



Bringing it all together

BT's Sustainability Report 2008

About our report



let's make a
better
world

About our report

In this report, we identify and quantify our social, economic and environmental impacts for the 2008 financial year and set out our targets for improvement. It describes our Corporate Social Responsibility (CSR) strategy and the way in which we are implementing it.

We use the term CSR more often than sustainable development or sustainability. We see CSR as the voluntary action a company takes to contribute to the wider societal goal of sustainable development, such as the [European Union's Gothenburg Strategy](#).

This is our second Sustainability Report. Our 2008 report includes:

- Our social, economic and environmental performance from 1 April 2007 – 31 March 2008. This information is audited by LRQA, as indicated by the LRQA logo:



- Our Regulatory Compliance Report, including the second report from the Equality of Access Board. This report is audited by PwC.

We have also produced a short printed report, our [Sustainability – Business Overview](#) to explain our approach to social, economic and environmental issues in the context of our business strategy and to summarise our sustainability performance.

Explore our report section by section, or using the [GRI indicators](#) and [UN Global Compact](#) principles.

Assurance

This report has been assured against the AA1000 Assurance Standard. We used the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines, and the GRI Pilot Telecommunications Sector Supplement when preparing this report.

The AA1000 Assurance Standard stipulates that three specific principles must be met:

- **Materiality:** the report must include all the information about our sustainability performance that readers need to make informed judgements, decisions and actions.
- **Completeness:** the report must include all material aspects.
- **Responsiveness:** the report must demonstrate that BT has responded to stakeholder concerns, policies and relevant standards and adequately communicated these.

Lloyd's Register Quality Assurance Limited (LRQA) is contracted by BT to assure this report against AA1000 AS and the GRI Sustainability Reporting Guidelines. LRQA's statement explains the assurance process and provides their conclusions.

The GRI G3 Guidelines include a requirement to self-declare an application level, ranging from the highest level, 'A+', to the lowest 'C'. We see ourselves positioned at the A+ level; see the GRI Index in this report for information against each GRI indicator.

LRQA Assurance Statement



Terms of Engagement

Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by BT Group plc (BT) to assure both its Changing World: Sustained Values 2008 printed report and its web-based Sustainability Report 2008^[1] (the reports) for the financial year ending 31 March 2008. Ultimately, both reports remain the responsibility of and have been approved by BT.

The assurance was undertaken against:

- Accountability's Assurance Standard AA1000 AS, 2003
- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3), 2006
- GRI Telecommunications Sector Supplement, July 2003.

Our assurance did not extend to data and information accessed through links that take the reader out of these reports. Where BT presented data and information from a second party, LRQA corroborated only that data and information was transcribed accurately or the correct reference was provided.

Our Approach

The objectives^[2] of this assurance were to review the materiality, completeness and responsiveness of BT's sustainability performance data and information.

In order to form our conclusions we have obtained sufficient evidence that we consider necessary for us to give reasonable assurance. Our assurance approach is risk-based, samples data and information disclosed in the reports, interviews BT personnel and reviews BT's:

- stakeholder engagement process
- understanding, response and reporting on material issues
- output on materiality against our own independent analysis of stakeholder issues
- use of sustainability performance data within their business decision-making processes
- processes for setting performance indicators and for monitoring progress
- data and information management systems
- self-declaration in 'about our report' that BT has applied the GRI G3 guidelines at level A+.

We also use BT's Internal Audit & Regulatory Compliance Division (IARCD)'s audit work to review the validity of data and information reported in Employees, Community, Digital Inclusion and Economics.

Our Conclusions^[3] and Findings

Based on our review, our conclusions on the reports in relation to the AA1000 Assurance Standard and the GRI Guidelines are summarised below:

Materiality

BT has established an effective process for determining issues that are material to the business. The reports include information that is material to stakeholders and these issues are considered during strategic decision making. We are not aware of any material aspects concerning BT's sustainability performance that have been excluded from the report.

Completeness

The reports are complete in coverage of sustainability performance and there are processes in place for identifying, understanding and managing stakeholder issues and potential risks to the business.

Responsiveness

We are not aware of any additional issues of stakeholder interest that should be included in the reports.

