Our reporting methodology

This 'Delivering our purpose – update on our progress in 2015/16' report provides information on our approach to managing our material social and environmental issues. Unless we state otherwise:

- our data covers the year 1 April 2015 to 31 March 2016, in line with our financial reporting. Our previous report covered the year to 31 March 2015;

- having completed the acquisition of EE on 29 January 2016, this report does not include non-financial EE data;

- diversity data is based on UK employees only, with disability and ethnicity data being voluntarily self-declared; and

- otherwise the report covers all BT's wholly-owned operations and subsidiaries worldwide, including our worldwide employee base at 31 March 2016 of 89,700 employees (excluding EE), and uses 'full-time equivalent' data, not 'people in post'.

References to 'BT Group', 'BT', 'the group', 'the company', 'we' or 'our' are to BT Group plc (which includes the activities of British Telecommunications plc) and its subsidiaries and lines of business, internal service units, or any of them as the context may require.

Reporting on our 2020 ambitions

Supporting our communities

We want to use our skills and technology to help generate more than £1 billion for good causes by 2020. We've defined what will count towards this goal, and track progress each year. This includes:

- money raised using MyDonate for fundraising, telethons and appeals (including Gift Aid), through payroll giving, and by BT employees fundraising during their working hours;

- time volunteered by our people to good causes during working hours. We've calculated the value of volunteering time to our communities by multiplying the hourly salary of the volunteer by the number of hours volunteered. We've then applied a multiplier to this, which takes account of other pay-related costs (e.g. pension and other benefits);

- membership fees, donations, sponsorships, matched funding and the value of in-kind support given to charities, not-for-profits and social enterprises;

- payments made to these organisations to run projects aligned with our ambition;

- funds raised by charities as a result of our financial support and the use of our technology, skills and assets, including money raised by BT-sponsored fundraising events and where our BT assets such as the BT Tower in London are used in fundraising events; and

- investment in infrastructure, such as the set up and running of MyDonate and its associated internal administration costs.

We want our people to play an active part in society, and aim to have 66% of our people volunteering by 2020. Employees can take up to three days. We believe that both the individual and BT benefits from volunteering irrespective of when this takes place. That's why our 66% target includes the volunteering our people do in their own time as well.

We aim to improve the teaching of computing and tech skills of 5 million children by the end of the 2020/21 academic year. Initially we'll do this through a 'train the teacher' model, using average class sizes in the UK as the multiplier for each teacher trained.

Connecting society

Our ambition is to give more than nine out of ten people in the UK access to fibre-based products and services by 2020. We use the number of premises passed by Openreach's fibre broadband roll-out, and calculate this figure as a number out of ten. This understates the total fibre roll-out across the UK, as we do not include the reach provided by other communication providers.

We've developed a methodology that helps assess contribution towards our goal of helping 10m people overcome social disadvantage. We've piloted it on four propositions - broadband, satellite, BT Basic and Mobile Health Worker – giving UK and global representation. We're currently testing the methodology further before publishing it.

Delivering environmental benefits

Our ambition is to help our customers reduce their carbon emissions by at least three times the end-to-end carbon impact of our business (3:1) by the end of 2020.

We've been working with several expert organisations to calculate our end-to-end carbon emissions, and our 3:1 methodology is shared on our website.

To calculate our carbon emissions, we:

- use the World Resources Institute (WRI) Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard (revised edition);

- report our emissions under the Scope 1 to 3 categories which define boundaries in relation to indirect and direct GHG emissions:
  Scope 1: direct emissions (e.g. from combustion in owned or controlled boilers, furnaces, vehicles, etc.)
  Scope 2: indirect emissions associated with the generation of electricity, heating/cooling, or steam purchased for our own consumption
  Scope 3: all other indirect emissions;

- now report our Scope 2 emissions, in line with the revised GHG protocol guidelines, using both the 'market-based method' (formerly reported as our Net emissions), and 'location-based method' (formerly reported as our Gross emissions);

- include emissions from acquisitions (excluding EE) since our base year (1996/7), where they are considered material;

- exclude emissions from energy provided by a landlord as part of a full service buildings contract and emissions from energy charged to our tenants;

- don't report emissions data on countries where we use less than 250MWh of electricity each year, or on joint ventures or partnerships where we do not have a controlling interest; and

- exclude data from divestments from operational emissions unless the divestment is sourcing a service, where the associated emissions may be included in our Scope 3 reporting.

