Delivering our Purpose Report

Update on our progress in 2016/17

Introduction from our Chairman and Chief Executive

Our purpose is to use the power of communications to make a better world.

Our products and services – and the people who deliver them – make a vital contribution to providing the connectivity that is essential in a digital economy.

We believe in using the power of communications to make a better world, and in the opportunity and responsibility BT has to make a positive impact.

We continue to help more people get online, whether that's through our community fibre partnerships scheme, which helps bring fibre to some of the hardest to reach communities; by working together with Wales and West Housing to create one of the largest free wi-fi networks in social housing; or helping housing associations get tenants online with discounted 4G EE Wi-Fi devices. We take our responsibility as the leading investor in the UK's digital infrastructure very seriously.

While access to technology is important, so are the skills that people need to use it – that's why we're committed to help build a culture of tech literacy in the UK – and we're on track to reach 5m kids by 2020. We believe tech literacy, the confidence to use everyday technology and understand how it works and shapes society, is as important as reading and writing. And through the Barefoot Computing project, which brings computer science alive across the curriculum, we've already reached over a million primary school children. We're uniquely positioned to help this next generation of young people.

In addition, this year we've also helped over 2,050 young people, many from disadvantaged backgrounds, get better prepared for the world of work through our Work Ready programme and partnership with the Rio Ferdinand Foundation.

Together with Unicef UK, we've reached more than 14,500 teachers, parents and children as part of the Right Click programme, helping them become confident digital citizens.

And we've also launched the Tommy Flowers Institute, for Higher Education ICT training, at our research labs at Adastral Park, Ipswich.

We're a signatory to the UN Global Compact principles, are committed to implementing the UN Guiding Principles on Business and Human Rights and are actively contributing to the UN Sustainable Development Goals.

We expect everyone who works with us to live up to our values and act with integrity. And the behaviours and practices we found in our Italian business, as well as Ofcom's findings around Openreach's use of the Deemed Consent process a number of years ago, have no place in BT. We take these extremely seriously, and have put in place new measures, controls and people to prevent them from happening again.

Although our carbon footprint has grown with the addition of EE, we remain a 'net positive' business, with our emissions offset by the carbon savings our products and services bring to our customers by a ratio of 1.8:1. Our aim is to move to 100% renewable electricity wherever we can. This year, 82% of electricity worldwide came from renewable sources.

By using our technology for good causes we've helped raise over £62.6m for 11,000 charities, through telethon appeals and MyDonate, our online fundraising platform. BT Sport customers donated more than £1.6m to The Supporters Club, providing grants to 13 charities in the UK and around the world. We've also begun a three year partnership with the Premier League to inspire disabled people through sport.

Looking to the future, we're excited about the continued role we will play in creating connections and helping people, businesses and communities thrive in a digital world.

Sir Michael Rake
Chairman

Gavin Patterson
Chief Executive

"I'm extremely proud of how BT uses the power of communications to make a better world. As I hand over my role as Chairman to Jan du Plessis in November, I do so in the knowledge that BT's products and services play a vital role in helping customers to thrive, and make a positive impact to society and the communities where it operates."

Sir Michael Rake, Chairman

In this report

This report shows how we're delivering against our 2020 ambitions, and how we've been bringing our purpose to life during 2016/17.

Using this report

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Use the document controls located on the bottom of each page to help you navigate through this report. From left to right: home page, appendices, search, print, back and forwards one page, fast link to previous page viewed. Other links are also indicated by underlined text, or by the following symbols:

📖

Reference to other pages within the report, with links embedded in the page numbers shown.

💻

Reference to further reading online

1 Delivering our purpose

We're supporting society and the environment in an increasingly digital economy, while taking our responsibilities seriously in everything we do.

Contents

Overview and highlights

Our purpose is to use the power of communications to make a better world.

We're doing this by connecting society and helping people thrive in a digital economy, by supporting our communities and by delivering environmental benefits. We've set bold ambitions for 2020 in each of these areas and we're making progress towards them (see graphic).

To achieve our purpose, we must do business responsibly. That means behaving ethically, respecting people and the environment, and investing in society. This is essential to build trust, protect our reputation and deliver sustainable, profitable revenue growth.

By delivering our purpose, we're creating shared value for society, the environment, our people and our business.

Regulatory and compliance matters

The behaviours and practices we found in our Italian business, as well as Ofcom's findings about Openreach's use of the Deemed Consent process a number of years ago, have no place in BT. We take these issues extremely seriously and have reviewed all aspects of our governance, putting in place new measures and controls to prevent them from happening again.

See our Annual Report for our full response

Our 2020 ambitions

Connecting society

Give nine out of ten people in the UK access to high-speed broadband

9/10

Premises reached by March 2017:

8.8/10

Help 10 million people overcome social disadvantage through the benefits our products and services can bring

10m

Helped since 2014/15:

3.9m

Help 5 million children receive better teaching in computing and tech skills

5m

Helped since 2014/15 school year:

1.1m

Supporting our communities

Use our skills and technology to generate more than £1bn for good causes

£1bn

Generated since 2012/13:

£422m

Inspire 66% (two-thirds) of our people to volunteer their time and skills

66%

Volunteered in 2016/17:

31%

Delivering environmental benefits

Help our customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business

3:1

Achieved in 2016/17:

1.8:1

What's new this year

EE
With EE now part of the BT family, we've fully included them in our reporting for the first time.

Modern Slavery
We've partnered with Unseen to launch the UK's Modern Slavery Helpline and Resource Centre.

Cyber Security
We're contributing to the UK's first National College of Cyber Security, and have set up the Tommy Flowers Institute to explore further innovations in this field.

Tech Literacy
We continue to train teachers in tech literacy: more than a million children now have the skills they'll need for the future.

Land Rover BAR
We're providing our technology and expertise to help Land Rover BAR, as they aim to become the first ever British team to win the America's Cup.

Our business

We're one of the world's leading communications companies. We're based in the UK but serve customers across 180 countries.
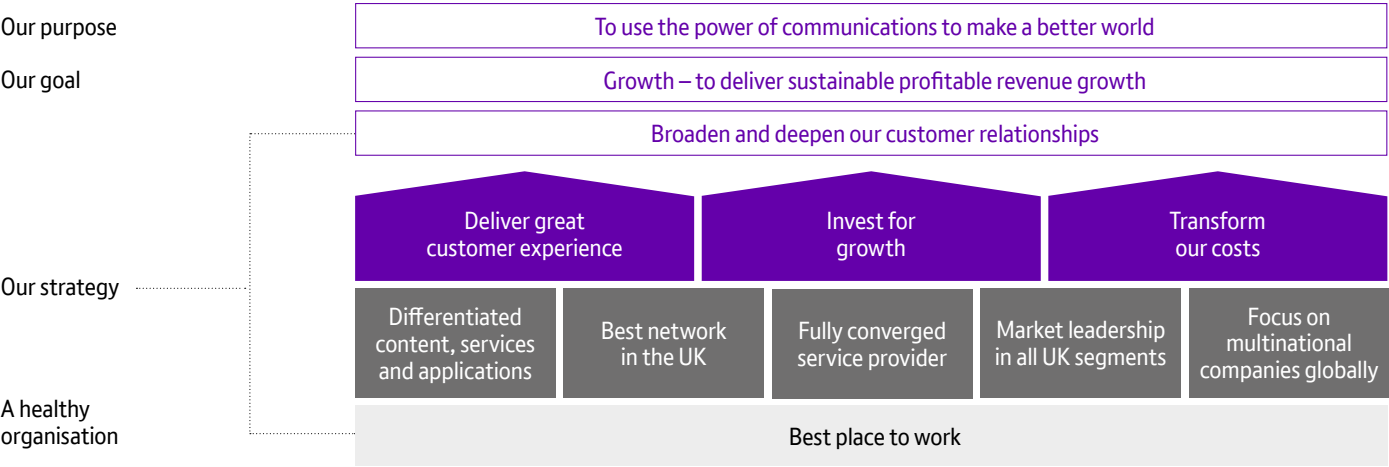
We sell fixed-voice, broadband, mobile and TV products and services to individuals and households in the UK. For businesses we offer a variety of communications services, ranging from phone and broadband through to complex managed networks, IT services and cyber security protection. Many public services rely on our technologies and, in the UK, we help other communications providers to service their own customers.

Our organisation is made up of three strong brands: BT, EE and Plusnet. We've 106,400 employees in 63 countries. 82,800 of them are in the UK. We've six customer-facing lines of business, supported by our internal service unit as well as Group Functions. Following Ofcom's Strategic Review of Digital Communications, BT and Ofcom announced on 10 March 2017 that Openreach will become a legally separate company within the BT Group.

For more details see our Annual Report

Our strategy in a nutshell

The diagram below shows the main elements of our strategy and how they work together to support our purpose and goal.

Our purpose	To use the power of communications to make a better world
Our goal	Growth – to deliver sustainable profitable revenue growth
	Broaden and deepen our customer relationships

Deliver great customer experience		Invest for growth	Transform our costs	
Differentiated content, services and applications	Best network in the UK	Fully converged service provider	Market leadership in all UK segments	Focus on multinational companies globally

A healthy organisation — Best place to work

Our lines of business

Consumer
We're the largest provider of consumer fixed-line voice and broadband services in the UK.

EE
We're the UK's largest mobile network operator and we also offer fixed broadband and TV.

Business and Public Sector
We sell communications and IT services in the UK and the Republic of Ireland.

Openreach
We build the network that connects Britain's homes and businesses to the future.

Global Services
We're a leading global business communications provider, supplying ICT services to 5,500 multinational companies in 180 countries.

Wholesale and Ventures
We help other companies provide fixed or mobile telephony services, as well as running a number of BT's specialist business units.

Technology, Service and Operations (TSO)
Our internal technology unit is responsible for creating and operating our global networks, platforms and IT systems.

Total revenue 2016/17: £24,082m before specific items

Geographic split:

80.6% UK

2.8% Asia-Pacific

4.8% Americas

11.8% Europe, Middle East & Africa (EMEA)

Our business continued
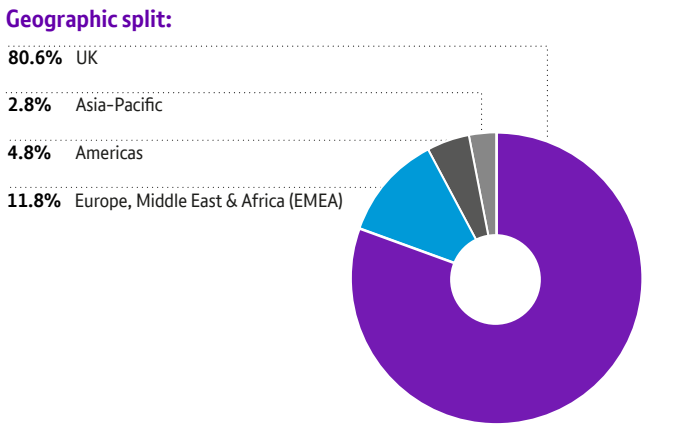
We create value for our stakeholders by developing and selling products and services that are an essential part of modern life.

How we're organised
Our business is structured in a way that enables us to serve our customers, respond to their needs and consistently create value.

IIRC Capitals
This key provides a mapping to the 'capitals' of the IIRC's Integrated Reporting (IR) Framework.

You can find out more at:
www.theiirc.org

- **F** Financial
- **H** Human
- **M** Manufactured
- **I** Intellectual
- **S** Social
- **N** Natural

For more details see our Annual Report

Our Values
Personal
Simple
Brilliant

F **Financial strength**
We're focused on growing our cash flow over the long term.
£2,782m
normalised free cash flow generated in 2016/17

H **Our people**
Their commitment, expertise and diversity are key to our success.
106,400
employees

M **Networks and physical assets**
We continue to invest in these to improve the experience we offer our customers.
26.5m
premises passed by our fibre footprint
5.6m
BT Wi-fi hotspots

I **Research and development**
We're one of the largest investors in research and development in the UK.
c£520m
R&D spend
102
patents filed

S **Stakeholders and relationships**
Key stakeholders include our customers, communities, shareholders, lenders, our pension schemes, suppliers, government and regulators.
790,000
shareholders

I **Our Brand**
Our brands are a key asset.
$18.6bn
Millward Brown valuation of the BT brand

N **Natural resources**
We use some natural resources in doing business.
82%
of the worldwide energy we buy comes from renewable sources

CREATING VALUE FOR ALL OUR STAKEHOLDERS

INVESTING IN WHAT SETS US APART

Our purpose is to use the power of communications to make a better world.

Our goal is growth, in particular the creation of sustainable, profitable, revenue growth.

In order to achieve our purpose and reach our goal **we've adopted a strategy based on broadening and deepening our customer relationships.**

SELLING SERVICES INTEGRAL TO MODERN LIFE

Oversight and **Governance**

How we're organised
Our business is structured in a way that enables us to serve our customers, respond to their needs and consistently create value. We have six customer-facing lines of business supported by our internal service unit.

Customers

Consumer	EE	Business and Public Sector
Global Services	Wholesale and Ventures	Openreach

Technology, Service and Operations

Customers
6.4%
improvement in Right First Time performance
2m
BT Call Protect customers

Community
£35.6m
investment in society
31%
BT volunteer people
£471m
UK corporation tax
£95m
raised for good causes

Employees
71%
employee engagement outcome
88%
maternity return rate
52%
saveshare participants
6%
improvement in sickness absence

Suppliers
£14.1bn
spent with suppliers
65%
with top 100 suppliers

Shareholders
15.40p
full year dividend
10%
increase year on year

Our priorities

We listen to our stakeholders and track emerging trends, to help inform our business strategy and shape the programmes we invest in to deliver our purpose.

How we prioritise

Every year, we draw from a range of information sources to understand what matters most to our stakeholders and our business.

We review feedback from external stakeholders and look at emerging trends and global challenges like the United Nations (UN) Sustainable Development Goals (see box) to understand the potential opportunities and principal risks for our business. Alongside these external inputs, we gather insights from our strategy team and other functions within the business.

All of this feeds into our materiality process to identify our most important issues. Our approach is assured against the AA1000 Assurance Standard 2008.

📖 Read the LRQA independent assurance statement on page 50

What matters to our stakeholders
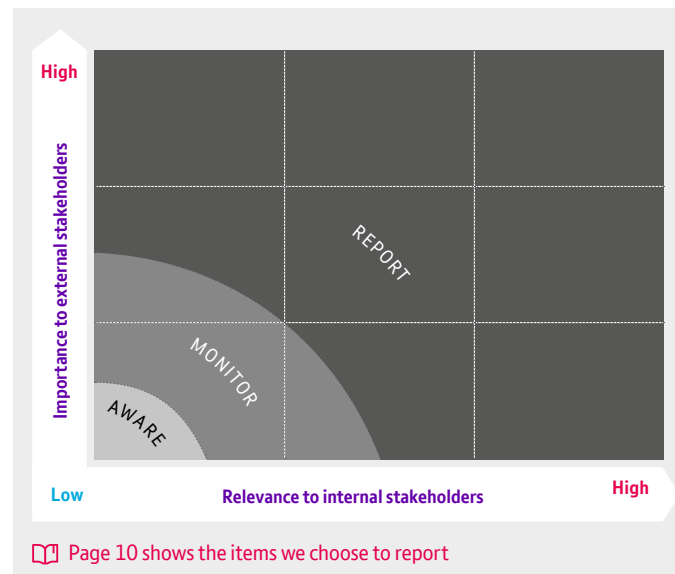Stakeholder feedback

📖 Page 8 shows the feedback received

What matters to our business
Potential opportunities

Principal risks

📖 Page 9 for more details

📖 Page 10 shows the items we choose to report

Contributing to the UN Sustainable Development Goals

We support the UN Sustainable Development Goals (SDGs). These global goals set clear objectives for ending poverty, promoting prosperity and wellbeing, and tackling climate change.

Business has an important role to play in achieving the SDGs, but it can be difficult for companies to measure the specific contribution they are making in relation to the targets set against each goal. That's why we've joined a working group for the UN Conference on Trade and Development that is exploring how to enhance the role of corporate reporting in attaining the SDGs.

Last year, we did an initial mapping of our ambitions to the SDGs to show how we contribute. This year, we highlight how we're contributing to the SDGs in a number of case studies throughout this report. We also show where our activities and reporting align with the SDGs in our GRI index.

📖 Find out more on page 52

Our priorities continued

What matters to our stakeholders

At the end of each calendar year, we draw on multiple 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. This mapping supports our strategic decision-making and directs our reporting.

We listen to customers, employees, suppliers, government bodies and investors to find out what's important to them and get feedback on how we're doing. Engaging with these stakeholders helps us build strong relationships and maintain trust.

Our interactions range from everyday conversations with customers through surveys and via social media, to broader discussions with NGOs and through groups such as the World Economic Forum and the World Business Council for Sustainable Development.

The grid shows which issues matter most to different stakeholder groups. Each row lists the issues that significantly matter to the named group of stakeholders. The issues that matter most to them are shown in coloured boxes (the different colours only relate to chapters in this report, as repeated in the diagram on).

	Being a responsible company						Connecting society	Supporting our communities	Delivering environmental benefits		
	Ethics	Human rights & modern slavery	Equality	Health, safety & wellbeing	Privacy, data & cyber security	Economic impacts	Connecting society[a]	Charities & communities	Climate change	Energy	Waste reduction
Consumers	Behave in an ethical manner				Privacy and data security; Cyber security; Internet policy, security and protection		Network investment; Customer experience		Carbon emissions reduction		
Employees	Behave in an ethical manner; Strong governance		Diversity and equal opportunities	Health, wellbeing and workplace safety		Jobs, pay and pensions	Network investment; Customer experience	Supporting communities			
Suppliers	Behave in an ethical manner		Diversity and equal opportunities				Network investment; Education and employability skills	Supporting communities	Carbon emissions reduction	Energy savings	Waste reduction
Socially responsible investors	Strong governance; Transparency in reporting	Human rights; Freedom of expression	Diversity and equal opportunities	Radio frequency emissions and health	Privacy and data security; Cyber security; Internet policy, security and protection	Pensions	Network investment; Customer experience	Supporting communities	Carbon emissions reduction	Renewables; Energy efficiency of products; Energy savings	
Mainstream investors	Strong governance				Cyber security	Pensions	Network investment; Customer experience				
Governments & regulators		Freedom of expression; Modern slavery			Privacy and data security; Cyber security; Data governance; Online safety	Price increases; Geopolitical risks	Network investment; Customer experience		Carbon emissions reduction		

a Connecting society includes network investment, customer experience and skills development.

What we heard

We identified several issues that have increased in importance to our stakeholders this year.

b Our materiality analysis took place before the full impact of the investigation into our Italian business had been completed, and was also prior to Ofcom's findings around Openreach's use of the Deemed Consent process.

See for more details on our Italian investigation and Deemed Consent.

These include:

Demand for universal service

The UK Government has extended its ambition to achieve a higher minimum speed of broadband service across the UK and superfast connections in the majority of premises. This will demand an increased focus on our network investment.

Cyber security threats

High-profile data breaches reported in the media this year emphasise the importance of keeping our network and customers' data secure.

Focus on business ethics[b]

With corporate corruption scandals continuing to feature prominently in the media, consumers are becoming more aware of companies' ethical practices and investors are more attuned to the long-term financial costs of misconduct.

Geopolitical changes

Political upheaval has brought uncertainty and a new set of potential risks around regulation, trade and our employees.

Our priorities continued

What matters to our business

What matters to our stakeholders matters to us. We also look at how our own business strategy and activities fit into wider trends to understand the potential opportunities for our business and the risks we need to manage.

Identifying potential opportunities

The world is changing. Social and demographic changes, increasing economic inequality and worsening environmental impacts are becoming the new norm. We believe that technology has an important part to play in addressing these challenges and realising the outcomes envisaged by the UN's SDGs.

Our research shows that, as well as supporting economic growth, ICT can enable carbon reductions 12 times greater than its own direct carbon footprint, with impacts across many different sectors, e.g. health, agriculture and transport. And this can bring £122bn of annual sustainable economic benefits to the UK in 2030. This creates a big enough opportunity for everyone to benefit from, and a long-term opportunity for us to achieve our goal of sustainable profitable revenue growth, while delivering our purpose.

Our principal risks	What's changed this year?	Key ∧ Increasing/worsening ⟩ At a similar level ∨ Lessening/improving
Ethical culture and controls ∧	The inappropriate behaviour we identified in our Italian business	See page 14 for more details, or page 15 for our commitment to behaving ethically For full details on our Italian investigation, see our Annual Report
Security and resilience ∧	Increased threat to our network from cyber attacks, as well as the continuing threat from extreme weather	See page 22 for our response to cyber attacks and page 28 on how we work to keep people connected even in extreme weather
Supply chain ⟩	Risks from emerging geopolitical changes, such as the UK leaving the EU, and risks from climate change and modern slavery	See page 16 for how we're responding to these risks by sourcing responsibly
Processing our customers' data ∧	Regulators are scaling up the protection of citizens' privacy and data protection rights	See page 22 for our position on protecting customer privacy
Health and safety ∧	New services have increased the range and complexity of safety risks we must manage, including risks from doing more construction and electrical engineering work on networks, and health concerns about exposure to radio frequency emissions	See page 21 on how we manage employee health and safety, and see box below on how we're addressing health concerns about radio frequency emissions

Climate change
Climate change feeds into two of these risks, with extreme weather posing a risk to the resilience of our network and the security of our supply chain. As a signatory to the Climate Disclosure Standards Board's (CDSB) Statement of Fiduciary Duty, we see disclosure on climate change as part of a company's duty to its shareholders.

See page 67 for an index of our response to the CDSB framework

Addressing health concerns about radio frequency emissions
Acquiring EE increased our focus on radio frequency (RF) emissions from wireless mobile devices and mobile telecoms sites. Media reports have suggested these emissions may cause health issues, including cancer, and may interfere with some electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing.

According to the World Health Organization's Fact Sheet Number 193, last reviewed in October 2014, there are no known adverse effects on health from emissions at levels below internationally recognised health and safety standards.

We sit on an RF Compliance working group with other mobile industry operators and we work to make sure that our products comply with safety regulations, including meeting industry standards for RF emissions. Even so, we can't provide an absolute assurance that research in the future won't establish links between radio frequency emissions and health risks.
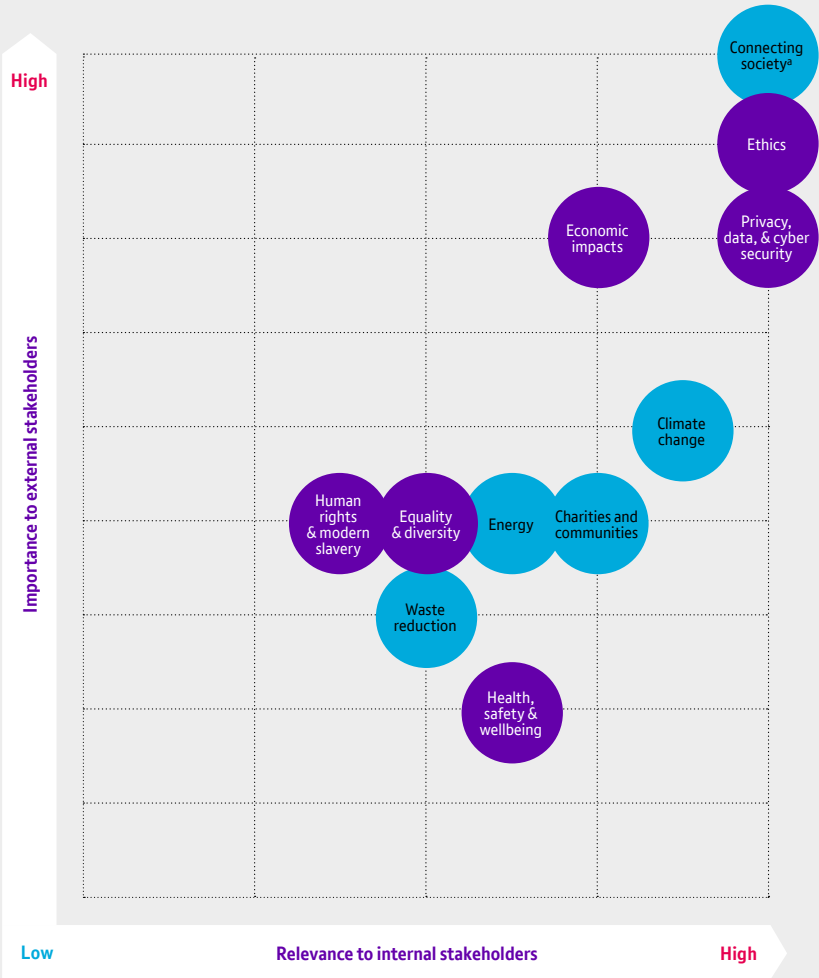
Our priorities continued

Deciding our priorities

In 2016, our most material issues continued to be around connecting society, including network investment, customer experience and ensuring everyone has the skills to participate in our increasingly digital world.

