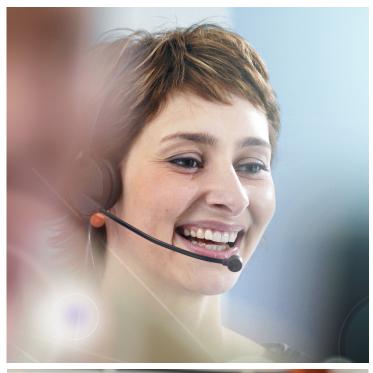


Modern slavery: where we stand

2016











At BT we are committed to running our business responsibly. We strive to maintain high ethical principles and to respect human rights. It also means doing our best to encourage high standards in our supply chain and business.

In this document we describe our business and supply chain, and how we operate them. We explain our current policies and practices, and the plans that we have to enhance these in light of the Modern Slavery

Our business and supply chain

We're one of the world's leading communications services companies. Across the BT group, we have 102,500 people. This includes 12,800 who joined the group as part of EE. We're based in the UK but we serve customers across 180 countries. Our customers are individuals, public bodies, charities and companies ranging from international to small business. We sell phone, broadband, mobile and TV services, as well as global IT networks. We're the backbone that supports UK government, defence, health and police services.

We buy a vast range of things, from network and IT hardware to corporate clothing and waste disposal services. Some of these products and services we use in our own business (like catering) and some we use as part of what we sell to our customers (like IT equipment). Around 16,000 suppliers sell to us.

On top of that, lots of our suppliers have their own suppliers. Our supply chain is therefore very large and complex. So we prioritise attention on companies that supply high value products or services, or things without which our business couldn't run.

Our stance on modern slavery

We have a long-standing policy that we don't use or accept forced, bonded or involuntary prison labour or child labour. Nor do we demand deposits or hold onto our workers' identity papers, or work with businesses that do. We only work with people who choose to work freely. We respect the right to equal opportunity, freedom of association and collective bargaining. Our statement of business practices and values – The Way We Work – echoes this. It's available in 14 languages. In 2016 we'll be updating it to better reflect the Modern Slavery Act.

The Way We Work sets out how we expect BT people to behave. It applies to everyone. It is also the standard we expect from everyone who works on our behalf – including suppliers and contractors. Any subsidiaries in which we hold more than a 50 per cent interest must adopt The Way We Work and integrate it in their business.

The Way We Work is part of our purchasing terms for direct suppliers. We take an even firmer approach with those companies whose products or services we couldn't do without - or those with whom we have longstanding contracts. Here we also use our Sourcing with Human Dignity standard, establishing the principle that working conditions in our supply chain should meet international labour standards.

Sourcing with Human Dignity covers freely chosen employment, freedom of association, working conditions, child labour, living wages, working hours, discrimination, regular employment and harsh or inhumane treatment. It is available in 8 languages. We're strengthening sections of it to include more explicit references to forced or bonded labour and human trafficking.

We communicate changes to these policies, sometimes across the company or to specific groups, like our buyers and sales teams.

We welcome our people speaking up about any unethical behaviour, and make it easy for them to do so via their manager or our ethics team. A global, confidential helpdesk lets anyone (including contractors and suppliers) report any wrongdoing or behaviour they think goes against our standards. It's available on the phone and online, and we promote it with poster campaigns, on our intranet, via internal communications and on our Selling to BT website. And in most countries people can use the helpdesk anonymously (depending on local data protection laws).

We think helplines should play a bigger role in tackling modern slavery. People need help to understand the issue, enforce the law and support victims. That's why we're setting up and supporting the UK's Modern Slavery Helpline and Resource Centre with Unseen – a UK Charity focusing on tackling modern slavery. The Freephone Helpline will launch in 2016. It will provide victims, the public, statutory agencies and businesses round-the-clock access to information and support to help eradicate modern slavery.

How we check compliance with our standards

We aim to prevent modern slavery or human trafficking in our business right at the start of our recruitment processes. We have a recruitment policy which aligns with our principles in The Way We Work. We hire roughly 80 per cent of our people in the UK using our own internal teams. We also use external agencies for some types of jobs (about 20 per cent of our overall UK recruitment). External agencies go through the same procurement processes we apply to our supply chain. We don't charge fees to people joining BT. We wouldn't expect our external agents to either – but this year we'll update our recruitment policy and agency contracts to make it expressly clear.

