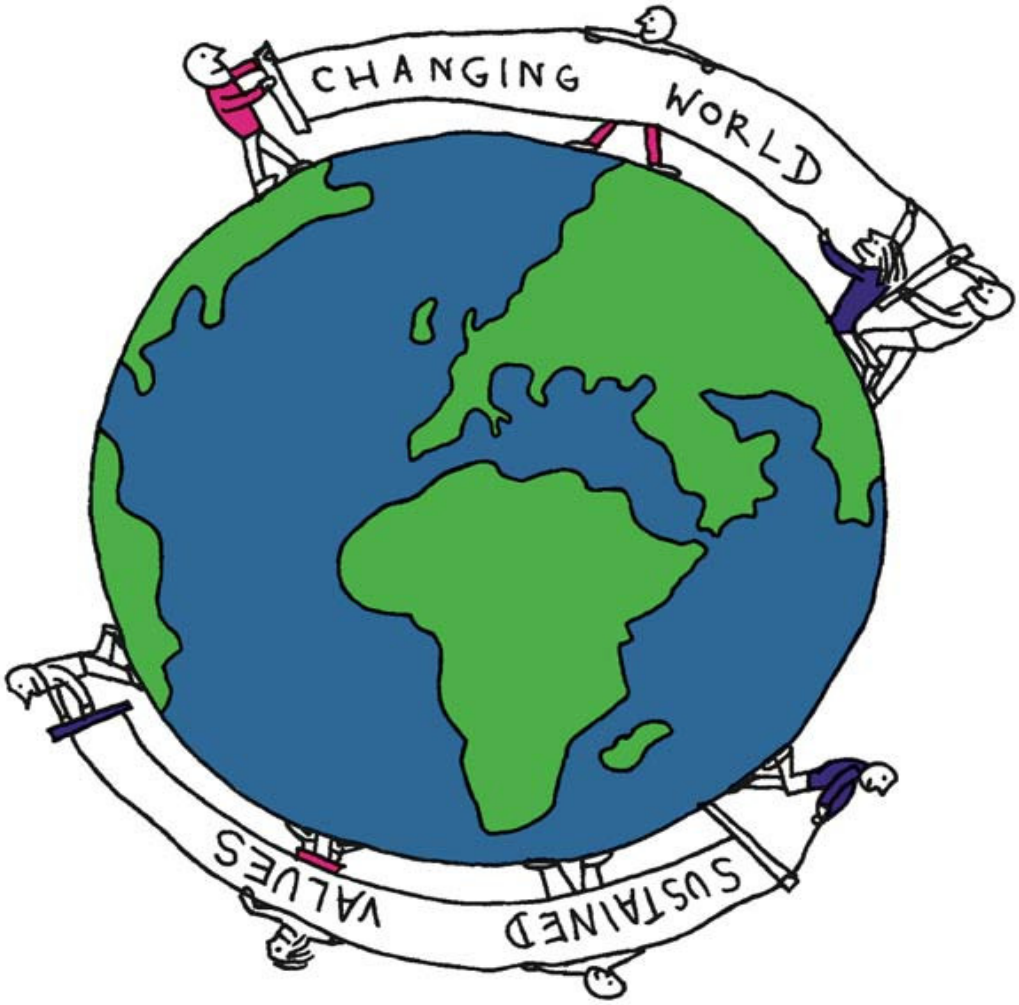
2009 SUSTAINABILITY REPORT

Changing world: Sustained values



Bringing it all together for a better world

Our corporate responsibility strategy

Our strategy is to grow our business profitably and sustainably by providing services and products that benefit our customers, society and the environment. Our business and our services also have environmental and social impacts and we describe our programmes to reduce these throughout this report.

