

# Centrica responsibility



**“Corporate responsibility  
contributes to long-term  
business success.”**

Sir Roy Gardner, Chief Executive

**centrica**

*taking care of the essentials*

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**Marketplace**

**Operating with integrity**

We understand that sustained commercial success must be underpinned by a responsible approach.

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**Workplace**

**Valuing our people**

By being an innovative and caring employer we enhance our ability to deliver a superior experience.



Group turnover\* up by

**9%**

Operating profit\*\* up by

**16%**

AA successfully sold for a profit of

**£740m**

Total returned to shareholders

**£1.5bn**

\* from continuing operations, excluding Accord trading revenue  
 \*\* before goodwill amortisation and exceptional items, including joint ventures and associates



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**Environment**

**Reducing our carbon footprint**

We are managing our environmental impact to contribute to the creation of a sustainable low carbon future.



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**Community**

**Engaged investment**

We are involved in a range of community initiatives that align with our core business activities, skills and experience.

12 months ended 31 December

2004

**Highlights**

Group turnover*	<b>£11.8bn</b>
Operating profit**	<b>£1,227m</b>
Ordinary dividend per share	<b>8.6p</b>
Basic earnings per share	<b>33p</b>
Total number of employees	<b>43,414</b>
Contributions to community causes†	<b>£7.35m</b>

† Includes £850,000 in customer debt relief

 For more detailed information on our corporate responsibility activities visit [www.centrica.com/responsibility](http://www.centrica.com/responsibility)

Throughout this report references to British Gas include Scottish Gas.

Earnings and operating profit numbers are stated, including joint ventures and associates, before goodwill amortisation and exceptional items where applicable. The directors believe this measure assists with better understanding the underlying performance of the group.

All current financial results listed are for the year ended 31 December 2004. All references to 'the prior year', '2003' and 'last year' mean the year ended 31 December 2003.



## To meet our goals and deliver the returns that our shareholders expect, a responsible approach must underpin our strategy and run through everything we do.

Welcome to Centrica's second corporate responsibility report, covering the year to 31 December 2004.

I believe we have made good progress in understanding and managing our key corporate responsibility impacts during the past 12 months.

Our corporate responsibility strategy enables us to address the challenges of sustainable development and we continue to engage with our stakeholders, working in partnership to respond to their views and concerns.

At Centrica, corporate responsibility means:

- providing our customers with a compelling experience;
- ensuring that our employees have the chance to maximise their contribution and are recognised and rewarded for doing so;
- not just minimising any negative impact our operations might have on the environment, but making a positive contribution to future sustainability; and
- finding innovative ways to contribute to the communities of which we are proud to be a part.

In a fiercely competitive marketplace, we have to take tough decisions in the interests of customers and shareholders. In 2004 for example, rising wholesale energy prices inevitably led to rises in the retail prices we charge our customers, while significant group restructuring resulted in a number of redundancies.

It is precisely at such times that a commitment to corporate responsibility is vital. These decisions were made in an open and transparent manner and with an absolute determination that our more vulnerable customers should not suffer unnecessary hardship and that employees affected by the restructuring should be fully supported.

The creation, for example, of the British Gas Energy Trust Fund is just one way in which we aim to help customers who struggle to pay their bills (page 9).

And the change management process that we put in place to support necessary organisational changes was characterised throughout by employee involvement and consultation, working closely with trade unions, and by the use of services such as career counselling and outplacement support.

I believe it is through such activities that corporate responsibility is becoming increasingly embedded in our decision making, enabling us to manage the direct impact of our operations on all our stakeholders.

The business climate in which we are operating is changing and Centrica is changing with it. The decision, for example, to sell the AA along with our acquisition of new upstream

assets and investment in renewable energy generation, supports our strategic imperative of creating an international, integrated energy company.

Increasingly, our determination to secure future energy supplies for our customers, will require significant changes to the way we do things. We will, for example, procure more gas supplies from international markets, while our upstream investments in conventional modes of generation significantly increase our carbon emissions.

The changes necessary for business growth will certainly pose a number of new challenges. But I am confident that our core values and principles will help us to thrive on those challenges and fulfil the expectations of our stakeholders.

As we continue to grow our business in 2005 and beyond – both in Britain and internationally – we will strive to ensure that corporate responsibility underpins all new activities and we will extend the coverage of our reporting to new business areas.

I hope you find this summary interesting and I would encourage you to visit our more detailed online report at [www.centrica.com/responsibility](http://www.centrica.com/responsibility)

Your feedback will help us to continue developing and improving our approach and I would welcome your views on any aspect of the report. Contact details are provided throughout.

Centrica's approach to corporate responsibility has come a long way in a relatively short time, and I'm very proud of the distance we have travelled. I am also conscious that there is still a long way to go.

**Sir Roy Gardner**  
Chief Executive



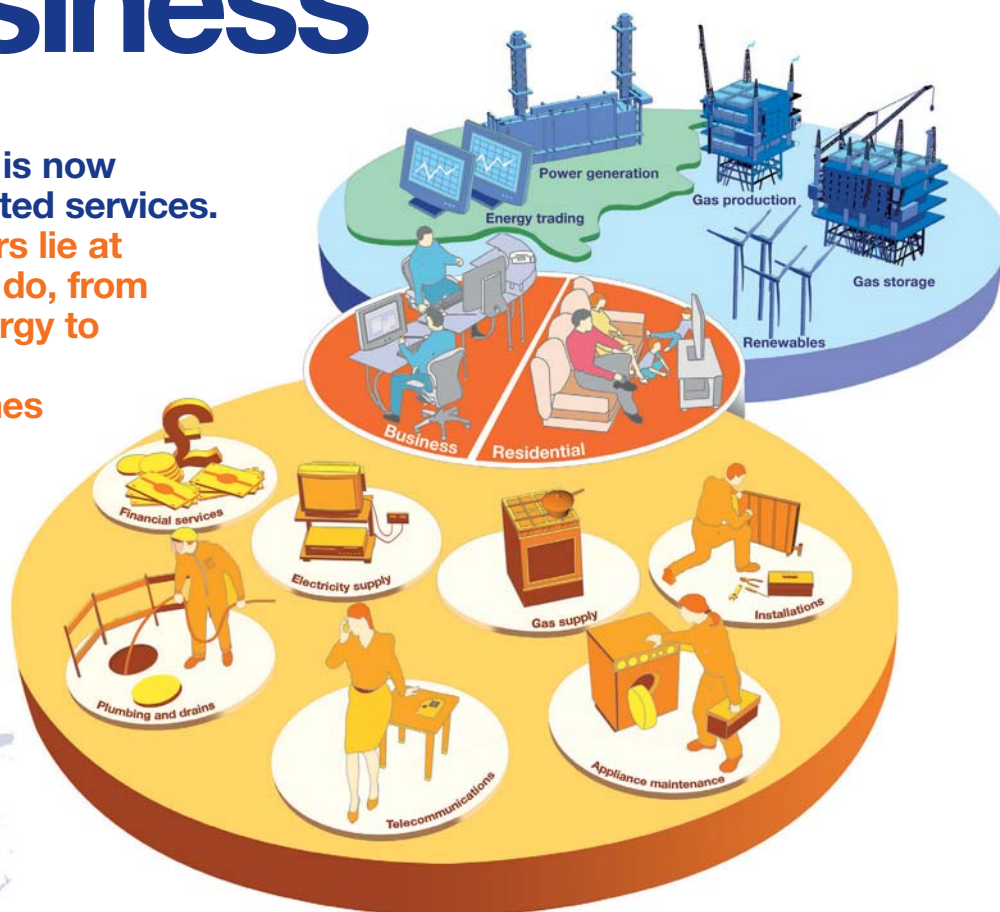
# Our business

Across Centrica our focus is now entirely on energy and related services.

The needs of our customers lie at the heart of everything we do, from sourcing and securing energy to providing a broad range of distinctive services to homes and businesses.

## Key markets

We serve customers in Britain, Spain, Belgium, Canada and the USA.



## Centrica Energy

Turnover\*\* £914m  
 Operating profit\* £512m  
 Number of employees 816

[www.centrica.com](http://www.centrica.com)

We source the gas and electricity we need to supply our customers in Britain through a team of specialists working in Centrica Energy. The business consists of our upstream gas production, electricity generation, wholesale and industrial gas sales activities and our energy optimisation unit. Our gas reserves in Morecambe Bay are supplemented by production from several North Sea fields. Our interests in seven gas-fired power stations help meet the demand of our electricity customers. In addition, we are committed to investing in renewable generation with interests in offshore developments in the Irish Sea and North Sea, and onshore in Scotland.

## British Gas Residential

Turnover £6,906m  
 Operating profit\* £337m  
 Number of employees 24,098

[www.house.co.uk](http://www.house.co.uk)

Under the British Gas name in England, the Nwy Prydain and British Gas names in Wales, and Scottish Gas in Scotland, we supply gas and electricity to residential customers throughout Britain. As well as energy, we offer customers a wide choice of complementary home services.

We are the first choice gas supplier for millions of people, and since the market opened to competition in 1998 we have become the largest supplier of electricity to residential customers in Britain. Apart from supplying energy we are also the largest domestic central heating and gas appliance installation and maintenance company, with maintenance and

breakdown services provided under our HomeCare range. We also provide HomeCare for plumbing and drains, home electrics and kitchen appliances and are a national installer of domestic, monitored home security systems.

British Gas directly employs over 8,000 engineers to carry out its gas, plumbing and electrical services.

A range of on-demand drainage services are provided by Dyno-Rod, which became part of British Gas this year. It operates through a network of franchises covering the UK and Ireland. In addition, there are a growing number of Dyno-Locks and Dyno-Plumbing franchises.

## British Gas Business

Turnover £1,200m  
 Operating profit\* £64m  
 Number of employees 1,369

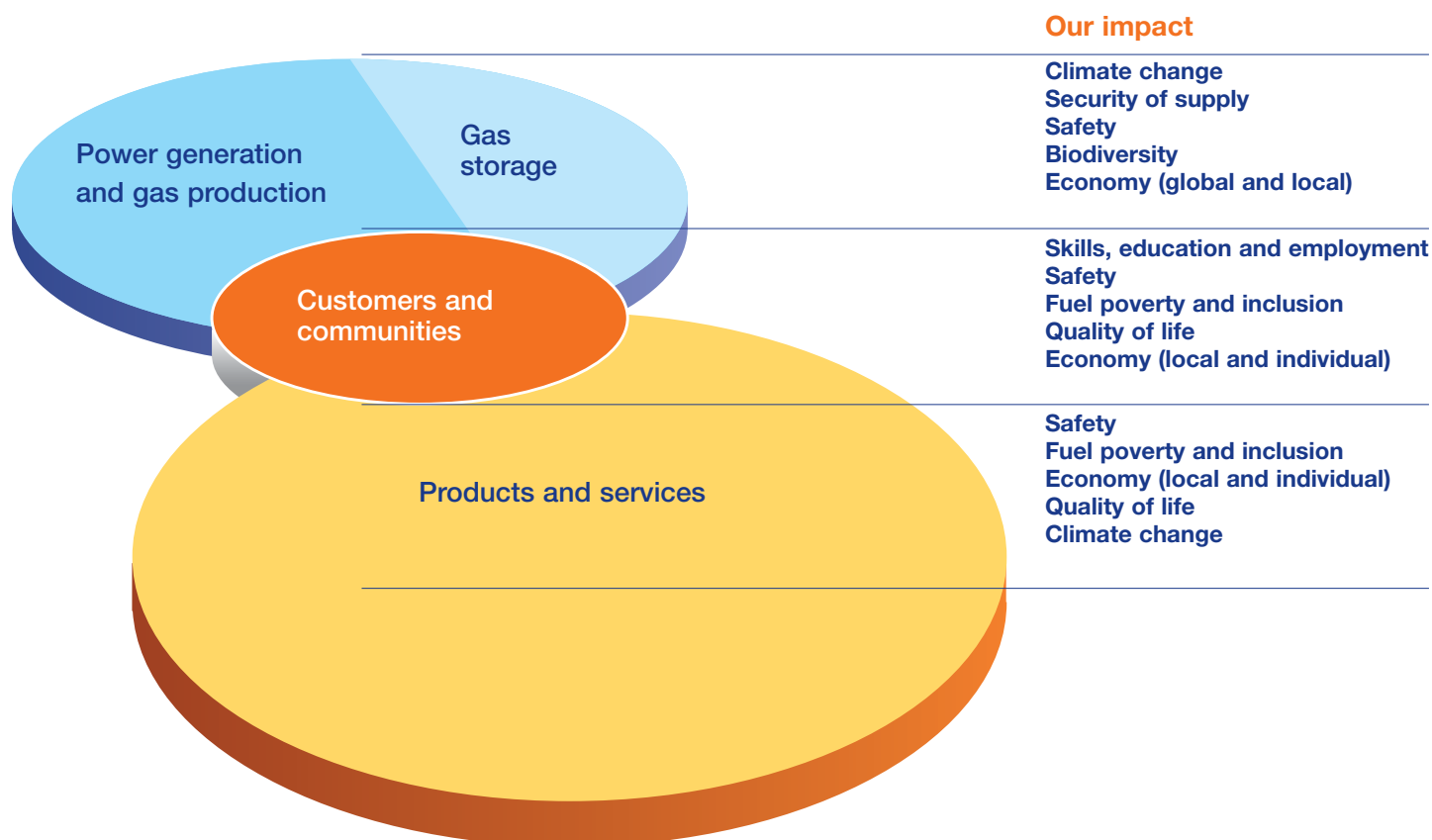
[www.britishgasbusiness.co.uk](http://www.britishgasbusiness.co.uk)

British Gas Business, (formerly Centrica Business Services) aims to meet the specific needs of its customers, from the largest industrial and commercial operators to small and medium-sized enterprises.

We market gas and electricity to businesses under the British Gas Business brand across Britain, offering the flexibility of an open tariff or the security of a fixed-term contract. We are now the number one supplier of energy to the commercial sector in Britain (measured by supply points).

Alongside energy, we provide heating care for businesses.

Understanding our impact on society, the economy and the environment is at the heart of our strategy. It provides the foundation for defining our key responsibilities.



**Our impact**

Climate change  
Security of supply  
Safety  
Biodiversity  
Economy (global and local)

Skills, education and employment  
Safety  
Fuel poverty and inclusion  
Quality of life  
Economy (local and individual)

Safety  
Fuel poverty and inclusion  
Economy (local and individual)  
Quality of life  
Climate change

**Centrica Storage**

Turnover **£133m**  
Operating profit\* **£69m**  
Number of employees **163**

[www.centrica-sl.co.uk](http://www.centrica-sl.co.uk)

Centrica Storage operates the Rough gas storage facility – a partially-depleted gas field in the southern North Sea. The business provides storage services for a wide range of customers, including businesses within the Centrica group.

The facility lies approximately 18 miles off the coast of east Yorkshire, supported by an onshore gas processing terminal at Easington.

For regulatory reasons, Centrica Storage operates as a separate business from the rest of the group.

**Onetel**

Turnover **£218m**  
Operating profit\* **£16m**  
Number of employees **897**

[www.onetel.co.uk](http://www.onetel.co.uk)

Onetel is the largest indirect fixed-line competitor to BT in residential markets. Our fixed-line customer base can choose from the UKTalk range of call plans, offering a no monthly fee and free weekend calls option or unlimited usage. UKTalk customers also enjoy Onetel's free 118 111 directory enquiries service. Mobile customers have a broad choice of free handsets and flexible tariffs and our internet service caters for customers with a range of dial up and broadband packages.

