



Changing world: Sustained values

Our 2010 Sustainability Review



Using this report

This report contains information about our progress towards becoming a more responsible and sustainable business. We have provided a number of different ways for you to navigate the report and help you find what you are looking for.

Printed review

We produce a short sustainability review that focuses on key areas where our business can make a difference. Download the review in PDF format [here](#).

We have also provided this year that ability to build your own report (in pdf format). By registering on this site you will be able to create your own report based on your areas of interest, and to bookmark pages for future reference. Your email address will not be shared with any third party.

Left-hand menu

Navigate around the online report using the tree structure in the left-hand menu.

Search the report

Search for specific words or phrases.

Indexes

We have provided four different indexes:

- Alphabetical
- Global Reporting Initiative (GRI) – to find our responses to the indicators and disclosures of the G3 sustainability reporting guidelines
- Statement of Business Practice, The Way We Work – to show our performance against our business principles, aspirations and commitments
- United Nations Global Compact, to show our progress towards the 10 principles of the Global Compact.

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

Other links

There are charts showing our performance against key performance and other indicators throughout the report. Click on each chart for a full size version in a pop-up window.

Links to relevant case studies also appear at the side of the page.

Our sustainability performance from 1 April 2009 – 31 March 2010 has been audited by LRQA. Click on the LRQA logo at the right of your screen for more information about the audit process.

Accessibility

You can increase the text size on your screen using the letter A icons in the bottom left-hand corner. Click [here](#) for full details of the accessibility functions available on BT's website.

Additional resources

There is much more information about our efforts to become a more responsible and sustainable business on our wider [Responsible](#) and Sustainable site, as well as resources to help others. This includes our CR [glossary](#), advice for businesses, such as our Carbon Impact Assessment, free educational resources for teachers, opportunities to have your say, and articles describing BT's views on [hot topics](#) such as climate change and smart technology.

Scope of this report

This report describes our approach and performance on relevant and significant social, economic and environmental issues during the financial year ending 31st March 2010 (2010). Our previous report covered the year to 31st March 2009.

The report and data cover all wholly-owned activities in the UK and internationally, unless otherwise stated. In 2010, our UK operations accounted for approximately 77% of turnover and 79,832 (82%) of 97,798 employees.

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.

Restatements of information

In 2010 we made a number of restatements to data published in our Key Performance Indicators (KPI):

- CO₂ equivalent emissions have been restated for this year and previous years to reflect changes in emissions factors published by government and other non-material corrections
- The financial indicator associated with our CO₂e non-financial indicator in our KPI table for 2009 has been restated to include the cost of vehicle fuel, which was omitted last year
- The value of customer bids with a sustainability component in 2008 and 2009 was restated following a revision of our calculation methodology

Contact us

Corporate responsibility and sustainability

Thank you for reading what we have to say.

Your views on our Sustainability Report are important because they help us improve. Let us know what you think of our report and whether you found what you wanted by contacting us at yourviews@bt.com. Your feedback will be forwarded to one of our corporate responsibility and sustainability specialists.

Other enquiries

Using the right channel helps us to direct your comment, query or complaint to the correct department, follow it up and keep you informed.

If your feedback does not relate to BT's corporate responsibility and sustainability, please go to our [BT contact](#) information page.

Environmental queries

If you have feedback or questions (not complaints) relating to BT and the environment, please contact us:

By telephone:

Freephone: 0800 731 2403

International callers please use: +44 800 731 2403

By e-mail:

bt.environment@bt.com

By post:

BT Group plc

BT Centre,

81 Newgate Street,

London

EC1A 7AJ

Assurance

We used the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines and Pilot Telecommunications Sector Supplement when preparing this report. We assess that the report meets application level A+ and have provided a GRI Index with links to our coverage of each indicator.

We also applied [AccountAbility](#)'s three Principles of inclusivity, materiality and responsiveness.

- **Inclusivity:** The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
- **Materiality:** Determining the relevance and significance of an issue to an organisation and its stakeholders.
- **Responsiveness:** An organisation's response to stakeholder issues that affect its sustainability performance and is realised through decisions, actions and performance, as well as communication with stakeholders.

Lloyd's Register Quality Assurance Limited (LRQA) is contracted by BT to assure this report against the AA1000 AS (2008) and the GRI guidelines. LRQA's statement explains the assurance process and provides their conclusions.

BT's external Leadership Panel also provides a statement on the progress we have made toward becoming a more sustainable business in 2010 financial year.

LRQA assurance statement to the management and stakeholders of BT Group plc



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 2010' printed report and its web-based 'Sustainability Report 2010' (the Reports) for the financial year ending 31 March 2010.

Note: This excludes BT's Regulatory Compliance Report for 2010, Equality of Access Board Summary Report 2010, extracts from BT's Annual Report and Accounts and BT's indexes for United Nations Global Compact Principles index and 'The Way We Work'.