Once people join us, they're expected to live up to our principles in The Way We Work. We give our people plenty of support, education and training. But if they don't behave ethically at work we would consider taking disciplinary action against them, which ultimately could lead to dismissal.

Since the Modern Slavery Act came in, we've decided to look deeper into our business operations, including recruitment, to identify any parts at risk of slavery and human trafficking. Once we've completed that programme, we'll decide the right things to do next. As we keep learning more, we'll review and refine the steps we take to identify potential incidences of slavery or human trafficking.

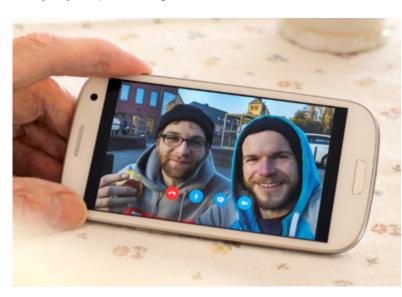
The steps we take for our supply chain depend on how we initially evaluate a supplier. We ask all but our lowest risk suppliers to complete our 'Sourcing with Human Dignity' questionnaire – which helps establish a high, medium or low risk of them falling below our standards.

Risk profiling helps us focus our efforts where they are most needed. For example, suppliers may present a higher risk of slavery or human trafficking because of where they're based or the type of product or service they provide. All medium risk suppliers get a review. High risk suppliers get a more detailed review to better understand the risk and put in steps to tackle it; this may mean visiting their sites.

Each year we do around 50 on-site audits of our higher risk suppliers. We work together with them to address any problems we pick up.

We keep our processes under review. In 2014 we looked at our procurement processes as part of an overall human rights review of our business. We're implementing the review's recommendations, as well as looking again at our supply chain approach in light of the Modern Slavery Act.

In December 2015 we analysed the areas with the biggest risk of modern slavery and human trafficking. We based that on what we were buying from them, and from where they were sourcing their products or services. We found the highest risks in construction and engineering services for our infrastructure; in guarding and monitoring services for our properties and infrastructure; and in the catering and cleaning services used in our business. The network equipment we buy may also present a higher risk.



Helping BT people learn about the issues

Everyone who works for BT has to complete training on The Way We Work when they start. In June 2015 we changed how often people have to repeat it from every two years to annually. By the end of March this year, 99.2 per cent of BT people (excluding anyone on maternity/paternity or long-term sick leave) had done the training.

The course includes a human rights module which we'll update to more specifically address modern slavery and human trafficking. We'll focus on helping people understand and identify slavery and human trafficking risks, and remind them how they can report any concerns.

All our buyers have to complete Corporate Social Responsibility and Sustainability Awareness training. This includes learning about our Sourcing with Human Dignity standard. In 2015 we had knowledge sessions on the Modern Slavery Act with our buyers working with suppliers in higher risk categories.

In November 2015 we invited Unseen to give us an external, non-business perspective and help us more deeply understand the issues.

Measuring how we're doing

We check how we're measuring up against our business standards – including The Way We Work – in a number of ways. Our Line of Business Audit and Risk Committees and Regional Governance Committees monitor how many people complete their mandatory training at least quarterly against our targets. Mandatory training reports (which include The Way We Work course) go to our Operating Committee and to other parts of our business each month.

Our Human Rights Steering Group monitors our approach to human rights; they regularly update our Operating Committee and Board. We've set up a crossfunctional team to look at how we address modern slavery and human trafficking. It's made up of people from legal, governance, compliance, policy, human resources and procurement.

Every year we report publicly on our ethical procurement key performance indicator. It tracks how effective we're being in following up responses to our Sourcing with Human Dignity questionnaire from high and medium risk suppliers. We also track the number of Speak Up reports every year and our measures of employees' awareness of ethical issues.

We'll develop a more comprehensive programme addressing the risks of slavery and human trafficking beyond our direct suppliers. Longer term, we'll look at developing better ways of measuring the effectiveness of the steps we take to manage these risks. And we'll be able to talk more about how we've progressed in next year's statement.

This statement covers 1 April 2015 to 31 March 2016 and has been approved by the board of British Telecommunications plc.

Sugwilliams
Director

July 2016

