



# Changing world: Sustained values

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Our 2010 Sustainability Review



# CR strategy and management

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Corporate responsibility (CR) is integral to the way we do business. We aim to grow profitably and sustainably by providing products and services that benefit our customers, society and the environment. We know that success comes from strong foundations and are committed to operating responsibly and sustainably in all areas of our business; supporting our people, customers, suppliers and the communities we work in.

Our CR strategy sets out the key areas where we believe we can make a difference, and we define these using a well-established materiality process. Our CR governance structures provide the mechanisms for ensuring that BT operates in an ethical and socially and environmentally responsible way.

We regularly seek feedback from stakeholders to make sure we understand their perceptions of BT and to measure our progress toward our goals.

This section includes:

- A message from our Chairman and our Chief Executive
- Our CR strategy
- Our case for CR
- Material issues
- CR governance
- Stakeholder engagement

## A message from our Chairman and our Chief Executive

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Our society faces huge challenges – from climate change and resource shortages, to the issues raised by ageing populations, poverty and social exclusion. We believe that business must play a key role in tackling these challenges. In BT we aim to do this in partnership with our employees, suppliers and customers.

Communications technology can help us all to live and work in more sustainable ways – at BT we know this from experience. Conferencing services are allowing us to reduce the need for travel. New ways of storing data are helping us reduce cost and energy needs. Access to information where and when we need it is changing the way we work. We are helping customers to enjoy the same benefits, improving efficiency, cutting costs and CO<sub>2</sub> emissions. By using our technology, talents and capabilities, we can help the transition to a low carbon economy and contribute to stable and prosperous societies. We can do this while at the same time taking care of business needs such as reducing our operating costs and opening up new markets. This review highlights just a few examples of the approach we're taking

The roll out of our super-fast broadband network in the UK is one of the largest programmes in Europe. This will underpin our growth and enable all UK communications providers to develop products and services with economic, social and environmental benefits.

We know that as we grow as a company, we will face challenges with regard to our own energy use. Yet we remain committed to reducing our own global carbon intensity by 80% by 2020, from 1997 levels. In California, the solar array powering our offices and data centre has seen its first full year of operation. In the UK, we have planning permission for the first of our wind farms, part of our plans for the UK's biggest corporate wind power project outside the energy sector. Our focus on getting things right first time for customers is paying dividends too; by improving our 'network health' we have reduced fault rates, repair visits and CO<sub>2</sub> emissions from our vehicles.

We are committed to being a sustainable and responsible business. We will support the development, reskilling and redeployment of our people, in both good and bad economic circumstances. We are investing in skills, talent and leadership development to prepare our people for a low carbon world. New tools and training for our product teams will help us bring more sustainable products and services to the market such as the new more energy efficient BT Vision box.

Our new apprenticeship framework will enable over 7,000 employees to acquire new capabilities, and our 'Work Inspiration' programme will provide work placements at BT for 3,000 young people. This focus on skills goes beyond formal training - our people around the globe spent over 28,000 days volunteering in the community last year. Volunteering gives our people the opportunity to make a difference in their local community and build their skills in ways that benefit them, the community and our business.

We are pleased that our progress continues to be recognised externally. For example, through the Business in the Community CR Index, which awarded us the highest level, 'Platinum Plus', for our ongoing achievements and commitment. For the first time in nine years we were not sector leader in the Dow Jones Sustainability Index, but we are pleased to have maintained our top level gold status. We will build on our continued commitment to excellence as we drive forward to embed sustainability as 'business as usual'. We are signatories to the UN Global Compact.

We have exciting plans for the year ahead and look forward to updating you on our progress in 2011.

**Sir Michael Rake**  
Chairman

**Ian Livingston**  
Chief Executive

12 May 2010

## Corporate responsibility strategy

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Our strategy sets out the key areas where we believe we can make a difference. We measure our progress by monitoring [stakeholders](#)' perceptions and using [12 key performance indicators](#).

