



Social Study 2015

The Economic Impact of BT
in the United Kingdom
& in Northern Ireland



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



As Northern Ireland's leading provider of telecommunications networks and services, BT plays a key role in supporting the region's continued economic and social prosperity. Across Northern Ireland we are making connections, and creating new possibilities, in turn helping businesses to grow, communities to flourish, and people to get more out of life.

At BT, we bring together the expertise of our people and the best networks and technologies to create a better world. We support employment in every part of the region through our direct workforce and, indirectly, through our extensive supply chain.

This report concentrates on and highlights the direct economic contribution BT makes across Northern Ireland. It estimates BT's total Gross Value Add (GVA) to the UK economy, combining the direct, indirect and induced

impacts of our activities and spending. In Northern Ireland BT's GVA for 2014/15 is estimated to be £432 million.

BT continues to make significant investments for the long-term benefit of both the company and Northern Ireland. Our biggest investment to date has been in superfast broadband, and today our network covers more than 93 per cent of the Northern Ireland population, ahead of many major European cities, offering download speeds of up to 80 Mbps and upload speeds of up to 20 Mbps.

We have made substantial direct investments in improving Northern Ireland's communications infrastructure in partnership with the Northern Ireland government. Projects include the Northern Ireland Broadband Improvement Project and the Superfast Extension Programme. Both are currently in delivery and are bringing extensive improvements to broadband services across the region, particularly in remote and rural locations that previously could not be reached.

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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.

Central to BT's commitment to use the power of communication to make a better world, is our work in the community and last year, BT invested £1.7 million in sustainable and responsible business activities across Northern Ireland. Such is BT's impact in the community, that earlier this year, we were recognised as Northern Ireland's Responsible Company of the Year by Business in the Community NI at its annual business awards. The judges were unanimous in selecting BT for this award, crediting BT's high levels of innovation, and the fact that despite being a large company, employee buy-in to corporate responsibility was widespread and growing.

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 across the UK, offering customers more choice and further demonstrating the benefits of fibre broadband. At the heart of our sports service is The Supporters Club, which works to build a better world by bringing people together through sport and change the lives of disadvantaged young people in communities across the country.

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 region.

Colm O'Neill

*Managing Director, BT Corporate UK and Ireland
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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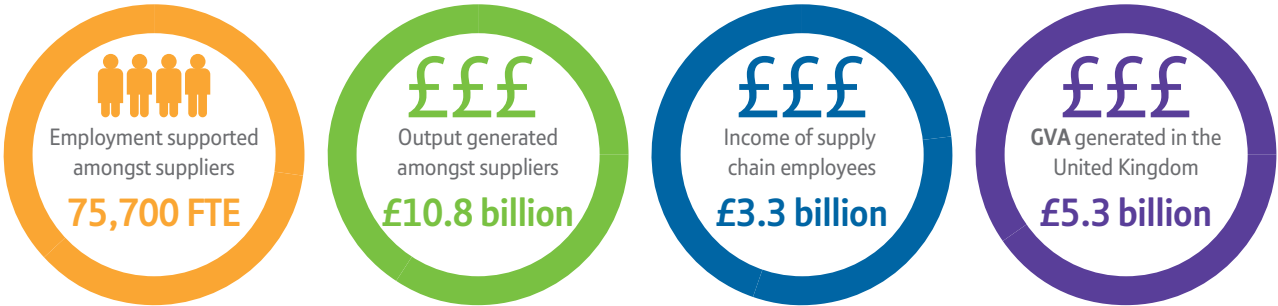
Economic Impacts

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

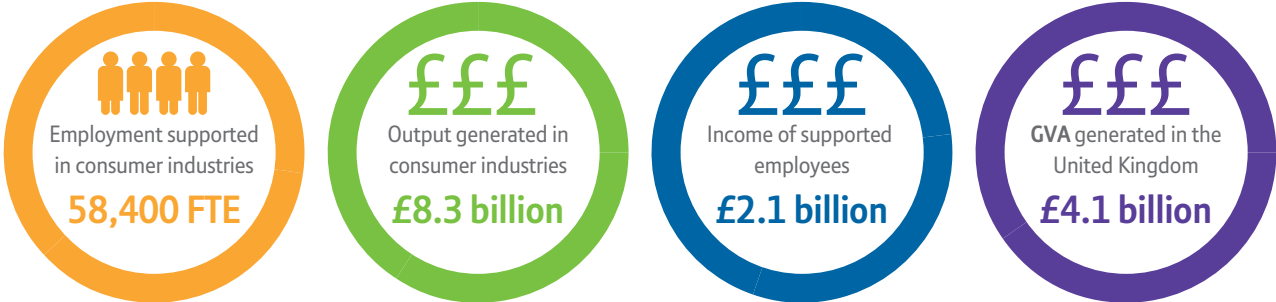
Figure 5-1: Indirect (supply chain impacts) in the UK

