

# BT's Sustainability Report 2007

Investors



let's make a  
**better**  
world

# Investors

Investors are increasingly interested in the social, environmental and economic dimensions of business performance, and how they relate to business strategy.

Our sustainability report provides a view of our performance in the past financial year. We measure our CSR performance through a series of [key performance indicators](#) (KPIs).

However, we also want to present investors with a forward-looking, quantitative business case for our CSR activities. Our [business case](#) shows how good CSR performance contributes to the implementation of BT's overall strategy.

As well as providing a view of our past performance, in our Sustainability and Business Overview we provide more forward-looking information by considering the potential social and environmental effects of the fast-changing technical advances in the telecommunications sector and our business. Our Sustainability and Business Overview is available as a [PDF download](#).

Find BT's response to the Association of British Insurers' disclosure guidelines covering social, environmental and ethical risks and opportunities in the Our Commitment to Society section of the BT Annual Report and Accounts.

We communicate with investors about our CSR performance activities and performance. See our [2007 analyst presentation](#).

## Our CSR business case

Our CSR activities are integral to BT's business strategy and affect business performance in five ways:

- [Marketplace opportunities](#)
- [Reputation](#)
- [Risk management](#)
- [Employee motivation](#)
- [Cost reduction](#)

## Marketplace opportunities

The increasing importance of sustainability issues both inside and outside BT is generating new business opportunities. These aren't limited to reputational benefits but include commercial marketplace opportunities.

We believe that ICT has a positive role to play in helping individuals and organisations find more sustainable ways of communicating, working and living. For example, through teleconferencing and flexible working which can reduce the need to travel at the same time as providing more flexible lifestyles.

We already have an extensive range of tele- and video-conference services. We are now developing new ideas such as a carbon audit service that will enable business customers to measure their carbon footprint and identify opportunities to use ICT to further reduce their greenhouse gas emissions.

We are creating a CSR opportunities map, to build our understanding and knowledge of the different CSR-related opportunities that exist around our business.

The quality of our CSR performance differentiates us from our competitors. This is important when bidding for major contracts in both the public and private sector. These contracts were worth £1.8 billion to BT in the 2007 financial year, compared with £1.3 billion the previous year.

## Risk management

The Board takes account of significant social, environmental and ethical matters that relate to BT's business.

Our CSR risk register sets out our most significant social, ethical and environmental risks. These are disclosed below and in our annual financial report and accounts. There is a person in charge of dealing with each risk and all have a mitigation strategy in place. The register is updated twice a year and reviewed by the Board annually.

In the 2007 financial year, we identified no social, environmental or ethical risks that would have a material impact on our business. Our key CSR risks are unchanged:

### CSR Risk

### More details on our approach to the issue

Supply chain working conditions

[Suppliers](#)

Climate change

[Environment](#)

Diversity

[Diversity and inclusion](#)

|                     |  |
|---------------------|--|
| Outsourcing         | <a href="#">Hot topics</a> and <a href="#">Outsourcing</a> |
| Breach of integrity | <a href="#">Business principles</a>                        |
| Health and safety   | <a href="#">Health and safety</a>                          |
| Privacy             | <a href="#">Human rights</a>                               |

Our process for identifying CSR risks involves specialists from around BT and is timed to directly inform our Group Risk identification process. We determine vulnerabilities, triggers and consequences before developing risk mitigation strategies.

In addition to the key CSR risks, we have a number of less significant but potentially important risks which we review annually.

The [graph](#) shows the potential impact of each risk from a likelihood and financial risk perspective. Quantification on the graph has been removed for commercial confidentiality.

## Reputation

When people trust a company they are in effect giving it a societal 'licence to operate'. This is reflected in the company's reputation which, in BT's case, we know directly affects customer loyalty.

We have measured the link between customer satisfaction and CSR for a number of years. During the 2007 financial year we asked Henley Centre Headlight Vision to look at the relationship between our CSR activities and customer satisfaction using our current customer satisfaction models.

The overall result is that customers who believe that BT takes its responsibility to society and the community seriously are 49% more likely to be very or extremely satisfied with BT. An explanation of the research can be seen [here](#).

## Cost reduction

Good environmental management can reduce costs by improving efficiency and reducing waste.

For a number of years we have quantified financial savings that have an environmental component. We use a model developed by Forum for the Future which is in line with our standard financial accounting methods and separately identifies direct profit and loss account savings, capital savings and business benefits associated with productivity gains.

This model works on a year on year basis. For the 2007 financial year savings that have an environmental component totalled £229.3 million of which £0.2 million related to profit and loss savings; £12.2 million to capital and £216.9 million related to productivity gains. More details are available in the case study.

## Employee motivation

Employee motivation is crucial to the success of our business. We believe that a strong CSR programme contributes to better employee engagement.

We carry out an annual employee survey to help us assess employee perceptions of our CSR performance. This year, we found that 62% of employees felt proud to work for the company as a result of our CSR activities.

For the first time this year we asked our employees if they thought we were doing enough to help tackle climate change. 56% thought we were.

More details of the survey results can be found [here](#).

### Employee motivation Targets

| Start Date | End Date   | Description  | Update | Target Status |
|------------|------------|--|--------|---------------|
| April 2007 | March 2008 | BT will compare the relative Employee Engagement Index score for disabled and non-disabled people (obtained from CARE 2007 employee census) and create an action plan to reduce any differential in CARE 2008 employee census. |        | New           |
| April 2007 | March 2007 | The percentage of BT employees agreeing with the statement that 'BT takes its responsibilities to society and the community very seriously or seriously' will remain at 86%.   |        | New           |

|                   |                   |   |  |           |
|-------------------|-------------------|---|--|-----------|
| <b>April 2006</b> | <b>March 2007</b> | BT will maintain or improve BT's EEI, which is currently 65%. | The employee engagement index for the 2007 survey was 65%. | Completed |
|-------------------|-------------------|---|--|-----------|

## Investor ratings

Specialist CSR ratings agencies rank companies based on available information about their social, ethical and environmental policies and practices.

