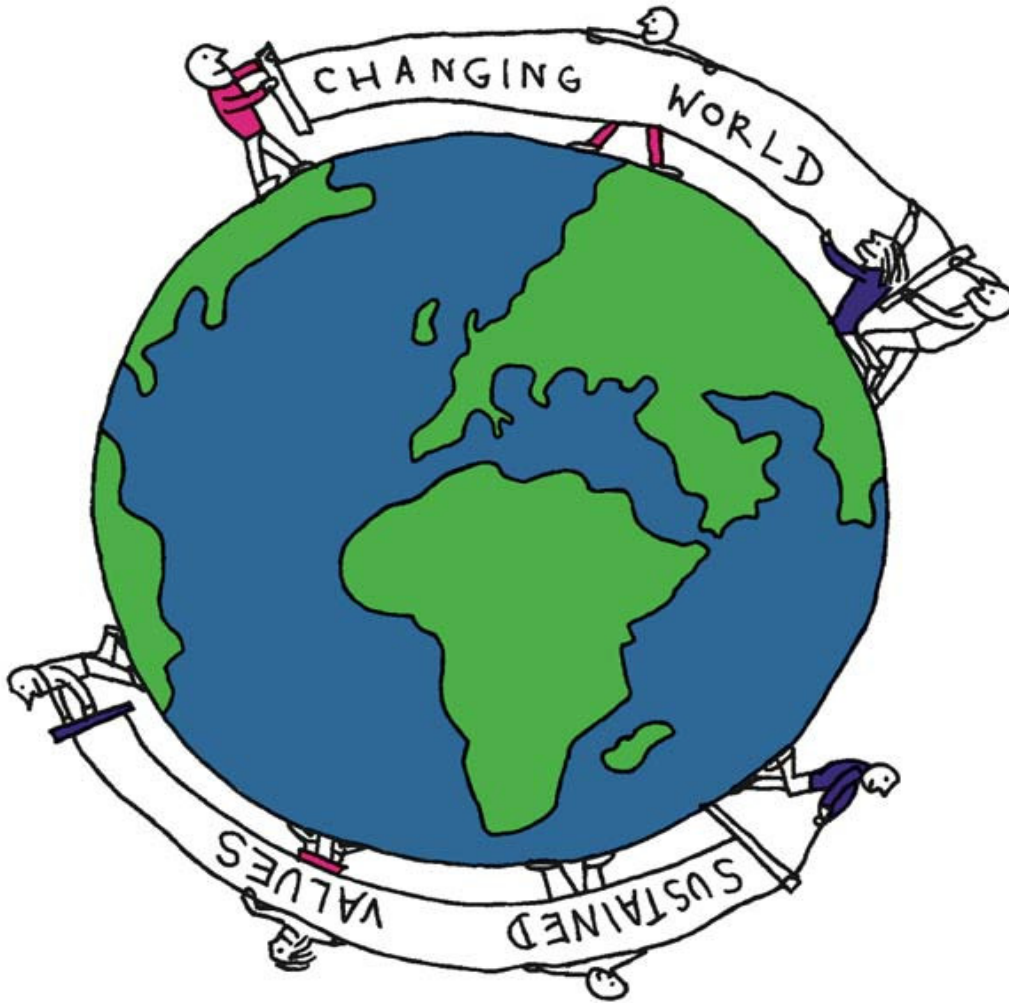


Changing world: Sustained values



Bringing it all together
for a **better** world

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 and sell. In addition, the ICT industry supports economic growth by improving efficiency and productivity.

In this section we discuss;

- Our direct economic from our payments to employees, suppliers, investors and government
- The economic impact of our sector
- And our sustainable economic growth programme

We have looked at the wider impacts of our business; We asked Accountability to look at our indirect economic impacts in a paper produced in 2006 and in 2007 we published the Social Study 2006 report ('The Economic Impact of BT in Great Britain') with economic analysis by DTZ Consulting and Research. We have not revisited either of these studies in the interim; however they still offer insight into our broader economic impacts.

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 2009 financial year, find more details in the BT Group 2009 Annual Report and Form 20-F.