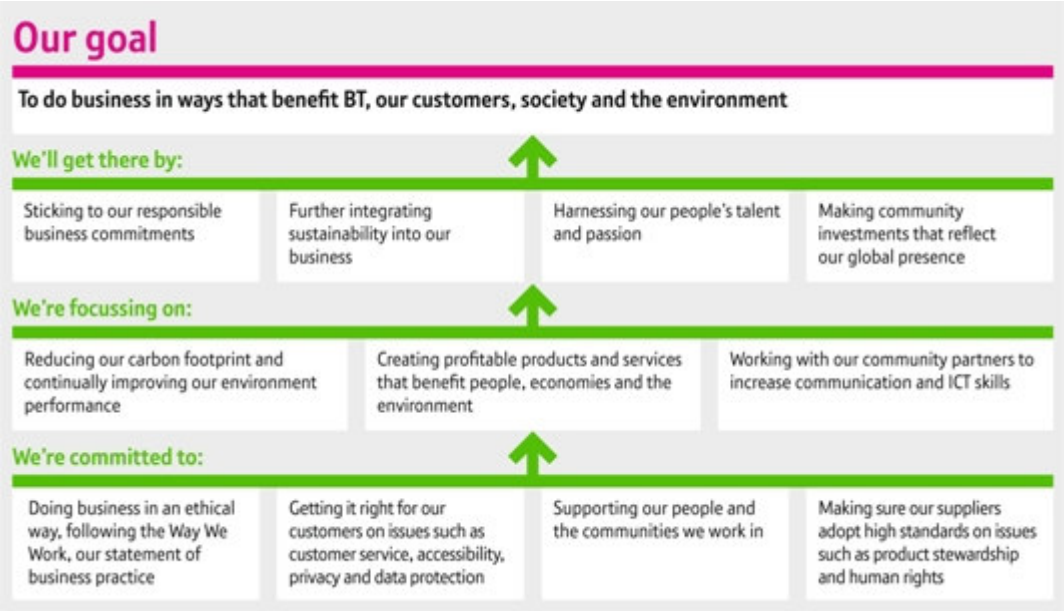
We reviewed our corporate responsibility strategy in the 2009 financial year, and describe our revised approach in this section.

We remain committed to responsible and sustainable business regardless of economic conditions. We believe this will help BT maintain its competitiveness and emerge from the economic downturn in a strong position. Our business case for corporate responsibility and sustainability is discussed in this section.

Our strategy in detail

We reviewed our CR strategy this year to make sure it reflects current business goals and the needs of our customers, people, shareholders and communities.

This re-confirmed our commitment to responsible and sustainable business practices, and strengthened our focus on three priorities. Our strategy is outlined in the chart below



Our CR business case

Good management of CR issues doesn't just benefit our stakeholders and the planet, it is good for business. Our CR strategy is integral to BT's business and affects our performance by:

- Helping us to manage our CR risks and identifying and developing marketplace opportunities
- Enhancing reputation and CR & sustainability ratings
- Supporting cost avoidance and reduction
- Motivating our people

Managing risks and opportunities

CR risks

We quantify the most significant social, environmental and ethical risks to BT in our CR risk register. This is updated twice a year and reviewed annually by our Board. In 2009 we identified no new CR risks that would have a material financial impact on our business. Following board level review of our risk register, it was felt that issues associated with outsourcing were increasingly well controlled and we have removed this risk from the CR risk register. We will continue to monitor the effectiveness of the mitigation measures.

Our key risks are:

- Breach of integrity leading to a loss of trust in BT
- The impacts climate change (see below)
- Effect of diversity on employee relations and customer service
- Health and safety risks to employees and the public exposed to BT operations
- Loss of trust caused by unintended release of private customer data
- Unacceptable supply chain working conditions.

We separated our climate change risks to clarify the activities needed to:

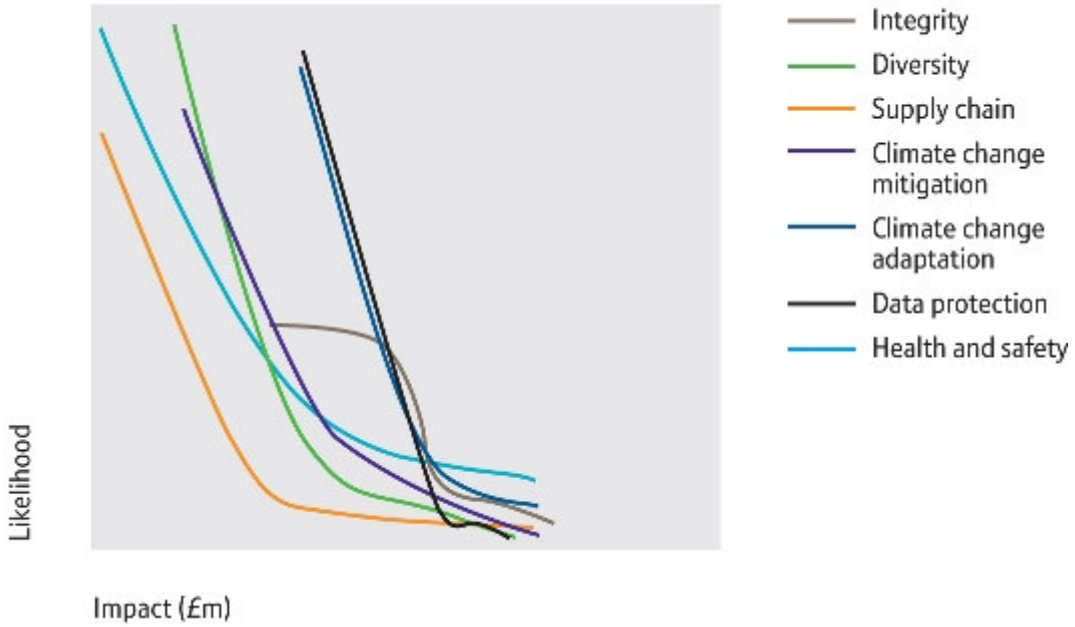
- Mitigate against climate change impacts - such as increased costs associated with changing