Source: Regeneris Consulting

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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

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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.

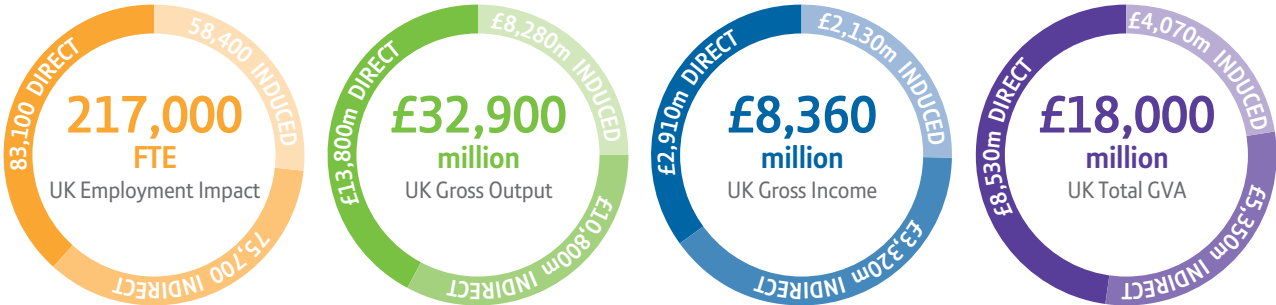


Figure 5-3: Total Impact of BT in the UK

Source: Regeneris Consulting

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Northern Ireland

Northern Ireland Key Points

3,120

BT employees live in the province (FTE)

3,110

BT employees work in the province (FTE)

£99 million

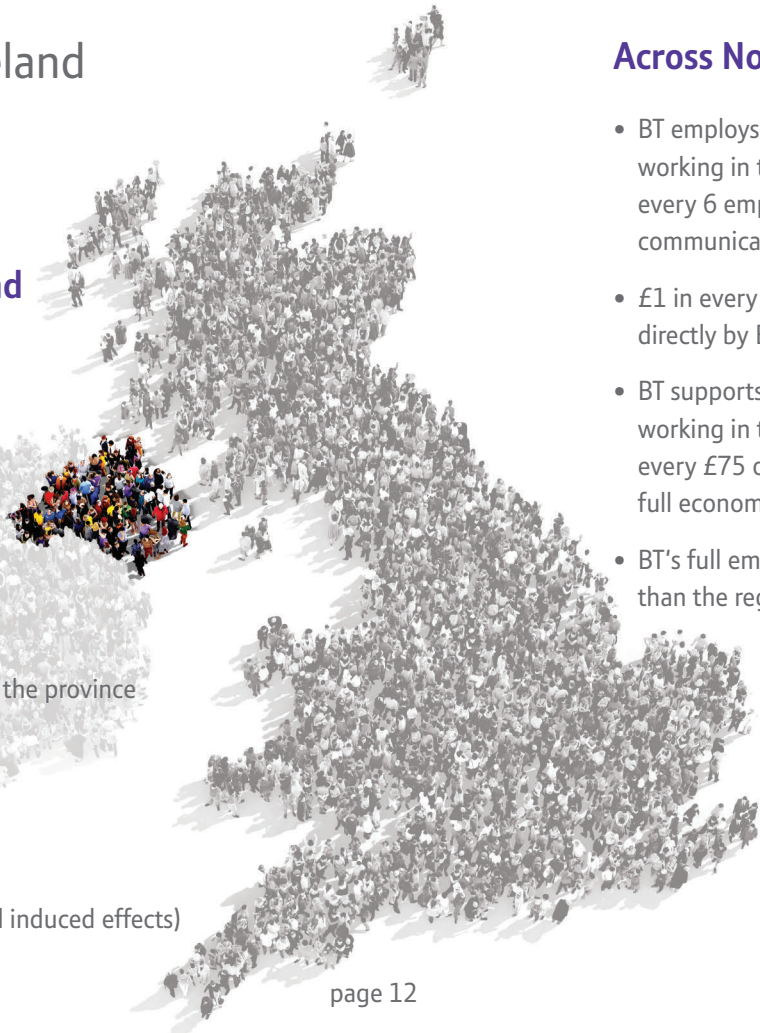
Total income of BT employees working in the province

