

Investors

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better
world



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

Social and environmental performance reports provide a view of past performance. We also want to present investors with a forward-looking, quantitative business case for our CSR activities. Our [business case](#) shows how a good CSR performance is critical to the implementation of BT's strategy.

We further explore the way BT considers the potential social and environmental effects of the fast-changing technical advances in the telecommunications sector and our business. Our [CSR – Business Overview](#) is available as a PDF download.

We measure our CSR performance through a series of [key performance indicators](#) (KPIs), developed in consultation with stakeholders. See our [2006 financial year presentation for analysts on our sustainability performance](#) available as a download.

Find BT's response to the Association of British Insurers' disclosure guidelines covering social, environmental and ethical risks and opportunities in the Our Commitment to Society section of the [BT Annual Report and Accounts](#).

CSR business case

Our CSR work is integral to the BT strategy, and affects business performance in five key areas:

1. Risk management

We identify no CSR risks that are material to the future of the business. Our seven key risks are: outsourcing; breach of integrity; diversity; climate change; health and safety; ethical issues in the supply chain; and privacy. Find more detailed information on our [CSR risks](#).

2. Reputation

When people trust a company they in effect deliver a societal 'licence to operate'. This is reflected in the company's reputation which, in BT's case, we know directly affects customer loyalty. We have measured the link between customer satisfaction and CSR for a number of years. Using our current customer satisfaction models we see a positive correlation.

Customers who believe that BT takes its responsibility to society and the community seriously are more than twice as likely as other customers to be very or extremely satisfied with BT.

3. Cost reduction

For a number of years we have quantified financial savings that have an environmental component. Using a model developed by Forum for the Future during the 2005 financial year, this year we have brought the model more in line with our standard financial accounting methods and separately identified direct profit and loss account savings, capital savings and business benefits associated with productivity gains. This model works on a year on year basis. For the 2006 financial year savings that have an environmental component totalled £98 million of which £12 million related to profit and loss savings; £25 million to capital and £61 million related to productivity gains. More details are available in the case study.

4. Employee motivation

Working conditions and our relationship with employees are crucial to the success of our business. In a recent survey, we found that 66 per cent of employees felt more proud to work for the company as a result of our CSR activities.



5. Marketplace innovation

The quality of our CSR performance differentiates us from our competitors. This is important when bidding for major contracts in both the public and private sector - worth £1.3 billion to BT in the 2006 financial year.

Sustainability trends create new market opportunities. For example, teleconferencing and flexible working reduce the need to travel and provide more flexible lifestyles. See more details on [sustainability](#).

CSR business case Case study: Environmental cost savings

For a number of years we have quantified financial savings that have an environmental component. In the 2005 financial year a new environmental accounting model was developed for us by Forum for the Future. This was further refined in the 2006 financial year to make it more consistent with BT's standard accounting practice. This has led to a revision of the figures and a separation of each year's savings between direct profit and loss account savings, capital savings and business benefits associated with productivity gains.

For the 2006 financial year savings that have an environmental component totalled £98 million.

		Annual Savings (£ m)				
		2002	2003	2004	2005	2006
Transport Savings	Commercial	2.2	19.5	7.4	4.1	16.7
	Company Car	(0.3)	17.4	2.4	5.4	17.1
Energy Savings		0.2	(4.3)	0.8	(1.7)	(2.7)
Benefits Savings	Conferencing	27.1	34.4	40.4	(5.0)	45.3
	Home-working	21.9	3.3	10.1	8.0	21.5
Waste Savings		(0.6)	(0.1)	(1.8)	1.6	(0.0)
TOTAL		50.5	70.1	59.4	12.4	98.0

The total savings for each year have been broken down into profit and loss savings; capital savings and related productivity gains.

		Savings (£ m)				
		2002	2003	2004	2005	2006
Profit and Loss		10.1	10.2	7.9	9.0	11.9
Opportunity (Productivity gain)		41.6	37.7	48.1	1.6	60.9
Capital		(1.1)	22.2	3.4	1.8	25.2
TOTAL		50.5	70.1	59.4	12.4	98.0

The environmental benefits in terms of carbon dioxide emission reductions are also evaluated.

