefits because of the high costs of deploying infrastructure in these locations. Public-private partnerships can address this problem, with public funding helping to make projects commercially viable. In 2010, we won a competitive tender to supply super-fast broadband to Cornwall and the Isles of Scilly (see page 6). In partnership with the Northern Ireland Department of Trade, Enterprise and Investment we will complete roll-out to 85% of businesses in Northern Ireland by May 2011. We published a white paper that explains the different approaches public bodies can take and how to partner with the private sector. See www.btplc.com/ngb/Rolloutprogress/Rollout/AcceleratingNGB.pdf

Over 360,000 votes were cast in our 'Race to Infinity' campaign which encouraged people to vote to bring super-fast broadband to their area. As a result, BT Retail is funding the enablement of 10 rural exchanges for super-fast broadband.

We believe the roll-out of super-fast broadband will play a key role in the move to a low carbon economy, provided we tackle increased electricity demand from 'always on' networks (see page 11).

How broadband contributes to social and economic development

Technology is transforming the way we work and communicate. Many of the effects are positive. For example, Unesco reports that for every 10% increase in broadband penetration, countries experience 1.3% additional growth in GDP
www.connectedkingdom.co.uk

Research suggests that super-fast broadband will increase these benefits. The Broadband Commission, a joint committee of Unesco and the ITU, lists seven benefits of fast access. These are social mobility; financial savings; educational attainment; improved salary prospects; democratic engagement; increased satisfaction with public services; and improved health services ('A 2010 Leadership Imperative: The future built on Broadband', September 2010).

The European Commission, Europe 2020 initiative states that "Smart, sustainable and inclusive growth... will depend on efficient and effective use of the internet, and internet access speed will be a key factor in achieving this"
www.ec.europa.eu/europe2020

We know that new technology can also create new challenges. BT has commissioned research by the University of Cambridge, Massachusetts Institute of Technology and Tsinghua University, exploring how people perceive and react to new technologies and how this affects productivity and wellbeing. It is assessing whether new systems are needed to enhance our ability to cope with the huge volumes of information we now have access to each day. The results will be published in 2011.

A BT perspective

John Petter
 Managing Director, BT Consumer and Chair of BT's Community Investment Leadership Team

Social exclusion and digital exclusion are closely linked. As internet-delivered services become more central to the way we live, the risk is greater that people who are not online – whether that's due to income, skills, disability or lack of interest – will experience knock-on effects in areas such as employment, access to public services and loneliness. This can lead to already disadvantaged people becoming more excluded from society's mainstream.

Enabling people to get online is core to our business and we have seen tremendous growth in home broadband take up and wi-fi access in the last year. BT has also run several programmes over the last decade to help get disadvantaged individuals online like 'Internet Rangers' and support for Age UK's Digital Champion awards.

This year we launched our 'Get IT Together' programme which includes a target to get 100,000 people online by the

end of 2012, through a range of activities including encouraging our employees and customers to help people they know get online (as digital champions). We've made a public commitment to this effect as a lead partner of Race Online 2012.

This is a major challenge. We need to work with partners at local, regional and national level, tailoring our solutions to the needs of different communities and different individuals, sharing our technology and resources, and most importantly the insights and commitment of our employees.

By focusing on this we can make a really positive difference to communities across the UK. If we get this right it will also benefit BT through continued growth in demand for our services and those businesses and public organisations we power online.



Contributing to the UK economy

We make an important contribution to the UK economy through our operations and employment. Our social study 'The Economic Impact of BT' showed that in our 2010 financial year, BT had a total operating impact in the UK of £12.6bn Gross Value Added (1% of the UK total) by supporting 267,000 jobs with a value of £37bn, and spending £7.7bn in our supply chain. In the same year we collected and paid UK taxes of £2.4bn. See www.bt.com/btregion

Digital inclusion

We are committed to helping tackle the social, economic and technological barriers that prevent people from getting online. We work with local and national partners to increase digital inclusion, adapting what we do to reflect the different circumstances and needs of each community.

People on low incomes or who are unemployed, elderly or disabled are less likely to use the internet. This can affect their employment prospects and access to education and essential services. Race Online estimates that nine million UK adults have never used the internet.

We aim to get at least 100,000 digitally excluded people in the UK online by 2012. We have launched 'Get IT Together' comprising a range of digital participation initiatives and partnerships. This includes BT Retail's UK campaign which encourages people to help their friends and family get online. Around 33,000 people visited the website in the first five months, and many accessed teaching guides and other tools.

Other digital inclusion initiatives we support around the world include:

- One Economy, in the US, which helps low income young people to teach IT skills
- Katha Information Technology and E-Commerce School, in India, which equips students with IT skills to help them to build their careers
- Infinite Family which connects southern African children affected by HIV/AIDs and poverty, with mentors from around the world through video technology
- The Jirira team: BT employees are volunteering their time to help young people in rural areas of Colombia gain an IT qualification and improve their employment prospects.

Helping people get online



BT 'Internet Rangers' at Settle middle school.

Learning and skills

Our learning and skills website, www.bt.com/learningandskills, for teachers, young people and their families provides free, high quality resources including videos, workbooks, online activities, and games for use in schools and at home. During 2011, we attracted over 288,000 visits to the site and there were 240,000 downloads.

2011 National Year of Communication

Difficulties with communicating can have profound and lasting effects on children's lives. Over 1 million children and young people in the UK have some form of speech, language or communication need – equivalent to two or three in every classroom.

As the lead sponsor of 'Hello', www.hello.org.uk, the 2011 National Year of Communication, BT is helping to raise awareness and provide free resources highlighting the importance of communication skills to children's development.



External perspective – Race Online

Martha Lane Fox
UK Digital Champion

In our Manifesto for a Networked Nation, we set out our vision for a truly remarkable and digital UK where every individual, community, charity and business can confidently embrace technology as a tool for economic growth and wellbeing. We're proud to have BT as a key partner in our Race Online 2012 campaign.

Through 'Get IT Together', BT has set out to recruit 10,000 digital champions to inspire and encourage more people to take their first steps online: whether these are school age children sharing their skills with older people via the 'Internet Rangers' scheme or charities getting communities online with

the help of BT's 'Community Connections' programme.

BT gained an extra half million broadband customers last year, tens of thousands of whom are likely to be getting online for the first time: together we could make even speedier progress. At Race Online, we will target a few British cities and rural areas to drive adoption over the next year and it would make all the difference to have BT as a key strategic partner. And this work is also about more than CSR: the offline over-65 market is worth £2.3billion in broadband and hardware. Exciting times and the tide is with us.

www.raceonline.org



Using technology to boost development in Cornwall

BT is involved in a £132m partnership to bring super-fast broadband to around 90% of homes and businesses in Cornwall by 2014, increasing access to technology and boosting the economy.

Cornwall is classified as an Objective One region by the EU. The project, which involves the EU, Cornwall Council and local businesses, is designed to attract and retain high tech, high growth businesses, potentially creating thousands of new job opportunities. In March 2011 1,000 Cornish homes and businesses and 50 customers were already connected.

This is the UK's biggest rural roll-out of super-fast broadband to date and could provide a blueprint for future projects. It is expected that around 10,000 businesses will be connected and that the programme will create up to 4,000 jobs and safeguard a further 2,000.

We have also launched projects to help more people in Cornwall experience the benefits of technology, including a partnership with Citizens Online, to give older people and those from disadvantaged communities the confidence to get online for the first time.

See www.btplc.com/ngb/Casestudies/Cornwall_case_study.pdf for more information.

Building management capacity

BT Troubleshooter is a free service that gives UK charities access to a team of BT volunteers to help them resolve an issue or challenge. Charities benefit from our employees' expertise and skills as well as the fresh perspective of people operating in a competitive commercial environment. Over 25 charities benefited from this service during 2011, including NSPCC/ChildLine, one of our UK employee fundraising partner charities. See www.bt.com/betterfuture

Supporting charities

The charity, community and voluntary sectors play a critically important role in addressing some of the challenging social and environmental issues facing society. All of our people have the opportunity to volunteer in their community during work time when customer priorities allow. Sharing our skills and expertise in this way makes a significant positive contribution to charities and the communities they support. It helps our people to acquire new skills and experiences that benefit them professionally and to gain greater insight into the issues and challenges facing society and our customers.

