

BT GROUP PLC  
Form 6-K  
May 23, 2013  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act 1934

Report on Form 6-K dated May 23, 2013

## BT Group plc

(Translation of registrant's name into English)

BT Centre

81 Newgate Street

London EC1A 7AJ

England

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

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Yes ☐ No ☒

**Enclosure: BT Group plc Annual Report & Form 20-F 2013 as sent to shareholders**

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BT Group plc**

By: /s/ Dan Fitz

Name: Dan Fitz

Title: Company Secretary

Date: May 23, 2013

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### **Welcome to BT Group plc's Annual Report & Form 20-F 2013**

In this report you will find information on: our strategy; how we deliver our strategy; how we have performed; and how we govern our business.

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business

This is the BT Annual Report for the year ended 31 March 2013. It complies with UK regulations and comprises part of the Annual Report on Form 20-F for the US Securities and Exchange Commission to meet US regulations. This annual report has been sent to shareholders who have elected to receive a copy. The separate Summary financial statement & notice of meeting 2013 has been issued to shareholders who have elected to receive a shorter document.

Please see cautionary statement regarding forward-looking statements on page 177.

In this document, references to BT Group , BT , the group , the company , we or our are to BT Group plc (which includes the activities of British Telecommunications plc) and its subsidiaries and lines of business, internal service unit, or any of them as the context may require.

A reference to a year expressed as 2012/13 is to the financial year ended 31 March 2013 and a reference to a year expressed as 2013 is to the calendar year. This convention applies similarly to any reference to a previous or subsequent year. References to this year , the year and the current year are to the financial year ended 31 March 2013. References to last year and the prior year are to the financial year ended 31 March 2012.

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### **Chairman's introduction**

We are making long-term investments in our future, and that of the UK.

### **Our shareholders**

We have made good progress this year in a number of areas and delivered strong financial results. For 2012/13 the Board is proposing a final dividend of 6.5p, up 14%. This gives a full year dividend of 9.5p, also up 14% reflecting our performance this year. We continue to pursue a prudent financial strategy. As well as investing in the future of our business, we will continue to reduce net debt, support our pension fund and pay progressive dividends to you, our shareholders. We expect dividends to grow by 10%-15% per year for the next two years.

### **Our contribution**

In the current uncertain environment, it is tempting for companies to focus on short-term targets rather than the long-term health of their business. At BT, we have continued to make strategic investments that position us well for the future. In the last four years, we have invested over £10bn in our capital investment programmes, with much of this supporting the national infrastructure upon which the UK relies.

Our fibre broadband network will bring significant economic benefits to the UK. The investments we are making in TV and mobile will bring new and innovative services for people to enjoy. We are creating jobs at the same time. This year we hired around 1,600 engineers to help with our fibre programme and we insourced around 4,000 jobs.

We played a vital role in making London 2012 the most connected Olympic and Paralympic Games ever and are supporting the British Paralympic team as they prepare for the next Games. During the year we also set ourselves three stretching Better Future goals to achieve by the end of 2020. By extending the reach of fibre broadband, helping our customers reduce their carbon footprint and using our skills and technology to help generate money for good causes, we will make a major contribution to both society and the environment.

### **Our global presence**

We aim to support our multinational customers wherever they are. But to do this most effectively we need fair access to telecoms networks around the world. We continue to lobby to reduce trade barriers and press for policy and regulatory change to ensure a more level competitive playing field. This includes working with the European Commission on current initiatives to complete the digital Single Market, and on bilateral trade liberalisation



negotiations. We hope the EU-US trade talks will deepen transatlantic economic integration, reduce non-tariff barriers and ensure fair access to the US telecoms market. Truly competitive telecoms markets will boost trade in all business sectors and support growth, innovation and jobs.

## **Our people**

Our performance in the year reflects the expertise, hard work and commitment of our people. I am delighted that around 20,000 of them were able to benefit from employee share option plans, each making a gain of around £8,400 on average. We are investing more than ever in our people, making sure they have the skills and support they need to better serve our customers.