£81 million

Spend with suppliers based in the province

£432 million

Total GVA impact (including indirect and induced effects)



Across Northern Ireland...

- BT employs 1 in every 120 employees working in the private sector, and 1 in every 6 employees working in the IT and communications sectors
- £1 in every £110 of GVA is generated directly by BT
- BT supports 1 in every 70 employees working in the private sector and £1 in every £75 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 2,440 people in Northern Ireland, with a further 667 employed as contractors. This results in £99 million in wages and salary spend across the province.

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



Procurement Impact

BT spent around £81 million with suppliers based in Northern Ireland in 2014/15. The majority was spent on telecommunications, as illustrated in this chart.

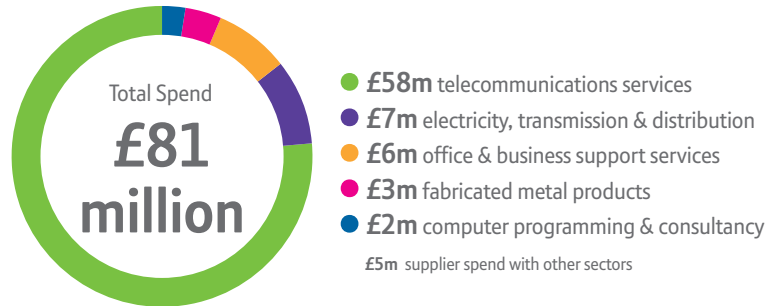
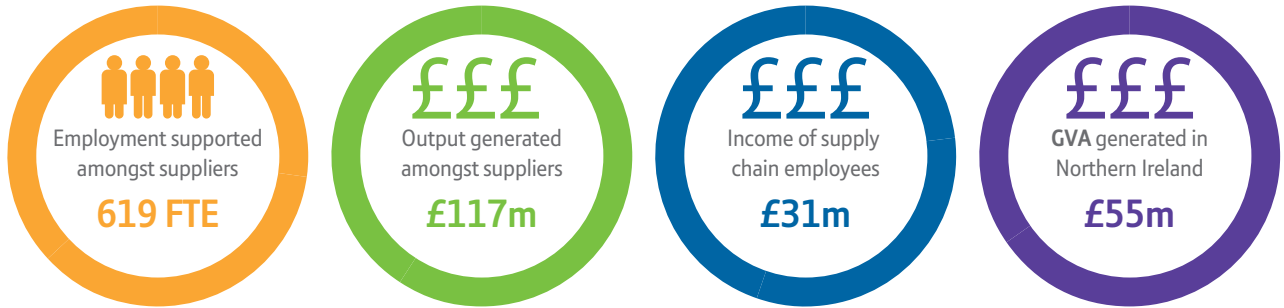


Figure 6-31: Top Five Supplier Sectors in Northern Ireland by Value of Expenditure

Source: BT Procurement data

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



BT Supply Chain Spend in Northern Ireland = £81 million

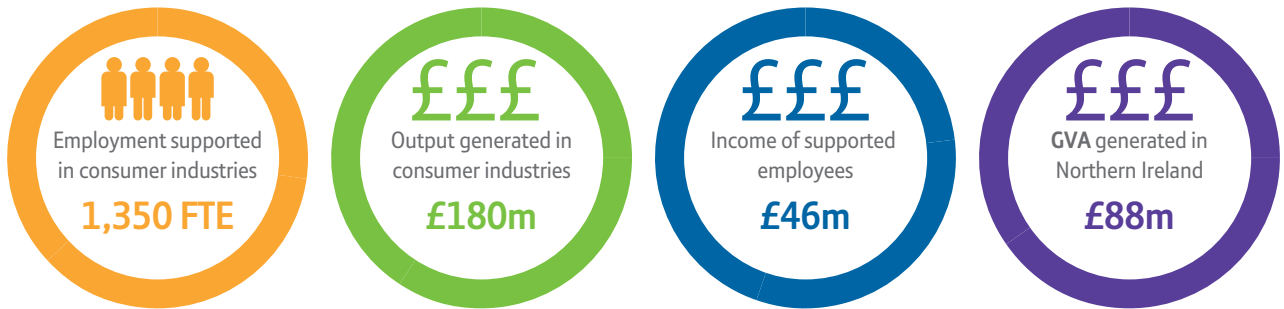
Figure 6-32: Indirect Supply chain impact in Northern Ireland

