Our reporting methodology

We report annually on our approach to managing our material social and environmental issues. This report, 'Digital Impact and Sustainability Report 2019/2020', covers the year 1 April 2019 to 31 March 2020, in line with our financial reporting. Our previous report covered the financial year to 31 March 2019.

Unless we state otherwise, the report covers BT's wholly owned and joint operations and subsidiaries. References to 'BT Group', 'BT', 'the group', 'the company', 'we' or 'our' are to BT Group plc (which includes the activities of British Telecommunications plc) and its subsidiaries, customer facing units, corporate units, or any of them as the context may require.

Reporting on our ambitions and measures
Building better digital lives
10 million ambition: We've set a goal to reach 10m people in the UK with help to improve their digital skills by the end of 2025/26. This year, we've updated the wording of our goal to better reflect the broad range of support we're providing as part of the Skills for Tomorrow programme. In some cases this may be through more traditional approaches to training, but now provides greater flexibility to recognise other support we can provide. The previous definition was: 'Reach 10m people in the UK with digital skills training by 2025'.

£1bn ambition: As we realign our charity partnerships to focus on digital skills, we took the tough decision to close our fundraising platform, MyDonate, from June 2019. We'll keep reporting on progress on how we're using our skills and technology to generate more than £1bn for good causes by 2020, but it will no longer be a business priority. Contributions that we include are as follows:

- money raised using MyDonate for fundraising, (until closure), telethons and appeals (including Gift Aid), text to donate services and payroll giving, and by BT colleagues fundraising during working hours;
- time volunteered by our people for good causes during working hours. We calculate the value of volunteering time to our communities by multiplying the hourly salary of the volunteer by the number of hours volunteered. We then apply a multiplier to take account of other pay-related costs (e.g. pension and other benefits);
- membership fees, donations, sponsorships, matched funding and the value of in-kind support given to charities, not-for-profits and social enterprises;
- payments made to these organisations to run projects that are aligned with our ambitions;
- funds raised by charities as a result of our financial support and the use of our technology, skills and assets, including money raised by BT-sponsored fundraising events and where BT assets such as the BT Tower in London are used in fundraising events; and
- investment in infrastructure and partnerships that support our ambition, including the running of MyDonate and its associated internal administration costs.

Tackling climate change and environmental challenges
Net zero absolute GHG emissions: Our ambition is to reduce our absolute scope 1 and 2 greenhouse gas (GHG) emissions to zero by 31 March 2045, from our 2016/17 base year.

3:1 ambition: Our ambition is to help our customers reduce their carbon emissions by at least three times the end-to-end carbon impact of our business (3:1) by the end of 2020/21 financial year. We've been working with several expert organisations to calculate our end-to-end carbon emissions. Our 3:1 methodology is shared on our website.

GHG intensity: Our carbon emissions intensity ambition is that, by 31 March 2031, we'll reduce our GHG scope 1 & 2 emissions by 87% compared with 2016/17. This is measured in tonnes of CO_2 equivalent (CO_2e) per unit of gross value added; where value added = EBITDA adjusted (before specific items) + colleague costs. This ambition was approved by the Science Based Target Initiative (SBTI) in 2017 as being BT's share of the reductions needed to limit global warming to no more than 1.5°C.

EBITDA: From this year is calculated using the mandated IFRS 16 new International Financial Reporting Standard (previously IAS 17).

Supply chain emissions: We have committed to reducing our Scope 3 supply chain GHG emissions (categories 1-8) by 29% by 31 March 2031 from a 2016/17 base line. SBTI approved.

GHG emissions: To calculate and report on our end-to-end CO_2e emissions, we:

- report GHG covered by the Kyoto Protocol, using the World Resources Institute Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard (revised edition), and the GHGP Corporate Value Chain (Scope 3) Standard.
- use conversion factors:
  – **in the UK:** as published annually by the Department for Business, Energy and Industrial Strategy (BEIS).
  – **for other countries:** specific national or contract factors where appropriate, or else based on World CO_2e emission factors from electricity generation and fuel combustion, developed by the International Energy Agency (IEA)®, OECD/IEA 2018 (Note: any calculations undertaken by BT plc do not necessarily reflect the views of the IEA).

- report our emissions in relation to indirect and direct GHG emissions:
  – **Tenants:** exclude emissions from energy charged to our tenants.
  – **Scope 1:** direct emissions (such as from combustion in owned or controlled boilers and vehicles).
  – **Scope 2:** indirect emissions associated with electricity, heating/cooling or steam for our own consumption, which we report – in line with the GHG scope 2 guidelines – using both the market-based and location-based methods (in the environmental data tables on our website).
  – **Scope 3:** all other indirect emissions.