Onetel also provides telecoms services to British Gas customers.

**Centrica North America**

Turnover **£2,375m**  
Operating profit\* **£134m**  
Number of employees **3,187**

[www.directenergy.com](http://www.directenergy.com)  
[www.cplretailenergy.com](http://www.cplretailenergy.com)  
[www.wturetailenergy.com](http://www.wturetailenergy.com)

Direct Energy is North America's largest competitive energy and home services provider. In Canada we serve residential customers in Ontario, Manitoba and Alberta.

In the US, Direct Energy supplies customers in Pennsylvania, Ohio, Michigan and those parts of Texas not served by our subsidiary companies CPL Retail Energy and WTU Retail Energy.

Direct Energy Business Services provides comprehensive energy solutions to businesses throughout Canada and many parts of the US.

**Europe**

Turnover\*\*\* **£287m**  
Operating profit\* **£4m**  
Number of employees **705**

[www.luminus.be](http://www.luminus.be)  
[www.luseoenergia.com](http://www.luseoenergia.com)

We are active participants in the liberalising energy markets of Belgium and Spain.

Our energy supply joint venture, Luminus, supplies customers in both the residential and business markets of Belgium.

Following the opening of the Spanish energy market at the start of 2003, Luseo Energia is focused on providing electricity for small and medium-sized businesses in Spain.

\*operating profit is shown before goodwill amortisation and exceptional items, including joint ventures and associates

\*\*excluding Accord trading revenue

\*\*\*includes group share of Luminus joint venture turnover

# A business with principles

**Centrica's strategy is focused on the creation of shareholder value. We believe that the interests of shareholders are best served by operating in accordance with the highest standards of business integrity.**

In our view, commercial success is only possible within an ethical framework. A successful business is one in which strategic objectives are

aligned and consistent with strong business practice, and in which employees behave in accordance with business values.

A successful business meets its commercial objectives by competing fairly and with integrity in the marketplace,

by engaging all its stakeholders, by playing a full part in the communities in which it operates and by respecting the environment.

<h2>Vision</h2>	<p><b>Our vision is to be a leading supplier of energy and related services in our chosen markets in order to provide maximum value to our shareholders.</b></p>	
<h2>Strategy</h2>	<p><b>Our distinctive strategy is to create value for our shareholders through:</b></p> <ul style="list-style-type: none"> <li>• deepening our relationships with customers;</li> <li>• achieving a cost advantage for our downstream supply business; and</li> <li>• sharing knowledge and best practice.</li> </ul> <p>Ultimately, of course, strategies are delivered by people and our company <b>values</b> guide the actions and behaviours of all our people.</p>	<p><b>Our business priorities are:</b></p> <ul style="list-style-type: none"> <li>• maintaining and growing our home market position;</li> <li>• securing stable and cost-advantaged supplies of energy; and</li> <li>• building our position in Europe.</li> </ul>
<h2>Values</h2>	<ul style="list-style-type: none"> <li>• <b>passion for customers</b> underpins our ethos of delivering an outstanding customer service;</li> <li>• <b>pride</b> – we are proud of the service we provide and of each other;</li> <li>• <b>trust</b> – we do what we say we will and act with integrity;</li> </ul> <p>These values must be embedded in our business practice. It is important that employees have the scope to take decisions within a clear and accessible ethical framework consistent with the principles of the company.</p>	<ul style="list-style-type: none"> <li>• <b>challenge</b> – we strive for continuous improvement; and</li> <li>• <b>support</b> – we support each other in owning and meeting challenges.</li> </ul>
<h2>Business principles</h2>	<p><b>Our published statement of business principles sets out our commitment to operating responsibly and underpins our values.</b></p> <p>These business principles include:</p> <ul style="list-style-type: none"> <li>• <b>working within the law</b> in all the countries in which we operate;</li> </ul> <p>Our principles help to ensure that our employees understand that behaving ethically, honestly and professionally are all equally important parts of the same job.</p>	<ul style="list-style-type: none"> <li>• <b>competing fairly</b> and respecting customers;</li> <li>• <b>communicating openly</b> and frankly with our shareholders, customers, employees and society at large;</li> <li>• <b>managing our environmental impact;</b> and</li> <li>• <b>meeting our community and broader social responsibilities.</b></li> </ul>

**“Understanding our impact on society, the wider economy and the environment and building relationships with all key stakeholder groups is important to business success.”**

Grant Dawson, **general counsel and company secretary**



At the heart of our corporate responsibility (CR) strategy is the recognition that meeting and exceeding our responsibilities to society as a whole contributes to long-term, sustainable commercial success.

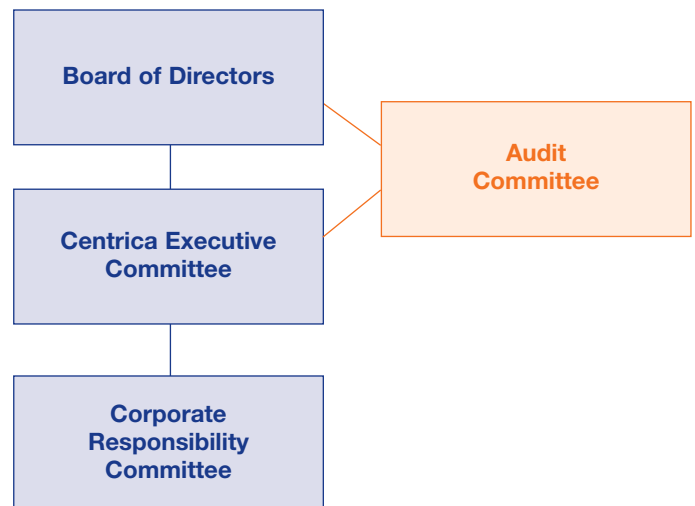
We believe that the successful implementation of an innovative and well-managed CR strategy will help to build customer loyalty, increase support from investors, motivate suppliers and business partners to work with us and help to make us an employer of choice.

There are four principal strands to our approach:

- identifying, consulting with and responding to the views of stakeholders;
- ensuring that we identify key impact areas and address those challenges and issues in an effective and consistent manner throughout the group;
- gaining an objective and balanced view of our performance by participating in independent benchmarking; and
- measuring and publishing information about our performance.

**The CR committee is responsible for:**

- developing and managing our CR strategy;
- promoting effective communication and measurement of our CR activities;
- ensuring that social, ethical and environmental risks are identified and managed across all operating businesses; and
- reporting performance to the Centrica executive committee and the Centrica board of directors.



**Committee members**

**Grant Dawson** (chair),  
general counsel and company secretary

**Anne Minto OBE**,  
group director, human resources

**Janice Thomson**,  
senior vice president, HR, health, safety and environment, and communications

**Judy Greevy**,  
head of diversity and corporate responsibility

**David Kendle**,  
director of home servicing

**Alan Bennett**,  
director of power generation and renewables

**Andrew McCallum**,  
corporate responsibility manager

**Measuring our performance**



It is essential to monitor our investments and measure the impact of our corporate responsibility initiatives. Our stakeholders expect nothing less. We participate in a number of independent initiatives that enable our stakeholders to see for themselves how our performance compares with that of our peers.

**Dow Jones Indexes**

The Dow Jones Sustainability Indexes evaluate companies' ability to manage their social, ethical and environmental issues in a way that contributes to commercial advantage. In 2004, Centrica was included in both the Dow Jones Sustainability World and European Indexes.



**BitC CR Index**

We were ranked 50th (48th in 2003) in the Business in the Community CR Index in 2004. 132 companies took part and our overall score was 86%, compared with 87.2% in 2003.



**FTSE4Good Indices**

In 2004, Centrica continued to be listed in the FTSE4Good indices, confirming that we continued to meet globally-recognised CR standards.



# Engaging stakeholders

**Structured engagement with all our stakeholders is fundamental to the way we do business and is essential to identifying and addressing the needs of various stakeholder groups.**

Our principal stakeholder groups are:

## Customers

Two-way dialogue with our customers is essential if we are to fully understand and meet their needs. We continuously track a comprehensive range of customer service and customer satisfaction measures. Beyond this, British Gas, for example, participates in research conducted by MORI, which helps us to understand the importance of CR to customers and other stakeholders.

## Investors and shareholders

Regular communication with our investors and shareholders keeps them up to speed with developments in the business and helps to reinforce their commitment. For our retail shareholders, our main channels of communication include our annual general meeting, our annual report and annual review and the shareholder pages on our website [www.centrica.com/shareholders](http://www.centrica.com/shareholders). In addition to our annual report and CR report, we engage with our institutional investors through investor roadshows hosted by our chief executive and group finance director, half-yearly

results presentations and regular meetings with our investor relations team.

## Regulators

Centrica operates in regulated markets. Managed dialogue and the development of one-to-one relationships with the regulatory authorities are essential if we are to meet our obligations, inform policy making and share best practice. We are also active participants in a range of industry bodies. British Gas, for example, is a member of the Energy Retail Association, the trade association for suppliers of domestic energy in the UK.

## Employees

We believe that listening to, responding to and acting on the views of our employees is key to our continued success. We maintain ongoing dialogue with employees through a range of internal communication channels and they can make their voices heard through our annual employee engagement survey. In 2004 more than 80% of employees responded.

## Suppliers

We work with our suppliers to ensure that they manage their operations in a manner

consistent with our values and business principles. In 2004, for example, we trialled a programme to assess the CR credentials of some of our strategic suppliers, as a result specific measures will be further embedded in our tendering processes in 2005.

## Charities and non-governmental organisations (NGOs)

We work with a range of charities and NGOs to enhance our understanding of key social issues. Our continuing partnerships with National Energy Action and Help the Aged in Britain, and Raising the Roof in North America, for example, have enabled us to develop tailored propositions, products and communications that meet the needs of our more vulnerable customers.

## Consumer organisations

Regular dialogue with consumer organisations helps ensure that we are addressing key consumer issues. In 2004, for example, we continued to enhance our relationship with 'energywatch' – the UK energy consumers' watchdog – to ensure fair and efficient implementation of retail price increases.

## Government and parliament

We maintain constructive relationships with Government and MPs of all parties, primarily through face-to-face briefings and discussions and also through membership of such organisations as the Whitehall and Industry Group. We contribute to policy consultations and participate in parliamentary committee inquiries.

## Trade unions

Constructive and open relationships with trade unions are essential to managing our workplace activities. Regular face-to-face meetings provide the platform to discuss issues such as organisational change, business results, remuneration, and terms and conditions. Where planned organisational changes are likely to impact on our employees, such as those changes implemented during 2004, we brief trade union representatives in advance and involve them in the change process. This forms part of our layered communication strategy, which aims to promote and enhance employee engagement through periods of change.

**“ In 2004 we instigated consultations relating to the construction of wind farms in the Greater Wash, as part of our renewable energy strategy. Ongoing consultations have already involved more than a hundred stakeholder groups from national and local government, environmental and other specialist organisations.”**

Neville Bartrop, **public affairs manager, renewables**





“It is good to see Centrica seriously grappling with the challenge of sustainable development. For a company of its size, it is a vast challenge and a huge responsibility. In particular, it is imperative for the company to develop a strategic and progressive approach to climate change. We look forward to continuing our programme of constructive, and sometimes critical, engagement to help Centrica deliver genuinely sustainable business operations into the future.”

Jamie Wallace, principal sustainability advisor, Forum for the Future



**Local communities**

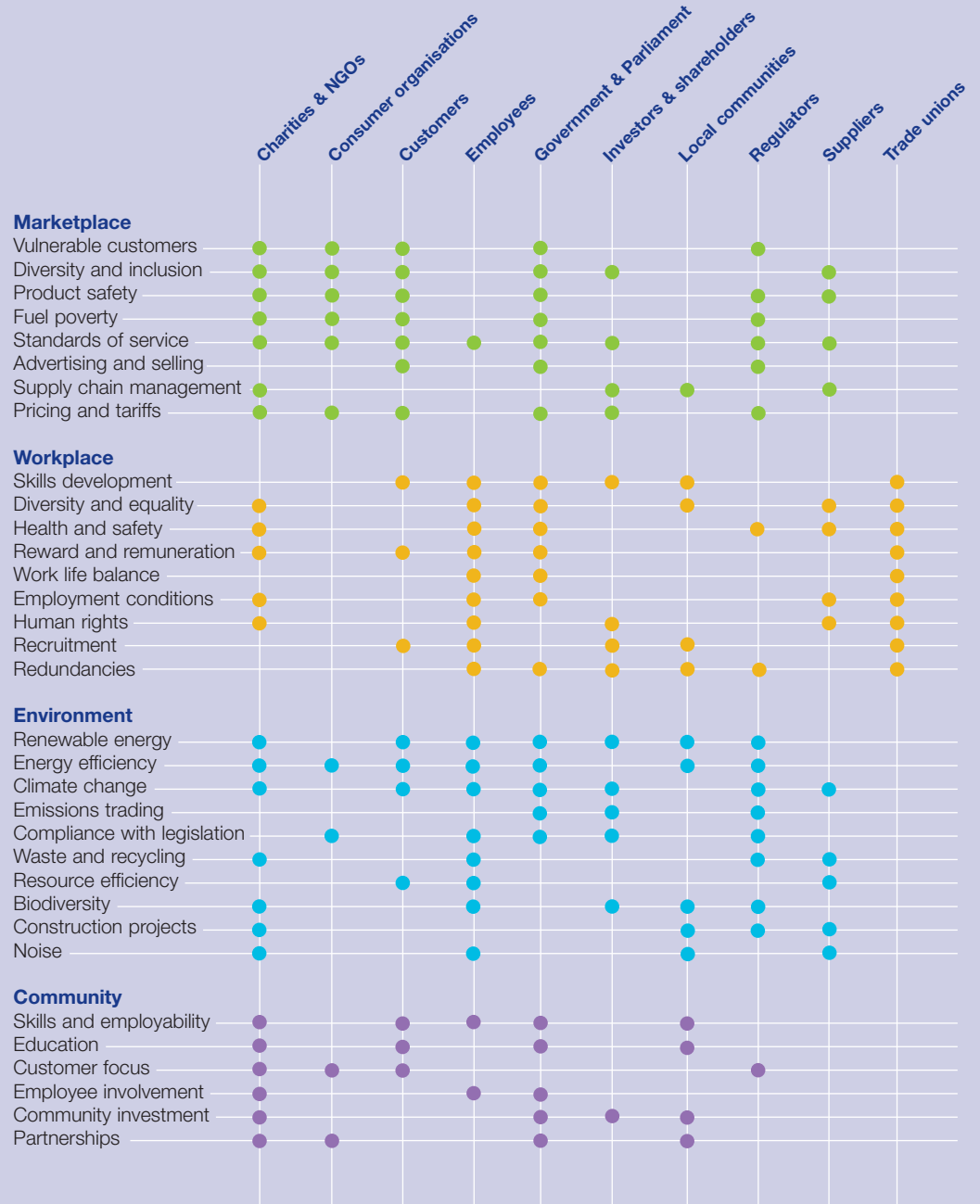
Through our operations we are active in thousands of communities in the UK, North America and Europe. We engage with these communities in a variety of ways:

- working in partnership with local government and social housing providers to address fuel poverty and related issues;
- joining forces with educational establishments and local recruitment agencies to provide training and employment opportunities; and
- consulting with residents over the development of new offices and operational assets. For example, following the acquisition of the Glens of Foudland onshore wind farm in Aberdeenshire last year, we distributed information on the construction project to all members of the local community and discussed the local impact through a series of face-to-face meetings.