Source: Regeneris Consulting

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Impact of Employee Expenditure

BT employees and contractors based in Northern Ireland earned £99 million in 2014/15. In turn, their expenditure supports further employment and output in consumer industries in Northern Ireland. **Figure 6-33** below illustrates the wider induced employment and output supported through this employee expenditure.



Salaries of BT Employees and Contractors = **£99 million**

Figure 6-33: Induced (wage expenditure) impacts in Northern Ireland

Source: Regeneris Consulting

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Total Impact in Northern Ireland

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 Northern Ireland. This is summarised in **Figure 6-34** below.

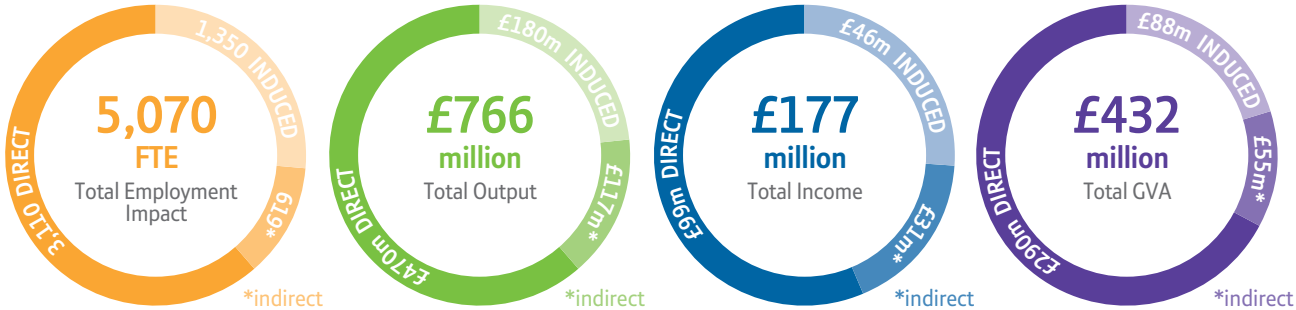


Figure 6-34: Total Impact of BT in Northern Ireland

Source: Regeneris Consulting

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Sub-National Impact

Key statistics for selected local authorities within Northern Ireland are presented in the table below.

	BT Employees & Contractors		Total Impact		
	Work in area	Resident in area	Employment	Output £ million	GVA £ million
Antrim	3	67	21	3	2
Banbridge	8	45	19	3	2
Belfast	1,660	711	3,060	500	278
Craigavon	148	161	183	24	14
Derry	249	236	299	40	24
Down	9	77	29	4	2
Fermanagh	304	307	369	49	29
Lisburn	55	180	103	14	8
Newtownabbey	225	317	297	39	23
North Down	31	123	64	9	5