Ratings are based on the view that a company's management of these aspects will have a significant bearing on its ability to preserve and grow long-term shareholder value.

BT's CSR ratings are:

- World's number one telecommunications company in the [Dow Jones Sustainability Indexes](#) for six years running.
- One of four companies in the Top 100 in the Business in the Community Corporate Responsibility, Environment and Community indices to score over 95% in all 6 areas (Community Management, Environmental Management, Marketplace Management, Workplace Management, Environmental Impact and Social Impact) (add link to Index) in the 2006/7 index. Business in the Community is an independent business-led charity based in the UK
- First of 26 companies rated by the German independent ratings agency, [OEKOM research AG](#).
- Constituent of the [FTSE4Good Indices](#).
- One of the '[Global 100 Most Sustainable Corporations in the World](#)', for the third year running. This global business ranking selects companies on their ability to manage strategic opportunities in new environmental and social markets. Analysis is provided by the environmental investment advisory firm, Innovest.
- BT won the community and environmental responsibility category in the 2006 Britain's Most Admired Companies awards.
- For the first time, BT was named as the world's leading corporate organisation for sustainability reporting in a survey published by SustainAbility in association with the United Nations Environment Programme (UNEP) and Standard & Poor's.

## Investors - Key Performance Indicators

| Indicator                             | Description   | Measure   | Target  |
|---------------------------------------|---|---|---|
| <b>Customer Service</b>               | A measure of satisfaction across BT's entire customer base  | Increase in satisfaction around 3% during the 2007 financial year.                  | To improve customer service in line with the corporate scorecard target as overseen by the Board remuneration committee*          |
| <b>Employee Engagement Index</b>      | A measure of the overall success of BT's relationship with its employees                                      | The Employee Engagement Index was 65% during the 2007 financial year.               | To achieve an Employee Engagement Index of at least 65% †   |
| <b>Diversity</b>                      | A measure of the diversity of the BT workforce  | BT is in the top 10 placement in 3 out of the 4 main UK Diversity Benchmarks. ††    | BT will maintain a top 10 placement in 3 of the 4 main UK Diversity Benchmarks.   |
| <b>H&amp;S: Lost Time Injury Rate</b> | Rate of Lost Time Injury Incidents expressed as a rate per 100,000 hours worked on a 12-month rolling average | 0.238 cases per 100,000 working hours   | Reduce to 0.235 cases per 100,000 hours during the 2008 financial year.   |
| <b>H&amp;S: Sickness Absence Rate</b> | Percentage of calendar days lost to sickness absence expressed as a 12-month rolling average                  | 2.43% calendar days lost to sickness absence  | Reduce to 2.40% calendar days lost due to sickness absence during the 2008 financial year.  |
| <b>Supplier Relationships</b>         | A measure of the overall success of BT's relationship with its suppliers.                                     | Measured bi-annually  | To repeat the Supplier Survey in 2007/8 and achieve 90% or more   |
| <b>Ethical Trading</b>                | A measure of the application of BT's supply chain human rights standard. Δ                                    | During the 2006 financial year there were 413 risk assessments with 100% follow up. | To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2008 financial year. |
| <b>Community contribution</b>         | A measure of our investment in society  | During the 2007 financial year BT provided £21.8m in funding and support in kind.   | Maintain a minimum investment of 1% of pre-tax profits.   |

|  |   |  |  |
|--|---|--|--|
| <b>Global Warming CO2 emissions</b>    | A measure of BT's climate change impact                                     | 2007 financial year UK CO2 emissions were 0.64 million tonnes, 60% below the 1996 level. | 2016 CO2 emissions to be 80% below 1996 levels.  |
| <b>Waste to landfill and recycling</b> | A measure of BT's use of resources  | 54,921 tonnes to landfill (58%), 40,007 tonnes recycled (42%).                           | To reduce the tonnage of waste sent to landfill by 8% (excluding waste arising from the 21CN network programme). |
| <b>UK Addressable Broadband Market</b> | A measure of the geographical reach of broadband                            | 99.8% of UK homes and businesses have access to broadband.                               | Replaced by new digital exclusion target.  |
| <b>Ethical Performance Measure</b>     | A measure of our progress in acting with integrity                          | 74% (old measure), 84% (new measure)   | To improve the new Ethics Performance Measure to 86% during the 2008 financial year.                             |
| <b>Community Effectiveness Measure</b> | An independent evaluation of our community programme                        | The community effectiveness score for the 2007 financial year was 70%.                   | To improve our Community Effectiveness Measure score to 75%  |
| <b>UK Internet Usage</b>               | % of UK population who have not used the internet in the past three months. | 36% of UK people digitally excluded.   | To reduce the percentage of people who are digitally excluded by 10% (i.e. to 32.4%) by 31 March 2010            |

\* Customer service is defined as - 'Right First Time' (keeping our promises) and 'Cycle Time' (the speed at which we deliver service). In 07/08 The Group target will be focused on Right First Time.

† In 2007-08 the Employee Engagement Index will be based on an average of the mean results across a reduced number (4) of key questions.

† † see archived reports for earlier measures

△ risk assessments are based on completed questionnaires