**Next steps**

We are committed to improving the ways we communicate our CR activities and performance. In 2005, we will begin a formal programme, working with our stakeholders to assess their views on Centrica’s current approach to CR reporting and communication. We will report back on this in 2006.

This chart is an overview of the CR issues we believe are of most concern to our main stakeholder groups. It is not intended to be an exhaustive list, but to provide insight into the issues that we typically debate and consult on. We would welcome your feedback on this area of our work. Please email us at [responsibility@centrica.com](mailto:responsibility@centrica.com)



# Operating with in

**A passion for our customers is one of our core values and shapes the way we do business. All our businesses strive to win and retain the trust and loyalty of our customers. And we work to develop relationships with our suppliers and business partners based on mutual respect and integrity.**

### Key responsibilities

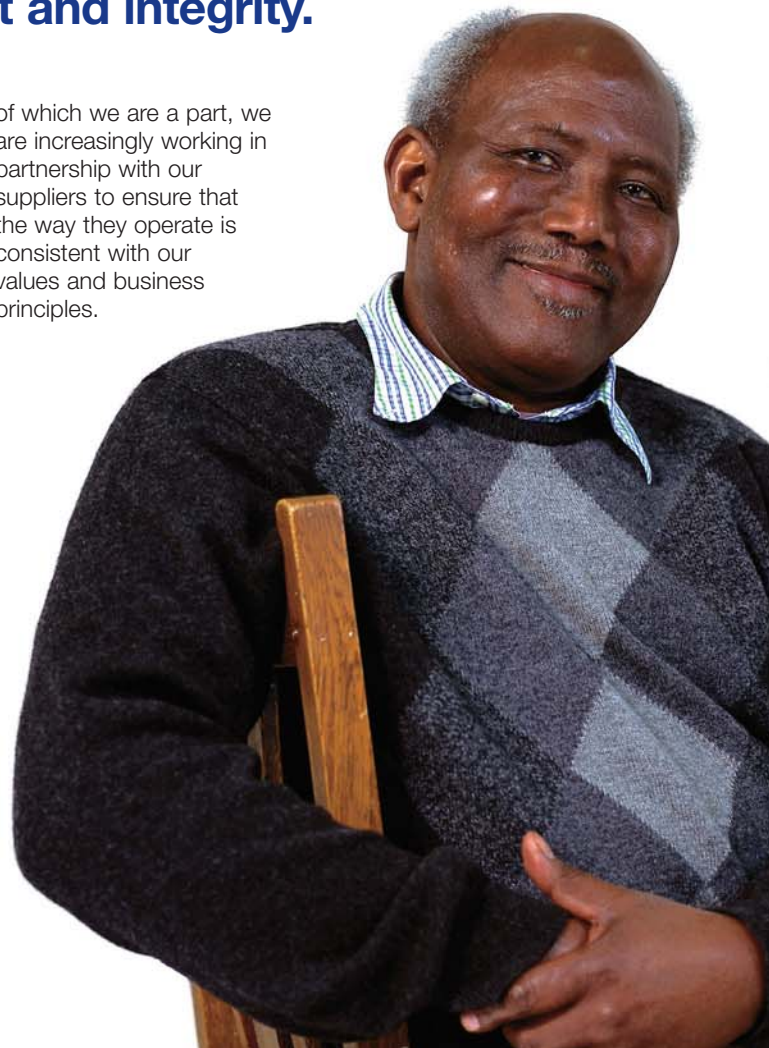
- helping to **alleviate fuel poverty**;
- working with our customers to promote the **safe and responsible use** of our products and services;
- recognising and valuing the **diversity** of our customers;
- aiming to maintain high levels of **customer satisfaction**;
- delivering a superior **customer experience**;
- building **responsible and rewarding relationships** with our suppliers; and
- ensuring that our sales and advertising techniques are **trusted and credible**.

Centrica has millions of customers and we are committed to operating with the highest standards of business integrity.

This commitment runs through all our advertising and sales activities and is at the heart of our determination to continue to improve levels of customer satisfaction. It is also central to our determination to meet the diverse needs of our customers and informs our promotion of customer safety and the responsible use of our products and services.

In addition, and because of the impact a business of Centrica's size inevitably has on the supply chains

of which we are a part, we are increasingly working in partnership with our suppliers to ensure that the way they operate is consistent with our values and business principles.



**“ British Gas and all involved are to be praised for their very innovative scheme to help people who are not so well off. Caring for people like me gives such a boost to morale, which can be very low when ends just don't meet.”**

Eric, **British Gas customer**

### 'here to HELP'

Launched at the end of 2002, 'here to HELP' is a household poverty programme run in collaboration with a number of national charities. The programme tackles a range of issues affecting older people, people with disabilities, single parents and families with young children.

Direct support includes the installation of energy efficiency measures, a benefits health check and a range of services from our charity partners, all of which are free of charge for qualifying customers.

By the end of 2004, 671 communities had signed up to the programme, potentially



British Gas funding of

£10m

has established a trust fund to help customers having difficulty paying bills

British Gas is investing up to

£290m

over the next three years to assist vulnerable customers

## Helping vulnerable customers

Our service ethic is about helping to make life safe, warm and comfortable for all of our customers but particularly for families, older people and people with disabilities in some of Britain's most disadvantaged communities.

The decision by most energy companies to raise retail gas and electricity prices in 2004, primarily as a result of sharp rises in the cost of wholesale energy, has highlighted the position of older and vulnerable people on fixed incomes. According to one recent survey by the Department of Trade and Industry, around 7% of households in the UK are in arrears on payment of household bills.

Working with a number of partners, British Gas has developed a range of initiatives to help our most vulnerable customers. Our aim is to find innovative ways to manage the impact on these customers of difficult but necessary business decisions and to protect and enhance their quality of life.

### Price promise

In 2004, British Gas made a 'price promise' that will protect our most vulnerable older customers from any further price increases for three years. Developed in partnership with UK charity Help the Aged, the promise means that eligible customers – those over 60 and

in receipt of pension credit – can take advantage of capped gas and electricity prices until October 2007. The package also includes free home insulation, assistance with claiming state benefits and access to British Gas' range of priority services.

If prices fall during this period, customers will, of course, enjoy the benefits.

### Better communications

Because we recognise that our more vulnerable customers require advice, information and support about all the services we offer, we are setting up the British Gas 'Extra Care' team – dedicated experts who can connect customers to the appropriate programmes.

The British Gas 'Extra Care' team will also provide information, guidance and support to our employees –

service engineers, energy efficiency teams and debt teams, for example – who are in touch with vulnerable customers as part of their job.

Our field-based debt teams have been trained to identify potentially vulnerable customers when they visit homes. Processes are in place to capture this information and provide appropriate support.

### Energy Trust Fund

British Gas has also launched an independent trust fund to help customers who are having difficulty paying their bills. Established with initial funding of £10 million for three years, the British Gas Energy Trust Fund will provide a combination of grants and advice to help customers experiencing problems with essential household debt.



**“We already help more than half a million people who are having difficulties paying their bills through our regular payment schemes. The British Gas Energy Trust Fund is a valuable new initiative that goes further to help ease the worries of some of Britain's poorest households.”**

Mark Clare, managing director, British Gas

benefiting 340,000 households. British Gas has recently committed a further £290 million over the next three years to assist vulnerable customers, improve energy efficiency, increase disposable income and enhance quality of life.

**“A key Government energy priority is to ensure that every home in the UK is adequately and affordably heated. The British Gas 'here to HELP' programme is an example of the corporate social responsibility we expect from energy suppliers in support of our objectives and involves effective collaboration between the private, public and voluntary sectors to create systematic, local solutions to fuel poverty.”**

Mike O'Brien MP, UK energy minister





# Listening to customers

We recognise the importance of listening to our customers at all times and maintain ongoing consultation and dialogue with various consumer organisations, our industry peers, regulators and not-for-profit organisations.

This helps us to understand different perspectives on the marketplace, which in turn enables us to find new and innovative ways of fulfilling the expectations of our stakeholders.

We continuously measure levels of customer satisfaction, and monthly performance indicators of service delivery are reported to the Centrica board of directors. This helps to ensure that we track customer service performance against key performance measures and identify and manage issues at an early stage.

## Onetel

In 2004, Onetel continued to focus on delivering the highest levels of customer service. Initiatives in the year included the launch of a dedicated call centre team to support new customers, the development of a new home-mover process and the introduction of automated services for broadband customers. Independent surveys showed increased customer satisfaction levels compared with 2003. 'Overall performance' was up 4% while the number of complaints fell by 8%, exceeding our target for the year.



## British Gas

Retail price increases during the year inevitably had a negative impact on customer satisfaction levels; however, the number of complaints made to 'energywatch' (the UK energy consumer's watchdog) about British Gas fell by almost 30%. Key service initiatives during 2004 included a focus on annual safety visits. Customer satisfaction with the annual safety visit was at an all-time high during the year.

## British Gas Business

British Gas Business' 'Ownership' customer handling process, which stresses the

importance of our people taking full responsibility for their customers at the first point of contact, is repaying the investment we have made in it. Our 2004 customer satisfaction target in the SME (small and medium-sized enterprise) market was 72% and we achieved 74%. Our target of 73% in the corporate market was also exceeded, with a result of 76%.

## Direct Energy

Each year Direct Energy has more than eight million interactions with customers that influence their perceptions of the company. During 2004 we exceeded our customer satisfaction index target for the second consecutive year. The index measures our success in providing an outstanding experience for our customers and is linked to employee reward programmes. In 2005 we will maintain our focus on developing the skills and processes necessary to deliver continuous improvements in customer satisfaction.

## Attracting new customers

We use a variety of sales and advertising techniques and are determined to observe the same high standards of responsibility in all of them.

### British Gas

British Gas is a founder member of the Association of Energy Suppliers (AES) which seeks industry-wide resolution of energy sales-related issues.

Our direct, face-to-face sales agents operate in conformity with the AES code of practice. To reinforce this commitment, all British Gas domestic energy sales agents are fully trained and accredited to 'Energysure' standards – the first, national accreditation scheme. Customer complaints received by 'energywatch' relating to British Gas energy sales fell by 60% during 2004.

British Gas is a member of the Direct Marketing Association (DMA) and our direct marketing and outbound telesales activities are conducted in accordance with the provisions laid out in the DMA's code of practice.

Our customer communications are written in a clear way that is appropriate and accessible for the target audience.

All British Gas television, radio, print and online marketing communications are submitted to the appropriate external body as part of our standard approvals processes.

We have an internal competition compliance team which checks for conformity with regulatory requirements.

We ensure that our work complies with the provisions of the Disability Discrimination Act and require that any agencies we employ also comply.

All our advertising, which is extensively researched with consumers to ensure that it conveys an acceptable and positive image of Centrica, adheres to the Committee of Advertising Practice Code and we aim to ensure that it is honest and within the law.

In 2004, one Advertising Standards Authority (ASA) complaint was upheld against a British Gas TV commercial run in the last quarter of 2004. As this report went to press, British Gas was invoking the appeals process.

### Onetel

As a leading provider of communication services, Onetel has adopted the Office of Communications (Ofcom) voluntary code of compliance for sales and marketing since inception. The code of practice aims to ensure good practice and the responsible selling and marketing of fixed-line telephone services.

In 2004, Onetel won the prestigious Direct Marketing Association Gold Award.

Five minor complaints to the ASA relating to Onetel were upheld during the year, two of which led to changes in industry practice.



# Leading the way on customer safety

Safety is a key issue for our businesses and we are developing new and innovative ways to promote the safe and responsible use of our products by our customers.

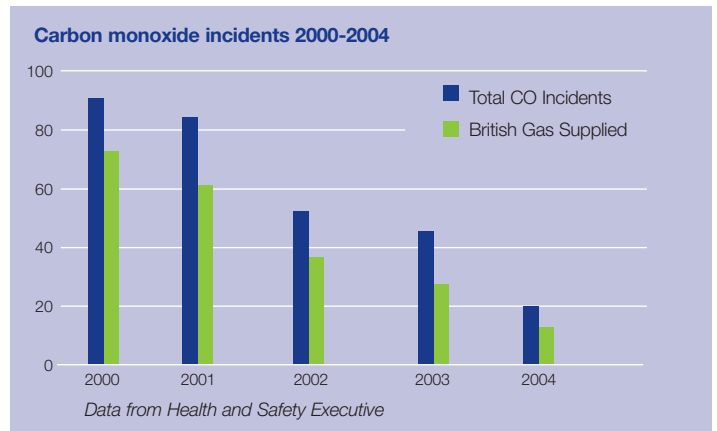
We are working with the Health and Safety Executive to assist in policy making in relation to carbon monoxide (CO) incidents and, in conjunction with City and Guilds, have designed and developed a national CO incident investigation training programme and qualification.

We actively support the Gas Industry Safety Group, CO-Gas Safety - an independent charity committed to reducing accidents involving CO - and other organisations such as the Royal Society for the Prevention of Accidents. Alongside other gas supply companies, we have signed a co-operative

agreement to publicise gas safety matters.

British Gas is one of the few British companies to achieve company-wide ISO 9001:2000 accreditation from the British Standards Institute.

In 2004, British Gas launched a new safety campaign to highlight dangers in the home. Supported by a website [www.britishgassafety.co.uk](http://www.britishgassafety.co.uk) one of the campaign's main emphases is child safety. People can use our online resources to build their own checklist of safety issues, check out the sections for children, parents, students and landlords and find



out how safe their home is.

As part of the campaign, engineers have handed out free bath thermometers to customers with children and have been leaving behind a safety card of useful hints and tips when they visit the homes of customers with children.

### Vent or repent

The National Union of Students got behind British Gas' 'Vent or Repent' campaign, to raise awareness of the dangers of CO poisoning. Every year, up to 30 people in the UK are killed by CO poisoning. Students fall into the 'at risk' category because many landlords are not properly licensed and provide substandard and unsafe accommodation.

As part of the campaign, students were advised to 'Nag your landlord' about the safety certificates that the law requires them to present to tenants, confirming that gas appliances in rented accommodation have been checked and are safe. The campaign is continuing with the further research into students' awareness of CO in 2005.

### Home Energy Care

We operate a Home Energy Care service which provides essential services for some of our most vulnerable customers. These include annual safety checks and the provision of specially designed appliance controls and adaptors for older people, people with disabilities and those who are chronically sick. More than 440,000 gas customers and 249,000 electricity customers have registered for the service. The service is underpinned by a comprehensive quality assurance process to ensure that customers with specific requirements receive a safe, high quality service in line with current regulations and standards.