Business ethics, economic impacts and privacy, data and cyber security also remain key priorities. Our materiality analysis took place before the full impact of the investigation into our Italian business had been completed, and was also prior to Ofcom's findings around Openreach's use of the Deemed Consent process. Climate change is still as important to our business as last year, but we've seen a relative decline in concern over environmental issues from our stakeholders, when compared against other issues.

The chart shows our most material issues. We also monitor and manage a range of other issues that are less material, like risks associated with street works and water usage, as well as minor enforcement notices we're served, often relating to repairing damage caused by third parties on or near our property.

Stakeholder materiality analysis

Importance to external stakeholders

High

Connecting society[a]

Ethics

Economic impacts

Privacy, data, & cyber security

Climate change

Human rights & modern slavery

Equality & diversity

Energy

Charities and communities

Waste reduction

Health, safety & wellbeing

Low — Relevance to internal stakeholders — High

Changes since last year

Key
∨ Less material ＞ At a similar level ∧ More material

	Internal	External
Being a responsible company		
Ethics	∧	＞
Human rights & modern slavery	＞	∨
Equality & diversity	＞	∨
Health, safety & wellbeing	∧	∨
Privacy, data & cyber security	∧	＞
Economic impacts	＞	∧
Connecting society		
Connecting society	∧	∧
Supporting our communities		
Charities and communities	∧	∧
Delivering environmental benefits		
Climate change	∨	∨
Energy	∨	∨
Waste reduction	＞	∨

The grid above shows the materiality issues were most important to our stakeholders.
a Connecting society includes network investment, customer experience, and skills development

Governing our purpose

We've a clear governance structure to help us achieve our 2020 ambitions and make sure we do business responsibly.

Leadership

Our purposeful business strategy is led by a committee of our Board, the Committee for Sustainable and Responsible Business (CSRB). It meets twice a year to give strategic direction and track progress against our 2020 ambitions, and reports to the Board annually. The committee is made up of BT executives, employees, and non-executive and independent members. It's chaired by our chairman, Sir Michael Rake (see table).

📖 See our website for terms of reference for the CSRB and more information on corporate governance

Time spent on each topic in 2016/17 CSRB meetings
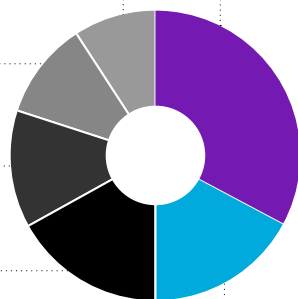
33% Strategy and governance

9% Delivering environmental benefits

11% Volunteering

13% Supporting charities and communities

17% Creating a connected society

17% Engagement and advocacy

Committee for Sustainable and Responsible Business (CSRB)

MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Sir Michael Rake (chairman)	2	2
Tony Chanmugam[a]	1	0
Niall Dunne[b]	2	2
Phil Hodkinson[c]	2	2
Baroness Margaret Jay[c,d]	2	2
Lisa MacCallum[c,e]	2	2
Gavin Neath[c,f]	2	2
Gavin Patterson	2	2
Gunhild Stordalen[c,g]	2	0
Jasmine Whitbread	2	2
Alison Wilcox[b]	2	2

a   Tony stepped down from the CSRB from 13 July 2016
b   BT employee
c   Independent member
d   Margaret stepped down from the CSRB from 14 April 2017
e   Lisa was appointed to the CSRB from 6 July 2016
f   Gavin stepped down from the CSRB from 31 December 2016
g   Gunhild was unfortunately unable to attend meetings this year due to poor health. She receives the materials for the meetings and feeds back her comments to the chairman

Accountability

Our Operating Committee, chaired by our chief executive, Gavin Patterson, has collective responsibility for running our business and executing our strategy. It monitors the group's financial, operational and customer service performance, and has cross-business oversight of all our lines of business. It also reviews the group's principal risks and considers potential opportunities. Our chief sustainability officer, Niall Dunne, met with the committee six times this year.

Targets for environmental and social activities within each line of business are set by the Operating Committee. The chief executive officer of each line of business is accountable for meeting these targets. Their remuneration is based on both financial and non-financial performance measures. This is reflected in a scorecard that tracks progress on objectives related to each of our 2020 ambitions.

Wider governance

Other governance bodies support our purposeful business activities. These include:

Purposeful Business Steering Committee: seeks to inspire our people to engage with BT's purpose, through their day job or by supporting community activities. Made up of senior representatives from across the business. Normally meets quarterly.

Disclosure Committee: reviews all significant announcements for accuracy and compliance requirements. Made up of the group chief executive, finance director and other senior executives. Chaired by the company secretary.

Compliance Programme Panel: responsible for advising, monitoring and assessing BT's key compliance programmes. Reviewed programmes on broadcast compliance, anti-corruption and bribery, privacy and data governance, and conflict minerals this year. Chaired by our group general counsel and company secretary. Normally meets quarterly.

Design Council: responsible for aligning our capital investments in our networks, systems, platforms and products, so that they reflect our strategy, serve the need of our customers and are delivered cost-effectively. A sub-committee of the Operating Committee. Normally meets monthly.

Human Rights Steering Group: oversees governance and processes relating to human rights. Includes senior representatives from across the business, to oversee the implementation of our human rights programmes. Chaired by our CEO, Consumer. Reports through the Operating Committee to the Board. Normally meets quarterly.

Group Health, Safety and Wellbeing Forum: represents all lines of business with support from specialists in areas such as health and safety, legal and audit. Chaired by our group HR director. Reports through the Operating Committee to the Board. Normally meets quarterly.

Environmental Management Compliance Steering Board: focuses on our most significant environmental risk areas, including climate risks. Chaired by the head of our energy and environment unit. Represents all lines of business. Reports to the audit & risk committees of each line of business in the UK, regional governance committees outside the UK and the Operating Committee. Normally meets monthly.

2 Being responsible

Being a responsible business is fundamental to delivering our purpose. We strive to behave ethically. Learning from the challenges of this year will make us a stronger company.

Contents

Overview and highlights

We take our responsibilities seriously – to our people, our customers, our suppliers and society. This is how we deliver our purpose and maintain trust.

We want to have a positive impact on our stakeholders and add value to society. To do this, we must do business responsibly.

We respect human rights. We expect our suppliers to do the same.

We hire great people and help them build their careers in an inclusive and healthy environment at BT. We work hard to improve our customers' experience, protect their privacy and help them navigate the web safely.

And we make a strong economic contribution by creating jobs, paying tax and investing in society.

Regulatory and compliance matters

We expect our people to act ethically in everything they do. We're disappointed with the unacceptable practices we found in our Italian business, and Ofcom's findings that Openreach inappropriately applied Deemed Consent to Ethernet Connections. We have detailed the issues that arose and the steps that we have taken in response to those matters. Learning from these issues will make us a stronger company for the future.

For more information see our Annual Report

Being responsible

We are committed to the principles of ethical behaviour and respecting human rights. Applying these principles helps us do business responsibly, as we extend our impact throughout our value chain.

Our suppliers
Sourcing responsibly
Being a responsible customer

Our people
Developing talent
Engaging our people
Creating an inclusive workplace
Promoting wellbeing

Our customers
Delivering great customer experience
Protecting privacy and data security
Staying safe online

Society
Investing in society
Contributing to the economy
Paying our taxes

2016/17 highlights

EcoVadis gold rating

Our gold rating from EcoVadis – achieved for the fifth year running – puts us in the top 2% of companies assessed on environment, labour practices, fair business practices and sustainable procurement. Customers use this rating to assess our sustainability credentials.

FTSE4Good

BT is included in the FTSE4Good Index, which measures the performance of companies demonstrating strong environmental, social and governance practices.

PwC Building Public Trust

We were shortlisted for the PwC Building Public Trust in Corporate Reporting Awards for our strategic and sustainability reporting in 2016. The awards celebrate outstanding reporting in private, public and charity sectors.

Training our people on ethics

99.3% of employees completed mandatory training on The Way We Work.

Working with suppliers

Our sustainability assessment tool for suppliers was named app of the year at the BusinessGreen Technology Awards.

Engaging our people

More than 86% of our people took part in our latest employee survey in January 2017, and we achieved a strong engagement score of 71%. The survey was redesigned this year to get more meaningful feedback from our people, through shorter questions more clearly linked to our strategy and values.

Promoting gender balance

Our new maternity handbook has been recognised as best practice by the Equality and Human Rights Commission.

Protecting privacy and staying safe online

We set up the Tommy Flowers Institute, named after the famous computing pioneer, for academics and businesses to explore innovations in cyber security together.

Our investigation into our Italian business

What we found

In the summer of 2016 we received a whistle-blower report of inappropriate behaviours in our Italian business. We instigated an investigation, which included an independent review by KPMG LLP, with support and oversight from our Legal, Governance & Compliance function and Freshfields Bruckhaus Deringer, reporting directly to both the chair of the Audit & Risk Committee and BT Group chairman, and our own comprehensive balance sheet review, which revealed improper accounting practices and a complex set of improper sales, purchase, factoring and leasing transactions in our Italian business. The investigation identified collusion, circumvention and override of controls within our Italian business that was not identified by our monitoring controls thereby resulting in the misstatement of results going undetected for a number of years.

These activities resulted in the overstatement of profits amounting to £268m in our Italian business over a number of years. The findings from the investigation in Italy led us to review the carrying value of the assets and liabilities on the balance sheet. This exercise concluded that it was appropriate to write-down the value of our balance sheet assets and increase our balance sheet liabilities, resulting in a charge of £245m.

How we responded

The inappropriate behaviour in our Italian business is an extremely serious matter. It has no place in BT and we took immediate steps to improve the financial processes and controls in that business. We suspended a number of BT Italy's senior management team who have now left the business. The president of our European operations has also left the business.

We have appointed a new president of our European operations and a new CEO and CFO of BT Italy, from outside the Italian executive management team, and they are working hard to re-position and restructure the business for the future including implementing improvements to the governance, compliance and control culture and the capabilities of our people in the organisation.

To ensure independence, KPMG and our internal investigation team, with support and oversight from the Legal, Governance & Compliance function and Freshfields Bruckhaus Deringer, reporting directly to both the chair of the Audit & Risk Committee and BT Group chairman, conducted an investigation of the systems and controls relating to our Italian business. We also conducted a broader review of financial processes, systems and controls across the group. We are acting on both the recommendations of KPMG and our own observations and have taken steps to improve our controls within Italy. We have also taken steps to enhance the wider controls that monitor our overseas operations in our shared service centres, Global Services and at a group level.

The BT Group Remuneration Committee also considered the wider implications of the BT Italy investigation.

What we will do going forward

While we have taken steps to improve our control environment, we recognise we have more to do. We will continue to take steps to improve further our control, governance and compliance environment. These steps include increasing the resources and improving the capabilities of the controlling function and the audit function outside the UK, and further developing our integrated risk and assurance reporting processes. We are also enhancing our controls and compliance programme to strengthen awareness of the standards we expect, the capabilities of our people, and to reinforce the importance of doing business in an ethical, disciplined and standardised way.

The new CEO and CFO of BT Italy will continue to review the Italian management and finance teams and work with BT Group Ethics and Compliance to improve the governance, compliance and financial safeguards. Going forward, we will also continue to rotate senior management among countries to ensure an independently governed and rigorously controlled organisation throughout all parts of Global Services.

Deemed Consent

On 26 March 2017, Ofcom published the findings of its investigation into the historical use of 'Deemed Consent' by Openreach. Deemed Consent is an agreed process between Openreach and its communications provider (CP) customers, which allows Openreach to halt the installation and reschedule the delivery date for providing dedicated business services (known as Ethernet) in a number of specific circumstances which are beyond its control. Ofcom found that Openreach had breached its contractual and regulatory obligations by inadequately and retrospectively applying Deemed Consent to reduce compensation payments to CPs between January 2013 and December 2014.

As a result of the findings, Openreach has agreed to compensate CPs and Ofcom has imposed a fine of £42m, reflecting the seriousness of the failings. This includes a 30% maximum discount for BT admitting its liabilities and agreeing to compensate the affected CPs in full. The precise amount of these compensation payments will result from discussions with the affected parties and is currently estimated at £300m. The fine and associated compensation payments are treated as a specific item charge in this year's income statement, with the cash expected to be paid in 2017/18.

We take this matter very seriously and we've put in place additional controls to safeguard against this happening again and to make sure that we're providing the highest standards in serving our customers.

Behaving ethically and respecting human rights

We expect everyone who works with us to follow our values, act with integrity and respect human rights.

Doing business ethically

We expect our people and our suppliers to act ethically in everything they do. The behaviours and practices we found in our Italian business, in addition to Ofcom's findings on Deemed Consent process in Openreach, have no place in BT. We take these issues extremely seriously and are putting in place new measures, controls and people to prevent them happening again.

Doing the right thing

We expect our employees and suppliers to follow our ethics code: The Way We Work. This offers clear guidance on how we make decisions, including on gifts and hospitality, conflicts of interest, data privacy and human rights. We don't tolerate bribery or corruption in any form.

This year, we've carried out an extensive review of the code. We'll launch the updated version in 2017/18.

We require all our employees to complete annual training on The Way We Work: this year 99.3% of our people did so[a]. We also provide further training on issues like anti-corruption to people who work in roles or environments where these risks are more prevalent. Senior managers must also sign up to an additional code of ethics with specific requirements for their roles.

Building awareness

Sometimes it's hard to know what to do when confronted with a sensitive situation. That's why we regularly publish case studies on real dilemmas faced by our employees as part of our ethics in action series.

We share stories on ethics with senior managers through a quarterly newsletter, and encourage them to stress the importance of ethical behaviour when they talk to their teams.

We've changed the way we report and measure the level of ethical engagement among our people. We've simplified the questions in our employee survey to encourage greater participation, and we changed the scoring system to make it easier to analyse the results. In January's survey, 76% of participants agreed or strongly agreed that we do business ethically. The new scoring system means that the results are not comparable with previous years, so we cannot now compare results year on year.

Speaking up

Anyone worried about an ethical issue, even if they just have a suspicion, is encouraged to use our independent Speak Up service to report their concerns on the phone or online – anonymously if they prefer (subject to local laws). It's open to employees, contractors and suppliers.

People raised 296 concerns this year, compared with 263 last year.

Almost a quarter of reports were duplications, were following up on existing cases or were redirected to other more appropriate reporting channels. We investigated the remaining reports. Just over 40% of these were found to be unsubstantiated, while the remainder were either fully substantiated, resulted in guidance or recommendations given, or are still under investigation.

Speak Up played an important role in uncovering events in BT Italy. We were alerted to potential allegations in relation to inappropriate behaviour in BT Italy in the summer of 2016. This was brought to the attention of the Speak Up forum and led to us carrying out our initial investigation.

Acting on improper behaviour

Despite our efforts, unfortunately not everyone gets it right every time. We disciplined 201 employees in the UK as a result of ethical misconduct this year, and 98 left the company[b]. The most common issues related to inappropriate use of company vehicles or falsified records such as timesheets.

As part of the investigations into BT Italy, we suspended a number of BT Italy's senior management team, who have now left the business.

This year we introduced a new reporting framework for non-financial controls. The revised framework is designed to improve governance, ethics and compliance standards worldwide. It requires quarterly self-certifications from country managers on the status of non-financial controls, and provides clear plans to address any risks identified.

Respecting human rights

We're committed to respecting human rights and we use the UN Guiding Principles on Business and Human Rights to inform our approach. We believe our products and services can have a positive impact on society and empower people to exercise their rights and freedoms. We're also addressing human rights risks in our business and our value chain.

We focus on the human rights issues that are most significant to our business: privacy, free expression and labour conditions in our supply chain.

Creating strong governance

The Way We Work sets out our approach to human rights, and we're developing an overarching human rights policy that's being reviewed by internal and independent experts. Our training on The Way We Work includes a human rights module. We're updating the course to help our people understand and identify modern slavery and human trafficking risks. And all our buyers must complete training on our Sourcing with Human Dignity standard.

Our Human Rights Steering Group oversees our work and reports into the Operating Committee and the Board. This year, the steering group explored ways to improve due diligence on modern slavery and human trafficking in our business and supply chain. It also reviewed our due diligence sales tool, and discussed the nexus between sports broadcasting and human rights.

a   Excludes those on maternity, paternity or long-term sick leave or with other extenuating circumstances.
b   Figure does not include EE or Plusnet employees, as comparative data is not available.

Behaving ethically and respecting human rights continued

Engaging with the issues

We engage on a range of human rights issues, such as privacy, free expression and modern slavery. We played a central role in the debate leading up to the new UK Investigatory Powers Act (IPA), which introduced significant changes to the Government's investigatory powers.

We believe people should be free to access whatever content and services they want on the internet, as long as it's not illegal. This year, we advocated for changes to the UK Digital Economy Act. We support the act's intent to protect children by introducing age verification for pornography websites. There must, however, be a clear legal framework to make sure that the result does not unduly restrict people's right to freedom of expression or their right to a private life. We've shared our views with Government and parliamentary committees and drafted amendments for them to consider.

Our modern slavery statement, published in 2016, sets out our stance on modern slavery and human trafficking. We've also helped to set up the UK's Modern Slavery Helpline and Resource Centre (see case study).

Major sporting events can have a positive social impact on many people, but they can also carry human rights risks, such as labour rights violations and displacement of communities. We were invited by the Institute for Human Rights and Business (IHRB), as the secretariat of the Mega-Sporting Events Platform for Human Rights, to lead work looking at the role of broadcasters in these events. With input from other UK broadcasters, we wrote a white paper, published by the IHRB, on the human rights dilemmas faced by broadcasters and ways to tackle these. We presented the findings at the Sporting Chance Forum this year.

We continue to engage with others on human rights issues through a range of forums, including speaking at the UN Forum on Business and Human Rights, participating in a roundtable with the UN Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression, and holding meetings with NGOs Share Action and Privacy International.

BT partners with Unseen to tackle modern slavery

We believe technology can play a role in ending human trafficking and modern slavery. That's why we've partnered with Unseen to launch the UK's Modern Slavery Helpline and Resource Centre. We provide communication services, equipment and consultancy.

Unseen is a UK charity fighting to erase slavery in all forms. In October 2016, we launched the helpline at a multi-stakeholder event at the BT Tower where we debated important questions about the role of technology in tackling modern slavery.

We produced a short video on how to spot the signs of modern day slavery situations. Using the hashtag #Freetheunseen, it reached 2.8 million people through social media. More than 2,600 of our employees reviewed the video to help them promote the helpline to others. We're determined to continue raising awareness of modern slavery.

modern slavery helpline

08000 121 700

Sourcing responsibly

Our suppliers are our partners. We need them to help us deliver our products and services – and our purpose. We work together to demand high ethical standards and improve sustainability in our supply chain.

We spent around £14.1bn this year with more than 18,000 suppliers across 150 countries. We only work with suppliers[a] who agree to meet our environmental, social and ethical conditions. The Way We Work is part of the purchasing terms included in their contracts.

Assessing supplier performance and risk

Most new suppliers[a] are required to complete our questionnaire on Sourcing with Human Dignity. Existing suppliers must also do this when their contracts are being renewed or renegotiated. We use their responses to identify their risk profile as low, medium or high, and to define any follow-up actions required. We've a quarterly target to review the suppliers classified as medium or high risk and ensure follow-up actions are identified before the next quarterly report.

This may include further engagement, requests for additional evidence or an on-site assessment. If we find unsafe or unfair practices, we work with suppliers to improve conditions. For example, we helped strengthen health, safety and labour practices for battery and LED suppliers in China and Taiwan.

This year, we visited more supplier sites – 63 compared with 47 last year. This increase was largely related to the UK Modern Slavery Act. We also conducted a detailed assessment to better understand the risks of forced labour and human trafficking in our supply chains.

a   Excluding those managed via purchase order, or those few taken on as a novated contract.

Sourcing responsibly continued

Supplier assessments

	2015/16	2016/17
New or renewed contract suppliers completing self-assessment	635	1,030
Suppliers identified as needing improvement on labour standards	109	149
Suppliers identified as high or medium risk	74	134
% reviewed, of those identified as high or medium risk	100	100
On-site assessments	47	63

Promoting environmental sustainability

Working with suppliers that manage their environmental impacts reduces risks to our reputation and helps us meet our business goals. We want suppliers to shrink their carbon footprints and cut waste. And we want them to be successful by doing so.

When suppliers first contract with BT, or have their contract renewed, they must complete self-assessments on their efforts to manage climate impacts and other environmental concerns, as well as responding to our questionnaire on Sourcing with Human Dignity. We use their responses to assess risks and manage any follow-up issues arising.

New buyers receive training on our responsible sourcing practices, including how we manage supplier questionnaire responses. We then provide further training across our procurement teams, on specific issues according to need; as we did this year on modern slavery.

We share best practice and tools to help 12 of our key strategic suppliers improve through our Better Future Supplier Forum. Our new online assessment tool, shared through the Forum, enables suppliers to benchmark their sustainability performance against global best practice in ten key areas.

The Forum also helps us extend our reach further down the supply chain. Six of those suppliers, including two networks suppliers, have cascaded the online assessment tool to over 200 organisations within their own supply chains this year.

Working with Huawei to improve sustainability in our supply chain
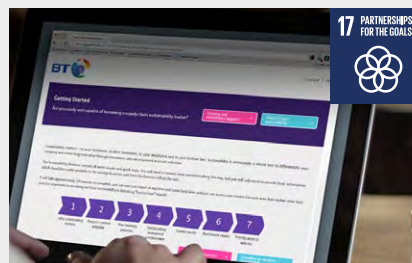
Huawei is the world's largest telecoms equipment manufacturer. They state that their products and services help more than a third of the planet communicate. Managing sustainability is important to Huawei: it helps the company manage risks, cut costs and grow its business.

Huawei is a member of our Better Future Supplier Forum and used our assessment tool to spot ways to strengthen sustainability in its operations and supply chain.

The company formed an action team that worked with us to identify sustainable product development projects specifically for BT. Huawei has also put sustainability high on the agenda of an annual conference for its own suppliers, attended by more than 170 companies.

We're also working with the QuEST Forum, a global association of companies working to improve the quality and sustainability of ICT products and services, to give its members access to our tool and methodology. The Land Rover BAR sailing team has also adopted the tool to use with its suppliers. BT sponsors the team as its sustainability in technology partner.

The BusinessGreen Technology Awards named our assessment tool app of the year. We were shortlisted for the Edie Sustainability Leaders Sustainable Supply Chain Award. And CDP has identified us as a world leader for supplier engagement on climate change.

Checking for conflict minerals

We use the Conflict-Free Sourcing Initiative template to ask suppliers of applicable – including BT-branded – products, whether their products contain minerals that may have been sourced from the Democratic Republic of the Congo or neighbouring countries. This helps us avoid minerals from these regions (mainly the 3TG metals: tin, tantalum, tungsten and gold), the mining of which can be used to fund wars and abuse human rights. We also need to show due diligence on this to comply with the US Dodd-Frank Act and our Securities Exchange Committee (SEC) obligations.

See our conflict minerals disclosure for more details

Being a responsible customer

In previous years, we've run a survey to assess levels of supplier engagement. This year, we've changed our approach and are now focusing on strengthening our collaboration and support for them instead.