Volunteering

49,000

In 2011, BT provided over 49,000 days of volunteering activity in the community with a value of £13.8m.



BT and our employees supported fundraising telethons for Children in Need and Comic Relief during 2011, BT provided in-kind support including equipment, telephony and network management and an online giving platform. BT volunteers in our call centres took calls and donations from the public. We also supported the Disasters Emergency Committee's Pakistan Floods Appeal. BT's technology and people have enabled appeals to raise £34m in 2011. BT also hosted the website and provided the payment technologies for the Charitable Gift Fund for Prince William and Catherine Middleton.

MyDonate

We launched MyDonate in April 2011 to help UK charities raise more money online. MyDonate is a free service that enables charities to keep 100% of the donations they receive (excluding credit/debit card charges). We worked with a number of charities when developing the new service, including Cancer Research UK, Changing Faces, KidsOut, NSPCC/Childline and Women's Aid, to make sure it meets the needs of charities. According to the Charities Aid Foundation, in 2010 only 7% of charitable donations in the UK were made online and we hope that MyDonate will help to increase this figure. See www.bt.com/mydonate

MyDonate

A free service that enables UK charities to raise money.

(Picture of Ben Fogle, MyDonate ambassador)



A sustainable Olympics for London

BT has a critical role to play in the London Olympic and Paralympic Games' success – every image from the Games, every sports report, every visit to the London 2012 website and millions of calls, emails and texts will be delivered over BT communications networks. We'll be using our technical knowledge and sustainability experience to connect athletes, organisers, spectators, media and businesses across 94 UK event locations, delivering the Games to the world.

We have integrated sustainability into the design of our communications solution for the Games from the beginning. For example, rather than installing separate networks for voice and data traffic, BT is delivering both more efficiently through a single converged communications infrastructure – the first of its kind for a summer Olympic Games. This minimises waste by reducing the amount of spare equipment we need to maintain service levels in the event of a technical failure. It also lowers energy consumption and carbon emissions associated with field support and logistics. After the Games, we plan to reuse or recycle all of the equipment directly supporting our solution.

Understanding the impacts of the products and services we provide is an important first step to reducing them. We have piloted our new carbon footprint methodology to calculate the total impact of our London 2012 solution.

An important element of delivering a sustainable London 2012 solution is planning for after the Games. For example, the copper, fibre and wi-fi services installed for the Games will be integrated into our national communications infrastructure once the Games have finished. This will enable communities around the 94 venues to benefit from fast, reliable and secure communications technologies and the benefits these offer.

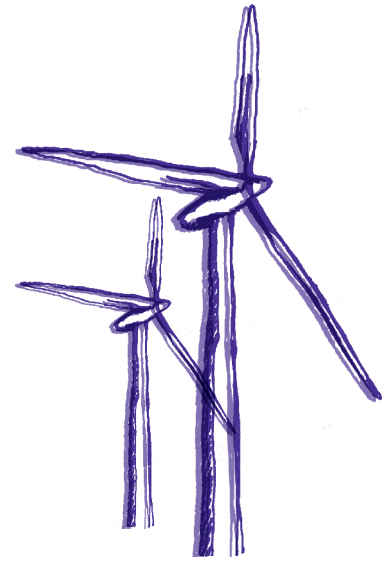
We're also using the Games as an opportunity to motivate more young people and adults to develop their sporting and communications skills through the 'Get Set' London 2012 educational programme. This includes:

- Our 'Big Voice' competition which encourages young people around the UK to identify problems in their communities and create short films about practical solutions
- The 'Coaching for Life' programme, which introduces coaching principles to parents, grandparents, carers and older siblings, encouraging them to help children try new games
- A 'Communication Triathlon,' developed in partnership between Openreach and the community organisation I CAN. The project develops children's communication skills through three sports-themed activities around Thinking, Talking and Teamwork.

During 2011, BT volunteers have been inspired by London 2012 to give their time for 2,771 days totalling almost 20,000 hours. BT is proud to be a part of what we expect will be the most exciting and sustainable Olympic and Paralympic Games.



Reducing carbon emissions and our impact on the environment



What we did

- Reduced energy use by 2.5% this year and targeted a further 2% reduction for 2012
- Reduced carbon intensity by 59% since 1997
- Our Sustainability Practice helped corporate customers in Benelux, France, Germany, Italy, Spain, the UK and the United States to implement more sustainable ways of working
- Partnered in the SmartReach consortium which has developed a new solution to help bring smart meters to homes and businesses across Great Britain
- Worked with 270 suppliers to improve their environmental performance
- Launched a new procurement standard to encourage low carbon innovation among our suppliers
- Calculated the carbon footprint of the communications services that we are providing to the London 2012 Olympic and Paralympic Games
- Changed from using a general waste contractor to a specialist recycling company, vastly increasing our recycling rates.

Key indicators

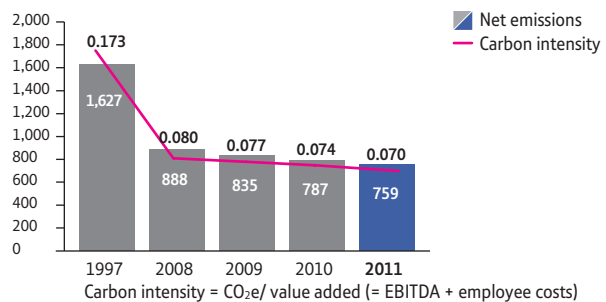
CO₂ equivalent (CO₂e) emissions

A measure of BT's climate change impact

Target By December 2020, BT Group will reduce its CO₂ emission intensity by 80% against 1997 levels. Target set in 2008



BT's worldwide CO₂e emissions
Tonnes '000



Waste to landfill and recycling

A measure of BT's use of resources

Target 2011 BT Group will reduce the tonnage of waste sent to landfill by 10% from 2010 levels



Tackling climate change and reducing use of natural resources requires a major shift in how we live and work. We believe information and communications technology (ICT) will play a central role helping businesses and consumers adapt successfully to a low carbon economy.

We are improving the environmental performance of our existing products and services and investing in new solutions that help businesses and individuals use energy more efficiently. We are seeing growing demand for these products and services and more contracts being awarded that contain sustainability criteria.

As a major energy user, we must also tackle our own carbon footprint. Many of our commercial sustainability services have previously been implemented within BT. For example conferencing and intelligent buildings and energy management services helping to reduce our footprint. We are also generating our own renewable energy.

Automated field service management

20%

Potential reduction in CO₂ related emissions from more efficient work scheduling.



To achieve our ambitious targets we need to involve employees in all parts of the company. We encourage their participation through sustainability training, awareness campaigns and our volunteering programmes.

This section focuses on climate change and energy use. Our approach to managing other environmental issues is explained in our fact file (see pages 16-17) and in our online report.

Helping customers operate more sustainably

Our Sustainability Practice within BT Global Services helps business and public sector customers operate more efficiently and sustainably – cutting costs, power use and CO₂ emissions. It currently operates in Benelux, France, Germany, Italy, Spain, the UK and the United States. Its portfolio includes:

- Automated field service management: a service providing real time information and dynamic work scheduling to people on the road which can reduce journeys and related CO₂ emissions by up to 20%
- Carbon footprinting: our Sustainability Practice helps our large customers measure their carbon footprint and identify the best ways to reduce energy use and operating costs. Impact assessments were conducted in 2011 for customers in a number of countries including the UK, Korea and Benelux
- Low energy networks and virtual data centres: these provide efficient, on-demand virtual computing services for customers, which can lower costs by up to 40%, and reduce the amount of space required and the power consumed, cutting CO₂ emissions.

Our video, teleconferencing and agile working services can help customers cut CO₂ emissions and costs, and improve customer service and employee retention by reducing business travel and increasing home and flexible working. Our research suggests that up to 1.4 tonnes of CO₂ emissions can be avoided per year for every employee who works from home, rather than the office.

