



BT Group Value Chain Scope 3

Greenhouse Gas Protocol accounting and
reporting



June 2024



BT Group



For the twelfth year running we are reporting our entire corporate value chain Scope 3 emissions in accordance with the Greenhouse Gas Protocol Corporate Value Chain Scope 3 accounting and reporting standard.

We worked with Small World Consulting (SWC) and One Small Step Consulting to undertake these calculations.

We have used two main methodologies to calculate our value chain emissions:

- Spend-based method which takes procurement data and calculates the emissions within an environmentally extended economic input-output (EEIO) model to assess the emissions associated with sectors of financial activity.
- Process-based method which uses quantity-based data to evaluate the emissions associated with specific activities, e.g. kWh of energy usage or quantity of materials purchased to manufacture goods.

The resulting model is a hybrid between EEIO and process-based life cycle analysis.

Spend-based approach to supply chain carbon emissions calculation

To estimate our Scope 3 supply chain emissions, extensive use was made of EEIO. This technique combines macro-economic data on the output of industries and the trade between them with data on the total emissions arising directly from each industry to make estimates of the direct and supply chain emissions attributable per unit of output of each industry.

In 2023/24, working with Small World, we continued to assess the carbon footprint associated with our supply chain. We have further refined our model to incorporate real data on suppliers' carbon reductions using data from CDP. In 2018/19 the model was adapted to use Process-Based Life Cycle Analysis (PBLCA) of Apple phones to further improve our estimates for supply chain carbon. In 23/24 PBLCA data for Google, Samsung, Arcadyan and Sagemcom have also been included in the model.

A full description of the EEIO methodology is available from our Responsible business website at bt.com/esgaddendum.

Process-based approach to carbon emissions calculation

In the overall assessment of Scope 3 emissions, elements of process-based life cycle analysis have been substituted in to replace elements of the EEIO-based estimates, wherever available data makes a more accurate estimate possible. This approach is applied to the supply chains of energy, travel, transport waste and use of sold products. Whenever this is done, care is taken to maintain consistent boundaries for the analysis and to avoid double counting.

FY24 Results

Our Scope 3 emissions constitute 95% of our end-to-end net carbon footprint. The following three categories contribute 85% of all our Scope 3 emissions: category 1 - purchased goods and services, category 2 - capital goods and category 11 - use of sold products.

For categories marked not applicable, the emissions are either negligible, included in other categories or the activity does not occur in BT Group.



| Category | Approach | Methodology |
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| 1. Purchased goods and services | EEIO | BT Group has used Environmentally Extended Economic Input Output analysis based on BT Group spend data. This is captured in our model as the category boundary for extraction, production, and transport of purchased goods and services acquired or purchased by the reporting company in the reported year. Where suppliers' scope 1 and 2 emissions intensities have been reported to the CDP, these have been used to refine the analysis. In addition, for suppliers who have carried out PBLCA on their products, these results have been substituted into the model where relevant. |
| 2. Capital goods | EEIO | BT Group has used Environmentally Extended Economic Input Output analysis based on BT Group spend data. This is captured in our model as the category boundary for extraction, production and transport of capital goods acquired or purchased by the reporting company in the reported year. Where suppliers' scope 1 and 2 emissions intensities have been reported to the CDP, these have been used to refine the analysis. It should be noted that the Scope 3 emissions arising from the purchase of fleet capital goods, such as vans or lorries, are not currently reported within this category, but are included incrementally along with the fuel supply chain in the EEIO model. As these emissions do not readily fit within any one Scope 3 category and we are currently unable to separate out the fuel supply chain and the capital spend component, we are accounting these emissions under "Category 3 Fuel and energy related activities. Also of note is that we are unable to separate out all service emissions from capital goods where services are included as part of the purchase spend for the capital equipment, e.g. some types of network equipment. |