This year, the BT Supplier Finance scheme, in partnership with Lloyds Bank, enabled 124 of our suppliers to receive early payments totalling over £1.4bn, to help them invest and grow.

While our main suppliers are multinationals, we're mindful of our responsibilities to support smaller companies and those run by under-represented groups. This year we bought £37m worth of goods and services from such businesses in the UK and USA, the two countries where supplier diversity has significant regulatory focus. This 2.8% increase on last year was primarily from UK suppliers.

Investing in our people

We want to make BT a place where great people can do brilliant things. Giving our people a great experience helps them do the same for our customers.

We're creating a working environment that inspires people to do their very best. We start by attracting and recruiting the best talent. We help people develop, engage them in our purpose and strive to create a culture of innovation. And we promote an inclusive and healthy work environment.

At the heart of this are our values: Personal, Simple, Brilliant. Everyone in BT has a role to play in bringing these values to life. That's how we'll deliver on our purpose, and use the power of communications to make a better world.

This year we were deeply disappointed with the improper practices of a few individuals in our Italian business, and the investigation into historical Deemed Consent which identified poor processes in Openreach. We know the vast majority of our people want to do, and will do, the right thing; but this highlights the necessity to live our new values and work in an ethical way at all times.

Developing talent

We have 106,400 employees working across 63 countries. With more than 82,800 based in the UK, BT is one of the largest employers in the country. This year, we strengthened our focus on attracting the best talent, helping our people connect with customers and demonstrating the values that make us tick.

Attracting new talent
We work in a fiercely competitive environment. To attract the most talented people, we must make a strong case for why they would want to be part of the BT story. One important selling point is how our values – Personal, Simple and Brilliant – are building the company culture.

We've launched a new careers website that provides a window into life at BT. Nearly 17,500 people joined the company this year, excluding acquisitions, including 10,500 based in the UK. We're thrilled when people plan to start their careers with us. They bring new ideas, perspectives and talent. This year, we recruited 300 graduates globally, and we plan to hire more than 450 next year. We were included once again in the top 50 graduate employers in the annual list by The Times and we're one of only five companies in the ICT sector to feature in the top 100.

Our apprenticeships help people learn on the job from experienced colleagues, and work towards a nationally recognised professional qualification. This also means paid work and a permanent job with us. This year we hired 900 new apprentices, even more than last year. We expect to hire more than 2,000 next year, as part of our contribution to the UK Government's apprenticeship levy fund that aims to fund three million apprentices by 2020.

This year, BT was recognised as winner of the Macro Employer of the Year award by the National Training Federation of Wales, BPP Large Employer of the Year, and the Apprentice Champion award at the National Apprenticeship awards, as well as being a finalist in the Scottish Apprenticeship awards. BT people also won the Apprentice of the Year, Mentor of the Year and Women in Telecoms awards at the Institute of Telecommunications Professionals annual awards.

We've recruited almost 1,500 people into Openreach and 3,600 people into customer-facing roles in our BT UK contact centres. We've seen a net increase of 200 people in EE's stores and contact centres. We've also recognised the importance of retaining experience, by converting almost 1,600 skilled agency workers into permanent employees.

Developing our people
We learn so we can grow. Everyone at BT gets the tools and training they need to do their job, build their skills and gain experience. Employees also receive regular development reviews to learn and develop professionally.

The BT Academy provides learning resources, training courses and a community for employees to share knowledge and best practice. Around 25,000 of our employees use the Academy each month. Managers also offer regular coaching and support for their teams.

Our key leadership programmes have reached 1,400 leaders globally in 2016/17. We've launched a new programme to develop aspiring first line leaders and introduced a leadership model that emphasises the importance of establishing deeper connections with customers.

Engaging our people
To achieve our purpose, we need to listen to our people and make sure they understand and share our ambitions.

Members of our executive team speak directly to employees through round tables, town hall debates, site visits and webchats. We ask people to share their views on how we're doing as an employer through a survey twice a year. The results help us gauge how people feel about working for us and how we can give them an even better experience.

Listening to our people
We've revised our employee survey this year. The new twice-yearly Your Say survey has shorter questions that are more clearly linked to our strategy and values. Over 85,000 (80%) of our people took part in the first Your Say survey in June 2016 and more than 93,000 (86%) took part in January 2017.

Our engagement outcome result stays strong at 71%, and we've seen momentum in every engagement driver category. 18 of the 20 driver items are starting to move in the right direction: the table overleaf provides a snapshot of this.

Results show improvements in five of the six key categories for engagement shown, and people in most lines of business feel better able to provide an outstanding customer experience. But we still have some work to do, particularly when it comes to leading our people, and BT remains below average compared with external benchmarks.

We've made our detailed reports on the survey results simpler for managers and their teams to see the key actions they need to take to improve levels of engagement and customer experience. The latest results show that people feel we're listening to them, with 54% of participants agreeing that their team had made positive changes based on the last survey (compared with 50% last time).

Investing in our people continued

We also listen to employee concerns through more formal engagement channels such as our European Consultative Council, and discussions with the Communication Workers Union and Prospect in the UK.

Your Say survey results

	JAN 2017 SCORE	CHANGE SINCE JUNE
Engagement outcome	**71%**	**–1**
EXAMPLE DRIVERS		
Leading our people	53%	–1
Managing our people	78%	+3
Empowering & equipping our people	58%	+3
Enabling outstanding customer experience	59%	+3
Working together	60%	+4
Personal growth	69%	+3

Engaging people through our purpose

People want to work for companies that make a difference to society[a]. Our purpose fits that bill and this is central to our engagement campaign as we continue to welcome EE employees into the BT family.

We want our people to feel empowered to work in ways that create value to our business, our customers and society. A new learning resource within the BT Academy aims to help people understand and connect with our purpose.

Our Purposeful Business Steering Committee enables and encourages senior leaders from across the business to mobilise employees. This year, 16 graduates and apprentices from around the world became ambassadors to help build a community of BT people who are passionate about working for a purposeful business.

a   The 2016 Deloitte Millennial Survey – Winning over the next generation of leaders.

We ran a short series of campaigns inviting our people to help us innovate by pitching their ideas on ways that BT can help vulnerable people and tackle societal issues (see case study). We also launched a volunteering community on our intranet, where people can share stories on their volunteering and fundraising experiences.

Three BT graduates joined other bright young people at the annual One Young World Conference that aims to make lasting connections and create positive change. They came back with creative ways to engage more employees by using the power of communications to make a better world.

Making a pitch for change

Who better to solve some of society's biggest challenges than our talented people? We asked our employees to pitch their ideas on the ways we can use BT's capabilities to tackle social issues.

Nearly 6,000 employees across the company showed an interest, and almost 200 ideas were submitted. The finalists had an opportunity to pitch their ideas to a panel of senior managers, including Board members, at three events in England, India and Wales, based on the Dragons' Den TV series. Ideas ranged from an app to let EE customers donate unused mobile data allowances to charity, and a digital noticeboard to help the homeless find a bed for the night, to a "School in a bus" that uses football training as a catalyst for empowering adolescent girls in the slums of India.

This was a great way to get ideas and get people engaged. One participant said: "I feel really inspired about working at BT. It has given me the motivation to try and do different things, coming up with new innovative ideas that really make a difference."

Rewarding and recognising our people

We benchmark pay and benefits against companies of a similar size and complexity to help us offer competitive packages. Pay for our UK engineering and support staff is negotiated through collective bargaining with recognised trades unions. Our leaders receive bonuses based on business performance and their personal contribution to the company. Executives may receive long-term share awards to reward the creation of shareholder value.

We provide a range of retirement and pension benefits, including a savings-related share option plan called Saveshare. This year, around 52% of our employees from 25 countries took part in Saveshare.

See our Annual Report for more information on pay and benefits

We also recognise employees for their contributions to customers and society. The Challenge Cup promotes innovations to improve customer experience (see case study) and the BT Chairman's awards recognise employees who've made contributions to the community or the environment.

Competing to improve customer experience

Our people thrive on competition. We created the Challenge Cup to harness this competitive spirit to create growth, save money, drive innovation and bring our purpose to life. Teams from across the business compete to come up with the best ways to improve customer experience.

This year, more than 5,500 people from 28 countries took up the challenge. Finalists included a cyber bullying fix, enhanced accessibility features for customers with hearing impairments and a contactless fundraising device to support charitable giving.

Investing in our people continued

Creating an inclusive workplace

It's crucial that our people reflect the diversity of our customers from around the world. And we know that having people from all walks of life makes us a more creative and innovative company. We want our people to feel valued and appreciated, no matter who they are or where they come from.

The Global D&I SteerCo leads our strategy on diversity and inclusion, and reports progress to our Operating Committee every three months. The SteerCo is made up of senior representatives from all lines of business, and energises efforts on diversity and inclusion across the business.

Our people can connect with each other to seek mentoring and support through our employee networks for gender equality, ethnicity, LGBT+, disability, faith and carers. These networks champion employees' interests with BT management, including at Board level.

We're tackling unconscious bias head-on with training and resources to help managers recruit the best people. We run training for senior managers, specifically to help them manage diverse teams. We also train employees to be sensitive to diversity when talking to our customers.

Promoting gender balance

This year, women made up 25% of our workforce, including three of our 11 Board members. This is on target with the UK Government's goal for women to represent at least a quarter of executive board members. But we want to go further by creating a supportive environment for women to join, stay and build their careers with BT. Pay audits help us address the gender pay gap and we train managers to avoid unconscious bias in performance and pay reviews.

To support a healthy work–life balance, we offer a range of flexible working options and help people identify job-sharing opportunities to suit their lifestyles. We've created a maternity handbook to support women taking maternity leave and returning to the workplace, sharing the experiences of our people about what worked well for them and what could have been done better. Our return to work rate[a] of 88% is higher than the UK national average.

a Women who took maternity leave two years ago, returned to work and stayed for at least 12 months.

Stand by me

In the UK, just one in three gay men and one in four gay women are happy to be out to all their managers and senior colleagues[b]. We want to create an environment where our people can feel open about being themselves at work.

As part of this, our LGBT+ employee network is asking people across the business to stand by LGBT+ colleagues to create a respectful and supportive working environment. The LGBT+ Allies programme calls on them to be visible and vocal in their support, and take an active interest in LGBT+ topics.

b Workplace Equality Index, 2015

The maternity handbook was developed with our gender equality network and has been recognised as best practice by the Equality and Human Rights Commission. We've also joined the Commission's Working Forward campaign to inspire other organisations, including our suppliers, to eradicate discrimination and support pregnant women and new mothers.

We're promoting the role of women engineers in Openreach and our TechWomen network offers professional coaching and peer-to-peer support to help women advance their careers in technical roles that are central to our industry. We also work with others in our industry to run the Step into STEM programme that aims to encourage more young women to pursue careers in technology and telecoms.

Supporting people from black, Asian or minority ethnic backgrounds

Count me in. That's the motto of our campaign to encourage people to share their diversity data with us so we can get a better picture of our workforce. This year, 12% of our UK employees identified themselves as being from black, Asian or minority ethnic (BAME) backgrounds.

Our race champion within the business is developing a BAME mentoring programme, and we strive to make BT an attractive employer for diverse graduates and apprentices. We've used the findings of research we did with Business in the Community last year to inform our diversity strategy.

Including people with disabilities

We don't want disability to be a barrier to working at BT. This year, we appointed a new disability sponsor within the business and put in place more inclusive customer service systems. This includes a specialised team to help customers, and a video service to enable deaf customers to communicate with our customer service agents.

Our commitment to support employees and customers with disabilities has been recognised by Business Disability Forum's Silver Level Disability Standard. And we're delighted that other companies are adopting some of our ideas. This includes the passports we provide to help people with caring responsibilities, health conditions, or disabilities to move around the business.

We are a 'Disability Confident'[c] employer and actively encourage the recruitment, development and retention of disabled people. We'll automatically put an applicant with a disability or long-term health condition, who meets the minimum criteria for a vacancy, through to the first stage of a recruitment process. We're making progress on improving diversity but recognise that there's a lot more we need to do.

c Disability Confident is an accreditation which includes Two Ticks, that is given to organisations that are committed to employing disabled people.

📖 See our website for diversity data on gender, ethnicity, age and disability

Investing in our people continued

Promoting wellbeing

Promoting the health, safety and wellbeing of our people is the right thing to do. It's also good for our business. Most injuries and many illnesses can be avoided, reducing costs and human suffering.

That's been our goal for more than a decade, and we've lowered our accident rate and work-related ill health by around 90%, while encouraging our people to lead healthier lifestyles. We're now taking a broader approach to wellbeing based on the latest research. Safety and health remain critical, but we're aiming to integrate that activity with the support we give our people in areas like financial security, personal relationships and developing their sense of purpose.

Making work safe is fundamental, and we've reduced our injury rate even further this year by more than 17%. We monitor near misses as well as accidents, so we can learn from every incident. We're investing in improved equipment and training, and our compliance rate for mandatory safety courses has risen to 99.4%. More than 46,000 of our people drive when on business, so road safety is critical for us. We continue to develop our award-winning driver safety programme, and this year we introduced automated licence checking with the Driver and Vehicle Licensing Agency to further strengthen our systems in the UK.

We don't always get things right, but we try to learn from the experience. During the year, BT was successfully prosecuted by the UK Health & Safety Executive in connection with two incidents from 2010 and 2011 in which employees were injured. The first incident involved two of our engineers who fell from a stepladder in the Darlington exchange, after coming into contact with a defective light fitting. BT pleaded guilty, and was fined £600,000 plus £60,000 costs.

The second incident occurred in a block of flats in Tower Hamlets in London, where our engineer fell from a partially boarded loft. BT was found guilty, by a majority verdict, of failing to ensure our engineer's health and safety, and was fined £500,000 and £99,000 costs. Action was taken immediately after both incidents to remedy faults and tighten procedures. The judge in the first case noted that we've an excellent safety record for a company of our size.

Our sickness absence rate had been rising for the past two years, but we've turned that round this year and it's dropped by 6%. We've made particular progress in reducing mental ill health and that's down by 13%. A major focus has been on managing change, and we've made sure our managers have the skills to transform the business in a way that doesn't harm our people. Our other main focus is related to musculoskeletal disorders. We've run a major initiative to help people avoid strains as part of our wider Fit for Life campaign to help our people get fitter. In January, we hit our five-year target of getting 10,000 people more active, three years early.

We understand that some people will suffer illness and injury despite our best efforts at prevention. We invest in rehabilitation services to supplement the treatment they receive in the healthcare system. Our mental health and musculoskeletal rehabilitation services now get nearly 93% of the people who use them back to their own jobs, quickly, full-time, without restrictions. We're constantly thinking of how to improve our services. This year, we launched a prehabilitation service for people who have planned surgery, so they can get fit and recover faster.

Our business is changing all the time and we have to continually adapt our approach to health, safety and wellbeing. Regular consultation takes place with trades union partners and works councils on a full range of such issues. The integration of EE has allowed us to benefit from shared learning. The strengths of EE's externally accredited systems are being rolled out across other parts of BT, and the sophisticated approach to occupational health developed by BT is being implemented in EE. The common philosophy is that keeping our people healthy and happy is good for them, good for business and good for society.
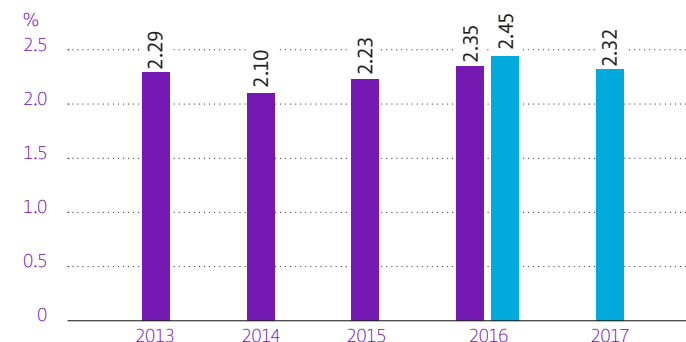
Working absences

Lost time injury rate
Cases per 200,000 working hours

Year	Excluding EE	Including EE
2013	0.46	
2014	0.39	
2015	0.30	
2016	0.27	0.29
2017		0.24
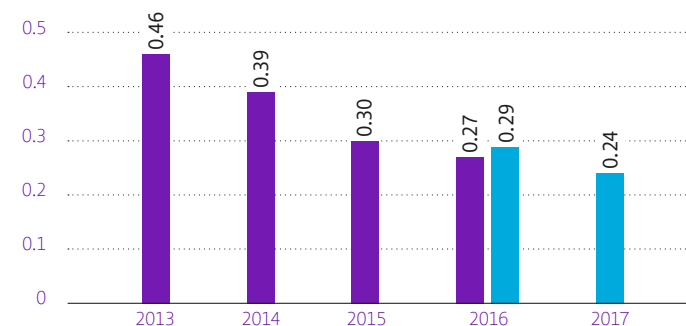
Sickness absence rate
Percentage calendar days lost to sickness absence

Year	Excluding EE	Including EE
2013	2.29	
2014	2.10	
2015	2.23	
2016	2.35	2.45
2017		2.32

■ Excluding EE
■ Including EE

Putting customers first

What matters to our customers matters to us. We work to improve their experience with us, protect their data and help them stay safe online.

Delivering great customer experience

Everything we do contributes to what our customers think about us, whether it's fixing a fault, marketing a new product or delivering a new contract. We work across our entire business to improve our customers' experience of BT.

We see customer experience as an important growth driver. It's a key part of our strategy and is central to the way we measure how we're doing as a business. Getting things done right first time is critical: we want every interaction to contribute to a great customer experience.

We've performed much better than last year, with our Right First Time score improving by 6.4%. Our customers' perception of us is up by 5 points, with improvements across all our lines of business.

We've done much to improve our customers' day-to-day experience this year. We've improved broadband speeds for more consumer and business customers, and we're answering more customer service calls in the UK and Ireland. We've given customers control over unwanted and nuisance calls with our new free product, BT Call Protect; and made it easier for customers to interact with us through the My BT app. We've invested in our networks, and on measures designed to help keep people connected even in extreme weather. On average, we're now fixing consumer landline faults 24 hours quicker than we did last year. And we're helping customers contribute to good causes that matter to them.

Protecting customer privacy and data security

Privacy and data security are important to customers: 72% of Britons are concerned about their private information being exploited[a]. We take concerns about privacy and data security very seriously.

We integrate privacy issues into our training and product design, and put safeguards in place when managing requests from law enforcement agencies. Our robust security systems keep customer and BT information secure.

Protecting privacy

Privacy – and the role of companies in protecting it – is an issue of great public interest. We contribute to the debate on privacy, working with organisations like Privacy International, and with the UK Information Commissioner's Office (ICO).

We're open about our privacy policies, helping our customers understand in simple terms how their personal information is used. Our privacy centre gives a detailed breakdown by service to show customers how we collect and use their personal information.

Managing privacy issues relating to mobile data is an important focus for us with EE now on board. This year, we worked to further integrate and align EE's approach with BT's policies and management systems. Privacy principles ("Privacy by Design") are integrated into our product design process. The next stage of development only proceeds if our privacy criteria have been met.

For example, as part of our work to launch the next generation of telephone kiosks, we're conducting privacy impact assessments to understand how personal data will be collected, used and stored. This will enable us to draft a privacy notice so people using the kiosk can understand in clear and simple language how their data will be used.

All our employees receive mandatory training on privacy and data protection. Those with greater access to customer data get more extensive training. Non-compliance can result in disciplinary measures.

a   2015 YouGov survey.

Complying with privacy regulations

The ICO upheld 21 of the 88 complaints made this year about the way we processed personal data. This is less than last year, when 25 of 88 complaints were upheld.

New and revised privacy laws continue to be introduced across our markets. A tough new EU regulation will strengthen data protection across Europe. It is scheduled to come into force in the UK in 2018, and the UK Government has confirmed that the country's decision to leave the EU will not impact this legislation. Our dedicated privacy team reviews regulatory changes to ensure that our privacy policies and processes are aligned with what is expected of us wherever we operate, including for third parties who process data for us.

Managing law enforcement requests

Like others in our industry, we receive requests from law enforcement agencies to provide customer data. These investigatory powers are essential to keep society safe from terrorism and serious crime, and we've a legal obligation to comply.

But we also have a duty to safeguard our customers' privacy and data. We've strong internal oversight and seek expert advice to inform our approach. Members of the Board and other senior leaders oversee how we balance our legal obligations with privacy and human rights considerations. Our report on Privacy and Free Expression in UK Communications sets out our approach.

Keeping customer data secure

Cyber attacks threaten our customers and represent a serious business risk for us. We face threats that include data theft, fraud, infrastructure damage and service interruption. Any breaches can affect our customers and may result in fines or damage to our reputation. We take these threats very seriously: our president of BT Security normally reports to the Board twice a year.

Every year, cyber attacks increase in sophistication and frequency. We're investing heavily to protect our systems and our customers from such attacks. We share intelligence with other ICT companies, suppliers and regulators to combat this common threat, including through the UK Government's Cyber Security Information Sharing Partnership.

Putting customers first continued

This year, we announced a partnership with Intel Security to create new solutions to help organisations improve security and prevent cyber attacks.

Strengthening defences
With EE now part of BT, we've seen a substantial change to our security risk. The large volumes of bank account and credit card details, that we've added to our customer records, are tempting for hackers. We're also exposed to attacks from criminal gangs and people hired by nation states to steal data and cause disruption.

We've managed to repel the vast majority of these attacks, and the 2% that did get past our first line of defence were dealt with by our security teams. We've deployed more scanning, monitoring and logging tools to identify and monitor intrusions as early as possible. We're pioneering research into quantum key distribution, to ensure our customers' data is protected while on our network. We're also auditing our suppliers to check for compliance with our security policies.

Investing in skills
We've nearly 2,000 accredited security professionals in 28 countries, and the BT Security Academy is open to everyone at BT as a place to develop their skills.

We welcome the UK Government's new National Cyber Security Strategy and we're helping to make it happen by investing in skills. BT is the UK's largest recruiter in this area. This year, we recruited and trained 45 cyber security graduates and 48 apprentices. We'll be recruiting a further 32 people in 2017/18 to a degree apprenticeship that we helped to design.

We're also helping to train experts outside the business. Our new Tommy Flowers Institute, named after the renowned computing pioneer, will bring businesses and academics together to explore innovations in cyber security. We're helping teach cyber skills in schools. And our experts are contributing to the syllabus of the UK's first National College of Cyber Security (see case study).

Staying safe online

Our research has shown that most Britons assume that they are more likely to fall victim to a physical home break-in than a digital crime. In

Supporting the code breakers

Bletchley Park has a history: it's where Alan Turing cracked the Enigma code, credited with helping the Allies win the Second World War.

The site will now become home to a new generation of code breakers. The UK's first National College of Cyber Security, opening in 2018, will be a free boarding college for gifted students aged 16 to 19. It will house some of the most advanced cyber test and demonstration facilities in the world.

fact, those aged 16-44 are now almost as likely to suffer from increasingly sophisticated cyber threats such as phishing emails, malware and inappropriate web content. That's why helping our customers stay safe online is so important to us. We offer consumers free internet security solutions such as BT Web Protect, BT Virus Protect and BT Call Protect. We also help educate consumers through our help pages and our website on scams.

In the event of a breach, we work with customers to reset their account information and, where necessary, block their account for as long as needed. This year, we also acted against more than 5,000 phishing sites that attempted to fool customers by mimicking our brand. We also use BT Assure products and services to protect business customers. This year, one of our solutions won Light Reading's award for the most innovative security strategy by a service provider. We partnered with Palo Alto Networks to integrate their malware prevention solution into our service to strengthen cloud security for organisations. We've also launched a new consulting programme to give major customers a tailor-made plan for their cyber security.

Keeping children safe
The web can be a wondrous place for children to explore and learn. But we're keenly aware of the dangers. We want kids to enjoy the internet, while helping parents keep their families safe online. Our solutions, such as BT Parental Controls, help parents install appropriate controls to protect their children.

We're supporting parents to have open and honest conversations with their children about online safety. BT is a founder of Internet Matters, an organisation that advises parents on web safety issues such as cyber bullying, and that is a major supporter of Safer Internet Day – which this year we hosted at our headquarters. To support Safer Internet Day, we developed a quiz that tests parents' knowledge of the online slang children use.