Building a better future at BT US and Canada

BT offers managed networked IT services to businesses in the United States and Canada, and the region is firmly committed to our Better Future strategy.

The business serves a wide geographical spread of customers, so travel forms a significant portion of our carbon footprint. To address this, sites use audio and video conferencing extensively, and immersive videoconferencing systems have been introduced in New York, Irving, Texas and El Segundo, California.

The network operations centre and data centre at El Segundo account for around 8% of the US and Canada carbon footprint. The site has installed photovoltaic (PV) solar panels with an annual output of around 1,000 MWh.

To encourage employees to get involved at home as well as work, we promoted the use of PV panels. Our partner, SunPower® offers up to a 10% discount to any BT employee who chooses to install SunPower® solar at home. We introduced a training programme to help customer facing employees better understand the sustainability benefits of our products and services and explain this to our customers. 10% of eligible employees have participated in the first three months.

As part of extending our sustainability commitment to our customers, we offer a smart grid service in the energy sector.

Virtual fitting rooms reduce business travel

Designer apparel brand Tommy Hilfiger is working with BT and Cisco to introduce the industry's first virtual fitting rooms. These use BT's Unified Communications Video solution and Cisco's TANDBERG technology to enable communication and collaboration among the company's designers and manufacturing facilities in Amsterdam, New York, Hong Kong and Tokyo. Through innovative use of mobile cameras and recording facilities, the design team will be able to collaborate faster and more effectively, discussing the development of each piece of the collection face to face without having to take long distance flights.



A BT perspective

As one of the UK's top 10 largest energy consumers, we take very seriously where the energy we buy comes from. We are already the UK's largest consumer of low carbon energy. Now we want to use our influence to encourage investment in low carbon electricity generation, and are engaging with the UK government on this issue. We believe that customer demand can help to drive investment, if the UK's current energy market review puts the right framework in place.

Through our actions and engagement with government, we are trying to encourage investment in low carbon electricity generation. One way to help stimulate the creation of a clear market for renewable and

Richard Tarboton

BT Operate
Director of energy and carbon

low carbon energy would be an A to G colour coded label on all electricity sold in the UK, enabling customers to easily assess the green credentials of the electricity they buy. Such a system has worked successfully in other markets such as white goods and vehicles.

We believe this type of transparent carbon information, supported by tax incentives, would stimulate demand for green energy, and help the UK to move more quickly to a low carbon energy market. It would also resolve the problem of double counting green electricity and remove the confusion surrounding current green tariffs.



Energy efficient products and services

We don't manufacture our own products, so it's essential we work closely with suppliers to improve the environmental performance of the products and services we provide.

In February 2011 we introduced a new procurement standard, requiring all suppliers to measure and report their carbon and greenhouse gas emissions and set reduction targets. This is designed to encourage supplier innovation and to speed up development of low carbon technologies. We recognise it will be challenging for some small companies, and we ran workshops in partnership with the Carbon Trust this year to help 80 UK SME suppliers improve their understanding of climate change and develop action plans to reduce their impact. Further guidance is available on our supplier website www.selling2bt.bt.com

Our procurement principles state that every replacement product or service will have a lower environmental impact than its predecessor and this is having an impact on our product range. For example, our smaller wireless Home Hub for broadband introduced in 2011 requires 25% less plastic to be used in manufacturing. It typically uses a third less power than previous models because it adjusts power consumption based on use.

BT was the first UK company to sign the European Union's code of conduct on broadband energy consumption that recommends stringent power consumption limits for communication and network equipment. It is expected to save up to 25TWh annually in Europe by 2015, saving up to €7.5bn.

Reducing our own emissions

We set our first UK carbon reduction target in 1992. In 2008 we set a target to cut the carbon intensity of our global business by 80% from 1997 levels by 2020. This target is in line with the recommendations of the UN Intergovernmental Panel on Climate Change (IPCC) for developed country reductions. We've already reduced carbon intensity by 59% since 1997.

Our energy and carbon reduction strategy

Priority of actions



Our first priority is to find cost effective ways to cut energy use, helping us to meet our business objectives and our environmental targets. We are replacing equipment with more energy efficient versions, reducing the number of servers in our data centres and introducing virtual data centres, installing smart meters for electricity and gas and rationalising use of office space.

We saved £6.2m per annum of energy through smart control initiatives during 2011. The majority of BT's electricity consumption is now monitored through smart meters giving us real time data on how much energy is being consumed and enabling us to identify and resolve any energy waste.

The measures we have implemented, enabled us to reduce global energy consumption by 2.5% this year, saving over £18m in annual energy costs. We estimate that if we had not introduced these measures, energy use would have increased due to business growth. Improving energy efficiency will become more challenging over time as we achieve many of the easy wins and due to the higher energy consumption of new infrastructure such as super-fast broadband.

Getting smart

BT is introducing smart technologies that have the potential to help governments, companies and individuals manage their energy use more responsibly, saving money and reducing carbon emissions.

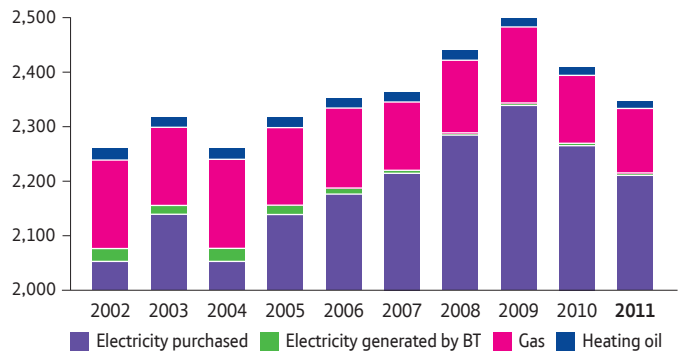
We are part of SmartReach, a consortium with Arqiva and Detica, created to support the UK government's commitment to bring smart meters to 28 million homes and small businesses in Great Britain by 2020. These will enable commercial and residential customers to monitor and reduce gas and electricity use and help utility companies improve efficiency in their networks.

SmartReach uses long range radio waves which can provide nationwide coverage and more dependable reception indoors.

Intelligent buildings and energy management services connect utilities such as heating and lighting to a central network, so they can be controlled for optimal performance. Our Green Branch service, developed by BT Spain, enables banking clients to use our IP network to monitor power consumption in their branches and to reduce it by up to 30%. It has been implemented in over 1,000 bank branches.

BT UK energy consumption

TWh Pa



The second strand of our strategy is we aim to generate 25% of our UK energy needs from renewable sources by 2016. We've obtained planning permission for our first wind farm site, www.bt.com/windforchange, which we expect to generate over 1% of BT's electricity demand from 2012. Because progress at other proposed wind farm locations has been impacted by changes in local planning laws and local authority renewable generation targets, we are exploring other options including solar photovoltaic cells (PV) and combined heat and power.

The third strand of our strategy is to continue to buy electricity generated from renewable sources. In the UK we source 42% of electricity from renewable sources and have extended this contract to 2014. 56% of our electricity comes from combined heat and power generation and the remainder from grid standard. We also have green energy contacts in the Netherlands, Germany, Italy, Belgium and Luxembourg.

Carbon reporting

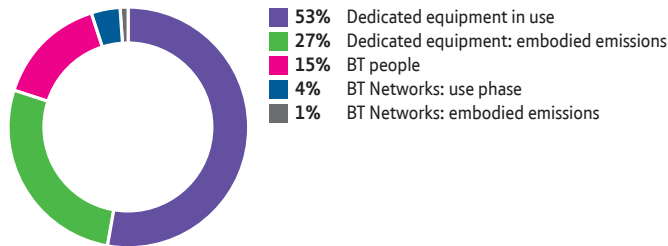
For full transparency, our carbon accounts show our grid average purchases alongside the carbon savings associated with our purchase of low carbon electricity. View our full carbon accounts at www.bt.com/sustainabilityreport

Our carbon footprint methodology

We have estimated the carbon footprint of the communications services that we are providing to the London 2012 Olympic and Paralympic Games. For completeness, we have considered the relative impact of both use phase and embodied emissions in our analysis. We considered the lifecycle carbon emissions associated with three core components:

- Equipment committed to London 2012
- BT people dedicated to the design, delivery and operation of the London 2012 solution
- The contribution of BT's existing shared network services which will carry Games traffic.

