

The BT Story

26 March 2012

Introduction

The BT Story provides a summary of some of the key strategic and policy issues affecting the company today both in the UK and across its growing global businesses. More information can be found at www.btplc.com.

BT today

BT is the major provider of telecommunications networks and services in the UK. But we are also a major global communications company, serving customers in more than 170 countries. We provide services to large corporate and public sector customers with operations across the world in a wide range of sectors such as banking and financial services, consumer packaged goods, logistics, pharmaceuticals and manufacturing. Information about our presence in the different regions around the world appears later in this briefing.

We have embraced fierce competition in our home markets and become an innovative and dynamic company competing in the converged markets of computing, IT and communications.

BT's strategy is to drive broadband-based consumer services, become the 'Brand for Business' for UK SMEs, the wholesaler of choice and the best network provider. We aim to be a global leader through BT Global Services. And all this whilst being a responsible and sustainable business leader.

Broadband – investing in faster speeds and spreading coverage

As well as providing services across the UK in a non-discriminatory way, we are also looking to improve the speed of the broadband services we offer.

We have committed £2.5bn of our own funds to roll out fibre optic cable required for superfast broadband. This will deliver superfast broadband at speeds of up to 80 Mbps to two-thirds of UK premises by the end of 2014, with speeds of up to 300 Mbps available on demand. We are bidding for public funds and working with local authorities to extend that roll-out into areas where the commercial case for investment is more challenging. If successful in most of these bids, we believe we can get superfast broadband to more than 90% of UK premises. We are working on other solutions to improve speeds for remaining properties.

99% of UK premises currently have access to some sort of broadband connection. For broadband availability, the UK already leads Europe. 90% of premises already have access to speeds of more than 2 Mbps, enough to stream standard quality television or video pictures. The challenge is to increase speeds and take up to drive economic activity. Work on this is well under way.

The commercial roll-out of fibre is proceeding well, with more than seven million of the UK's 28 million premises now passed by a BT fibre optic connection. We are deploying the fibre network very rapidly, passing more than one million premises a quarter. The number of homes passed should reach 10 million later this year, with two-thirds of UK properties being passed by BT fibre by the end of 2014.

BT's fibre network is available to all communications providers to access on an open wholesale basis – providing consumer choice in service provider and choice wherever BT deploys its network. BT's is the only fibre network deployment in the world that proactively seeks to offer wholesale access to encourage plurality and competition in retail provision of superfast broadband.

Our fibre deployment is primarily by means of "fibre to the cabinet" (FTTC), with the broadband signal travelling over copper wire from the local cabinet to the home. Currently, this enables speeds of up to 40 Mbps downstream and up to 10 Mbps upstream. These speeds will roughly double from April 2012 to 80 Mbps downstream and 20 Mbps upstream as a result of technical innovations which we are

introducing. In some areas, particularly greenfield sites, we deploy “fibre to the premises” (FTTP), enabling speeds of up to 110 Mbps downstream and 10-15 Mbps (depending on service taken) upstream. FTTP will offer downstream speeds up to 330 Mbps from April 2012. We have also recently announced plans under which FTTP will be available “on demand”. This means that all premises in our commercial deployment in two thirds of the country will be able to receive FTTP by spring 2013. This will be a premium product offering very fast speeds and will be aimed primarily at SMEs. Businesses which want especially high speeds will be able to request that fibre be installed from the cabinet to their premises.

The final 10 per cent of the UK is going to be the hardest to reach with fixed line super-fast broadband and we are busy trialling other technologies. One of these is based on white space and the initial results are very encouraging and could offer an effective solution for ‘not spots’ and ‘slow spots’.

In Cornwall, we are already trialling a solution which envisages delivering enhanced broadband speeds over mobile telephone frequencies. This trial of the use of LTE wireless technology (so called 4th generation wireless) is in partnership with Everything Everywhere. The trial has successfully connected areas which were previously broadband “slow spots”. When trials are complete, we can compare the effectiveness of “white space” against LTE solutions.

