

Our reporting methodology

We report annually on our approach to managing our material social and environmental issues. This report, 'Delivering our Purpose – update on our progress in 2017/18', covers the year 1 April 2017 to 31 March 2018, in line with our financial reporting. Our previous report covered the financial year to 31 March 2017.

Unless we state otherwise, the report covers all BT's wholly owned 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 and lines of business, internal service units, or any of them as the context may require.

Reporting on our ambitions and foundation measures

Connecting society

9/10 ambition: We have helped the Government achieve its target to pass 95% of premises with superfast broadband (including from other operators). This supersedes our original 2020 ambition. We are setting new targets for network reach, both for broadband and mobile networks.

10 million ambition: We are progressing towards our ambition to help 10 million people overcome social disadvantage, through a number of products and programmes. We've been developing social impact methodologies to allow us to affirm the outcomes and we have applied this to over 2.5m beneficiaries so far. Whilst the products and programmes are often quite different, we aim to extend the approach to at least five additional areas during the next 12 months.

5 million ambition: We measure progress towards our ambition to improve the teaching of computing and tech skills of five million children using average class sizes in the UK as the multiplier for each teacher who uses our resources. The target date for this ambition is the end of the 2020/21 academic year.

£1bn ambition: We want to use our skills and technology to help generate more than £1bn for good causes by the end of the 2020/21

financial year. We've defined what will count towards this goal and we track progress each year. This includes:

- money raised using MyDonate for fundraising, telethons and appeals (including Gift Aid), through our contactless fundraising device, text to donate services and payroll giving, and by BT employees 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 (eg 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 ambition;
- 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.

Protecting the environment

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](#).

87% ambition: Our carbon emissions intensity ambition is that, by 2030, we'll reduce our greenhouse gas (GHG) scope 1 & 2 emissions by 87% compared with 2016/17. This is measured in tons of CO₂e per unit of gross value added; where value added = EBITDA adjusted (before specific items) + employee costs. This ambition was approved by the Science Based Target Initiative in 2017, alongside our additional

commitment to reduce our Scope 3 supply chain GHG emissions (categories 1-8) by 29% over the same time-period, as being BT's share of the reductions needed to limit global warming to no more than 1.5°C.

Carbon emissions: To calculate and report on our end-to-end CO₂e equivalent (CO₂e) carbon emissions, we:

- report greenhouse gases (GHGs) 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 Environment, Food and Rural Affairs (Defra).
 - **for other countries:** specific national or contract factors where appropriate, or else based on World CO₂e emission factors from electricity generation and fuel combustion, developed by the International Energy Agency (IEA), © OECD/IEA 2016 (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:
 - **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 (in the environmental data tables on our website) location-based methods.
 - **Scope 3:** all other indirect emissions;
- exclude emissions from energy provided by a landlord as part of a full service buildings contract and emissions from energy charged to our tenants; and
- exclude emissions data from most countries where we've never reached 250MWh per year, and from joint ventures or partnerships where we do not have a controlling interest.

Emission factors: Our CO₂e 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

Behaving responsibly

66% ambition: We want our people to play an active part in society and we aim to have at least 66% (two-thirds) of our people volunteering by the end of the 2020/21 financial year. Employees can take up to three working days each year to do this and we record the working time they use for volunteering. But we also include any volunteering that our people do in their own time because we believe that both the individual and BT benefit from volunteering, irrespective of when this takes place.

Our foundation measures: Diversity data covers UK employees only. Disability and ethnicity data is voluntarily self-declared. All other employee 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, employees, suppliers, investors, governments/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.

Restating past data

Every year, we replace any estimates in the previous year's reporting with actual figures. This year's list comprises:

Connecting society: We have restated our progress in 2016/17 against our £1bn ambition to include an additional £6.3m from EE.

Energy, carbon and water: All energy numbers for 2016/17 have been restated, given revised data from EE & MBNL. All restatements of previous estimates related to energy, carbon and water data are recorded in the environmental data tables on our [website](#).

Behaving responsibly: As well as restating our lost-time injury rate for 2016/17, our sickness absence rate for 2013/14 was incorrectly reported last year, and has now been corrected from 2.10 to 2.11.

Our reporting methodology: We have clarified the end date for our £1bn 2020 ambition.

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](#) and Form 20-F (2018).

Assuring our report

Our report is externally assured by LRQA against the AA1000 Assurance Standard (2008). The AA1000 principles of inclusivity, materiality, responsiveness and reliability were all reviewed by LRQA 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 LRQA Assurance Statement identifies specific areas that we'll focus on next year.

Contact information

We hope you enjoy reading about how we're delivering social and environmental benefits, and on our performance as a responsible and purposeful business. We welcome feedback on this report or its content. Please complete the [online feedback form](#) or contact us via our Twitter account [@BTGroup](#). David Long, Editor.