Breakdown of CO₂e emissions associated with BT's London 2012 communications services



We shared what we learnt with a new collaboration between the World Resources Institute, the World Business Council for Sustainable Development, the Global e-Sustainability Initiative, and the Carbon Trust. This will inform development of a new standard for accounting and reporting product lifecycle greenhouse gas emissions, which will enable comparison between companies, sectors and countries.

Thinking and acting sustainably

Our goal of creating a sustainable, low carbon BT will be more easily achieved with the support and efforts of employees right across the business.

'Sustainability Matters' is our online training that helps BT people understand how they can embed sustainability into their job. Specific modules help product managers and developers embed sustainability into our products and covers issues such as energy efficiency, waste and reuse. There is also a module for sales and marketing teams to help them communicate the environmental and social credentials of our products and services to customers. Over 1,000 employees have completed one or more of the courses in the first six months.

We aim to engage 20% of employees in climate change activities by 2012 and over 15,000 (16%) have signed up to at least one of our initiatives. We have 137 carbon clubs worldwide for employees to come together to take action to reduce their environmental impacts. We run energy saving campaigns around the business and have 92 energy champions, who volunteer to promote energy saving and audit energy use in their buildings.

Renewable energy

We aim to generate 25% of our UK energy needs from renewable sources by 2016.



Cool broadband

BT's Innovate and Design team is testing a new approach to power management that could significantly reduce the energy consumption of broadband lines.

Cool broadband means configuring our 21st Century Network ADSL2plus lines to be 'always available' rather than 'always fully on'. Lines automatically switch to a low power mode when user or network traffic is low and return to full speed when traffic levels pick up. Trials of the new technology at BT's research and development centre at Martlesham in Suffolk and at a nearby exchange show that it reduces energy consumption in the exchange by around 30% per line, without affecting the service that customers experience.

There are a number of further technical challenges to overcome, but this technique could play a key role in helping us further reduce the energy needed for broadband services. Read more on our innovation website at www.btplc.com/innovation

Reducing energy use in the Netherlands

BT Netherlands aims to increase energy efficiency by 30% from 2005 levels by 2020. It has:

- Saved 140kWh a year in energy used for cooling its data centres by increasing the temperature from 21°C to 25°C
- Improved airflow by repositioning vents, enabling greater use of natural cooling and adding partitions, so that cool air can be targeted where it is needed most
- Also installed more energy efficient equipment and rationalised servers at its network node sites.

Read our full case study online. www.bt.com/sustainabilityreport



An external perspective

Hugh Jones
Managing Director
Carbon Trust Advisory Services

Tackling climate change requires us all to make a step change. To play its part, BT must further reduce its own emissions and continue to collaborate with government, suppliers and customers to create change across the whole ICT industry, and the world as a whole.

BT has a great story to tell on operational energy efficiency, and taking a leadership position on carbon is opening up further opportunities to reduce energy consumption in its data centres and telecoms infrastructure, and to deploy renewable energy sources.

Collaboration is challenging because it means working closely with competitors. BT has a good track record in this area, and recently played a lead role in setting up an initiative, alongside

the WRI, GeSI, WBCSD and the Carbon Trust, to develop a new common approach to calculating the carbon footprint of ICT products and services.

Also, last year, BT worked with the Carbon Trust to introduce a new Climate Change procurement standard, to encourage suppliers to use energy efficiently and reduce carbon during the production, delivery, use and disposal of products and services supplied to BT. Exploiting the potential of ICT to enable emissions reductions in other sectors will become ever more important and we look forward to providing BT with continued support to help its customers and consumers understand and realise these benefits.

www.carbontrust.co.uk





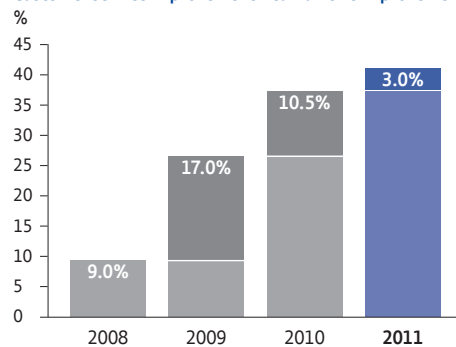
Behaving responsibly

What we did

- Introduced a new system to make it easier for UK consumer customers with accessibility needs to get the right help from BT
- Contributed to policy debates on online copyright infringement and traffic management on the internet
- Piloted new sustainability training modules to help BT employees integrate sustainability in their work
- Employed 800 apprentices and provided over 3,500 inspiring work experience placements to young people across BT
- Reviewed and strengthened our key ethics policies and processes. More than 10,000 employees have been trained so far
- Won the CSR Award at the Procurement Leaders Awards in May 2010.

! Key indicators

Customer service improvement – cumulative improvement from 1 April 2007



This is a measure of the level of improvement based on getting things Right First Time.

Supplier relationships

A measure of the overall success of BT's relationship with suppliers, based on our annual supplier survey

Target 2010 To achieve a rating of 80% or more, based on the question: 'How would you describe the quality of your company's relationship with BT?'

2011	2010	2009
86%	86%	85%

Employee engagement index

A measure of the success of BT's relationship with employees, through its annual employee attitude survey. Score out of 5

Target 2010 Maintain or improve the 2010 level of employee engagement

2011	2010	2009
3.61	3.58	3.61

Ethical performance measure

An index (out of 5) of the success of BT's employee awareness and training

Target 2010 To maintain or improve our 2010 index score. New measure in 2010

2011	2010
4.16	4.10

We operate in a highly competitive sector. To build long-lasting relationships with our customers and partners we must work hard to gain and maintain their trust.

Our commitment to responsible business means that we take time to understand the views of our stakeholders and respond to their changing expectations; that we identify and address any negative impacts associated with our business or changes in technology; and that we invest the resources needed to make sure we meet the highest ethical standards in our work. We contribute to the debate on regulation of the internet and work with policy makers to address new challenges such as piracy.

By behaving responsibly and doing the right thing for our customers, our employees and our suppliers, we will create the conditions we need to achieve our strategic goals and transform BT into a better business.

Developing our people

We are investing in the skills and development of our workforce through training, reskilling and apprenticeships. This contributes to employees' personal development and job satisfaction, helps us to keep up with changes in technology, and helps increase customer satisfaction.

We are launching training pilots to assess how best to help employees understand our commitment to sustainable and responsible business, and to adopt the right behaviours. In 2010, this included a pilot for senior managers with the Henley Business School. We are using feedback from participants to improve how we develop and deliver future sessions. A new suite of online sustainability training was also launched, including a general course for all employees and tailored modules for product and sales teams (see page 11).

Skills and development for our workforce

250

Additional apprentices recruited in 2011. There are now over 800 apprentices working across BT.



We forecast the capabilities our businesses will need in future. When it is clear that employees will need new skills to take on new roles, our transition managers support them through training and development, ensuring they receive the best preparation to be successful in their new jobs. BT works closely with employer groups such as the CBI and the UK Commission for Employment and Skills to ensure that public and private investment in skills reflects the needs of the labour market in the UK. BT is one of the key organisations sponsoring the UK government's Employee Engagement Task Force.

We focus on learning and skills development at all levels of the company. This year over 3,000 employees took accredited learning or apprenticeship certificates. Our apprenticeship programme, which saw its 50th anniversary this year, helps young people to gain the skills they need to compete successfully in our industry. Following unprecedented demand for places on this year's intake, we doubled the number of places. Over 20,000 people registered an interest in the initial 221 positions compared with 9,000 applications last year.

We are also investing in young people as part of our contribution to socio-economic development in the UK and our efforts to identify and develop the next generation of BT employees. This includes participating in the UK's 'Work Inspiration' campaign, led by Business in the Community, to help bridge the gap between the classroom and the world of work. We provided opportunities for over 3,500 young people to complete 'Work Inspiration' placements with us and aim to provide 4,000 places in 2012.