The assurance engagement was undertaken against:

- AA1000 Assurance Standard 2008 (AA1000AS), where the scope was a Type 2 engagement at a high level of assurance.
- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3), 2006.
- GRI Telecommunications Sector Supplement, July 2003.

Note: The scope of the 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.

The objectives of the assurance engagement were to review adherence to the AA1000AS principles of Inclusivity, Materiality and Responsiveness; and to evaluate the reliability of the specified sustainability performance information.

Both of the Reports have been prepared and approved by BT, who were also responsible for the collection and presentation of information within them. LRQA's responsibility was to carry out an assurance engagement on these Reports, in accordance with our contract with BT. LRQA does not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any third party may place on these Reports is entirely at its own risk.

Our approach

In order to form our conclusions we have obtained sufficient evidence that we consider necessary for us to give the high level of assurance stated in the terms of engagement.

Our assurance approach was risk-based and undertaken as a sampling exercise of the data and information disclosed in the Reports. It covered the following activities:

- Reviewing BT's stakeholder engagement process and information collected from the various stakeholder forums
- Evaluating BT's material issues against our own independent analysis of stakeholder issues
- Carrying out a benchmarking exercise of high-level material issues by reviewing sustainability reports written by BT's peers
- Understanding how BT determines responds and reports on its material issues. This included participating in a BT Leadership Panel meeting to observe the discussions on material issues, BT's CR strategy and the contents of these Reports and confirming approval of the BT Leadership Panel statement.
- Interviewing senior management to understand BT's reporting processes and use of sustainability performance data within their business decision-making processes
- Interviewing key personnel to understand BT's processes for setting performance indicators and for monitoring progress made during the reporting period. With the exception of selected telephone interviews with personnel in UK offices, our work was limited to activities at BT's headquarters. We did not visit any international locations.
- Verifying BT's data and information management systems
- Validating BT's self-declaration, in 'about our report', for GRI G3's application level A+.

We also use BT's Internal Audit Division (IAD) (see final paragraph) to review the validity of data and information reported in 'our people', 'communities', 'connected world' and 'economic Impact'.

Our conclusions and findings

Based on the terms of engagement, LRQA's conclusions for adherence to the AA1000 Accountability Principles and GRI Guidelines are:

Note: Conclusions given are based upon full disclosure by BT of all relevant data and information.

Inclusivity

BT has effective processes in place to identify stakeholder groups and actively encourage them to participate in the determination of material sustainability issues.

Materiality

The process for determining materiality is robust, dynamic and the evaluation criteria are aligned with both business and stakeholder needs. BT uses the results of its materiality evaluation and feedback from peer reviews to present information on the most relevant and significant sustainability issues in the Reports.

Responsiveness

BT has developed a comprehensive and balanced business response, in the form of strategies, plans and actions, for addressing their material sustainability issues.

Reliability of specified sustainability performance information

The information presented within the Reports is fair and accurate.

Note: this conclusion is based on our high level assurance process which verified the systems, processes and conducted some detailed sampling of source data.

Global Reporting Initiative

BT's self declaration of A+ application level is fairly stated. The web-based Sustainability Report 2010 is in accordance with the requirements of GRI G3 and the Telecommunications Sector Supplement.

LRQA's recommended improvements.

BT should continue to develop the systems and processes for collecting, checking and reporting sustainability data. In particular BT should:

control sustainability performance information including data definitions, reporting methods, calculations, assumptions and conversion factors in the BT management system.

Establish and implement documented procedures for monitoring and reporting environmental data in non-ISO14001 approved countries. As a minimum, non-UK environmental data should be collected and checked on a quarterly basis.

S M Fletcher

G Farmer

For and on behalf of LRQA
London, UK
17 May 2010

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 has 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, ISO27001 and ISO20000 certification body. We also provide BT with a range of training services primarily related to 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 this 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 Division (IAD)

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.

The Panel's remit

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

- Advising on key areas of CR 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 2010 Sustainability Report, we comment on the level of progress made during the 2010 financial year (2010) 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. We have also appreciated more contact with BT's Committee for Responsible and Sustainable Business. This statement covers our work as a Panel up to the on-line publication of the report in May 2010. 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.

Principal areas of engagement

In addition to the items detailed below, we also discussed the relationship of CR to customer service, risks associated with the social impacts of the internet, and BT's work as a London 2012

Olympics Sustainability Partner.

Unlocking talent

BT's employee volunteering programme now delivers an impressive number of volunteering days. We are keen to see how the outcomes of this programme will be measured – in terms of benefit to the community, individual employees, and to the company. We would also like to see the volunteering programme aligned more closely with some of BT's other sustainability priorities – combating digital exclusion, for instance.

We continue to support the ambition to incorporate sustainability into the development, recognition and training programmes in BT, and are keen to see these programmes rolled out as soon as possible.

Sustainable product design

We are encouraged by the way in which sustainability is being embedded into BT's systems of product and service management and design. Again, we are interested in the development of success metrics. It is also important to ensure that lessons learnt are fed back into new developments.