We are also developing our existing satellite broadband services, primarily for rural business use, into a product suitable for residential customers. Satellite connections may well be an option for places where “white space” and LTE do not work. Using satellite is more expensive and unlikely to deliver the same speeds as “white space” or LTE, but could still be a solution to connect the most isolated parts of the UK.

Working in partnership with local authorities and others is the way to extend service to the harder to reach areas. BT is already working in this way in Cornwall and Northern Ireland – two parts of the UK which have secured public funds and pioneered early rollout of superfast broadband. In Cornwall, for example, a £132m partnership funded by the EU, BT and Cornwall Council, and managed by Cornwall Development Company, is bringing superfast broadband throughout Cornwall and the Isles of Scilly, making it one of the best connected places in the world by 2014. Over 10,000 businesses will be connected to superfast broadband and the investment programme will create 4,000 jobs, safeguard a further 2,000 and help attract new businesses to the area.

Duct and Pole Sharing

Although duct and pole sharing will not be the silver bullet to get fibre to every premise in the UK, these products represent a positive step, opening our infrastructure to provide industry with an even wider range of different mechanisms for delivering fibre broadband.

The first companies to trial deployment of their own high-speed broadband infrastructure using BT’s duct and pole network are Fujitsu and Call Flow, who have successfully completed a trial to test the processes and practicalities, as well as the real costs involved in deploying their own Next Generation Access (NGA) network through the Openreach duct and pole infrastructure. Other Communications Providers (CPs) are also expected to try the product. Currently Openreach provides a managed NGA product across its infrastructure on an open platform to all its CP customers, including Sky and all other UK providers.

Net Neutrality

“Net neutrality” refers to the concept of non-discrimination by network operators in relation to traffic over their networks. Where there is strong competition between service providers, net neutrality should not be an issue since customers can choose to go elsewhere if they are unhappy that a service is being restricted.

BT has signed up to a Code of Practice, alongside other UK operators, which covers top level traffic management principles.

BT has made four key public commitments:

- BT broadband customers will be able to access any internet-based service or applications.
- No legal service or application will be blocked on these products.
- Content and application providers will not be charged for basic internet conveyance.
- We will provide wholly transparent information to customers on our traffic management practices in line with industry best practice.

Cyber security

BT has a reputation for high levels of trust and security, and is committed to providing security for both its own and its customers' networks, systems and data against cyber-attack and exploitation.

BT's key network services and products are converging onto a single architecture that enshrines comprehensive and cost effective cyber defence capabilities, allowing prevention, detection, disruption and response. The security we offer to customers builds on the best security practices already adopted by BT. We are a trusted cyber partner to Governments in the delivery of their National Cyber Strategies and are helping Governments across the world as they work towards legislation, regulation and contractual arrangements to facilitate and enable cyber defence.

BT's network has always been underpinned by robust security controls and built-in resilience. We continue to work closely with all our suppliers, and governments where appropriate, to ensure that the security of the BT network is not compromised. We take into account cyber risks not arising from network and system electronic attack, but also from the supply-chain, physical access, and through personnel.

Mobility and Convergence - allowing communications wherever you are

Computing and all forms of communication are going wireless and will increasingly be available on the basis of what you want where and when you want it. BT's wireless broadband footprint, including BT Openzone, BT Fon and BT Openzone at Business Hub hotspots now exceeds 3 million locations. We continue to provide wireless internet access in places where people want to log on including hotel chains, coffee shops, transport hubs, marinas, airport lounges, 16 major city centres, homes and independent businesses.

Millions of BT Broadband, BT Mobile Broadband and BT Openzone customers can use the internet at these locations. We are committed to providing internet access wherever people want to log on, from their choice of Wi-Fi enabled device including laptops and Smartphones - whether in or out of the home, the office or out and about - and will continue to grow our Wi-Fi hotspot estate.