## **The Board**

The Board has a key role in setting the strategic direction of the company and played a full part in assessing and approving the major investments we made this year. You can read about the Board's activities in the Governance section.

## **Our future**

Our aim remains to drive profitable revenue growth. The investments we are making support this ambition. We believe our strategy of improving customer service, transforming our cost base and investing for the future will continue to deliver long-term value for our shareholders.

## **Sir Michael Rake**

### **Chairman**

9 May 2013

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**Strategy**

In this section we explain our aim and the strategy we are following to achieve it. We set out our business model and the key role that our people play. We describe our assets and resources and how we measure our progress using three key performance indicators. Finally, we describe the principal risks our business faces and what we do to mitigate these.

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### **Chief Executive's introduction**

We have a lot more to do, but we are now a lot better positioned to do it.

### **Making a difference**

Communications services are increasingly important in today's world. Our customers rely more and more on our services and our networks whether they are one of the 10m households we serve, our hundreds of wholesale providers, or the largest global businesses. This is a big opportunity for BT; it is also a big responsibility. All of us in BT recognise that what we do as a business makes a real difference to our customers and the societies in which we operate. That is why we are investing in new infrastructure, technology and services. We are proud to make a difference and I'd like to thank our people for making it happen.

### **Opportunities across the whole business**

At the start of the global economic downturn we made a bold commitment to invest in fibre broadband. That £2.5bn investment programme has already brought fibre within reach of more than half of the UK's homes and businesses increasing by more than 100,000 premises per week. Delivery is on budget and 18 months ahead of our schedule. We believe that, together with government support and subject to an acceptable investment environment, we can pass more than 90% of premises with our network in the next three to four years.

We are also investing in the next generation of TV. We will offer a complete package of phone, broadband and TV. We are rolling out new services and providing new channels and on-demand content. The launch of BT Sport this summer will bring real competition to the pay-TV market. Our three channels – BT Sport 1, BT Sport 2 and ESPN – will provide premium sports content including Premier League first picks, exclusive rugby coverage and women's tennis. By offering BT Sport for free with BT broadband, we are making world-class sport affordable. Superb production facilities, backed up by a team of top sporting and broadcasting talent, promise to make this a great service.

We have also invested in 4G mobile spectrum which will allow us to offer enhanced mobile broadband services to consumers and businesses – helping our customers to stay best connected wherever they are. The spectrum allows us to build on our existing strength in wi-fi where usage of our 5m wi-fi hot spots tripled in the year to 13bn minutes.

We are seeing the benefits of our investments in the high-growth regions of Asia Pacific, Latin America, Turkey, the Middle East and Africa – with double-digit growth in revenue across these markets in the year. Our services are helping multinationals expand into these regions, and local companies become better connected internationally. BT Global Services won total orders of £6.3bn in the year despite tough conditions in Europe and the financial services sector.

## Customer service

While our global customer service improved during the year, some of the wettest weather on record triggered a surge of faults in our UK network. Despite significantly more resources in our engineering teams, customers sometimes waited longer than they should for repairs and provision.

While such exceptional weather is unlikely again, we're making investments in customer service to make us more responsive and better equipped to deal with variable weather and increased demand. This will help us get back on track with the improved service levels we delivered in the previous few years.

Overall in the year, we did what we said we would do. We delivered strong financial results, and made substantial investments. BT is a better and stronger company than a year ago.

There's a lot more to do, and many challenges, but BT's future has rarely looked so exciting.

**Ian Livingston**

**Chief Executive**

9 May 2013

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### **Strategy**

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#### **Our strategy**

Our aim is to drive shareholder value by making BT a better business with a better future. This year we made further progress towards this goal, and the investments we are making position us well for the future. Our strategy is delivering results.