First and foremost, we know that success comes from strong foundations. We are committed to operating [responsibly and sustainably](#) in all areas of our business; supporting our people, customers, suppliers and the communities we work in.

We then focus our efforts on three key areas:

- Helping to tackle [climate change](#)
- We are working with our employees and suppliers to reduce our energy consumption.
- Developing [sustainable customer solutions](#).
- We aim to meet growing customer demand for lower carbon products and services
- Enabling skills for an [inclusive society](#).
- We want to play our part in creating a connected world where everyone has the opportunity to benefit from technology.

Activities supporting our strategy this year included:

- Working to understand the impact on BT of the transition to a low carbon economy, and the commercial opportunities it presents
- Continuing to develop a carbon footprinting methodology for our products and services

to meet customer demand, including our commitments to the [London 2012 Olympic and Paralympic Games](#)

- The introduction of two new categories of investment to focus our programmes on areas that support with our three strategic areas.
- The development of a target to reduce our energy consumption by 3 per cent in real terms next year.

## Our case for CR

Good corporate responsibility (CR) management doesn't just benefit our stakeholders and the planet, it is good for business. Our CR strategy is integral to the business and improves our performance by:

- Helping us to develop marketplace opportunities and identify and manage CR risks
- Enhancing our reputation and performance in CR and sustainability ratings
- Helping us to avoid costs through use of our solutions and environmental management
- Motivating our people.

## Risks and opportunities

We quantify the most significant social, environmental and ethical risks to BT in our corporate responsibility (CR) risk register, part of our companywide risk management system. This is updated twice a year by our CR Risk Forum, which comprises experts from across our business, and reviewed annually by our Board and our external Leadership Advisory Panel. In 2010, we identified no new CR risks that would have a material financial impact on our business.

We currently have seven CR risks which we monitor and report on. Four of these are managed by the CR Risk Forum:

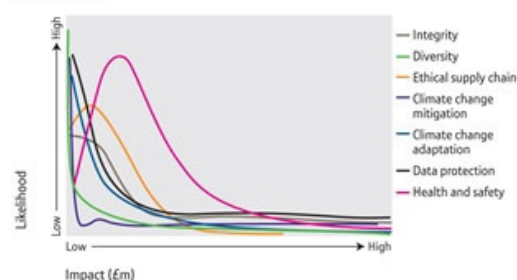
- Mitigating climate change impacts such as increased costs associated with changing legislation
- Adapting our business to reduce our exposure to the direct impacts of climate change, such as severe weather
- The effect of diversity on employee relations and customer service
- Unacceptable supply chain working conditions.

During 2010, we integrated risks relating to ethics and data protection into the risks we manage at Group level. The CR Risk Forum maintains an interest. We now manage three CR risks at Group level:

- Health and safety risks to employees and the public exposed to BT operations
- Loss of trust caused by unintended release of private customer data
- Breach of integrity leading to a loss of trust in BT.

We regularly review our CR risks and our mitigation and control measures. We present the results as risk frontier curves (see chart) as there are a number of possible outcomes, each with a different impact and likelihood. Each curve is plotted from the most likely but low-impact risks, through each possible scenario to the least probable risks with the most severe outcomes.

Key CR risk



None of our CR risks are considered material enough to be included on our group risk register.

We discuss our companywide risk management processes and governance in detail in our Annual Report and Accounts.

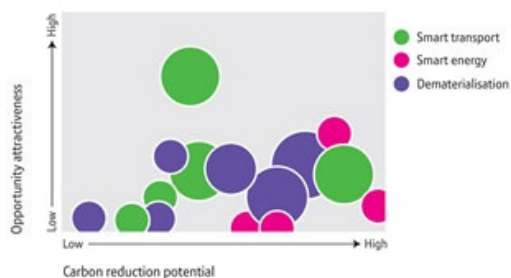
### CR and sustainability opportunities

We publish an opportunities map in our sustainability reports to show our pipeline of existing and potential products and services with sustainability benefits, alongside their market attractiveness.

