

BT's CO₂e Group statement

This statement is for our reporting year of 1st April 2009 to 31st March 2010 in line with the Group's financial reporting period.

We have reported our carbon emissions since 1992 and this year have followed the Climate Disclosure Standards Board (CDSB) framework which builds on the World Resource Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol (GHGP).

For full transparency, our carbon accounts this year show our gross footprint based on the 'grid average' carbon content of purchased electricity and our net footprint which takes account of the carbon savings associated with our purchase of low carbon electricity.

At the core of our approach are the following principles:

- ▶ To report consistently internationally
- ▶ To provide as true a picture of our emissions as possible
- ▶ To handle all emissions (or lack of them) in a similar way
- ▶ To use our reporting to drive behaviour that helps to deliver a low carbon economy.

In our 1997 baseline year BT had negligible non-UK activity. By 2010 our gross footprint from non-UK operations had grown to 207,000 tonnes against a reduction in UK gross emissions of 138,000 tonnes (9%) over the same period. The combination of these two factors accounts for the 3% growth in our gross footprint since 1997. We have low carbon electricity contracts in the UK, Germany, Italy, Belgium and Luxembourg, which result in a net reduction of 51%.

Summary for the year ended 31st March 2010

CO ₂ e tonnes (thousands)	2010	2009	2008	Base year 1997	Change 2009 to 2010	Change 1997 to 2010
Scope 1	212	249	256	414	-15%	-49%
Scope 2 (gross)	1,419	1,448	1,407	1,156	-2%	23%
Sub Total	1,631	1,698	1,663	1,569	-4%	4%
Scope 3	51	73	79	58	-30%	-11%
Total emissions (gross)	1,682	1,771	1,742	1,627	-5%	3%
Less purchases of:						
Renewable electricity	572	591	516	-	-3%	-
CHP low carbon electricity	310	319	337	-	-3%	-
Total emissions (net)	801	860	888	1,627	-7%	-51%

CO₂e emissions intensity

Worldwide performance

Performance against our 2020 Climate Stabilising Intensity (CSI) target which is 'To reduce the CO₂e emission intensity of BT Group by 80% from our 1997 base year, by December 2020'.

CO ₂ e emissions intensity - kg per £ value added (see note)	2010	2009	2008	Base year 1997	Target 2020
Scope 1	0.021	0.027	0.023	0.044	-
Scope 2 (net)	0.053	0.058	0.050	0.123	-
Scope 3	0.005	0.008	0.007	0.006	-
Total (net)	0.079	0.093	0.080	0.173	0.035
Reduction from base	54%	46%	54%	-	80%

Calculation for our CSI = CO₂e / Value Added (EBIDTA + staff costs)

Performance against an industry benchmark (ETNO 2008)

We have benchmarked our performance against the European Telecoms Networks Operators (ETNO) 2009 Sustainability Report (published March 2010) www.etno.be.

ETNO have calculated the average of individual electricity management efficiency indicators of 22 members.

- ▶ For electricity (scope 2) emissions the ETNO intensity factor was 31.54 kgs per €1,000 turnover, (2008), 23.78 (2007) and 27.32 (2006).
- ▶ To express BT's performance in similar terms the BT intensity factor is 23.9 kgs per €1,000¹ turnover in 2010 (23.36 in 2009), (24.8 in 2008).

Detailed emissions breakdown

Emission source	CO ₂ e tonnes (thousands)			
	2010	2009	2008	Base year 1997
Scope 1 – stationary combustion				
Oil combustion - electricity generation	2	2	4	12
Gas combustion	69	80	78	108
Oil combustion - heating	11	12	13	67
Refrigeration gases (HFCs and SF ₆ only)	5	6	3	1
Commercial fleet diesel	101	115	124	167
Commercial fleet petrol	–	–	1	18
Company car diesel	21	30	29	24
Company car petrol	3	4	6	16
Total scope 1 emissions	212	249	256	414
Scope 2 – purchased electricity				
Grid average intensity (gross)	1,419	1,448	1,407	1,156
Less purchases of:				
Renewable electricity	572	591	516	–
CHP low carbon electricity	310	319	337	–
Scope 2 emissions (net)	538	538	553	1,156
Combined scope 1 & 2 emissions (net)	749	787	809	1,569
Scope 3 – other indirect emissions				
Homeworker emissions (see notes)	4	6	6	–
Cars on BT business (diesel)	9	11	13	1
Cars/motorcycles on BT business (petrol)	–	1	–	5
Refrigeration gases (CFCs and HCFCs only)	6	7	5	13
Rail travel	5	7	7	11
Air travel (domestic)	7	8	9	N/A
Air travel (short haul)	2	3	5	8
Air travel (long haul)	10	19	21	8
Hire cars (all fuels)	8	11	14	11
Total scope 3 emissions	51	73	79	58
Total CO₂e emissions (net)	801	860	888	1,627
Percentage change from base (net)	-51%	-47%	-45%	–

