

Centrica responsibility

Corporate responsibility report 2006



centrica

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About this report

This report covers our corporate responsibility activity and performance from 1 January 2006 to 31 December 2006. It updates our last corporate responsibility report, which was published in May 2005. For the fourth consecutive year, our report is externally assured by The Corporate Citizenship Company.

About this report

This report covers our corporate responsibility activity and performance from 1 January 2006 to 31 December 2006. It updates our last corporate responsibility report, which was published in May 2005. For the fourth consecutive year, our report is externally assured by The Corporate Citizenship Company. Read our assurance statement.

The scope of the report covers our global operations. Our main operations are in the UK and North America and as a result, the content of this report focuses on these activities. In future reports, as our international businesses continue to evolve and grow, we will report our activity and performance accordingly.

We use external guidelines and frameworks to inform our reporting where relevant. Although we do not explicitly base our report on the Global Reporting Initiative (GRI) guidelines, we have included a GRI index to show which elements of the guidelines we cover and to enable comparison with other companies' reports. We have also indexed the report against our Group business principles and the principles of the United Nations Global Compact, to which we are a signatory.

In response to stakeholder feedback received during 2006 we have introduced a number of changes to our approach this year. We have:

- Broadened our focus on our most significant areas of impact to include customer service, energy pricing and energy security
- Increased coverage on the CR activities and approach of Direct Energy, our North American subsidiary
- Tried to be clearer about how our activities go beyond regulatory compliance to address key areas of social and environmental impact
- Included more detailed information on our government affairs and lobbying activity including our responses to consultations

We believe we have made good progress in 2006 but recognise the need for continual improvement. Feedback from our stakeholders will help us to do this. We encourage you to contact us with your views. We will publish our next corporate responsibility report in May 2008.

Introduction from Sam Laidlaw

Welcome to Centrica's Corporate Responsibility Report for 2006. It describes our approach to managing the social, ethical and environmental impact of our business activities, highlights our performance this year and outlines our future plans.

The impact of our operations is wide ranging and our engagement with stakeholders continues to be fundamentally important to our success.

Since I joined the company in July 2006, I have been impressed by the level of commitment and creativity we apply to both the challenges and the opportunities created by corporate responsibility (CR).

I am encouraged by the progress we made in 2006 under the direction of Mary Francis CBE, chair of our Corporate Responsibility Committee. But I believe there is more we can do.

Rather than outline my detailed thoughts in this statement I have given an interview, in which I describe why I believe CR is critical to Centrica, comment on our performance last year and outline what we need to do in the future.

I would encourage you to access the video, read our report and provide feedback on how you think we're doing. Your comments – positive and negative – are valuable to us and will help us to develop and shape our future approach.



Sam Laidlaw
Chief Executive

Our approach

Corporate responsibility is integral to a business that is managed in the long-term interests of its shareholders

Understanding the impact of our business activities on society as a whole, and responding accordingly, is fundamental to Centrica's strategy.

We must be attuned and responsive to the needs and opinions of our customers, employees, suppliers and wider stakeholder groups, and to emerging changes in society and government.

Our ability to maintain continuous and dynamic engagement with our stakeholders around the world will help us to effectively manage the social, ethical and environmental impact of our operations, and protect and enhance our reputation.

Through this process we seek to minimise risks and identify opportunities, so that we can create sustainable value for our shareholders and contribute positively to wider economic development in the regions in which we operate.

Key impact areas

Climate change

Customer service

Health, safety and security

Energy pricing

Energy security

Gas exploration

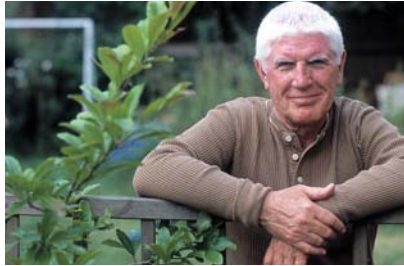
Key impact areas

Responsible business. Centrica's vision is to be a leading supplier of energy and related services in our chosen markets, in order to maximise value to shareholders. Understanding the impact of our business activities on society as a whole, and responding accordingly is fundamental to our strategy.



Climate change

By managing our environmental impact we seek to contribute to the creation of a sustainable low carbon economy whilst ensuring security of energy supply.



Customer service

Our aim is to earn the trust and respect of our customers by understanding their evolving needs and consistently delivering high standards of service.



Health, safety and security

The health, safety and welfare of our employees in the workplace, and others who may be affected by our activities, are top priorities for Centrica.



Energy pricing

Following a period of volatility in wholesale energy markets we are working hard to ensure that our customers receive affordable and reliable energy supplies.



Energy security

We are ensuring security of energy supplies for our customers by investing in long-term contracts, constructing assets and exploring for gas.



Gas exploration

To ensure diversity of supply Centrica is exploring for new sources of gas in Norway, Egypt, Trinidad and Nigeria.

Climate change

Climate change is the greatest environmental challenge facing society today. The world is warming up, largely because of emissions of greenhouse gases, particularly carbon dioxide (CO₂). About 6.5 billion tonnes of CO₂ is emitted globally each year, mostly through burning coal, oil and gas for energy.

The earth's surface temperature has risen over the past 140 years, with the largest increases occurring in the second half of the last century. Globally, the 19 hottest years on record have all been since 1980, with 11 of those occurring in the last 12 years.

Scientists predict that temperatures could climb by between 1.4°C and 5.8°C over the next 100 years. These increases will bring changes in weather patterns and lead to rising sea levels, caused by the melting of the Arctic ice cap. There is already evidence to suggest a greater frequency and intensity of storms.

The high profile reports published by Sir Nicholas Stern and the International Panel on Climate Change in 2006 underlined the social, economic and environmental challenges that will result from global warming. Political debate and action also intensified significantly during the year, particularly in Europe but also in North America, with governments formulating new policies designed to reduce carbon emissions.

The ever-growing need to address climate change presents risks and opportunities across our business. As a leading integrated energy company, Centrica is taking steps to help reduce our overall impact on climate change both directly through our own business activities and also indirectly through supply chain management and by helping our customers to use energy more efficiently.

What we are doing

- We have launched a new business, called British Gas New Energy, to lead our drive to offer a range of low carbon products and services to UK customers
- The electricity British Gas provides to its customers has the lowest carbon intensity of any of the major UK suppliers
- We are committed to investing £750 million in renewable generation and now have three operational wind farms. We are also building the UK's largest offshore wind farm at our Lynn and Inner Dowsing sites in the Greater Wash
- Direct Energy has signed three renewable power purchase agreements, which are underpinning the construction of major new wind farms in Texas
- Centrica joined the influential EU Corporate Leaders Group on Climate Change in 2006
- British Gas installed more than 13 million energy efficiency products in 2006, saving 1 million tonnes of carbon and benefiting more than 6 million households
- Centrica was involved in 15% of all trading under the EU Emissions Trading Scheme, making us a top three trader
- We announced our intention to build the UK's first integrated carbon capture and storage coal-fired power station
- Our new Natural Capital 2050 campaign will enable our employees to help us reduce our carbon footprint



Climate change

By managing our environmental impact we seek to contribute to the creation of a sustainable low carbon economy whilst ensuring security of energy supply.