This year we completed our three-year internet safety programme, partnering with Unicef UK, to empower children as confident digital citizens. Through The Right Click: Internet Safety Matters, we've delivered 527 workshops, with BT volunteers training more than 14,500 teachers, parents and children. We also provided funding for 80 schools from disadvantaged areas to register as Rights Respecting Schools. This will help them embed children's rights into their culture.

Some children may be abused or exploited online. We want to ensure that professionals working with victims are properly equipped and trained to support these children. Through the CLICK: Path to Protection programme, we partner with the Marie Collins Foundation to train police, social services, teachers, doctors and other professionals who work with the victims and their parents. Over the next three years, we'll be rolling out a training programme to ensure that professionals working with victims are properly equipped to respond to the needs of children harmed online.

We're extremely proud of the workshops we've run with BT – together we've helped more children stay safe online. And with teachers trained to re-deliver them, the impact of the programme will continue.

Mike Penrose, Executive Director, Unicef UK

Investing in society

Our purpose is embedded at the heart of our business. It helps us deliver societal and environmental benefits, and stimulate economic growth.

This year we invested £35.6m to support progress on environmental and societal priorities that help to bring our purpose to life, as outlined in this report. This is equivalent to 1% of the previous year's adjusted profit before tax.

Made up of cash and in-kind contributions, and time volunteered by our employees, we estimate that 74% of this investment corresponds with the externally recognised criteria of the London Benchmarking Group. Over the last five years, we've invested more than £157m, an average of 1.08% of our adjusted profit before tax over that period.

Our research shows that we also have a significant wider impact on the UK economy. In 2015/16, we supported around 259,000 full-time jobs across the country – both directly for our own workforce and indirectly through our expenditure with UK suppliers.

We estimate that our total economic impact in the UK was £23.1bn in that year alone. This represents our Gross Value Add (GVA) to the UK economy. It combines the direct, indirect and induced[a] impacts of our activities and spending from both BT and EE in 2015/16.

Together, we supported £1 in every £70 of GVA in the UK economy and 1 in every 95 employees working in the UK.

⌨ For more details read the report on our website

a   Our definitions:
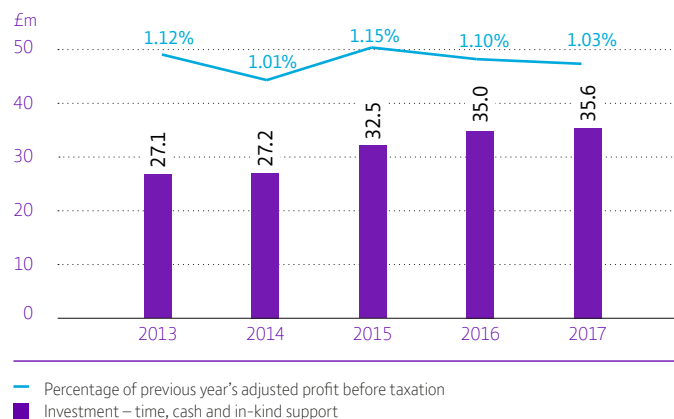   **Direct impact**: people employed directly by BT (including contractor employees) who receive wages and salaries.
    Indirect impact: income and employment created with suppliers, as a result of BT's spending on goods and services.
    Induced impact: further income and employment generated, as wages created directly and indirectly are spent within the economy.

Investment in society

Total investment in society
Year ended 31 March

— Percentage of previous year's adjusted profit before taxation
■ Investment – time, cash and in-kind support

Paying our taxes

Paying tax is one of the ways we contribute to society as a responsible business. BT was ranked as the fifth highest UK tax contributor in the 2016 review by The 100 Group, whose members include the finance directors of FTSE 100 and other large UK private companies.

Our approach to tax, set by the Board, is to make sure BT complies with our worldwide tax compliance obligations. The group tax team supports regional managers in meeting local requirements, who in turn work with our local businesses to understand the tax consequences of our operations. This ensures we pay the tax appropriate for our business, after claiming routine incentives, reliefs and exemptions. Trade between BT businesses in different countries is carried out as though they were unrelated companies, in line with the principles of the Organisation for Economic Co-operation and Development (OECD).

We've an open working relationship with HM Revenue & Customs in the UK and we take this approach with local tax authorities around the world. This includes discussing the tax impact of major business decisions with the tax authorities when they happen.

⌨ See our Annual Report for details on our tax payments

3 Connecting society

We're connecting millions of people to a world of opportunity that can transform their lives. And we're giving them the skills they need to thrive in a digital economy.

Contents

Overview and highlights

We believe that a connected society is a better society. By helping more people get online, we're opening the door to life-changing opportunities. And we're investing in young people's ability to make the most of that connectivity, by building a culture of tech literacy for the next generation.

Access to the internet is a powerful tool for social change. Information and communication technology is supporting the delivery of the UN Sustainable Development Goals by providing better access to education, healthcare and employment. But millions of people in the UK and many more around the world are not online. We're working to change that.

We can make the biggest difference through our core products and services that contribute to wellbeing, education, and to improving people's financial prospects. We measure our impact by looking at the number of people helped and the social value this has created.

We aspire to become the UK's digital champion, and are investing in our network to connect people, businesses and communities to superfast broadband. We want to help everyone get connected, and to keep them connected. By supporting the most vulnerable in society, we're helping them overcome barriers to access like age and impairment.

We're using our technology to deliver education, healthcare and financial empowerment to those who need it most, as it's what you can do with that connectivity that really matters. That's also why we're committed to building a culture of tech literacy for the next generation, and ensuring young people have the tech know-how to be able to thrive in our digital society.

Our 2020 ambitions

More than 9/10 people in the UK will have access to fibre-based products and services

9/10

Premises reached by March 2017:

8.8/10

Help 10 million people overcome social disadvantage through the benefits our products and services can bring

10m

Helped since 2014/15:

3.9m

Help 5 million children receive better teaching in computing and tech skills

5m

Helped since 2014/15 school year:

1.1m

2016/17 highlights

Extending connectivity

We've reached 88% of UK premises by providing access to our fibre-based products and services. And we're on track to help the Government achieve 95% fibre coverage by the end of 2017. We've also launched our community fibre partnerships initiative, to work with local groups to bring fibre to their area.

Keeping people connected, whatever the weather

We're helping people stay connected, even in adverse circumstances such as flooding. We've made major upgrades to our flood defence capabilities, and increased the size of our emergency response team.

Supporting online access for all

Together with Wales and West Housing, we've created one of the largest free (at point of use) wi-fi networks in social housing. And we're helping local residents build the skills they need to get online.

Connecting refugees

We've provided free wi-fi hotspots and IT equipment to eight refugee centres in Serbia and Macedonia, to help over 315,000 refugees stay in touch with their families and access information to help them on their arduous journeys.

Promoting tech literacy

Peter Weir, MLA, Minister for the Department of Education, at Fane Lane Primary School, Belfast for the launch of the Barefoot Computing Project in Northern Ireland.

The Barefoot Computing Project has now reached more than 39,000 teachers and helped 1.1m children get better teaching in computing and tech skills. And we're helping young people step up to the jobs of the future, through Work Ready and our partnership with the Rio Ferdinand Foundation – reaching over 2,050 young people this year.

Extending connectivity

Connectivity is a vital first step to enable people to get online and participate in an increasingly digital society. We have a critical role to play in delivering connectivity across the country and are investing heavily in our networks.

We believe that everyone in the UK should be able to access superfast broadband, wherever they are and as fast as it can be. That's why, in May 2016, we committed to invest £6bn in our wireless and fixed networks over the following three years, consolidating our position as the leading investor in the UK's digital infrastructure.

Our superfast fibre broadband network now passes 26.5m premises, closing in on our 2020 ambition to offer more than nine out of ten people access to fibre-based products and services. And now we're aiming, by that same 2020 target date, to pass 12m premises with ultrafast broadband – offering even higher speeds.

Through EE we already have the UK's largest 4G network, with mobile coverage now extending to 80% of the UK's geography, and 99% of its population. Now we're investing to expand that geographic coverage to at least 95% of the UK by 2020.

Early in 2016, Ofcom published its Digital Communications Review, designed to make the UK a world-leading digital economy over the next decade and beyond. The UK's coverage is already ahead of its European peers when it comes to superfast broadband. We're on track to help the Government achieve 95% fibre coverage by the end of 2017. But we're going further with programmes to improve connection speeds in the 5% of the UK that's not yet included in any fibre broadband rollout plans.

Delivering fibre to the last 5% is a big challenge – it involves connecting remote locations, often in rugged terrain. We continue to make progress, working with the Government on the Broadband Delivery UK programme. This year, we introduced community fibre partnership

Superfast broadband helps carve out a new career

Michael Barnfather dreamt of leaving his office job of 30 years to launch his own business as a cabinet maker. With the arrival of superfast broadband in his seaside town of Withernsea, he's been able to make this dream a reality.

Before, the limited bandwidth meant Michael often struggled to send large files like the bespoke cabinet designs he needed to show clients. All that changed when BT partnered with East Riding of Yorkshire Council to deliver superfast broadband to Withernsea.

Michael now stores all his designs on a remote cloud. He can upload and share large design files in seconds. He's even created an online showcase of his designs to show customers and help him build his business.

grants, working with local groups, such as residents of rural villages or business owners in industrial parks, to help bring fast broadband to their area. Hard-to-reach communities can apply for matched funding of up to £20,000 to help fund part of the fibre build. Around 100 communities across the country are now connected and nearly 50,000 homes and businesses are already enjoying the benefits of faster internet access.

In partnership with Newcastle City Council and Gateshead Council, as part of Go Digital Newcastle, we're using a mix of BT telephone kiosks, lamp posts and CCTV columns to deliver an outdoor wi-fi service that's free at point of use. It means that residents and visitors can shop, access public services, check travel arrangements and enjoy a variety of online applications when they're out and about.

We're also going to be rolling out 750 free ultrafast wi-fi kiosks in London and other major cities over the next few years. With speeds of up to 1 Gbps, this will be the fastest free public wi-fi service available in the UK, and will play a big part in improving connectivity for Londoners and visitors to the city. The kiosks will also offer mobile and fixed-line calls, charging ports for mobile devices, maps and other information services.

Bristol community marks our fibre milestone

The Yard area of Bristol was the 200th community in the UK to sign a jointly funded deal with BT to get fibre-based broadband for their area. The project is part of our Community Fibre Partnerships programme which exists to get faster internet to the last 5% of the UK not currently covered by the fibre broadband roll-out scheme.

Numerous local businesses and 39 households will benefit from the faster internet connection. The Garden Bristol, an outdoor childcare project based in The Yard, was part of the group that applied for a BT grant. With our £6,426 contribution and additional funding from the local community it will soon enjoy download speeds of up to 80Mbps.

The Garden Bristol provides a fantastic outdoor childcare service to local families in the area and with the addition of superfast broadband they'll be able to provide so much more to those children that attend.

Pete Tiley, local community co-ordinator

Keeping people connected

We want to help people stay connected, even in adverse circumstances such as flooding. These climate-related risks increasingly threaten our infrastructure. To minimise the impact on our customers and our business, we're taking steps to strengthen our resilience and adapt to climate change.

The winter storms of 2015/16 brought record rainfall and extreme flooding to many parts of the UK. We responded rapidly by providing temporary communications to isolated communities and making emergency repairs to get our exchanges up and running again. Since then, we've made significant investments to improve our defences as part of our long-term approach to address climate-related risks.

We're now more prepared than ever to protect our infrastructure and support customers when flooding occurs. Building on our flood defence assets, this year we've added two new boats which can transport emergency generators, and six pneumatic line casters which can be used to send cables across wide floodwaters if bridges are damaged. Our flood barriers can hold back water up to 0.9m high, and detailed flood plans enable our teams to deploy defences rapidly and effectively at key sites.

Our mobile networks include thousands of sites across the UK. If one of them goes down or is damaged by storms, we've off-road vehicles that can act as temporary replacements to keep people connected. The vehicles are equipped with an 11-metre telescopic mast and – if that's not high enough – we're even developing a patent-pending balloon option that can hold the antenna up to 100 metres off the ground to extend coverage, as well as exploring the use of drone "air masts".

Keeping mountain rescuers connected in the Lake District

The Patterdale Mountain Rescue Team in the Lake District is one of the busiest search and rescue teams in England. It's made up entirely of volunteers who are on call 24/7. They carry out around 60 mountain rescues a year and respond to local community needs when extreme weather hits.

Patterdale Mountain Rescue depend on reliable communications to quickly co-ordinate and respond to call-outs. We've installed a broadband satellite system at their base to provide emergency communications for the team and the local community if regular networks go down. The system's emergency back-up generator means the team is totally self-sufficient in a power cut too. Keeping Patterdale Mountain Rescue connected enables them to help people in need and save lives, whatever the weather.

We've also increased the size of our emergency response team to five permanent members and 50 volunteers. They're all trained to operate in moving water, deploying flood barriers and other equipment to protect our buildings. They use their emergency communications skills to support communities isolated by extreme weather events too.

We put our teams and equipment to the test with a simulated extreme flood event in November 2016. They were in action again in January 2017, as we prepared for possible flooding from a tidal surge off the East coast of the UK that threatened to put a large number of BT buildings at risk.

Our investments to improve the resilience of BT infrastructure align with the short-term expectations set out by the UK Government's National Flood Resilience Review. Further plans will help communities most at risk of flooding, through enhancements like permanent defences at critical sites or systems to re-route services in the event of damage to an exchange site.

Helping people get online

The internet opens up a wealth of opportunities, from keeping in touch with family and friends, to better access to education and jobs.

But around 6.3 million people in the UK don't currently use the internet, with over two-thirds of them lacking the motivation or support they need to go online.

The elderly, individuals and families on low income, and people with a disability are most likely to be digitally excluded. As part of the UK Government's digital inclusion council we're actively helping these people overcome the barriers. Together, we can create an estimated £6.7bn of social value in the UK by connecting those not yet online.

Supporting online access for all

The biggest impact we can make is through offering tailored products and services, helping individuals who are excluded to get online.

80% of Britons say that internet access helps them get involved in their local communities. We support people around the country with community wi-fi. We also offer a low-cost phone and broadband service, BT Basic + Broadband, to people on low-income and certain Government benefits. This year, we introduced a price cap feature so that customers can stay in control of their spending.

We're also working with housing associations to offer tenants a discounted 4G EE Wi-Fi device on a pay as you go basis. This enables people to get online without a credit check or home telephone line.

And we've created one of the largest free (at the point of use) wi-fi networks in social housing (see video) together with Wales and West Housing. We're helping local residents build the skills they need to get online. With over 2,000 devices connected via this network, it's clear they're now able to take advantage of the many opportunities the internet offers.

We also work with other organisations, such as Citizens Online, Go ON Boroughs, Wheatley Group and the Scottish Council for Voluntary Organisations, who complement our work with local reach and resources to help reduce the digital skills gap for individuals.

Through our partnership with Doteveryone, we teamed up with Croydon council and Crisis to help people living in Croydon, South London, join the digital world. Around 85,000 people in the borough do not have basic digital skills, so they're missing out on opportunities that could enhance their lives.

The digital world can seem intimidating and inaccessible, particularly to vulnerable people. That's why we gave smartphones to a group of 90 homeless people in the borough and ran workshops on how to use them. After the training, participants said they felt much more confident and comfortable using their phones.

People with disabilities can go to our website, Including You, to view information and advice on how to use our products and services, so they're able to do what's important to them – whether that's keeping in touch with friends and family, staying on top of their finances or watching the latest boxset online.

We run annual Tech for Good awards to promote and recognise digital technologies that improve people's lives. The winner of the 2016 AbilityNet Accessibility Award was the Wayfindr app. It helps people with impaired vision navigate the world independently, with reliable and clear directions through their smartphones.

BT and Wheatley Group have built a strong working relationship around digital participation over the past five years – from a hugely successful study into connectivity and social use of the internet in a tower block in Glasgow, to early exploration around the benefits of the Internet of Things for all social tenants across the group.

Graeme Hamilton, Innovation and Online Services Manager, Wheatley Group

Connecting the world

Connectivity gives access to better education, healthcare and livelihoods. We're using our global reach to empower more people to overcome social disadvantage.

Bringing wi-fi to refugees in Eastern Europe

Persecution, conflict and poverty have forced more than 1 million people to flee to Western Europe in the last two years. Thousands of refugees have passed through Serbia and Macedonia, putting huge strain on resources.

We've provided free wi-fi hotspots and IT equipment to eight refugee centres in Serbia and Macedonia, supported by SOS Children's Villages. For many refugees, free ICT services are the only way to stay connected with their families and friends on their arduous journeys. They can also find out about travel connections and immigration policies of countries along their way.

Over 315,000 refugees used these services in the first eight months. Aid organisations and government agencies also use them for urgent communications in emergency situations.

Connecting the world continued

Connecting Africa

People living in Africa pay up to ten times as much for broadband as they would elsewhere in the world[a]. We've partnered with SOS Children's Villages to provide free broadband to 30 villages in 13 African countries. Together, we're connecting around 145,000 people, helping them gain better access to services like education and healthcare that can be life-changing.

Our free broadband is enabling new healthcare management systems to reach around 100,000 people, supporting health workers in seven SOS Children's Villages in Cameroon, Burundi, Kenya, Rwanda, Somalia and Uganda.

We did an evaluation to estimate the social impact that this is having at the health centre in Hargeisa, Somalia. We found that our systems helped the centre save over 13 hours of work a day on clinical functions. This in turn has enabled health workers there to see 150 more people and carry out 475 more lab tests a week. Overall, this could save up to £8,500 per year at each centre. We continue to explore similar models in other parts of the world and hope to expand this initiative during 2017.

In Kenya, we've helped over 33,000 students improve their prospects through education as part of the Open Space Literacy project. And we're using our expertise to support WEF's Internet for All project to extend connectivity and maximise the social impact of digital inclusion in Africa.

We support the One Million Community Health Workers campaign to accelerate universal health coverage in sub-Saharan Africa by training and equipping health workers to build healthy communities. With mobile technology, community health workers can access better medical resources and monitor disease outbreaks and public health. Our grant has helped to recruit, train and deploy 700 community health workers. The campaign now has a reach of over 340,000 beneficiaries.

a   Relative to local income and local connectivity costs. Broadband Affordability, 2011

Enabling healthcare in rural Ghana

We're enabling community healthcare workers in rural Ghana to get expert advice from doctors to help their patients. The new telehealth centre we created with the Novartis Foundation is helping to expand access to quality healthcare in remote areas by cutting down transport times and costs for patients, and avoiding unnecessary referrals. During the pilot phase, hospital referrals have fallen by 37% – which could save the Ghana Health Service over £2bn per year.

The BT contribution was vital to the future success of the programme. The team has been fantastic to work with as we contemplate a carefully planned scale-up across the country.

Christina Wadhwani, Project Manager, Novartis Foundation

Connecting the unconnected in India

India has the seventh largest economy in the world, yet internet connectivity continues to lag. Over 1 billion Indians have never been online. Increasing access would mean higher growth, more jobs and better public services.

We've conducted research to understand the scope and scale of this issue. We found that adolescent girls are disproportionately affected by a lack of social and digital connectivity. Nearly 64% of girls drop out of school and 47% are married before the age of 18.

Connecting and educating girls can create a powerful force for change. Nearly 80% of every rupee in a girl's hand is reinvested into her family and community. It's just 30% for boys. We're working with NGOs, corporates, foundations and other stakeholders to explore how we can empower adolescent girls using the combined medium of sport and technology.

BT has worked with Katha since 2001. Since 2014, with our support, Katha has helped over 330,000 underprivileged young people through its educational programmes such as "KITES" and "I Love Reading".

Building a culture of tech literacy

Today the UK faces a major challenge. The next generation are great tech consumers, but few are active creators.

In a world where so much of our life and work depends on technology, that may be the difference between people being left behind or getting ahead.

We're convinced there's no other answer than to build a culture of tech literacy so young people grow up with the tech know-how to take on the jobs of the future and shape a more inclusive society.

Around 12 million people don't have the skills to thrive in the digital era. Tech know-how is vital to the UK economy – with an estimated £63bn worth of GDP lost every year to the UK economy due to a shortage in digital skills. Our ambition is to help build a culture of tech literacy, starting with the next generation.

Helping teachers show children the way

At primary school, children begin to form a lasting picture of how they see the world. And teachers play a starring role in giving their pupils the tools they need to achieve their aspirations. That's why we're committed to making tech literacy a new cornerstone of modern education in primary schools.

Through the Barefoot Computing Project, we're helping primary school teachers get confident with the concepts that underpin tech literacy with a combination of free teaching materials and face-to-face training from volunteers. We've now reached more than 39,000 teachers and, through them, more than one million children. And we know it's having a positive impact.

We commissioned an independent study by the market research company, Ipsos MORI. The study found that Barefoot-trained teachers are more confident with tech literacy concepts and use them more in the classroom than their peers. They also believe that understanding computational thinking – which provides the building blocks of the digital world, like logic, sequencing, abstraction and programming – helps kids with numeracy and literacy, as well as other skills like collaboration and problem-solving.

This year, we also launched a new digital education programme for 11 to 16 year olds with the 1851 Trust, the official charity of the Land Rover BAR team, called BT STEM Crew.

Getting young people work ready

Our Work Ready programme helps 16 to 24 year olds, particularly from disadvantaged backgrounds, get better prepared for the world of work. Young people who are not currently in education, employment or training join BT for seven weeks to develop their skills and gain hands-on experience of what it takes to thrive in a world of work powered by technology.

More than 2,000 young people have taken part in this initiative, since we started providing traineeships and work placements in 2014. This has helped them achieve BTEC level 1 qualifications in work skills and business administration. Over 60% of them have gone on to further education or got jobs, whether at BT or elsewhere.

We're also rolling out our skills for work boot camps, targeting young people who are still in school but at risk of becoming unemployed when they leave full-time education.

Our new partnership with the Rio Ferdinand Foundation is enabling us to reach even greater numbers of young people from disadvantaged areas. And we're committed to collaborating with other major employers as a founding partner of Movement to Work, a coalition of UK businesses committed to tackling youth employment. Across all the above initiatives, we've directly helped more than 2,050 young people this year.

Inspiring the next generation

While many teenagers are voracious consumers of technology, too few are inspired to look under the bonnet and become active creators with tech. We want to show young people how tech underpins the things they love – like music and sport – and inspire them with where it could take them.

We used the power of BT Sport in a pilot project for 12 and 13 year olds at the Manchester Communication Academy. It used an outside broadcast TV truck to lift the lid on how much tech it takes to bring the best sporting action to their screens. We're now working on plans for a national programme to inspire mainstream kids to want to work towards building their tech know-how.
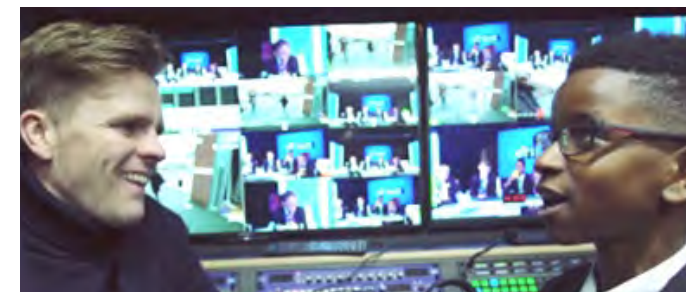
Shaping the debate

Building a culture of tech literacy requires collaboration. Our chief executive hosted our second Tech Literacy summit at the BT Tower, bringing together business, education, policy and youth engagement experts to find new ways to take tech literacy into the mainstream.

Our new campaign website provides stakeholders with a forum to share ideas and galvanise action. We shared what we've learned about what kids, teachers and parents need with organisations like the World Economic Forum (WEF) and the Organisation for Economic Co-operation and Development (OECD).

If young people coming into the workforce aren't tech literate, they will struggle in the digital economy. We need to make sure that all our young people are confident online, or we are going to leave them behind.

Matthew Gould, Director General for Digital and Culture, at the UK Government Department of Culture, Media and Sport.