Investments in society

BT has traditionally used the London Benchmarking Group (LBG) methodology to measure its financial contribution to societal improvement, with an aim to invest at least 1% of pre-tax profits every year. We supported the move to a broader base of inputs into this measure to properly reflect the range of activities undertaken by the company. We recommended that direct community investment continues to be listed as a separate item, and it continues to be measured according to the LBG.

Sustainability reporting

We closely follow BT's reporting process. We advise on content and approach, are active participants in BT's materiality determination process and take a close interest in the KPIs. We are increasingly keen to see CR matters fully reflected in the company's Annual Report and Accounts. The current approach falls far short of best practice, and in particular the company's statement of strategic priorities does not reflect the importance that we know has been given by BT to sustainability.

We are pleased to see further disclosure on non-UK tax payments, yet remain keen to see BT being responsive to changing societal expectations in the way it describes its approach to tax policy.

Climate Change

We have been concerned that changes to the UK government's approach to carbon reporting might impact on BT's level of ambition in addressing climate change and appreciate there is still a need to resolve some issues. In light of the continuing uncertainty about the reported carbon content of purchased renewable electricity, we support the approach BT has taken this year to its carbon accounts. We supported BT's development of an energy reduction target with a strong cost control focus, and continue to encourage the company to explore commercial opportunities surrounding the deployment of low carbon, smart technologies.

Challenges for the future

The best test of any company's commitment to sustainability and Corporate Responsibility is how it fares during leaner times as well as in the good times. It's been a tough year for BT, facing intense competitive pressures whilst striving to improve customer satisfaction and maintain the substantial R&D investments on which its future depends.

Happily, BT's commitment to corporate sustainability remains strong. But BT is no longer the leading company in the Dow Jones Sustainability Index, after eight years at the top. And the five strategic priorities stated in this year's Annual Report do not explicitly reflect this commitment (though it is stressed in BT's 'corporate aim'). Both developments remind us that success cannot be taken for granted and that leadership needs to be nurtured through the entire company.

The Leadership Panel's starting point has to be BT's performance in delivering against its own Key Performance Indicators (see page XXX), and these show another year of steady progress. However, things move on, and we are no longer convinced that this is the best way of measuring progress, let alone capturing the kind of ambition level that BT needs to be aiming at. We have therefore recommended to BT that it should comprehensively review these KPIs, with a view to

being at the forefront of developments.

Some of the most stimulating discussions we've had over the last year have been around BT's Carbon Management Strategy. Although the UK Government has effectively penalised companies like BT that have proactively invested in renewable energy, BT continues to demonstrate extraordinary leadership in this area.

BT has been slower to seize hold of the opportunities that will result from the transition to a low-carbon economy, in part because its contribution is intangible and service based. Nonetheless, smart meters, smart buildings, smart grids, integrated networks and infrastructure, tomorrow's low-carbon lives will depend on a surge of innovation and new technology – and many companies are already aggressively positioning for that very different world.

The entire ICT industry must also wrestle with the scope for web-enabled technologies in increasing emissions of CO₂. This is a significant additional challenge requiring profound and rapid attention, otherwise the widespread perception of the ICT sector as 'a clean and green sector' will be at risk. We look forward to an engaged dialogue with BT on this during the next period.

The challenges don't get any easier! All companies have to raise their game to meet those challenges, and the contribution that BT continues to make in this area is as critical as ever

Jonathon Porritt, Mark Goyder, Elisabeth Lavelle, Jørgen 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 a non-executive Director of Wessex Water and Willmott Dixon, and the Environment Programme.

Mark Goyder is Founder Director of Tomorrow's Company a business-led think-tank which works internationally on issues of talent, sustainability, and corporate governance. After 15 years in manufacturing businesses, Mark initiated the RSA Tomorrow's Company inquiry into 'the role of business in a changing world'. Tomorrow's Company influenced the restatement of directors' duties in the 2006 UK Companies Act, and initiated the debate on stewardship in the UK. Mark has previously served in advisory capacities for BA and Co-operative Financial Services and now has advisory roles with Tomorrow's Company member companies including BT and Camelot. A broadcaster, writer and winner of the Institute of Management Studies (IMS) Tillers Millennium Trophy for best speaker, Mark has addressed audiences all over the world. He was Director Magazine Director of the Month in June 2004.

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 Feminine 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.

Jørgen Randers is Professor of Climate Strategy at the Norwegian School of Management. He is non-executive director of various corporate boards, and recently chaired the Norwegian Government Commission on Low Greenhouse Gas Emissions. He was formerly Deputy Director General of WWF International (World Wide Fund for Nature) in Switzerland (1994-999) and has written many books and articles, including co-authoring "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).

Thanks for reading what we have to say – now we want to listen to you. E-mail us at yourviews@bt.com and tell us what you think of this review and sustainability at BT.