Global Reporting Initiative

The web-based Sustainability Report 2008 is in accordance with the requirements of GRI G3 and the Telecommunications Sector Supplement.

BT's self declaration of A+ application level is fairly stated.

Improvements identified by LRQA

In our 2007 Assurance Statement we recommended that BT improves on the collection of data from countries outside the UK. Whilst some progress has been made, BT needs to develop further its guidance and processes that control the measurement and reporting of non-UK data.

BT has yet to introduce, for non-UK data, a programme of verification audits on its data management and reporting systems.

BT should ensure that it has appropriate performance metrics for all those issues identified as material through their materiality review to enable improved benchmarking and comparability with sector peers.

S M Fletcher G Farmer

For and on behalf of LRQA, UK

This Assurance Statement is valid for one calendar year from the date of issue.

Third party liability

LRQA, its affiliates and subsidiaries and their respective officers, employees or agents are, individually and collectively, referred to in this clause as the 'Lloyd's Register Group'. The Lloyd's Register Group assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person as signed a contract with the relevant Lloyd's Register Group entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

LRQA's Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on a rigorous appraisal of their qualifications and experience. The team conducting the assurance of BT's Reports was multi-disciplinary and has been involved in assurance assessments from the outset of external verification of non-financial performance reports.

LRQA's internal systems have been designed to manage and review assurance and certification assessments. This involves a review by senior management of the outcome derived from the process applied to the assurance of corporate reports.

Independence of LRQA from BT

LRQA is BT's ISO9001, ISO14001, BS15000-1 and BS7799-2 certification body. We also provide BT with a range of training services primarily related to Quality Management Systems.

The assurance and certification assessments, together with the training are the only work undertaken by LRQA for BT.

Conflict of interest

LRQA is part of the Lloyd's Register Group. Lloyd's Register Group recognises that potential conflicts of interest may exist which could impact on its independent verification activities. Lloyd's Register Group is committed to identifying and managing such conflicts so that they do not adversely impact its independence and impartiality.

In order to protect the integrity, neither LRQA nor any other Lloyd's Register Group company will provide services which create a conflict and compromise the independence and impartiality of third party certification and assurance. The Lloyd's Register Group will never verify its own solutions to a customer's problem.

Independence of BT's Internal Audit Department

IAD is an independent, objective, review function for the BT Group. It is designed to add value and improve and provide assurance over operations. The Director of IAD retains the right to report to the Board Audit Committee instances where the department's independence or objectivity is impaired by the activity or behaviour of audit clients.

[1]
This excludes BT's Regulatory Compliance Report for 2007/8 and the Equality of Access Board Summary Report 2008.

[2]
The assurance was based upon the requirements of ISO 19011:2002 the international standard relating to 'Guidelines for quality and / or environmental management systems auditing'.

[3]
Conclusions given are based upon full disclosure by BT of all relevant data and information

Statement by BT's CSR Leadership Panel 2008

The Panel's remit

Our purpose is to encourage innovation and leadership on sustainable development and corporate responsibility in BT by providing independent guidance and expert advice on BT's activities, including:

- Advising on key areas of CR (corporate responsibility) and sustainable development strategy and performance, including future objectives, targets, performance measures, policy, stakeholder relationships, governance and external communications;
- Making sure BT doesn't dodge difficult or uncomfortable issues;
- Bringing independent scrutiny to bear on BT's understanding of critical societal issues; and
- Advising on new or significantly altered social and environmental report content.

In this statement, which has been prepared for inclusion in BT's 2008 Sustainability Report, we comment on the level of progress made during the 2007/2008 financial year by BT on sustainable development and CR. The statement covers all areas of CR strategy and performance (i.e. not just reporting) and includes our consideration of the main challenges ahead.

During the course of the last year, we have met four times and have made supplementary inputs outside the meetings. This statement covers our work as a Panel up to the on-line publication of the report in June 2008. Previous statements of the Panel are available in the [archive](#) section of this site.

Panel meetings are conducted with frankness, constructive criticism and fresh thinking. Divergent views around the table reflect the varied backgrounds and experience of the Panel members. In 2006, we evaluated our own effectiveness as a panel and [published the findings](#) on the BT web site.