legislation
- Adapt our business to reduce our exposure to direct impacts - such as severe weather events.

We regularly review our CR risks and our mitigation and control measures. Our review is presented as risk frontier curves, reflecting that risk can result in a number of possible outcomes, each with a different impact and likelihood, each frontier curve reflects both the regular minor incidents and improbable but much more severe outcomes. We describe and evaluate a number of risk scenarios which are joined to form our risk frontier curve.

None of our CR risks are considered material enough to be included on our group risk register.

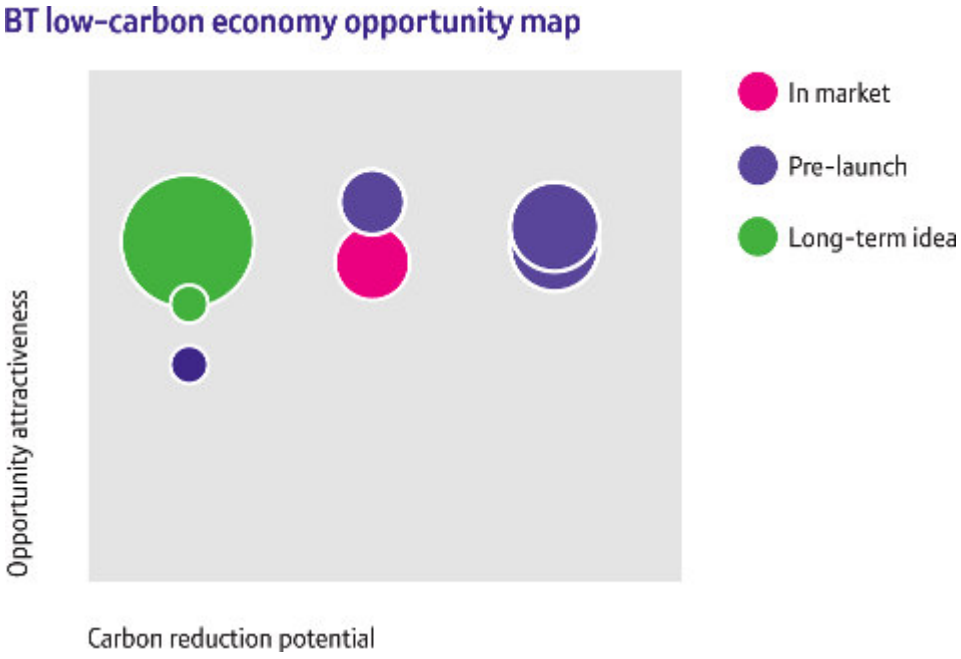
Key CR risks



CR and sustainability opportunities

We published an opportunities map for the first time in our 2008 sustainability report, to show our pipeline of existing and potential products and services with sustainability benefits, alongside their market attractiveness. Our approach is discussed in the Sustainable Economic Growth section of this report.

During the 2009 financial year, we focused on opportunities for BT in a low-carbon economy, partly in response to our involvement in the Global eSustainablity Initiative (GeSI) report SMART 2020: Enabling the low-carbon economy in the information age.



Reputation

When people trust a company, they are in effect giving it a 'licence to operate' in society. 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 CR for a number of years. During the 2007 financial year we asked Henley Centre Headlight Vision to look at the relationship between our CR 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. There is an explanation of the research here.