We are a leading communications services provider. In the UK, we sell products and services to consumers and small and medium-sized enterprises (SMEs). Around the world, as well as in the UK, we provide managed networked IT services for large multinational corporations, domestic businesses and national and local government organisations. We also sell wholesale telecoms services to communications providers (CPs) in the UK and internationally.

Our strategy is built on Customer service delivery, Cost transformation and Investing for the future.

These are the foundations for making BT a better business. They build on one another. The better we serve our customers, the less time and money we need to spend fixing faults and the things that go wrong. The more we save through transforming our costs, the more we can invest in giving customers what they need now and in the future. By investing in the six strategic priorities shown above we aim to grow the value of our business.

#### **Customer service delivery**

We constantly try to improve the service we provide to our customers. In practice that means understanding what they need, making it easy for them to deal with us, keeping our promises, keeping them informed, and acting quickly to fix things if they go wrong.

Right First Time (RFT) is our key metric for customer service (see page 22). It is simply about getting it right for the customer, first time.

RFT improved each year from 2006/07 to 2011/12 and we made further progress in the first quarter of this financial year. But record rainfall then led to flooding across the UK, causing a higher number of faults in the network. To make sure we fixed these faults as quickly as possible, we had to transfer resources away from provisioning new orders. As a result, customers had to wait longer for those orders, we had more calls from customers than we forecast and it took us longer than normal to answer those calls. We did, however, hire extra engineers to help with repair work and new orders (see page 60) and by February 2013 we had managed to get provision lead times back to the levels we have committed to.

Overall, we did not improve our service as we aimed to this year, and our RFT measure declined by 4%. While we did not achieve our group RFT target, BT Global Services achieved its target helped by an increase in the number of

major contract milestones delivered on time and fewer reported customer incidents.

Copper cable theft remains a problem. This year we have worked more closely with the police and government to tackle it. We have set up a nationwide cable alarming system and taken other measures such as forensically marking our cables. Because of this work, we have had 28% fewer customer faults due to cable theft this year, and 50% fewer attacks on our network. A new Scrap Metal Dealers Act should clamp down further on the illegal trade in stolen metal when it comes into effect later this year.

We are improving processes across the business to make sure we keep appointment slots, repair faults more quickly and fulfil new orders faster. We are also working to improve how we interact with our customers through the use of better quality contact information, customer portals and self-service channels that give customers more ways to resolve their problems quickly. We have successfully piloted new voice recognition capabilities to make it easier for customers to get the right help when calling us. We are now rolling this service out more widely.

Improved BT Home Hub diagnostics for our TV and broadband services will locate and resolve faults more quickly with fewer calls and engineering visits. We will also create an integrated customer experience across our consumer channels – voice, social media, email, chat forums and videos.

We encourage our customers to provide us with feedback so that we can serve them better. We believe that the changes we are making will deliver a better customer experience and lead to further cost transformation benefits.

**You can read more about customer service delivery across our lines of business in the Performance section on page**  
**Cost transformation**

We achieved further efficiency savings across our business. We have cut waste, applied best practice and freed up resources to invest in our future. More and more, we have focused on end-to-end processes that span our whole business. We also started the next phase of our group-wide restructuring programme which will generate further savings and improve customer service.

Specific activities during the year included:

- reviewing our entire stock and supply chain. This has given us better controls over our stock as well as improving how we distribute and store it

- improving our process for fixing faults for BT Global Services and BT Wholesale customers. We have upgraded our systems, migrated work to four strategic service centres and made it easier for different teams to work together rationalising our network and IT infrastructure. For example, we closed a major legacy network which served the financial services sector and migrated those customers onto our global MPLS platform, giving them improved service and reliability. We have also put programmes in place to rationalise our legacy UK backhaul and global IP networks

- combining BT Innovate & Design and BT Operate into our new BT Technology, Service & Operations unit (BT TSO)

improving product and software development across all lines of business through better prioritisation, quality and automation of testing



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improving the productivity of our field engineers by reducing the number of administrative tasks they have to do reducing our travel and subsistence spend by £14m or 12%. Buying more efficiently and reducing travel by using our own conferencing services has saved us time and money, and reduced carbon emissions. Overall, we cut operating costs by £1.2bn or 9%, with savings across all our main cost categories. Together with capital expenditure (excluding purchases of telecommunications licences), we have achieved total savings of £4.7bn over the last four years.