Our CR strategy in action at Openreach

Openreach, the BT Group business that maintains the UK's communications network, demonstrates how being a responsible and sustainable business creates benefits for BT, our employees, customers, communities and the environment.

Many of the benefits result from our efforts to get things Right First Time for our customers, for example by upgrading our network to reduce faults. This doesn't just improve satisfaction levels, it also reduces the number of journeys our engineers need to make to fix a problem and the associated environmental impacts of fuel use.

This is significant, as Openreach's engineering vehicles account for 11% of the Group's total carbon footprint. In addition to reducing journeys, we are also cutting fleet carbon dioxide (CO₂) emissions by training employees in fuel efficient driving and making vehicle improvements, such as fitting speed limiters and lighter racking systems to reduce weight. The combination of these measures, when added to our network health and Right First Time improvements, has led to a 15% reduction in Openreach's fleet fuel emissions over the last 4 years. In addition, CO₂ emissions from making engineering visits to repair our network has reduced by an estimated one third since Openreach was formed in 2006.

We offer all Openreach employees the chance to become involved in our sustainability efforts, not just our drivers. For example, we include sustainability related campaigns and competitions in 'The Loop', the weekly Openreach newsletter. To measure the success of campaigns like these, in the third quarter of 2011 we began to ask in our regular employee survey whether our people have taken action to reduce energy use at BT.

Our network upgrade is enabling the roll out of super-fast broadband as well as reducing faults. The enhanced internet speeds it provides will boost our customers' ability to provide more energy efficient products and services. This will help them reduce their own carbon footprints, and enable their customers to do so too.

The fibre roll-out requires different skills from those that our business has needed in the past. We are retraining many of our engineers to give them these skills, benefiting both BT and our workforce. Openreach also provides career and training opportunities for young people, employing the majority of apprentices within BT's award winning Apprenticeship scheme.

Like the rest of BT, Openreach encourages employees to help us build stronger communities. Our people work with our charity partner, ICAN, to help pre-school children start developing the communication skills necessary in later life. Openreach provides resources such as a communication activity pack for young children, and DVDs to help parents understand the importance of communication during their early years. We also run events to promote communication skills in local nursery schools.

We work with other parts of BT to encourage our employees to recycle and to reduce energy wherever possible. In addition, through our copper recovery programme, we recovered 55,823 tonnes of redundant copper cable from our network for recycling.

Read more about Openreach's responsible and sustainable business activities at www.openreach.com/orgp/home/aboutus/environmentandsociety/csr.do

Treating our customers fairly

Our commitment to customer service means, keeping our promises, being easy to contact and straightforward to deal with, keeping customers informed and taking prompt action to put things right if they have cause to complain, but above all, it means trying to do things Right First Time. During the year we invested in social media tools to help us respond to customer views and concerns more quickly and enable customers to provide feedback in ways that suit them.

We recognise that price is one of the important factors in enabling access to the benefits of ICT and we offer more affordable versions of telephone and internet services. For example, Plusnet, a BT business, provides a broadband service for price conscious customers in the UK. Our BT Basic service is a low cost phone package designed to help people in the UK on certain social benefits.

Improving accessibility for our customers

We think everyone in society should be able to benefit from the latest communications technology. We have brought together our most helpful products and services in our Including You website, www.bt.com/includingyou along with the latest news, advice and information to make it easier for our older or disabled customers to get more from their home phone or start to use the internet. The site incorporates information in British Sign Language and is the first site to receive a new accreditation mark from AbilityNet, a charity that enables people with disabilities to access technology and the internet.

We are committed to inclusive design and to integrating accessibility features into our product range. One example is our popular cordless phone, the Freestyle 710. This has an easy grip handset, large and well spaced buttons, a feature that reduces background noise for users with hearing aids, an easy to use speed dial and a back lit screen with large characters. These features improve accessibility for people with a range of visual, hearing and dexterity impairments and make it easy for all consumers to use.

In 2011 we introduced system changes to make sure our customer service advisors are able to provide the right support and advice to our customers with disabilities once the customer has let us know that they have a particular need.

Including you

Help and advice to make it easier for older and disabled customers to get more from technology
www.bt.com/includingyou



Acting with integrity

We expect everyone at BT, wherever they work in the world, to meet high ethical standards, and we want to do business with suppliers and customers we can trust and who share our values. This year we reviewed and updated our key ethics processes. We have strengthened key policies on issues such as gifts and hospitality and added clauses on anti-bribery and corruption to our supplier contracts.

Our ethics steering committee, supported by a number of regional boards, oversees our approach. Employees at all levels of the company, including the BT Board are being trained on our policies and our zero tolerance approach to unethical conduct. More than 10,000 employees, identified as those at greater risk of coming into contact with unethical behaviour, have already been trained. We're also reassessing how we incentivise our sales teams to make sure that targets help to reinforce our policies.

We wrote to every employee this year reminding them about our confidential ethics (whistle blowing) hotline, and encouraging them to report any concerns.

Read more about our ethical policies in the Company Profile section of our website, www.btplc.com

A comprehensive approach to privacy and security

Data privacy is a priority issue for BT because we hold and process personal information on our customers and employees and we provide data management services to companies and public sector organisations.

Our approach to privacy includes both technological solutions and a focus on employee awareness and behaviour. As a multinational business, we are subject to many different laws and regulations around data protection. Because IT evolves so rapidly, legal systems often struggle to keep up. Our regional committees ensure our businesses comply with current legal requirements and also guard against emerging risks. BT has adopted a new system based on Binding Corporate Rules, which allow companies to securely transfer personal data to affiliates located outside the European Economic Area in compliance with European data protection regulations. We are currently applying the rules to employee data, and hope to apply them more broadly in the future. Over 30 BT sites hold ISO 27001 certificates for data security systems. Our system for processing credit card payments is PCI compliant, and is scanned quarterly for vulnerabilities.

Working with suppliers

BT buys products and services ranging from network equipment to corporate clothing from more than 16,000 suppliers worldwide. Our procurement CR team works with our purchasing professionals, as well as experts in the countries we source from, to improve supply chain labour, environmental and climate change standards.

Since 2001 our Sourcing with Human Dignity standard has described our requirements from suppliers on social issues. Since 2009, we have been introducing a more collaborative assessment technique to check that our standards are correctly applied. We provide suppliers with feedback and coaching, work with them to correct problems and implement development plans, and monitor their progress using performance scorecards.

Our approach was recognised at two award ceremonies. 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 ProcureCon Sustainability and Green Sourcing Award.

Contributing to internet policy

Government policy can affect our business and how consumers experience the internet. We interact with regulators and policy makers on internet policy and we support measures that contribute to a thriving digital environment and help to maximise the social, environmental and economic benefits this brings. We aim to be transparent about our approach to public policy and to make sure that the positions we take support the interests of our customers and therefore our business.

Protecting families



BT Family Protection provides a comprehensive package to help parents protect their children.

Over the year we continued to engage in public debate about how online copyright infringement might be reduced in a fair and balanced way. Our activities included applying (along with another UK ISP) for judicial review of the new UK Digital Economy Act's provisions in this area and proposing a new approach to so-called Norwich Pharmacal orders under which copyright owners can seek the identity via a court order of internet subscribers they believe are infringing their copyright. This is a turbulent area of law and public policy in which BT consistently seeks to ensure that the rights and responsibilities of all parties – internet users, subscribers, ISPs and copyright owners – are respected.

We also participated in the net neutrality debate in the EU, UK and United States: the issue of whether and how traffic is managed on the internet. BT contends that the term 'net neutrality' is unhelpful since its meaning has become so blurred over time. We have publicly committed to supporting an open internet for customers to access services and applications of their choice. BT will not charge providers of services and applications for basic internet delivery. We believe that in competitive markets such as the UK, service providers should be free to manage traffic on their networks in the best interests of their customers including via commercial deals for prioritised delivery if they wish.