Customer service

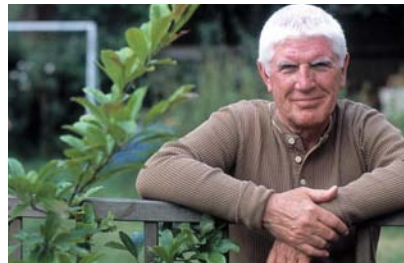
As a multi-national utility, providing essential services to millions of customers every day, understanding their evolving needs is very important. Being responsible and responsive in how we manage relationships with our customers is central to our business strategy. We have a particular responsibility to provide support for our more vulnerable customers.

In 2006, we made significant progress in installing a new multi-million pound billing and customer management system in British Gas. During the process of transferring customer accounts, we were unable to maintain the high standards of service we strive for. As a result, complaints to energywatch, the energy industry watchdog, increased significantly during the year. Returning to an industry leading position is a high priority for us.

Our objective is to provide our customers with the best value in the market place, by offering affordable and reliable energy; innovative low carbon products and services; by being a trusted brand with real customer focus; by offering preferential access to our 8,500 engineers; and by providing a range of services to support our more vulnerable customers.

What we are doing

- We are listening to what our customers are telling us and taking action to resolve their queries and implement changes to improve our service
- We have been installing a new billing system – the biggest of its type in the world – which will enable us to make significant service improvements
- We have invested 1.4 million training hours on the new systems for our 8,000 frontline employees
- We recruited to 800 new people into our call centres in 2006 to help us reduce call waiting times and provide a more efficient service
- Our call handling performance has continued to improve since last year despite unprecedented numbers of people wanting to take advantage of our lower prices
- We are making changes to improve our first call resolution rate, which will reduce the percentage of repeat calls and transferred calls and help serve our customers more quickly, reduce call volumes and improve our average speed of answer.
- Our 24 hour automated systems allow customers to complete simple processes such as meter readings and payment by debit card without the need to talk to someone
- In an average week we take around 350,000 calls; we are focusing on recruiting more part-time agents to improve flexibility
- We are continuing to provide a range of additional measures to support our more vulnerable customers including £18.3 million of winter fuel rebates and a new social energy tariff – the largest in the country.



Customer service

Our aim is to earn the trust and respect of our customers by understanding their evolving needs and consistently delivering high standards of service.

Health, safety and security

As we continue to develop our upstream strategy, the area of health, safety and security becomes ever more important. Getting hydrocarbons from under the ground and generating power can be hazardous. Looking further afield for gas supplies has increased personal security risks and the protection of our employees, contractors and assets will require constant vigilance. There are substantial health and safety risk management aspects of our downstream operations – from safe driving to secure offices to the safety of installations and appliances in customers’ homes.

Our position

The health, safety and welfare of our employees and others who may be affected by our activities is a top priority. We are constantly reviewing our health and safety performance and upgrading our management systems. Any accident or incident is scrutinised and lessons learned. Centrica’s Board monitors the Group’s safety performance closely. Progress against action plans, targets and KPIs are reported regularly to Directors.

Our strategy

Our strategy is to have a robust safety management system incorporating risk assessment, improvement plans, targets, KPIs, performance review, emergency response plans, training audits and verification. We aim to comply with the legislation and standards of good practice that relate to our UK and international operations.

Accident prevention programmes are integral to the business process and we strive for continual performance improvement.

Our performance

Our previously strong safety performance was marred by two major incidents during in 2006. The first occurred when a pressure vessel on our Rough storage facility failed catastrophically causing a gas release, explosion and residual fire. The crew evacuated but two people were injured.

The year ended on a tragic note with a helicopter accident in the Morecambe Bay area which claimed the lives of seven people - four employees, one contractor and two pilots.

Independent investigation indicates that the root causes of these incidents were not within our domain of control and that our emergency response capability was rapid and comprehensive. However, in both cases the impact on our employees and their families has been traumatic and tragic.

Other than the two incidents described above, we have continued to maintain our underlying improvement in safety performance by reducing the injury frequency rates in most businesses and maintaining very low frequency rates in others.



Health, safety and security

The health, safety and welfare of our employees in the workplace, and others who may be affected by our activities, are top priorities for Centrica.

Employee safety	2006	2005	2004
Lost time injuries/1,000 employees	14.3	13.2	21.5
Lost time injuries/100,000 hours worked	0.8	0.7	1.1
Total injuries/100,000 hours worked	3.3	3.1	5.1
Fatalities (employee/contractor)	4/3	1/0	1/0

Energy pricing

After decades of the UK being reliant on cheap North Sea gas, production started declining and from 2004 prices went up sharply. The UK is now part of a global market and what happens across the rest of the world will impact on the cost of energy in the UK. The linkage between oil and gas prices and weather patterns also significantly affects energy prices. High wholesale energy costs continued to dominate during the first half of 2006. In the UK this forced retail price increases from all the major suppliers, including British Gas.

While prices are now starting to come down, they are unlikely to return to the low levels the UK has been used to in recent decades. They have fallen but from a very high point and looking ahead there is still some uncertainty as to where prices will go.

The UK is already dependent on overseas imports of gas, so we are now competing for it in a global market at global prices, like oil. That means competing with North America and Europe for tanker loads of liquefied natural gas. We strongly believe it is in the UK's interests not to become overly dependent on any one country to supply its gas in the future.

What we are doing

- Our pricing policy throughout this period of volatility was to protect customers by passing through only a proportion of the full wholesale market increases
- To lessen the impact of higher prices, we created innovative fixed-price propositions and developed a range of initiatives to help millions of our most vulnerable customers
- We are committed to providing £18.3 million of winter fuel rebates to vulnerable customers and launched the country's largest social energy tariff, which will enable up to 750,000 low income customers to access our cheapest energy rates. Find out more about British Gas Essentials tariff
- We were the first UK supplier to announce a price decrease for residential customers from March 2007. We have since announced a further decrease which means that we have cut gas prices by 20% and electricity prices by 17% this year
- We have signed up deals worth billions of pounds to import new gas supplies from Norway and Holland to the UK. That new gas is now flowing, pushing down the market cost of gas and enabling us to cut prices for customers
- We believe that diversity brings security of supply. That is why Centrica is exploring in Norway, Nigeria, Egypt and Trinidad to secure gas supplies from the UK
- We will continue to watch carefully what happens with wholesale gas prices for the rest of the year. If we can pass on more benefits to customers, we will.



Energy pricing

Following a period of volatility in wholesale energy markets we are working hard to ensure that our customers receive affordable and reliable energy suppliers.