BT – the global company

Globalisation has changed the economics of business. Networked IT services enable organisations to work seamlessly across time zones and borders. In order to help our customers reach new markets, and improve their productivity and operational efficiency, BT is committed to deliver the services they need to compete in a global market. BT operates globally and delivers locally to most of the world's large multinational corporations, including most of the biggest banks, top stock exchanges, leading broker-dealers and top global corporations in industries such as pharmaceuticals, manufacturing, logistics and consumer packaged goods. Customers include many of the world's most respected brands, such as Unilever, Thomson Reuters, Microsoft, Pepsico, Fiat, Novartis, AstraZeneca, BASF and Deutsche Post DHL.

BT also serves many of the UK's largest corporations and is one of the largest suppliers of networked IT services to the UK government and is a trusted supplier to public sector organisations around the world, serving international organisations such as the EU, NATO, WHO and UN.

BT's global assets include a global, all-IP 21CN network, data centres, solution design and integration professionals and IT security experts. This combination of network, IT and professional services allows BT to offer solutions that help our customers' people to be more productive, their own customers to be better served and their organisations to operate more efficiently.

In order to continue to serve such customers it is critical that barriers to entry are eliminated and all operators are treated equally. The protection of incumbent operators and national champions inevitably hurts consumers and the wider economy, restricting choice and curtailing innovation and investment.

The European Union Policy Agenda

The European Union (EU) has a significant influence on the policy and regulatory environment in which BT operates, with EU legislation setting the framework for areas as diverse as fibre access, spectrum, net neutrality, and Green ICT. Our focus is on an open, competitive, level playing field across the EU and across different communications platforms – a true Digital Single Market.

In the connected, knowledge-based economy, the ICT sector makes a major contribution to Europe's competitiveness. This is recognised by the European Commission's "Digital Agenda" initiative which places ICT and Telecoms at the heart of Europe's economic growth and recovery strategy. As well as promoting new high speed networks, EU policy-makers are showing increasing interest in online and

consumer issues relating to cloud computing and new services. BT supports a balanced approach which does not impede development of new business models.

The “Digital Agenda” sets challenging goals for fast broadband deployment across the EU, and the European Commission is developing additional guidance on access to next generation fibre access networks which are important for the UK and the rest of Europe. BT supports a policy which encourages both investment and competition in innovative new networks and services and we are pleased the Commission has endorsed Ofcom’s regulatory approach in the UK, in favour of virtual unbundled access. Competition at service-level will be essential across the EU if the full benefits of innovation are to be enjoyed not just by consumers, but businesses as well.

BT in the USA and Canada

North America is a key market for the company. BT has had a presence in the U.S. and Canada for 20 years, with more than 4,000 professionals and offices in over 35 key cities. BT owns and operates one of the largest MPLS networks of any carrier in North America, and manages nine network operations and customer service centers, and three security operation centres.

The cost of access continues to be BT’s biggest regulatory issue. Since the major market consolidation in 2005 we have become entirely reliant on the incumbent operators to provide last mile access. The incumbents are enjoying rates of return of anywhere between 60% and 130%, which make it almost impossible for BT to produce a competitive bid on a US only contract.

BT serves many large customers in North America, including Unilever, Pepsico, Reuters, Procter and Gamble, and many of the world’s largest financial institutions.

BT in Asia Pacific

BT’s presence in the Asia Pacific region dates back to 1985, through the establishment of offices in Hong Kong. It now serves 18 countries in the region, with 17 offices across India, China, Malaysia, Singapore, South Korea, Japan and Australia, directly employing around 5,000 people. BT also indirectly employs an additional 25,000 in the region. BT operates 24-hr service centres in Pune & Mumbai (India), Tokyo, Sydney and Dalian (China), as well as a BT Security Operation Centre in Noida, India. BT Research Centres are operating in Malaysia and China.