We will continue our drive on cost transformation. In 2013/14 we will launch a pan-BT Continuous Improvement Initiative to help our people take more responsibility for improving the processes around them. We want to transform the service we deliver, analysing and improving the end-to-end processes that span lines of business, operational platforms and products. This will help us to drive out failures in these processes. We are focusing on seven priority areas, targeting issues including early life failures (those that occur near the start of a new service), repeat visits and how we respond to major incidents.

To find more opportunities to reduce costs and to run our business better we will keep benchmarking ourselves against other large telecoms operators and the best companies in other industries around the world.

**You can read about the contributions our lines of business have made to our cost transformation in the Performance section on page Investing for the future**

We are investing in the future of our business to help drive profitable revenue growth and deliver long-term value for our shareholders. The more we can save through our cost transformation activities, the more we can invest in the long-term value of our business without affecting our financial performance in the short-term.

In 2012/13 we made a number of key investments around our six strategic priorities which position us well for the future.

TV and broadband are increasingly complementary as viewing becomes more interactive. We are making significant investments in TV to improve what we offer, rolling out new services and providing new channels and on-demand content.

For SMEs, we have invested in improving our range of IT services and acquired Tikit (one of the largest independent suppliers of technology services to legal and accountancy firms).

We also successfully bid for 4G mobile spectrum which will allow us to offer an enhanced range of converged fixed and mobile broadband services to both consumer and business customers, building on our existing strength in wi-fi.

We continued to invest in our IP Exchange platform to meet the growing demand for IP interconnect services resulting from the massive growth in voice over IP (VoIP) traffic worldwide.

We have made further investments in the high-growth regions of the world. We improved our product portfolio and invested in people and infrastructure in Asia Pacific, Latin America, Turkey, the Middle East and Africa. These investments are helping our multinational customers expand into these regions and support local companies as they grow internationally.

We are supporting the launch of 4G services in the UK by investing in backhaul capacity at key mobile base station sites.

We have invested in expanding our Ethernet portfolio and footprint in response to growing data traffic and demand for higher capacity and greater flexibility in our wholesale customers' networks.

And we have accelerated our fibre rollout. It should be available to two-thirds of UK homes and businesses during spring 2014, more than 18 months ahead of our original schedule.

We believe our fibre investment will support a more connected society, transforming the way people use the internet, giving them better access to information, education and jobs. We are also investing in products and services that will allow our customers to reduce their own carbon footprints.

**You can read about how our lines of business have been investing for the future in the Performance section on page  
Our strategic priorities**

We made further progress against our six strategic priorities in the year.

**You can read more about how our lines of business did in the Performance section on page  
Driving broadband-based consumer services**

Broadband is now available to virtually all UK homes and businesses and is increasingly at the centre of people's lives. Our investments in broadband-based services are helping everyone get much more from it.

We differentiate our products from those of competitors by offering the most comprehensive broadband service with a range of packages to choose from. For example, our newly-launched BT Totally Unlimited Broadband lets people download as much as they like with no speed restrictions.

We provide lots of extra features, like our free BT Home Hub, free BT Wi-fi connectivity over the world's largest in-country wi-fi network and free BT Cloud storage. We offer our broadband service together with voice and TV in competitively-priced bundles. Bundling helps us keep existing customers and attract new ones.

Fibre broadband lets people do even more. BT Infinity sales have accelerated and we are selling faster and higher tier options to existing customers while attracting people away from other providers.