Using our sustainability opportunity map, in the 2010 financial year (2010) we assessed the short, medium and long-term commercial opportunities the transition to a low-carbon economy presents for BT.

Our approach is discussed in more detail in the [Low Carbon Economy](#) section of this report.

Low-carbon economy opportunity map



## BT's CR and sustainability ratings and recognition

### Ratings

Rater	Ratings	2009-10 Rating	2008-09 Rating	2007-08 Rating	Rating focus
SAM	Dow Jones Sustainability Index	83% SAM Gold Class for 9 years	85% SAM Gold Class	82%	All aspects of sustainability
			Sector Leader for 8 years		
Oekom	A+ to D-	Rating B	Rating B	2006-07 result still valid	Socio-cultural performance and environmental protection
		Prime investment status. Ranked 1st in telecoms sector	Prime investment status. Ranked 1st out of 23 in telecoms sector		
BiTC	Corporate Responsibility Index	Platinum Plus and Sector leader	98% Platinum Band and Sector leader	98% Platinum Band and Sector leader	All aspects of corporate responsibility
Carbon Disclosure	Carbon Disclosure	65 % CDLI member	94 % (AA rating)	85% (A rating)	Evaluation of risks and opportunities in the industry

Project	Leaders Index (CDLI)	[see note]	CDLI member	CDLI member	as well as company policies and strategies
<b>Ethical Investment Research Service (EIRIS)</b>	FTSE4Good Index	Listed	Listed	Listed	Corporate governance, social aspects (including human rights) and environment
<b>Global Responsible Investment Network</b>	Global 100 (Most Sustainable Companies)	Listed	Not listed	Listed	Stakeholder capital, strategic governance, human capital, environment
<b>Vigeo</b>	Points system, 100 is top score - Ratings min - - / max + +	Human Resources 66 ++	Human Resources 63 ++	Not rated this year	Social commitment, corporate governance, customer and supplier relationships, health, safety and environment, HR and international labour law
Environment 47 +		Environment 52 +			
Business Behaviour (C&S) 68 +		Business Behaviour (C&S) 62 ++			
Corporate Governance 68 +		Corporate Governance 71 +			
Community Involvement 79 +		Community Involvement 55 +			
Human Rights 62 +		Human Rights 50 +			
<b>Management Today/ Nottingham Business school</b>	Britain's Most Admired companies	114 <sup>th</sup> Overall (53.1%)	44 <sup>th</sup> overall (60.9%)	124 <sup>th</sup> overall (54.5%)	Peer group assessment process. The 10 largest public companies in each sector rate their nine rivals.
3 <sup>rd</sup> in telecoms sector		2 <sup>nd</sup> in telecoms sector	2 <sup>nd</sup> in telecoms sector		

Note CDLI - new scoring parity between carbon-intensive and non carbon-intensive sectors has meant telecoms sector scores have dropped.

## Recognition

### March 2010

- BT was awarded the 2010 Green Excellence Award in Corporate Leadership in the European telecommunications market for leading the way in environmental initiatives. Growth consulting company Frost & Sullivan, which presented the award, said it recognised BT as a company that has "demonstrated significant progress in enhancing the long-term sustainability and managing the environmental impact of its operations. This resulted in measurable improvement in the company's overall environmental performance within its industry sector".

**January 2010**

- BT ranked 35th among the top 100 sustainable companies in the world in the highly-regarded annual Global 100 list.
- BT became an official partner of the European Commission's Sustainable Energy Europe Campaign.
- BT became the first company to receive the WWF One in Five challenge for successfully having reduced our employee flights by over 20% in one year.
- BT received bronze ICARUS accreditation by the Institute of Travel and Meetings for its commitment to cut carbon emissions.

**November 2009**

- BT Group highly commended at the 2009 Green Business Awards ceremony, in the "Emissions reduction achievement and ambition" category.

**October 2009**