BT sales

BT revenue of £21,390 million, distributed as follows:

BT Retail	£8,828 million
BT Wholesale	£3,430million
BT Global Services	£8,828 million
Openreach	£978 million
Other	£42 million

Employees

Total spend on employees:

Wages and salaries	£4,499 million
Social security costs	£432 million
Pension costs	£544 million
Share-based payments	£31 million
TOTAL	£5,506 million

Our economic impact is most significant in the UK, where most (81%) of our employees are based. But as we expand internationally, our economic impacts are becoming more pronounced in other regions, mainly Europe and India.

Suppliers

- Total spend with suppliers: £8.9 billion.
- Total capital expenditure: £3,088 billion.

Shareholders and creditors

- Total dividend paid in the year to shareholders: £1,222 million.
- Net debt increased from £9,460 million to £10,360 million.
- Net finance expense payable £620 million.

Revenue breakdown by geography

- UK £16,736 million (78%)
- Europe (excluding UK) £3,247 million (15%)
- Americas £1,119 million (5%)

- Asia and Pacific £288 million (1%)

Tax

The tax charge for the 2009 financial year was a net credit of £53 million and comprised a credit of £10 million on the profit before taxation and specific items and a tax credit of £43 million on certain specific items.

More details of our total taxes paid and group tax strategy are available in our 2009 Annual Report and Form 20-F.

The ICT sector

Use of Information and communications technology (ICT) can help businesses become more productive boosting economies and delivering low-carbon economic growth

According to the European Union's 2010 mid-term review 2008, ICT industries (manufacturing and services) represent 5-6% of total gross domestic product in the three main world economic areas – the European Union (EU), United States and Japan, but account for a much larger share of overall productivity growth by aiding rapid technological progress. In the EU, the ICT sector directly prompted productivity growth of 0.3% between 2000 and 2004, and drove about one fifth of all increased productivity.

ICT skills are spread widely across the economy. According to the Organisation for Economic Cooperation and Development (OECD) Information Technology Outlook 2008, over 4% of total employment in OECD countries is in specialist ICT jobs and this share is growing rapidly. Over 20% of total jobs involve intensive use of ICT. The ICT industry in these countries spends about two and a half times as much on research and development as the automotive sector and more than triple that of the pharmaceutical sector.

The use of ICT is also critical for low-carbon economic growth. In the 2009 financial year, we participated in the production of SMART 2020: Enabling the Low Carbon Economy in the Information Age, a report by independent organisation The Climate Group and the Global e-Sustainability Initiative (GeSI). The report is a comprehensive global study of the ICT sector's growing importance in tackling climate change. The Smart 2020 report found that the use of ICT could reduce global emissions by as much as 15% by 2020, creating cost savings of about \$946.5 billion.

Sustainable economic growth

Information Communications Technology (ICT) has the potential to benefit society and the environment and stimulate economic growth. We want to make sure this potential is realised. Our sustainable economic growth programme is intended to help BT and our customers grow in ways that benefit society without exhausting environmental resources. This is one of the four key strands of our CR strategy.

The programme has two focusses: marketplace innovation and embedding sustainability into business processes such as product and proposition development. We seek commercial opportunities that will generate revenue in the longer term and meet customers' need for sustainable products and services.

In the 2009 financial year, we have worked with AccountAbility on a thought leadership piece exploring the role ICT can play in the development of emerging markets, by enabling business to business activity. The report is available from the AccountAbility website.

Plans and targets

In the 2010 financial year, our sustainable economic growth programme will focus on three targets:

- We will develop a clear plan on our top opportunities for the low carbon economy
- We will publish our KPI for the Sustainable Economic Growth programme
- We will drive improvements in the sustainability of our strategic product launches in the year.

Towards the end of this year we will also review the work that we have done this year on the potential role of ICT at the base of the pyramid.

Activity and progress

We had two targets for the Sustainable Economic Growth programme in the 2009 financial year (2009):

- Establish a key performance indicator (KPI) for BT's Sustainable Economic Growth programme
- Quantify the business and sustainability potential for BT to help customers use information and communications technology (ICT) to access the base of the pyramid.

KPI development

In 2009, we assessed significant product and service launches in each of our four lines of business (BT Retail, BT Wholesale, Openreach and BT Global Services) using quantitative and qualitative measures of the five sustainability criteria below. We are also assessing significant bids we have been involved in.