BT recently announced the roll-out of the first phase of a new investment programme into the Asia Pacific region, covering additional resourcing, new infrastructure and expanded portfolio of services. As part of this plan, BT is in the process of hiring around 300 new positions across Asia. This will ensure that key portfolio and services enjoyed by BT’s customers around the world can be offered and fully supported in Asia Pacific. BT is also establishing a bid response centre in Singapore to enhance its capabilities to pursue large regional managed services deals, an area where BT leads the market today in many parts of the world.

BT in EMEA (Europe, Middle-East & Africa)

- **Benelux (Belgium, Netherlands, Luxembourg):** BT provides a broad portfolio of services to around 900 large private and public organisations, including Tommy Hilfiger, the Dutch Directorate for Public Works and Water Management, Van Oord, Philips, NATO, European Union, Pioneer, Bourse de Luxembourg and Euroclear. BT employs around 1,900 people across the Benelux, including 600 ICT-professionals & consultants in the professional services organisation.
- **France:** BT provides managed networked IT services, with strong capabilities in ICT infrastructures as well as associated professional services. BT’s network comprises 16 points of presence covering all major French cities and 4 hosting centres in Paris and Lyon. It is supplemented by local partnerships to ensure national coverage. In France, BT employs 2,600 people including 1,600 professional services consultants and 450 security specialists serving 1,200 clients, including 90% of France’s CAC 40 community, with customers such as Rexel, BNP Paribas, La Poste, RATP and Ministère du Travail amongst others.
- **Germany and Austria:** BT employs around 1,450 people based in Munich, Dusseldorf, Frankfurt, Hamburg and Berlin, serving about 1,000 customers including many multinational groups. Customers include two thirds of the top German (DAX30) companies, six out of seven German car manufacturers, some of the largest banks, insurance companies, chemical companies and technology groups. BT’s portfolio ranges from voice telephony to corporate networking, hosting and storage, call centre solutions, customer relationship management, mobile working solutions, security solutions, business continuity and IT consultancy. In Germany, BT has two hosting centres and an extensive high-speed network with its own metropolitan area networks in four major cities.
- **Italy:** BT is the main provider of communication services and solutions wholly dedicated to the corporate, SME and public sectors, serving more than 200,000 business customers, including

ENI, Fiat Group, BNL, Mediaset, Sky Italia as well as the Justice and Agriculture ministries. BT employs around 1,000 people based in Milan, Rome and Turin and sales offices in other major cities. BT Italia owns a fibre network of more than 15,000 kilometres and four data centres in Milan and Rome.

- **Spain & Portugal:** BT is today the leading alternative in the Spanish enterprise data transmission market with more than 20 per cent market share, according to the most recent report by the telecoms market regulator Comisión del Mercado de las Telecomunicaciones (CMT) published in 2009. BT Iberia employs around 1,000 people providing services to 2,000 major Spanish and Portuguese enterprises, 28 of which are listed in the IBEX-35 index, and to over 30,000 small and medium enterprises. BT Spain focuses on its domestic networks and local innovative portfolio in addition to BT global capabilities to serve large organisations such as Caixa Galicia, Repsol, Prosegur, Avis, Camper and Rexel.

BT has other substantial operations in Switzerland, the Nordics, Central & Eastern Europe and Russia.

BT has also been operating in the Middle-East and Africa since the 1980s, with more than 300 employees based in South Africa, the United Arab Emirates, Saudi Arabia and Turkey. BT operates an innovation Centre in Abu Dhabi, in cooperation with Khalifa University & Etisalat.

BT in Latin America

BT operates in 22 Latin American countries with integrated commercial and operational capabilities and employs around 1,000 people across the region, offering a wide range of networked IT services including IP infrastructure, application services, outsourcing solutions and business transformation. BT has three datacentres located in Argentina, Brazil and Colombia and seven network Operations centres in the region, providing monitoring and proactive diagnosis on a 24x7 basis for its customers. The Sao Paulo centre provides worldwide support with multilingual capabilities. BT serves around 2,000 multi-site organisations in Latin America across a wide variety of sectors. Customers include corporations such as Nestlé, Unilever, InBev, SAB Miller, Fiat, Bradesco, GRSA, Microlins and Pao de Açucar as well as public sector organisations such as Caixa Economica Federal (Brazil) and projects Meduca (Panama) and Compartel (Colombia).