Table 6-12: Local Impacts in Northern Ireland

Source: Regeneris Consulting

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Local Impacts

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

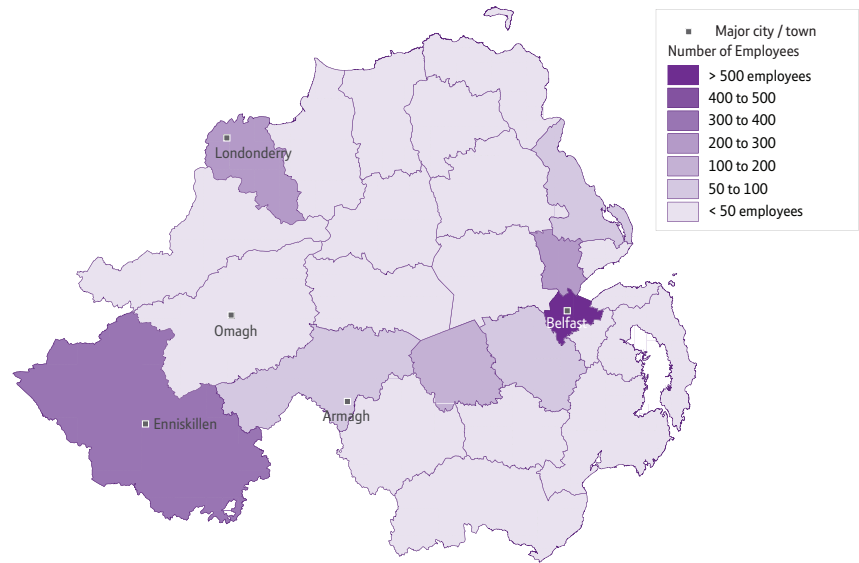


Figure 6-35: BT Employees Place of Work – Northern Ireland

Source: Regeneris Consulting

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Figure 6-36 also demonstrates the broad geographical spread of the workforce, which lives throughout Northern Ireland.

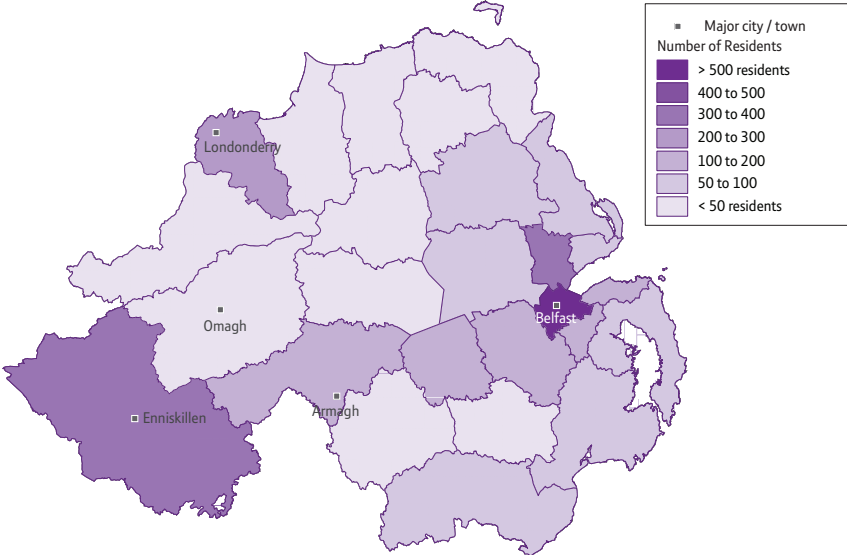


Figure 6-36: BT Employees Place of Residence – Northern Ireland

Source: Regeneris Consulting

Keeping Northern Ireland Connected

BT has an extensive fixed-line network in Northern Ireland which 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 needs of businesses, BT is continuing to expand the availability of Ethernet. When customers are away from their home or office, they can use one of BT's Wi-fi hotspots.

BT's commercial and joint investment with local government has seen a combined investment of £140 million in next generation fibre broadband services in Northern Ireland. An investment that has thrust Northern Ireland to the vanguard of European major countries in terms of availability and take up of fibre broadband.

Next Generation Broadband

In total BT is deploying fibre-based broadband to more than 93 per cent of all Northern Ireland premises.

- Fibre to the Cabinet (FTTC) is the main technology being deployed. FTTC can currently deliver wholesale downstream speeds of up to 80Mbps, and upstream speeds of up to 20Mbps. The average FTTC speed available in NI is over 50 Mbps.
- In early 2015, BT deployed its first commercial Fibre to the Premises (FTTP) technology in NI. FTTP can currently deliver faster wholesale speeds of up to 330Mbps.

ADSL2+ offers up to 20Mbps next generation copper-based broadband services and is available from 88 exchanges.

ADSL offers up to 8Mbps broadband services and is available from all exchanges in Northern Ireland.

Ethernet services offer higher bandwidth for businesses and organizations from 10Mbps to 10Gbps. Northern Ireland currently has 30 fibre nodes with a further expansion of 12 nodes planned.