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| 3. Fuel and energy related activities | Process and EEIO | Scope 3 emissions arising from fuel and energy are estimated by applying Scope 3 emissions factors to the fuel and energy consumption figures that are used for Scope 1 and 2 reporting. Following guidance from the UK Department for Business, Energy & Industrial Strategy (BEIS) and Department for Energy Security and Net Zero (DESNZ), transmission losses which were included in Scope 2 are now included in Scope 3, Category 3. The Scope 3 emissions factors for electricity transmission and distribution losses are taken from the BEIS/DESNZ dataset, whilst the remainder are currently drawn from the Environmentally Extended Economic Input Output analysis model to cover the complete supply chain. |
| 4. Transportation and distribution | EEIO | EEIO analysis has been based on BT Group spend data. In instances where upstream transport and distribution services spend is defined, emissions were included in this category. However, not all upstream transport and distribution is captured as a separate service spend. In most cases upstream transport and distribution forms part of the purchase price of goods and is therefore included within the EEIO model for "category 1 purchased goods and services." It is currently not possible to separate out these emissions. |
| 5. Waste generated in operations | Process and EEIO | This calculation is based on the quantities of waste by type generated provided by BT Group and Process Life Cycle Analysis (LCA) figures provided by the UK Department for Business, Energy & Industrial Strategy (BEIS) and Department for Energy Security and Net Zero (DESNZ) to model the waste treatment processes. EEIO is used to capture the upstream supply chain components of the waste treatment activities. |
| 6. Business travel | Process and EEIO | This calculation is based on data from BT Group's expenses system and other travel data bases. We also add associated upstream emissions from, for example, the manufacture of cars, airplanes, and trains. To do this, SWC used a hybrid approach based on data from BT Group's expenses system and EEIO for upstream components. |



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| 7. Employee commuting | Process and EEIO | Emissions associated with employee commuting are calculated using BT Group Global Employee profile and UK Department of Transport (DfT) travel survey data and the UK Department for Business, Energy & Industrial Strategy (BEIS)/Department for Energy Security and Net Zero (DESNZ) travel and transport mode emission factors. Whilst the BT Group Global Employee data is for the current year (2023-24) the DfT and the BEIS/DESNZ data sets are for 2022 and 2023 respectively, which are the latest years currently available. Homeworker emissions are calculated using a hybrid approach based on data from BT Group's expenses system and EEIO for upstream components. |
| 8. Leased assets | Process and EEIO | Emissions associated with leased company cars are calculated using a hybrid approach. This is based on the mileage travelled, fuel used and EEIO model data for the upstream carbon associated with the fuel supply chain and the manufacture and maintenance of the vehicles. For BT Group leased property this has been calculated using EEIO analysis based on BT Group spend data. |
| 9. Downstream transportation and distribution | N/A | An activity not applicable to BT Group. Product distribution is either included in the supplier contract or provided through postal services, e.g. Parcel Force. The associated carbon would be included in Category 1 "Purchased Goods and Services" figures where this is included as part of overall service or Category 4: "upstream transportation and distribution" where purchased as a separate service. |
| 10. Processing of sold products | N/A | An activity not applicable to BT Group. We do not perform intermediary manufacturing processing on any of our products. |
| 11. Use of sold products | Process | This calculation is based on power consumption, estimated life span and use profile for each type of equipment multiplied by the volumes of equipment sold over the current year. It includes both networking equipment and office equipment supplied to our business customers, as well as equipment supplied to our residential customers. Defra's "UK electricity emissions factors" including the fuel supply chain and transmission losses are used to calculate emissions from power consumption. |



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| 12. End-of-Life Treatment of Sold Products | Process | Waste material quantities by type for products sold in the UK provided by BT Group and Process Life Cycle Analysis (LCA) figures provided by the UK Department for Business, Energy & Industrial Strategy (BEIS) and Department for Energy Security and Net Zero (DESNZ) have been used to model the end-of-life waste treatment processes. The UK data has been extrapolated to cover end of life treatment of products sold outside the UK. |
| 13. Downstream Leased Assets | Process | This calculation is based on the devices we have leased and are still active with our customers in the reporting year. Using the power consumption data for each device and the UK Department for Business, Energy & Industrial Strategy (BEIS)/Department for Energy Security and Net Zero (DESNZ) emission factor for UK electricity, including the fuel supply chain and transmission losses, we calculate the annual associated emissions for powering those leased devices |
| 14. Franchises | Excluded | An activity not applicable to BT Group. A study carried out by the Carbon Trust found that BT Group does not operate any franchises except for BT Group Local Business which is a franchise operation of 50 SMEs, and which was too small to be included. |
| 15. Investments | Excluded | Where material, we include this in our Scope 1 and 2 reporting. A study carried out by the Carbon Trust found that 99% of BT Group's investments were accounted for under Scopes 1 and 2. |