BT - in figures

	Full year to 31 March 2011	Up to 3rd Quarter to 31 December 2011
Revenue	£20.1 billion	£14.4 billion
Profit before tax	£1.7 billion	£1.7 billion
EBITDA	£5.6 billion	£4.5 billion
Capital Expenditure	£2.6 billion	£1.9 billion

- BT shares were at £2.32 at close on Friday 23 March 2012, valuing the company at GBP18.04 billion. The stock has risen over 27% over the past 12 months, outperforming the FTSE 100 index, which has risen by less than 1% over the same period.

Regulation and Openreach

Control of the access network in the UK is with Openreach, a business within BT, specifically set up to provide access network services and products on an equal basis to all the UK communications industry. Openreach is responsible for the that part of the network which includes the last mile access between the home and the business exchange, and backhaul - the network which lies between the local exchange and the point of presence of competitors and BT's downstream arms. It began operating in January 2006, has assets of £8 billion and employs 20,000 engineers.

BT Vision

BT Vision, our on-demand television service, uses a single set-top box to deliver to the TV set pay per view and subscription video on demand services, digital terrestrial free to air and pay TV channels, communications and interactive services. The service is designed to be easy to use, bringing the next generation of TV technology within reach of a mass audience and putting the UK at the forefront of the development of digital TV delivery. There are now over 675,000 customers.

BT Vision has over 6,000 hours of video on-demand content available, the most in the UK. Among its

selection of more than 7,000 programmes, it has 600 films, from classics to family favourites, with seven new titles added every week. BT Vision will be expanded to include free-to-air HD programming, more interactive services, a wider choice of on-demand programming, and is now able to provide more premium sports channels following Ofcom's decision to require Sky to offer wholesale access to Sky Sports 1 and 2. Customers are now able to watch Premier League football plus other sports without having to sign up for other channels that they do not want.

YouView

YouView is the joint venture between BT, the UK public service broadcasters and other partners to develop and promote a new open standard for TV, combining broadcast and broadband television delivery.

We believe that YouView will transform the UK TV market, combining broadcast digital channels with catch-up, archive and on-demand content and interactive TV over broadband, free from public service broadcasters and from pay TV providers like BT Vision. It will give a far greater range of content providers access to the living room, creating unprecedented consumer choice.

Pay TV

Ofcom's decision to require Sky to wholesale two of its premium sports channels was welcome, although the decision should have covered all Sky's premium sports and movies channels. BT Vision is now offering Sky Sports 1 and 2, which is great news for customers and for bringing choice to the UK market. We are, however, disappointed that the wholesale price Sky must offer is higher than that on which Ofcom consulted, and that no wholesale price requirement has been set for HD channels and are hoping that the Competition Appeal Tribunal will tackle these issues.

Customers have been denied choice and have been paying too much for premium channels for too long. This decision is one step in the right direction.

We offer rival companies including Sky the right to rent space on BT lines at wholesale prices, so they can offer phone services to their customers. We want equivalent rights with regard to Sky – the opportunity to buy their content at a fair wholesale price and sell it to our customers.

In some countries, pay TV has driven demand for superfast broadband, as householders access pay TV services over fibre connections. This is an important issue in the UK where Sky's monopoly over key content rights means that investors in fibre deployment in the UK, and retailers of superfast broadband, are denied a very important means of paying for their networks and driving take-up through pay TV services. Opening the market for pay TV is an important step in driving fibre investment and take up in the UK.

Metal Theft

Metal theft (copper, lead etc.) affects many industries (e.g. power, transportation, water and communications), costing the UK economy millions of pounds. The safety and social impacts of gas pipes being ripped from houses, lead from churches and schools, roadway drain and manhole covers being taken, etc are immeasurable. There has been a significant increase in attacks on BT's network across the UK, directly impacting us, our customers, and customers of other Communications Providers.

