

Our materiality methodology

This summary provides more detail on our materiality review methodology.

Our approach

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

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

Methodology

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

These sources of information include day-to-day interactions by phone, in meetings, through online discussion forums, focus groups, social media, and participation in industry collaborations. We crowd-source views on specific issues through our Better Future Forum. We also

work with more than 60 organisations that represent different stakeholder groups and issues, such as the Confederation of British Industry, The Climate Group, World Business Council on Sustainable Development and the World Economic Forum.

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

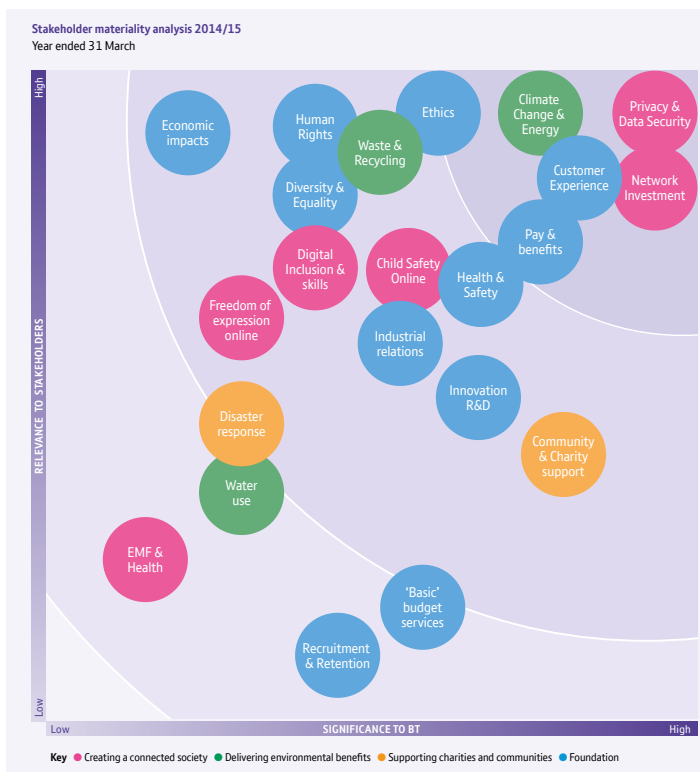
We aim to fill gaps in our understanding through targeted primary or secondary research. For example, through online surveys of consumer perceptions, or interviews with subject matter experts. Reviewing peer companies' sustainability reports helps us check that we have a comprehensive list of the relevant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

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

- Is there wider societal interest in this issue? This is quantified through evidence of mentions online and offline.
- Are our key stakeholders consistently expressing an interest in this issue? This is quantified by evidence from each of key stakeholder groups; customer, employees, suppliers, investors, governments/regulators.
- To what extent is BT already managing this issue through policy, principles and procedures?
- What financial impact is this issue expected to have on BT over the next three years?

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

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



Material issues by stakeholder group
The grid below shows the specific issues that were most important to our stakeholders. ■ Areas in dark shaded cells are most material issues overall.

	ONLINE LIVING	ETHICS	EQUALITY	HEALTH AND SAFETY	HUMAN RIGHTS	ECONOMIC IMPACTS	INVESTMENT IN SERVICE	COMMUNITY INVESTMENT	CLIMATE CHANGE	ENERGY	REDUCING WASTE
Consumers	Online safety		Support for elderly and disabled	Employee wellbeing	Privacy and data security	Pricing and jobs	Network investment, Customer service	Supporting charities and communities	Carbon emissions reduction		Sustainable products and services
Employees			Equality and flexible working	Health and wellbeing		Pay and benefits	Network investment, Customer service	Supporting charities and communities	Carbon emissions reduction	Operational use of renewable energy	
Suppliers	Digital inclusion and literacy	Ethical behaviour		Compliance and standards		Prompt payment	Network investment, Customer service	Supporting charities and communities	Carbon emissions reduction	Energy efficiency of products	
Investors	Online safety	Transparency in reporting	Diversity and equal opportunities	Electro magnetic fields and health	Human rights Privacy and data security and freedom of expression	Pensions	Network investment, Customer service		Carbon emissions reduction	Energy security through renewables	
Governments Regulators	Internet policy, security and protection				Human rights Privacy and data security and freedom of expression	ICT as driver for growth in rural economy	Network investment, Customer service	Universal service obligations	Policy supporting emissions reduction	Policy supporting renewables	