Economic:

- Medium- to long-term profitability or financial viability of our customers

Social:

- Contribution to individual wellbeing
- Community impacts from use of a product or service

Environmental:

- Energy use and CO₂ emissions
- Waste and materials use

The results of these assessments have helped us to develop a KPI and internal target for the Sustainable Economic Growth programme. This was a challenging process that increased involvement in our sustainability programme across BT. The internal target is based on the sustainability impact of

products and services in development, and we have conducted wide-scale assessments to measure our progress toward it. We want to continue to test our approach and learn more from it before we publish the KPI, target and results externally.

We are also developing a measure of the sustainability impact of our products and services to use with customers. We expect to progress this in the next financial year.

Base of the pyramid

We ran a major project in 2009 to understand the potential sustainability and commercial opportunities for BT at the base of the pyramid.

The term base of the pyramid often refers to the four billion people in emerging markets who live on less than \$8 a day. Many companies are looking at ways to use commercial activities to meet development objectives in these markets. Much of this activity has focused on business-to-consumer opportunities.

As BT does not serve consumers outside the UK and Ireland, we have focused our efforts on understanding how we can help other companies to reach the base of the pyramid more effectively.

During 2009, we experienced significant business challenges in Global Services – the part of our business where potential base of the pyramid opportunities are most relevant. This has impacted the progress of the project, as we seek to align our actions with the development and realignment of Global Services' business strategy.

However, we have collaborated with AccountAbility on a thought leadership piece exploring the role ICT can play in the development of emerging markets, by enabling business to business activity.

Product stewardship

Product stewardship is a key part of our Sustainable Economic Growth programme. Read about our approach and performance here .

Creating marketplace opportunities

The quality of our sustainability performance differentiates us from our competitors. This is important when bidding for major contracts in both the public and private sector. These contracts were worth around £1.9 billion in the 2009 financial year.

Creating an opportunities map

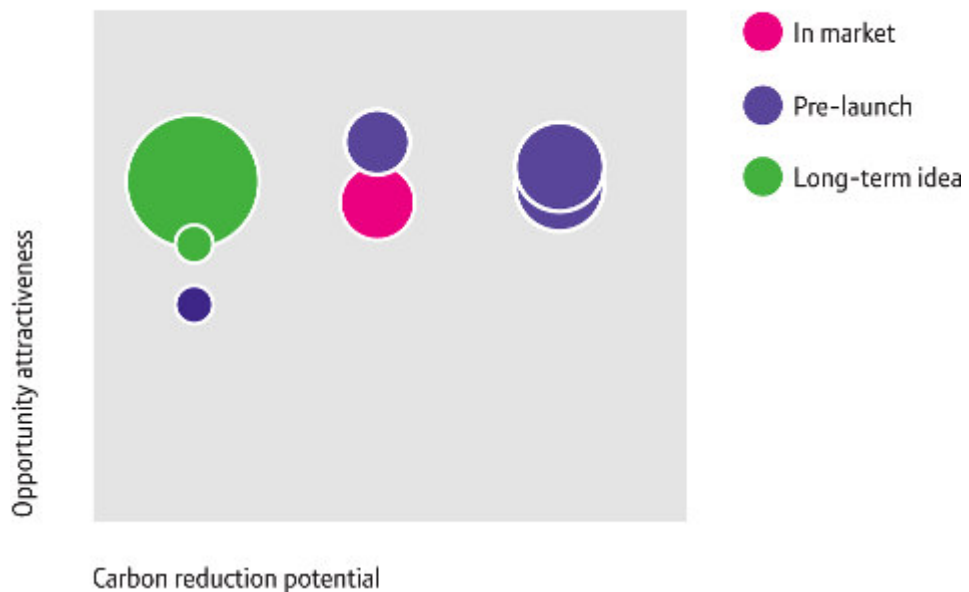
We published an opportunities map for the first time in our 2008 sustainability report, to show our pipeline of existing and potential products and services with sustainability benefits, alongside their market attractiveness.

This year, we focused on opportunities for BT in a low-carbon economy, partly in response to our involvement in the Global eSustainability Initiative (GeSI) report 'SMART 2020: Enabling the low-

carbon economy in the information age'. The results are shown in the map below.

There are some restrictions on what we can disclose on the opportunity map because of commercial sensitivity. Examples of products and services on the map include our carbon impact assessment, thin client services and energy management.

