



Social Study 2015

The Economic Impact of BT
in the United Kingdom
and Scotland



A report prepared by
Regeneris for BT Group

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Regeneris Consulting is an independent economics consultancy that provides research-based advice to major corporates, developers, national government bodies and local government. Regeneris specialises in preparing robust assessments of economic impact, focusing on the impact of new technology, physical developments, policy changes, investment programmes and corporate economic footprint. Regeneris work across the UK from their offices in London and Manchester. See: www.regeneris.co.uk for further information.

2 Introduction



BT is Scotland's major provider of telecommunications networks and services, and the work we do is key to the country's continued economic and social prosperity. Across the country we are making connections, creating new possibilities and helping businesses to grow, communities to flourish, and people to get more out of life.

As a key communications services provider, we use the power of communications to make a better world. We bring together the expertise of our people and the best networks and technologies. We support employment in every part of Scotland through our direct workforce and, indirectly, through our extensive supply chain. We seek to centre our procurement and expenditure within the local economies.

This report concentrates on and highlights the direct economic contribution BT makes, in numbers and through case studies. It estimates BT's total Gross Value Add (GVA)

to the economy, combining the direct, indirect and induced impacts of our activities and spending. In Scotland BT's GVA for 2014/15 is estimated to be £1.01 billion.

BT continues to make significant investments for the long-term benefit of both the company and the UK. Our most significant investment has been in superfast broadband, and today our network covers more than three-quarters of the UK. This includes premises in rural and hard-to-reach areas that we have been able to reach following competitive tendering for public funds from the Scottish and UK Governments.

Our fibre investment has delivered one of the fastest rollouts in the world, and we are on budget and ahead of schedule. The number of premises connected has risen by more than 50 per cent during 2014/2015. We will continue to work with Scottish and UK Governments to increase fibre coverage to Scotland's homes and businesses.

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We are not stopping there, we have also announced our plans to move from superfast to ultrafast (G.fast technology) with speeds of 300-500Mbps. This will be another significant investment for BT, again helping to ensure that the UK remains at the forefront of digital communications with a vibrant internet economy.

BT people live, play, work and do business in their local communities the length and breadth of the country. As a result, BT is often best placed and most able to support local technology-neutral programmes and projects, wherever they are. We are proud to work in partnership with, devolved governments, community and business organisations to develop next generation solutions for areas where a commercial investment is not immediately justifiable.

We have also brought affordable internet access to residents of more than 9,000 social housing properties across the UK, this includes Glasgow Housing Association tenants. We also support a number of other initiatives to ensure as many people as possible are digitally connected, and not missing out on opportunities at work, home and in the community.

This year we announced the proposed acquisition of EE, the UK's leading mobile operator. We plan to combine the UK's

most advanced 4G network with the UK's most extensive superfast broadband network to provide a full range of innovative communications services.

Through our BT Sport investment, we are transforming the face of televised sport. BT Sport channels are now seen in more than 5.2 million homes, offering customers more choice and further demonstrating the benefits of fibre broadband. BT is also a major supporter of Scottish Rugby and is helping them to launch four BT Sport Academies to nurture and develop young talent.

We understand the importance of connectivity to social wellbeing and economic growth, and we seek to add value wherever we operate. This report highlights our economic and social activities, and shows that BT is a key player across the whole of the nation.



Brendan Dick
BT Director, Scotland
September 2015

3 Our Report

The Economic Impact Report 2015 has been prepared independently by Regeneris Consulting, working closely with BT Regions to draw upon their data and information.

Impact calculations are in accordance with Government guidelines and the HM Treasury's Green Book Guidance for appraisal and evaluation, and are consistent with the Office for National Statistics' national accounts. Details of our approach are shown in Appendix A.

Estimates in this report relate to BT's activities in the UK during the financial year 2014/15. Note that the economic impact figures presented throughout this report are expressed to three significant figures. This means they have been rounded up or down as appropriate and, as a result, may not sum exactly to the totals presented.

The narrative includes announcements up to and including end of September 2015.

Economic Impact Report 2015

This study shows BT's economic contribution to the UK national economy and to regional economies in terms of jobs, output and Gross Value Added (GVA) supported. The report covers several effects of BT's activities:

Direct impact: people employed directly by BT (including contractor employees) who receive wages and salaries.

Indirect impact: income and employment created with suppliers as a result of BT's spending on goods and services.

Induced impact: further income and employment generated as wages created directly and indirectly are spent within the economy.

BT's wider social and community contributions are covered in summary in this report. Further details can be found in the Delivering our purpose report 2015, available online at: www.bt.com/deliveringourpurpose

4 An Overview of BT

BT's stated purpose is to use the power of communications to make a better world.



BT is one of the world's leading communications services companies



BT is Europe's largest telecoms services wholesaler by revenue



BT provides managed networked IT services for many of the largest global companies



BT is delivering one of the world's fastest rollouts of fibre broadband for the UK



BT is the leading provider of voice and broadband services to UK SMEs & consumers



Every day BT touches the lives of millions of people, helping them communicate, do business, be entertained & informed

BT has five customer facing lines of business - BT Global Services, BT Business, BT Consumer, BT Wholesale and Openreach - supported by an internal service unit, BT Technology, Service & Operations.

Full details available within the BT Group plc Annual report which can be found at www.bt.com/annualreport

5 The Economic Impact of BT in the UK

The figures below show the number of employees working in each English region, Scotland, Wales and Northern Ireland.
Note: Figures are rounded to 3 significant figures.

	Working	Living	Total direct GVA £m
East of England	10,400	10,700	1,240
East Midlands	4,070	4,370	381
London	13,300	12,000	1,510
North East	3,750	3,790	352
North West	9,450	9,370	869
Northern Ireland	3,110	3,120	290
Scotland	6,930	6,970	655
South East	10,300	11,000	1,110
South West	5,800	5,750	587
Wales	2,950	3,410	276
West Midlands	6,380	6,210	632
Yorkshire and The Humber	6,580	6,440	636

Source: Regeneris Consulting

UK Key Points

72,200

Employees directly working for BT and 10,900 contractors (Full Time Equivalent – FTE)

217,000

Total FTE jobs supported (including indirect and induced effects)

£2.9 billion

Total income of BT employees (including contractors)

£6.5 billion

Spend with suppliers based in the UK

£18 billion

Total GVA impact associated with BT activities (including indirect and induced effects)



Across the UK...

