

Risks, opportunities and governance

Ensuring success in our fast changing world requires focus. We need to manage our risks and target our efforts on areas that present the best opportunities for us and for society. This is part of our CSR governance.

CSR risks

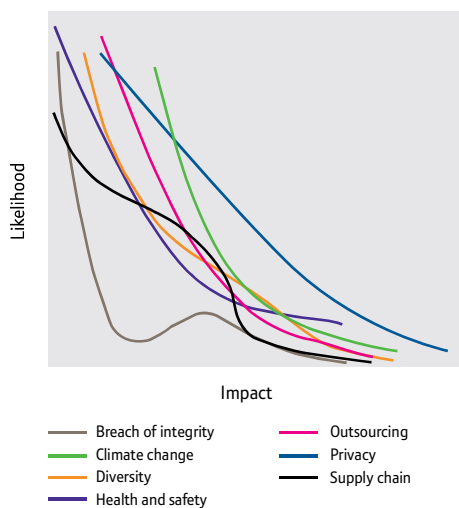
Our board takes regular account of significant social, environmental and ethical risks to BT's business. We quantify the most significant CSR risks in a risk register, which we update twice a year and the board reviews annually.

In the 2008 financial year we identified no new social, environmental or ethical risks that would have a material financial impact on our business.

Our key risks are:

- ▶ breach of integrity leading to a loss of trust in BT
- ▶ impacts on BT's operations resulting from climate change
- ▶ effect of diversity on employee relations and customer experience
- ▶ health and safety risks to employees and the public posed by BT operations
- ▶ impaired employee relations and customer experience caused by outsourcing
- ▶ loss of trust caused by unintended release of private customer data
- ▶ unacceptable supply chain working conditions.

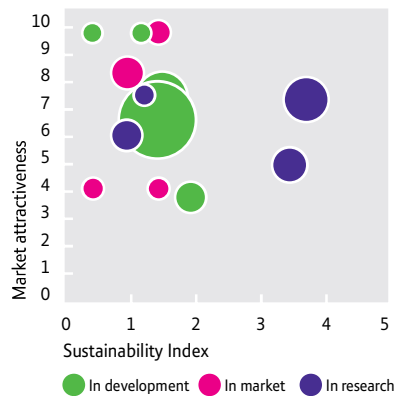
CSR key risks



CSR opportunities

We seek out new commercial opportunities with social and environmental benefits. This is a core part of our CSR strategy through our Sustainable Economic Growth programme. We are developing an opportunities map to help us prioritise prospective sustainable products and services and communicate these internally and externally. See page 10 for more information.

CSR opportunities map



CSR governance

We integrate CSR and sustainability issues into our governance processes.

There is a full description of CSR governance in our online report. Key elements include:

- ▶ BT's board discusses our CSR strategy, performance and risks at least once a year (and health and safety issues more regularly) and separately discusses and signs off this report
- ▶ the board committee for responsible and sustainable business, chaired by BT's chairman, is responsible for setting the CSR strategy for BT Group (including wholly owned subsidiaries)
- ▶ our CSR sponsor and CSR programme sponsors are senior executives responsible for ensuring our CSR initiatives are aligned with our business strategy
- ▶ task forces for our key CSR programmes (Climate Change, Inclusive Society and Sustainable Economic Growth), include representatives from across BT and are responsible for driving progress on our CSR programmes.

The Leadership Panel, chaired by Jonathon Porritt, contains external CSR experts that provide insight and challenge. See page 18 for the Panel's statement.