Our Content Connect product is one means of delivering video or other content with assured higher quality to business customers. Where there is healthy competition between ISPs and a high level of transparency, customers can choose to go elsewhere if they are unhappy with their ISP's approach to traffic management. In support of this position, BT was a lead signatory to the UK's traffic management transparency code of practice produced under the auspices of the Broadband Stakeholders Group in March 2011.

You can read our principles on net neutrality on our website at www.btplc.com/Thegroup/Ourcompany/Companyprofile/TheBTstory

BT view

Internet policy should be evidence based, built on a clear understanding of consumer needs and focused on helping consumers to make informed choices.

Internet service providers should not have to decide what is or isn't legal or what content customers should or shouldn't access online. These are primarily decisions for individual users to make – with the sole exception of images of child sexual abuse where we rely on the Internet Watch Foundation's independent assessment to prevent users inadvertently accessing such material.

Simon Milner
Director, Group Industry Policy

We give our customers the tools to control access to the internet in their home if they want to. Our free BT Family Protection provides a comprehensive package to help parents protect their children.

We exercise limited traffic management to ensure the best possible user experience of the internet in peak times and are committed to complying with the new industry code of practice on traffic management transparency.



An external perspective **Mike O'Connor CBE** Chief Executive Consumer Focus

With every passing year, internet access changes from a 'nice to have' to an essential service. It is the backbone to our economy for many consumers and gives them access to vital public and private services. This is a critical time for ISPs as mere conduits and for consumers as their right to privacy and freedom of expression, which is the right to receive and impart information, is defined in the online world. BT has tackled those issues head on with the judicial review of the Digital Economy Act and is right to seek legal certainty for itself and its customers.

The internet is changing and not necessarily for the better. It is crucial that ISPs support the principles of the open internet and balance their commercial interest with consumer rights. They should provide their customers with the right to an internet connection

of the speed and reliability advertised, and the ability to send and receive content and use services of their choice.

We welcome BT's involvement with the Broadband Stakeholder Group and its attempts to bring greater transparency and consistency in the information available to consumers. We would urge BT to go further to ensure that traffic management practices are only deployed for legitimate reasons. They should not be a smokescreen or a tool of discriminatory traffic control that restricts consumers' choice and access to the internet. To boost consumer confidence, ISPs also need to develop meaningful self regulation to ensure fair principles around traffic management as well as address the issue of barriers to switching.

www.consumerfocus.org.uk



RESPONSIBLE BUSINESS FACT FILE

Below we summarise our approach to the many social, ethical and environmental issues connected to our business. We have indicated which issues are covered by one of our key performance indicators (see pages 20–21). More information is available in our full online report at www.bt.com/sustainabilityreport



Business travel

Last year we avoided 11m kilometres and 2,800 tonnes of CO₂ from company car, rail and air travel through use of conferencing technology and flexible working arrangements. In 2011, our use of audio and videoconferencing increased 27%, cutting our costs while avoiding carbon emissions from business travel.



Carbon footprint (KPI)

We have reduced the carbon intensity of our global business including the purchase of zero and low carbon electricity by 59% compared with 1997. In the UK we have made good progress against our target to reduce our absolute emissions by 80% by 2016, achieving a 4% reduction in the last year and 60% since 1997.

UK carbon emissions

Target To reduce our UK CO₂ emissions by 80% by 2016 (from 1997 figures)

2011	2010	2009	1997
628	652	699	1,585
thousand tonnes	thousand tonnes	thousand tonnes	thousand tonnes



Charity support

BT's technology and people have helped charities to raise £34m in 2011. This includes our support for the Children in Need and Comic Relief telethons and the Disaster Emergency Committee Pakistan Floods appeal. This year, BT employees voted for Cancer Research UK to join NSPCC/ChildLine as a BT charity partner. Our employee charity matched giving programme in the UK contributed a total of £3.5m in employee and BT funding.



Civil resilience

As the largest guardian of Britain's telecommunications Critical National Infrastructure we are responsible for maintaining communications for our customers, including other communications providers, as well as national, regional and local government, emergency services and public sector bodies. We operate across all communities to ensure that, even in extreme circumstances, end users can have confidence that we will be working on maintaining their BT provided communications services.



Customer service (KPI)

'Right First Time' is our key measure for customer service. It measures how often we get things right the first time for our customers: this is important as failure increases our costs. In 2011 we achieved a 3% improvement in this measure which compares with a 10.5% improvement in 2010. This shows that we made further progress this year but the scale was less than in previous years due to a number of issues, particularly a large increase in provision volumes requiring engineer visits. These were up over 25% in the year. In addition, the very poor winter weather both increased repair demand and reduced our ability to deploy engineers effectively. In order to meet these challenges we recruited additional engineers.



Disaster relief

BT has been working with the British Red Cross since 2007, providing advice and funding to help them respond more effectively to natural disasters around the world. Equipment funded by BT continues to play a vital role in the earthquake relief and recovery operation in Haiti.



Diversity (KPI)

In 2011, we recruited 3,000 new employees, of whom 30% were female and 15% identified with ethnic minority groups. Women accounted for 36% of graduate recruits. We ranked joint first in the latest Disability Standard Benchmark and achieved our target to have a top 10 placement in four of the five major diversity benchmarks.

Diversity

A measure of the diversity of the BT workforce

Target 2010 BT will maintain a top 10 placement in four of five major diversity benchmarks.

Result BT is in the top 10 placement in five major diversity benchmarks



Energy use

We reduced our global energy use by 2.5% in 2011 by replacing equipment with more energy efficient versions, reducing the number of servers in our data centres and introducing virtual data centres, installing smart meters for electricity and gas and using office space more efficiently. In 2011, 15% of our energy use was outside the UK, and we expect this figure to increase as we expand our business globally.



Environmental management

Our environmental management system has been certified to ISO 14001 in Belgium, Ireland, Germany, the Netherlands, Italy, Spain and the UK. We audit environmental performance across our operations annually.



Emergency response team

Our specialist unit of multi skilled individuals helps countries affected by natural disasters and emergencies. They are trained to work in hazardous and high risk environments. Following a request from the Pakistani authorities, in autumn 2010, the team built a solution and trained telecommunications engineers in Pakistan to successfully deploy and maintain the satellite communications equipment needed in flood relief camps.



Flexible working

Flexible working can help employees achieve a good work life balance, whilst reducing CO₂ emissions from office space and business travel. It can also contribute to greater workplace diversity by making it easier for people with disabilities and/or caring responsibilities to work for BT. In 2011, we employed 4,300 part time employees, 230 job sharers and more than 9,500 people who regularly work from home in the UK. We also provide communication solutions to help many of our customers introduce flexible working in their own organisations.

 **Health and safety (KPI)**

There were 2.25 lost time injuries per million working hours, compared with 2.09 in 2010 and a target of 1.80. The rise in lost time injuries is largely attributable to slips and trips associated with the extended period of ice and snow in the UK winter and some contribution from an increased overtime requirement in the field engineering workforce. Our sickness absence rate percentage of calendar days lost to sickness – was 2.41%, compared with 2.46% in 2010, against a target of 2.21%.

 **Heritage**

The Connected Earth website www.connected-earth.com and partner museums across the UK preserve historic telecommunications artefacts, documents, images and films of acknowledged national significance. There were over 20,000 downloads of free National Curriculum standard teaching resources in 2011.

 **Inclusive services**

BT has been providing dedicated assistance and services for older and disabled customers since 1984. This includes providing information in large print, braille, audio or in British Sign Language, and integrating accessibility features into our product range. www.bt.com/including-you

 **Investment in society (KPI)**

In 2011, BT invested £27.6m in projects that directly benefit society. This investment comes in the form of money, time and in-kind support, and exceeded our target to invest at least 1% of underlying pre-tax profits.

From 2011 the base for calculation of our percentage contribution to society will be the previous year's pre-tax profits. This will create a stronger link to current performance than the historical base of pre-tax profits from two years prior. The Group Board agreed to increase investment from the minimum of 1% of pre-tax profits to at least £25m in 2011, to reflect the importance of these activities.