- BT directly employs 1 in every 230 employees in the private sector across the UK, and 1 in every 10 in the IT and Communications sector
- BT directly creates £1 in every £180 of GVA in the UK
- As a result of the full economic impact of BT, the firm supports £1 in every £80 of GVA in the UK economy and 1 in every 110 employees working in the UK economy

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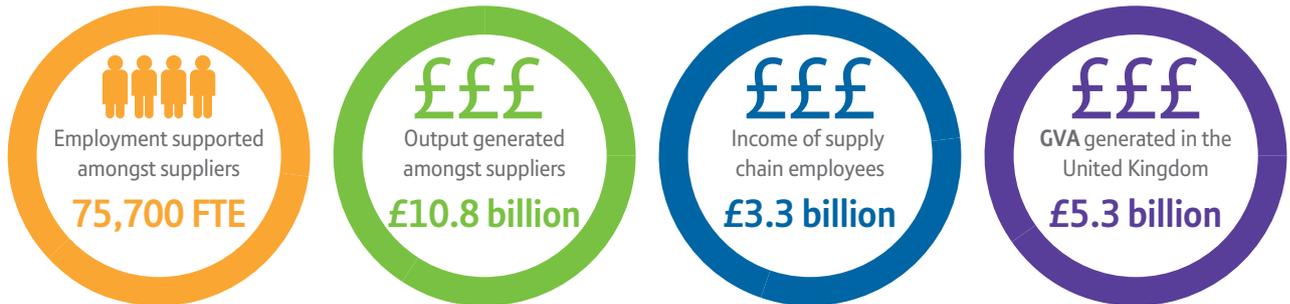
Economic Impacts

Direct Impact

BT directly employs a total of 72,200 people in the UK, with a further 10,900 employed as contractors. This results in £2.9 billion in wages and salary spend across the country. 77% of BT employees are equipped to work flexibly on any given day.

Procurement Impact (Indirect)

BT spent a total of £6.5 billion with UK based suppliers in 2014/2015. This results in significant benefits for the UK economy, including knock-on benefits further down the supply chain, which results in additional employment and output. This is summarised below.



BT Supply Chain Spend in the United Kingdom = £6.5 billion

Figure 5-1: Indirect (supply chain impacts) in the UK

Source: Regeneris Consulting

5

Impact of BT and Supplier Employee Expenditure (Induced)

BT employees and contractors based in the UK earned around £2.9 billion in 2014/15 before tax. In turn, the expenditure of BT employees, contractors and the employees working for firms within BT's supply chain supports further employment and output in consumer industries. Through these knock-on effects, BT supported further jobs and turnover as shown below.



Salaries of BT Employees and Contractors in the UK = around **£2.9 billion**

Figure 5-2: Induced (wage expenditure) impacts in the UK

Source: Regeneris Consulting

5

Total Impact in the UK

Combining BT's direct impact and employment with the indirect supply chain and induced wage expenditure impacts gives the total impact of BT operations in the UK. This is summarised in the table below.

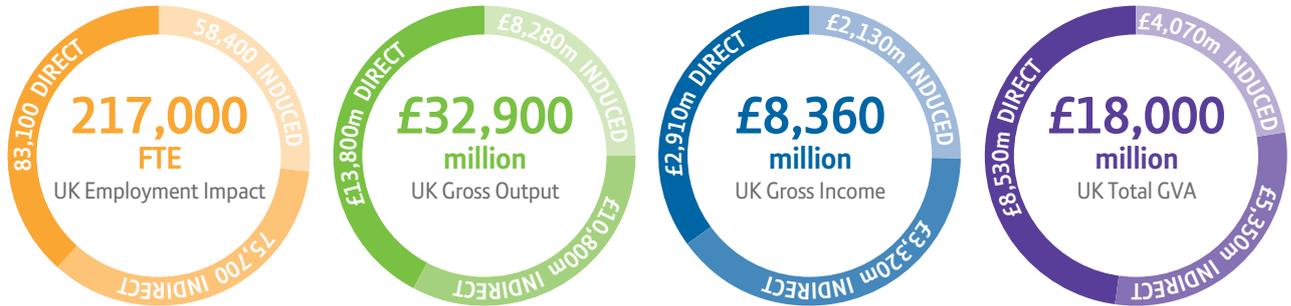


Figure 5-3: Total Impact of BT in the UK

Source: Regeneris Consulting

6 Scotland

Scotland Key Points

6,970

BT employees live
in the nation (FTE)

6,930

BT employees work
in the nation (FTE)

£224 million

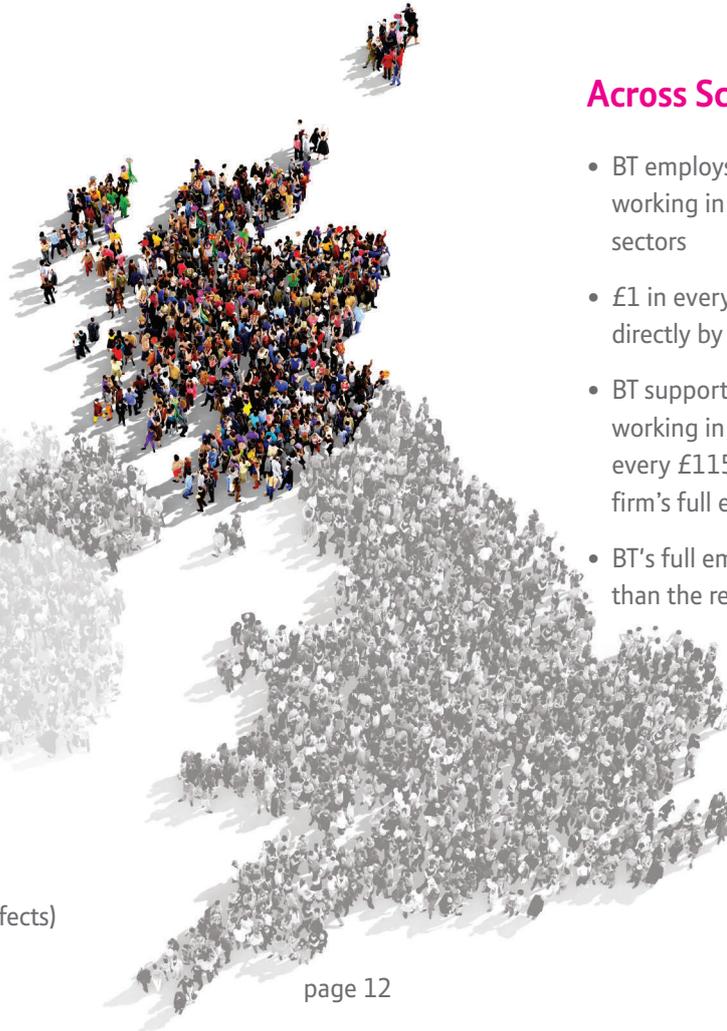
Total income of BT
employees working in the nation