Principal areas of engagement

Governance

Since its inception, the Panel has encouraged BT to increase the level of plc Board engagement beyond community investment. We therefore fully support the introduction of the Board level Committee for Responsible and Sustainable Business, chaired by BT's Chairman, Sir Michael Rake. We will be particularly interested to see the outcome of the Committee's current review of BT's CSR Strategy.

Sustainable Economic Growth

Last year we welcomed this new avenue of work by BT. We accept that companies can help drive change towards a more sustainable society through the provision of appropriate products and services. We also acknowledge that this requires considerable innovation and an embedding of sustainability principles within many parts of the business. It also needs a positive response from the marketplace if it is to succeed.

BT has not rushed at this, and we have been involved in discussions covering a number of important aspects of the Sustainable Economic Growth programme: base of the pyramid business models; embedding key sustainable development themes in BT's product development processes; the creation of an 'opportunities map'; and the evolution of appropriate performance measures.

Climate Change

Climate change continues to dominate the sustainability agenda and with good reason. Over the past year, the Panel has been closely involved in the creation of BT's new Climate Stabilisation Intensity Target. We not only support BT in taking this forward, but also encourage other companies to consider adopting a similar approach.

Adastral Park

The plans to develop BT's research campus at Adastral Park in Suffolk into a sustainable community caught our imagination when we first heard of them in 2007. We are pleased to learn that these have now been made public and we will continue to track this project as it moves forward.

Social Inclusion

The Panel supports a wide range of social inclusion measures as an important element of the BT's CR strategy. We have discussed the wide range of activities covered by BT's inclusion programme, all the way through from community investments, to operational activities undertaken either on a voluntary basis, or delivered as part of BT's regulatory requirements.

Sustainability Reporting

We continue to take an interest in BT's Sustainability Report, and this year have been directly involved in contributing to the stakeholder input on materiality. We also support BT's experimental adoption of The Prince of Wales's Accounting for Sustainability guidelines.

Challenges for the future

As in previous years, the Panel has been very impressed with the way in which BT has not just maintained its excellent track record across the breadth of this agenda, but has continued to innovate on key aspects of it.

This year will almost certainly raise additional challenges for BT. If history provides any guidance here, the downturn in the economy, both globally and in the UK, will mean that some companies will downgrade or delay their SD/CSR commitments. Part of BT's leadership in this area will be to go on advocating the powerful business case for change which it has worked up over the last few years – indeed suggesting that now is the time for acceleration.

Last year, the Panel focussed on two particular challenges: on climate change and on innovation for sustainable growth. On climate change, BT's emissions have actually plateaued over the last three years, so we have warmly welcomed a number of new initiatives from BT during the course of this year, including BT's commitment to generating much more of its own energy from wind power, and its ground-breaking Climate Stabilisation Intensity Target.

On Sustainable Economic Growth, we are very pleased to see the steady progress BT has made on this front, particularly through new methodologies such as its Opportunities Map.

At the moment, the principal focus in the Sustainable Economic Growth work is on the developed world markets in which BT has a major presence. During the last year, the Panel has therefore emphasised the importance of what are called 'Base of the Pyramid initiatives' – bringing the influencing and resources of large multi-nationals to bear on key challenges for the billions of people currently excluded from the kind of benefits we enjoy in the developed world. In future, as BT becomes more global, the embedding of its values and practices in different markets will become increasingly important.

Finally, even with a company like BT, certain ongoing programmes do tend to 'get a bit stuck', so we were pleased to hear that the Chairman had reconstituted the Board Committee as the Committee for Responsible and Sustainable Business, and that it will be reviewing BT's CSR Strategy. We are hoping this will reinforce the discipline of seeing CSR and sustainable wealth creation as a fundamental expression of the company's values and strategy.

We hope that you, the reader, will make use of the information and perspectives put forward by BT and respond in like spirit. Companies are often disheartened by the lack of response to reports like these, yet the use of dialogue in social and environmental decision-making offers an important opportunity to shape and inform the sustainability agenda.