Almost

700,000

energy customers have registered for the British Gas Home Energy Care Service

**“Burns and scalds can lead to years of treatment and permanent scarring and disfigurement. I welcome any campaign that helps to make people aware of the dangers that could lie in their home and was happy to support the British Gas Child Safety Campaign.”**

Mr Nicholas Parkhouse, burns specialist, Queen Victoria Foundation Trust Hospital



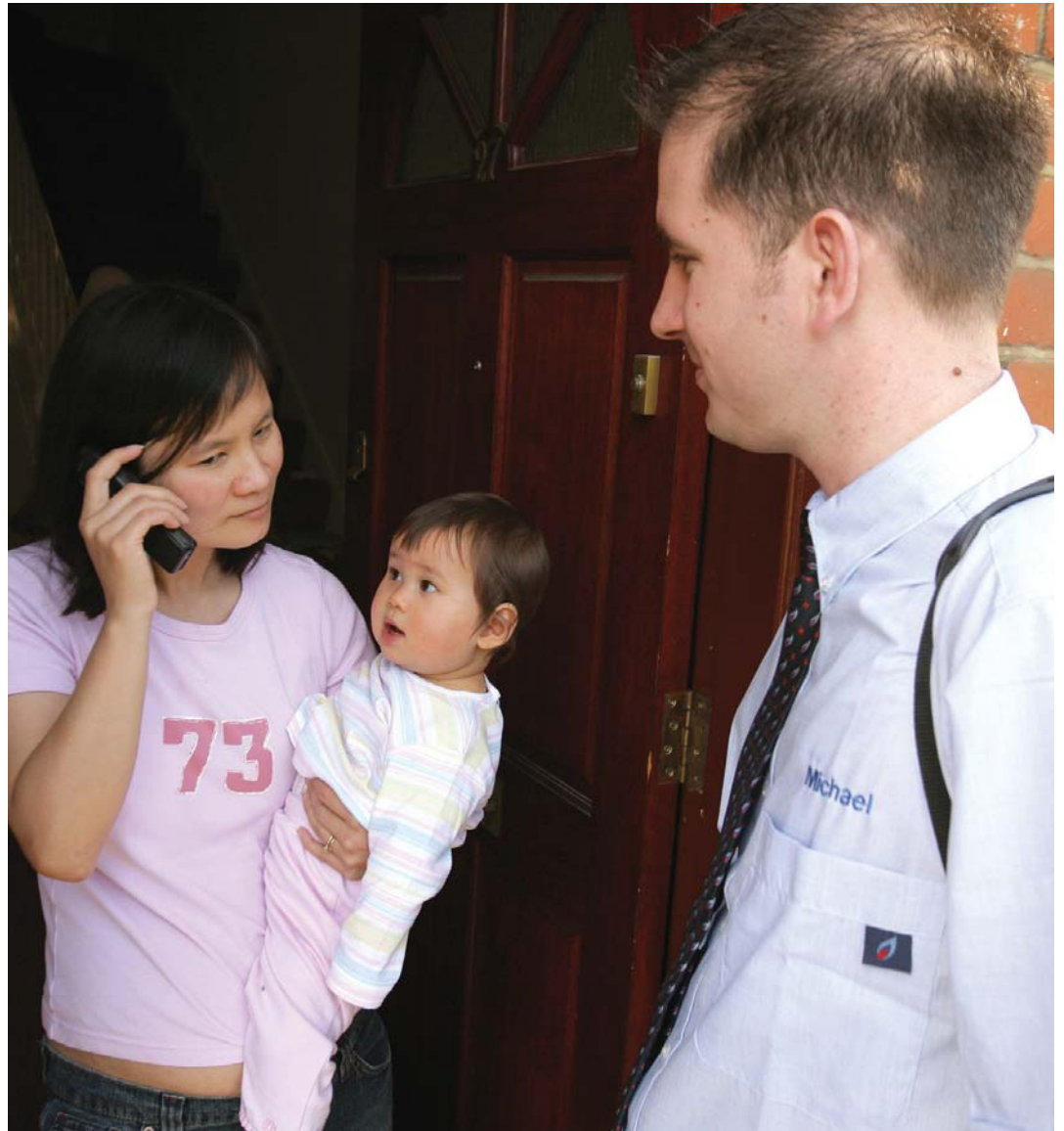
# Valuing the power of diversity

We are working to ensure that we respond to the diverse needs of our customers and that an inclusive approach is embedded in all aspects of our customer service.

In June 2004, for example, British Gas announced a new language translation service for all households visited by our 8,000-strong engineering force. If there is difficulty communicating with a householder whose first language is not English, the engineer shows a card in a number of languages so that the customer can specify which language he or she would like to communicate in.

The engineer can then contact a language translation company, by mobile phone and establish a three-way conversation in any one of over 250 languages, including Arabic, Bengali, Chinese, Hindi, Portuguese, Punjabi, Somali, Spanish, Turkish and Urdu. This not only improves the customer service experience, but can also be a real boost to customer safety – the engineer is better able to give advice on, for example, the importance of CORGI registered engineers servicing appliances and raise awareness of the dangers of CO poisoning. It can also act as a deterrent against unscrupulous traders who might exploit the fact that a customer's first language is not English.

We also provide a language translation service in all our customer service centres.



**“British Gas’ language translation service recognises the diverse needs of many of our country’s ethnic minority citizens and is a positive contribution to the cause of social inclusion. I hope other service providers will follow this excellent lead.”**

Parmjit Singh Gill MP, Liberal Democrat, Leicester South



# Supply chain partnerships

A business of Centrica's size inevitably has an impact on the supply chains of which we are a part, and our wider corporate responsibilities extend into those chains.

In 2004, we launched a programme to further engage our suppliers in our CR strategy and to ensure that the way they operate is consistent with our values and business principles.

We developed a pilot survey inviting a cross-section of 75 suppliers to participate. Our selection process was based on a combination of strategic importance, contract value and specific risks identified.

The survey focused on key CR issues including

environment, health and safety, diversity and inclusion and human rights.

Responses to the survey have been analysed and reviewed and we are now working with suppliers to provide feedback and assess opportunities to improve the process.

In 2005 we will introduce a CR risk assessment into the tendering process for new contracts and the re-negotiation of existing contracts.



## Challenges and priorities for 2005

- Identify and report on customer experience performance indicators across all businesses.
- Further integrate CR assessment into the tendering process for new contracts and renegotiations.
- Assess stakeholder dialogue activities across Centrica and engage a range of key stakeholder groups to assess opinions and expectations of our CR communications and reporting.
- Improve internal processes to minimise complaints and seek to share knowledge and good practice across our businesses.
- Develop and implement action plans in each business to further embed diversity and inclusion good practice into the service we provide to our customers and adopt a proactive approach to fulfilling new legislative requirements.
- Continue to raise awareness of key safety issues, including carbon monoxide poisoning, through national campaigns and work in collaboration with industry bodies to minimise numbers of safety incidents.
- Meet the agreed industry commitment not to disconnect the energy supply of a vulnerable customer and continue to develop innovative initiatives that help our most vulnerable customers.
- Continue to address the primary causes of fuel poverty through initiatives that combine heating, insulation and income related measures. And further develop partnerships with organisations that can support the targeting of those customers most in need.

## What matters to you?

We welcome your views on our activities in the marketplace:

 [responsibility@centrica.com](mailto:responsibility@centrica.com)

 [www.centrica.com/marketplace](http://www.centrica.com/marketplace)

# Alternative format communications

The demand for alternative format communications from customers with specific requirements continues to grow, up 25% in 2004 compared with 2003 levels.

During the year, we sent out over 250,000 alternative format communications to our customers. We also developed an in-house alternative format transcription service designed to improve the customer experience whilst enabling us to reduce costs.

In 2004, we spoke to more than 3,600 customers in their preferred language and handled over 2,400 text phone calls from customers

with hearing or speech impairments. British Gas' 'Home Energy Care', provides services such as Braille or large print bills, a text phone service and audio communications. Around 7,000 large print bills and 350 Braille bills are sent out every month.

### Working with Mencap

In partnership with UK mental health charity Mencap, British Gas has produced a booklet on energy efficiency, designed to be clearer for people with a learning

disability. The booklet uses simple language and graphics to explain how to improve energy efficiency in the home, reduce energy consumption and save money.

### Race for Opportunity

In 2004, British Gas demonstrated its commitment to diversity by taking part in the Race for Opportunity (RfO) – a benchmarking survey run by Business in the Community, to measure the extent to which organisations are meeting their

objectives on race. More than 180 private and public sector organisations from across the UK participated and British Gas was the third highest ranked of the 28 participating for the first time. We scored top in our sector for results and impact and for integrating diversity into marketing activities.

RfO feedback is helping to inform and shape British Gas' race action plan.



# Valuing our people

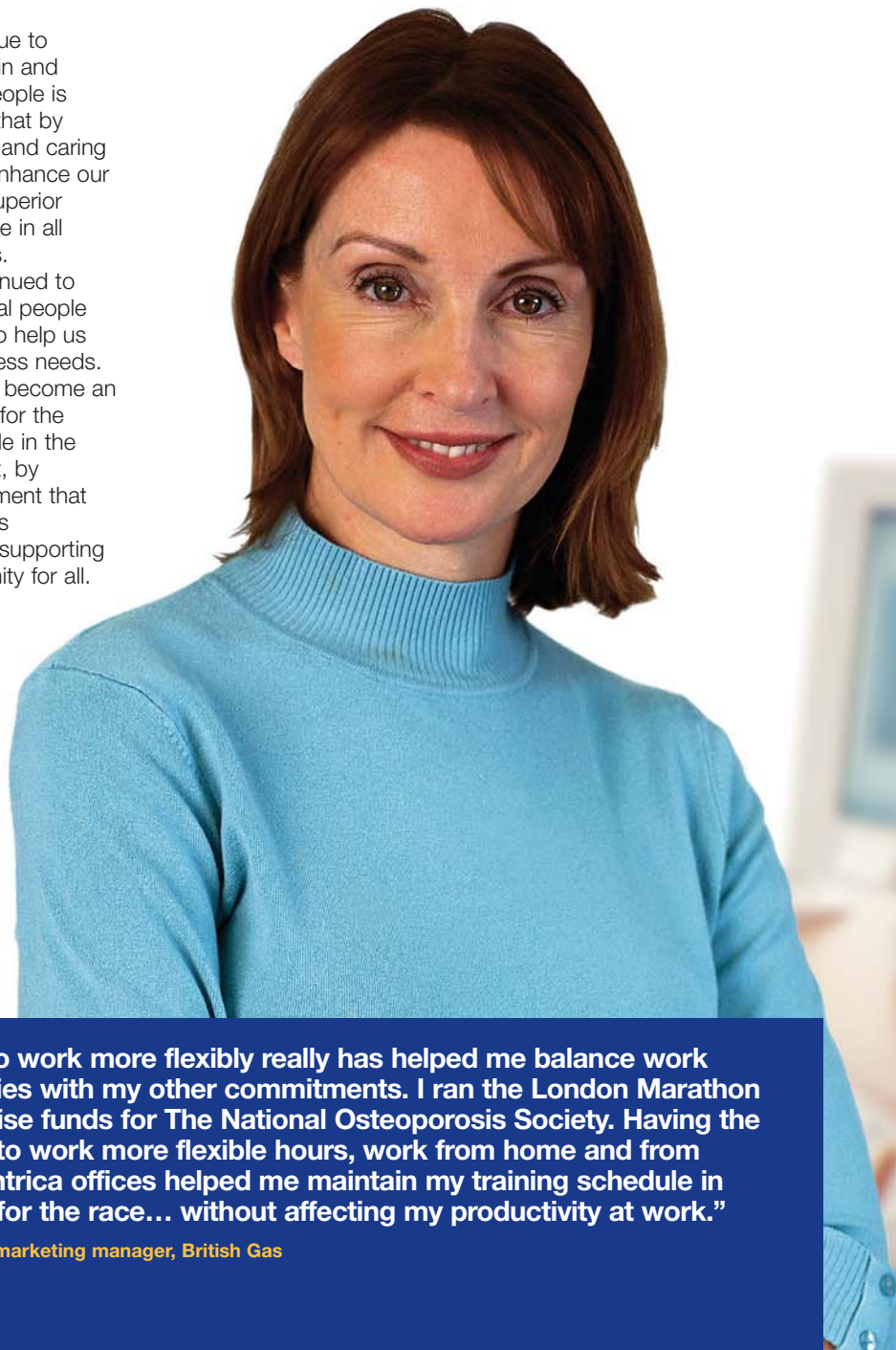
The calibre and conduct of our people is vital to building winning relationships with customers, shareholders, suppliers and the communities in which we operate.

### Key responsibilities

- promoting a **safe and healthy** working environment;
- **attracting talented people** with high-quality reward packages;
- **developing our employees** and helping them to fulfil their potential;
- ensuring that our **values are embedded** in our people's behaviour;
- ensuring **equality of opportunity and respect for diversity**, both in recognition of the inherent power of diversity and to aim to reflect the diversity of our customer base;
- ensuring a **two-way dialogue** with our people, listening to them and keeping them informed;
- developing **leadership capability**, ensuring that our leaders champion our values; and
- managing **organisational change**.

Our ability to continue to recruit, reward, retain and develop the right people is critical. We believe that by being an innovative and caring employer, we can enhance our ability to deliver a superior customer experience in all our chosen markets.

In 2004, we continued to implement our global people strategy designed to help us meet our key business needs. Its aim is to help us become an employer of choice for the most talented people in the employment market, by creating an environment that inspires and rewards achievement whilst supporting equality of opportunity for all.



“ Being able to work more flexibly really has helped me balance work responsibilities with my other commitments. I ran the London Marathon in April to raise funds for The National Osteoporosis Society. Having the opportunity to work more flexible hours, work from home and from different Centrica offices helped me maintain my training schedule in preparation for the race... without affecting my productivity at work.”

Natalie Griffiths, **marketing manager**, British Gas





More than

1,000

employees working flexibly through Work:Wise

We employ

43,414

people across the world

## Flexible working

Our aim is to help our people enjoy a better work life balance and to ensure that they are able to give their best.

We are aware of the real advantages that flexible working can bring, both to individual employees and to our business as a whole. The benefits include increased productivity, saved travel time and expense and greater flexibility of working hours.

Our policy, wherever appropriate and consistent with operational requirements, is to encourage new ways

of working that improve productivity and morale, increase diversity and reduce costs. Our 'Work:Wise' project, for example, is exploiting new technology and new ways of working to offer greater flexibility to more than 1,000 employees in Britain. This initiative will be extended to more employees in 2005.

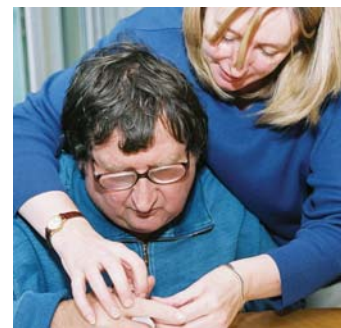
## Caring for carers

Flexibility is the key support that carers need.

There are around 200 known carers in Centrica, who look after family members or friends who are ill, frail or disabled. Forty per cent of these carers have been working for Centrica for more than ten years and fulfilling a caring role for as long.

To help us better understand the needs of carers in our workforce, we recently conducted a survey which demonstrated how much carers value the support of the company in balancing their work and caring responsibilities. We found that straightforward support, such as the opportunity to keep mobile phones switched on at work to respond to emergencies and the chance to work more flexible hours, can make a significant difference.

However, the survey also revealed that some carers were unfamiliar with our carers' policy and the flexible working options available.



In response, we have established a network, run by carers, offering the chance to share experiences, or simply to talk to others who are in the same position. Five initial meetings have taken place across the country and more activities are planned for 2005. We were proud to be one of five employers shortlisted for an Employer of the Year award for our provision of a carer-friendly environment.

**“We believe that there is a strong business case for supporting working carers. From the top down, there is a clear view that carers should not be discriminated against or disadvantaged on the grounds of caring responsibilities. Carers can have a particularly stressful time and whilst we can't take away the need to care we can ensure our carers get as much support as possible.”**

Judy Greevy, head of diversity and corporate responsibility

**“Flexible working arrangements can play a valuable role in organisational performance. Recent Chartered Institute of Personnel and Development (CIPD) research has indicated that desires to meet both business and employees' needs drive employers' use of flexible working. We are grateful to the organisations – including Centrica – that contributed to our research.”**

Rebecca Clark, CIPD adviser, organisation and resourcing



# Managing organisational change

Our aim is to ensure that our employees are kept informed about and involved in any major organisational changes.