Energy security

After decades of the UK being reliant on cheap North Sea gas, production started declining and by the end of 2004, the UK was a net importer of gas. The UK will be almost 90% dependent on imports by 2020, with North America, Europe, and China also becoming increasingly reliant on imports. UK opportunities are becoming more limited, reflecting the continuing North Sea decline.

The UK is now dependent on overseas imports of gas and is competing for it in a global market at global prices, like oil. That means that we in competition with North America and Europe for tanker loads of liquefied natural gas (LNG) and are increasingly reliant on piped gas from European networks.

Security of energy supply is clearly a key issue for the UK economy and is therefore central to the Government's energy policy. We strongly believe it is in the UK's interests not to become overly dependent on any one country to supply its gas in future. Centrica is playing a key role in securing future energy supplies for the UK through a combination of gas exploration activities, signing long-term contracts, investing in LNG facilities and constructing new energy assets.

What we are doing

- We have signed deals worth billions of pounds to import new gas supplies to the UK from Norway via the new Langeled pipeline, Holland through the BBL pipeline and in the form of LNG. (See table below)
- Centrica is participating in gas exploration and production activities as far afield as Norway, Nigeria, Egypt and Trinidad to secure gas supplies from the UK
- British Gas has the largest gas demand in the largest gas market in Europe, which makes us an attractive partner for National Oil Companies who are seeking partnerships that deliver security of demand
- We have grown from a one gas field company into a more significant UK upstream player with reserves of 2 trillion cubic feet (tcf). At our Morecambe Bay fields we have more than 1 tcf of remaining reserves – at least another 10 years production life
- Centrica is currently capable of supplying (at peak) approximately 25 million cubic metres of gas per day and our South Morecambe field is still the UK's largest producing field. We supply around 7% of the UK's peak gas demand, which is equivalent to over 1.5 million homes
- Our Rough gas storage facility, the largest gas storage facility in the country, provides 70% of the total UK storage capacity and supplies 10% of UK peak demand
- We are committed to investing £750 million in renewable energy assets, mainly onshore and offshore wind farms' and are currently constructing the UK's largest offshore wind farm at Lynn and Inner Dowsing
- Centrica is constructing a modern and efficient combined cycle gas turbine power station of 885MW at Langage in Devon, which will begin commercial operation during the winter of 2008-2009
- We are also considering building the UK's cleanest fossil-fuelled power plant – a 'clean coal' and carbon capture and storage project on Teesside that could help to partly meet the need for new and cleaner power stations into the next decade.

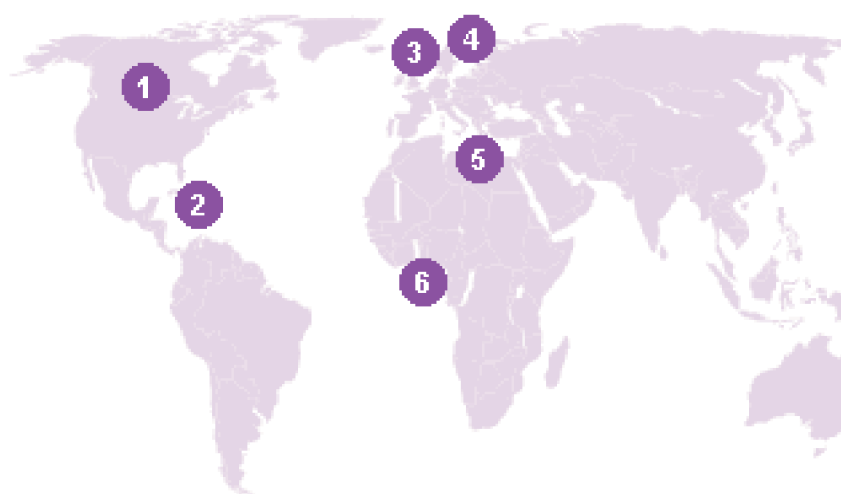


Energy security

We are ensuring security of energy supplies for our customers by investing in long-term contracts, constructing assets and gas exploration.

Our upstream gas position

Long term gas supply contracts	Statoil (Norway)	Gasunie (Netherlands)	Petronas (Malaysia)
Duration	10 years	10 years	15 years
Start date	2005	2006	2008
Volume	5 billion cubic metres/year (bcm/y)		3 bcm/y
Delivery route	Vesterled/Langeled pipelines		Ships



1. North America

Net reserves of just over 300 bcf (as at end of 2005)
 2.5 mmbbl of Oil and NGL
 Participation, operator & partner, in excess of 200 onshore wells
 Active participant in coal bed methane production in Canada

2. Trinidad (2006/7)

2 block bids in Shallow Water bid Round
 Licence award announcement expected Feb 2007

3. UK (2007)

2 blocks awarded in East Irish Sea close to Morecambe

4. Norway (2007)

4 licences awarded (3 as operator)
 Stavanger office opened and staffed
 10% equity in UK/Norway Statfjord Field
 £6 billion/10 year gas supply contract with Statoil.
 Operator of the UK terminal receiving gas through the Langeled pipeline

5. Egypt (2006)

1 block awarded (Rommana)
 30% equity partner with Siperol and PTTEP

6. Nigeria (2005/6)

2 blocks awarded
 Office opened and staffed

Gas exploration in Nigeria

Overview

In late 2005, as part of our gas procurement strategy, we acquired the right to explore for gas and oil in two exploration blocks in Nigeria, namely blocks OPL 276 and OPL 283 respectively. We established Centrica Resources Nigeria Limited (CRNL) and began preparing for an appraisal programme to establish the volume of gas and oil reserves in the blocks. CRNL is the main operator and we are working with an infrastructure partner and two local Nigerian companies (one per block) to implement the project. In Nigeria, we currently have 16 employees based at our offices in Lagos, including four expatriates.

Block locations

OPL 276 is an onshore, marginal marine block comprising 524 square kilometres. It is located in a transition zone which consists of dry, flat land, fresh water rain forest swamps, mangrove swamps and beaches. It is located on the eastern fringe of Niger Delta at the estuary of the Calabar River. The centre of the block lies about 40 km from the Calabar Town Export Free Zone.

OPL 283 is an onshore block comprising 1,272 square kilometres situated in the north central part of the Niger Delta Basin. Administratively, the block is in Delta State and until recently was operated by Elf Petroleum Nigeria Limited. The block is located on land terrain that is essentially dry for most periods of the year with the exception of some areas which are liable to seasonal flooding during the peak of the rainy season. The block is accessible by road from Warri.



Key activities in 2006:

- Establishing an office base in Lagos;
- Recruitment of personnel;
- Establishing of policies, key management processes and procedures;
- Stakeholder engagement;
- Environmental & Social Impact scoping study and assessment.
- Sismic survey of chosen prospects



Gas exploration

To ensure diversity of supply Centrica is exploring for new sources of gas in Norway, Egypt, Trinidad and Nigeria



Key impact areas

Policy and operating framework

In line with the Group's Business Principles, CRNL introduced policies on health, safety and security, corporate responsibility, community relations and on environmental management during the year. We are working hard to ensure that these policies are fully integrated within our own operations and in our relationships with contractors and third parties.