4 Supporting our communities

Our people and technology are helping charities and communities raise millions of pounds to support good causes.

Contents

Overview and highlights

We share our technology and time with charities and communities to help them raise money and change lives for the better. We're helping employees and customers champion the causes they care about. And we support young people by investing in sport for change.

By 2020, we want to use our skills and technology to help generate £1bn for good causes and inspire two-thirds of our people to volunteer their time and skills. We listened to our customers and employees, and have developed a new charity strategy that aims to reach more of the people who need help most.

We're sharing the power of our products, people and brand to amplify our impact. And we're inspiring our people and customers to lend their support.

People and organisations can raise money for thousands of charities across the UK through our commission-free fundraising platform, MyDonate. Charities can benefit from the low-cost communications deals we offer. And our people get involved by volunteering their time and expertise.

Our 2020 ambitions

Use our skills and technology to generate more than £1bn for good causes

£1bn

Progress to date:

£422m

Raised since 2012/13

Inspire 66% (two-thirds) of BT people to volunteer their time and skills

66%

Progress to date:

31%

Employees volunteered in 2016/17

2016/17 highlights

Using our technology to fundraise

We used our technology to raise over £62.6m for 11,000 charities, through telethon appeals and MyDonate, our online fundraising platform.

Since the very first Red Nose Day in 1988, we've relied on the incredible support BT provides. From telephony infrastructure and the call centres themselves, to network management and thousands of hours of staff time to answer calls, BT are the backbone of every telethon we've ever done. This year BT Sport and Comic Relief joined forces to create the first ever virtual reality immersive comedy sketch to engage supporters through an exciting new medium. And we're really proud of it. We literally couldn't ask for any more from BT. You guys are brilliant – Comic Relief just wouldn't happen without you! Thank you forever. And a bit longer after that as well.

Emma Freud, Director, Comic Relief

Standing up to cancer
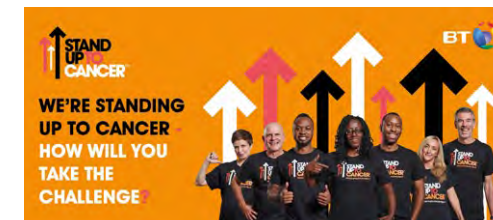
We put our new strategy into action to help Cancer Research UK. We helped raise £1.3m, and had over 6,600 employees volunteer in support of its Stand Up To Cancer campaign.

Getting involved through volunteering

More than 31% of our employees volunteered over 39,000 days of their time to support charities and local communities.

Changing lives through sport

BT Sport customers donated more than £1.6m for The Supporters Club, providing grants to 13 charities in the UK and around the world.

Supporting good causes

We support good causes through our technology and people. Both are helping us build strong relationships with our charity partners.

Using our technology

Our commission-free online fundraising and donation platform, MyDonate, has a big role to play in hitting our target to help generate £1bn for good causes by 2020. Through the platform, charities can set up fundraising campaigns, receive secure online payment processing and get technical and call centre support to run major telethons and online appeals.

This year, we've raised over £62.6m through MyDonate for 11,000 charities. We supported telethon and online appeals for BBC Children In Need, Comic Relief, Stand Up To Cancer, Soccer Aid and this year's Disasters Emergency Committee (DEC) appeals. We also provided the text donation service to raise funds for the Wayne Rooney Foundation from the testimonial football match held in honour of the England player in August 2016, which was broadcast live on BT Sport.

We're investing in new fundraising technology to help charities deal with the move away from people using cash (see case study). And we're exploring how virtual reality and other technologies could transform fundraising too.

We also offer charities in the UK discounted call rates and IT support, and we're developing more tailored support for smaller charities. Our community web kit offers technical support to help charities create websites to raise awareness of their causes.

Enabling people to give

Our MyDonate platform makes it easy to raise money for charities. Anyone can use it to plan, act and appeal for sponsorship or funds via their social media networks.

BT employee Linda Phillips used MyDonate when she shaved her hair to raise money for the Little Princess Trust that provides wigs for children suffering from hair loss. And former England rugby player Ugo Monye used it to raise funds for our charity partnership, The Supporters Club, when he did the Nine Hour Challenge, a mountain biking and hiking endurance event.

MyDonate has 0% commission, no set-up fee or monthly charges. This means more money goes where it should – to the charity.

Highlights of 2016/17 telethons and appeals

Children in Need	£10,598,314
Comic Relief	£3,497,124
DEC Yemen Appeal	£2,914,821
DEC East Africa Appeal	£2,005,342
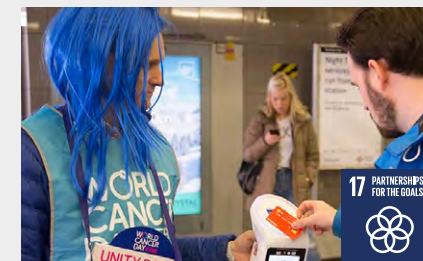
Going contactless

One in four transactions across the UK are now contactless. We've worked with charity partners to develop a new handheld device to take contactless payments. The aim is to make donating a simple, fun experience and help charities meet their fundraising goals.

Trials show that giving people the option to make contactless payments alongside traditional cash collections enables charities to raise up to 50% more in some cases.

Supporting good causes continued

Volunteering our skills and time

Volunteering is not just about helping communities. We believe it benefits BT too, through improved morale and a deeper connection between our people and our purpose. This is an important aspect of engaging our employees.

More and more of our employees are getting involved. This year more than 31% of our people volunteered their time and skills, up from 27% last year. And we've been exploring how to encourage more of them to take part to achieve our 2020 ambition to inspire two-thirds of our people to volunteer.

We partnered with Join In, a charity, to investigate the psychology of volunteering. The research helped us identify the key factors that nudge people to get involved in the first place and then keep volunteering. We developed a new employee volunteer portal, which promotes volunteering and gives our people an easy way to find volunteering opportunities and record their time. We've also created an online community for our employees to share their stories and ideas for volunteering and fundraising.

We know people can find it hard to make time for volunteering, so we've introduced micro-volunteering projects so they can still get involved even if they can only spare half an hour at a time. For example, more than 2,600 of our employees reviewed our modern slavery video.

We're keen for volunteers to use their expertise to support communities – and build new skills and experiences too. That's how our people, our communities and our business can get the most out of their valuable time.

Many of our people volunteered their skills to programmes like The Right Click: Internet Safety Matters to train teachers, parents and children on internet safety.

We also advocate for a shift in focus by the UK Government to skills-based volunteering. Our legal, governance and compliance team developed a programme to provide free legal advice to two charities, Cancer Research UK and Family Action. The Pro Bono Programme has now spent over 200 hours on this and aims to expand next year.

Another way our people can contribute to communities is through payroll giving – donating to causes close to their heart directly from their salary. This year, nearly 11,000 employees gave over £2.5m and EE was recognised at the UK National Payroll Giving Excellence Awards. We're a founding partner of Geared for Giving, a national campaign calling for every UK employer with more than 250 staff to offer payroll giving by 2021.

The BT Chairman's awards celebrate employees' efforts in volunteering, fundraising and social innovation on a quarterly and annual basis.

We are hugely grateful to BT, our 2016 Stand Up To Cancer lead sponsor, for once again enabling the live show to take place by providing a quarter of the telephone lines on the night and encouraging hundreds of staff to give up their time to man the phones and take donations. BT have supported Stand Up To Cancer since the campaign began and their people and technology remain instrumental to its success.

Frances Milner, Executive Director of Philanthropy and Partnerships, Cancer Research UK

Stand Up To Cancer

Every three minutes, someone in the UK dies from cancer. It's heart-breaking statistics like this that motivate people to support Cancer Research UK.

Cancer Research UK funds research into more than 200 types of cancer to understand how we can better prevent, diagnose and treat the disease to help beat cancer sooner. The charity's annual Stand Up To Cancer campaign, with Channel 4, brings the UK together to accelerate progress in life-saving cancer research by asking people to stand up, raise money and save lives.

We brought all the elements of our new strategy together to support Stand Up To Cancer as the lead sponsor of the campaign. Celebrity appearances and other activities to promote the cause were viewed more than 12 million times across 20 BT media channels. BT Tower and three of our call centres provided the technology to run the telethon campaign and we also helped raise money online through MyDonate.

And we mobilised our employees to do their bit too. Over 6,000 of them manned phones, fundraised through bake sales and bucket collections, and shared personal stories of cancer with their colleagues to raise awareness.

The campaign generated around £1.3m for this important cause through money raised and volunteer time. Overall, the Stand Up To Cancer campaign raised over £15m.

## Supporting good causes continued

Sharing our skills to strengthen charities

Our transformation team works with other teams across BT to achieve cost savings for our business. They also put their expertise and knowledge to use through free one-day classes for charities. More than 50 people from various national and local charities took part this year, learning about useful tools and techniques for problem-solving.

BT employees volunteering
Year ended 31 March

%

Year	Value
2014	16
2015	26
2016	27
2017	31
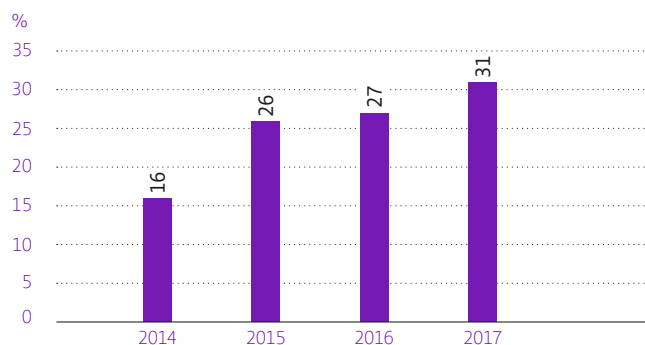
Sport for change

Sport can build resilience, character and strength. We use its power to change lives and contribute to positive social change.

We offer premier sports channels through BT Sport. We want to channel the passion that BT Sport customers have for their teams and sports personalities into helping young people.

Many BT Sport customers choose to give generously to The Supporters Club, our charity partnership with Comic Relief, through their monthly bill. The Supporters Club raised over £1.6m from our customers this year. Their donations support education, youth and community projects in the UK and around the world.

This year, The Supporters Club partnered with the England Footballers Foundation to support Onside Youth Zones that will give around 400 young people the chance to gain a qualification in sports leadership. We also provided funding to The Royal Foundation to deliver the Coach Core programme, an apprenticeship programme that helps young people build a career in sports coaching.

We're extending our partnership with the youth cricket and disability sports charity, Lord's Taverners, to fit fully equipped multi-sensory rooms at Premier League clubs as part of our BT/Premier League Disability Fund programme. Together with The Shippey Campaign and Lord's Taverners, we aim to get 20 Premier League clubs to build safe spaces that allow adults and children with sensory difficulties to watch live football matches in a calm environment, away from the noise and crowds.

Inspiring disabled people through sport

We're partnering with the Premier League on a three-year programme to help disabled people across England and Wales become more active and develop new skills and confidence.

Premier League clubs will employ dedicated disability officers to co-ordinate the programme and promote inclusion. They'll work with local agencies to support disabled people through sport.

The BT Sport films team will produce and broadcast short films on the individuals involved to engage our employees and customers. We'll work with the Disability Initiative to create employee volunteering opportunities across the clubs.

5 Delivering environmental benefits

We're helping customers cut their carbon emissions while we work hard to minimise our own footprint.

Contents

Overview and highlights

We're using our technology to help tackle one of the world's biggest challenges: climate change.

The UN's Sustainable Development Goals (SDGs) and the Paris Agreement on climate change highlight the need to create a low-carbon economy. Our ambition, as a net positive company, is to help customers reduce their carbon footprint by at least three times our own end-to-end emissions. We can help them achieve this through our products and services.

With the acquisition of EE, we've extended our range of technologies that can cut carbon. We helped customers avoid around ten million tonnes of CO_2 equivalent (CO_2e) emissions this year, enabling them to make savings on their energy and fuel costs. Our carbon-saving products and services are now contributing £5.3bn revenue to our business.

At the same time, we're working to reduce our own end-to-end emissions – from our supply chain, our operations and customers' use of our products. We're committed to using 100% renewable electricity, where markets allow, and we're encouraging our suppliers, customers and employees to do the same. We also manage other environmental impacts, such as waste and water use, to help us conserve natural resources and manage risks.

Our 2020 ambition

Help our customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business

3:1

Achieved in 2016/2017:

1.8:1

2016/17 highlights

1st

We topped Carbon Clear's ranking of carbon reporting performance of FTSE 100 companies for the third year in a row.

3rd

The 2016 Newsweek Green Rankings rated us as the third greenest company in the world – up seven places since last year – and the leading green telecommunications company.

CDP Global Climate A-list

Our A rating in the 2016 CDP carbon assessment for investors indicates a leadership approach to managing climate change in our own operations and beyond. This puts us in the top 9% of participating companies.

CDP supplier engagement leaderboard

BT was one of 29 companies (out of over 3,300 assessed) to earn a spot in CDP's new supplier engagement leaderboard in recognition of our work with suppliers to reduce emissions and climate risks in the supply chain.

82%

We sourced 82% of our electricity from renewable sources. This is less than last year due to the acquisition of EE, but we've agreed a new contract to switch the bulk of EE's directly-billed electricity contracts onto renewable sources. This put us on track to meet our 2020 target of going 100% renewable, where markets allow.

Researching the potential of ICT to cut carbon

Our latest research estimates that ICT could reduce EU carbon emissions by over 1.5 gigatonnes of CO_2e in 2030. We aim to harness our technology and capabilities to help realise this low-carbon future.

Technology and expertise

We're providing our technology and expertise to help Land Rover BAR, as they aim to become the first ever British team to win the America's Cup. And through 100% Sport we're using this partnership to encourage sports fans to switch to renewable energy.

Tackling climate change

The UN Sustainable Development Goals call on businesses, governments and civil society to work together to tackle climate change. We're determined to play our part.

We're contributing to a low-carbon economy by cutting our own carbon footprint and helping customers cut theirs. And we're working with others to do more.

Our 3:1 ambition

Our products and services enable customers to cut their carbon emissions, for example by working more efficiently and reducing the need to travel.

Our business generates emissions from our supply chain, in our operations and through the energy our customers need to power our products. But the emission savings for our customers outweigh our own footprint.

By 2020, we want to help customers cut their carbon footprints by three times our own end-to-end emissions. That's our 3:1 ambition. This year, we achieved a ratio of 1.8:1, up from 1.6:1 last year.

The acquisition of EE has increased our end-to-end emissions. But it's also increased the range of our products and services that can help customers cut their emissions. Our 3:1 calculations this year additionally include smartphone use (eg for navigation), as well as machine-to-machine technologies as are used in smart meters and vehicle telematics.

🖵 see the enviromental data table in our Download Centre

Our 3:1 ambition and progress

2020 target

| Customer emission savings | Our end-to-end emissions | 3:1 |

| 2016/17 | | |
| 10.0m | 5.5m | 1.8:1 |

| 2015/16 | | |
| 7.6m | 4.8m | 1.6:1 |

| 2014/15 | | |
| 7.1m | 4.6m | 1.5:1 |

Collaborating with others

We participated in the COP22 global climate talks in Marrakech in November 2016, sharing our climate action journey, what we've learned on the way and our future plans. We joined other ICT companies to launch the SMARTer2030 Action Coalition set up by the Global e-Sustainability Initiative (GeSI). The Coalition's aim is to demonstrate how ICT can help to achieve the UN Sustainable Development Goals and cut global carbon emissions, building on the #SystemTransformation research published by GeSI last year.

GeSI is just one of the organisations we collaborate with to tackle climate change. This year, we continued our work with RE100 and the Carbon Trust (see case study overleaf). We're also involved with other groups that bring businesses together to deal with environmental challenges, including the Aldersgate Group, the Confederation of British Industry Energy and Climate Change Board, The Prince of Wales' Corporate Leaders Group, the We Mean Business coalition, the Environment Strategy Council of industry association Tech UK and the World Business Council for Sustainable Development.

Businesses clearly have a role to play in tackling climate change, but so do governments. Together with over 80 other companies, we called on the UK Government to demonstrate its commitment to the UN SDGs, including action on climate, in an open letter by the UK Stakeholders for Sustainable Development. The letter also offered support from the business community to deliver the goals.

Setting science-based targets

Last year, we achieved our former climate stabilisation intensity target for 2020 – four years early – by cutting the carbon intensity of our operations by more than 80% from our 1996/97 baseline. We were one of the first companies to set a science-based target like this. It was designed to help cut emissions to a level that will prevent the worst effects of climate change, by limiting global warming to a maximum of 2°C higher than pre-industrial levels. We're now exploring a new science-based target to include EE.

BT has shown real leadership in embedding sustainable business practices. Bold targets have been matched by a rigorous approach. We have enjoyed working alongside the team to develop pioneering approaches and methodologies, which have raised the bar and encouraged other companies to deliver real change. The ambition to always aim higher sometimes means tackling new areas of relatively uncharted territory, but BT has not been afraid to meet these challenges and we look forward to continuing to support this important work in the future.

Hugh Jones, Managing Director, Advisory, The Carbon Trust

CARBON TRUST

Partnering to further our climate agenda

Working together with the Carbon Trust has helped us achieve a series of milestones in our efforts to tackle climate change, beginning with a strategy to help us manage our CO_2e emissions and a series of workshops to help suppliers manage theirs.

We were one of the first companies to develop a net positive goal and we drew on the Carbon Trust's expertise to set our 3:1 ambition. With their help, we measured the lifecycle carbon footprints of three consumer products and in 2012 we became the first company in the world to have product carbon footprints independently verified to the Greenhouse Gas Protocol Product Standard. Since we launched our 3:1 ambition in 2013, we've worked with the Carbon Trust to track progress and add more products to our methodology every year.

This year, we worked with them to explore a new science-based target, including EE. We also joined other businesses and Government representatives at a series of events held by the Carbon Trust to discuss what would be needed to achieve science-based targets designed to limit global warming to 1.5°C above pre-industrial levels.

Going for 100% renewable electricity

BT is a founding member of RE100, a group of influential businesses committed to using 100% renewable electricity and helping to develop a low-carbon economy. We're aiming to purchase 100% renewable electricity by 2020, where markets allow: in some countries, or markets, renewable electricity supply may not be available, or its certification is not verifiable through an internationally recognised scheme.

This year, 82% of our electricity worldwide came from renewable sources, including from our solar array at Adastral Park, as well as through long-term Power Purchase Agreements. A further 7% came from zero carbon (nuclear) sources. Prior to acquisition, not all of EE's electricity was sourced from renewable energy. We've now agreed a new contract, to switch over 98% of their directly-billed electricity onto renewable sources during 2017.

Through 100% Sport, we're partnering with the Land Rover BAR sailing team, headed by Sir Ben Ainslie, to inspire sports fans to switch to renewable energy and rally their favourite sports teams to do the same. The BT 100% Sport Tech Zone at the America's Cup World Series sailing event in Portsmouth encouraged spectators to make pledges and share their stories on sustainable ways of living, working and playing.

And we've set up a new deal for our employees: offering a discount on their electricity and gas bills if they switch to renewable energy.

Helping Land Rover BAR to bring the Cup home

We're playing a crucial role for Land Rover BAR, as Sir Ben Ainslie's team strives to become the first ever British team to win the America's Cup this summer.

As the team's official Technology in Sustainability partner, we've combined our strengths in fixed and mobile networks to deliver the team's innovative Virtual Chase Boat solution.

This lets data on the catamaran's performance, local sailing and weather conditions be transmitted direct from the boat, back to "Mission Control" rooms in Bermuda and the UK, where the boat's performance is analysed. BT is also lending Land Rover BAR its expertise in big data analytics to help crew and technical teams to collect, analyse and interpret the boat's performance data in real time.

This is a new operational model for our sport and removes a powerboat from the water every sailing day, significantly reducing the team's carbon footprint and increasing our efficiency. BT are helping us push forward in this area and it will be a vital development for us as a team.

Sir Ben Ainslie, Team Principal and Skipper, Land Rover BAR

Helping customers cut carbon emissions

Our technologies are accelerating the transition to a low-carbon economy by helping customers cut their carbon emissions.

Superfast broadband connections enable people to use online services that replace physical products and reduce the need to travel. Flexible working solutions enable them to work remotely. Working and shopping online reduces the need for office and commercial space. All of these solutions can cut carbon by helping customers save energy or fuel (see table).

Our collaboration and productivity solutions help organisations shrink their carbon footprints by reducing business travel and managing information in the cloud. The BT Carbon calculator for business helps organisations estimate the carbon and cost savings our products and services could offer them.

Our communications technology can enable carbon savings greater than our end-to-end emissions. We've helped customers save 10 million tonnes of carbon emissions in 2016/17, up 32% from last year. And it's clear this is a growth market. We generated £5.3bn this year from products and services that can cut carbon. This represents 22% of BT's total revenue.

How we help customers cut their CO₂e emissions

IMPACT	REDUCES NEED FOR TRAVEL	REDUCES ENERGY USE	REDUCES AMOUNT OF MATERIALS AND MANUFACTURING
Savings (CO$_2$e)	8.1m tonnes	1.5m tonnes	0.4m tonnes
Types of products and services	Broadband	Broadband	Broadband
	Conferencing	Ethernet	Ethernet
	Teleconferencing	IP Communications (cloud-based VoIP phone systems)	IP Communications (cloud-based VoIP phone systems)
	Field Force Automation	BT Mobility (BT One Phone)	BT Mobility (BT One Phone)
	BT Apps (remote collaboration)	BT Apps (remote collaboration)	
	Machine to Machine (M2M) connectivity, such as smart meters and vehicle telematics		

Researching ICT's potential to enable carbon reductions

We've published new research on the role of ICT in reducing carbon emissions in the EU. This builds on GeSI's global SMARTer 2030 report and our own research last year on the potential of ICT to help decarbonise the UK.
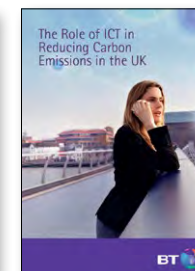
Our report suggests that ICT could reduce EU carbon emissions by over 1.5 gigatonnes of CO₂e by 2030 – almost 19 times the sector's own predicted footprint. Resulting new revenues and cost savings could generate economic benefits to the tune of around €1.3 trillion, and bring socio-economic opportunities too.

In other research with Frost & Sullivan, we found that ICT could save an estimated 56 million tonnes of CO₂e per year globally in 2025 by supporting new on-demand models for urban mobility like car sharing. With 20 million fewer cars needed on the road, on-demand models could bring additional carbon savings of up to 121 million tonnes of CO₂e associated with manufacturing in 2025.

We're using the opportunities identified in these research studies to investigate how specific BT products and services can contribute to carbon savings.

Helping customers cut carbon emissions continued

Making cities smarter

We're working with partners to test out opportunities for technology to make cities smarter by helping them save energy, reduce waste, cut costs and meet the complex needs of the people who live and work there.

We're part of the innovative MK:SMART project to explore how connectivity and IT can transform the UK city of Milton Keynes. This year, the data hub we developed with The Open University became available to the public. The hub collects and stores real-time information from sensors around the city, to help businesses and councils better understand things like energy use and transport. This data supports the development of solutions that can bring economic and environmental benefits to citizens, from promoting the use of electric vehicles to providing regular automated meter readings for their homes.

The ability to share data between different systems is becoming increasingly important as smart cities and the Internet of Things (IoT) take off. We helped to develop a common specification that sets out interoperability criteria, so that data from multiple platforms can be easily combined. The Hypercat specification was published in June 2016 by The British Standards Institution.

As part of the CityVerve project in Manchester, we've launched a Hypercat-enhanced data hub that allows information to be shared with other hubs across the city using a single platform. This means that technical solutions to support smarter services, such as transport or healthcare, can make full use of all the data available.

In Suffolk, the responsive streetlights we tested out have helped the county council reduce its energy bills. They use sensors to dim or brighten the lights according to the volume of traffic. We're also building on our trial of air quality sensors to explore the use of streetlight sensors to measure noise, pollution, temperature and air pressure.