In June 2004, we announced changes to the way in which the business is resourced and structured, in order to support British Gas' transformation programme and to reduce our service costs.

The subsequent organisational change programme emphasised employee consultation, openness and fairness. Business proposals to implement the changes were shared and agreed with employee and trade union forums, as part of a ninety-day consultation period. Online communication sites were set up in all affected

business areas and further support was provided with the engagement of a specialist career counselling and outplacement support provider. Line managers received training on how to manage change in difficult times and individuals whose roles were identified as 'at risk' were given personal career coaching to help them explore new career opportunities both within Centrica and through outplacement support. We also launched an employee assistance programme, providing free access to a twenty-four hour personal support service. To minimise

redundancies and retain talented people, we identified as many redeployment opportunities as possible throughout the group.

The emphasis on adopting a change management approach to this major restructuring was reflected in the engagement scores from our annual employee survey, in which some parts of the business recorded significant overall improvements while others maintained 2003 levels.

## Graduates are our pipeline for the future

**Our graduate programme, which offers general management, finance and IS training, has received widespread media coverage during 2004 and has helped to enhance our brand as a progressive employer.**

The programme won a number of awards during 2004, including the Independent Newspaper's 'Graduate of the Year Award' and the Association of Graduate Recruiters' Best Website Award – recognition of our integrated online approach.

In July 2004 we invited our 48 graduates to give their personal views on the programme and the results were very positive. Almost 50% said that the programme had greatly exceeded their expectations, 46% rated the career opportunities as excellent and 100% said they would recommend the programme to a friend.

[www.centricagraduates.com](http://www.centricagraduates.com)

## Health and safety at work

The health and safety of our employees is essential to the vitality and success of our business.

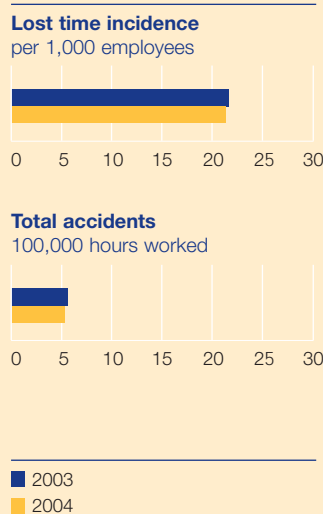
Maintaining a rigorous focus on accident prevention and providing expert support in those parts of our operations which give rise to significant potential risks will continue to be priorities.

The restructuring of our occupational health service delivered substantial employee and business benefits in 2004.

Accident and ill health incidence and consequential absence rates were reduced during the year, even though the employee headcount and size of the industrial asset base increased.

It is with sadness that we report the death of an experienced service engineer in Toronto who sustained fatal injuries while working on a customer's site. The findings of our detailed investigation have been used to reinforce relevant safety procedures throughout Centrica.

We will continue to set stretching targets to deliver improvement in our health and safety performance. We are proud of the progress made and commit to subject our performance to reward and rigorous management review.



# Employee development and talent management

We aim to be a learning organisation and provide a range of training and development opportunities for all our people, from our front-line engineers to our support service specialists, at all stages of their careers.

## Our academies

The British Gas Engineering Academy continues to provide a focus for our engineer recruitment and training activities. In 2004, more than 1,200 new engineers participated in training and development activities at the Academy. We also launched an education programme to raise awareness of the range of engineering apprenticeship opportunities that British Gas offers. Focusing on ethnic minorities and females, the programme is targeting 13-17 year olds in schools and local communities. In the past two years, we have doubled the number of female engineers, and tripled the number of black and ethnic minority engineers.

During the year, we also created the Academy of Customer Excellence, bringing together all our site-based,

customer service training activities under one team. In a competitive marketplace in which customer service is an increasingly vital differentiator, this new academy will support our drive to put the customer at the heart of everything we do.

## Leadership development

The quality of leadership in the group is critical to Centrica's success. We provide a range of development opportunities at all levels within an overall framework including a leadership programme for senior managers in partnership with Duke University and Executive Coaching.

Our management talent review process enables us to assess the performance and potential of our managers and informs succession planning and senior level recruitment. As a result of information gathered

by this process, 180 internal moves were made in 2004. These moves have supported the ongoing development of our management team and have helped facilitate knowledge sharing across the group.

## Prison partners

One of the more innovative leadership development programmes initiated in 2004 was the Prison Partners Mentoring Scheme. This scheme, facilitated by Business in the Community pairs senior leaders from businesses with management teams from the Prison Service. Our leaders have developed one-to-one coaching partnerships with managers at Wormwood Scrubs to enable them to work together on business and personal leadership objectives. In addition, the partners meet collectively to share knowledge

and insights on business operations and strategy development in a complex and challenging environment.

## Supporting senior women

Centrica ranked joint first in the 2004 Female FTSE – an annual survey conducted by Cranfield University, to assess representation of women on the boards of FTSE 100 companies.

Our chief executive, Sir Roy Gardner and chairman, Roger Carr are also actively involved as mentors in the FTSE 100 Cross-Company Mentoring Programme, which aims to support high potential women mentees in managing their careers to attain a non-executive or executive director role.



## British Gas Engineering Academy

Over the past two years

2,700

new engineer recruits have joined British Gas

Training spend at

£3.3m

for the year was 20% higher than 2003

1,361

engineers transferred into operational roles during 2004



# Engaging our employees

We promote active dialogue with our people and believe that the best way to find out what they think is to ask them.

In 2004, over 30,000 (around 80%) of employees responded to our annual employee survey, an increase of 8% on 2003. The biggest rise was in online responses. For the first time the survey gathered employee diversity data which enabled more detailed analysis of responses.

Centrica donated 50 pence to Cancer Research UK for every completed survey, raising more than £15,000.

The overall employee engagement score increased by 4% compared with 2003. This score is derived from employees' responses to questions covering issues such as performance and development opportunities, the quality of leadership in the company, customer focus and work life balance.

The most significant improvements in the year were in the number of people responding positively to the performance management and development opportunities (up 7.7% on 2003), and the number with a positive view of local management impact (up 8.2% on 2003).

There was clear evidence of improvements in local people management activity, including

regular team meetings, objective setting and personal development discussions.

There was however a negative reaction to the organisational changes introduced by the company. To address this we will continue to develop our

change management processes during 2005.

Following publication of the results in November 2004, managers have reviewed the outcomes with their teams and drawn up action plans to address any issues raised.

**“In times of change, it is very important for people to be able to express their views honestly and openly. The key is to identify where we can improve and make sure the improvements are made.”**

Anne Minto OBE, group director, human resources

More than

30,000

employees responded to our annual employee survey, an increase of 8% on 2003

The overall employee engagement score increased by

4%



## Accounting for people

We are keen to develop better ways of understanding and measuring the impact of our people initiatives and the difference that these make to business success. We welcome and support the industry-wide interest in formalising what is known

as ‘human capital management’ (HCM) and, in particular, the recommendations of the Kingsmill Accounting for People Report, which has been endorsed by the Department of Trade and Industry.

We have set up an internal working group to identify HCM measures appropriate to Centrica and to ensure that the mechanisms are in place to collect the necessary data. In 2005, this work will form part of a wider human resources transformation

programme to improve our systems and data capture.

We are also sponsoring a PhD student at the Manchester Business School who is helping us to develop an HCM model for Centrica.



# Rewarding good performance

An innovative, competitive and flexible reward policy is critical to recruiting and retaining the best people

From the moment an employee joins Centrica, we make clear how individual performance will be evaluated and recognised. Our objective is to continue to offer a reward package that encourages employees to give their best and recognises success. We also use bonus schemes to encourage employees to surpass business and personal goals.

In 2004, we extended our flexible employee reward package to support our employee recruitment and retention strategy and provide greater choice to our employees. As at 31 December 2004, around 6,000 employees had access to the scheme, a figure we expect to increase over time.

Our flexible benefits package consists of core benefits and a flexible spending account. Employees can 'spend' their flexible reward on a range of benefits including additional holiday, critical illness cover and store vouchers.

We operate three all-employee share schemes: 'Sharesave' which is a save-as-you-earn (SAYE) scheme over three or five years (13,500 employees), the UK Government-backed 'Share Incentive Plan', which enables employees to buy shares with the company providing matching shares (5,500 employees) and the Share Purchase Plan in North America (800 employees). All schemes benefit from tax advantages in accordance with taxation guidelines.

In 2004, we conducted a second comparative review of the levels of pay for male and female employees, in line with our commitment in the Kingsmill Report. The 2004 results show that the gender pay gap in Centrica is much narrower than national norms and that our current pay policies contain no gender bias. This review is a regular report to our executive committee.

## Challenges and priorities for 2005

- Create talent pools for key roles, for example general management and advise on potential career paths for these roles. Further embed our talent review process to ensure greater consistency in assessment and development of our managers.
- Deliver a robust Human Capital Management process as part of the wider human resources transformation programme to improve our systems and data capture.
- Continue to scrutinise and challenge periodic health and safety data reporting through the regular use of our corporate audit.
- Implement diversity awareness programmes and increase levels of flexible working across the group.
- Continue to monitor best practice in the recruitment market to ensure we maintain our competitive position to recruit and retain talented individuals, whilst embedding and improving reward and recognition policies that drive high performance.
- Target improvement of 5% in the overall employee engagement score during 2005 through team building activities and by supporting managers and employees through change.

### What matters to you?

We welcome your feedback on our workplace policies and initiatives:

 [responsibility@centrica.com](mailto:responsibility@centrica.com)

 [www.centrica.com/workplace](http://www.centrica.com/workplace)

## Diversity and inclusion

We are committed to creating a truly diverse and inclusive workplace with equality of opportunity for all.

Our diversity strategy focuses on integrating diversity into our management and business practices, raising awareness and understanding and facilitating the sharing of good practice across the group.

Our commitment to diversity is demonstrated, for example, by the setting up of the diversity and inclusion action group in January 2004. Chaired by Jake Ulrich, board director and managing director of Centrica Energy. The group ensures that the

infrastructure is in place to enable the implementation of our diversity strategy throughout Centrica.

Also in 2004, we launched an intranet site to increase understanding of diversity and share good practice. The site provides guidance on the impact of new laws, such as the UK age discrimination legislation scheduled for 2006, as well as links to a number of useful websites.

Diversity training has been introduced for senior managers and an e-learning package will be extended to all employees in 2005.

16% of our employees are from minority ethnic backgrounds

### Improving cultural awareness

16% of our employees are from ethnic minority backgrounds and with such cultural diversity it is important that we continue to support greater understanding and awareness.

One example was National Learning at Work Day on 20 May 2004, when British Gas employees in Solihull were able to experience other cultures.

An exciting series of exhibitions and interactive displays organised by employees provided the opportunity to learn more about the faiths, cultures, food and music of the communities that constitute twenty-first century Britain.

**“Our employees really embraced the opportunity to see how each other’s communities live. Ours is a diverse workforce and there is much that we can learn from each other.”**

Jazz Sehmi, British Gas, Solihull

# Reducing our carbon footprint

We are managing our environmental impact to contribute to the creation of a sustainable low carbon future.

### Key responsibilities

- **reducing our carbon profile** by cutting our greenhouse gas emissions;
- **enabling our customers to reduce their carbon footprint** by helping them use energy more efficiently;
- continuing to implement and develop our **renewable energy strategy**; and
- **involving employees** in championing environmental improvements.

We have a responsibility to manage – and, where necessary, to mitigate – the direct impact of our activities on the environment and to help our customers use our products and services in an environmentally responsible way.

In the past four years, the acquisition of nine gas-fired power stations – seven across Britain and two in North America – our gas fields in Alberta and a major gas storage facility in Britain (in addition to our Morecambe Bay field) has significantly increased our impact on the environment.

To ensure that we run these facilities in a manner consistent with environmental protection, we are introducing an environmental management system (EMS) across all upstream sites. All Centrica's UK power stations will have

an EMS independently certified to ISO14001 by the end of 2005. Stations with an existing, accredited EMS have been implementing new environmental standards to ensure conformity with a 'common standards approach' when making operational decisions that could have an impact on the environment.

In 2004, we made significant improvements in energy management, waste reduction, recycling and employee involvement. And we also began the process of involving our customers in a number of green energy initiatives.



**“Developing a sustainable, balanced energy mix is essential to our strategy and our vision of how energy will be supplied in the 21st century. We are already making significant investments in renewable energy technologies to reduce our carbon profile and are seeking to meet the Government’s challenging climate change targets by leading the way in carbon emissions trading and energy efficiency. This is a very exciting time for Centrica.”**

Gearoid Lane, *director of power and gas procurement, Centrica*

In 2004

£87m

was spent on our energy efficiency commitment

More than

8,000

trees were planted in 2004 as a result of our paperless billing programme

## Energy efficiency and our customers

Expenditure on our energy efficiency commitment (EEC) increased to over £87 million in 2004, compared with £61 million in 2003.

During the year, more than six million energy efficiency products were subsidised from EEC expenditure, benefiting around two million households.

In a new partnership with Currys – the electrical retailer – we are providing subsidies on a range of energy-efficient products. Cavity wall and loft insulation sales reached record levels, with over 250,000 households receiving free or subsidised products. And to date, 340,000 households have received a range of energy efficiency products and other services through our 'here to HELP' programme.

We also introduced online, paperless billing for British Gas residential customers. For every 100 customers who sign up, we contribute to the planting and management of a tree. As a result of our customers' support, over 8,000 trees were planted in 2004, which will absorb around 6,000 tonnes of carbon during their lifespans.

In our business-to-business markets in Britain and North America, we have introduced a number of products to help our customers monitor and run their buildings more efficiently. Additionally, in Britain we are able to provide Climate Change Levy-exempt energy from renewable resources to our business customers at no extra cost.



**“The threat posed by climate change cannot now be ignored and all industries responsible for large volumes of emissions must take their responsibilities to deliver reductions seriously. Integrated power companies like Centrica should be investing in renewable energy, introducing innovative ways to help customers to reduce demand for energy, actively supporting the development and implementation of robust emissions trading schemes and ensuring their own plant and processes are operating as cleanly and efficiently as possible.”**

Bryony Worthington, senior climate campaigner, Friends of the Earth



# Power generation and gas production

We continue to measure and seek ways to reduce the environmental impact of our power stations and gas production facilities.

Our aim is to ensure the safe, efficient and environmentally responsible operation of our power stations, which supply our residential and industrial customers with electricity.

The need to reduce emissions of greenhouse gases, air pollutants and waste is driving the development of new environmental legislation. In anticipation of the new Integrated Pollution Prevention and Control regulatory regime, which comes into effect in Britain in 2006, we have commissioned a major review of our power stations and gas production operations to ensure compliance with the new standards.

We strongly support market mechanisms as a means of enabling us to meet our obligation to minimise emissions of greenhouse gases (GHG), and have been making preparations for the launch of the new European Union GHG Emissions Trading Scheme (EU ETS).

The EU ETS is an important tool in enabling the Government to achieve its environmental

goals. Centrica is playing its part in the scheme through its gas plants and power stations, which are now required to surrender allowances to offset their emissions. By February 2005, Centrica was responsible for approximately

10% of carbon dioxide (CO<sub>2</sub>) traded across the EU.