Impact assessment

Understanding the environmental and social impact of our operations are at the forefront of our new exploration activities in Nigeria.

Environmental and social impact assessments (ESIAs) were undertaken during 2006, utilising government approved contractors, to give us baseline information. Our approach has been to encourage involvement from members of the community and regulatory bodies in our scoping workshops. In addition, representatives of the Federal Ministry of Environment have undertaken site visits to both blocks to verify our process and to take ground and water samples as part of the environmental baseline surveys.

The ESIA report for each block has been submitted to the regulator for approval. We have focused on recognising and protecting human rights and labour standards in line with our Group Policy on Human Rights. Those impacts identified will be addressed in our social and environmental management plan, which has been submitted as part of our ESIA report to the regulator for approval. We will publish our plans when we have received approval from the regulator.

Health, safety and security

The wellbeing of our employees is of paramount importance. Risks have been formally assessed and arrangements established via our management system to eliminate

risk or reduce it to an acceptable level. Emergency procedures and contingency plans have been established to deal with all credible scenarios. We work closely with our chosen outsourced contractor for the provision of security support services, to implement measures to avoid or protect our personnel. In conjunction with our security service provider, we have successfully tested our emergency response capability.

Engaging with stakeholders

We continued to engage with representatives of local communities, non-governmental organisations, companies with operations in Nigeria, and home and host governments to understand the business and social climate in Nigeria.

Our dialogue with a range of stakeholder groups has highlighted corruption as a particular issue within Nigeria. In line with our business principles and Policy on Bribery and Corruption we will not engage in bribery or any form of unethical inducement or payment.

To detail the scope of engagement, the CRNL management team has developed a community relations strategy and general principles for community relations. Of key importance:

- CRNL shall share the organisation's vision, values and business principles with host communities and shall communicate company business activities with stakeholders
 - CRNL shall not be involved in the determination of community leadership. CRNL shall at all times deal with only recognised and duly constituted community leadership in its community interface
 - All discussions, meetings, agreements and commitments reached with communities must be documented and endorsed by relevant parties
 - CRNL shall demonstrate fairness, transparency and integrity with all stakeholders, particularly host communities. All team members dealing with communities must be truthful and honest in their conduct.
- We have placed significant emphasis our engagement with the communities that may be impacted by our activities. On block OPL 283 we have consulted with some 29 communities and on block OPL 276 we have had dialogue with around 40 communities
- Typical issues identified:
- The communities request a new approach from Centrica and partners from the way they have been previously treated
 - They expect to negotiate and confirm commitment through a Memorandum of Understanding
 - They want employment opportunities for the youth
 - Concerns for the impact of Centrica operations on farmland, cash crops and river pollution
 - Issues of land ownership (individuals and communities)
 - Issues of claims verification and prompt payment of any compensation.

Corporate responsibility performance indicators

Climate change	2006	2005	Δ%
Group carbon footprint (million tonnes of CO ₂ /CO ₂ e)*	8.7	—	—
Carbon intensity of power supplied in the UK (tonnes CO ₂ /MWh)**	0.35	0.37	(6)
Household energy efficiency products installed (million)	13.5	9.0	44
Lifetime carbon savings for household energy efficiency products installed (million tonnes)***	1.0	1.3	(23)

Vulnerable customers – ‘here to HELP’	2006	2005	Δ%
Homes signed up	117,438	116,823	0.5
Homes completed (energy efficiency products installed)	37,532	28,212	33
Value of unclaimed government benefits identified (£m)	2.2	2.6	n/a
Average increase in claimable government benefits per household (£)****	1,467	1,542	n/a

Health and safety	2006	2005	Δ%
Lost-time injuries/1,000 employees	14.3	13.2	8
Lost-time injuries/100,000 hours worked	0.8	0.7	14
Total injuries/100,000 hours worked	3.3	3.1	6

Employees	2006	2005	Δ%
Human capital return on investment ratio*****	2:1	2.1: 1	(5)
Employee engagement score	3.84	3.78	2
Employees from ethnic minority groups (%)	15.9	17.2	(8)
Female/male employees (%)	29.9/70.1	30.9/69.1	n/a
Employees with a disability (%)	2.7	2.5	8

Communities	2006	2005	Δ%
Total community contribution (£m)	7.4	8.2	(10)

Corporate responsibility performance indicators

$\Delta\%$ has been used to express 'percentage change'.

* Data tolerance level of 10%. A further 8.3m tonnes of CO2 emissions comes from UK purchased power.

** Source: www.electricityinfo.org

*** Source: www.nef.org.uk/energyadvice/co2calculator.htm

**** Describes the average value of additional claimable benefits per vulnerable household identified by British Gas through our 'here to HELP' programme.

***** Source: PWC Saratoga – a measurement of financial return for investment in employee remuneration, benefits and training.

CR highlights

Customers

£10.4m

British Gas has identified more than £10.4 million of unclaimed benefits for vulnerable customers since the 'here to HELP' programme began in 2002

£18.3m

To lessen the impact of energy price increases on vulnerable customers, British Gas committed to provide £18.3 million of winter fuel rebates in 2006

£2.7m

British Gas launched the UK's largest social energy tariff in 2006, which aims to cut gas and electricity bills for 750,000 vulnerable customers

90,000

British Gas Services installed around 90,000 A-rated energy efficient boilers in 2006

750,000

In 2006, British Gas signed a £2.7 million contract with Ceres Power to accelerate the introduction of fuel cells into UK

\$3m

Since 2002, Direct Energy's Neighbor-to-Neighbor Programme has contributed \$3 million to support customers who are unable to pay their home electricity expenses

Employees

2%

Our employee engagement score increased by 2% in 2006 and 86% of employees responded

1,000

Our British Gas Engineering Academy trained more than 1,000 new engineers in 2006

1.4m

We invested in 1.4 million hours of training for our 8,000 front line British Gas employees in 2006

10,000

We distributed more than 10,000 copies of our business principles in 2006

£26m

We invest around £26 million in our British Gas Engineering Academy and trained 1,000 new engineers in 2006

No.1

British Gas Business was recognised as the No.1 large employer in the UK by the Financial Times in 2006

Environment

1.5m

1.5m British Gas customers completed our innovative Energy Savers Report in 2006

15%

We traded 15% of the carbon allowances in Europe through the EU Emissions Trading Scheme

13 m

We have the lowest carbon intensity of the any of the major UK power suppliers

Biggest green

British Gas is the largest supplier of green electricity in the UK with around 120,000 domestic customers