SECR: In compliance with the new UK government Streamlined Energy and Carbon Reporting (SECR) requirements, from this year and retrospectively updated back to 2016/17, our Scope 2 now includes all sites and countries where we consume electricity. Where our actual consumption is unknown mainly in landlord-controlled sites for;

- non UK countries we estimate consumption based on a combination of buildings, FTE and selective OPEX spend categories,
- UK is based mainly on average building type consumption or 3rd party supplier statements where available.

Emission factors: Our CO_2e emission declarations are affected by any annual variations in carbon intensity factors, such as the electricity grid average. Where this is deemed as of significant material impact we will make specific reference within our published data tables.

Our reporting methodology
continued

Our people measures: Diversity data covers UK colleagues only. Disability and ethnicity data is voluntarily self-declared. All other colleague data covers the whole of BT, except where specifically stated otherwise.

Materiality methodology
Since 2006, we've conducted an annual materiality review at the end of each calendar year to assess the trends and issues identified by our stakeholders. We draw on multiple 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, such as day-to-day interactions by phone or in meetings, as well as through online discussion forums, focus groups, social media and participation in industry collaborations.

These sources of information include:
- interactions with multiple organisations we work with that represent different stakeholder groups and issues, such as the 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;
- targeted primary or secondary research to help fill gaps in our understanding, such as online surveys of consumer perceptions or interviews with subject matter experts; and
- reviews of peer companies' sustainability reports to help us check that we've a comprehensive list of the relevant issues for our sector and challenge 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 our key stakeholder groups: customers, colleagues, suppliers, investors, governments and regulators.
- to what extent is BT already managing this issue through policy, principles and procedures?
- what potential financial impact might this issue have on BT over the next three years?

The issues that emerge as the most material are mapped onto a matrix to help visualise their potential impact on BT and their significance to our stakeholders. This mapping supports our strategic decision-making and directs our reporting.

This year, we have aligned our reporting coverage to that of Accountability's AA1000AS (2008) with 2018 Addendum – this has the added principle of 'impact' alongside the pre-existing principles of inclusivity, materiality, responsiveness and reliability. We ensure that the principle of 'impact' is considered and fully embedded in our digital impact and sustainability strategy, programmes and reporting through the following:
- Sustainability related programmes are overseen through the *Digital Impact & Sustainability Committee* (DISC), a board sub-committee.
- The DISC oversees programmes, and monitors the impact of those programmes, through regular reporting and updates (board papers, reporting of progress against targets/KPIs) – see our governance appendix for more information on the DISC.

- All material sustainability-related topics (as described in the report introduction and governance appendix) are covered to some extent within our reporting.
- The majority of material topics have specific targets that are measured, monitored and reported on, which demonstrated their impact. Some topics may not have specific targets but their progress and impact is tracked under our wider digital impact and sustainability programmes.
- Prior to next years' report, we will produce a matrix that cross-references all of our material sustainability topics against the 2018 addendum principle of 'impact' to demonstrate our adherence to the principle.

Restating past data
Every year, we replace any estimates in the previous year's reporting with actual figures.

All restatements of previous estimates or corrections of environmental data are recorded in the environmental data tables on our website.

Aligning with standards and guidelines
- This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option.
- We've also assessed the report content and our performance based on the ISO 26000 Guidance on social responsibility.
- We've been a signatory to the United Nations Global Compact (UNGC) since 2000. We reaffirmed our support of its ten principles this year. Our UNGC index represents our Communication on Progress.
- We're also a signatory to the Climate Disclosure Standards Board (CDSB) fiduciary duty and climate change disclosure. Our CDSB index shows how we've integrated the CDSB reporting framework across both this report and our Annual Report 2020.

- We're committed to implementing the recommendations of the Task Force on Climate Related Financial Disclosures, fully embedding them over the coming year.

Assuring our report
Our report is externally assured by Lloyd's Register (LR) against the AA1000 Assurance Standard (2008) with the 2018 addendum. The AA1000 principles of inclusivity, materiality, responsiveness, reliability and impact were all reviewed by LR across the whole report. The assurance process helps us review and benchmark our performance, as well as providing valuable feedback on where we can improve. The observations section of this year's LR Assurance Statement identifies specific areas that we'll focus on next year.

Contact information
We hope you enjoy reading our report and welcome feedback. Please complete the online feedback form or contact us via our Twitter account @BTGroup.

Stewart Cowling
Editor