To calculate the CO_2 equivalent (CO_2e) figures we use, we convert other GHG emissions into the amount of CO_2 having equivalent environmental impact:

- in the UK we use conversion factors published annually by the Department for Environment, Food and Rural Affairs (Defra); and

- for other countries, we use Defra and International Energy Agency (IEA) conversion factors unless specific national or contract factors exist.

Materiality methodology

Our approach

We engage our stakeholders to build their trust in us, enhance our reputation and increase our customers' loyalty. Understanding their expectations helps us meet their needs better. For example, we use our stakeholders' insights to develop more attractive products and services, which in turn help us grow our business. These insights also help us identify and address emerging risks.

Since 2006 we have conducted a materiality review each year to assess the trends and issues identified by our stakeholders. We use this analysis to decide which issues are most important and should be publicly reported on.

Methodology

In November of each year, we draw on around 50 to 100 sources of qualitative and quantitative information that have been gathered throughout the preceding 12 months. This is to determine the relevance and significance of issues identified through stakeholder engagement.

These sources of information include day-to-day interactions by phone, in meetings, through online discussion forums, focus groups, social media, and participation in industry collaborations. We also work with more than 60 organisations that represent different stakeholder groups and issues, such as the Confederation of British Industry, World Business Council on Sustainable Development and the World Economic Forum.

Analysis of content from blogs, social media and TV, radio and online news gives us a broad understanding of the issues that are important to a wide group of stakeholders.

We aim to fill gaps in our understanding through targeted primary or secondary research. For example, through online surveys of consumer perceptions, or interviews with subject matter experts. Reviewing peer companies' sustainability reports helps us check that we have a comprehensive list of the relevant issues for our sector, and challenges us to further improve our reporting.

The following questions help us prioritise issues that emerge from our research:

- is there wider societal interest in this issue? This is quantified through evidence of mentions online and offline;

- are our key stakeholders consistently expressing an interest in this issue? This is quantified by evidence from each of key stakeholder groups; customer, employees, suppliers, investors, governments/ regulators;

- to what extent is BT already managing this issue through policy, principles and procedures? And

- what financial impact is this issue expected to have on BT over the next three years?

We verify this process against the AA1000 Assurance Standard 2008 every year that we complete with LRQA.

The issues that emerge as the most material are mapped onto a matrix to help visualise their relative importance to BT and our stakeholders. This prioritisation supports our strategic decision-making and directs our reporting.

Restating past data

Every year, we replace any estimates in the previous year's reporting with actual figures. This year's list of such changes comprises:

- **Helping customers stay safe online** – last year we incorrectly reported our goal to run 600 workshops on The Right Click as having a target date of March 2016. We've now repositioned this correctly as March 2017;

- **Supporting good causes** – the £83.7m reported in 2014/15 against our goal to generate £1bn has been restated to £85.7m, following the confirmation of additional contributions following publication of last year's report;

- **Building skills** – the targets data table in our website now clarifies that the target date for our 2020 ambition, to help 5m children gain improved computer skills, is the end of the 2020/21 academic year; and

- **Energy and carbon** – all restatements of previous estimates are recorded in the Environment Data table on our website.

Complying with standards and guidelines

This report contains Standard Disclosures from the GRI (G4) Sustainability Reporting Guidelines. We have also assessed the report content and our performance against the ISO 26000 'Guidance on social responsibility' framework.

We have been a signatory to the United Nations Global Compact since 2000. We reaffirmed our support of its ten principles in 2015/16. Our UNGC index shows how this report represents our Communication on Progress.

We're also a signatory to the CDSB fiduciary duty and climate change disclosure. Our CDSB index shows how we've integrated the CDSB reporting framework across both this report and our Annual Report and Form 20-F (2016).

Assuring our report

Our report is externally assured by LRQA against the AA1000 AccountAbility Assurance Standard 2008. The LRQA assurance statement is available on our website.

This lets us review and benchmark our performance, as well as receive valuable feedback on areas we can improve upon next year.

The principles of inclusivity, materiality, responsiveness and reliability were all reviewed by LRQA, across the whole of our report.

Two areas that LRQA highlighted this year, and that we'll look to improve in 2016/17 are:

- increasing the internal verification performed on the international energy data to improve its reliability; and

- improving the clarity of methods used, to determine how beneficiaries of the Connecting Society 2020 ambition to help 10 million people overcome social disadvantage are measured, to enhance repeatability and comparability year-on-year.

Contact information

We welcome feedback on this report, on how we're delivering social and environmental benefits, and on our performance as a responsible and sustainable business. Please complete the online feedback form or contact us via our Twitter account @BTGroup