BT low-carbon economy opportunity map



Although the Sustainable Economic Growth programme looks at longer-term sustainability opportunities for BT, our lines of business are also pursuing several immediate opportunities. BT's Sustainability Practice, for example, helps customers to quantify possible cost and environmental savings from the use of ICT in the following areas:

- Operational efficiency
- 21st century data centres
- Contact centre efficiency
- Flexible working
- Field force automation
- Unified communications and collaboration.

A case in point is our I.NET Business Factory data centre in Italy, which now uses a natural underground water source for sustainable cooling. Data centres generate heat but need to be kept at a consistent temperature, and conventional air conditioning is costly and energy intensive. Water from the underground reservoir provides efficient, sustainable cooling, and is later reused for crop irrigation in the region. The low-power cooling system has reduced the data centre's carbon dioxide emissions by 4,500 tonnes per year.

Because we manage technology infrastructure on behalf of our customers, we are able to advise them on sustainability best practice as well as helping them economise and improve their environmental footprint. For example, we provide networked IT services to Swedish bearing manufacturer SKF, which has high quality and environmental standards at its 120 sites in 70 countries. Sustainability is an integral part of its operations. By ensuring a smooth flow of data and cutting carbon dioxide emissions by reducing the need for business travel, BT's services help SKF to meet its sustainability commitments.

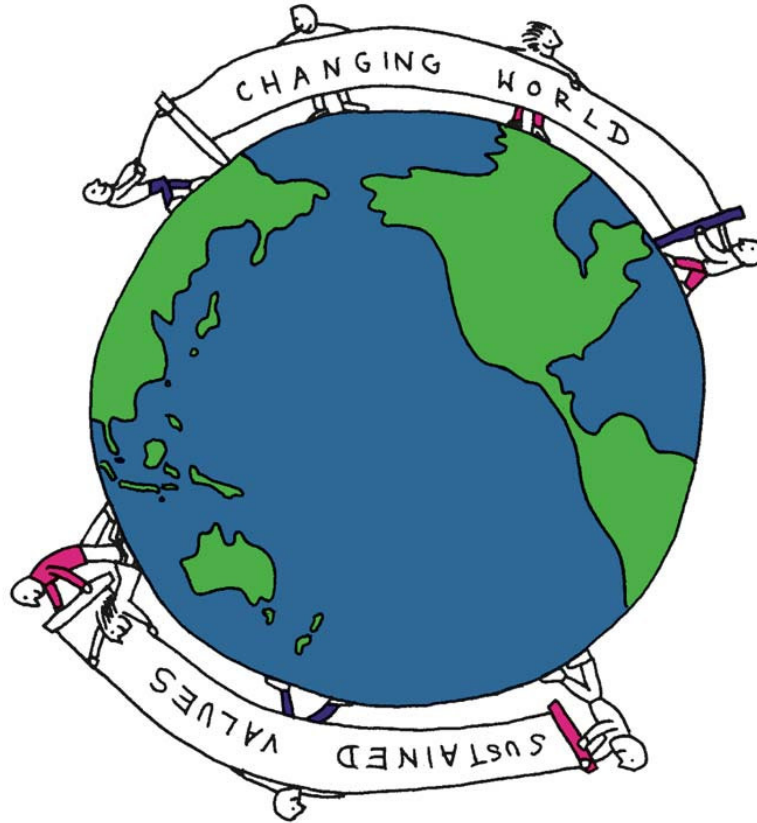
More information is available on our Bigger Thinking website.

BT targets



Start Date	End Date	Description	Update	Target Status
April 2009	March 2010	By March 2010, BT will develop a clear plan on our top opportunities for the low carbon economy.		New
April 2009	March 2010	By March 2010, BT will drive improvements in the sustainability of our strategic product launches in 2009/10 and publish case study examples in our 2010 sustainability report.		New
April 2009	March 2010	By March 2010, BT will publish our KPI for the Sustainable Economic Growth programme.		New
April 2008	March 2009	Establish a key performance indicator for BT's sustainable economic growth programme	A KPI has been developed this year and measured. This has been a challenging activity and we are still refining the methodology which means that we have taken the decision not to publish the results externally this year.	Completed
April 2008	March 2009	Quantify the business and sustainability potential for BT in helping customers access the base of the pyramid through ICT	We have completed this analysis but challenges in our Global Services business means that this work is currently on hold until later in the year.	Delayed

Thanks for reading what we have to say – now we want to listen to you. Email us at yourviews@bt.com and tell us what you think of this report and sustainability at BT.



BT Group plc

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