BT's CR and sustainability ratings and recognition

Assessment of BT's sustainability performance in sustainability ratings

Rating Organisation	Ratings	BT's Rating - 2009	BT's Rating - 2008	BT's Rating - 2007	Rating focus
SAM (Swiss Rating Agency)	Dow Jones Sustainability Index	85% SAM Gold Class" Sector Leader for 8 years	82%	83%	All aspects of sustainability
Oekom (German rating agency)	A+ to D-	Rating B Prime investment status. Ranked 1st out of 23 in	2007 result still valid	Grade B+ Prime . Ranked 1st out of 26 in telecoms	Socio-cultural performance and environmental protection

		telecoms sector		sector	
Business in the Community (UK)	Corporate Responsibility Index	98% Platinum Band and Sector leader	98% Platinum Band and Sector leader	98%. Sector leader	All aspects of corporate rersponsibility
Carbon Disclosure Project	Carbon Disclosure Leaders Index (CDLI)	94 % (AA rating).CDLI member	85% (A rating). CDLI member	not eligible for CDLI (only energy intensive companies assessed)	Evaluation of risks and opportunities in the industry as well as company policies and strategies
Ethical Investment Research Service (EIRIS)	FTSE4Good Index	Listing in FTSE4Good Index	Listing in FTSE4Good	Listing in FTSE4Good	Corporate governance, social aspects (including human rights) and environment
Innovest (US rating agency)	Global 100 (Most Sustainable Companies)	Not listed in the Global 100 index	Listed in the Global 100 index	Listed in the Global 100 index	Stakeholder capital, strategic governance, human capital, environment
Vigeo (French rating agency)	Points system, 100 is top score	Ratings min - - / max + + Human Resources 63 ++ Environment 52 + Business Behaviour (C&S) 62 ++ Corporate Governance 71 + Community Involvement 55 + Human Rights 50 +	Not rated this year	Ratings min - - / max + + Human Resources 61 + Environment 68 ++ Business Behaviour (C&S) 60 ++ Corporate Governance 77 ++ Community Involvement 73 + Human Rights 64 +	Social commitment, corporate governance, customer and supplier relationships, health, safety and environment, HR and international labour law
		44th overall	Listed as 124th	Listed as 38th	

Management Today/ Nottingham Business school	Britain's Most Admired companies	(60.9%)	overall (54.5%)	overall (61.5%)	Peer group assessment process. The 10 largest public companies in each sector rate their nine rivals.
		2nd in telecoms sector	2nd in telecoms sector	2nd in telecoms sector	
		8th overall for community and environmental responsibility		1st Overall for community and environmental responsibility	
The Observer	Good Companies Guide 2008	3rd in the top 20 with score of 86.6%	Not applicable	Not applicable	Companies rated in terms of ecological and social performance

Recognition

BT holds the prestigious Queens Award for Enterprise for Sustainable Development; awarded in April 2008, this award lasts for five years.

In September 2008 the Carbon Disclosure Project (CDP) said BT was "Best in Class" when it came to climate disclosure, and was listed in, the project's Climate Disclosure Leadership Index. The CDP is a coalition of over 315 global investors with more than $41 trillion of assets.

For the eighth consecutive year, BT was rated number 1 in the telecommunications sector in the Dow Jones Global Sustainability Index (DJSI).

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In July 2008 BT was awarded the CommunityMark by Business in the Community (BITC). It is the only recognition of its kind in the UK - and is endorsed by the government and voluntary sector leaders.

It is awarded after a rigorous assessment of a company's community investment programmes and consultation with its partners and employees. The CommunityMark lasts for three years.

BT received the top platinum ranking in the May 2008 review of the Business in the Community Corporate Responsibility Index.

In February 2009 BT was certified under the Carbon Trust Standard, which confirms that an organisation has genuinely reduced its carbon footprint and is committed to making further reductions year on year.

In December 2008, The Association of Chartered Certified Accountants (ACCA) named BT as the winner of its best sustainability report award for the second year in succession

In March 2009 BT was named a winner in the Corporate Social Responsibility (CSR) Awards run by American public relations magazine, PR News in the employee relations category for its Community Champions programme – an initiative that rewards the efforts of BT people around the world who volunteer in their local community.

In September 2008 German independent ratings agency OEKOM AG awarded BT a prime investment rating for corporate responsibility.

Environmental cost savings

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

For a number of years we have quantified avoided costs that have an environmental component for our UK impacts. 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.

We have revisited the model this year and have;

- Reviewed and amended some of the conversions factors used in light of new guidance for voluntary company reporting from DEFRA in the UK.
- Included an increase in the amount of Gas used in 2008.
- Reviewed and amended several of the assumptions used in our conferencing calculations. Reflecting an increase in the number of internal calls during 2008 compared to our reported figures. To reflect the wide spread use of audio conferencing in support of this year' cost challenges we have assumed that only 20% (compared to 35% used last year) of calls would have otherwise required a physical meeting.