Wi-fi – Belfast City Council has rolled out free Wi-fi as part of its Super Connected Belfast scheme. The network is available at over a hundred hotspots including visitor attractions, community and leisure centres and other public buildings. Numerous towns and council facilities throughout Northern Ireland now offer free Wi-fi connectivity.

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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’s (DCMS) Broadband Delivery UK (BDUK) programme and is on track to meet the target of 90 per cent of 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 has continued to invest in key programmes with the Northern Ireland government in order to extend next generation access infrastructure across the region, particularly in remote, rural locations. Today, BT’s fibre footprint reaches 93 per cent of Northern Ireland’s population, ahead of many major European cities, offering download speeds of up to 80 Mbps and upload speeds of up to 20 Mbps.

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The Northern Ireland Broadband Improvement Programme, which began in early 2014, is scheduled to complete in December 2015, bringing improved broadband services to over 45,000 homes and businesses. Of this £23.5 million investment in the project, BT contributed £4 million.

In addition, BT and the Northern Ireland government also announced the implementation of the Superfast Extension Programme which is designed to extend next generation access infrastructure to even more locations. This is a £17 million investment, with a BT contribution of £3 million, and is due to be completed by December 2017.

An extensive urban and rural fibre-rich Ethernet network complements this fibre broadband availability and is offered on an open access basis facilitating greater choice for the end user. The adoption of these fibre-rich services by businesses and households has been exceptional, with more than one in three premises now using fibre as their choice of broadband delivery.

The latest news and information regarding fibre-broadband in Northern Ireland can be found online at <http://www.nibroadband.com>

Fast, reliable broadband connectivity can provide a major economic boost to local communities. 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.

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'

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 based in this region 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.

In February 2015, BT deployed its first fibre-to-the-premises (FTTP) broadband connection in Northern Ireland, delivering download speeds of up to 330 Mbps, a record-breaking figure for commercial consumer speeds on the island of Ireland.

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In March 2015, BT and Huawei announced the successful completion of a 400 Gbps trial over the optical fibres that form BT Ireland's live network between Dublin and Belfast, the first such trial in the UK and Ireland. The trial ran 400 Gbps transmission through existing 10 Gbps, 40 Gbps and 100 Gbps wavelengths, proving that BT's current core network can support next generation transmission technology. The trial also showed how BT's core fibre optic infrastructure could become more efficient, reducing the need to invest in infrastructure as bandwidth demands grow.

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. 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.

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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.

In 2014/2015, BT in Northern Ireland recruited 78 new employees under its talent entry programmes. The majority of the jobs are based in BT Flex, BT's contact centre operation based in Riverside Tower in Belfast. The roles include 50 full-time, part-time and apprenticeship positions in the areas of customer service and sales.

The additional 28 positions are a combination of apprenticeship and graduate roles, split between BT's Technology Service & Operations division and BT Ireland's commercial networks team in Belfast. A number of the new apprentices will also begin degree apprenticeships allowing them to obtain a full Honours degree qualification while working. Careers ranging from business analysis to software development and technology consultancy will be available at BT as part of the new Government and industry-backed scheme, which integrates degree level academic learning with practical on-the-job training.

In addition, BT is also offering industrial work experience for third level students with ten 48-week placements that begin in September 2015 at BT's Global Development Centre in Belfast.

BT Flex has recruited 367 full-time employees to date, based at the three Flex centres in Northern Ireland and plans are in place to increase this further to 400. BT works closely with the Department of Employment and Learning and local employment and educational organisations to help recruit graduates on an ongoing basis and is currently creating and developing new BT Flex Contact Centre apprenticeship opportunities with a potential launch date of October 2015.

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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'.

BT has been a leading STEM education supporter in Northern Ireland through its sponsorship and organisation of one of the world's largest STEM events, the BT Young Scientist & Technology Exhibition (BTYSTE). For the last 15 years, BT has worked with a wide variety of business and educational partners to deliver this key activity.

The exhibition, which is open to all students aged between 12 and 19, gives young people a platform to come together to investigate scientific theories, discover new technologies and advance current knowledge through innovation. This year, 128 students from 24 schools in Northern Ireland took part and almost 200 BT 'Redcoat' employees volunteered for the week, half of whom were from Northern Ireland.