£176 million

Spend with suppliers
based in the nation

£1,010 million

Total GVA impact
(including indirect and induced effects)



Across Scotland...

- BT employs 1 in every 8 employees working in the IT and communications sectors
- £1 in every £180 of GVA is generated directly by BT
- BT supports 1 in every 120 employees working in the private sector and £1 in every £115 of GVA as a result of the firm's full economic impact
- BT's full employment impact is larger than the region's insurance sector

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National Impact

Direct Impact

BT directly employs a total of 6,240 people in Scotland, with a further 695 employed as contractors. This results in £224 million in wages and salary spend across the nation.

77% of BT employees are equipped to work flexibly on any given day.

Procurement Impact

BT spent around £176 million with suppliers based in Scotland in 2014/15. The majority was spent on telecommunications, as illustrated in this chart.

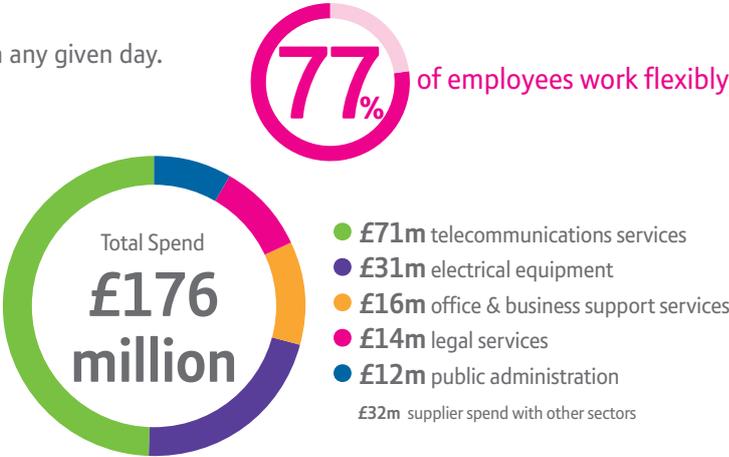
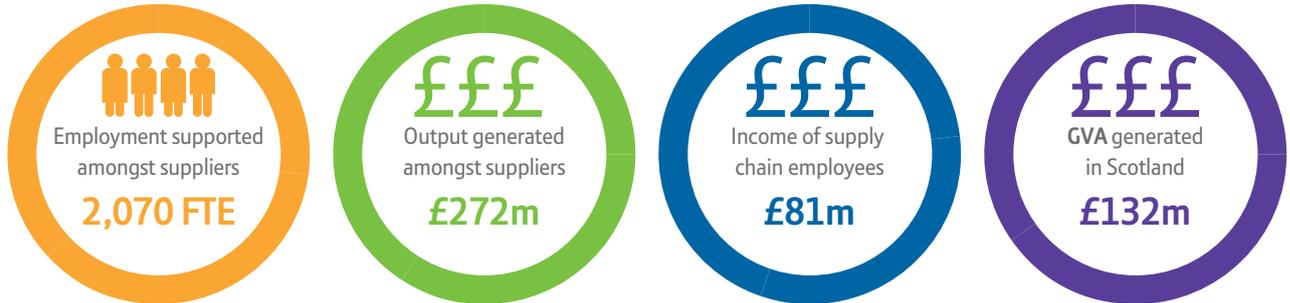


Figure 6-37: Top Five Supplier Sectors in Scotland by Value of Expenditure

Source: BT Procurement data

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BT's spend with suppliers results in significant benefits for the Scottish economy, including knock-on or multiplier benefits as a result of supplier spend. This is summarised below.



BT Supply Chain Spend in Scotland = £176 million

Figure 6-38: Indirect Supply chain impact in Scotland

Source: Regeneris Consulting

6

Impact of Employee Expenditure

BT employees and contractors living in Scotland earned £225 million in 2014/15. In turn, their expenditure supports further employment and output in consumer industries in the nation. **Figure 6-39** below illustrates the wider induced employment and output supported through this employee expenditure.



Salaries of BT Employees and Contractors = £225 million

Figure 6-39: Induced (wage expenditure) impacts in Scotland

Source: Regeneris Consulting

6

Total Impact in Scotland

Combining BTs direct impact and employment with the indirect supply chain and induced wage expenditure impacts gives the total impact of BT operations in Scotland. This is summarised in **Figure 6-40** below.

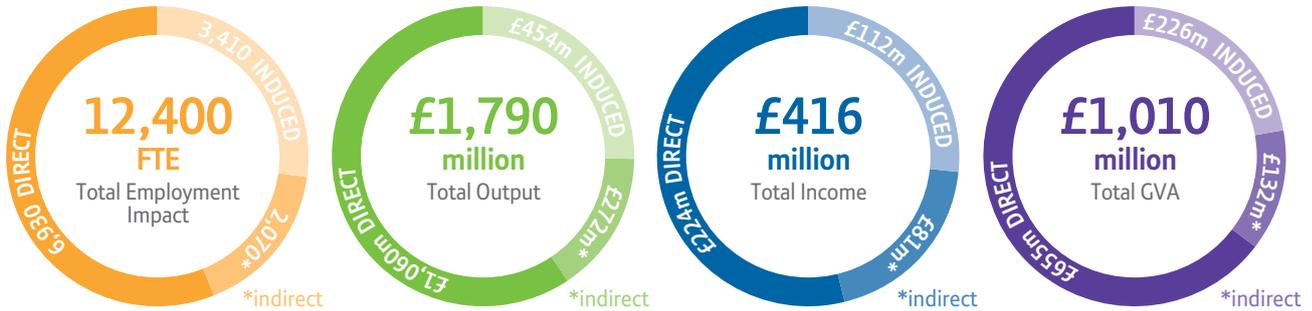


Figure 6-40: Total Impact of BT in Scotland

Source: Regeneris Consulting

6

Local Impact

The table below shows BT’s economic impact by local authority area in Scotland, ranked by the scale of impact (focusing on those ten local authorities which generate the greatest levels of impact).