We are working with other organisations providing essential infrastructure – power, communications and transportation. We believe the 1964 Scrap Metal Dealers Act is no longer fit for purpose and significant legislative action is needed.

We support the British Transport Police, working on behalf of the Association of Chief Police Officers, and their aims to make cable/metal increasingly difficult to steal, increase the risk to offenders (though tougher sentencing/better chance of being caught), reduce the value of the commodity to offenders, and reduce the attractiveness of stolen metal to scrap metal dealers.

We are pleased that in its Autumn Statement the Government announced that it will establish a dedicated £5 million national taskforce, to target metal thieves and scrap metal dealers who trade illegally in stolen metal.

NHS

BT has more than 60 years' experience of working with the UK's National Health Service (NHS) and is now one of its largest suppliers of IT systems and services. It has been at the forefront of developing new technologies for healthcare providers for many years, bringing real benefits to both patients and medical professionals alike.

Today, BT is working with the NHS to not only help it improve patient care but to deliver efficiencies and increase productivity in what are challenging times for the health service. It has been instrumental in building a “platform for innovation” for the NHS – and putting in place significant capabilities from which it can build on. To help do this BT offers a range of innovative solutions, including mobile and agile working, telehealth - the remote monitoring of patients’ health, audio and videoconferencing and unified communications.

BT has built and is managing N3 – a secure national broadband network for the NHS which connects every NHS organisation across England and Scotland and over a million employees. N3 is now one of the largest virtual private networks in Europe with more than 51,000 connections and has saved the NHS more than £192 million by replacing old and more expensive technology. It provides the foundation for many frontline applications which are essential to a modern NHS. Using N3, for example, patients’ records can be transferred from one GP to another in an instant. Not only is it a data network, it also offers a range of state of the art services such as video-conferencing and voice over internet calls, helping the NHS to become more efficient and save money.

BT is also working with the NHS in London and the south of England to modernise its IT systems to help provide safer more efficient healthcare, with more than 200,000 healthcare professionals registered to use them.

In particular, it has made great progress in the mental and community health care setting, where the roll out of an electronic patient record system designed specifically to meet the needs of community and mental health trusts has been completed. BT is also managing IT systems at 19 acute trusts in London and the South. In December 2011, BT completed its deployments to acute trusts in the south of England, having successfully provided new electronic patient record systems to three new Greenfield sites.

Underpinning the programme is the Spine, the secure database and messaging service BT has built and is managing. The database stores essential patient information, including demographic and clinical information which may be important for the patient’s future health and care. Its messaging capability also enables the delivery of a range of other services, including the Electronic Transmission of Prescriptions and Choose and Book online hospital booking.

This know-how, backed by the extensive international resources of BT Global Services means that it is well-positioned to help healthcare providers outside of the UK drive efficiencies and productivity through the use of IT systems and services. For example, in Australia, BT is Serco’s IT partner on the new Fiona Stanley Hospital in Perth, Western Australia. Under the contract, it will install and manage the hospital’s communications infrastructure and run a range of IT services aimed at helping the hospital become one of the most technologically advanced and environmentally friendly hospitals in the country.

For more information please visit the BT Health website at <http://www.bt.com/health/>