Despite the diversity of views expressed in our meetings, there is one vision which we all share. This is to help ensure BT continues to build on its leadership role in sustainability performance and reporting. Mindful of that task, we will continue to challenge, exhort and counsel BT to lead the way in what is arguably the most crucial test for the business community in the twenty-first century – that of reshaping and redefining its principles and purpose so that the proper pursuit of wealth creation is consistent with the dictates of social justice and environmental sustainability.

Jonathon Porritt

Mark Goyder

Elisabeth Lavelle

Jorgen Randers

Nick Robins

The Advisory Panel members acted in a personal capacity – the organisational affiliations below are listed for identification purposes only.

Jonathon Porritt chairs the Panel. He is one of the UK's leading environmentalists, founded [Forum for the Future](#) in 1996, together with fellow Founder Directors Sara Parkin and Paul Ekins. He is closely involved in the Forum's Business Programme, in addition to involvement in a wide range of other Forum activities. He is also Chairman of the [UK Sustainable Development Commission](#), sits on the Board of the South West Regional Development Agency, and is Co-Director of The Prince of Wales's Business and Environment Programme.

Mark Goyder is Founder director of [Tomorrow's Company](#) a business think-tank which was established in 1996 following the RSA's Inquiry, "Tomorrow's Company; the role of business in a changing world". He is the author of Living Tomorrow's Company in which he sets out the philosophy behind Tomorrow's Company and is a regular contributor to newspapers such as the Financial Times and the Times. He was a member of the DTI Working Party on Materiality for the Operating and Financial Review.

Elisabeth Laville is one of Europe's leading experts on corporate, social and environmental responsibility. She created the leading French sustainability strategies consultancy and think-tank, Utopies, in 1993, working for an extensive range of corporate clients in France and abroad. Elisabeth Laville was given several awards for her work and vision, including the Synapsis Prize for the Best French Business Book in 2002 and the HEC au Féminin Prize in 2007. She was also included in L'Express Magazine's list of « 100 French people who will shape 2003 », as well as in L'Usine Nouvelle's magazine list of « 50 visionaries who are changing industry" in 2006. She is also the author of several books, including the French bestseller "L'entreprise verte - le développement durable change l'entreprise pour changer le monde" in 2002.

Jorgen Randers is professor of policy analysis at the Norwegian School of Management. He currently chairs the Norwegian Government Commission on Climate Gas Reduction He is non-executive director of a number of corporate boards. He was formerly Deputy Director General of WWF International (World Wide Fund for Nature) in Switzerland (1994-1999). He is co author of many books, including "The Limits to Growth" (1972) and "Limits to Growth - The 30 Year Update" (2004).

Nick Robins is Head of the Climate Change Centre of Excellence at HSBC in London. Prior to joining HSBC in October 2007, Nick was Head of SRI Funds at Henderson Global Investors, designing the strategy for its Industries of the Future portfolio fund and launching the world's first carbon audit of an investment fund. Nick has extensive experience of the financial, business and policy dimensions of corporate responsibility and sustainable development, working for the Business Council for Sustainable Development, the European Commission and the International Institute for Environment and Development. He is author of numerous reports and articles, including a recent history of the East India Company, *The Corporation that Changed the World – How the East India Company Shaped the Modern Multinational* (2006) as well as co-editor of *Sustainable Investing – The Financial Challenge of the 21st Century* (2008).

Materiality

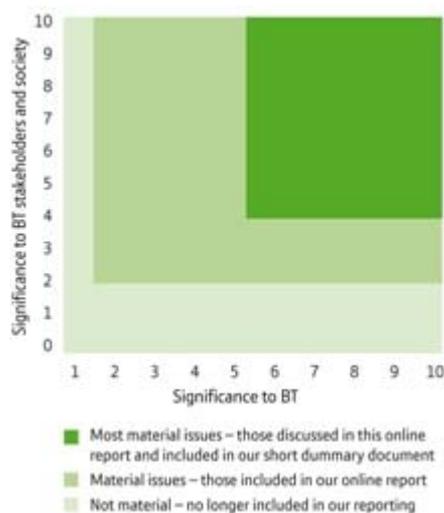
This report covers BT's most material issues – those that we have identified as relevant and significant for our business.