	BT Employees & Contractors		Total Impact		
	Work in area	Resident in area	Employment	Output £ million	GVA £ million
Glasgow City	1,970	870	2,510	382	227
Edinburgh City	1,110	562	2,110	321	181
Dundee City	1,080	832	1,310	185	110
Highland	661	657	842	118	70
Aberdeen City	358	241	452	66	39
North Lanarkshire	176	371	304	43	25
Fife	155	313	395	54	30
South Lanarkshire	143	395	445	62	32
Dumfries and Galloway	129	130	167	23	14
West Lothian	113	224	926	125	64

Table 6-13: Summary of Local Impacts in Scotland – Top Ten Local Authority Impact Areas

Source: Regeneris Consulting

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The map below illustrates the locations of key BT sites in Scotland. It demonstrates that BT is a key employer across the nation.

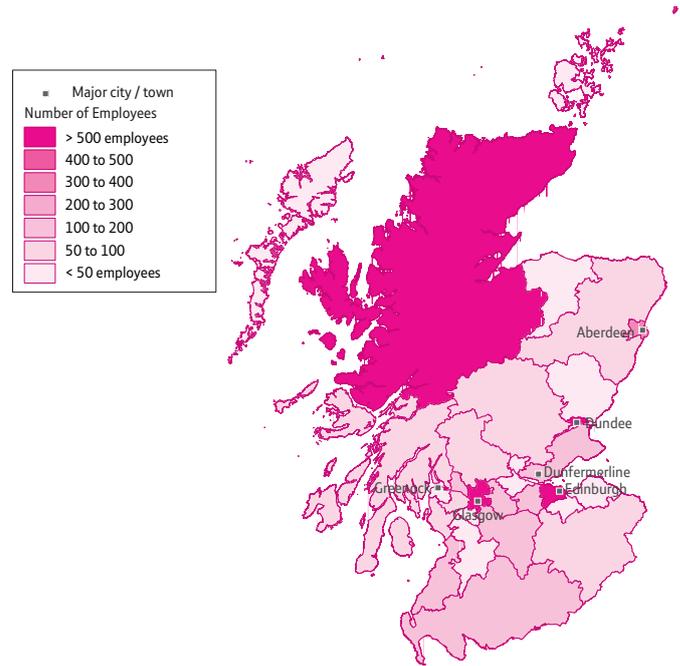


Figure 6-41: BT Employees Place of Work – Scotland

Source: Regeneris Consulting

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Figure 6-42 also demonstrates the broad geographical spread of the workforce, which lives throughout Scotland but particularly around Edinburgh, Dundee, Glasgow and the Highlands.

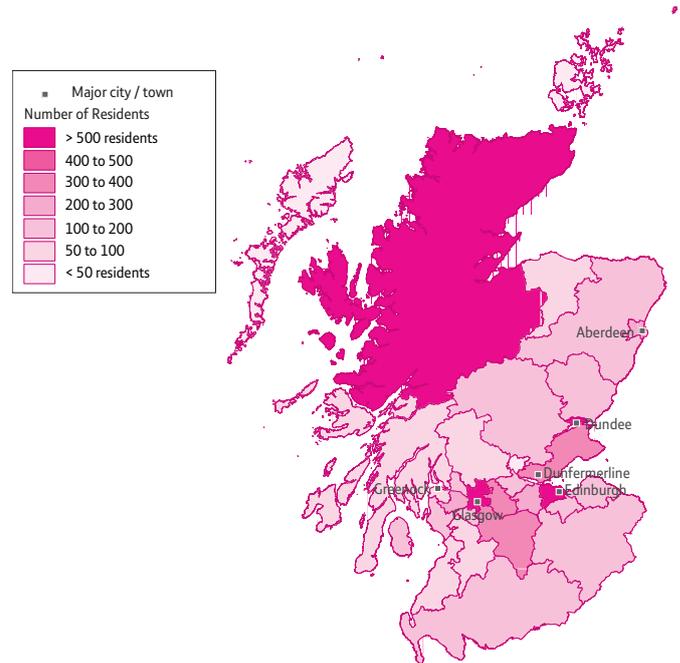


Figure 6-42: BT Employees Place of Residence – Scotland

Source: Regeneris Consulting

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Keeping Scotland Connected

BT has extensive networks across Scotland and the UK. BT's fixed-line network is one of its most valuable assets and its investment in fibre broadband is key to delivering modern, superfast services to customers. To meet the demand from businesses, BT is continuing to expand the availability of Ethernet. And when customers are away from their home or office, they can use one of BT's Wi-fi hotspots.

BT provides Scotland's only national communications network, from Shetland to Stranraer and everywhere in between. There are 1,070 telephone exchanges, including 400 of the smallest in the UK, serving a population of more than five million people.

A range of high speed technologies provides broadband services in Scotland:

Next Generation Broadband

BT's commercial rollout alone is bringing fibre-based broadband to the country, serving more than 1.4 million homes and businesses.

- Fibre to the Cabinet (FTTC) will be the main technology deployed. FTTC can currently deliver wholesale downstream speeds of up to 80Mbps, and upstream speeds of up to 20Mbps.
- Fibre to the Premises (FTTP) technology can currently deliver faster wholesale speeds of up to 330Mbps, and upstream speeds of up to 30Mbps.

ADSL2+ offers up to 20Mbps next generation copper-based broadband services and is available from 259 exchanges, and more than 1.7 million homes and businesses in Scotland can benefit.

ADSL offers up to 8Mbps broadband services and is available to more than 99 per cent of the exchanges in Scotland.