Lowest CO2

British Gas installed more than 13 million energy efficiency products in 2006

ISO14001

We introduced the ISO14001 standard across our IS operations

Community

£7.4m

Our total community contribution was £7.4 million in 2006

100%

In 2006, we maintained our 100% score for community investment in the BITC CR Index

£300,000

Our people invested more than 13,000 hours in volunteering activities – £300,000 of in-kind support

7,500

Nearly 7,500 UK employees have signed up to 'Get Involved' – our employee involvement programme

£230,000

8% of our UK employees donated over £230,000 to charities through our payroll giving programme

80%

Almost 80% of Direct Energy employees take part in activities to tackle homelessness

Investors

94%

Our score in the BITC corporate responsibility index improved by four percentage points to 94% – Gold performance

Responsible Investment

Centrica continued to be included in the Dow Jones Sustainability World and European Indexes and the FTSE4Good Indices

Most Sustainable Corporations

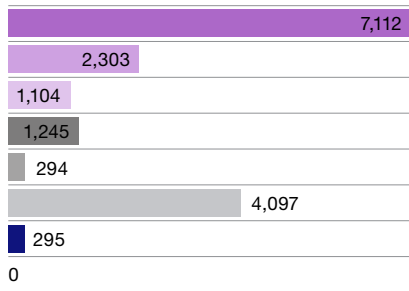
Centrica was named in the Global 100 Most Sustainable Corporations in the World index

Business overview

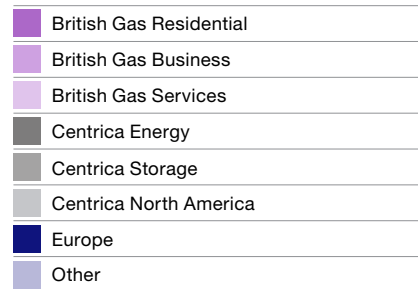
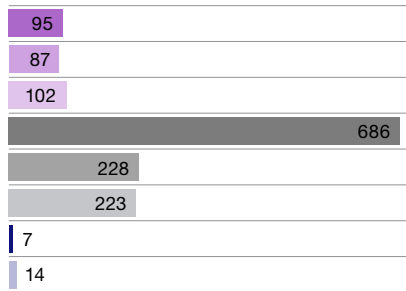
Business overview

Customers are central to all our operations. Our activities are focused on securing and delivering energy and offering a distinctive range of home and business energy solutions.

Turnover[^] by business (£m)



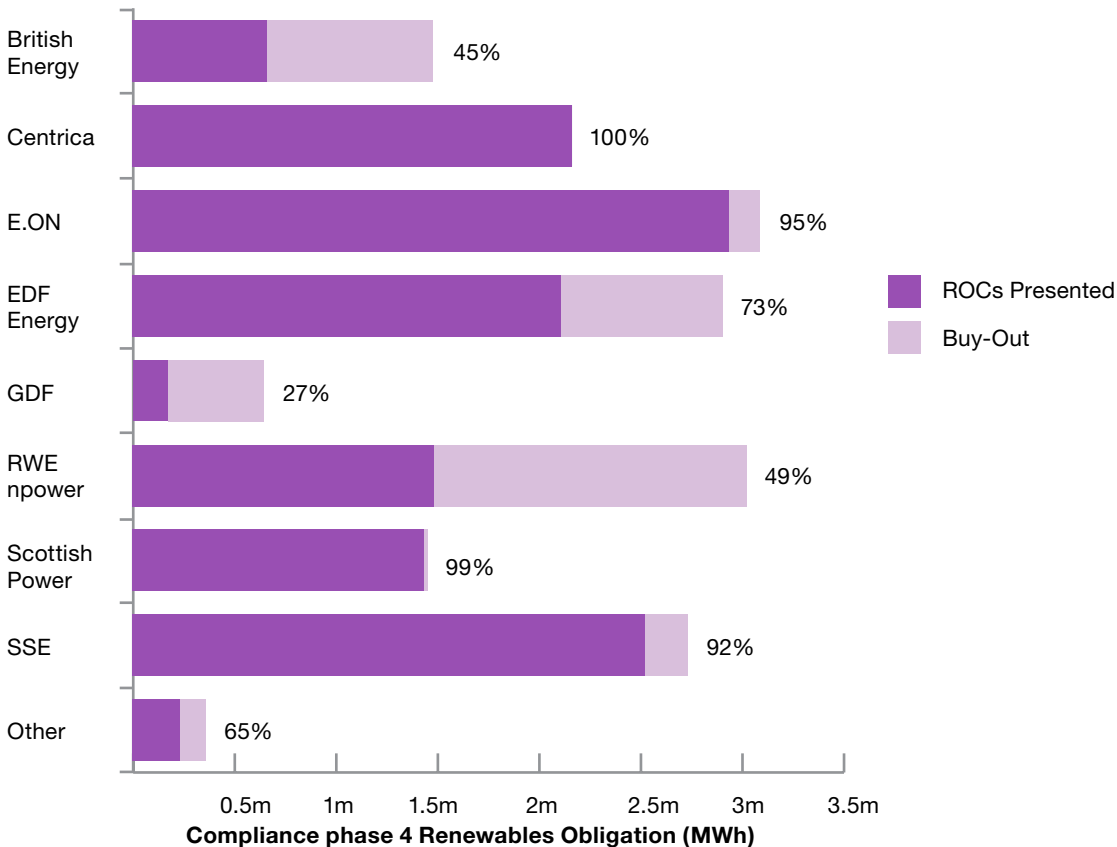
Operating profit* by business (£m)



[^] from continuing operations

* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements

CP3 Renewables Obligation (MWh)



British Gas Residential



Business description

We are the biggest energy supplier in Britain's domestic market. Operating under our British Gas brand (Scottish Gas in Scotland and Nwy Prydain in Wales), we had 16 million gas and electricity accounts at the end of 2006.

Market

Retail energy margins have been put under intense pressure in 2006, with energy suppliers finding it difficult to keep pace with rapidly rising commodity costs. These are now falling and we anticipate that industry profit margins downstream will recover.

Opportunities

- 95% of customers are on our new billing system.
- Our innovative energy products will win and retain customers.
- Reducing our cost base will help us find additional value and improve our marketplace competitiveness.

Brands



www.britishgas.co.uk

British Gas Business



Business description

We market gas and electricity to a full range of businesses under the British Gas Business banner. We offer a range of propositions from open tariffs to fixed price contracts to suit our customers' needs.

Market

The business market is highly sophisticated with many larger companies operating through professional energy buyers. Brokers and consultants are increasingly a feature as the market becomes more competitive.

Opportunities

- A 95% SME renewal rate in 2006 indicates the strength of our prospects for 2007.
- Smart metering and new, named account managers will improve customer service.
- We are developing propositions for customers who see energy efficiency as a key way of cutting costs.

Brands



www.britishgasbusiness.co.uk

British Gas Services



Business description

We are Britain's largest operator in the installation and maintenance of domestic central heating and gas appliances, employing more than 8,600 engineers. We offer services through our HomeCare product and Dyno-Rod.