This is the third year that we have looked at significance as well as relevance when determining whether an issue is material for us. We do this by looking at the following issues:

- BT's policy position on the issue
- The financial impact of the issue on BT
- The degree of stakeholder interest in the issue
- The degree of societal interest in the issue.

The chart below is illustrative:

Identifying our material issues



Stakeholder interest was assessed through research with customers, employees and suppliers. We asked them what the most important social and environmental issues are that a company such as BT should be taking action on. We also analysed investor questionnaires to understand the issues of most interest to them. We determined levels of societal interest through an extensive media review covering seven countries.

In most cases, the issues identified through the process were defined as 'material' by both BT and our stakeholders, and were included in our reporting. But there are some issues that BT considered important that were not identified as significant in our stakeholder research.

We consulted our [Leadership Panel](#) and our internal Corporate Social Responsibility [Sponsors](#) on these issues and in some cases we have included them in our reporting.

The materiality process has led us to exclude some issues including some GRI indicators. We have indicated these in the GRI index.

Materiality and our Key Performance Indicators (KPIs)

There is broad consistency between the issues that our materiality process has shown to be significant to our business and our [Key Performance Indicators](#) (KPIs). We have committed to a new target for CO₂e (CO₂ equivalent – including all greenhouse gases) emission reductions - an 80% reduction by 2020 (from 1996 levels), normalised against earnings.

Completeness

According to the AA1000 standard, a report is complete if it meets two criteria:

1. The process for determining materiality is inclusive and complete

2. The report does not exclude any material issues

The [materiality](#) section of the report describes how we identified our material issues this year, and how we tested their significance. We have also:

- Prepared our report in accordance with the Global Reporting Initiative (GRI) G3 guidelines
- Used the GRI Pilot Telecommunications Sector Supplement
- Reviewed sustainability reports from peer companies
- Included compliance and prosecution information relating to equality and diversity, environment, employee relations and regulatory affairs

This report covers all BT's main operating divisions. We have assessed all our principal operating subsidiaries (listed in our 2008 Annual Report and Accounts) to determine whether there are any issues that would alter our interpretation of materiality and completeness for this report. See more detail on our reporting boundaries in the [Scope of our Report](#).

Our reporting extends beyond our direct operational impacts to include our supply chain and the sustainability impacts of our products and services.

Responsiveness

It is important that we listen to our stakeholders and consider their views when formulating policies and objectives and running our business.

That is not to say that we always can – or do – follow the views of our stakeholders. Stakeholder feedback can be contradictory. For example, the same stakeholder may expect us to offer the lowest possible prices at that same time as making the highest possible investment in non-profitable services for the wider good.

We use stakeholder feedback to inform our approach but ultimately it is up to us to decide on the appropriate balance and make, and be seen to make, responsible decisions. Corporate social responsibility is about being held to account for those decisions in an open and transparent way.

The section on [stakeholder engagement](#) describes our approach.

Chairman's statement

Continuing the CSR Journey

Joining BT as Chairman this year has been hugely exciting. BT is a great brand involved in an incredibly important industry, with an inspiring track record of leadership in corporate social responsibility (CSR).

We operate in a highly competitive industry and a fast changing world. Our business has already undergone rapid transformation and global expansion, and we need to continue and even accelerate this process.

Our CSR strategy provides a clear vision for how we can continue this transformation in a way that benefits BT, our customers, society and the environment.

I'm delighted that our progress and commitment continues to be recognised. This year we were ranked sector leader in the Dow Jones Sustainability Index for the seventh consecutive year and were named Company of the Year in the Business in the Community Awards for Excellence. But even more pleasing for me is the genuine commitment to our values I've seen from people across BT. There is real passion to apply communications to help create a better, more sustainable world.

We have made good progress against our goals. In our own operations we have reduced energy use, increased recycling and announced our intention to develop our own wind-farms to generate up to 25% of our UK energy needs.

We are committed to putting our customers first. Excellent customer service is our number one priority. The launch of our Sustainability Practice will help customers reduce their environmental footprint. Our inclusive society programme is spreading the benefits of enhanced communications more widely and our new Inclusive Design toolkit will encourage more accessible design across the industry. Through our sustainable economic growth programme we have started to embed sustainability into our business thinking and product development processes.

