

CSR for investors

BT Social and
Environmental report



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2003

CSR for investors

Investors are increasingly interested in the social and environmental dimension of business performance and how it relates to the business strategy.

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

Common approaches

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

Social and environmental performance reports are often backward looking (investors are more interested in future prospects) and unfocused (investors want information presented in terms of business strategy and growth).

BT's approach

We want to present investors with a forward-looking, quantitative business case for CSR and sustainable development. Our business case attempts to set out how good CSR performance is critical to the delivery of the BT strategy.

Our 2003 financial year sustainability performance presentation to city analysts, hosted by HSBC in July 2003, is available on our Shares and Performance website at: www.btplc.com/Investorcentre/. 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

It is crucial to show our investors how sustainable development and CSR strategies can add shareholder value. More important, the strength of individual business cases for CSR will become a key test of how the market is being shaped and harnessed to deliver sustainable development.

Our business case

Our business case for CSR demonstrates how good CSR performance helps implement key aspects of the BT strategy:

- Keep a relentless focus on improving customer satisfaction.

CSR is critical to 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 means a 0.1% increase in our retail customer satisfaction figures.

Increasingly, we have to address social and environmental matters when bidding for new contracts – nearly £900 million in the 2004 financial year.

- Motivate our people and live the values.

Working conditions, and our relationship with our employees, are crucial to the success of our business. A proactive approach to, for example, flexible working, diversity, and learning and development improves employee satisfaction and helps improve customer satisfaction.

- Lead the world in network-based information and communications technology (ICT) solutions.

Long-term sustainability trends create new market opportunities. For example, the use of teleconferencing and flexible working reduce the need to travel and provide more flexible lifestyles. Another example is the sale of online environmental management systems.

- Achieve competitive advantage through cost leadership.

Our environmental programme, which includes energy efficiency initiatives and fuel savings, has saved BT more than £600 million over ten years.

- Put broadband at the heart of BT.

Local and regional partnerships with social inclusion objectives have been critical to the roll-out of broadband to the most remote and rural areas in the UK.

- Transform our network for the 21st century.

Climate change could lead to more extreme and unpredictable weather events. We need to build a robust network that stands up against this new challenge.

Ratings

Specialist CSR ratings agencies provide rankings based on the information available on a company's social, ethical and environmental policies and practices.

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

The main ratings are as follows:

- BT has been ranked as the world's number one telecommunications company in the Dow Jones Sustainability Indexes for three years running.
- BT is top of the telecommunications sector in the Business in the Community Corporate Responsibility Index (Business in the Community is an independent business-led charity based in the UK) and ranked 11 in the top 100 UK companies who took part in the 2004 index.
- The German independent ratings agency, OEKOM research AG, 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.
- Storebrand (a Norwegian social investment fund index) rated us best in class for our social and environmental performance.



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