Notes

1. Greenhouse gases

All greenhouse gas (GHG) emissions figures are in thousands of tonnes of carbon dioxide equivalents (CO₂e) and include all six greenhouse gases covered by the Kyoto protocol – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and sulphur hexafluoride (SF₆) emissions, plus other greenhouse gases not covered under the Kyoto protocol.

2. Organisational boundary

Both the CDSB and GHGP allow a company to define the organisational boundaries for carbon reporting according to definitions of 'equity share', 'financial control' or 'operational control'. The CDSB and UK Government guidance both recommend use of the 'financial control' approach.

Taking the financial control approach would omit most of our buildings which would not be a proper reflection of our business. Therefore, to give the most representative footprint for BT we take a hybrid approach. In essence we report on the emissions associated with energy that we buy or generate worldwide. Where the energy is provided by landlords as part of a full service contract we have not included these emissions. We take a consistent approach where we are the landlord. We have not reported for countries with less than 250 MWh per annum electricity use, nor where we do not have a controlling interest in any joint ventures or partnerships.

3. Operational boundary

Direct emissions under **scope 1** which we include in our reporting are:

- ▶ Fuel used in back up generators
- ▶ Fuel used in the commercial (liveried) fleet
- ▶ Fuel used in company cars when driven on BT business
- ▶ Loss of refrigeration gases covered under the Kyoto protocol
- ▶ Fuel used to heat BT premises.

Indirect emissions under **scope 2** which we include in our reporting are:

- ▶ All purchased electricity
 - Electricity purchased at grid average carbon intensity
 - Electricity purchased at low carbon intensity
 - Renewable electricity purchased at zero carbon intensity.

Note: This includes electricity used by suppliers on BT premises (for example catering) but excludes tenant electricity where separate metering is in place (for example where we bill Communication Providers for Local Loop Unbundling).

Other indirect emissions under **scope 3** which we include are:

- ▶ Employee business travel (rail, air and car hire)
- ▶ Non-Kyoto refrigerant gases (e.g. CFCs)
- ▶ A proxy for home workers carbon footprint.

Scope 3 emissions that we currently do not report on are:

- ▶ Extraction and production of purchased materials and fuels
- ▶ Transport-related activities
 - Transportation of purchased materials or goods
 - Transportation of purchased fuels
 - Employees commuting to and from work
 - Transportation of sold products
 - Transportation of waste
- ▶ Electricity-related activities not included in scope 2
 - Extraction, production, and transportation of fuels consumed in the generation of electricity (either purchased or own generated)
 - Purchase of electricity that is sold to an end user (appropriate to utility companies)
 - Generation of electricity that is consumed in a T&D system (reported by end-user)
- ▶ Leased assets
- ▶ Franchises
- ▶ Outsourced activities
- ▶ Waste disposal
 - Disposal of waste generated in operations
 - Disposal of waste generated in the production of purchased materials and fuels
 - Disposal of sold products at the end of their life.

4. Geographic scope

CO₂e emissions that fall within the organisational and operational boundaries have been reported for all worldwide operations.

5. Conversion factors

For our UK reporting we use conversion factors published by Department for Environment Food and Rural Affairs annually. As electricity fuel mix and associated carbon intensity differs from one country to another we use the Greenhouse Gas Protocol or International Energy Agency (IEA) conversion factors unless specific national or contract factors exist.

For our homeworker emissions in the UK we have derived the impact using the non-taxable allowance (tax-free payments that BT homeworkers claim from the company) permitted by UK tax authorities and applied that to average home gas / electricity mix.

6. Renewable / low carbon electricity

This year the UK Government published new voluntary company reporting guidelines. These differ from previous guidance. They now recommend that carbon emissions from electricity purchased with zero or low carbon emissions should only be reported at the 'grid average' intensity. This removes any incentive for large energy consumers such as BT to purchase renewable electricity. We feel this is retrograde step, especially given the hugely challenging targets the UK has for increasing the amount of renewable electricity over the next decade. The Government has agreed to review this by December 2010.

Depending on the outcome of that review we may need to revise our approach to energy purchasing, carbon reporting and our CO₂ targets.