We are delighted that Dame Ellen MacArthur has agreed to be ambassador for our worldwide CSR programme. Our three-year sponsorship of the Offshore Challenges Sailing Team, led by Dame Ellen, will raise awareness of our commitment to CSR among a wider global audience.

Of course we have much more to do. Extending our programmes and successes across our global business remains a priority and a challenge. Key to our success will be our ability to attract the most talented people from around the world. Our CSR strategy creates the right work environment to help our employees flourish and build their skills for the 21st century.

We recognise the importance of transparency and accountability. As well as detailing our progress in our Sustainability Report, we are signatories to the UN Global Compact and publish BT's performance against its principles, which are listed at www.unglobalcompact.org.

This report is a taster of the activity going on around BT. Each section includes a Q&A with BT leaders to explain how we deal with some of the tensions and synergies that can arise between our business strategy and our sustainability goals.

We have applied the principles of the Accounting for Sustainability Project established by HRH the Prince of Wales to our KPI table this year. This combines financial and non-financial information for the first time which illustrates the close relationship between the two.

We are trying to get it right in all areas, but have more to learn in some, and a lot of work to do. I welcome your ideas and feedback.

Sir Michael Rake

CEO statement

Opportunities and challenges

At BT, we know that responsible behaviour and sustainable development matter to our business and we are determined to make a positive contribution to society.

In this context, there is no doubt that climate change is one of the most pressing issues now facing the world. This has become abundantly clear to me while chairing the Confederation of British Industry's taskforce on climate change.

At BT we've long recognised this global environmental threat, setting our first reduction target for CO₂ emissions in 1992. Since then the problem has become ever more urgent and decisive action is needed.

I am convinced that business has a key role to play, alongside governments and individuals. We have the resources, the talent and the creativity to find the solutions. And if we get it right and invest now, we have everything to gain – new markets, lower operating costs and stable prosperous societies.

BT and the other Taskforce members have agreed challenging targets to help transform the UK into a low-carbon economy. We will step outside our comfort zone and accept greater regulation and costs in some areas. Translating our commitments into reality with the urgency required will be a real test – and we can't afford to restrict our efforts to the UK, we must tackle climate change globally.

As this report shows, BT is already well on the way. We have reduced our own footprint in the UK by 58% since 1996 and have set a stretching new target for our global business. We are finding new ways to involve our employees and suppliers in our efforts and offering solutions that empower our customers to make a difference too.

We must continue to deal with climate change in the same way we tackle all business challenges. We need a clear vision of what we want to achieve and a road map for how to get there.

I am truly proud of the progress we have made on this and other CSR issues since I joined BT in 2002. It's particularly rewarding that this has taken place alongside our business transformation – in particular our successful entry into the broadband market and the implementation of our 21st century network. This reflects the hard work and commitment of people throughout BT, and I thank them for all their efforts.

When I step down as Chief Executive on 31 May 2008 I have every confidence that BT will continue to lead the way as a sustainable business, putting customers at the heart of what we do. My successor, Ian Livingston, has already played a key part in BT's transformation in his previous roles as Finance Director and head of BT Retail. I leave the business, our customers and our commitment to society in very capable hands.

Ben Verwaayen

Scope of our report

This report covers our performance on our relevant and significant social, economic and environmental issues during the financial year ending 31st March 2008. Our previous report covered the year to 31st March 2007.