In the longer term, Centrica believes the Government should maximise the number of allowances auctioned. Phase II will present tougher CO<sub>2</sub> reduction targets, greater

price risk and an increased need for new entry to ensure security of supply. Government can help alleviate investor uncertainty by giving early consideration and clarity on some key issues under Phase II.



## Okanagan University challenge

Committed to making a range of energy efficiency improvements in support of Canada's Voluntary Climate Change Challenge and Registry Program, Okanagan University College in British Columbia approached Direct Energy Business Services.

Direct Energy Business Services (DEBS) was asked to be a partner in a leading-edge energy conservation initiative sponsored by the Okanagan University College (OUC) and the nearby City of Kelowna.

In October 2002, following a preliminary review of energy conservation possibilities, DEBS submitted an initial energy initiative proposal to the university's management team. Following approval, more detailed proposals were drawn up and the project launched.

The aim of the project was to improve the efficiency of heating, cooling and ventilation systems on campus, while reducing the amount of energy used and operating costs.

OUC's heating plant was fitted with new high-efficiency boilers, heat pumps and chillers, tied in to the existing system. The upgraded system takes clear water from the city's wastewater plant, heats it and delivers it through an existing underground pipe system that supplies all campus buildings.



# Renewable energy in the UK

Currently, about 5% of the electricity we supply to our customers in Britain is associated with renewable sources.

Under the UK Government's Renewables Obligation (RO) all licensed suppliers must provide a percentage of electricity generated from renewable sources – approximately 10% by 2010 and 15% by 2015.

Centrica can meet its renewables obligation by buying Renewables Obligation Certificates (ROCs) or by paying a buy-out fee. These certificates guarantee that the power

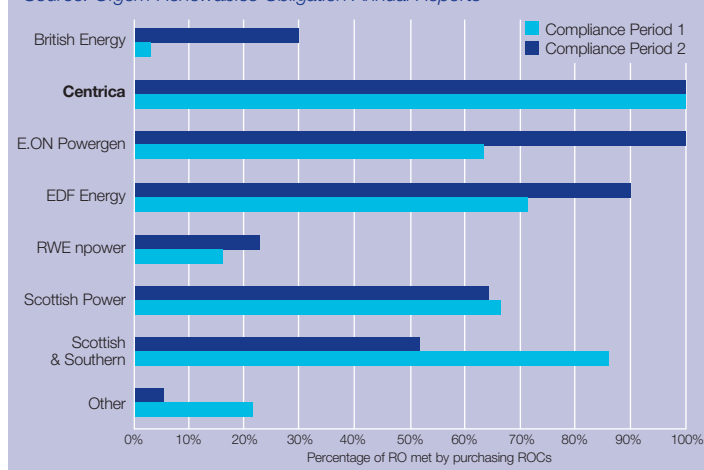
purchased has been generated from renewable sources. In 2003/4 Centrica was the only large supplier to meet its obligation entirely through presenting ROCs.

Buying renewable energy in this way is only one part of our long-term strategy.

Our investment in wind farm developments will create greater diversity of power production, helping to improve

## Supplier's renewables obligation met by purchasing ROCs

Source: Ofgem Renewables Obligation Annual Reports



future security of supply as the UK becomes increasingly dependent on gas from overseas. The wind farms will also make a significant contribution towards the reduction of the greenhouse gas emissions that contribute to climate change and will help to meet Government targets as set out in the Kyoto Protocol.

We are in the final stages of negotiation on a construction contract for two wind farms (Lynn and Inner Dowsing) off the Lincolnshire coast, and we are equal partners with Danish energy group DONG on Barrow Offshore Wind in the East Irish Sea. Together, these three wind farms have the potential to produce enough power for around 180,000 homes per year. We have also begun the approvals process for three much larger and longer-term offshore developments.

In October 2004, we acquired the 26 megawatt wind farm Glens of Foudland, currently being built near Huntly in north east Scotland. The first power from Glens is expected in mid-2005.

The construction of our offshore wind farms is subject to full environmental impact assessment to ensure that our developments have no, or minimal, impact on the environment. We are carrying out detailed site surveys prior to construction and will conduct others during construction and operation, while continuing to liaise with stakeholders from a wide variety of interest groups. Where possible, such survey work will involve local services.

We are committed to working with local communities to raise awareness and promote understanding of renewable energy.



This innovative conservation project – a contribution to Canada's climate change obligations under the Kyoto Protocol – will result in reductions in carbon dioxide equivalent to planting over 400 acres of trees or taking around 160 cars off the road.

Initial costs for the project were C\$2.4 million. OUC will save over C\$300,000 a year in energy costs, which means that the project will pay for itself in around eight years.



## Centrica is investing

£750m

alongside joint venture partners to develop renewable electricity generation assets in the next five years

# Involving employees

We have cut paper use in our offices by

21%

in one year

Centrica people found a variety of ways to generate additional 'green momentum' throughout the group.

Following the launch of the employee engagement campaign – 'Natural Capital' – in 2003, 5,000 pledges to improve their environmental behaviour were received from our people. In recognition of this huge commitment, we planted 30 trees at our Windsor HQ.

Other employee involvement initiatives in 2004 included:

- 'Monitor the Monitors' week in December, which achieved a 23% reduction in the number of PC monitors left on out of office hours.
- 140 people from British Gas are taking part in a pilot 'Eco Teams at Work' programme, in conjunction with Global Action Plan, an international environmental charity. If the

pilot is successful, it may be rolled out more widely.

- In March, our chief executive issued a challenge to all employees to 'Green the Way we Work', with the aim of achieving improved efficiency and environmental performance. We will report back on this in 2006.
- We supported National Recycling and Energy Efficiency weeks in Britain.
- The Paperchase Challenge to reduce the amount of paper we use in our operations, which ran throughout 2004 at our office sites, proved to be a success and we will extend the scheme to additional sites during 2005.

## Stockport's going green

British Gas' Area Service Centre (ASC) and National Installation Service Centre in Stockport is the first of our sites to produce its own environmental report.

The Newbridge Lane site is home to around 800 office employees and acts as a base for over 1,200 of our engineers.

Top of the office agenda is recycling, which has risen from 35% in 2002 to 51.7% at the end of 2004, making Stockport one of the best performing ASCs in Britain.

Stockport's engineering fleet has been working hard to reduce its fuel use and CO<sub>2</sub> emissions.

The introduction of a new engineering planning system is expected to lead to further major cuts in engineer mileage and CO<sub>2</sub> emissions.

**"We want employees to do all they can to help us meet our environmental targets in the same way that they strive to succeed in meeting any other business objectives."**

**Kirk Hudson**, Green Team leader, British Gas, Stockport



# Transport and fuel efficiency

We are committed to achieving major increases in fuel efficiency consistent with driver comfort and safety.

During 2004, our fleet grew to over 11,800 vehicles, which covered 118 million miles. In the year, we achieved a 3.4% improvement in average miles per gallon compared with 2003 and, since 2000, we have achieved an overall improvement in fuel efficiency of 8.2%.

These results have been achieved through our continued investment in new vehicles and new technologies such as fuel-efficient, low-emission diesel engines. The continued improvement in fuel efficiency has been maintained against the demands placed on the fleet by the introduction of air conditioning for operational vehicles.

We believe that the increased fuel consumption is compensated for by the improvements in driver comfort and road safety.

Our original target was to reduce fuel consumption by 13% by the end of 2005 relative to the 2000 baseline. However, the sale of the AA, coupled with the introduction of air conditioning, has meant that this target has become even more challenging. We anticipate that, by the end of 2005, we will have achieved an overall 8% improvement in fuel efficiency compared to 2000 – missing the target by 5%.

The challenge now is to make further improvements in fuel efficiency while continuing to specify air conditioning as

standard in our vehicles. We will also continue to develop our vehicle procurement and operating strategy in line with the environmental challenges we face. Initiatives to support this strategy include the purchase of vehicles powered by smaller capacity diesel engines and the use of speed limiters.

The introduction of robust fuel data management software means that we can accurately evaluate the fuel efficiency improvements and reductions in CO<sub>2</sub> emissions of all new transport initiatives. In 2005, we will also introduce satellite navigation for our operational drivers, helping them plan journeys more efficiently.

During 2005, we will develop new environmental targets for our fleet operation, with the aim of meeting European Automobile Manufacturers Association (ACEA) objectives of average fleet CO<sub>2</sub> emissions of 140g/km for operational vehicles by 2008 and 120g/km by 2012. In addition, work is underway to reduce average CO<sub>2</sub> emissions from our company car fleet.

We achieved an

8.2%

improvement in average miles per gallon compared with 2000







## Edinburgh award

Scottish Gas, headquartered in Edinburgh, is the first business to achieve a gold standard in the environmental awards run by the City of Edinburgh

Council. The building will now receive a follow-up visit at least once a year to ensure that the gold standard is maintained.

**“I was particularly impressed with the steps Scottish Gas has taken to minimise the amount of waste produced on site, and with its commitment to supporting environmental initiatives promoted by local and national voluntary organisations.”**

**Robert Cairns,**  
Scottish Executive Member for Environmental Services

## Waste management and recycling

It's important that we continue to proactively manage our own environmental impact.

Our activities generate significant amounts of waste: paper, cardboard, and food waste from our offices and call centres; waste metals, parts and packaging from our British Gas and Direct Energy operations; and waste oils and other commercial waste from our power stations.

It is vital that Centrica employees are actively

involved in minimising the environmental impact of our operations, so that we practice what we preach and give credibility to our broader environmental initiatives.

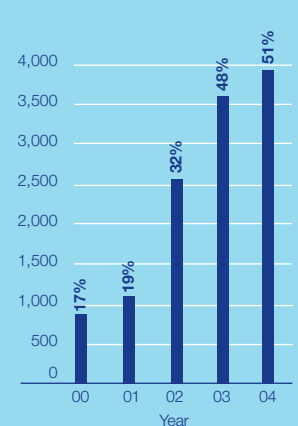
Our office waste recycling programme, for example, ensures that paper, cardboard, plastic cups, toner cartridges and mobile phones are reused or recycled. We also have schemes in place to donate

furniture and computer equipment to charities when we refit an office (see page 33). Employee involvement enabled us to achieve a 2004 group-wide recycling rate in our offices and call centres of 55%, while our print centres and national parts centre achieved a rate of 78%. We have reduced the amount of waste we send to landfill by 12% since 2000. We have cut paper use by

21% in one year, exceeding our target of 10% by the end of 2004. This is equivalent to saving almost 900 boxes of paper a month. The campaign was so successful that we are again challenging employees to try to save a further 10% in 2005.



Office waste recycling in tonnes





# Energy and water management

Energy for all our offices comes from certified renewable sources and is exempt from the Climate Change Levy.

As part of our energy efficiency programme, we have implemented projects which, together, have achieved savings of more than £750,000 and reduced our CO<sub>2</sub> emissions by 14.9% per full time employee since 2000. These savings put us on track to achieve and even exceed our goal of reducing our energy use per employee

by 15% by the end of 2005, compared with a 2000 baseline.

In 2004, we introduced a target to reduce our water usage by 25% within two years. To date, we have achieved a reduction of 18% per employee and are on track to meet this ambitious target by the end of 2005.

## Biodiversity

We are currently developing a new biodiversity policy for launch in 2006.

We recognise the biodiversity opportunities that exist in the vicinity of our power stations and gas production facilities.

One of the larger biodiversity projects in which we are currently involved is in the Morecambe Bay area, where a number of our upstream assets are located.

Morecambe Bay is one of the most important estuaries in Britain for seabird and waterfowl populations and has the third largest number

of wintering wildfowl in Britain. We are working as part of the Morecambe Bay Partnership to ensure that this important area is protected.

In some cases, the habitats or species found in the bay are dependent on our activities. For example, maintaining an ice-free, warm water dock as a result of cooling water discharges from our Roosecote power station has created a rich habitat for migratory birds.



## Challenges and priorities for 2005

The challenge for 2005 will be to continue to build on the significant progress we made in 2004 and to deliver our five-year environmental programme and all 2005 targets.

Our priorities include:

- ensuring that our higher-impact operations in the UK achieve certification to the environmental standard ISO 14001;
- producing green electricity from our first onshore and offshore wind farm developments by the end of 2005;
- reducing our energy use per employee in our buildings by 15% by the end 2005, relative to our 2000 baseline;
- reducing waste sent to landfill by 15% and maintaining our recycling rate at 50%;
- improving our fuel use per mile travelled by 13%, compared with 2000; and
- integrating the requirements of new environmental regulations such as energy labelling, pollution prevention control and the European Union Emissions Trading Scheme that comes into force during the year.

We have a programme of employee engagement activity planned for 2005, including the introduction of fair trade coffee at all of our sites; the celebration of World Environment Day; the launch of Paperchase Challenge 2 to further reduce our use of paper; and the refurbishment of our Leeds office using environmentally-responsible controls and furniture.

We will also be reviewing our environmental strategy and the targets that we originally set in 2000 and developing and publishing our vision for the future.

### What matters to you?

**We welcome your feedback on our approach to managing our environmental impacts:**

 [responsibility@centrica.com](mailto:responsibility@centrica.com)

 [www.centrica.com/environment](http://www.centrica.com/environment)

# Engaged investm

In line with our overall corporate responsibility strategy, the theme of our community investment programme is **‘ensuring access to the essentials’**. We are involved in a range of community activities that align with our core business activities, skills and experience.

### Key responsibilities

We aim to contribute to community projects and programmes that promote:

- **education, skills and employability** – as a large employer we are committed to investing in this area;
- **employee involvement** – ensuring our employees have the support they need to make a positive impact in their community;
- **customer focus** – working with charities and community organisations to improve our service to customers;
- **sustainable enterprise** – working with voluntary sector organisations to encourage social entrepreneurship; and
- **in-kind support** – donating equipment and time to assist charities, schools and community organisations.

Maintaining such a sharp focus helps us build a compelling business case for community investment; enables our employees to identify with and participate in our community activities; helps to build the coherent and sustained commitment that our community partners value; and really brings our brand values to life.

### Our approach

Our community investment activity has three principal characteristics:

- we are committed to the systematic management of our community programmes, in line with clearly stated objectives;
- we are committed to building long-term partnerships with community organisations and charities; and
- we are committed to the continuous evaluation of the outputs and impacts of our community investment programme.



In addition, we believe that every community project we are involved in should:

- deliver tangible benefits;
- generate awareness through communications activities; and
- change perceptions.

We measure our contribution to the community using principles developed by the London Benchmarking Group. In 2004, we contributed £7.35 million† (0.61 per cent of our pre-tax profits) in cash, time and in-kind support to community causes. This represents an increase of around £700,000 on 2003.

**“Everybody is delighted with this British Gas initiative. The work they have undertaken with the garden will help ensure that it provides a welcoming and tranquil setting for children and young people who are helped to understand what is happening when someone has a serious illness.”**

Peter Allinson, director of Barnardo's Yorkshire



# ent

Total employee  
volunteering hours

2004  
13,000

Total community  
contributions†

2004  
£7.35m

## Supporting employee involvement

Encouraging and supporting our employees to play an active role in their communities is at the heart of our approach. Their engagement in a broad range of issues of social concern is good for the community, contributes significantly to their development and consequently benefits us as a business.