For the 2009 financial year the rolling 5 year costs avoided that have an environmental component totalled £441.8 million of which £23.6 million related to profit and loss savings; £70.2 million to capital and £348 million related to productivity gains.

	Total Savings (£'m) – rolling 5 years				
	2005	**2006**	**2007**	**2008**	**2009**

Total	**199.9**	**284.1**	**401.3**	**408.3**	**441.8**
P&L	**40.4**	**49.1**	**39.2**	**28.8**	**23.6**
Opportunity	**135.2**	**183.4**	**297.3**	**345.0**	**348.0**
Capital	**24.3**	**51.5**	**64.9**	**34.5**	**70.2**

There are three components to our model; travel avoidance, energy use and waste.

		Total Savings (£'m) – Five year				
		2005	**2006**	**2007**	**2008**	**2009**
Transport Savings	**Commercial**	**36.3**	**50.0**	**66.9**	**47.4**	**77.4**
	Company Car	**26.4**	**41.9**	**42.1**	**24.3**	**36.9**
Energy Savings		(4.6)	(7.8)	(9.2)	(8.4)	(17.6)
Benefits Savings	**Conferencing**	**99.7**	**135.9**	**271.5**	**323.5**	**334.6**
	Home-working	**48.8**	**64.9**	**26.1**	**17.2**	**2.5**
Waste Savings		(6.7)	(0.9)	**3.8**	**4.4**	**8.0**
TOTAL		**199.9**	**284.1**	**401.3**	**408.3**	**441.8**

More details on travel, energy and waste can be found in the Climate Change and Environment section of this report.

The model also identifies CO_2 avoided from reduction in travel, energy use and waste.

		Total CO2 Reduction (000 t) – Five year				
		2005	**2006**	**2007**	**2008**	**2009**
Transport Savings	**Commercial**	**33.3**	**27.2**	**30.3**	**20.0**	**26.6**
	Company Car	**17.3**	**13.3**	**37.4**	**36.2**	**56.0**
Energy Savings		**457.2**	**569.3**	**332.6**	**302.4**	**264.0**
Benefits Savings	**Conferencing**	**23.6**	**32.4**	**61.2**	**72.7**	**70.5**
	Home-working	**8.3**	**10.4**	**5.6**	**4.6**	**2.9**
Waste Savings		(0.1)	**4.0**	**1.6**	**3.6**	**3.6**
TOTAL		**539.6**	**656.6**	**468.5**	**439.4**	**423.7**
CO2 reduction attributable to purchases of low and zero carbon energy sources		**423.5**	**534.9**	**301.8**	**275.2**	**231.7**

Employee motivation

Employee motivation is critical to the success of our business. We believe that a strong CR strategy helps to engage employees with BT and their work.

We carry out an annual employee survey to help us assess employee perceptions of our CR performance. In the 2009 financial year, we found that 69% of employees felt proud to work for BT as a result of our CR activities – up from 66% last year and up from 49% in 2004, the first year we measured this (see chart).

Key performance indicators

Indicator	Description	Measure	Target
Customer service	A measure of success across BT's entire customer base	17% improvement in RFT performance from 2008	To improve customer service based on getting things right first time (RFT) in line with our corporate scorecard
Employee engagement index	A measure of the success of BT's relationship with its employees through its annual employee attitude survey	3.61	BT will maintain or improve the 2009 level of employee engagement
Diversity	A measure of the diversity of the BT workforce	BT is in the top 10 placement in four of five major diversity benchmarks	BT will maintain a top 10 placement in 4 of 5 major diversity benchmarks.
H&S: lost time injury rate	Lost time injury cases expressed as a rate per 100,000 hours worked on a 12-month rolling average	0.160 cases	Reduce to 0.157 cases
H&S: sickness absence rate	Percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.17%	Reduce to 1.90% calendar days lost due to sickness
Supplier relationships	A measure of the overall success of BT's relationship with its suppliers, based on our annual supplier survey	85%	To achieve a rating of 80% or more based on the question "How would you describe the quality of your company's relationship with BT?'
Ethical trading	A measure of the application of BT's supply chain human rights standard	78 risk assessments with 100% follow up	To achieve 100% follow up within three months for all suppliers identified as high or medium risk, through our ethical standard questionnaires
Improving society	Investment to improve society	1.01%	Maintain a minimum investment of 1% of underlying pre-tax profits.
CO2 equivalent emissions	A measure of BT's climate change impact	43% intensity reduction	By December 2020, BT group will reduce its CO2e emission intensity