Investment in society

BT's total investment in cash, in kind and in time towards community programmes and sustainability

2011	2010	2009
£27.6m	£26.4m	£25.0m

 **Our values**

Our Statement of Business Practice, 'The Way We Work', defines our expectations of and commitment to our customers, employees, shareholders, partners, suppliers and local communities. This year we reviewed and updated our key ethics processes and introduced a new system to help us assess ethical risks associated with the suppliers we work with.

 **Pensions**

BT provides retirement plans for staff in over 50 countries. The largest is the BT Pension Scheme, a defined benefit plan in the UK with assets of £37bn. During the year the IAS 19 accounting deficit has reduced by £4.3bn to £1.4bn net of tax at 31 March 2011. Whilst on a median estimate basis, reflecting expected investment returns and likely liabilities, we estimate there is a surplus of £3.2bn. Further details can be found in our Annual Report.

 **Privacy and security**

Safeguarding sensitive data is essential to maintaining our customers' trust. Everyone with access to personal employee or customer data must undergo data protection training once every two years. In 2011 we ran a 'Think Privacy' campaign, to remind employees about our policies and to encourage them to call our Help Desk if they need advice or want to raise a concern about privacy.

 **Supply chain standards (KPI)**

We have detailed labour and environmental standards for suppliers and monitor compliance using questionnaires and site assessments. In 2011, 70 suppliers completed self assessment questionnaires and we carried out 34 site assessments. We engaged a smaller number of new suppliers in 2011 with a reduction in the number of questionnaires (180 in 2010). We are working with 270 suppliers to improve their environmental standards and 266 on their labour standards.

 **Fleet transport**

Our commercial fleet travelled 27 million more kilometres in 2011 compared with the year before, increasing fuel use by 1.3%. This was due to increased demand for Openreach services coupled with the integration of BT Payphones engineers into Openreach. See Openreach story on page 15.

Transport

Kilometres travelled by BT liveried fleet (millions)

2011	2010	2009
410	383	451

 **Waste and recycling (KPI)**

In 2011, we sent 69% less waste to landfill globally, compared with 2010, supported by a 38% increase in the waste that we recycled. This reduction is largely the result of switching our waste management contract to a specialist recycling company, vastly increasing the amount of waste sent to these depots.

 **Water use**

In the UK in 2011, we used 1.37m cubic litres of water, a 1% reduction from 2010. Water efficiency measures include installing water management systems and reducing office space through our building rationalisation programme.

WHAT OTHERS THINK

Our BT Leadership Panel of independent sustainability experts provides feedback on our approach and performance. Their views help us to refine our approach and to identify emerging sustainability risks and opportunities for our business.

The Panel meets four times a year and reviews our annual sustainability report.

The corporate sustainability agenda never stays still for very long. But it moves at different speeds within the same company depending on a host of both internal and external factors. BT's leadership has been dealing some daunting business issues over the last couple of years, which may help to explain (as we've indicated in previous commentaries) BT's own sustainability story has been moving forward fairly gently during that time, after many years in the fast track.

Taking stock for this Sustainability Review, we're confident that the pace is now picking up. The decision to formalise BT's multiple commitments in this area through a new high level strategic priority for the company as a whole ("To be a responsible and sustainable business leader") is significant, and will ensure greater senior level buy in across all the lines of business. We're also pleased to be working more closely with BT's Board committee for Sustainability and Responsibility.

We've also seen a distinct acceleration in terms of the innovation agenda, and are encouraged by BT's various initiatives to take a lead on smart grids and meters. This is a huge area of future growth, and provides an unparalleled opportunity for BT to start building a more substantial portfolio of sustainable products and services.

BT is also building on some of the pioneering work that first established its reputation as leader in this area. For instance, it was one of the first companies in the UK to develop a proactive sustainable procurement strategy, and it's good to see it now taking that to the next stage with a new climate change procurement standard that will apply to all its suppliers – and will encourage them to do far more to manage their own carbon footprints.

A key player in building up BT's reputation on corporate sustainability was Chris Tuppen, who stepped down from that role last year. The Panel worked with Chris since its inception, and we would like to take this opportunity to pay tribute to an indefatigable champion whose influence reached far beyond BT itself.

In that regard, it's also very welcome news that BT has decided to appoint a new chief sustainability officer at a senior level, and we have no doubt that this will help drive forward a renewed leadership ambition.

And that's going to be crucially important. The external context of BT does not stay still either, and requires constant juggling between short term priorities and longer term investments and innovation. BT's £2.5 billion commitment to super-fast broadband in the UK provides a particularly compelling illustration of what that kind of long term commitment looks like in practice.

BT's unique hybrid persona (part competitive player in a hugely dynamic telecoms sector, and part legacy utility with a significant number of regulated service obligations) enables it to articulate its leadership across a very wide spectrum of sustainability issues. That's what gives BT a whole raft of opportunities to help build a better world, and we look forward to continuing to advise BT with that objective in mind.



Jonathon Porritt
Chair of the Panel, Founder and Director of Forum for the Future, a UK sustainable development think tank



Mark Goyder
Founder/Director
Tomorrow's Company, a business think tank



Elisabeth Laville
Founder/Director
Utopies, a Paris-based sustainability consultancy



Jørgen Randers
Professor of climate strategy
Norwegian Business School BI



Nick Robins
Head of Climate Change Centre of Excellence
HSBC in London

LRQA assurance statement

Lloyd's Register Quality Assurance Limited (LRQA) assures this review and our online database against the AA1000 Assurance Standard (2008). You can read their full comments in our online report.

Based on the terms of engagement, LRQA's conclusions are summarised below:

- BT complies with the AA1000 Accountability Principles of Inclusivity, Materiality and Responsiveness
- The information presented within the Reports is fair and accurate
- BT's self declaration of GRI G3 A+ application level is fairly stated

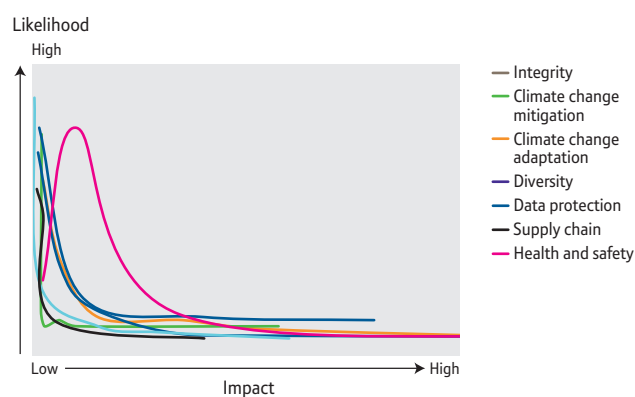
RISK, MATERIALITY AND INDICATORS

We identify and manage our Corporate Responsibility (CR) risks using BT's Enterprise Risk Management system, and the results feed into our process for identifying the most material (relevant and significant) CR issues for our business. We use a set of CR key performance indicators to monitor our progress in addressing the most material issues.

Risk management

Our CR risks are reviewed twice a year by the CR Risk Panel and annually by our Board and our external Leadership Panel. Each of these CR risks has a senior management owner and a mitigation strategy in place.

Chart title here



Climate change adaptation

The risk of not planning for increasing severe weather events. We site our facilities in areas of low risk and are making our networks more 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.

Supply chain labour standards

We address this risk through supplier assessment and monitoring.

Health and safety

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

Our risk covers such vulnerabilities as bribery and corruption. We have an ethics policy outlined in 'The Way We Work', which raises awareness. We also provide training and regular communications as a reminder to all BT people of their obligations to integrity and ethics regulations.

Privacy and data protection

The scale of our business and global nature of our operations means we manage significant volumes of personal and commercially sensitive information.

Of the seven CR risks described above, the last three are assessed to be significant enough to be included on the BT Group Risk Register. The most significant of these, privacy and data protection and business integrity and ethics are managed as part of our Group risks which are discussed in our Annual Report and Accounts (page 42).