In summer 2015, 26 participants of the BTYSTE then took part in BT Young Scientist Business Bootcamp in Belfast, a week-long commercialisation skills programme in conjunction with Queen's University, designed to coach students and help them turn their project ideas into viable business ideas. The purpose of the Bootcamp, which BT has organised and run for the past seven years, is to support students in taking the next step from education into the world of business.

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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.

BT was recognised as NI Responsible Company of the Year for 2015 at one of Northern Ireland’s most prestigious business awards events run by Business in the Community NI. The Responsible Business Awards give much-needed visibility to organisations who put behaving responsibly at the heart of how they do business. The panel was unanimous in its choice of BT for this award. It was impressed by BT’s high levels of innovation, and the fact that despite being a large company, employee buy-in was widespread and growing. Top level management at BT are fully committed to corporate responsibility and the Managing Director has a CR target set by the CEO, so responsible business is clearly ingrained in the working week for the organisation at all levels. The judges summed it up saying, *“If you were looking for a blueprint for best-practice CR, this company would be it.”*

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 £1.7 million in sustainable and responsible business activities in Northern Ireland, which also benefited from UK-wide 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 Harberton School Belfast. BT has also provided support and funding for 2 projects through The Supporters Club, including £104,800 for the Active Communities Network.

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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 this programme by delivering 'Train the Teacher' sessions followed by an interactive workshop for parents and children. Seven workshops have already been completed in Northern Ireland.

In the past year, BT has actively supported the promotion of digital skills in Northern Ireland through its work with Go On NI, which brought together a range of business and voluntary organisations to promote and enable digital inclusion. BT provided the Department of Finance and Personnel (DFP) with internet safety materials for sessions they were running across the library network, and worked with CultureTECH in Derry on digital champion workshops for a total of 1,360 people. BT is continuing to work with DFP to support their digital inclusion activities with internet safety materials and volunteers for activities through the year including Spring Online Week, Silver Surfers and Digital Assist.

BT's Connected Communities initiative, which successfully concluded in December 2014, has helped people in communities across Northern Ireland to get online by providing IT equipment and skills training programmes where most needed. The three-year programme was run in partnership with Citizens Online, with a locally-based co-ordinator working directly with the communities involved. Over 11,300 people were reached by the programme through 'awareness' communications with 4,127 taking part in a 'taster' session. More than 2,200 people completed training to get online and over 50 community groups/ individuals were helped to create a website.

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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.

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.

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. Around 200 charities have used MyDonate, with every penny going direct to the charity. More than £750,000 has been delivered to the charity sector in the last four years, with nearly £400,000 this financial year.

The BT Flex operation in Northern Ireland has its own Corporate Social Responsibility scheme and throughout the year has given money to local charities. Last year, Flex donated £11,000 to charities from its 'Dress Down Monday' activity within the centre. In 2015 it is also supporting local people and local charities including the Caring Breaks organisation, the Assisi animal sanctuary and the Simon Community.

The Telecommunity Fund is a grant-making partnership between BT, the Communication Workers' Union and the Community Foundation for Northern Ireland. It has distributed over £1 million to grassroots community organisations across Northern Ireland over the past 25 years.

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The BT Northern Ireland Staff Charity Trust was set up to let BT people in Northern Ireland come together to support local charities. By donating through BT's Give As You Earn scheme, members nominate particular charitable causes within their local community. By contributing through the scheme, not only are the donations enhanced by exemption from income tax, they are also increased by a top-up from BT to further boost the amount received by the charity.

Many worthwhile projects have been supported over the years and more than £13,000 was donated by staff last year alone.

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 Northern Ireland BT people provided more than £1.5 million of in-kind support and assistance, some 5,100 days.

The 2014 Great BT Charity Shop Challenge saw more than 300 BT volunteers over the past two years use their business and sales skills to raise £185,000 for Marie Curie and the Irish Cancer Society. This money is helping Marie Curie to provide specialist palliative nursing service in local communities as well as in its Belfast Hospice facility.

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

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Other Impact in the Region

BT Business has chosen to make Belfast one of its key sites for SME Business Sales. The team of around 100 people is based in Telephone House. This reorganisation will see BT bring together teams from across the business to create a Key Business Hub in Northern Ireland that will play a vital part in helping small and medium sized businesses prosper and grow.



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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