



# Economics

BT is one of the largest companies in the world and makes a considerable contribution to the global economy.

We have direct economic impacts through the jobs we provide and the products and services we buy. In addition the ICT industry supports economic growth by improving efficiency and productivity.

We want to make sure that ICT contributes to growth that benefits society and respects the environment. Achieving sustainable economic growth is a key strand of our [CSR strategy](#). Our work in this area includes finding innovative products and services that meet customer sustainability needs and integrating sustainability into our business processes.

## Direct economic impacts

We make a direct economic contribution through our payments to employees, suppliers, investors and governments. These are the key financial figures for the 2008 financial year:

### BT sales

BT revenue of £20,704 million, distributed as follows:

BT Retail	£8,477 million
BT Wholesale	£4,959 million
BT Global Services	£7,889million
Openreach	£5,266 million
Other	£28 million

Find more details in the BT Group plc consolidated income statement on page 96 of the [2008 Annual Report](#) and Form 20-F.

### Employees

Total spend on employees:

Wages and salaries	£4,242 million
Social security costs	£417million
Pension costs	£626 million
Share-based payments	£73 million
<b>TOTAL</b>	<b>£5,358 million</b>

Our economic impact is most significant in the UK, where most (82%) of our employees are based. But as we expand internationally, our economic impacts are becoming more pronounced in other regions, mainly Europe and India.

In the 2007 financial year we commissioned Accountability to help us understand our economic impacts. The [report](#) found that;

- In the UK in 2003, an estimated 1.4 million people worked in the ICT sector. BT accounts for around 7% of the sector in terms of workforce.
- In Europe in 2003, around 6 million people worked in ICT. BT constitutes roughly 1.5% of sector employment.
- Worldwide in 2003, around 32 million people worked in ICT. BT's share of global ICT sector is approximately 0.3%.

### Suppliers

- Total spend with suppliers: £8.64 billion.
- Total capital expenditure: £3.3 billion.

See more detail on page 103 and 104 of the 2008 Annual Report and Form 20-F.

### Shareholders and creditors

- Total dividend paid in the year to shareholders: £1,236 million.
- Net debt increased from £7.9 million to £9.5 million.
- Net finance expense payable £378 million.
- Total amount falling due to creditors within one year: £7,591 million.

### Revenue breakdown by geography and market share

- UK £17,186 million (83%)
- Europe (excluding UK) £2,510 million (12%)
- Americas £847 million (4%)
- Asia and Pacific £161 million (1%)

See the 2008 Annual Report and Form 20-F for more detail.

### Tax

The tax charge for the 2008 financial year was a net charge of £238 million and comprised a charge of £581 million on the profit before taxation and specific items, offset by tax relief of £343 million on certain specific items.

More details of our total taxes paid and group tax strategy are available on page 49 of the 2008 Annual Report and Form 20-F.

## BT's wider impacts

Our business has a wider (indirect) impact on the economy when employees, contractors and suppliers spend the money we pay them.

We asked [Accountability](#) to look at our indirect economic impacts in a [paper](#) produced in 2006. They concluded that:

"BT is an important player in the dynamic ICT market in the UK and across the world. Along with other ICT providers, BT's converging services are changing the way learning is provided, products are devised, people are governed, teams are managed, services are consumed and entertainment is delivered. By managing its indirect economic impacts, BT can help build the responsible competitiveness of the host economies of the countries in which it operates, from UK PLC to the global village and from Brussels to Bangalore."

## Our indirect economic impacts in the UK

A [study](#) produced for BT during the 2007 financial year demonstrates the importance of our contribution to the UK's regional economies. The figures below show the value added directly through BT's services and additional value generated through our suppliers across the regions.

The value BT added to the UK's economy was over £10 billion in the 2006 financial year and supported the employment of almost 173,000 people.

### Total economic impact of BT in the UK in 2006 financial year

	Impact financial (£million)	Impact Employment (000,s)
Direct	9,529	94.3
GVA(Gross Value Added)	10,096	
All taxes on production	1,130	
Employment Impact		172.6
Total	20,924	266.9

## BT's UK impact by region

	Impact financial (£million)	Impact Employment (000,s)
Scotland	607.7	21.0
North East	203.8	7.1
North West	1,670.7	25.1
Yorkshire & the Humber region	564.0	20.6
East Midlands	253.7	7.2
West Midlands	1,368.3	20.9
East of England	1,238.1	37.7
South East region	7,772.7	40.2
South West region	1,416.1	19.9
London region	5,348.9	44.5
Wales	237.7	10.8
Northern Ireland	242.6	12.0

## The ICT sector

Information and communications technology facilitates globalisation, helps businesses and governments become more productive and boosts economies.