We've also worked with the University of Birmingham to develop a cloud wi-fi solution to support wireless sensors that could help local councils make more informed decisions about winter road maintenance. This is part of the Wintersense project that's using the IoT to monitor road surface temperatures.

Seeing sense for city cyclists

We're always on the lookout for the brightest ideas from small digital businesses. This year, we teamed up with the Cabinet Office, MK:SMART and TechHub to run our BT Infinity Lab SME Awards for Connected Cities.

The competition gave small and medium enterprises the chance to showcase products and services that can help cities become more connected, efficient and sustainable. The overall winner was See.Sense for their intelligent and connected lights for bicycles.

See.Sense bike lights react to their environment and get brighter in risky situations to keep cyclists safer on the road. Their sensors can be used to collect data on crashes, near-miss events, road surfaces, light levels and more. City planners can use this information to create better infrastructure for cycling. See.Sense demonstrates the power of technology to help build safer and more connected cities of the future.

BT have worked with us to develop a mechanism for city data to be exchanged, that will break down the silos between applications; and in the future even allow data to be traded between data owners. BT have also deployed a wireless IoT network across the city that enables sensors to send data into the MK data hub.
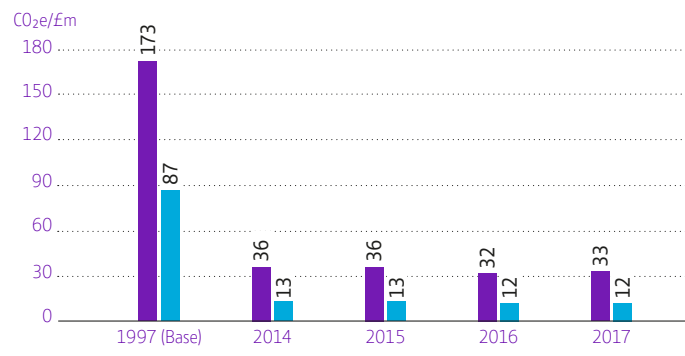
Geoff Snelson, Director of Strategy and Futures, Milton Keynes Council

Reducing our end-to-end emissions

Helping customers cut carbon is an important part of our 3:1 ambition. But we also need to reduce our own end-to-end emissions.

We monitor our carbon intensity as below, both per value-added and per revenue. The table (right) shows where our biggest impacts lie along our value chain, how we're working to reduce emissions and our performance this year. We also show (overleaf) our operational worldwide greenhouse gas emissions, together with a breakdown of our total upstream supply chain emissions. Including EE in our data has increased our emissions this year.

Carbon intensity[ab]
Year ended 31 March

CO2e/£m

- 180
- 150
- 120
- 90
- 60
- 30
- 0

1997 (Base): 173, 87
2014: 36, 13
2015: 36, 13
2016: 32, 12
2017: 33, 12

- CO2e/£m value added[c]
- CO2e/£m revenue[d]

a   Includes all scopes 1&2, plus scope 3 excluding upstream/supply chain and downstream emissions
b   Uses Market-based emissions accounting method, excluding third party consumption
c   Value added = EBITDA adjusted (before specific items) + Employee costs
d   Includes scopes 1&2 only. Revenue is before specific items.

See page 48 for more details on Our reporting methodology

See the environmental data table in our Download Centre

	OUR SUPPLY CHAIN	OUR OPERATIONS	CUSTOMER USE AND DISPOSAL OF OUR PRODUCTS
% end-to-end emissions	67.6%	6.7%	25.7%
Source of emissions	Emissions from the products and services we buy from suppliers, such as network equipment and data centre services.	Emissions from the energy we use to run our networks and power our buildings, and from our fleet of engineering vehicles, business travel and employees commuting to work.	Emissions from the energy our customers use to power BT products in their homes or businesses, and the energy used to recycle or dispose of products when they're no longer needed.
How we're reducing these emissions	– 180 suppliers, representing 47% of our total spend, completed the CDP supply chain questionnaire. Of these, 73% have set targets to cut emissions and 66% are engaging with their own suppliers on climate change. – Suppliers participating in our Better Future Supplier Forum have saved nearly a million tonnes of carbon since 2012. – We included our climate change procurement standard in 91% of applicable new contracts this year. – Our efforts to manage climate risks across our supply chain were recognised as one of 29 companies (out of over 3,300 assessed) included in CDP's first supplier engagement leaderboard. See page 17 for more about our Better Future Supplier Forum.	– We've cut our energy use every year since 2008. This year we invested a further £13.1m into energy management projects. This has helped us cut consumption (exclusive of EE) by 63 GWh, a 2.7% reduction since last year. – Worldwide, we sourced 82% of our electricity from renewable sources this year. And we're working to achieve 100% across our operations. – We've replaced a further 460 refrigerant systems with adiabatic units that cool our network equipment using water instead of greenhouse gases. – We're targeting the fuel efficiency of our fleet, using electric and hybrid technologies, and through our annual Green Driver competition to raise employee awareness of fuel-efficient driving. – We promote the use of audio, video and online meetings to cut emissions from business travel. And our liftshare service makes it easy for UK employees to cut emissions from commuting, by car sharing.	– Our design checklist helps us consider environmental criteria in the design and specification of new products and packaging. – We work with the suppliers who make our products to look for ways to reduce their energy use and other environmental impacts. – We also refurbish and re-use products such as mobile phones, tablets, home hubs and set-top boxes that customers return to us.
Performance in 2016/17	With the inclusion of EE's suppliers this year, emissions from our supply chain have increased 35% to 3.4 million tonnes, and our total expenditure has risen by over 38%. Overall, the carbon emission intensity from our procurement (ie emissions/expenditure) has marginally reduced.	Despite these savings, our total energy use rose by 12.5% to 2,630 GWh due to the acquisition of EE. This contributed to a 24.7% increase in net total emissions from our operations worldwide this year, to 0.4 million tonnes.	Emissions associated with use of our products (now including EE's) decreased this year, even though we continued to extend access to connectivity and broaden our range of services.

Our worldwide greenhouse gas emissions
Year ended 31 March

CO₂e kt

Bar chart values:
- 1997 (base): 1,628
- 2014: 391
- 2015: 387
- 2016: 342
- 2017: 428
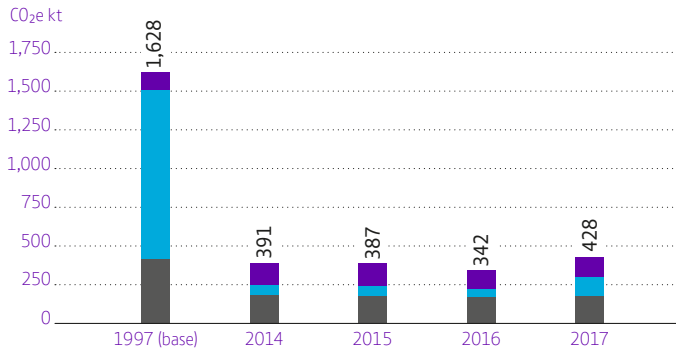
■ Scope 3: Other indirect operational emissions (e.g. air and rail travel)
■ Scope 2: Indirect emissions from the generation of our purchased electricity[a]
■ Scope 1: Direct emissions from our own operations (eg fuel combustion)

a   Scope 2 data is market-based. For location-based Scope 2 data and a breakdown of Scope 3 data, see our website.

Figures exclude third party consumption.

Supply chain emissions (breakdown of upstream Scope 3 emissions)
Year ended 31 March

CO₂e kt

Bar chart values:
- 2013: 2,989
- 2014: 3,080
- 2015: 2,724
- 2016: 2,840
- 2017: 3,815
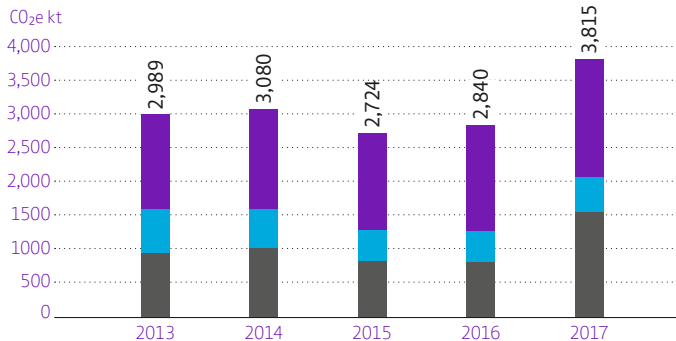
■ Other supply chain emissions (materials, cable, fuels & sevices)
■ Interconnect (termination of calls on other Telco networks)
■ Embodied emissions of network, IT and retail electrical equipment

⌨ See the environmental data table in our Download Centre

Managing environmental impacts

We manage environmental impacts to help us conserve natural resources, mitigate risks and comply with relevant regulations.

Our environmental policy sets out our commitment on this, and this year our environmental management systems have been certified to the international standard ISO 14001 in Belgium, Colombia, France, Germany, Ireland, Italy, the Netherlands, Spain and the UK.

We're also exploring how we can use the new protocol from the Natural Capital Coalition to identify potential risks and opportunities for our business. The protocol is a management tool designed to help businesses incorporate natural capital into decision-making by looking at the potential costs, financial savings and revenue streams associated with environmental considerations.

Conserving natural resources
Carbon emissions from our energy use and commercial fleet are the most significant aspects that impact the environment as a result of our business operations. We therefore focus on reducing energy and fuel use as part of our efforts to tackle climate change. However, we also aim to conserve resources by managing waste, water use and biodiversity. And we encourage our people to do their part; to be aware of their energy use, to reduce their travel and to recycle waste.

Waste and recycling
We work with suppliers to minimise the materials that go into our products and packaging, and make sure they are recyclable. We support the principles of the circular economy by turning waste into resources, reusing and recycling materials and equipment wherever we can.

This year, we produced 28,587 tonnes of waste in the UK (17% less than last year). Over 97% of this was recovered or recycled and we achieved our UK target, to send zero qualifying waste directly to landfill by year-end. Worldwide, we recovered or recycled 93% of our waste. Specialist contractors ensure hazardous waste is managed responsibly in compliance with relevant regulations.

Waste generated and recycled (BT facilities worldwide)
Year ended 31 March

CO₂e kt

Bar chart values:
- 2013: 43.9
- 2014: 42.0
- 2015: 42.6
- 2016: 36.4
- 2017: 31.1
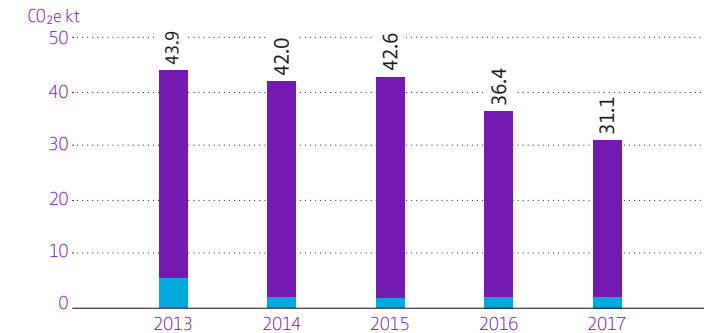
■ Recovered or recycled
■ Landfill

Managing environmental impacts continued

We offer take-back schemes for customers to send their old products back to us to be refurbished or recycled. Mobile phones and tablets can be returned through EE's Recycle & Reward programme and our website explains how to return BT TV boxes and BT Hubs (see case study).

BT Home Hubs go circular

We're giving BT Home Hubs a new lease of life and supporting the circular economy by refurbishing, re-using and recycling the hubs customers return to us.

Whenever they replace their BT Home Hub, we encourage customers to return their old one to us. We treat these used products as valuable resources, not waste. At our warehouse in Northallerton, we check and upgrade the software, replace old parts and give them a good clean.

Once the refurbished hubs are as good as new, we use them to replace any that customers return as faulty. This reduces the total volume of new hubs we need to purchase, saving resources, energy and costs. We've refurbished over 500,000 BT Home Hubs over the last year and a half, and we're installing a new production line so we can do even more next year.

Water use

We use water in our offices and catering facilities, and in cooling systems at our exchanges and data centres. We estimate we've saved nearly 62 million litres of water this year, by monitoring water usage and targeting leaks. Despite these savings, our total water use has increased by 17% to 1.4bn litres overall due to the acquisition of EE. We also encourage suppliers to take action to reduce water use as part of our Better Future Supplier Forum.

See page 17 for more about our Better Future Supplier Forum

Water use (UK only)
Year ended 31 March

m³ 000

Year	Value
2013	1,307
2014	1,294
2015	1,136
2016[a]	1,206
2017	1,409
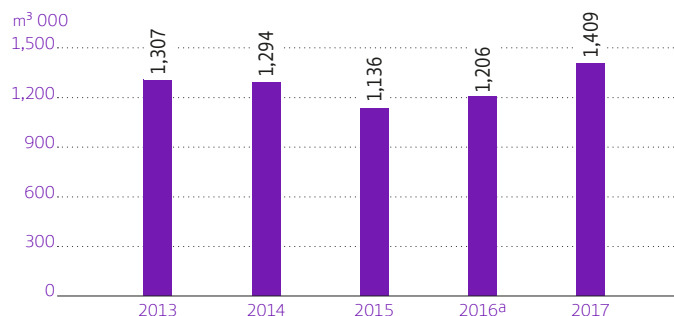
a   Restated since last year.

Source: Invoices.

Biodiversity

We aim to do our bit to promote biodiversity by using our sites to provide natural habitats such as wildflower meadows that support rare flora, insects and wildlife. We support the use of BT land for allotments and we're working with the UK National Allotment Society to create plots for employees, communities, charities and schoolchildren to use.

Managing environmental risks

One of the most significant environmental risks we manage is the potential for leaks or spills from our oil storage tanks across the UK.

We've over 6,000 tanks of oil that are used for heating and to power standby generators that keep our network going in emergencies. To mitigate the risk of adverse environmental impacts and ensure regulatory compliance, we've installed additional physical controls to prevent leaks that could cause pollution. These are now in place at sites in England and Scotland, with Northern Ireland completing next year. In Wales we're implementing a four-year plan to meet new regulatory requirements.

Our products are subject to regulations such as the European Directives on Waste Electrical and Electronic Equipment (WEEE), the Restriction on the Use of Certain Hazardous Substances (RoHS) and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). We require suppliers providing electrical or electronic equipment to our UK business to complete our product stewardship questionnaire to show our products comply with these regulations.

We work closely with the relevant market surveillance authorities to manage environmental issues proactively. This year our in-life quality assurance testing processes found two non-compliances, both of which were reported to the relevant market surveillance authority. On the basis of our mitigation plans, no further action was required.

Regulatory Delivery had two engagements with BT during the last financial year, relating to non-compliant products placed on the market in error.

In both instances, we found BT's approach to be forthright and proactive and we were able to work with them towards a constructive solution. From these engagements we have forged a positive working relationship and hope this will continue.

Dave Symons, Contracts and Investigations Manager, UK Government Department for Business, Energy and Industrial Strategy – Regulatory Delivery

Appendices

Contents

Key performance indicators 2016/17

✓ Target met ✗ Target failed ＞ Ongoing

Our 2020 ambitions

	OUR 2020 AMBITIONS	2015/16 PERFORMANCE	2016/17 PERFORMANCE	STATUS	TARGET FOR 2017/18	FINANCIAL INDICATORS AND RESULTS	2015/16	2016/17
Creating a connected society	More than 9/10 people in the UK will have access to our fibre-based products and services	8.5 out of 10 UK premises passed	8.8 out of 10 UK premises passed	＞	Continue to deliver against 9/10 target			
	Help 10m people overcome social disadvantage through the benefits our products and services can bring	2.6m people reached	3.9m people reached	＞	Continue to deliver against 10m target			
Creating a culture of tech literacy	Help 5m children to receive better teaching in computer skills	344,000 children reached	1.1m children reached	＞	Continue to deliver against 5m target			
Supporting charities and communities	Use our skills and technology to help generate more than £1bn for good causes	£94m raised for good causes Cumulative total: £327m since 2012	£95m raised for good causes Cumulative total: £422m since 2012	＞	Continue to deliver against £1bn target			
	Inspire 66% (two-thirds) of our people to volunteer	27% of BT people volunteering	31% of BT people volunteering	＞	Continue to deliver against 66% target	In-kind value of BT people volunteering	£15.1m	£11.5m
Delivering environmental benefits	Enable customers to reduce their carbon emissions by at least three times the end-to-end carbon impact of our business	1.6:1 achieved	1.8:1 achieved	＞	Continue to deliver against 3:1 target	Global portfolio revenue from products and services contributing towards our 3:1 goal	£3.6bn	£5.3bn

Our foundations for being a responsible and sustainable business

	OUR FOUNDATION MEASURES	2015/16 PERFORMANCE	2016/17 PERFORMANCE	STATUS	TARGET FOR 2017/18	FINANCIAL INDICATORS AND RESULTS	2015/16	2016/17
Our investment	Investment to accelerate our purposeful business approach; to be more than 1% of adjusted profit before tax (PBT)	1.10% of PBT invested	1.03% of PBT invested	✓	Maintain 1% of PBT invested	Investment in society of cash, time volunteered and in-kind contributions	£35.0m	£35.6m
Our customers	**Customer service:** to consistently improve RFT across our entire customer base	3.0% reduction	6.4% improvement	✓	Improve RFT from 2016/17 performance	BT Group plc revenue[c]	£18,908m[d]	£24,082m
Our employees	**Employee engagement index:** to maintain or improve our relationship with our employees	3.81/5 achieved	71% favourable[a]	＞	Maintain or improve from 2016/17 performance	Number of employees at year end	102,500	106,400
	Sickness absence rate: to maintain or reduce % of calendar days lost to sickness	2.33% calendar days lost to sickness	2.32% calendar days lost to sickness	✓	Maintain or improve from 2016/17 performance	UK sick pay costs	£85.9m	£86.3m
	Ethical performance: to maintain or improve our employees' perception	4.31/5 achieved	76% favourable[a]	✗	Maintain or improve from 2016/17 performance	Employee costs	£4,639m[d]	£5,189m
Our suppliers	**Ethical trading:** across our supply chain, with focus on human rights. Achieve 100% follow-up within three months, for all suppliers identified as high or medium risk, through our ethical standards questionnaire	100% follow-up within three months	100% follow-up within three months	✓	100% follow-up within three months, for all those suppliers identified as high/medium risk	% of procurement contracts where suppliers agree we'll work with them to improve sustainability impacts[e]	76% of suppliers agree	not measured this year
Our environmental impact	**CO₂e emissions:** a measure of our climate change impact. We'll reduce our worldwide CO₂e emission intensity by 80% by December 2020[b]	81% reduction in net CO2e emission intensity vs base levels (1996/97)	n/a (new target being developed)	＞	We'll set a new science-based intensity target, including EE	Total GB energy and water costs – including fleet fuel, electricity, gas, oil, water and CLL (climate change levy or levies)	£307m	£341m

a Our 2016/17 result is not comparable with previous years, having revised our Employee Survey.
b After achieving our 2020 target last year, we're currently developing a new target to include EE.
c Before specific items.
d Numbers include EE since point of acquisition.
e % of suppliers who agree with the statement: "BT works with its suppliers to ensure its purchases are made, delivered, used and disposed of in a socially and environmentally responsible manner."

Our reporting methodology

We report annually on our approach to managing our material social and environmental issues. This report – 'Delivering our Purpose – update on our progress in 2016/17' – covers the year 1 April 2016 to 31 March 2017, in line with our financial reporting and includes EE for the first time. Our previous report covered the financial year to 31 March 2016. EE's last Corporate Sustainability report, published prior to its acquisition by BT, covered the period to 31 Dec 2015.

Unless we state otherwise, the report covers all BT's wholly owned operations and subsidiaries. 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 and foundation measures

Being responsible
We no longer collect or report data, on the percentage of procurement contracts where suppliers agree we work with them to improve sustainability impacts. However, we continue to engage our larger suppliers through the Better Future Supplier Forum, which tracks carbon abated and other sustainability impacts; and with our wider supplier base through our sustainability assessment tool.

We also changed the questions we asked and the scoring system we used in our employee survey. This means data on two of our foundation measures – our employee engagement index and our ethical performance – is not comparable with previous years.

Diversity data covers UK employees only. Disability and ethnicity data is voluntarily self-declared. All other employee data covers the whole of BT, except where specifically stated otherwise.

Connecting society
9/10 ambition: Our ambition is to give more than nine out of ten people in the UK access to fibre-based products and services by the end of the 2020/21 financial year. We base this on the number of premises passed by Openreach's fibre broadband rollout, although this understates the total fibre rollout across the UK, as we do not include the reach provided by other communication providers.
10 million ambition: We've developed a methodology to help assess progress towards our ambition to help 10 million people overcome social disadvantage. We reported on this last year and we're continuing to test and refine it. We aim to publish it next year.
5 million ambition: We measure progress towards our ambition to improve the teaching of computing and tech skills of five million children using the average class sizes in the UK as the multiplier for each teacher who uses our resources. The target date for this ambition is the end of the 2020/21 academic year. We previously reported progress annually based on each academic year, but we now report on the previous financial year.

Supporting our communities
£1bn ambition: We want to use our skills and technology to help generate more than £1bn for good causes by the end of the 2020/21 financial year. We've defined what will count towards this goal and we track progress each year. This includes:
– money raised using MyDonate for fundraising, telethons and appeals (including Gift Aid), through our contactless fundraising device, text to donate services and payroll giving, and by BT employees fundraising during working hours;

– time volunteered by our people for good causes during working hours. We calculate the value of volunteering time to our communities by multiplying the hourly salary of the volunteer by the number of hours volunteered. We then apply a multiplier to take account of other pay-related costs (eg 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 that are 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 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.

66% ambition: We want our people to play an active part in society and we aim to have 66% (two-thirds) of our people volunteering by the end of 2020. Employees can take up to three working days each year to do this and we record the working time they use for volunteering. But we also include any volunteering that our people do in their own time because we believe that both the individual and BT benefit from volunteering, irrespective of when this takes place.

Delivering environmental benefits
3:1 ambition: 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 2020/21 financial year. We've been working with several expert organisations to calculate our end-to-end carbon emissions. Our 3:1 methodology is shared on our website.

Carbon emissions: To calculate and report on our end-to-end CO_2 equivalent (CO_2e) carbon emissions, we:
– report greenhouse gases (GHGs) covered by the Kyoto Protocol, using the World Resources Institute Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard (revised edition);
– use conversion factors:
    in the UK: as published annually by the Department for Environment, Food and Rural Affairs (Defra).
    for other countries: specific national or contract factors where appropriate, or else based on World CO_2e emission factors from electricity generation and fuel combustion, developed by the International Energy Agency (IEA), © OECD/IEA 2016 (Note: any calculations undertaken by BT plc do not necessarily reflect the views of the IEA);
– report our emissions in relation to indirect and direct GHG emissions:
    Scope 1: direct emissions (such as from combustion in owned or controlled boilers and vehicles).
    Scope 2: indirect emissions associated with electricity, heating/cooling or steam for our own consumption, which we report – in line with the GHG scope 2 guidelines – using both the market-based and (in the environmental data tables on our website) location-based methods.
    Scope 3: all other indirect emissions, which we calculate using the GHGP Corporate Value Chain standard;
– exclude emissions from energy provided by a landlord as part of a full service buildings contract and emissions from energy charged to our tenants; and
– exclude emissions data from most countries where we've never reached 250MWh per year, and from joint ventures or partnerships where we do not have a controlling interest.

Our reporting
methodology continued

Materiality methodology

Since 2006, we've conducted a materiality review each year to assess the trends and issues identified by our stakeholders. At the end of each calendar year, we draw on multiple 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, such as day-to-day interactions by phone or in meetings, as well as through online discussion forums, focus groups, social media and participation in industry collaborations.

These sources of information include:
– interactions with multiple organisations we work with that represent different stakeholder groups and issues, such as the 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;
– targeted primary or secondary research to help fill gaps in our understanding, such as online surveys of consumer perceptions or interviews with subject matter experts; and
– reviews of peer companies' sustainability reports to help us check that we've a comprehensive list of the relevant issues for our sector and challenge 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 our key stakeholder groups: customer, employees, suppliers, investors, governments/regulators.
– to what extent is BT already managing this issue through policy, principles and procedures?
– what financial impact is this issue expected to have on BT over the next three years?