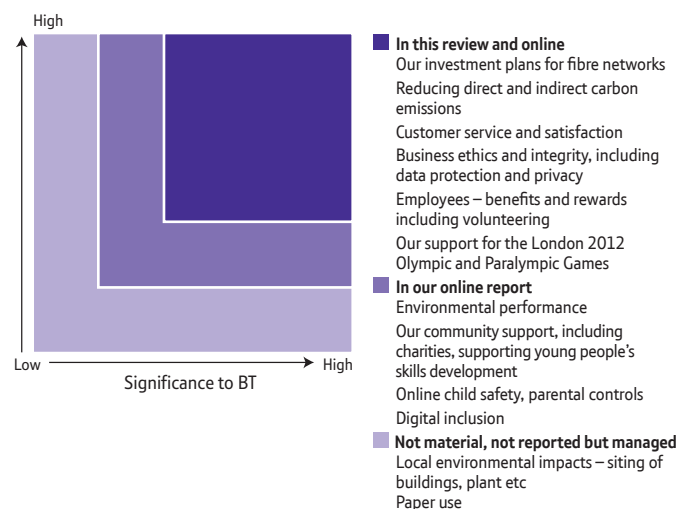
Materiality

We use a formal process to help us identify the materiality (relevance and significance) of CR issues to our business and stakeholders. We do this by taking the range of CR issues that our stakeholders said were important during the year and assess how significant they are to BT. This helps us focus our actions and reporting on the most strategically important issues.

In this review we cover the most material issues – our online report covers these and other issues.

Chart title here

Significance to BT stakeholders and society



Key performance indicators












We have been reporting on our CR Key Performance Indicators (KPIs) for a number of years. These sit above a much more comprehensive set of performance indicators (PIs) which are published in our full Sustainability Report each year (see our online report). During 2011 we have reviewed our KPIs, including with the Leadership Panel, to ensure that they are the most material for our stakeholders and align with our Better Future strategy.

As a result of this review we will be developing a number of new KPIs in 2012, whilst some of our current KPIs will continue to be reported in our Sustainability Report but be reclassified as performance indicators. These include diversity, health and safety (lost time injury rate), waste to landfill and recycling and supplier relationships.

HOW WE DID THIS YEAR

We use non financial key performance indicators to measure our progress. This table also includes direct costs to BT related to our environmental and social performance, in line with the principles of the Connected Reporting Framework. Information from this table is included in our Annual Report & Form 20-F 2011.

Key CR indicators

	Key indicators	Non financial indicators			
		Target 2011	Results 2011	Results 2010	Results 2009
Customers	Customer service A measure of success across BT's entire customer base	To improve customer service based on getting things Right First Time (RFT) in line with the corporate scorecard (see page 16)	3% Improvement in RFT service from 2010	10.5% Improvement in RFT service from 2009	17% Improvement in RFT service from 2008
	Employees	Employee engagement index A measure (out of 5) of the success of BT's relationship with employees, through its employee attitude survey	Maintain or improve the 2010 level of employee engagement	3.61	 3.58
Diversity¹ A measure of the diversity of the BT workforce		BT will maintain a top 10 placement in four of five major diversity benchmarks. Four of these benchmarks will be UK based and the fifth a global diversity benchmark	BT is in the top 10 placement in five major diversity benchmarks	 BT is in the top 10 placement in four of five major diversity benchmarks	BT is in the top 10 placement in four of five major diversity benchmarks
H&S: Lost time injury rate¹ Lost time injury cases expressed as a rate per million hours worked on a 12 month rolling average		Reduce to 1.80 cases (see page 17)	2.25 cases	 2.09 cases	1.60 cases
H&S: Sickness absence rate Percentage of calendar days lost to sickness absence expressed as a 12 month rolling average		Reduce to 2.21% calendar days lost due to sickness	2.41%	 2.46%	2.17%
Suppliers	Supplier relationships¹ A measure of the overall success of BT's relationship with suppliers, based on our annual supplier survey	To achieve a rating of 80% or more, based on the question: 'How would you describe the quality of your company's relationship with BT?'	86%	 86%	85%
	Ethical trading A measure of the application of BT's supply chain human rights standard	To achieve 100% follow up within three months for all suppliers identified as high or medium risk, through our ethical standard questionnaires (see page 17)	70 risk assessments with 100% follow up	 180 risk assessments with 100% follow up	78 risk assessments with 100% follow up
Improving society	Investment in society	Maintain a minimum investment of 1% of underlying pre-tax profits (see page 17)	1.9%	 1.05%	1.01%
	Community effectiveness measure An independent evaluation of our community programme	Maintain evaluation score at over 90%	98%	 96%	91%
Environment	CO₂ equivalent (CO₂e) emissions A measure of BT's climate change impact	By December 2020, BT Group will reduce its CO ₂ e emission intensity by 80% against 1997 levels. Target set in 2008	CO₂e 759,000² tonnes 53% reduction 59% intensity reduction	 CO₂e 787,000² tonnes 52% reduction 57% intensity reduction	CO₂e 835,000² tonnes 49% reduction 55% intensity reduction
	Waste to landfill and recycling¹ A measure of BT's use of resources	BT Group will reduce the tonnage of waste sent to landfill by 10% from 2010 levels (see page 17)	69% reduction in waste to landfill from 2010	 15% reduction in waste to landfill from 2009	17% reduction in waste to landfill from 2008
Integrity	Ethical performance measure An index of the success of BT's employee awareness and training	Maintain or improve our 2010 index score (results from 5)	4.16	 4.10 (new measure)	UK only

¹ This measure is expected to be reported as a performance indicator from 2012 – as opposed to being a key performance indicator – as we are developing some new KPI measures which more closely reflect our future strategic priorities

² CO₂ equivalent emissions have been restated for this year and previous years to reflect changes in emissions factors published by government and other non-material corrections
³ Restated following a refinement of the scope of this measure

Key to symbols

 2010 target achieved

 2010 target not achieved

 Ongoing target

All targets have an end date of 31 March 2011 unless otherwise indicated

Financial indicators		2011	2010	2009	
Target 2012					
The Group Customer Service measure will consist of continuing RFT, and the new measurement of Customer Issue Reduction. We will publish the result in our 2012 report	Total adjusted revenue	£20,076m	£20,911m	£21,431m	Customers
	Average revenue per (UK) consumer household	£326	£309	£287	
Maintain or improve the 2011 level of employee engagement	Employee costs	£4,887m	£5,004m	£5,616m	Employees
	Number of employees (full, part-time and jobshare)	94,158	97,798	107,201	
BT will maintain a top 10 placement in four of five major diversity benchmarks	We have been unable to develop an appropriate financial measure				
Reduce to 2.0 cases	Cost to the business arising from injuries resulting in time off work	£6.1m	£5.6m	£7m	
Reduce to 2.29% calendar days lost due to sickness	BT sick pay costs	£90.1m	£95.4m	£85.2m	
To achieve a rating of 80% or more, based on the question: 'How would you describe the quality of your company's relationship with BT?'	Total spend with external supply base	£11.3bn	£12.0bn	£13.0bn	Suppliers
To achieve 100% follow up within three months for all suppliers identified as high or medium risk, through our ethical standard questionnaires	Value of procurement contracts where our suppliers agree that we work with them to improve sustainability impacts	86% of supplier spend	86% of supplier spend	83% of supplier spend	
Maintain a minimum investment of 1% of underlying pre-tax profits	Responsible and sustainable business investment (time, cash and in-kind support)	£27.6m	£26.4m	£25.0m	Improving society
We will renew this measure during 2011					
By December 2020, BT Group will reduce its CO ₂ e emission intensity by 80% against 1997 levels. Target set in 2008	Total energy costs (Electricity Fleet fuel + gas + oil + diesel for back up generators etc; UK and Ireland only)	£243m	£285m	£247m	Environment
BT Group will reduce the tonnage of waste sent to landfill by 20% from 2011 levels	Income from recycling	£5.65m	£6.65m	£7.42m	
	Landfill tax savings	£1.87m	£0.96m	£1.15m	
	Waste costs	£(5.49m)	£(4.75m)³	£(4.78m)³	
	Net waste savings/(cost)	£2.03m	£2.86m³	£3.79m³	
Maintain or improve our 2011 index score (results out of 5)	Revenue support (Customer bids with a sustainability component)	£2.1bn	£2.1bn	£1.5bn	Integrity

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

all at www.bt.com/betterfuture



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