According to the European Union's [i2010 mid-term review 2008](#), ICT industries (manufacturing and services) represent around 5-6% of total GDP in the three main world economic areas (EU, US and Japan), but account for a much larger share of overall productivity growth thanks to rapid technological progress. In the EU, the ICT sector prompted a 0.3% productivity growth over the period 2000-2004, driving about one fifth of the whole productivity increase.

### ICT enabling business

ICT has great potential to help all businesses improve efficiency, productivity and innovation by:

- Reducing the cost of storing and processing data
- Enabling new ways of working, such as teleworking and global sourcing
- Faster, more effective communication and information transfer between businesses, customers and suppliers
- Automating routine tasks
- Encouraging new types of enterprise, such as online businesses.

According to the UK Office for National Statistics, the UK manufacturing growth in real terms during the 1990s was entirely due to rapid growth in ICT activity. For every additional 10% of employees using computers at UK manufacturing firms, productivity rose by 2.2%. ICT provides particularly strong economic benefits for the retail sector (including internet shopping). But all companies can benefit when investment in ICT is supported by training and a flexible organisational structure.

### Improving the public sector

The UK Government now provides extensive online public services, and is one of BT's largest customers. The range of services provided to UK citizens includes passport applications, TV licences, vehicle tax, online consultation and tax and health advice. A report in 1995 from UK think tank [The Work Foundation](#) claims that 96% of public services are now available on the internet, more than those offered by telephone.

When effectively applied, the use of ICT frees up resources for alternative public investments. While some early public sector ICT projects have disappointed, the technology clearly has enormous potential to improve the provision of public services and the role of local government.

## Sustainable economic growth

Information Communications Technology (ICT) has the potential to benefit society and the environment and to stimulate economic growth. We want to make sure these benefits are realised.

Our sustainable economic growth programme is intended to help BT and our customers achieve socially beneficial growth within environmental limits. This is one of the four key strands of our [CSR strategy](#).

The programme focuses on marketplace innovation and embedding sustainability into our key business processes. We are seeking out new commercial opportunities that generate revenue for BT and meet our customers' need for sustainable products and services.

Our work in this area has four key objectives:

- To deliver projects that have a positive individual, organisational and systemic impact
- To create business models that make a difference and inspire people to find new answers
- To deliver commercial value to BT
- To be relevant in both the developed and developing world and support BT's increasing global presence

Clive Ansell, President of Strategy, Marketing and Propositions for BT Global Services is the champion for sustainable economic growth. A taskforce meets regularly to agree objectives and drive progress. Members include senior representatives from our major lines of business, BT Design, BT Operate and our R&D and procurement functions.

## Plans and targets

We will develop a key performance indicator to help us track our progress across the whole programme. We expect this to be ready in time for our 2009 Sustainability Report.

We have also developed future plans and targets for market innovation that will help us gain access to new markets, help our customers become more sustainable and reduce the impact of our products.

### Reaching the base of the pyramid

Many companies operating in less developed countries are adopting 'base of the pyramid' business models: commercial products and services designed specifically for poorer customers.

We are expanding rapidly in less developed countries and exploring our potential to help meet social needs profitably. This is a challenge because we do not directly serve consumers in these regions.

We believe that the most promising opportunities for BT lie in using our capabilities and the benefits of ICT to help our customers gain access to markets at the base of the pyramid.

### Radical energy efficiency

We are developing products and services to help our consumer customers reduce their energy consumption. This is in line with our CBI Climate Change Task Force pledge to help UK households halve their energy consumption by 2020. See [Climate Change](#).

### Tackling obsolescence

The relatively short lifespan of much ICT equipment can contribute to wasted resources. During the 2008 financial year, we sponsored a three-month research project at University College London to identify ways of reducing obsolescence. We are in the process of working out how we can take this forward.