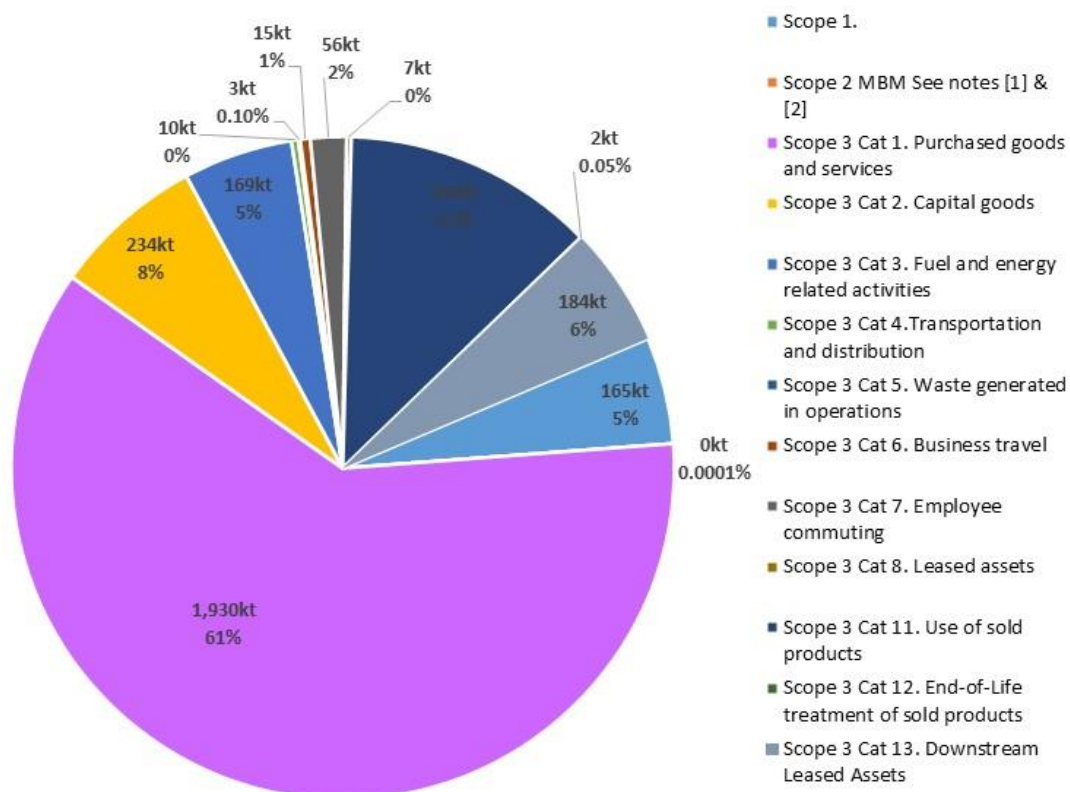
BT Group's Scope 3 carbon emissions

Our Scope 3 emissions constitute 95% of our end-to-end net carbon footprint. The following three categories contribute 85% of all our Scope 3 emissions: category 1 - purchased goods and services, category 2 - capital goods and category 11 - use of sold products.

For the following categories the emissions are either negligible, included in other categories, or the category is not applicable to BT Group: category 9: downstream transportation and distribution, category 10: processing of sold products, category 14: franchises and category 15: investments.



BT end-to-end carbon footprint ktonnes CO₂e



[1] MBM - Market-based method for Scope 2 emissions accounting – refer to our reporting methodology at bt.com/esgaddendum

[2] Excludes electricity purchased by 3rd party tenants.