Broadband will increasingly be at the heart of how people watch TV. We are extending our appeal to all segments of the TV market. We have launched YouView from BT to allow customers who currently only take Freeview to try pay-TV. Extra TV, our package of 22 TV channels, targets households currently subscribing to basic pay-TV channels from Sky or Virgin. And we are launching our BT Sport channels this summer, for customers who want a wide choice of premium sports but at much better value than currently available.

Our future plans include:

- launching BT Sport
- completing the rollout of Extra TV across our multicast IP network
- further improving our TV channel line-up and on-demand content
- encouraging customers to switch to BT Infinity through marketing campaigns, competitive pricing and by offering Extra TV and BT Sport to BT Infinity customers over their broadband connection.

#### **Being the Brand for Business for UK SMEs**

We want to be the first choice for SMEs for all their fixed and mobile communications and IT needs. We aim to offer a wide range of products and services so they do not have to rely on multiple suppliers.

In fixed communications we face stiff competition in a fragmented market, but we have maintained a clear leading position.

We are still ahead because we consciously build on our advantages: the national coverage of our services and sales teams; the breadth of our portfolio of services; the strength of our sales channels; and our brand. We are looking to improve the products and services we sell (and how we sell them) to defend and grow our position in the market. We are developing new IP-based voice and data products, which will help drive penetration of fibre broadband. We are also improving processes and systems so our people can give our customers a better service.

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In our IT services businesses, our focus is on providing service, rather than hardware alone (which tends to be low margin). Where we can, we will cross-sell our networking and IT solutions. We also encourage customers to take higher-value products and services such as managed hosted data and applications, and cloud services.

Our future plans include:

- strengthening our product portfolio in unified communications and VoIP so SMEs can make the most of these growing technologies
- developing our mobile services capabilities, in particular building on our investment in 4G spectrum. We will combine fixed and mobile services to give our customers the best possible connection wherever they are
- growing our IT services businesses, building on synergies between them to improve their positions in the market.

#### **BT Global Services a global leader**

We are a leader in the worldwide market for managed networked IT services. We are truly global with one of the largest networks in the world and more than 60% of our people based outside the UK.

Our customers tell us there are a number of things which make us stand out: our global assets, people and technology; industry experience and solutions; our consulting capability; our innovation; and our strength in the UK.

Our future plans are to invest and build on these strengths.

- We are supporting our multinational customers by investing in high-growth regions
- We are developing our industry expertise. For example, we will build on years of experience supporting the financial services sector where our award-winning products and services support millions of financial transactions every day
- We will invest in our BT Advise team of around 4,000 experts who share their knowledge and skills with our customers
- We will use our strength in the UK, including our fibre broadband network, to keep innovating our products and services. For example, we are improving our conferencing services by using Dolby's high-definition audio technology.

We will use feedback from our customers to improve our service to them. And we plan to drive down cost and become a more agile and competitive organisation. That way, we will be able to take advantage of opportunities in the managed networked IT services market more quickly.

By building a better business, we will strengthen our position as a global leader.

## **The wholesaler of choice**

We want to be the wholesaler of choice in the UK and international telecoms services markets. We give CPs access to our platforms, skills and technology, making our investments and economies of scale work for them. Our approach promotes competition, gives end-customers more choice, avoids duplicating infrastructure and encourages innovation by helping CPs find new ways to serve their customers.

We are Europe's largest telecoms wholesaler and BT Global Services sells our wholesale services to more than 1,200 telecoms companies around the world.

Openreach provides local access and backhaul services; its networks are already the most extensive in Great Britain, allowing CPs to provide ADSL broadband to 99% of homes and businesses and fibre broadband to over half.

BT Wholesale aims to meet CPs' needs where they cannot be met by Openreach's products alone. This typically involves using our network coverage and scale to provide nationwide voice, broadband and data end-to-end products. We also create managed services which combine those products with third-party components and professional services, using our deep expertise in solution design, build, delivery and operation.