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Ethernet services offer higher bandwidth for businesses and organisations. Scotland has 144 live nodes in the country.

Wi-fi – BT has the UK's largest Wi-fi network with over 5 million hotspots. The company has already introduced Wi-fi into a number of UK city centres including Glasgow, as well as Brighton, Cardiff, Carlisle, Gloucester, Newcastle and Gateshead, Nottingham and Plymouth with more in the pipeline.

BT is working with Glasgow City Council to deliver public Wi-fi infrastructure after the local authority became the first Scottish city to award a wireless concession. Free public Wi-fi internet access is now available in the city's streets and public spaces. As part of the project, more than 30 community centres and public halls operated by Glasgow Life also offer free wi-fi during opening hours.

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Investing in Next Generation Broadband

More than 99 per cent of UK homes and businesses already have access to ‘first generation’ broadband. BT’s investment of around £3 billion in fibre means more than 23 million homes and businesses now have access to high speed broadband services. BT’s commercial network upgrade programme is widely recognised as one of the biggest and fastest in the world.

BT is also working with the Department of Culture, Media and Sport (DCMS), Broadband Delivery UK (BDUK) and Devolved Governments and is on track to meet the target of 90 per cent of UK premises by the end of 2016. BT successfully tendered for 44 BDUK phase 1 projects that aim to bring superfast fibre to more than two million homes and businesses in hard-to-reach rural communities across the UK. BT can bring faster speeds to the remaining premises by deploying alternative broadband technologies.

BT announced that it will be making £129 million available to extend the roll-out to more BDUK homes and businesses, earlier than planned and at no extra cost to the taxpayer (this is due to take up exceeding 20%).

BT is also in the planning phase for the BDUK phase 2 contracts that they have won across the UK. These contracts are part of the Government’s Superfast Extension Programme, designed to ensure 95 per cent of Britain has access to superfast fibre broadband by the end of 2017.

Fast, reliable broadband connectivity can provide a major economic boost to rural communities across the UK. Many reports highlight the range of benefits businesses can gain by using superfast broadband, and case studies from across the UK stand testimony to how companies large and small are now building their success on fibre.

Case study – Energy Unlimited

Energy Unlimited is a renewable energy advisory service. Managing Partner, Mark O'Dowd, said, *“Our business could not survive, let alone develop and thrive, without our superfast broadband connection. Whether we are dealing with Wind Farms or the implications of establishing Anaerobic Digestion plants to create energy from waste, our broadband systems underpin every aspect of our professional advice, and help ensure the high quality of customer service we pride ourselves on.”*

BT retains its longstanding concerns about exclusion. Some of the groups that could benefit most from the internet, both economically and socially, have never been online. Many of the UK's digitally excluded people are elderly or on low incomes, and it is estimated that the socio-economic value to a new user of being online is some £1,064* each year. Helping people to use the internet for the first time can transform their lives and help to generate around £6.8 billion within UK society and the economy.

* 'Digital Inclusion: the social return on investment, Just Economics for BT, June 2014'

Scottish Fibre Partnerships

BT has unrivalled experience in overcoming the challenges of geography, topography and distance and has been working with local communities through two Digital Scotland partnerships – one in the Highlands and Islands led by Highlands and Islands Enterprises (HIE) and the other in ‘Rest of Scotland’ led by the Scottish Government.

The £410 million Digital Scotland Superfast Broadband rollout will reach 750,000 Scottish homes and businesses, taking total coverage to around 95 per cent by March 2018, and more than half these premises can already get connected to the new high-speed fibre network.

The £146 million project in the Highlands and Islands is the UK’s most complex and challenging broadband project ever. Combined with BT’s commercial programme, more than 100,000 Highlands and Islands homes and businesses now have access to fibre broadband, rising to around 84 per cent by the end of 2016. BT completed its biggest ever sub-sea cable project in British waters during 2014, building 20 new high-speed links out to Scottish islands.

Bonkers Gifts with shops in St Andrews and Edinburgh is one local business benefiting from superfast broadband in more ways than one. One of the first businesses to sign up, the retailer is enjoying a broadband speed around ten times faster than its previous connection. Patrick MacEwen, who manages the IT systems, said, *“Having fibre broadband is really transforming a number of important operations for us. It is making it so much faster and easier to transfer data between our two stores and our Head Office in St Andrews. We have a sophisticated till management system and all data from the shops gets uploaded to HQ. This process is now practically instant and having better access to live data is enabling a dramatic improvement to our business management, as we can keep track of stock so much more effectively.”*

NB: Figures quoted correct as of 12 August 2015.

6

Innovation, Research and Development

Innovation, supported by research and development (R&D), is at the heart of BT's business. BT is one of the UK's largest investors in R&D, investing £502 million in 2014/15.

BT uses its world-class expertise to lead and encourage innovation, generate new ideas and help keep the UK a step ahead. BT combines its expertise and resources at its main UK research facility at Adastral Park, near Ipswich. From pioneering work in optical technologies and digital switching, through to work in advanced software techniques and protocols, Adastral Park is recognised as one of the leading centres of technical innovation in the world of communications technologies.

BT has set out its ultrafast broadband vision for the UK. G.fast is an innovative technology that uses higher frequencies than FTTC to provide faster broadband speeds over copper lines. It will help BT realise its ambition to transform the UK broadband landscape from superfast to ultrafast, via a widespread deployment of G.fast. Trials in the East of England, North East and South Wales will build on tests at Adastral Park. G.fast is designed to help BT deliver ultrafast speeds of up to 500Mbps. Deployment could start in 2016/17, reaching 10 million homes and smaller businesses by the end of 2020 and the majority of premises within a decade. A 1Gbps service will be provided for those that want even faster speeds. The connections on offer would be a combination of FTTP technology as well as new G.fast technology, which uses existing FTTC technology.

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BT works with universities through UK Research Councils, collaborative programmes and directly funded research. At any one time, BT is typically involved in between eight and 12 collaborative projects. BT works with its academic partners to help create industry-relevant proposals to Research Councils that offer real impact, and also demonstrate the significance of academic research for the UK's ICT sector. BT plays a full part in Research Council-funded projects, providing expert steering and advice, academic placements, access to real problems and unique data sets, and the opportunity to test networks.