## Activity and progress

We have achieved our three targets in 2008:

1. BT will embed sustainability into the product and proposition development processes within BT.
2. BT will construct an opportunities map of BT's CSR related opportunities.
3. BT will investigate the development of a key performance indicator for sustainable economic growth.

## Embedding sustainability into product and proposition development

### Anticipating sustainable development trends

We are tracking global sustainability trends and will use this analysis to better understand how ICT can help solve environmental, social and economic issues. This knowledge will help us create new products and solutions with a positive sustainability impact.

## Product and service development criteria

Sustainability factors need to become central to our product development process and integral to the thinking of our product teams when they devise new services.

We have developed a set of sustainability criteria for assessing potential new products and services. These use qualitative and quantitative measures in five areas:

1. Medium- to long-term economic viability of our customers
2. Contribution to wellbeing
3. Materials use and waste
4. Energy use and CO<sub>2</sub> emissions
5. Community impacts from use of a product or service

From the next financial year, new products and propositions will be assessed against the new criteria. We are running a series of master classes to familiarise the product development community in all our lines of business with the new criteria.

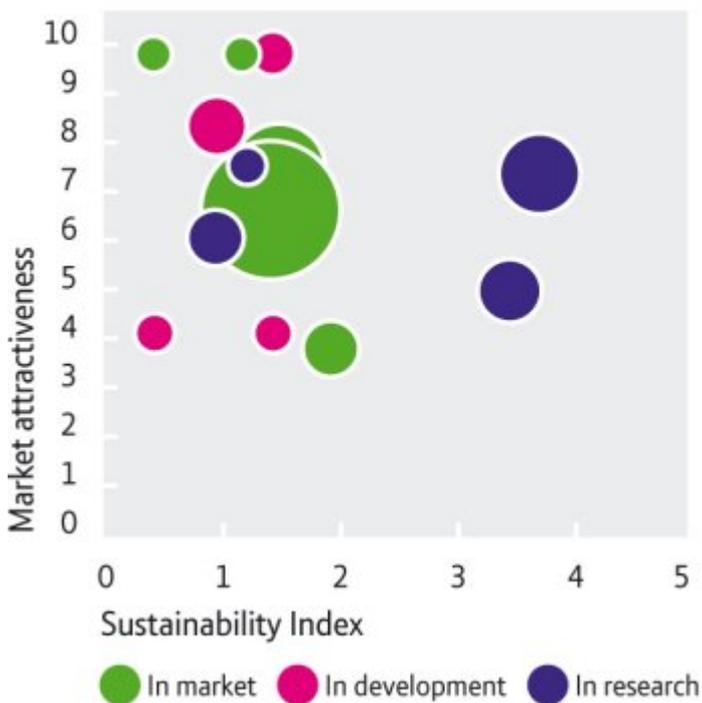
## Product stewardship

Product stewardship is a key part of our sustainable economic growth programme. Read about our approach and performance [here](#)

## Creating an opportunities map

We have created an opportunities map to help us communicate the commercial prospects we are identifying throughout our business. The map shows existing and potential products and services with sustainability benefits, alongside their market attractiveness. We will use this to raise awareness within BT and with investors and other stakeholders.

### CSR opportunity map



There are some restrictions on what we can disclose on the opportunity map because of commercial sensitivity. Examples of products and services on the opportunity map include teleconferencing, our new energy efficient range of cordless phones and data centre virtualisation, which reduces storage space and energy requirements.

Several of our lines of business are pursuing sustainability opportunities. For example, we have launched a Carbon Impact Assessment for corporate and government customers through our Sustainability Practice.

## Sustainable Economic Growth Targets

Start Date	End Date	Description	Update	Target Status
April 2008	March 2009	Quantify the business and sustainability potential for BT in helping customers access the base of the pyramid through ICT		New
April 2008	March 2009	Establish a key performance indicator for BT's sustainable economic growth programme		New

## Activity and progress Targets

Start Date	End Date	Description	Update	Target Status
April 2007	March 2008	BT will integrate sustainability into the product and proposition development processes within BT.	We have integrated sustainability into the product and proposition development process.	Completed
April 2007	March 2008	BT will construct an opportunities map of BT's CSR related opportunities.	We have completed our opportunities map.	Completed