

CSR for investors

Better World
BT's Social & Environment Report



CSR for investors

Investors are increasingly interested in the social and environmental dimensions of business performance and the relationship between these aspects and business strategy.

The key issue for investors is the 'business case' for sustainable development and CSR (Corporate Social Responsibility) – the extent to which social, environmental and ethical risks and opportunities are managed to both preserve and grow shareholder value.

Common approaches

However, whilst a great deal has been written about the business case for CSR, much is generic – applying to the business sector as a whole rather than a specific enterprise – and often based on an intuitive, rather than quantified rationale.

There are few enterprise-specific, quantitative business cases for CSR.

Moreover, from an investor's perspective, information in social and environmental reports is often both backward looking (when investors are more interested in future prospects) and unfocused (when investors are seeking information presented in terms of business strategy and growth).

BT's approach

So, in communicating with investors, companies should be compiling forward-looking, business-strategy related quantitative business cases for CSR and sustainable development.

You can read our attempt at meeting these investor needs on our Investor Centre site.

Here you can find an analyst's presentation and accompanying narrative that identify how BT's CSR activities contribute to five of BT's top seven strategic priorities for 2002-05:

- a relentless focus on customer satisfaction
- financial discipline
- broadband at the heart of BT
- clear strategy for each customer group
- motivated people.

In particular, the presentation identifies the key sustainable development and CSR risks and opportunities for BT, sets out how these are managed for future growth and illustrates where BT's CSR performance adds shareholder value.

In addition, BT's response to the Association of British Insurers' disclosure guidelines covering social, environmental and ethical risks and opportunities is provided in the Annual Report and Accounts.

The future

Showing how sustainable development and CSR add shareholder value is a tough challenge, but one that we feel is of increasing importance and relevance. Most importantly, the strength of individual business cases for CSR will become a key test of the extent to which the market is being shaped and harnessed to deliver sustainable development.

Our Business Case

These core messages drive our communication with investor audiences:

- CSR is critical for optimising customer satisfaction. For example, we estimate that BT's CSR performance accounts for over 25% of the Image and Reputation driver of customer satisfaction. Further statistical analysis shows that a 1% improvement in the public's perception of our CSR activities effects a 0.1% increase in our retail customer satisfaction figures.
- Working conditions and the nature of our relationship with employees will have significant bearing on employee satisfaction and be reflected in the customer experience. A proactive approach to improving employee satisfaction helps improve customer satisfaction, and hence business success.
- Long-term sustainability trends are creating new market opportunities for us, such as the use of teleconferencing and flexible working to reduce the need to travel and provide more flexible lifestyles, or the provision of online environmental management systems.
- Increasingly we have to address social and environmental matters when bidding for business – more than £300 million in last financial year – and our internal expertise in these matters has helped us win a number of contracts.
- Proactive engagement in CSR gives BT a competitive advantage. This is supported by our placing in various CSR rankings and ratings.

More details are found in an analyst's presentation and accompanying narrative located in the Investor Centre.

Ratings

A number of specialist CSR ratings agencies provide rankings based on information about a company's social, ethical and environmental policies and practices.

All are based on the premise that a company's management of these aspects will have a significant bearing on its ability to both preserve and grow shareholder value over the long term.

The main ratings are:

- BT has been ranked as the world's Number One Telecommunications Company in the Dow Jones Sustainability Index for two years running.
- BT is top of the telecommunications sector in the Business in the Community Corporate Responsibility Index and placed in the first quintile of companies in the overall index.
- The German independent rating agency, OEKOM research AG, (http://www.oekom.de/ag/english/press_english/pm_te.htm) has ranked BT second out of 24 in its analysis of corporate responsibility in the telecommunications sector.
- BT is included in the UK, European and World FTSE4Good Indices.
- BT earned 'Best in Class' status for our social and environmental performance by Storebrand.

See also:

- BT Strategy.
- 2003 Dow Jones Sustainability Index.
- BT 2003 Annual Report and Accounts.