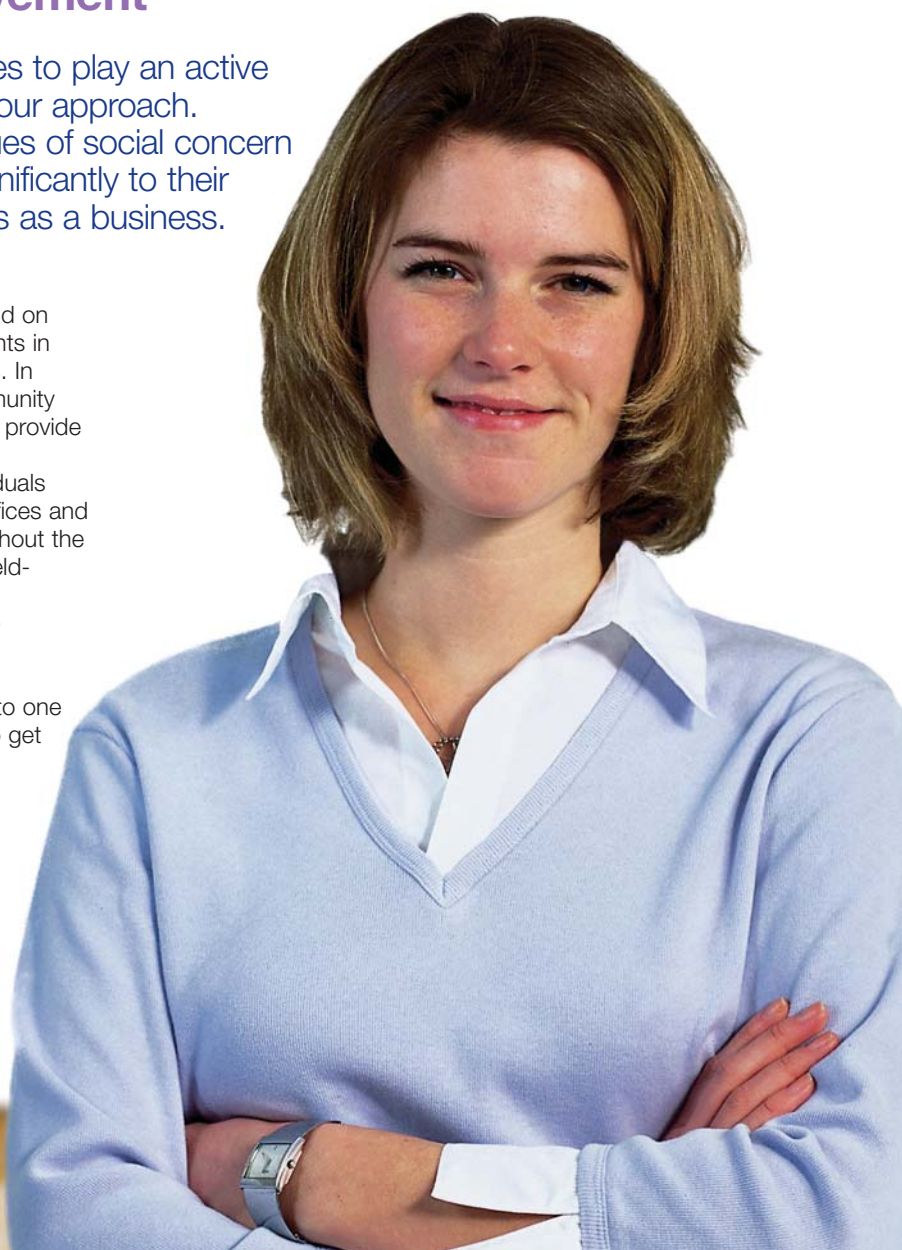
Research shows that more than 90% of employees are aware of Centrica's support for communities and charities and that around three quarters of them are interested in participating in community schemes. In 2004 – in line with the previous year's commitment – we were focused on encouraging and helping them to do so.

During the year, our people were actively involved in all kinds of community and charity support activities, from garden makeovers and marathons, to schools projects and health awareness campaigns.

In January 2004, we launched our employee volunteering programme throughout British Gas, encouraging employees to take up to two working

days a year off to spend on volunteering assignments in their local communities. In partnership with Community Service Volunteers, we provide a range of volunteering opportunities for individuals and teams from our offices and contact centres throughout the UK, and also for our field-based employees.

In North America the 'Donated Expertise' programme enables employees to take up to one hour off each month to get involved in their local community.



### Getting involved

In April 2004, for example, a team of volunteers from the British Gas service centre in Leeds helped to transform a neglected plot into a peaceful garden of remembrance for children with terminally ill parents.

And in Gwent, British Gas employees have been working with local children as part of Business in the Community's 'Watch this Space' programme, designed to ease the transition of children from primary to secondary school, while raising their aspirations at an early stage in their school careers.

**“I was thrilled to have the opportunity to make a difference in my local community through our employee volunteering programme – Centrica people have got a lot to offer outside their day to day roles and they really value the chance to use their skills to benefit local people.”**

Louise Wilson, British Gas customer service agent, Leeds



# Addressing the issues at the heart of fuel poverty



We're challenging fuel poverty in Britain by providing simple, practical ways to help make hundreds of thousands of homes warm, safe and comfortable.

The British Gas 'here to HELP' programme provides a range of measures including free insulation and a confidential benefits health check. It also aims to support some of our more vulnerable customers by referring them to one of our charity partners, which include Help the Aged, Royal National Institute of the Blind (RNIB), Scope and National Debtline.

Statistics alone don't tell the full story – 'here to HELP' is transforming the lives of real people in real situations.

Roland is 87 and lives alone in rented accommodation. Among the benefits he received from 'here to HELP' were: free cavity wall insulation, a white cane and halogen desk lamp from the RNIB and advice on his eye condition. He also

received information about holidays and leisure activities for blind and partially-sighted people. This summer, he will be

taking his first holiday for years at the RNIB's Palm Court Hotel in Eastbourne, England.

**"I think the 'here to HELP' project is a marvellous idea and appreciate the help I've received. The more people that get to know about 'here to HELP' who can benefit from it, the better."**

Roland, 'here to HELP' beneficiary

## The 'here to HELP' programme has generated

28,775

referrals to charities

90%

of which were new contacts for the charity and has identified

£5.6m

of unclaimed benefits.

This equates to an average benefit gain for qualifying households of

£1,308

Figures correct at 31st December 2004

## Direct Energy in the community

In North America, Direct Energy is making a real contribution to the problem of homelessness in the areas in which it operates.

Direct Energy, North America's largest competitive energy and related services retailer, combines charitable giving and activities designed to encourage employees to support community causes through its 'direct in the community' programme.

One major initiative is the support that Direct Energy provides to Raising the Roof's Shared Learning on

Homelessness website [www.sharedlearnings.org](http://www.sharedlearnings.org) Raising the Roof is Canada's only charity dedicated to finding long-term solutions to homelessness and the site makes practical tools and information available to the frontline staff, managers and volunteers who are working to address the problem of homelessness in communities throughout Canada.

The aim of the site is to facilitate networking between agencies, activists and decision-makers, and to improve the sharing of information about effective policies and programmes aimed at reducing homelessness. There is also a national directory of more than 400 organisations working with and advocating the cause of the homeless.

**"The dynamic relationship between Direct Energy and Raising the Roof demonstrates the power of an exciting new partnership. We've achieved a great deal and by working together our actions are helping to achieve our goal of every Canadian having an address and a place to call home."**

Sean Goetz-Gadon, president, Raising the Roof



# Tackling avoidable winter deaths

In partnership with Help the Aged, British Gas has been raising awareness of the issue of winter deaths affecting some of Britain's most vulnerable older people.

2004 was the sixth year of British Gas' partnership with Help the Aged. During that time, the partnership has developed a number of initiatives to address issues around fuel poverty, safety and isolation amongst the most vulnerable older people. British Gas has contributed more than £6 million of support to the partnership since 1999, making the lives of 1.7 million people warmer, less isolated and more secure.

In 2004, the partnership focused solely on the issue of avoidable deaths of older people from the cold every winter. In spite of concerted efforts by the Government, the

voluntary sector and the energy industry, more than 24,000 people in Britain died as a direct result of the cold in 2003. (source: ONS & General Register Office for Scotland).

Partnership activity sought to raise awareness of the issue including the development of some hard hitting visuals to target both the media and government. Activity also centred around providing practical solutions and advice about how best to keep warm, encouraging individuals to claim benefits they are entitled to and insulating homes.

To influence people's behaviour in dealing with the problem – small changes in

behaviour can have a major impact – the partnership developed an information pack, 'The cold can kill', and distributed it directly to older people.

In addition to information on practical measures to keep out the cold, the pack contains a thermometer to monitor heat levels in the home, a calendar of useful dates – such as when to get a flu jab – and useful numbers for services.

50,000 copies of the pack, which has proved extremely popular, were produced and distributed during the winter months and an updated edition has been produced for 2005.



The cold can kill pack is available online at [www.helptheaged.org.uk/winterdeaths](http://www.helptheaged.org.uk/winterdeaths)

# Creating a better future for children with autism

Onetel is working with UK autism charity TreeHouse to improve the educational opportunities available to children with severe autism.

Because educational facilities in the UK for children with autism are seriously stretched, Onetel is working in partnership with TreeHouse, which provides schooling for such children from the age of 3 to 19, and which is committed to expanding the pool of teachers in autism education. The objectives of this partnership are to consolidate a national presence for TreeHouse, develop income generation opportunities and create opportunities for Onetel employees to develop new skills.

## Forms of support

Onetel's support comes in a number of forms.

When, for example, the charity moved premises, a team of volunteers from Onetel moved furniture, built sheds, designed a playground mural and washed toys and bikes, while IT experts in the team helped install a new computer network with equipment donated by Onetel.

Cause-related marketing initiatives are being developed to aid fundraising. The first of these is a donation of 1p to TreeHouse for every call made

to Onetel's directory enquiries service, 118 111. Already this scheme has raised almost £30,000 and more initiatives will be rolled out during 2005.

And Onetel people have raised funds through various activities including organising raffles, running marathons and even doing tandem sky dives in support of TreeHouse.

Onetel has invested £15,000 to buy books and materials such as fleeces and t-shirts to help launch the partnership.

Beyond this, Onetel is offering the charity further volunteer support and mentoring

opportunities in areas such as finance and media training.

The partnership was formally launched in December 2004 by best-selling author Nick Hornby, who is a patron of the charity.



**“ My son, Danny, is profoundly autistic, but despite his disability he is fortunate enough to attend TreeHouse's flagship school in North London. Currently, only 45 pupils can benefit from this education, but through a national programme, we are sharing the good work of TreeHouse which we hope will benefit many more of the thousands of other children and families coping with autism across the country.”**

Nick Hornby in a voice mail message to Onetel people



# Touching lives – to the tune of £690,000

The support of our employees is helping Cancer Research UK – the world’s largest volunteer-supported cancer research organisation – touch the lives of even more people.



Our campaign in support of Cancer Research UK – our 2004 employee charity partner – broke through its target of £400,000 after just six months and raised a total of £690,000.

Fundraising champions within Centrica chose to support five key areas of Cancer Research UK’s work – basic research, breast cancer, childhood cancers, psychosocial research and epidemiology – as well as a number of local projects.

Research shows that cancer has touched the lives of almost 90% of our employees in one way or another. Through our partnership with Cancer Research UK, we’ve worked to dispel the myths about cancer and provide health awareness advice to customers, employees and the general public.



### Fundraising activities

Employees from all parts of the group have taken part in a wide range of fundraising activities, from quizzes to ‘wardrobe amnesties’ of unwanted clothing.

Hundreds of women employees, for example, participated in Cancer Research UK’s ‘Race for Life’ events throughout the UK. Other examples include 30 teams

that raised £75,000 by participating in the Centrica Lakes Challenge in Cumbria and the £30,000 raised in Cancer Research UK shops from the sale of clothes, books and CDs donated by Centrica employees. Many employees have also been actively involved in promoting cancer awareness messages through local and national media coverage.

### Our UK charity of the year for 2005 is NCH

Employees aim to raise

£250,000



**“Having survived breast cancer myself, I was absolutely thrilled when Centrica employees chose Cancer Research UK as their nominated charity. I took part in the Race for Life in Southampton wearing number 1. It was a very emotional day and I was very proud to be a part of it.”**

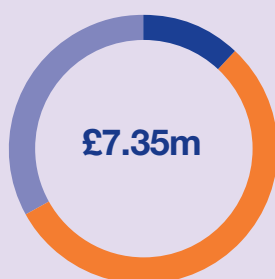
Sue White, team manager, British Gas, Southampton



the children’s charity



## Focus of our contribution in 2004



Charitable gifts	12%
Community investment	55%
Commercial initiatives	33%

## Quantifying our impact

We quantify and benchmark our community impact through stakeholder consultations, benchmarking exercises, opinion surveys and awards.

For example, we participate in the ProbusBNW Corporate Community Involvement Index, designed to provide a group of leading UK companies with an expert external assessment of the quality and effectiveness of their community programmes, relative to

peer companies. The Index is compiled every two years and in 2004 showed that Centrica is regarded as a 'leading company' in seven of the eight categories and as 'meeting all reasonable expectations' in the eighth.

## Unwanted furniture goes to good causes

In line with our commitment in 2003's corporate responsibility report, we continued to explore further opportunities for in-kind support.

One of the key non-financial ways in which larger organisations can support charitable and community organisations is through in-kind support.

In 2003, for example, more than 750 fully-reconditioned computers were donated to a range of charities, community organisations and schools and, in 2004,

we extended the scheme to include furniture and office equipment.

Following the move of British Gas Business from Thames Tower in Leicester to Spinneyside, around 120 local groups, including local charities and schools, were delighted to take possession of everything from desks to fans and in-trays.

**“The new matching desks and furniture make our offices look much more up-to-date, co-ordinated and ordered. The style and quality of the donated furniture is way beyond what we could have hoped for and will make an enormous difference to the working lives of all of us here.”**

Charles Elford, personnel and administration manager, Carers UK

## Challenges and priorities for 2005

- Continue to work with our 'here to HELP' charity partners to develop innovative ways to address the root causes of household poverty across Britain and help improve lives by offering free home insulation, a benefits health check and a range of charity partner products and services targeted at those that need help the most.
- Continue to work in partnership with Help the Aged to raise awareness of and provide practical solutions to address the issues surrounding fuel poverty and excess winter deaths, and develop projects that improve benefits uptake amongst vulnerable older people.
- Work with NCH to deliver a creative and engaging campaign that supports employees' goal of raising £250,000 through the 'Helping Children Shine' partnership and raise awareness of key issues affecting disadvantaged children and young people.
- Continue to develop our volunteering activities, forging new partnerships to facilitate an increased range and diversity of volunteering opportunities.
- Identify new charitable partners in the north eastern United States to extend Direct Energy's commitment to working with these organisations to find long term solutions to tackle the underlying causes of homelessness.
- Develop further Onetel cause related marketing initiatives involving new and existing customers to support business objectives and generate funds for TreeHouse whilst raising awareness of the charity's work.
- Continue to increase levels of in-kind support by extending our furniture and IT donation programme in communities where we have a business presence.
- Implement a payroll giving promotion throughout our British businesses with the goal of increasing employee participation by 10%.

### What matters to you?

**We welcome your feedback on our community policies and initiatives:**

 [responsibility@centrica.com](mailto:responsibility@centrica.com)

 [www.centrica.com/community](http://www.centrica.com/community)

# Next steps

We are committed to the continuous review and refinement of our approach to corporate responsibility.