Geographical coverage

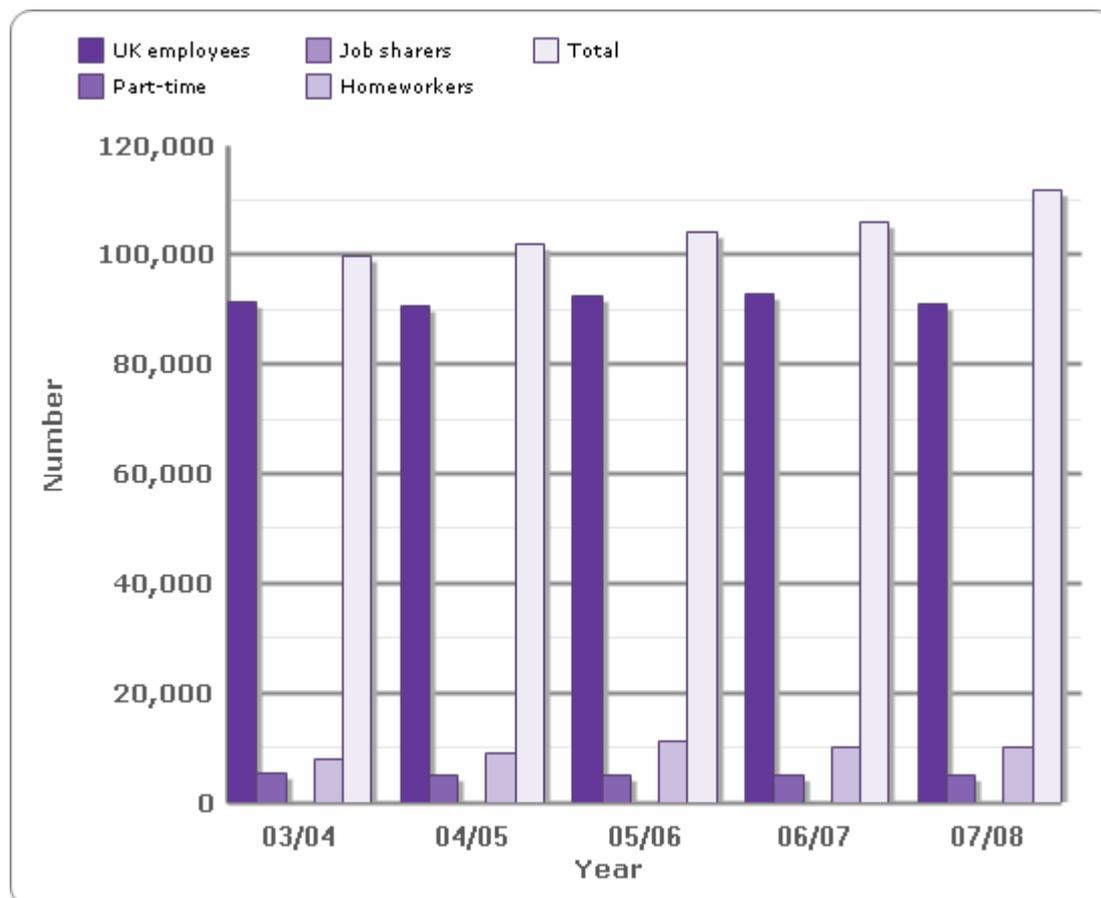
In the 2008 financial year, BT's UK operations accounted for approximately 83% of our turnover and 91,342 of our 111,858 employees. Data covers all BT's wholly-owned activities in the UK and internationally unless otherwise stated.

Diversity

Equality and diversity data are based on 'self-declaration' – the number of people who declare themselves to be from a minority group or category. In some countries it is illegal to ask for or collect this data. We make it clear when data is country specific.

Quantitative data

Number of employees



Indexes

We provide four separate indexes:

- [Alphabetical](#)
- [Global Reporting Initiative \(GRI\)](#) – to read the report in line with the G3 reporting guidelines
- Statement of Business Practice, [The Way We Work](#) – to show our performance against our business principles, aspirations and commitments
- Ten principles of the [United Nations Global Compact](#)

We also link to the relevant parts of the GRI, The Way We Work and the UN Global Compact throughout the report. Look for the relevant icons in the Index Links box to the right of your screen.

Encouraging debate

We encourage debate around the issues that matter most to our business.

This year we launched www.biggerthinking.com, where we discuss, and invite comment on key sustainability issues. The site features interviews with business and sustainability experts, case studies of innovation in action and tips on making your business more sustainable. It addresses key challenges, such as dealing with corruption in emerging markets and convincing your CEO to invest in sustainability. Visitors can contribute to the debate by posting their own ideas.

In previous years we have commissioned independent reports into key issues, known as Hot Topics. You can read these papers [here](#).