Market

Competition has become more intense in the contract cover market, with industry players offering lower priced propositions that provide less cover. Climate change and high energy prices have led to increased interest in energy efficiency.

Opportunities

- Our on-demand offerings are helping us access new markets.
- We are developing our online sales presence.
- The demand for energy efficiency technologies is opening new sales opportunities.

Brands

British Gas 

DYNO 
Part of **British Gas**

www.britishgas.co.uk

Centrica Energy



Business description

We source gas and electricity from our own production and from third parties, principally to supply British Gas Residential. Investments include renewable generation and we are currently seeking secure supplies of gas from overseas sources as UK production gradually declines.

Market

Gas prices are falling now more gas is arriving in the UK. Lower gas prices, retiring coal and nuclear plants and an increasingly stringent emissions trading scheme have improved the outlook for gas-fired power stations.

Opportunities

- Our construction of an 885MW combined cycle gas turbine power station at Langage in Devon began.
- We are developing an additional 252MW of wind generation and have secured a 600MW electricity supply contract linked to international coal prices.
- We acquired gas acreage in the UK, Norway, Nigeria and Egypt.

Brands

centrica
energy

www.centrica.com

Centrica Storage



Business description

Our Rough storage facility is the UK's largest. It is supported by a gas processing terminal at Easington, also managed by Centrica Storage. From October 2006, Centrica Storage became responsible for operating the adjacent terminal receiving gas from the Langed pipeline.

Market

With the decline of supplies from the UK's North Sea gas fields, the need for large volume storage has grown. Moving forward, the UK will require additional storage as traditional seasonal swing producing fields deplete.

Opportunities

- We are progressing a number of projects to increase the capacity of Rough to take advantage of the increased demand for gas storage.

Brands



www.centrica-sl.co.uk

Centrica North America



Business description

Under our Direct Energy brand, we are North America's largest competitive energy solutions provider, serving residential and business customers in Canada and the US.

Market

The regulatory landscape is fragmented, with robust competition in business markets across many states and provinces, and residential competition chiefly in Ontario, Alberta, Texas and the northeastern United States.

Opportunities

- We are growing our retail energy and services businesses in the deregulated markets.
- As a source of value creation we are developing our energy management capabilities.
- Where we see value, our intention is to acquire more assets to support the supply of energy to our customers.

Brands



www.directenergy.com

Europe



Business description

We are involved in power generation, energy management and retail energy supply in Europe. We have operations in Belgium, Germany, the Netherlands and Spain.

Market

Some EU states have been slow to make the legislative changes for the full opening of the market due in July 2007 but there are strong signs that the EU is keen to apply more pressure. North-west European energy markets are increasingly interconnected and with more open access greater competition will be possible.

Opportunities

- There are major opportunities in the Benelux and German markets, which are undergoing structural change.
- We intend to develop our generation assets, our mid-stream activities and our energy management solutions as the market dynamics in Europe change.

Brands



www.luminus.be
www.luseoenergia.com
www.oxxio.nl
www.centricaenergie.de

Key



Our upstream business



Our downstream businesses

Business case for CR

Our business case for corporate responsibility (CR) focuses on the three 'Rs':

Return

Creating sustainable value for our shareholders

Risk

Identifying, understanding and managing risk

Reputation

Protecting and enhancing our reputational capital

Creating sustainable value

Our primary responsibility is to create maximum value for our shareholders. To meet our goals and deliver the sustainable returns our shareholders expect, a responsible approach must underpin our strategy. CR is often about making very challenging business decisions based on a complete understanding of the wider social and environmental context.

Managing risk

The Combined Code on Corporate Governance requires companies listed in the UK to have processes in place to understand and manage the risks that could affect their business. We understand the importance and potential impact of non-financial risks and, as such, have identified social, ethical and environmental (SEE) factors in our group risk register and risk management processes. As we continue to develop our upstream operations in the UK and internationally, our ability to manage SEE risks effectively will be of primary importance.

Identifying opportunities

Maintaining dialogue with our stakeholders on social, ethical and environmental matters, and being attuned to emerging changes in society and government, can help us to identify and take advantage of commercial opportunities. For example, as a major integrated energy company we recognise that adopting a leadership position on addressing climate change is a significant growth opportunity for Centrica. By assessing political, social and economic positions on climate change, we have been able to develop a distinctive strategy and launch British Gas New Energy to lead our provision of low carbon products and services.

Protecting our reputation

Our research demonstrates the high value our CR activities create for our brand and reputation. Our stakeholders, particularly our customers, have high expectations of our social and environmental approach. Our ability to meet these expectations is vital to building trust and loyalty in the marketplace. We know that operating with integrity and successfully managing CR issues will help us deliver our strategy. Equally, we understand the cost of getting it wrong and how this would harm our reputation.

Engaging our employees

A company's 'CR credentials' are becoming an important factor when people select potential employers. Our employees, who are often also shareholders and customers, have a vested interest in effective CR. They also have an important role to play in helping us to embed our business principles and realise our CR goals. This goes way beyond their participation in community activities and touches all aspects of their relationship with Centrica and in turn their relationship with our customers and other stakeholders.

Managing costs

Understanding how our business affects the environment and wider society enables us to develop products, services and systems that improve efficiency. For example, by re-engineering our waste management we have increased recycling by 60% since 2001. This has enabled us to make significant cost savings across the Group.

Business principles

Our business principles underpin our values and set out our commitment to operate responsibly wherever we work in the world and to engage with our stakeholders to manage our social, ethical and environmental impact.

Our principles are endorsed by the Centrica Board and senior management and we are committed to upholding them as a central part of our business process.

We have produced detailed guidance for our employees and business partners, which explains the standards we expect and how to put our principles into practice. We will support those who make decisions based on our business principles.

We do not make gifts or donations to political parties but do engage and participate in public policy debates and consultations. We regularly meet politicians and civil servants to brief them on our strategy and discuss energy policy issues.

We treat any breach of our business principles with the utmost seriousness and will take appropriate action to address the reason for any such breach.

Supporting employees

In 2006, we developed a new 'Speak Up' process and independent employee helpline which launched in early 2007. The helpline enables employees to report instances where they suspect non-compliance with our business principles. Calls to this helpline are monitored and reported on a quarterly basis to the General Risk Management Committee and Audit Committee and appropriate action is taken to address issues raised.

Communication and training

In 2006, more than 10,000 copies of our Business Principles and Guide to Sound Business Practice were distributed to employees across the Group. We planned to implement an integrated communications programme across the business to raise awareness and understanding of our principles during the year and produced an innovative e-learning programme to support this. However, due to a number of organisational changes we did not deliver this campaign. We will aim to revisit our plans in 2007.