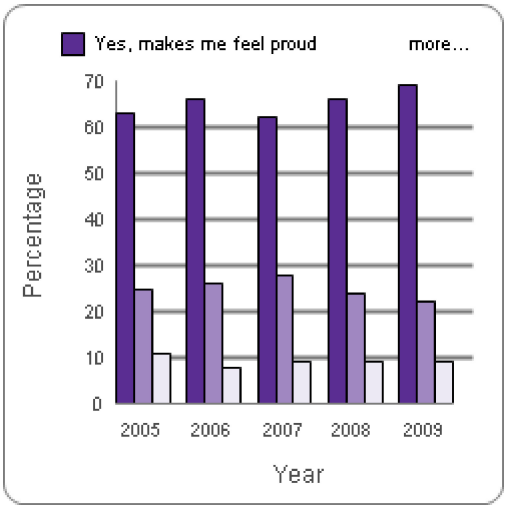
			by 80% against 1997 levels
Waste to landfill and recycling	A measure of BT's use of resources	17% reduction in waste to landfill (UK only) from 2008	BT group will reduce the tonnage of waste sent to landfill by 8% from 2009
Integrity	Business practice measure. How our Statement of Business Practice is implemented. Measured through a regular employee survey.	77%	We plan to make this indicator more broad-ranging to include all relevant policies including our new anti-corruption and bribery, and gifts and hospitality policies
Community effectiveness measure	An independent evaluation of our community programme	91%	To maintain evaluation score at over 90%

Note 1: We moved to a five point scale (five being good) this year and have restated previous scores
Note 2: Includes four UK benchmarks and the Schneider-Ross global diversity benchmark (from 2008)
Note 3: New target in 2008

BT targets

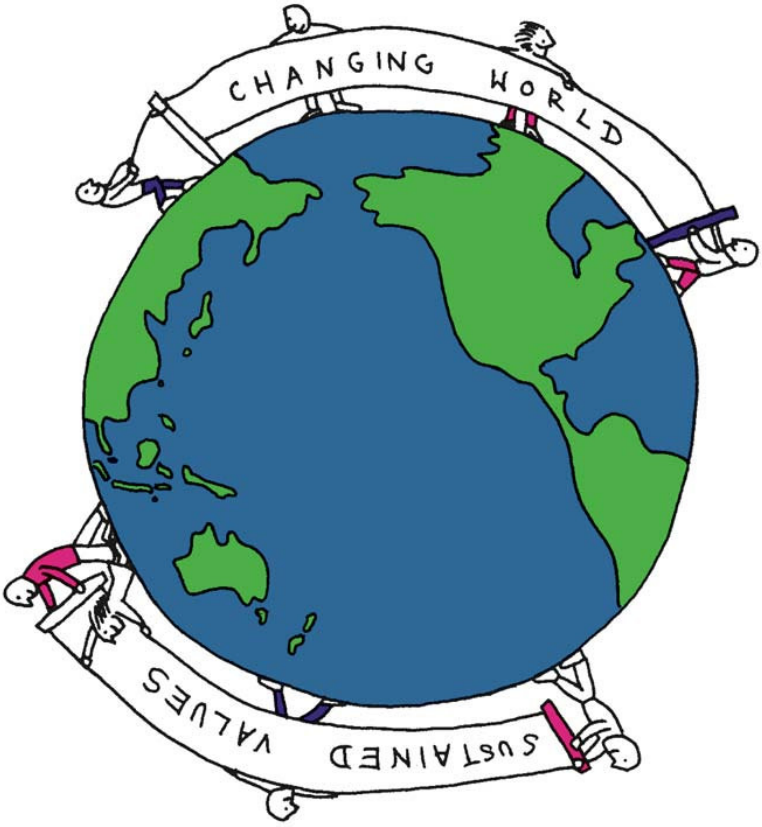
Start Date	End Date	Description	Update	Target Status
April 2008	March 2009	Quantify the business and sustainability potential for BT in helping customers access the base of the pyramid through ICT	We have completed this analysis but challenges in our Global Services business means that this work is currently on hold until later in the year.	Delayed
April 2009	March 2010	By March 2010, BT will develop a clear plan on our top opportunities for the low carbon economy.		New

Quantitative data



Employees pride in BT from Corporate Responsibility activities

Thanks for reading what we have to say – now we want to listen to you. Email us at **yourviews@bt.com** and tell us what you think of this report and sustainability at BT.



BT Group plc

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