BT funds a range of university research in the UK and beyond. The company supports some 30 UK-based PhDs with a mix of collaborative awards and direct funding. This includes a PhD looking at the impacts of Next Generation Broadband on microbusinesses in the North of Scotland, with the University of Highlands and Islands and Aberdeen University.

BT has links with around 30 UK university partners, working with them on projects of immediate relevance to BT's operations, as well as on speculative developments that may take as long as 20 to 30 years to come to fruition.

6

Developing Talent and Championing Skills

BT invests in its own future success by continually developing the skills and knowledge of its people. To keep pace with the speed of innovation, BT selects talented people and provides them with opportunities to develop and improve their skills.

More than 500 apprentices and 229 graduates joined BT in 2014/15, and BT plans to recruit a further 1000 graduates and apprentices in 2015/16. BT has an excellent track record of employing ex-armed forces personnel, particularly within Openreach where more than 200 roles have been filled. Working with Transition Force, BT provides ex-military people with training and support in writing CVs, presentation skills, and attending job interviews.

In the 12 months to March 2015, Openreach recruited around 260 new engineers across Scotland, with plans to recruit 176 more frontline engineers during 2015/16. Many of the new recruits are helping to help build Scotland's fibre broadband network and install fibre services in homes and businesses across the country. The recruitment supports both BT's commercial roll-out and the Digital Scotland partnerships.

BT plans to create at least 90 new apprenticeships across Scotland during 2015/16, with up to 30 posts at BT's customer contact centre in Dundee and more than 30 engineering posts in its local network business, Openreach. They will join the 133 people already undergoing BT apprenticeships in Scotland. BT also continues to recruit new graduates in Scotland. BT's Software Development Centre in Glasgow – one of only five BT global sites – is providing some great opportunities.

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BT recognises that for the UK economy to grow it is essential for everyone to develop the skills for success at work. BT supports a range of programmes including providing more than 500 traineeships in 2014/15. BT also offers work placements and work experience opportunities, and supports the development of technology skills in schools. In 2015/16 BT will be offering up to 1,000 vocational and work experience placements to 18-24 year olds as part of the UK employer-led initiative 'Movement to Work', this includes three pilot locations across Scotland.

In March 2015 BT announced the launch of a new, ambitious programme to build a culture of tech literacy for the UK. This is a long-term commitment for BT with an ambition to inspire 5 million young people to connect with tech concepts by 2020 to benefit young people and the UK economy. Through the Barefoot Computing Project's initial phases (May 2014-July 2015) BT has already supported 850 workshops, 2,400 schools, 12,500 teachers and reached 340,000 pupils across the UK.

BT is also a key supporter of the Scottish Council for Development and Industry's Young Engineer and Science Clubs network, working in around 900 primary and secondary schools across Scotland. The clubs are designed to promote education and career ambitions in Science, Technology, Engineering and Maths (STEM) – subjects that are considered essential for the future economy in Scotland. In particular, the Young Engineer and Science Clubs seek to encourage young female students to see traditionally male subjects as providing them with exciting and relevant careers.

6

A Purposeful Business

BT recognises the importance of connectivity to social wellbeing and to economic growth. Wherever BT operates, it works to extend the value it can add to communities and to society at large, by finding new ways for its products and services to bring social and economic benefits.

In 2014/15, BT invested £32.5 million in sustainable and responsible business activities, a full 1.15 per cent of its adjusted profit before tax.

In 2014/15 BT invested more than £1.1 million in sustainable and responsible business activities in Scotland, which also benefited from wider UK activities funded at over £13 million. As part of a four year national partnership with The Lord's Taverners, BT has provided funding and in-kind support to St Crispin's School, Edinburgh with £25,000 to Park School, Kilmarnock in 2015. BT has also provided support and funding for four projects through The Supporters Club.

Creating a Connected Society

BT helps people across the UK to develop the skills, knowledge and confidence they need to use the internet safely and securely. BT has shared with all its customers the 'parental controls' internet safety feature that comes free with BT Broadband. This helps families limit access to undesirable content and remain secure while still using BT's products and services and internet capability to the full. In partnership with UNICEF, through 'The Right Click: Internet Safety Matters' programme, BT has delivered a series of workshops across the UK on how to keep children safe online.

By the end of April BT had delivered 100 workshops. BT volunteers are supporting the programme by delivering "Train the Teacher" sessions followed by an interactive workshop for parents and children. In Scotland 23 workshops have already been completed.

BT has also been making the internet affordable to people with lower incomes, people with disabilities, and the elderly. The company has also inspired small businesses to tackle digital exclusion locally.

BT Scotland has been working with Glasgow Housing Association (The Wheatley Group) and the Scottish Government to run a pilot to evaluate the impact of providing free Wi-fi and digital skills training to hundreds of GHA tenants in high rise flats in Knightswood. Affordable Wi-fi access was deployed to 138 family homes in one of GHA's multi-storey properties at Kirkton Avenue. As a result of the pilot, two thirds of tenants in the block are seeking employment online, with four per cent finding work in the first six months of the study. One third of tenants also saved money, with 65 per cent saving more than £100. BT now offers this affordable Wi-fi service to social housing associations across the rest of the UK.

BT has just completed a three-year investment into a major digital inclusion project, Get IT Together, helping people in some of the most remote geographies of the Highlands and Islands to take their first steps online. BT is a founder signatory of the Scottish Council for Voluntary Organisations (SCVO) Digital Participation Charter, a national movement to promote digital participation and basic digital skills. BT is investing £25,000 in the SCVO Digital Challenge Fund in 2015/16 to support third sector organisations which are helping people to get online in their communities.

Delivering Environmental Benefits

BT uses its technologies to respond to the global climate change challenge. For the sixth successive year, BT has reduced its UK net carbon emissions (CO₂e) by sourcing renewable electricity, using more efficient vehicles and reducing its energy consumption. BT helps customers reduce their own carbon emissions too. The company also invests in innovative, energy-saving products and services, and plays a full part in engaging stakeholders to influence national policy development, to help reduce the risk of serious climate change impacts.