Monitoring and reporting

During the year, we made improvements to our internal measurement and reporting processes, underpinned by our new independent 'Speak Up' procedure. Feedback from our stakeholders in 2006 highlighted the need for us to consider reporting breaches of our business principles and related issues. While we acknowledge this feedback, we want to ensure that our new processes are fully embedded and that data is robust. We will therefore continue to monitor our performance internally during 2007 with a view to publishing relevant indicators in future CR reports.

Our business principles

Principle 1: Demonstrating integrity in corporate conduct

We are committed to working within the laws and regulations of all the countries in which we operate. In the absence of such laws and regulations we will adopt recognised international standards of best practice and promote these in our business operations. Centrica is also a signatory to the ten principles described in the United Nations Global Compact and we will seek to address social, ethical or environmental matters that may affect our shareholders, employees, customers and neighbours.

We believe that competitive markets can only flourish where there are sound business ethics. As such, we will assess the implications of our business decisions for all our stakeholders and manage our social, economic and environmental impact accordingly.

Therefore we do not engage in bribery or any form of unethical inducement or payment. We will maintain accurate records of all transactions made by or on behalf of the Group and its customers.

All employees are required to avoid any activities that might lead to, or suggest, a conflict of interest with the business of the Company. Employees must declare and keep a record of hospitality or gifts accepted or offered, which will be subject to managerial review. We do not make direct or indirect contributions to political parties.

Principle 2: Ensuring openness and transparency

Open and transparent communications with our shareholders, employees, customers, local communities and society at large are important to us, while respecting commercial confidences and the privacy of our employees and customers.

Centrica will also provide meaningful and timely communications to stakeholders of our social, ethical and environmental performance in respect of these principles through the annual reporting process and online progress reports.

Principle 3: Respecting human rights

We support all aspects of human rights consistent with the Universal Declaration of Human Rights, which forms the basis of our respect for the communities and societies in which we operate. Human rights considerations affect many aspects of our business activities, from our employment processes and investment strategies, to the health, safety and security of our people and assets and our goal to contribute positively to communities in which we operate. The remaining principles further articulate our commitment.

Principle 4: Enhancing customer experiences and business partnerships

We will treat our customers fairly and professionally to deliver a good quality customer service based on trust and credibility. We will also work with our customers and business partners to ensure the safe and responsible use of our products and services.

We maintain dialogue with regulators, consumer and industry organisations and relevant not-for-profit organisations to inform our decision-making and ensure that we provide innovative products and services that are relevant to the markets in which we operate.

We will disseminate these principles to our business partners – including contractors, suppliers and joint venture partners – and will seek to promote their application throughout our supply chain. Where we operate in conjunction with third parties or in joint venture arrangements and have majority interest, we will incorporate compliance with our business principles into the contractual arrangements.

Principle 5: Valuing our people

We value our people and are committed to creating a culture of mutual trust and respect. We will recruit people on the basis of the qualifications and abilities needed to do the job, while promoting diversity and development throughout our business. We will work with our employees to ensure fair consultation and representation in decision-making, and respect employees' rights to freedom of association and collective bargaining. We will not tolerate any form of discrimination, harassment or bullying in the workplace.

Principle 6: Focusing on health, safety and security

The health, safety and security of our employees, customers and others who may be affected by our activities are a top priority. We will implement a health, safety and security management system in an effort to prevent fatalities, work-related injuries and health impairment among employees, customers, and business partners.

Principle 7: Protecting the environment

We are committed to understanding, managing and reducing the environmental impact of our activities and will seek to implement internationally recognised environmental management systems to achieve this aim. In particular, we are committed to the development of renewable and low-carbon energy sources that will facilitate the reduction of our carbon footprint. We will enable our customers to participate in the move towards a low carbon future and encourage our employees to make responsible use of resources.

Principle 8: Investing in communities

We recognise that good relations and long-term partnerships with local communities are fundamental to our sustained success. Wherever we operate, we seek to develop enduring relationships with our neighbours based on mutual trust, respect and understanding of our impact. We are committed to the alleviation of fuel poverty and the promotion of social inclusion. We also seek to promote education, skills development and employability in the communities we serve.

Applying our business principles

Our principles apply to all employees in each of our business units worldwide. They also extend to all our majority owned business dealings and transactions in all countries in which we or our subsidiaries and associates operate. Where we have a minority interest we will encourage the application of this policy amongst our business partners including contractors, suppliers and joint venture partners.

Communication and compliance

We aim to ensure that all our employees are familiar with these principles and apply them consistently throughout our business activities. This will be done using existing internal communication channels supported by practical guidance and training.

If an employee has concerns about malpractice or non-conformance with these principles, we provide appropriate means and safeguards for disclosure, which are communicated to employees.

We will treat any breach of these principles with the utmost seriousness and will support our employees, suppliers and business partners where compliance with these principles jeopardises the achievement of business targets.

Continual improvement and assurance

Centrica is committed to verifiable and systematic monitoring, reporting and reviewing of our performance in accordance with these principles and as a signatory to the UN Global Compact.

We are committed to continual improvement and are implementing an appropriate corporate responsibility strategy – including indicators, target setting, stakeholder engagement and a verifiable assurance programme open to independent audit where appropriate.

CR governance

CR governance

At the beginning of the year, we changed our governance arrangements for CR, establishing a main board committee to lead our strategy. It is chaired by Mary Francis CBE, Centrica's Senior Independent Non-Executive Director, and its members include the Managing Director of each business unit. This reflects the importance we attach to integrating CR in the business, its risk management and strategic functions.

Our Corporate Responsibility Committee (CRC) meets quarterly and is responsible for ensuring that social, ethical and

environmental risks and opportunities are managed in line with our business principles and that key stakeholders are consulted. The Centrica Board reviews progress and performance on a quarterly basis. Read more about the members of our CRC. Download the terms of reference of our CRC.

During the year, the CRC focused on identifying the areas of group activity which have the greatest impact and which present the most significant risks to and opportunities for our business.

The following areas were assessed during the year:

Area	Summary
Climate change and environmental impact	Formation of a high-level project team which developed climate change strategy and new business unit, British Gas New Energy
Health, safety and security	Review of the two major accidents in 2006, discussion of learnings, and strategy development for 2007 and beyond
Vulnerable customers	Review of policy environment and approach in the UK and North America, ensuring sharing of knowledge and experience
Risk and business assurance	Analysis of risk assessment procedure to embed the identification of social, ethical and environmental issues in Centrica's overall risk framework
Exploration in Nigeria	Assessment of management approach to social, ethical and environmental issues, recognising robust systems and policies
Supply chain responsibility	Review of supply chain risk mapping resulting in support for the development of more detailed policy framework and extension to upstream activities
Revised Companies Act	Assessment of the implications of the revised Act, leading to the publication of key non-financial performance indicators in the 2006 Annual Report
Diversity and inclusion	Review of strategy recognised our successful preparation for UK age regulations but noted the need for continued integration in business strategies

CR Committee

Members



**Mary Francis CBE,
Non-Executive Director**

Mary Francis joined the Board in June 2004. She is a Non-Executive Director of the Bank of England, Aviva plc and St. Modwen Properties plc. She is a Director of Fund Distribution Ltd and a Trustee of the Almeida Theatre. She is a former Director General of the Association of British Insurers. She was previously a senior civil servant in the Treasury and the Prime Minister's Office



**Grant Dawson, Group General
Counsel and Company Secretary**

Grant Dawson has been Group General Counsel and Company Secretary of Centrica since the demerger of British Gas plc in February 1997, having joined British Gas in October 1996 from Nortel Limited, previously known as Northern Telecom Limited. Grant was called to the Bar in 1982 and is a member of Lincoln's Inn. He has spent most of his career in industry, joining the legal department of Racal Electronics plc in 1984 and then STC plc as legal adviser in 1986 until they were taken over in 1991 by Northern Telecom Limited.