BT as a corporate citizen

- BT is proud of its record as a world class employer and its contribution to Corporate and Social Responsibility projects around the world.
- we support the British Red Cross with funding for essential emergency satellite telephones, IT equipment and GPS systems for vehicles to help them deliver disaster relief worldwide;
- BT’s support helped the charity telethon appeals to raise £150m in 2009/10 for good causes (e.g. Children in Need, Sports Relief, Disasters Emergency Committee Haiti appeal);
- BT people provided 49,000 days of volunteering activity in the community in 2010/11 at an estimated value of £13.8m;
- in the UK, one of the charities we support is ChildLine, the emergency helpline for children and young people. Since 2002, we have donated services worth £5 million and helped the charity raise more than £7 million;
- nearly 10,000 of our employees work from home. Some 65,000 people were equipped to work flexibly, using whichever locations were most convenient to them on a particular day;
- 96% of women return after maternity leave, compared with a UK national average of 47%;
- we invest at least one per cent of our corporate pre-tax profits in communities each year. In 2010/11, our investment amounted to more than £27.6 million – a combination of direct funding and in-kind support. Our employees donated an additional £2.5 million through Give As You Earn schemes;
- we are twice winners of the Queen’s Award for Enterprise for Sustainable Development;
- we fund and manage the UK’s largest corporate Education programme in schools; and

- our total tax contribution to UK central and local Government is around £3 billion each year.

BT and Climate Change

BT has been active on climate change since the 1990s and our strategy for carbon cutting includes reducing our own emissions, influencing suppliers to produce lower carbon-emitting products, influencing customers by proposing lower carbon solutions to their needs, and engaging with our workforce, to reduce their personal carbon footprints and help them influence their local communities:-

- we aim to reduce our energy consumption by 3% this year
- we have committed to reduce the carbon intensity of our global business by 80% by 2020 (compared with 1997)
- we have reduced the carbon intensity of our global business by 59% since 1997
- 40% + of the electricity we use in the UK comes from renewable sources

BT's 'green energy' contract is saving the equivalent amount of carbon as that resulting from the electricity consumption of over 300,000 households every year. BT has also announced plans to develop wind farms aimed at generating up to 25 per cent of its existing UK electricity requirements by 2016. The wind farm scheme is the UK's biggest corporate wind power project outside of the energy sector. Costing up to £250m, it will bring together third party funding and renewable energy partners to safeguard future supplies of clean, green energy for BT. Subject to planning consent and suitable sites being secured, BT's wind farms would prevent the release of 500,000 tonnes of CO₂ each year compared with coal generation.

It is important for the Government to deliver a consistent overall carbon reduction strategy that encourages:

- organisations to become more energy efficient;
- organisations to develop their own low carbon self-generation schemes; and
- the market to supply organisations with the lowest carbon sources of energy.

We are pleased to see that in its Budget Statement on 21 March 2012, the Government said it was to consult on simplifying the Carbon Reduction Commitment (CRC) energy efficiency scheme to reduce administrative burdens on business. If significant administrative savings are not made, then in the Autumn of 2012 it will introduce proposals to replace CRC revenues with an alternative environmental tax. Government consult with business to identify potential options. We believe the CRC scheme is complex and confused and we look forward to a consultation in the hope that it will allow simpler and more relevant measures to be adopted. We will use the opportunity to press our proposals for combining the CRC and Climate Change Levy schemes and for introducing an A-G colour-coded label.

Any policy changes should simplify and consolidate tax and incentives to drive the low carbon economy, provide certainty so that businesses can make plans for the future, aim to support carbon reporting rules that are consistent across Europe and globally, and differentiate carbon emissions from different electricity sources through labelling of CO₂, in order to incentivise the self-generation and purchase of renewables.

The 2012 Olympics

BT is the Official Communications Service Provider for the London 2012 Olympic and Paralympic Games and will be designing, installing and managing all fixed and mobile communications across 94 locations, including 32 games locations. We will be carrying every call, piece of data, image and sports report for the games, and hosting every visit to the london2012.com website.

We aim to help deliver a flawless Games and to contribute to a strong and lasting economic and social legacy for the UK. Wherever possible we will make our Games services part of the BT national infrastructure after 2012.

BT is one of six sustainability partners for London 2010. In line with our own business focus we have developed a ground breaking approach for measuring the carbon footprint of our Games infrastructure, we are working to minimise environmental impacts from the use of communications technology and are promoting lasting behavioural change through educational and other activities. We have recently extended our sponsorship of the BT Paralympic World Cup until 2016, demonstrating our commitment to disability sports.