Scotland has some of the toughest environmental targets in the world, with its Climate Change Act setting a target of reducing emissions by 80 per cent by 2050, with an interim target for a 42 per cent cut in emissions by 2020. BT's own 2020 ambition is to help customers cut their emissions by three times its own carbon impact. Using its technologies BT has reduced its UK net carbon emissions (CO₂e) for the sixth year in a row, including through sourcing more renewable electricity. BT now purchases enough renewable energy from wind farms in the Scottish Borders and Caithness to match the power consumption of its entire Scottish operations. BT has also been working to help its customers reduce their carbon emissions, investing in innovative products and services. The company has also been influencing policy and engaging stakeholders, which presents an opportunity for innovation and growth and helps reduce the risk of serious climate change impacts.

Supporting Charities and Communities

BT provides its technology, time and expertise to help thousands of charities with their fundraising and to work more efficiently.

MyDonate is a commission-free online fundraising service for UK charities, with no set up fee or monthly charge - this service from BT has helped raise more than £2 million for charities in Scotland. The BT Community Web Kit has also helped small charities across the nation build 830 websites.

Volunteering is a key part of BT's support for charities and the community. BT believes that volunteering is good for its people, and BT's employees can volunteer in many different ways, sharing their professional skills and helping to raise funds. As well as benefiting charities and the communities they support, this strengthens BT's business profile. BT's volunteering programme enables employees to contribute up to three days of working time each year to community or charitable work. In 2014/15, BT volunteers provided more than £15.7 million of in-kind support and assistance - some

50,500 days - with one in four employees choosing to volunteer during the year.

In Scotland BT people provided more £1 million of in-kind support and assistance, some 3,337 days. BT volunteers are involved in activities ranging from coaching football and running sports clubs to working in schools and hospices. BT people help young people develop employability skills and they mentor young business start-ups. They take on civic roles as reserve forces, special constables and on Children's Panels; they raise funds for charities and support major telethon and disaster emergency appeals, such as Children In Need and Comic Relief.

Case study – Emergency Response Team

BT's Emergency Response Team (ERT) is made up of highly-skilled BT engineers. These volunteers provide on-the-ground support, as well as remote advice to restore damaged communications both in the UK and around the world. Richard Gray, based in Central Scotland, is an ERT volunteer and has responded to various deployments. Assignments to date with the ERT have been varied, including supporting the Philippines response, London 2012, floods in exchanges, cable theft near the Isle of Skye and supporting the Commonwealth Games. As the team is involved in a broad range of activities they have extremely specialist training. Richard explains, *"We receive specialist training in areas like working in a hostile environment, where we learn how to deal with hostage and other critical situations, using breathing apparatus and managing floods. We're the people that get telephone exchanges and networks back up and working very quickly, that in itself is very rewarding."*

More detailed information can be found at www.bt.com/deliveringourpurpose

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Scottish Rugby and BT Murrayfield

BT is a major supporter of Scottish Rugby. A transformational, multi-million pound sponsorship deal announced by BT in May 2014 includes naming rights for the national stadium, BT Murrayfield, and sponsorship of the Scotland 7s, the domestic league and cup competitions. In April 2015 it was announced that BT would become shirt sponsor for all Scotland national teams including the senior men's and women's teams. BT Sport is also shirt sponsor for Scotland's two professional clubs, Edinburgh Rugby and Glasgow Warriors.

BT funding is helping Scottish Rugby to launch four BT Sport Academies around the country to nurture the future stars of the game. Each year will see a £1.2 million investment to create, resource and operate the academies which are open to the best young male and female talent. The Academies will also develop coaches and help bridge the gap between the club and professional game. Scottish Rugby has also set up a Club Sustainability Fund, worth £1.6 million over four years, on the back of its partnership with BT Sport. Grants will help clubs improve their facilities and clubs around the country are already benefiting. BT's close relationship with Scottish Rugby reflects its wider investment to put rugby at the heart of BT Sport, including exclusive coverage from the Aviva Premiership.

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Other Impact in the Region

Devolution has presented many opportunities to develop relationships with the public sector. BT Global Services is winning business with genuine partnerships based on flexible models, which deliver innovation and efficiency savings.

Agile working has the potential to make savings of £3.2 billion in the public sector in Scotland if adopted by 40 per cent of the workforce. Other benefits include increased productivity and motivation; reduced sick leave; better work-life balance; enhanced recruitment and retention. There is also potential to reap reduced travel costs and environmental benefits through effective use of technology including, audio and video conferencing and avoidance of travel at peak pollution times.

BT Global Services is also the partner of choice for some of Scotland's biggest businesses, including Royal Bank of Scotland and National Australia Group, which owns The Clydesdale Banking Group.

Disclosure Scotland promotes safe recruitment through the disclosure of criminal history information. The partnership was launched in April 2002 and has continued to deliver more than 8 million disclosures.

NHS24 is a long-term ICT partnership giving people in Scotland access to a confidential, nurse-led telephone service around the clock.

In a five year partnership with NHS Scotland, BT is providing a single phone network for the NHS in Scotland, saving £4 million a year. It's the first fully integrated public sector voice network of its scale in Scotland.

BT is the communications partner in a 10-year programme to integrate Scottish Water's entire communications infrastructure to reduce IT costs and deliver improved services.



Technical Appendices

Here we set out the methodology used to estimate the economic impact of BT and the data sources that have been drawn upon.

Definitions

There are three sources of economic impact that a company like BT generates.

Direct impacts

These are the impacts arising as a direct consequence of the company's activities, in the form of output and wealth creation, employment within the firm and associated employment income.

Indirect impacts

Also known as the supply chain impact, this contribution arises from BT's purchasing of goods and services from suppliers in the UK, who in turn make further purchases from their suppliers, and so on. This chain of procurement spending resulting from BT's initial expenditure injection creates further wealth, and supports jobs and income.

Induced impacts

Further economic activity and employment is created as BT employees and those whose jobs are supported through supply chain effects spend their wages and salaries on goods and services. The economic effects from this consumer spending are known as the induced effect.



Throughout the report these impacts are measured using four key indicators:

Output

This refers to the turnover/sales revenue that is generated directly within BT or within other firms in the economy through indirect and induced effects.