BT Wholesale leads the market in mobile Ethernet backhaul services and in wholesale broadband. Our Wholesale Broadband Connect (WBC) next generation copper broadband product is now in exchanges serving more than 90% of UK premises. More than 70 CPs are now trialling or selling its fibre-based variant.

A key area of investment over the past few years has been IP Exchange which was developed in our Adastral Park research and development centre. IP Exchange provides a common gateway to allow interworking between different CPs' IP voice, data and multimedia services. This year it handled 7.75bn voice minutes globally.

We expect a variety of issues, such as regulatory charge controls and competitive pressures, to affect our wholesale business in 2013/14. So we are working to identify growth opportunities that will help us offset their impact.

Our future plans include:

- launching new hosted communications services that will expand our IP voice portfolio and combine it with our data and broadband products
- extending our broadband, Ethernet and Mobile Ethernet Access Service (MEAS) footprints
- adding new features to IP Exchange, including the support of video and 4G mobile services, and introducing more global nodes
- improving our customers' experience, for example, by introducing a new online portal that will offer better tools for pricing, ordering and support
- further reducing our cost base
- increasing the skills and productivity of our people.

## **The best network provider**

Our network in the UK is a critical national asset and we take our guardianship of it seriously. We aim to be the best network provider in the UK by investing in it and by providing the best services over it. We continue to upgrade capacity, offer new services and make it more efficient and reliable.

More than 15m premises can now get our fibre broadband, giving us the largest fibre broadband footprint in the UK. These premises have access to download and upload speeds of up to 80Mbps and 20Mbps respectively using fibre-to-the-cabinet (FTTC), or 330Mbps and 30Mbps using fibre-to-the-premises (FTTP).

We will bring fibre to two-thirds of UK premises during spring 2014. With EU, national and regional government funding, we believe we can bring fibre to more than 90% of UK premises in the next three to four years.

We are rolling out national Ethernet products, with a wide range of ways to connect to our network. These include high bandwidth Ethernet fibre connections, cost-effective Ethernet bonded copper solutions (Ethernet in the First Mile) and more recently, Ethernet over our fibre broadband network. High levels of service availability and flexibility, combined with nationwide coverage, make our Ethernet services an attractive choice for customers.

Our future plans include:

making FTTP available throughout the fibre broadband footprint with our FTTP-on-Demand service. We launched this service in April 2013 in a subset of our footprint  
increasing FTTC speeds above 80Mbps using vectoring, a technology we will be trialling further during 2013/14

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further increasing FTTP speeds building on trials conducted in 2012/13  
extending the choices available to CPs for the delivery of fibre broadband. We plan to introduce a new option in 2013/14 that will allow CPs to use their own modem rather than an Openreach one  
assessing the longer-term opportunities for wider and deeper fibre deployment in the access network  
extending our Ethernet footprint  
upgrading our core network with the latest generation of high-speed optical equipment that provides multiple 100Gbps connections.

#### **A responsible and sustainable business leader**

Our aim is to create a better future by generating value for our business and our stakeholders. Doing this in a responsible and sustainable way contributes to this aim. Our customers want to buy services from a company they can trust to act responsibly and sustainably. This year corporate and government customers asked us about our sustainability credentials in over £2.8bn worth of contracts that we bid for.

During the year we set ourselves three stretching goals to achieve by the end of 2020. They will help us make a major contribution to both society and the environment.

The *Committee for Sustainable and Responsible Business* oversees our corporate responsibility, environment and community activities, and our Better Future programme. It is supported by our Sustainable Business Leadership team which comprises senior executives from across our business units and is charged with delivering our programme and embedding it throughout the group.

#### **You can read more in the Report of the Committee for Sustainable and Responsible Business on page**

Each year we use a materiality process to work out the social and environmental issues that are important to our stakeholders and relevant to our business. It helps us focus on the right things. We measure and report our progress against seven non-financial performance indicators which reflect these issues. They are summarised on page 61.