		CO2 Reduction (000 t)				
		2002	2003	2004	2005	2006
Transport Savings	Commercial	0.9	15.3	5.2	4.3	1.4
	Company Car	(7.9)	11.8	(1.1)	4.4	6.0
Energy Savings		238.6	23.4	19.5	172.0	115.8
Benefits Savings	Conferencing	1.6	2.1	2.4	(0.3)	2.6
	Home-working	0.9	0.2	0.5	0.4	0.9
Waste Savings		3.3	0.1	1.3	(3.1)	2.4
TOTAL		237.6	53.0	27.7	177.8	129.1

Investor ratings

Specialist CSR ratings agencies rank companies based on the information available about their social, ethical and environmental policies and practices.

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.

BT's CSR ratings are:



- World's number one telecommunications company in the [Dow Jones Sustainability Indexes](#) for five years running.
- 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 joint fourth in the top 100 UK companies who took part in the 2005-06 index.
- First of 26 companies rated by the German independent ratings agency, [OEKOM research AG](#).
- Constituent of the [FTSE4Good Indices](#).
- One of the '[Global 100 Most Sustainable Corporations in the World](#)', for the second year running. This global business ranking selects companies on their ability to manage strategic opportunities in new environmental and social markets. Analysis is provided by the environmental investment advisory firm, Innovest.

BT won the community and environmental responsibility category in the 2005 Britain's Most Admired Companies awards.

Investors - Key Performance Indicators

Indicator	Description	Measure	Target
Customer Satisfaction	A measure of satisfaction across BT's entire customer base*	There was a 3% increase in satisfaction during the 2006 financial year.	To increase the number of extremely and very satisfied customers by 5% during the 2007 financial year.‡
Employee Engagement Index	A measure of the overall success of BT's relationship with its employees	The Employee Engagement Index was 65% during the 2006 financial year.	To maintain or improve the Employee Engagement Index at 65% during the 2007 financial year.
Diversity	A measure of the diversity of the BT workforce	22.1% Women (15.8% of senior)◆, 9.2% Ethnic Minority (7.4% of senior), 2.0% Disabled (0.59% of senior)	To establish a new diversity index, to take account of BT's growing global activities, during the 2007 financial year.
H&S: Lost Time Injury Rate	Rate of Lost Time Injury Incidents expressed as a rate per 100,000 hours worked on a 12-month rolling average	0.281 cases per 100,000 working hours	Reduce to 0.242 cases per 100,000 hours during the 2007 financial year.
H&S: Sickness Absence Rate	Percentage of calendar days lost to sickness absence expressed as a 12-month rolling average	2.35% calendar days lost to sickness absence	Reduce to 2.26% calendar days lost due to sickness absence during the 2007 financial year.
Supplier Relationships	A measure of the overall success of BT's relationship with its suppliers.	The Supplier Relationships measure was 89% during the 2006 financial year.	To run the survey on a bi-annual basis and achieve more than 90%. †
Ethical Trading	A measure of the application of BT's supply chain human rights standard. △	During the 2006 financial year there were 230 risk assessments with 100% follow up.	To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2007 financial year.
Community contribution	A measure of our investment in society	During the 2006 financial year BT provided £21.3m in funding and support in kind.	Maintain a minimum investment of 1% of pre-tax profits and trial a new measure of community programme effectiveness during the 2007 financial year.
Global Warming CO2 emissions	A measure of BT's climate change impact	2006 financial year CO2 emissions were 0.64 million tonnes, 60% below the 1996 level.	Cap 2010 CO2 emissions at 25% below 1996 levels
Waste to landfill and recycling	A measure of BT's use of resources	59,665 tonnes to landfill (58%) and 42,340 tonnes recycled (42%).	To reduce the tonnage of waste sent to landfill by 5% during the 2007 financial year.
UK Addressable Broadband Market	A measure of the geographical reach of broadband	99.7% of UK homes and businesses have access to broadband.	To maintain at 99.7% and actively look for economic opportunities to extend during the 2007 financial year. A new target will be developed for the 2008 financial year.
Ethical Performance Measure	A measure of our progress in acting with integrity	During the 2006 financial year the Ethics Performance Measure was 72%.	To maintain the Ethics Performance Measure at 72% during the 2007 financial year.

* revenue weighted.

‡ this is a revenue weighted measure and is combined with a target to limit the levels of dissatisfaction to March 2006 levels.

◆ changes in job classification have led to a different definition of the term senior

† Next survey due in the 2008 financial year. See archived reports for earlier measures.

△ risk assessments are based on completed questionnaires