Gross Value Added (GVA)

This is the key measure of wealth creation within an economy and is used by the government to monitor economic performance. It refers to the residual value created by firms once non-labour costs have been paid, which is then distributed to owners/shareholders in the form of profits and to employees via wages and salaries. It is measured in two ways:

- GVA = turnover minus bought in goods and services (known as the *production* approach)
- GVA = gross operating profit + depreciation and amortisation + taxes less subsidies on production + compensation of employees (i.e. wages plus social security contributions) (known as the *income* approach)

Employment

This is the quantity of jobs supported by BT's activities. Since these jobs are a mix of full time and part time positions, throughout the report we refer to Full Time Equivalent (FTE) posts, in order to express all jobs in a common currency.

Employment Income

These are the gross wages and salaries paid to employees whose jobs are supported by BT, including NI and pension contributions, and PAYE taxes.

Note that the economic impact figures presented throughout this report are expressed to three significant figures. This means they have been rounded up or down as appropriate and, as a result, may not sum exactly to the totals presented.



Methodology and Data Sources

The methodology used to estimate BT's economic impacts for 2014/15 has been designed to be consistent with previous reports. Further information is provided below.

Direct impacts

The two data sources used to estimate this are BT's financial accounts for 2014/15 and BT's HR database.

Output has been taken directly from the accounts, as revenue from external customers in the UK. This removes both internal revenue resulting from internal transfers between BT group companies and sales made outside the UK.

GVA has been calculated using the income approach, as the sum of gross operating profits before tax, interest, depreciation and amortisation, and compensation of employees. We have estimated UK gross operating profit using global EBITDA* from the accounts, and estimated the UK portion by factoring down by the UK share of total revenues. Compensation of employees has been estimated using data on gross wages and salaries (sourced from BT), plus social security costs (sourced from BT).

Employment numbers have been sourced from a snapshot of information provided by BT, with data on the number of people employed directly by BT and the number of contractors employed through agencies, along with their contracted hours. These have then been converted to FTE posts based on one full time job being equivalent to a 36 hour per week contract. The data indicates both the place of residence and place of work of each employee. For direct employment we have used workplace based figures. The employment numbers are consistent with those in the 2014/15 annual accounts.

* Earnings Before Interest, Tax, Depreciation and Amortisation



The BT data provided the home and workplace postcode for each employee. These were used to allocate employees to regions and local authorities for the residence and workplace based analysis. Home postcodes were not available for agency staff and contractors. The assumption was made that these members of staff were resident in the same Local Authority and Region as their workplace.

Information on contractor staff was supplied by BT.

Employment income has been estimated using data from BT, using gross wages and salaries of employees and contractors by place of work, again adjusted to be consistent with the averages wages and salaries bill quoted in the accounts in the same way as for employment numbers.

Indirect Impacts

The data source used to estimate indirect impacts has been provided by BT by location and by sector. Each supplier was allocated to a region and local authority based on the invoicing address. Suppliers were then allocated to sectors using the following process:

- All suppliers common to both 2015 and 2013 procurement data were allocated to the same sector as they had been in the 2013 economic impact assessment. This provided a sector allocation for covering 79% of total spend.
- Suppliers not included in the 2013 procurement data were allocated to sectors based on a brief review of each supplier's business activities using information available on company websites. This manual allocation was completed to ensure that c.90% of procurement spend in each region and all suppliers where invoices totalled £10 million or more were covered.



- The remaining suppliers were assumed to be operating in the telecommunications sector.

As expenditure on contract and agency staff is encompassed by the employment element of the direct impact assessment, all identifiable procurement expenditure with employment agencies has been removed from the supplier spend analysis, in order to avoid double counting.

Impacts have been estimated using Regeneris Consulting's input-output tables for the UK and the regions.

Induced Impacts

Data on wages and salaries of BT employees and contractors by place of residence has been used to calculate induced impacts, along with the employment income of indirect employees estimated above.



The regional and local dimension

Estimating regional and local impacts

The results are presented for the former Government Office Regions as well as the recently formed Local Enterprise Partnership (LEPs). Wherever possible this has been informed by actual data for these areas, but where this data is not available, we have apportioned results to local areas using suitable apportionment factors, drawn from other BT data. This should therefore be borne in mind when interpreting results at these geographical levels.

The HQ effect

National procurement contracts are often allocated to a location according to the supplier's HQ address. However, it may be that these services are actually provided from a series of locations around the country. This process of allocating the procurement expenditure to the HQ location, rather than the location of the depot where activity is taking place, may skew impacts to the HQ region and consequently under-estimate impacts elsewhere. We have adopted this approach as in previous year's assessment. It does mean that the results pertaining to indirect impacts in particular may be subject to significant margins of error, particularly at the local level.



Benchmarking the Results

The report sets the key results in their wider socio-economic context, in order to illustrate the relative scale of BT's contribution to the local, regional and national economy. To do this we have drawn down nationally published statistics. The data sources used are as follows:

- 1. Total employees in employment:** The total number of people employed by all businesses with operations in the area. This excludes working proprietors and is presented as Full Time Equivalent employees (it excludes the self-employed). (Source: ONS, BRES, 2013).
- 2. Total IT and Communications sector employees in employment:** The total number of people employed by ICT businesses with operations in the area. This excludes working proprietors and is presented as Full Time Equivalent employees (it excludes the self-employed). (Source: ONS, BRES, 2013).
- 3. Total private sector employees in employment:** The total number of people employed by private sector businesses with operations in the area. This excludes working proprietors and is presented as Full Time Equivalent employees (it excludes the self-employed). (Source: ONS, BRES, 2013).
- 4. Total gross earnings from all residents in employment:** This has been derived using the total number of residents in employment (source: Annual Population Survey, 2014) multiplied by the average gross annual pay for all employees in that geographical area (source: Annual Survey of Hours and Earnings, 2014)



5. Total gross earnings from all employees in employment: This has been derived using the total number of people employed by businesses in the area (source: BRES, 2013) multiplied by the average gross annual pay for all employees in that geographical area (source: Annual Survey of Hours and Earnings, 2014)

6. Total GVA - Total Gross Value Added generated by businesses based in the area: GVA data has been provided for regions and selected LEP areas (Source: ONS, Headline Workplace Based GVA at Current Basic Prices, 2013 and ONS, GVA for Local Enterprise Partnerships, 1997-2013).

Offices Worldwide

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