In this report, we have tried to paint a straightforward and comprehensive picture of our CR performance in 2004.

We have described the values and principles at the heart of the Centrica proposition and the processes by which we engage with our stakeholders.

We've provided a brief account of the challenging business climate in which Centrica operates and insight into our strategic goals.

We've looked at the ways in which we have strived to fulfil our responsibilities in the marketplace, in the workplace, in the community and to the environment. And we are committed to subjecting our performance to rigorous improvement in all these areas in the years to come.

We hope you have found something in this report to interest, surprise or entertain you. We've come a long way but we've also come to recognise the scale of the challenge ahead.

Our CR priorities for 2005 include:

- developing innovative ways to tackle fuel poverty and support vulnerable customers;
- continuing to reduce our carbon footprint;
- enhancing our quantitative reporting of our people management activities;
- identifying and acting on key issues in our international upstream activities; and
- continuing to encourage and support Centrica people to make a real difference in their communities.

Reporting on our responsibility practice is, of itself, vital to keeping the momentum going. It's often said that what gets measured gets done, and the publishing of targets and commitments really does help to make things happen.

The chart opposite shows the progress we have made against a number of key measures in the past year and some of our most important commitments for the year to come.

We will regularly update our online reports to keep our stakeholders in touch with progress and will report back in full in 2006.

We invite you to judge us by what we have done and by what we commit to doing in the future.

## What we said we'd do

### Workplace

Introduce a more robust management talent review process, resulting in more internal promotions and appointments

Develop performance management systems to ensure identification of superior performance and tackle under-performance

Improve employee engagement scores

Monitor progress in diversity including external measurement

Ensure more robust reporting of health and safety data

Extend flexible benefits to meet the growing needs of our diverse workforce and review the reward proposition for our engineers

Develop human capital management (HCM) processes in line with the recommendations of the Kingsmill Report 'Accounting for People'

### Marketplace

Work with Ofgem and industry competitors to agree a coordinated UK energy industry-wide approach to energy disconnections

Continue to tackle fuel poverty through a range of energy efficiency programmes

Increase our focus on key customer service performance issues

Implement national campaigns to raise awareness of the dangers of carbon monoxide (CO) poisoning and other home safety issues

Set up a diversity and inclusion action group to oversee the implementation of diversity and inclusion activities

Capture and communicate data on how we develop appropriate advertising campaigns and monitor complaints upheld per annum

Capture and communicate more detailed information on how we manage CR issues in our supply chain

Promote our relationships with industry bodies to illustrate stakeholder engagement

### Environment

Reduce office energy use per employee by 15%

Increase office recycling rate to 50%

Achieve a 15% reduction in waste

Deliver EMS across all upstream businesses and ensure they achieve accreditation to ISO 14001

Continue to inform the company's power generation strategy, quantifying risks and impact by engaging key stakeholders

Eliminate environmental data gaps and report agreed criteria from North America

### Community

Improve lives by offering free home insulation and a benefits health check and working with our 'here to HELP' partners to deliver targeted products and services

Implement the British Gas volunteering programme as a blueprint for wider company involvement

Improve support for employee involvement schemes including charity of the year and payroll giving

Research how community investment builds personal motivation and employee skills development

Seek to improve levels of in-kind support as of the overall programme

Work with business units to encourage greater employee engagement

Participate in the 2004 Probus BNV Corporate Community Involvement Index and other relevant benchmarks

What we've done	What we plan to do next
180 moves made during 2004 (21% of internal moves related to managers identified as 'high potential'; lateral or upward promotions equated to 44% and 56% of moves were developmental)	Skill HR business partners to enable line managers to forecast future capability requirements and develop plans to address deficiencies, whilst creating 'talent pools' for key roles
Reduction in numbers of poor performers in 2004, due to the impact of performance improvement programmes	Continue to implement performance improvement plans in all areas to reduce poor performance and identify development interventions for high performers
Overall employee engagement score improved by 4% with more than 80% participation across the group	Target improvement of 5% during 2005 by extending flexible working, team building activities and supporting managers and employees through change
Assessed the composition of our workforce in relation to key diversity indicators and British Gas participated in the Race for Opportunity Benchmark (see page 19)	Develop and implement diversity and inclusion action plans in each business to address key priorities
Implemented a new electronic reporting system to improve and reinforce the range and quality of data collection, reporting and analysis	Continue to scrutinise and challenge periodic health and safety data reporting through the regular use of our corporate audit
Introduced flexible benefits to an additional 2,000 employees and implemented a new reward package to our 8,000 engineers	Continue to monitor best practice in the recruitment market to ensure we maintain our competitive position to recruit and retain talented individuals, whilst embedding and improving reward and recognition policies that drive high performance
Internal working party is developing appropriate mechanisms and we are sponsoring a PhD student who is helping design an HCM model for Centrica	Deliver a robust HCM process as part of the wider human resources transformation programme to improve our systems and data capture
Worked with members of the Energy Retail Association to agree an industry commitment not to disconnect the energy supply for vulnerable customers	Meet the industry commitment and continue to develop innovative initiatives that help our most vulnerable customers
Invested £87m in energy efficiency programmes – six million energy efficiency products benefited more than two million households	Continue to address the primary causes of fuel poverty through initiatives that combine heating, insulation and income related measures
Introduced hundreds of new processes and improvement initiatives resulting in increased customer satisfaction across many parts the group (see page 10)	Identify and report on customer experience performance indicators across our businesses
Delivered a national campaign in partnership with NUS, targeting students with CO awareness messages and launched the British Gas Child Safety Campaign	Continue to raise awareness of key safety issues, including CO poisoning, in collaboration with industry bodies
Diversity and inclusion action group established, comprising senior managers from across the business	Develop and implement action plans in each business to further embed diversity and inclusion good practice into the service we provide to our customers
Continued to improve the rigour of our processes during 2004. A total of six Advertising Standard Authority complaints were upheld during the year (see page 10)	Improve internal processes to minimise advertising-related complaints and share knowledge and good practice across our businesses
Pilot survey successfully implemented involving 75 suppliers	Further integrate CR assessment into the tendering process for new contracts and re-negotiations
Maintained constructive and engaging relationships with hundreds of stakeholders during 2004 (see page 6)	Engage a range of key stakeholder groups to assess opinions and expectations of our CR communications and reporting
Delivered 14.9% reduction	Reduce energy use per person in our buildings by 15% compared to 2000
Achieved 50% recycling through a variety of initiatives	Maintain 50% level
Reduced paper usage by 10% in 2004, targeting a further 10% in 2005	Reduce waste sent to landfill by 15% compared to 2000
ISO 14001 has been achieved across Hydrocarbon Resources, Killinghome, Kings Lynn, Peterborough, Humber and Brigg power stations, and Centrica Storage.	Extend ISO 14001 accreditation to Roosecote and Barry power stations
Conducted environmental impact assessments on all asset acquisitions and wind farm developments	Produce green electricity from our first onshore and offshore wind farm developments by the end of 2005
A full environmental report for our North American businesses is available at <a href="http://www.centrica.com/environment">www.centrica.com/environment</a>	Integrate the requirements of new regulations such as energy labelling, pollution prevention control and the European Union Emissions Trading Scheme
'here to HELP' reached 340,000 households, resulting in 28,775 charity referrals and completed 15,274 benefits health checks, identifying £5.6m of unclaimed benefits	Continue to work with our 'here to HELP' charity partners to develop innovative ways to address the root causes of household poverty across Britain
200 British Gas employees involved in a range of activities. During the year employees across the group invested more than 13,000 volunteering hours	Extend volunteering activities across the group, developing new partnerships to increase the range and diversity of opportunities
More than 90% of employees were aware of our charity of the year partnership with Cancer Research UK – almost 50% actively involved, raising £690,000	Work with NCH to deliver a creative and engaging campaign that supports employees' goal of raising £250,000
83% of employees are proud or very proud to support our charity of the year initiative and 85% of British Gas volunteers said the experience had developed their personal skills	Identify new charitable partners in the north eastern United States to extend Direct Energy's commitment to tackle the underlying causes of homelessness
In-kind support increased by more than 50% during 2004 as a result of increased volunteering and donations of furniture and IT equipment	Continue to increase levels of in-kind support in communities where we have a business presence
Partnership with TreeHouse extended community investment activities to Onetel and directly engaged employees through volunteering and fundraising activities	Develop further Onetel cause related marketing initiatives to support business objectives and generate fundraising income for TreeHouse
The Probus BNW Index rated Centrica as a 'leading company' in seven of the eight categories. Centrica scored 100% for 'performance and impact' in the Business in the Community CR Index	Continue to measure the outputs and impacts of all programmes through a combination of external and internal surveys and benchmarks



# Assurance

**Centrica has commissioned The Corporate Citizenship Company to provide external assurance and commentary on its Corporate Responsibility Report 2004. This summary is supported by a longer statement available at [www.centrica.com/responsibility](http://www.centrica.com/responsibility)**

## Assurance

The Corporate Citizenship Company is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world. We have worked with Centrica since 1997.

In our opinion, the report provides a fair and balanced representation of the progress Centrica is making in living out its commitments to corporate responsibility. Where significant gaps in available performance data and stakeholder views exist, they are generally identified in the report or commented on by us. As there are no statutory guidelines for social reporting, we have formed our judgements based on emerging best practice among other companies, the principles of the assurance standard AA1000, the approach of the Global Reporting Initiative, the stated views of principal stakeholders and our own professional expertise and experience.

## Commentary

This is Centrica's second annual report on corporate responsibility and it demonstrates continued

progress in meeting corporate responsibility commitments. In 2004 advances were made particularly in enhanced initiatives for vulnerable customers, improved employee development, a stronger approach to environmental sustainability and success in reducing negative environmental impacts.

Commenting on last year's report we highlighted the importance of Centrica's commitments to improve and report performance measurement against stated business principles; to communicate better the company's commitment to sustainability; and to gather, assess and use stakeholder opinions more systematically. We believe that progress has been made in this report.

We particularly commend the structure of the report. The map of the company's impacts and the overview of its process for stakeholder engagement provide context. Each section begins with a summary of Centrica's responsibilities and ends with challenges and priorities for 2005. Together with the summary table of last year's commitments, success in achieving them and next steps, this allows stakeholders to judge more easily if the company is focusing on their particular concerns. This approach can be strengthened in future by identifying key performance indicators for

each main commitment. On marketplace issues, Centrica presents a strong picture of its support for customers, especially on issues such as fuel poverty, energy efficiency and safety. Looking forward, we believe the priority is to report more fully on customer satisfaction and complaint levels across all its major brands and to extend coverage of Direct Energy's performance in North America as well as the growing businesses in mainland Europe.

The report explains that Centrica has begun to engage with its commercial suppliers. Last year we recommended including a 'map' of the supply chain and focusing action on high risk areas. This remains a priority. Beyond this, as North Sea gas supplies reduce, we believe Centrica should identify the sources of its natural resources and show how its policies on human rights and endangered ecosystems, for example, operate in practice.

On workplace issues, Centrica has strengthened its responsible business practices, focused on the 'global people strategy'. This has seen enhanced leadership training and a focus on diversity: 16% of the workforce comes from black and minority ethnic communities, for example, while an external pay review found no gap between earnings of men and women. However, the company's stakeholder engagement shows women managers still perceive a gap to exist. In line with the principles of human capital management, we believe that more detailed

performance indicators covering all operations, will help to demonstrate future progress. These should include learning and development, diversity in management and disability.

Last year we recommended that the company define its approach to sustainability and it has done so. The report clearly sets out its commitment to carbon reduction, framed within the context of national targets, and this provides a basis for greater engagement with stakeholders. Centrica has expanded its employee programme on environmental issues and has achieved and surpassed many of its environmental targets. Looking forward, work is underway on certifying environmental management systems and on formalising the biodiversity strategy.

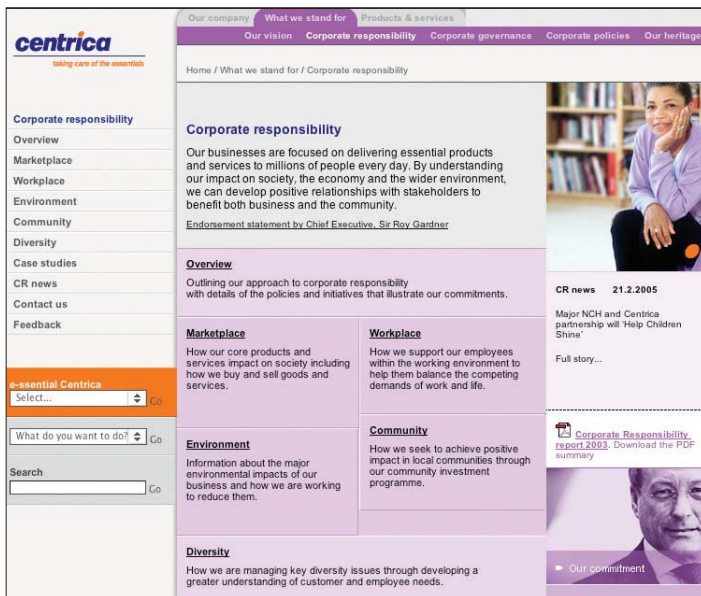
Centrica's community programmes remain strong. We have separately assured the company's application of the LBG (London Benchmarking Group) model to evaluate these programmes. This statement is available at [www.centrica.com/community](http://www.centrica.com/community) along with a more detailed account of the assurance processes we have adopted for this report.



[www.corporatecitizenship.co.uk](http://www.corporatecitizenship.co.uk)  
April 2005

# Further information

Our commitment towards corporate responsibility is detailed fully on our corporate website [www.centrica.com/responsibility](http://www.centrica.com/responsibility)



## We value your feedback

Tell us what you think about our approach to CR, what we do well and how you think we can improve. [responsibility@centrica.com](mailto:responsibility@centrica.com)

## Subscribe to receive our CR news

Visit [www.centrica.com/news](http://www.centrica.com/news), complete an online subscription form and you will receive an email notification whenever news is available.

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Designed by Loines Furnival.  
Main photography by Simon Kreitem.

## Questionnaire

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Please tick the appropriate box and make general comments in the box opposite					
The report enabled me to gain a good understanding Centrica's approach to CR					
The style and content of the report makes it accessible and easy to read					
Centrica takes its responsibilities to society and the environment seriously					
Centrica is tackling the key CR issues most relevant to its business					
Centrica has made a strong commitment to CR					
Centrica engages with key stakeholders to address CR issues					

## General comments

Title \_\_\_\_\_  
 First name \_\_\_\_\_  
 Surname \_\_\_\_\_  
 Address \_\_\_\_\_

Organisation \_\_\_\_\_  
 Email \_\_\_\_\_

Please contact me with  
 email alerts of Centrica CR news

Postcode \_\_\_\_\_



**As part of our on-going stakeholder engagement activities, your feedback will help us to develop and improve our approach to corporate responsibility.**

**Please take time to complete the short questionnaire overleaf and we will donate 25p to our employee charity of the year NCH for every completed response.**

Please put your completed questionnaire in an envelope and return to:

Centrica CR Report Feedback  
FREEPOST NATW1213  
BECKENHAM  
BR3 4BR

*fold here*

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If you would like this corporate responsibility report in a different format, such as large print, Braille, audio or digital (text CD or floppy disk), you can request these in the following ways:

**Telephone** 0191 438 6063

**Fax** 0191 469 1955

**Email** [enquiries@mph-uk.com](mailto:enquiries@mph-uk.com)

**SMS text message** 07970 817651

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