The issues that emerge as the most material are mapped onto a matrix to help visualise their relevance to BT and their importance to our stakeholders. This mapping 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 comprises:
Connecting society: We previously reported the contribution made by broadband to our 10 million goal was 739,000 beneficiaries in 2015/16. We've revised this down to 523,000 beneficiaries, following a study we commissioned into the method used to calculate the proportion of new broadband lines delivered to people classified as socially disadvantaged.

Energy, carbon and water: All restatements of previous estimates related to energy, carbon and water data are recorded in the environmental data tables on our website.
Key performance indicators: The employee costs figure shown in our report for 2015/16 has been restated from £4,369m to £4,639m.
Our reporting methodology: We have clarified the end date for each of our 2020 ambitions.

Aligning with standards and guidelines

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option.

We've also assessed the report content and our performance based on the ISO 26000 Guidance on social responsibility.

We've been a signatory to the United Nations Global Compact (UNGC) since 2000. We reaffirmed our support of its ten principles in 2016/17. Our UNGC index represents our Communication on Progress.

We're also a signatory to the Climate Disclosure Standards Board (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 (2017).

Assuring our report

Our report is externally assured by LRQA against the AA1000 Assurance Standard (2008). The AA1000 principles of inclusivity, materiality, responsiveness and reliability were all reviewed by LRQA across the whole report.

The assurance process helps us review and benchmark our performance, as well as providing valuable feedback on where we can improve next year. One area that LRQA highlighted this year, and that we'll look to improve during 2017/18 is:
– further consideration should be given to more consistently applying the rigorous data management processes that have been verified in previous years to those newer elements of the business, such as EE Ltd and MBNL Ltd.

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 purposeful business. Please complete the online feedback form or contact us via our Twitter account @BTGroup.

LRQA independent assurance statement

Relating to BT Group plc's 'Delivering Our Purpose – Update on Our Progress 2016/17' Report for the financial year ending 31st March 2017

This Assurance Statement has been prepared for BT Group plc in accordance with our contract but is intended for the readers of this Report.

Terms of engagement
Lloyd's Register Quality Assurance (LRQA) was commissioned by BT Group plc (BT) to provide independent assurance on its 'Delivering Our Purpose – Update on Our Progress 2016/17' Report ("the report") to a high level of assurance using AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS).

Our assurance engagement covered BT's worldwide operations and activities and specifically the following requirements:
– Reviewing adherence to AA1000AS's Accountability Principles of Inclusivity, Materiality and Responsiveness and evaluating the reliability of the specified sustainability performance information (Type 2 engagement).
– Verifying Greenhouse Gas emissions data related to BT's Carbon Disclosure Project submission, including Direct (Scope 1), Energy Indirect (Scope 2), and Other Indirect (Scope 3).

Our terms excluded data and information:
– Accessed through links that take the reader out of the Report, including video streams
– Presented by BT but originated from a second party. Here LRQA corroborate only that data and information was transcribed accurately and the correct reference was provided
– Communicated via social networks
– Included in BT's indexes for United Nations Global Compact, ISO 26000:2010 and Global Reporting Initiative.
LRQA's responsibility is only to BT. LRQA disclaims any liability or responsibility to others as explained in the end footnote. BT's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of BT.

LRQA's Opinion
Based on LRQA's approach, we believe that BT has, in all material respects:
– Met the requirements above
– Disclosed accurate and reliable performance data and information
– Covered all the issues that are important to the stakeholders and readers of this report.
The opinion expressed is formed on the basis of a high level of assurance and at the materiality of the professional judgement of the verifier.

LRQA's approach
LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:
– Assessing BT's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing minutes of meetings and reviewing associated documents and records.
– Reviewing BT's process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by BT and its peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether BT makes informed business decisions that may create opportunities that contribute towards sustainable development.
– Auditing BT's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the report.
– Reviewing BT's Internal Audit Division's (IAD)[a] process and evidence files to confirm that their internal verification was performed thoroughly. IAD checked the validity of data and information in the following sections of the Report:
  – Delivering our purpose: Our Business
  – Being responsible: Overview and highlights, Behaving ethically and respecting human rights, Investing in our people, Putting customers first.

a   IAD is an independent, objective, review function for the BT Group. Its role is to provide independent and objective assurance to senior management and the Board as to the adequacy and effectiveness of key controls and of risk management activities across the organisation. The Director Internal Audit retains the right to report to the Board Audit & Risk Committee instances where the department's independence or objectivity is impaired by the activity or behaviour of audit.

LRQA independent assurance statement continued

Observations
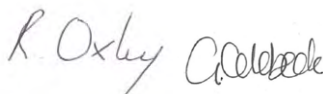Further observations and findings, made during the assurance engagement, are:

– **Stakeholder inclusivity:** We are not aware of any key stakeholder groups that have been excluded from BT's stakeholder engagement process. BT demonstrated that they have incorporated these stakeholder concerns into their management approach and decision-making processes in order to develop a structured engagement approach and response to sustainability issues.

– **Materiality:** We are not aware of any material issues concerning BT's sustainability performance that have been excluded from the report. It should be noted that BT has established extensive criteria for determining which issue is material and that these criteria are not biased to the company's management. BT present material aspect performance in relation to the broader concepts of sustainability and the aspect boundaries appropriately reflect the material economic, environmental and social impacts.

– **Responsiveness:** BT has processes in place to respond to its stakeholders especially government authorities, employees and the public, partners and suppliers, shareholders and investors.

– **Reliability:** Data management systems are considered to be well defined and implemented. However, further consideration should be given to more consistently applying the rigorous data management processes that have been verified in previous years to those newer elements of the business, such as EE Ltd and MBNL Ltd.

LRQA's standards, competence and independence
LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is BT's certification body for ISO 9001, ISO 14001, ISO 27001, ISO 22301, ISO 20000, OHSAS 18001 and ND 1643. We also provide BT with a range of training services related to management systems. The verification and certification assessments, together with the training, are the only work undertaken by LRQA for BT and as such does not compromise our independence or impartiality.

Dated: 17 May 2017

R. Oxley *G.Colebeck*

Richard Oxley **Graham Colebeck**
LRQA Lead LRQA Verifier
Verifier

On behalf of Lloyd's Register Quality Assurance
1 Trinity Park, Bickenhill Lane, Birmingham

LRQA reference: LRQ0772591

The UN Sustainable Development Goals

The UN SDGs call on governments, businesses and others around the world to meet three key objectives by 2030: to end extreme poverty, fight inequality and injustice and limit climate change. They translate into 17 goals (shown here) and 169 targets.

SUSTAINABLE DEVELOPMENT GOALS

📖 Read more at www.globalgoals.org

Achieving these Global Goals is essential for the good of society, the environment and sustainable economic growth. If the world can't address global challenges effectively, national economies could slow down. This could have a knock-on effect on our business.

We've explored the potential impacts on our business, if the Global Goals are not achieved by 2030 in the markets where we operate. We've also looked at where the ICT industry can make the most difference, using guidance from the World Summit on the Information Society, and we've mapped our own ambitions against the Global Goals to see where we're already aligned (see graphic).

1 NO POVERTY — End poverty in all its forms everywhere.

2 ZERO HUNGER — End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

3 GOOD HEALTH AND WELL-BEING — Ensure healthy lives and promote well-being for all at all ages.

4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5 GENDER EQUALITY — Achieve gender equality and empower all women and girls.

6 CLEAN WATER AND SANITATION — Ensure availability and sustainable management of water and sanitation for all.

7 AFFORDABLE AND CLEAN ENERGY — Ensure access to affordable, reliable, sustainable and modern energy for all.

8 DECENT WORK AND ECONOMIC GROWTH — Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

10 REDUCED INEQUALITIES — Reduce inequality within and among countries.

11 SUSTAINABLE CITIES AND COMMUNITIES — Make cities and human settlements inclusive, safe, resilient and sustainable.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Ensure sustainable consumption and production patterns.

13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts.

14 LIFE BELOW WATER — Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

15 LIFE ON LAND — Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

17 PARTNERSHIPS FOR THE GOALS — Strengthen the means of implementation and revitalize the global partnership for sustainable development.

BT's 2020 Ambitions
📖 Page 04

Global Goal	17	1	4	5	9	8	2	16	11	12	3	13	10	6	14	7	15
5m	5m		5m	5m	5m	5m					5m						
66%	66%	66%	66%	66%			66%		66%		66%		66%		66%		
£1bn	£1bn	£1bn	£1bn	£1bn			£1bn				£1bn		£1bn				
10m	10m	10m	10m			10m	10m		10m		10m						
9/10				9/10	9/10						9/10						
3:1	3:1			3:1	3:1			3:1	3:1		3:1		3:1				3:1

Relevance to the ICT industry[a]: High ← → Low

a   Using guidance from the World Summit on the Information Society

Global Reporting Initiative (GRI)

The GRI sustainability reporting framework is widely used by organisations around the world.

Our Delivering our Purpose report 2016/17 has been prepared in accordance with the GRI standards: Core option.

GRI content index: this material references GRI 102: General disclosures (2016).

We've used the SDG Compass tool to map our response and increase transparency. GRI/Global Goals mapping is based on analysis available here

DISCLOSURE NUMBER	SDG	DISCLOSURE TITLE	WHERE REPORTED
102-1		Name of the organisation	BT Group plc
102-2		Activities, brands, products, and services	DoP – Our business, page 5 Group businesses
102-3		Location of the headquarters	London (UK)
102-4		Location of operations	BT Group plc is the listed holding company for the BT group of companies which provides communications services solutions, serving customers in the UK and in 180 countries
102-5		Ownership and legal form	British Telecommunications plc (BT) is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on stock exchanges in London and New York Group businesses
102-6		Markets served	DoP – Our business, page 5 Group businesses
102-7		Scale of the organisation	AR – How we're organised, page 8 DoP – Our business, page 5
102-8	8 DECENT WORK AND ECONOMIC GROWTH	Information on employees and other workers	AR – Our people, page 26 DoP – BT people data in our download centre
102-9		Supply chain	AR – Our suppliers, page 37 DoP – Sourcing responsibly, page 16
102-10		Significant changes to the organisation and our supply chain	Our sustainability reporting includes EE data for the year 2016/17 (acquired in Jan 2016)
102-11		Precautionary principle or approach	Our environmental policy sets out our approach
102-12		External initiatives	DoP – Respecting Human Rights, page 14 and Collaborating with others, page 39
102-13		Membership of associations	DoP – Collaborating with others, page 39
102-14		Statement from senior decision-maker	DoP – Introduction from our chairman and chief executive, page 1
102-15		Key impacts, risks, and opportunities	AR – Our principal risks, page 45 DoP – Our priorities, page 7

DISCLOSURE NUMBER	SDG	DISCLOSURE TITLE	WHERE REPORTED
102-16	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Values, principles, standards and norms of behaviour	AR – Ethical culture and controls, page 45 DoP – Doing business ethically, page 15 Our Purpose and our ethics code
102-17	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Mechanisms for advice and concerns about ethics	DoP – Doing business ethically, page 15
102-18		Governance structure	Our Board DoP – Governing our purpose, page 11
102-19		Delegating authority	DoP – Governing our purpose, page 11
102-20		Executive-level responsibility for economic, environmental and social topics	BT's chief sustainability officer, reports to the group corporate affairs director who reports to our chief executive
102-21	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Consulting stakeholders on economic, environmental and social topics	AR – Stakeholders, page 34 DoP – What matters to our stakeholders, page 8
102-22	5 GENDER EQUALITY 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Composition of the highest governance body and its committees	Our Board AR – Governance, page 103 DoP – Governing our purpose, page 11
102-23	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Chair of the highest governance body	The roles of the chairman and chief executive are separate and our chairman is non-executive but not independent
102-24	5 GENDER EQUALITY 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Nomination and selecting the highest governance body	AR – Nominating and Governance Committee chairman's report, page 116
102-25	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Conflicts of interest	AR – Board of Directors, page 106
102-26		Role of highest governance body in setting purpose, values, and strategy	AR – Board of Directors, page 106 DoP – Governing our purpose, page 11
102-27	4 QUALITY EDUCATION	Collective knowledge of highest governance body	AR – Board of Directors, page 106
102-28		Evaluating the highest governance body's performance	AR – Board of Directors, page 106
102-29	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Identifying and managing economic, environmental and social impacts	AR – Oversight and governance, page 24 DoP – Governing our purpose, page 11
102-30		Effectiveness of risk management processes	AR – Our approach to risk management, page 44 DoP – Governing our purpose, page 11
102-31		Review of economic, environmental and social impacts	DoP – Governing our purpose, page 11
102-32		Highest governance body's role in sustainability reporting	The Disclosure Committee reviews and assesses our reporting on delivering our purpose as part of its oversight of all our annual corporate reporting. DoP – Governing our purpose, page 11

Key: AR – BT Group plc Annual Report and Form 20-F 2017
DoP – BT's Delivering our Purpose Report

DISCLOSURE NUMBER	SDG	DISCLOSURE TITLE	WHERE REPORTED
102-33		Communicating critical concerns	DoP – Governing our purpose, page 11
102-34		Nature and number of critical concerns	DoP – Governing our purpose, page 11
102-35		Remuneration policies	AR – Report on Directors' remuneration, page 121
102-36		Process for determining remuneration	AR – Report on Directors' remuneration, page 121
102-37	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Stakeholders' involvement in remuneration	All shareholders are invited to attend our Annual General Meeting and meet the chairman and the Board of directors. We welcome this opportunity to report on our performance and answer any questions
102-40		List of stakeholder groups	DoP – What matters to our stakeholders, page 8
102-41	8 DECENT WORK AND ECONOMIC GROWTH	Collective bargaining agreements	DoP – Listening to our people, page 18
102-42		Identifying and selecting stakeholders	DoP – What matters to our stakeholders, page 8
102-43		Approach to stakeholder engagement	DoP – What matters to our stakeholders, page 8
102-44		Key topics and concerns raised	DoP – What matters to our stakeholders, page 8
102-45		Entities included in consolidated financial statements	The group financial statements consolidate the financial statements of BT Group plc and its subsidiaries, and include its share of the results of associates and joint ventures using the equity method of accounting
102-46		Defining the report content and topic boundaries	DoP – Our reporting methodology, page 48 and Our priorities, page 7
102-47		List of material topics	DoP – Our priorities, page 7
102-48		Restatements of information	DoP – Our reporting methodology, page 48
102-49		Changes to reporting	DoP – Our reporting methodology, page 48
102-50		Reporting period	DoP – Our reporting methodology, page 48
102-51		Date of most recent report	DoP – Our reporting methodology, page 48
102-52		Reporting cycle	DoP – Our reporting methodology, page 48
102-53		Contact point for questions regarding the report	DoP – Our reporting methodology, page 48
102-54		Claims of reporting in accordance with the GRI standards	Delivering our purpose – update on our progress 2016/17 has been prepared in accordance with the GRI standards: Core option
102-55		GRI Context Index	DoP – Appendices, page 53
102-56		External assurance	Our Delivering our purpose – update on our progress 2016/17 is assured to AA1000 (AS) 2008 by LRQA. DoP – LRQA independent assurance statement, page 50

This material references GRI 201 to GRI 204 (2016) economic standards. The following standards have not been identified as material: 202, 204 and 206.

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
201		**Economic performance** GRI 103: Management approach	The BT Group plc Annual Report and Form 20-F 2017 covers our economic performance and governance
201-1	2 ZERO HUNGER / 5 GENDER EQUALITY / 7 AFFORDABLE AND CLEAN ENERGY / 8 DECENT WORK AND ECONOMIC GROWTH / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Direct economic value generated and distributed	AR – Financial statements, page 153 DoP – Our business, page 5 and Investing in society, page 23
201-2	13 CLIMATE ACTION	Financial implications and other risks and opportunities due to climate change	AR – Security and resilience risk, page 52 DoP – Key risks, page 9 and Helping customers cut carbon emissions, page 41
201-3		Defined benefit plan obligations and other retirement plans	AR – Pensions, page 49 DoP – Rewarding and recognising our people, page 19
201-4		Financial assistance received from government	AR – Government grants relating to Broadband Delivery UK (BDUK) contracts, page 199
203		**Indirect economic impacts** GRI 103: Management approach	We undertake independent studies to better understand our indirect impacts, in particular from our network investments
203-1	2 ZERO HUNGER / 5 GENDER EQUALITY / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 11 SUSTAINABLE CITIES AND COMMUNITIES	Infrastructure investments and services supported	AR – Investing in the UK's digital future, page 10 DoP – Investing in society, page 24, Extending connectivity, page 27 and Connecting the world, page 28
203-2	1 NO POVERTY / 2 ZERO HUNGER / 3 GOOD HEALTH AND WELL-BEING / 7 AFFORDABLE AND CLEAN ENERGY / 8 DECENT WORK AND ECONOMIC GROWTH / 10 REDUCED INEQUALITIES / 17 PARTNERSHIPS FOR THE GOALS	Significant indirect economic impacts	Our research papers on this subject, can be found here and Valuing Digital Inclusion DoP – Our reporting methodology, page 48
205		**Anti-corruption** GRI 103: Management approach	We do not tolerate bribery or corruption in any form Anti-corruption and bribery policy AR – Ethical culture and controls, page 45 DoP – Doing business ethically, page 15
205-1	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Operations assessed for risks related to corruption	DoP – Doing business ethically, page 15
205-2	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Communication and training about anti-corruption policies and procedures	DoP – Doing business ethically, page 15
205-3	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Confirmed incidents of corruption and actions taken	AR – Our investigation into our Italian business, page 6, and DoP, page 14 DoP – Doing business ethically, page 15

Key: AR – BT Group plc Annual Report and Form 20-F 2017
DoP – BT's Delivering our Purpose Report

This material references GRI 301 to GRI 308 (2016) environmental standards. The following standards have not been identified as material: 301, 304.

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
302		**Energy** GRI 103: Management approach	Our EMS provides a framework for the management and reporting of environmental performance through our governance systems. BT TSO is responsible for managing the group's energy consumption. We don't monitor or measure energy use outside our operational boundaries, however we encourage our suppliers to seek energy efficiencies in their operations and the products they supply us. We report on our KPIs and improvement targets. DoP – Wider governance, page 11
302-1	7 8 12 13	Energy consumption within the organization	AR – Reducing our energy use, page 42 DoP Our operations, page 43, and Environmental data in our download centre
302-2	7 8 12 13	Energy consumption outside of the organization	Not applicable – Our boundary for energy use is within the organisation. We encourage our suppliers to undertake energy efficiency measures, and support them through our Better Future Supplier Forum and have developed a online assessment tool that they can use in their own supply chains. DoP – Promoting environmental sustainability, page 17
302-3	7 8 12 13	Energy intensity	Not applicable – We don't report energy intensity, however we're investigating an appropriate normalising metric to help drive our energy reduction activities
302-4	7 8 12 13	Reduction of energy consumption	AR – Reducing our energy use, page 42 DoP – Reducing our end-to-end emissions, page 43, and Environmental data in our download centre
302-5	7 8 12 13	Reductions in energy requirements of products and services	DoP – Reducing our end-to-end emissions, page 43
303		**Water** GRI 103: Management approach	Our EMS provides a framework for the management and reporting of environmental performance through our governance systems. We report on water use for our UK operations only, outside the UK most of our operational sites are fully managed by landlords. We report on our improvement targets.
303-1	6	Water withdrawal by source	AR – Reducing water usage, page 42 DoP – Water use, page 45 and Environmental data in our download centre
303-2	6	Water sources significantly affected by withdrawal of water	Not applicable – No water sources are significantly affected by the withdrawal of water used for cooling purposes
303-3	6 8 12	Water recycled and reused	Not applicable – we neither recycle nor reuse significant volumes of water at present
305	12 13 14 15	**Emissions** GRI 103: Management approach	GHG emissions are one of the most material environmental issues to BT and our wider value chain. Our EMS provides a framework for the management and reporting of environmental performance through our governance systems. We report on our KPIs and improvement targets. DoP – Governing our purpose, page 11

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
305-1		Direct (Scope 1) GHG emissions	AR – Reducing our own carbon footprint, page 41 DoP – Reducing our end-to-end emissions, page 43 and Environmental data in our download centre
305-2		Energy indirect (Scope 2) GHG emissions	AR – Reducing our own carbon footprint, page 41 DoP – Reducing our end-to-end emissions, page 43 and Environmental data in our download centre
305-3		Other indirect (Scope 3) GHG emissions	DoP – Reducing our end-to-end emissions, page 43 and Environmental data in our download centre
305-4		GHG emissions intensity	AR – Reducing our own carbon footprint, page 41 DoP – Reducing our end-to-end emissions, page 43 and Environmental data in our download centre
305-5		Reduction of GHG emissions	AR – Reducing our own carbon footprint, page 41 DoP – Reducing our end-to-end emissions, page 43 and Environmental data in our download centre
305-6		Emissions of ozone-depleting substances (ODS)	The GHG emissions related to ODS are included in our carbon emissions model. DoP – Environmental data in our download centre
305-7		Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	Not applicable – These emissions have not been identified as being of material significance to our stakeholders
306		**Effluents and waste** GRI 103: Management Approach	Our EMS provides a framework for the management and reporting of environmental performance through our governance systems. We don't monitor or measure waste outside our operational boundaries, however we encourage our suppliers to seek efficiencies in their operations and the products they supply us. We report on our improvement targets. DoP – Wider governance, page 11
306-1		Water discharge by quality and destination	Not applicable – Less than 2% of BT properties in the UK require and have a licence or consent for these activities and measuring discharge volumes is not a requirement
306-2		Waste by type and disposal method	AR – Managing waste products, page 42 DoP – Waste and recycling, page 44 and Environmental data in our download centre

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
306-3		Significant spills	DoP – Managing environmental risks, page 45
306-4		Transport of hazardous waste	Less than 1% of waste produced in the UK is classified as hazardous. We hold waste carriers licences in the UK to transport waste. DoP – Waste and recycling, page 44 and Environmental data in our download centre
306-5		Water bodies affected by water discharges and/or run-off	Not applicable – All waste water is discharged through municipal waste water systems
307		**Environmental compliance** GRI 103: Management approach	We aim to comply with laws and regulations in all the countries we operate in. Our EMS provides a framework for the management and reporting of environmental performance through our governance systems. DoP – Wider governance, page 11
307-1		Non-compliance with environmental laws and regulations	DoP – Our purposeful business targets in our download centre
308		**Supplier environmental assessment** GRI 103: Management approach	Our EMS provides a framework for the management and reporting of environmental performance, including our supply chain, through our governance systems. Our Better Future Supplier Forum, a collaborative initiative that helps us and our suppliers design products and services that take sustainability into account. We report on our KPIs and improvement targets. DoP – Wider governance, page 11
308-1		New suppliers that were screened using environmental criteria	DoP – Promoting environmental sustainability, page 17
308-2		Negative environmental impacts in the supply chain and actions taken	DoP – Promoting environmental sustainability, page 17

This material references GRI 401 to GRI 419 (2016) social standards. The following standards have not been identified as material: 402, 410, 411, 413, 415 and 417.

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
401		**Employment** GRI 103: Management approach	Our ethics code, defines BT's business principles that apply worldwide, to all employees, agents, contractors and others when representing BT. Our policies
401-1		New employee hires and employee turnover	DoP – BT people data in our download centre
401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees	DoP – Rewarding and recognising our people, page 19
401-3		Parental leave	DoP – Promoting gender balance, page 20
403		**Occupational health and safety** GRI 103: Management approach	Promoting the health, safety and wellbeing of our people is the right thing to do. It's also good for our business. AR – Our principal risks, page 45 DoP – Wider governance, page 11
403-1		Workers representation in formal joint management–worker health and safety committees	DoP – Promoting wellbeing, page 21
403-2		Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	DoP – Promoting wellbeing, page 21 and BT people data in our download centre
403-3		Workers with high incidence or high risk of diseases related to their occupation	DoP – Promoting wellbeing, page 21
403-4		Health and safety topics covered in formal agreements with trade unions	DoP – Promoting wellbeing, page 21
404		**Training and education** GRI 103: Management approach	Everyone at BT gets the tools and training they need to do their job, build their skills and gain experience
404-1		Average hours of training per year per employee	DoP – Developing our people, page 18
404-2		Programmes for upgrading employee skills and transition assistance programmes	AR – Investing for growth, page 27 DoP – Developing our people, page 18
404-3		Percentage of employees receiving regular performance and career development reviews	DoP – Developing our people, page 18

Key: AR – BT Group plc Annual Report and Form 20-F 2017
DoP – BT's Delivering our Purpose Report

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
405		**Diversity and equal opportunity** GRI 103: Management approach	Our Global D&I SteerCo leads our strategy on diversity and inclusion, and normally reports progress to our Operating Committee every three months. DoP - Creating an inclusive workplace, page 20
405-1		Diversity of governance bodies and employees	AR – Board membership, page 116 DoP – Promoting gender balance, page 20 and BT people data in our download centre
405-2		Ratio of basic salary and remuneration of women to men	DoP – Promoting gender balance, page 19
406		**Non-discrimination** GRI 103: Management approach	We respect the dignity, liberty and equality of everyone we work with. We use the UN Guiding Principles on Business and Human Rights to inform our approach. Our ethics code DoP – Creating an inclusive workplace, page 20
406-1		Incidents of discrimination and corrective actions taken	DoP – BT people data in our download centre
407		**Freedom of association and collective bargaining** GRI 103: Management approach	We only work with people who choose to work freely. We respect their rights to equal opportunities, freedom of association and collective bargaining. Our ethics code Our statement on Modern Slavery
407-1		Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	DoP – Sourcing responsibly, page 16
408		**Child labour** GRI 103: Management approach	We've a long-standing policy that we don't use or accept forced, bonded or involuntary prison labour or child labour. Our ethics code Our statement on Modern Slavery
408-1		Operations and suppliers at significant risk for incidents of child labour	DoP – Respecting human rights, page 15 and Sourcing responsibly, page 16
409		**Forced or compulsory labour** GRI 103: Management approach	We've a long-standing policy that we don't use or accept forced, bonded or involuntary prison labour or child labour Our ethics code Our statement on Modern Slavery
409-1		Operations and suppliers at significant risk for incidents of forced or compulsory labour	DoP – Respecting human rights, page 15 and Sourcing responsibly, page 16
412		**Human rights assessment** GRI 103: Management approach	Our human rights steering group oversees our work and normally meets quarterly. AR – Human rights, page 37 DoP – Governing our purpose, page 11 and Respecting human rights, page 15
412-1		Operations that have been subject to human rights reviews or impact assessments	DoP – Assessing supplier performance and risk, page 16
412-2		Employee training on human rights policies or procedures	DoP – Doing the right thing, page 15

STANDARD/ DISCLOSURE NUMBER	SDG	STANDARD/ DISCLOSURE TITLE	MANAGEMENT APPROACH/ WHERE REPORTED
412-3		Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	DoP – Sourcing responsibly, page 16
414		**Supplier social assessment** GRI 103: Management approach	We're steered by the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) Sourcing with human dignity
414-1		New suppliers that were screened using social criteria	AR – Ethical standards in our supply chain, page 37 DoP – Sourcing responsibly, page 16
414-2		Negative social impacts in the supply chain and actions taken	DoP – Sourcing responsibly, page 16 and Checking for conflict minerals, page 17
416		**Customer health and safety** GRI 103: Management approach	We're implementing the next stage of a Board-endorsed health, safety and wellbeing strategy. As part of this, each year every line of business produces its own health and safety plan with its own targets and programmes
416-1		Assessment of the health and safety impacts of product and service categories	AR – Health and safety, page 47 DoP – Key risks, page 9
416-2		Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents in the year. DoP – Our purposeful business targets in our download centre
418		**Customer privacy** GRI 103: Management Approach	We integrate privacy issues into our training and product design, comply with privacy regulations, and put safeguards in place when managing requests from law enforcement agencies. Our report on Privacy and free expression in UK communications sets out our approach
418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	AR – Processing our customers' data, page 46 DoP – Complying with privacy regulations, page 22
419		**Socioeconomic compliance** GRI 103: Management Approach	Our Compliance Programme Panel is chaired by the Group general counsel and company secretary. DoP – Governing our purpose, page 11
419-1		Non-compliance with laws and regulations in the social and economic area	DoP – Doing business ethically, page 15 and Our purposeful business targets in our download centre

United Nations Global Compact

We have been a signatory to the Global Compact since 2000 and we reaffirm our support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

This annual Communication on Progress (see table) summarises the key sections of our report as they relate to the Global Compact's principles and our business strategy, culture and operations. There are links to further information such as measures, lessons learned and our future plans.

PRINCIPLES	INFORMATION IN DELIVERING OUR PURPOSE – UPDATE ON PROGRESS 2016/17	INFORMATION IN BT GROUP PLC ANNUAL REPORT AND FORM 20-F 2017 AND ELSEWHERE
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	We are committed to running our business responsibly. We strive to maintain high ethical principles and to respect human rights. It also means doing our best to encourage high standards in our supply chain and business. Respecting human rights, page 15, summarises our approach to human rights	Our commitment, as an original signatory to the United Nations Global Compact principles, is to embrace, support and respect human rights and ensure we're not complicit in human rights abuses. Human rights, page 37
Principle 2: Businesses should make sure that they are not complicit in human rights abuses	Respecting human rights, page 15, which summarises our approach to protecting human rights. Our Human Rights Steering Group includes senior representatives from across the business to oversee the implementation of our human rights programme	Our commitment to the Global Compact is reinforced in our ethics code. We have to maintain a difficult balance of respecting rights to privacy and free expression, and supporting police and other government agencies in protecting the nation's security. In December 2015, we published our thinking on achieving this balance
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	We respect rights to equal opportunities, freedom of association and collective bargaining. Listening to our people, page 18	Our ethics code, gives guidance to our employees, suppliers and anyone working on our behalf, on how we expect them to behave and on our values
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	We have a long-standing policy that we don't use or accept forced, bonded or involuntary prison labour or child labour. Nor do we demand deposits or hold onto our workers' identity papers, or work with businesses that do. We only work with people who choose to work freely. Listening to our people, page 18 Sourcing responsibly, page 15	Our modern slavery statement, published in 2016, sets out our stance on modern slavery and human trafficking. We've also helped to set up the UK's Modern Slavery Helpline and Resource Centre
Principle 5: Businesses should uphold the effective abolition of child labour	We have a long-standing policy that we don't use or accept forced, bonded or involuntary prison labour or child labour. We only work with people who choose to work freely. Sourcing responsibly, page 16	Our Sourcing with Human Dignity standard introduced in 2001, specifies the minimum standards we expect of our suppliers
Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation	We respect the right to equal opportunity. Our Global D&I SteerCo leads our strategy on diversity and inclusion. Creating an inclusive workplace, page 20	We're an equal opportunities employer. As a Two Ticks employer, in the UK, we actively encourage the recruitment, development and retention of disabled people
Principle 7: Businesses should support a precautionary approach to environmental challenges	Our environment policy and management systems are designed to help us comply with environmental legislation and continually improve our performance in these areas. Managing environmental impacts, page 44	We've produced our Designing Our Tomorrow checklist as a free to use resource to help ICT product designers and others to incorporate thinking on minimising environmental impact at each stage of a product's life-cycle into its design
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Managing environmental impacts, page 44, covers our approach to environmental issues, including our environmental policy and our work to reduce the impacts of our products	Our Better Future Supplier Forum is a collaborative, learning and development forum set up to identify, collect, disseminate and implement best practice and drive innovative sustainable product and proposition development
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	The UN's Sustainable Development Goals (SDGs) highlight the need to create a low-carbon economy and to ensure sustainable consumption of our natural capital. Our ambition is to help customers reduce their carbon footprint by at least three times our own end-to-end emissions. We can help them achieve this through our products and services. Helping customers cut carbon emissions, page 41. We work with suppliers to reduce their environmental impacts. Our online design checklist helps to ensure our product managers and suppliers consider environmental criteria in the design and specification of new products and packaging. Waste and recycling, page 44	We're part of the Net Positive movement, led by Forum for the Future, WWF UK and The Climate Group, which seeks to clarify, develop and drive adoption of the Net Positive concept
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	BT has zero tolerance of bribery. Doing business ethically, page 14	Our anti-corruption and bribery policy

ISO 26000

"Guidance on social responsibility" provides a guidance framework to help businesses and organisations operate in a socially responsible way.

This is the seventh year that we've cross-referenced our report to the core subjects and issues of the guidance.

SUBJECT	CLAUSE	INFORMATION IN DELIVERING OUR PURPOSE – UPDATE ON PROGRESS 2016/17	OUR RESPONSE
Organisational governance	6.2	Governing our purpose, page 11	Our Board Committee for Sustainable and Responsible Business has a duty to: – maintain and grow world-class corporate responsibility performance, to minimise any Corporate Responsibility and Sustainability (CR&S) risks to BT's operations and reputation, and to help maximise business opportunities from CR&S
Human rights: Issue 1: Due diligence	6.3.3	Respecting human rights, page 15	We're committed to respecting human rights and we use the UN Guiding Principles on Business and Human Rights to inform our approach. We believe our products and services can have a positive impact on society and empower people to exercise their rights and freedoms. We're also addressing human rights risks in our business and our value chain
Issue 2: Human rights risk situations	6.3.4	Sourcing responsibly, page 16, Respecting human rights, page 15 and key risks, page 9	Like all businesses, we're affected by a number of risks and uncertainties. These may be impacted by internal and external factors and we have a group-wide risk management process to identify and mitigate these
Issue 3: Avoidance of complicity	6.3.5	Doing business ethically, page 15	Our ethics code guides employees, suppliers and anyone working on behalf of BT on how to behave in different situations. It states our commitment to the United Nations' Universal Declaration of Human Rights
Issue 4: Resolving grievances	6.3.6	Doing business ethically, page 15	The Contact BT pages on our website provide access for external stakeholders to contact us for any queries about the company. Our employees and suppliers have access to a confidential hotline to report any concerns
Issue 5: Discrimination and vulnerable groups	6.3.7	Behaving ethically and respecting human rights, page 15, Creating an inclusive workplace, page 20 and Sourcing responsibly, page 16	We communicate our ethics code to all employees, agents, contractors and others working on our behalf. We're an inclusive employer and treat all our people fairly and actively encourage and celebrate difference
Issue 6: Civil and political rights	6.3.8	Behaving ethically and respecting human rights, page 15	We respect the dignity, liberty and equality of every BT employee and everyone who has dealings with us
Issue 7: Economic, social and cultural rights	6.3.9	Behaving ethically and respecting human rights, page 15, Building a culture of tech literacy, page 30, Helping people get online and Connecting the world, page 28	Our Tech Literacy programme is about empowering young people to navigate the new digital world. We want them to grow up to become active creators of technology, not passive consumers. Our Including You web site contains a wealth of information on the products and services we offer to people who need extra help with communications
Issue 8: Fundamental principles and rights at work	6.3.10	Behaving ethically and respecting human rights, page 15	We don't use or accept forced, bonded or involuntary prison labour. We don't demand or hold on to deposits or identity papers for our workers, or deal with businesses that do. We only work with people who choose to work freely. We respect their rights to equal opportunities, freedom of association and collective bargaining. We don't use child labour and we demand the same of our suppliers and their suppliers. Our ethics code guides employees, suppliers and anyone working on behalf of BT on how to behave in different situations
Labour practices: Issue 1: Employment and employment relationships	6.4.3	Creating an inclusive workplace, page 20	We don't discriminate against anyone on any grounds. And we want to make sure our people don't either
Issue 2: Conditions of work and social protection	6.4.4	Rewarding and recognising our people, page 19	We compare pay and benefits for our people with companies of similar size and complexity to ensure our remuneration is competitive
Issue 3: Social dialogue	6.4.5	Listening to our people, page 18	Twice a year, more than 85,000 people provide feedback on working for BT through our employee engagement survey. It helps us develop a focused people strategy and support action planning at a local level

SUBJECT	CLAUSE	INFORMATION IN DELIVERING OUR PURPOSE – UPDATE ON PROGRESS 2016/17	OUR RESPONSE
Issue 4: Health and safety at work	6.4.6	Promoting wellbeing, page 21	Our first priority is to keep people safe by managing risks in the workplace. But we also want to help them stay active, energised and well
Issue 5: Human development and training in the workplace	6.4.7	Developing talent, page 18	We invest in our future success by continually developing the skills and knowledge of our people
The environment: Issue 1: Prevention of pollution	6.5.3	Managing environmental impacts, page 44	Our environmental management systems cover our worldwide operations
Issue 2: Sustainable resource use	6.5.4	Managing environmental impacts, page 44	Our environmental management systems cover our worldwide operations
Issue 3: Climate change mitigation and adaptation	6.5.5	Reducing our end-to-end emissions, page 43	We've been measuring and reporting on our efforts to reduce our carbon emissions since 1992. In 2013 we set an ambition to help customers reduce their carbon emissions by at least three times the end-to-end carbon impact of our business by 2020
Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	6.5.6	Our priorities, page 7 and Biodiversity, page 45	We're not a major landowner. We have procedures in place to reduce the impact of our operations on the environment. We aim to promote biodiversity by using our sites to provide natural habitats such as wildflower meadows that support flora, insects and wildlife
Fair operating practices: Issue 1: Anti-corruption	6.6.3	Doing business ethically, page 15	We've specific policies covering anti-corruption and bribery, gifts and hospitality, and charitable donations and sponsorships. These cover our people around the world
Issue 2: Responsible political involvement	6.6.4	Collaborating with others, page 39	We aim to be transparent about our public policy activities, current public policy issues can be found on our website
Issue 3: Fair competition	6.6.5	Doing business ethically, page 15	We compete vigorously but fairly, being honest, respectful and trustworthy in all our dealings. Our ethics code guides employees, suppliers and anyone working on behalf of BT on how to behave in different situations
Issue 4: Promoting social responsibility in the value chain	6.6.6	Sourcing responsibly, page 16	Our procurement standards include: environment, climate change and labour rights
Issue 5: Respect for property rights	6.6.7		We're not a significant land owner, either in the UK or our international markets
Consumer issues: Issue 1: Fair marketing, factual and unbiased information and fair contractual practices	6.7.3		Our web pages include our Codes of Practice, covering our customer, sales and marketing activities
Issue 2: Protecting consumers' health and safety	6.7.4	Addressing health concerns about radio frequency emissions, page 9 and Managing environmental risks, page 45	We don't manufacture our own products, so we work closely with our suppliers to ensure that the products and services we provide are to the highest standards. The BT Design Checklist helps us build sustainable design principles into our products, services and processes. Our Product Stewardship Standard details the standards that we apply
Issue 3: Sustainable consumption	6.7.5	Waste and recycling, page 44	As part of our commitment to the principles of the circular economy, we're exploring ways to use recycled materials and ensure materials are recyclable when a product is no longer needed. Our consumer products are labelled to provide customers with information on energy use and disposal
Issue 4: Consumer service, support, and complaint and dispute resolution	6.7.6	Putting customers first, page 22	Getting the customer experience right, and improving the quality of our customer relationships, is at the heart of our strategy for growth. The different methods to contact us are summarised on our Contact BT page
Issue 5: Consumer data protection and privacy	6.7.7	Protecting privacy, page 22	We're open about our privacy policies, helping our customers understand in simple terms how their personal information is used. Our privacy centre gives a detailed breakdown by service to show customers how we collect and use their personal information
Issue 6: Access to essential services	6.7.8	Helping people get online, page 29	BT Basic is our low-cost telephone service. Our Codes of Practice describe our procedures for requesting payment and the help customers can expect if they have problems paying
Issue 7: Education and awareness	6.7.9		We use many channels to engage with our customers on sustainability-related issues. From the labelling on our products through to our marketing communications and our sustainability report. Increasingly we're using social media channels such as YouTube and Facebook to engage with a wider audience
Community involvement and development: Issue 1: Community involvement	6.8.3	Supporting our communities, page 32	We engage with our stakeholders throughout the year.

SUBJECT	CLAUSE	INFORMATION IN DELIVERING OUR PURPOSE – UPDATE ON PROGRESS 2016/17	OUR RESPONSE
Issue 2: Education and culture	6.8.4	Helping people get online, page 29 and Supporting our communities, page 32	We're helping people across the UK develop the skills, knowledge and confidence they need to use the internet. Our people are supporting the communities that we live and work in through our volunteering initiatives
Issue 3: Employment creation and skills development	6.8.5	Developing talent, page 18 and Building a culture of tech literacy, page 31	We're an equal opportunities employer. We've longstanding apprentice and graduate entry programmes and provide skills for work training for young people to help prepare them for their working lives. Through our digital skills programme we're helping people gain the digital skills and confidence to create possibilities for everyone
Issue 4: Technology development and access	6.8.6	Connecting the world, page 29	Improved literacy, better job prospects and higher incomes are some of the benefits our services bring people around the world
Issue 5: Wealth and income creation	6.8.7	Investing in society, page 23	We actively support the communities in which we operate. Our purchasing stimulates economic and social development. Our Social Study 2016 – the Economic Impact of BT & EE in the UK looks at our Gross Value Add across the UK
Issue 6: Health	6.8.8	Promoting wellbeing, page 21 and Sourcing responsibly, page 16	Protecting health and safety is a priority for us. Not only for our people but our customers, contractors and suppliers
Issue 7: Social investment	6.8.9	Supporting our communities, page 31	We've wide ranging partnerships with organisations (for example charities) who are best equipped to address social inequalities. We support charities by sharing our skills, supporting fundraising and providing technology

CDSB Framework for reporting environmental information & natural capital

We're signatories to the Climate Disclosure Standards Board (CDSB) Statement on fiduciary duty and climate change disclosure. We're committed to producing and using climate change-related information in mainstream corporate reporting as a matter of fiduciary duty

We report on our material environmental impacts and performance on an annual basis in our Annual Report and Form 20-F and our Delivering our Purpose report. These reports aim to serve different stakeholder groups – the Annual Report, investors, analysts and shareholders – the Delivering our Purpose Report a wider audience, including customers, employees and society.

We aim not to duplicate information unnecessarily so have provided this index showing how and where our environmental and natural capital reporting meets the principles and requirements of the CDSB Framework for reporting environmental information and natural capital.

		COMMENTS	BT GROUP PLC ANNUAL REPORT AND FORM 20-F 2017	BT DELIVERING OUR PURPOSE REPORT 2016/17
P1	Relevance and materiality	Every year, we draw from a range of information sources to understand what matters most to our stakeholders and our business. We review feedback from external stakeholders and look at emerging trends and global challenges like the UN Sustainable Development Goals to understand the potential opportunities and principal risks for our business. Alongside these external inputs, we gather insights from our strategy team and other key functions within the business. All of this feeds into our materiality process to identify the most important issues. Carbon emissions reductions remain a relevant environmental issue to our business and important to our investors	Oversight and governance, page 25. We have an extensive investor relations programme aimed at keeping existing investors informed and attracting new ones	Our priorities, page 7 which covers material environmental information to a wider range of stakeholders
P2	Faithful representation	We aim to provide a balanced view of our progress and challenges. We ask LRQA to review and comment on our report using AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS)	Our Annual Report and Form 20-F performance is aligned to our Delivering our Purpose report	LRQA independent assurance statement, page 50
P3	Connected with other information	We recognise that our use of natural resources presents both cost and risk to our business, as well as opportunities to develop solutions to help others minimise their use of natural resources	Our business model, page 22, Protecting the environment, page 41 and Our principal risks, page 45	Delivering environmental benefits, page 37
P4	Consistent and comparable	We have been reporting on our environmental performance for over 25 years. Annually we provide five-year trend information on progress and disclose the methodology that we use	Protecting the environment, page 41	Delivering environmental benefits, page 37, Our reporting methodology, page 48 and Environmental data in our download centre
P5	Clear and understandable	We work hard to ensure that our reporting is fair, balanced and understandable	We're committed to communicating openly with each of our stakeholder audiences in the manner most appropriate to their requirements. Investors can contact us at ir@bt.com	We welcome feedback on our report, how we are delivering social and environmental benefits, and our performance as a responsible and sustainable business. Please complete the online feedback form or contact us via our Twitter account @BTGroup
P6	Verifiable	We ask LRQA to review and comment on our natural capital reporting using AA1000AS (2008)		LRQA independent assurance statement, page 50
P7	Forward-looking	We've set ourselves long term, ambitious goals to deliver improved performance	Our 2020 ambition, page 21	Our 2020 ambition, page 38 and Our targets in the download centre
REQ-01	Policy, strategy and targets	Our environmental policy sets out our aims to: reduce the environmental impact of our operations, supply chain and customer solutions and to help our customers reduce their own environmental impact	Our 2020 ambition, page 21	Our 2020 ambition, page 38 and Our targets in the download centre

		COMMENTS	BT GROUP PLC ANNUAL REPORT AND FORM 20-F 2017	BT DELIVERING OUR PURPOSE REPORT 2016/17
REQ-02	Risks and opportunities	We aim to mitigate the risks of climate change – our 2020 ambition sets out our approach to minimising our GHG emissions and helping our customers to reduce their emissions. We recognise climate change as an increasingly likely trigger to some of our main business risks, and are adapting our business accordingly	Our principal risks, page 45. Climate change feeds into two of these risks, with extreme weather posing a risk to the resilience of our network and the security of our supply chain	Our 2020 ambition, page 38, Key risks, page 9 and Keeping people connected, page 28
REQ-03	Governance	BT's purpose is to use the power of communications to make a better world. Our Board Committee for Responsible and Sustainable Business focuses on BT's programmes to support this purpose. The chief executive of BT Group has ultimate responsibility for the company's environmental policy and performance	Committee for Responsible and Sustainable Business, page 119	Governing our purpose, page 11
REQ-04	Sources of environmental impact	Our annual materiality review has determined that the management of Greenhouse Gas emissions and energy use are the most important environmental issues to investors and shareholders	We report our energy use, GHG emissions, waste generated and water use. Protecting the environment, page 41	We report on a range of environmental impacts - relevant to a wider stakeholder group. Delivering environmental benefits, page 37 and Environmental data in our download centre
REQ-05	Performance and comparative analysis	Annually we provide five-year trend information on progress against our targets and disclose the methodology that we use	Protecting the environment, page 41	Delivering environmental benefits section, page 37 Our reporting methodology, page 48 and Environmental data in our download centre
REQ-06	Outlook	Climate change is one of the greatest global challenges of our time. We can make a big difference by cutting our own carbon footprint and enabling others to cut theirs. We're mitigating our impacts by reducing our carbon emissions and our products and services help our customers cut theirs too. Our ambition is to help our customers reduce carbon emissions by at least three times the end-to-end carbon impact of our business by 2020. We're managing other risks and impacts such as waste. We promote a circular economy and aim to turn our waste into resources wherever possible. We consider anything that threatens that resilience – including climate risks like flooding and extreme temperatures – among the biggest risks to our business. To minimise the impact on our customers and our business, we are taking steps to strengthen our resilience and adapt to climate change	Protecting the environment, page 41 and Our principal risks, page 45	Delivering environmental benefits, page 37, Helping customers cut carbon emissions, page 41, Keeping people connected, page 28 and Managing environmental impacts, page 44
REQ-07	Organisational boundary	Our reports cover all BT's wholly-owned operations and subsidiaries worldwide, unless stated otherwise		
REQ-08	Reporting policies		BT's Annual Report complies with UK regulations and comprises part of the Annual Report of Form 20-F for the US Security and Exchange Commission to meet US regulations. This is the third year that we've applied an Integrated Reporting (IR) approach to how we structure and present our Annual Report	Our report adheres to AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness
REQ-09	Reporting period	We report annually on performance to year ending 31 March		
REQ-10	Restatements	Every year, we replace any estimates in the previous year's environmental reporting with actual figures		Our reporting methodology, page 48
REQ-11	Conformance	We have provided this table to demonstrate our conformance		
REQ-12	Assurance	Our reported information is audited to provide assurance to stakeholders	Independent auditors' report, page 154	Our report is externally assured by LRQA against AA1000AS (2008), page 50