**Phil Bentley, Managing Director,
British Gas**

Phil Bentley joined Centrica plc as Group Finance Director in 2000, a position he held until the end of February 2007 when he was appointed Managing Director, British Gas. He was also Managing Director, Europe between July 2004 and September 2006. Formerly, he was Finance Director of UDV Guinness from 1999 and Group Treasurer and Director of Risk Management of Diageo plc from 1997. Previously, he spent 15 years with BP plc in various international oil and gas exploration roles. He is also a Non-Executive Director and the Chairman of the audit committee of Kingfisher plc.



**Catherine May,
Group Director of Corporate Affairs**

Catherine May joined Centrica as Director of Corporate Affairs in September 2006 having previously been Group Director of Corporate Relations for Reed Elsevier.



**Deryk King, Chief Executive
Officer, North America**

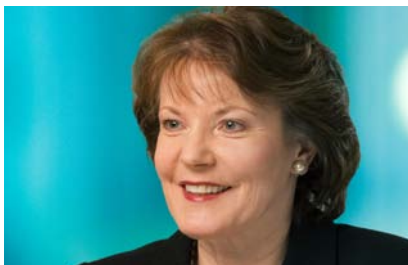
Deryk King is responsible for all of Centrica's activities in North America. He joined Centrica in 1998 as Senior Adviser and Projects Director, responsible for the Company's European initiatives.



**Mark Crosbie, Director of Corporate
Strategy, Development and M&A**

Mark Crosbie was appointed Director of Corporate Strategy, Development and M&A in May 2003. Mark joined Centrica in August 2000 from UBS.

CR Committee (continued)



Anne Minto OBE, Group Director, Human Resources

Anne Minto was appointed Group Director, Human Resources for Centrica on 1 October 2002. Prior to that she was Director, Human Resources for Smiths Group plc, a position which she had held since early 1998. After qualifying as a lawyer, she worked for over 13 years with Shell. In 1993 she was appointed Deputy Director General of the Engineering Employers' Federation. She is chairman of the Centrica Pension Schemes. She is Vice President and Chairs both the Institute of Employment Studies and the Engineering Development Trust. She was awarded an OBE for services to the engineering industry in 2000.



Chris Weston, Managing Director, British Gas Services

Chris Weston was appointed Managing Director, British Gas Services in June 2005. Prior to this he was Managing Director, British Gas Business from January 2002. Leaving the army after seven years service, Chris attained a PhD from Imperial College. Following study he was responsible for strategy and regulation at Mercury Communications. Chris was appointed a Director of Cable & Wireless in Australia in 1997, then returned in 2000 to Europe as Managing Director of Onetel.



John Way, Head of Business Assurance

John has a record of senior business assurance appointments, most recently as Chief Internal Auditor of Abbey National and ICI and Director of Audit and Risk Management at Inchcape. He has worked in North America and Asia and has travelled extensively in his business career. John is a Chartered Accountant, a member of the Institute of Internal Auditors and sits on governance committees of the Institute of Chartered Accountants. He is responsible for risk advice across Centrica, control assessment, internal auditing and provides the Audit Committee with independent assurance and advice on risk and controls.



Jake Ulrich, Managing Director, Centrica Energy

Jake Ulrich was appointed to the Board in January 2005. He was appointed Managing Director of Centrica Energy in 1997. Between 1994 and 1997 he was Managing Director of Accord Energy Ltd, a joint venture between Natural Gas Clearinghouse (NGC) and British Gas plc. He previously worked for NGC, Union Carbide Corporation and the OXY/Mid Con/Peoples Energy Group.

Also in attendance

Simon Henderson, Director of Corporate Reputation
Mike Garstang, Director of Health, Safety and Environment
Andrew McCallum, Head of Corporate Reputation

Risk management

Centrica places great importance on effective risk management. Our governance structure is designed to assess and quantify all the risks to which our businesses are subject and to create a culture in which risk management is integrated within decision making at all levels in the organisation.

The Board, supported by the Executive Committee, sets Centrica's strategic direction and, as such, the level of risk the company is prepared to accept. Within this framework, each business operates its own risk committee, comprising the senior management team, which meets quarterly to review the key risks, the adequacy of controls and the planned actions to mitigate those risks. Each risk identified by these Committees is assessed in financial and non-financial terms. Non-financial risks are grouped according to their impact on reputation, legal and regulatory, customers and employees health, safety and security, and the environment. The non-financial risks are regularly reviewed by the Corporate Responsibility Committee, a sub-Committee of the Board.

The risk management process is overseen by the Group Risk Management Committee, a sub-committee of the Executive, to monitor and challenge the consolidated risk profile for Centrica as a whole. The Audit Committee of non-Executive Directors reviews this profile quarterly along with the associated controls.

There is a strong link between the risk management process and the reviews undertaken by Business Assurance (Internal Audit). The audit plan is developed from the key risks identified by the process and conclusions from these reviews feed back into the assessment of the identified risks. In addition, the Audit Committee is informed quarterly of the key findings from the reviews and progress on the resultant actions.

ABI guidelines

We manage our social, ethical and environmental risks in accordance with the disclosure guidelines on social responsibility developed by the Association of British Insurers. The table below explains our approach.

Disclosure requirement	Our approach
<p>The Board takes regular account of the significance of social, environmental and ethical matters to the business and the Company</p>	<p>Our CR strategy is led by a main Board committee which is chaired by Mary Francis CBE, Centrica’s Senior Independent Non-Executive Director</p> <p>The Board reviews our CR strategy and performance quarterly and is kept informed of progress made in managing key risks and opportunities.</p> <p>Risks and opportunities identified include: climate change and environmental matters, customer service, pricing and energy security and health, safety and security.</p> <p>Each of these subjects was reviewed and discussed in 2006.</p>
<p>The Board has identified and assessed the significant risks to the Company’s short- and long-term value arising from social, environmental and ethical matters, as well as the opportunities to enhance value that may arise from an appropriate response.</p>	<p>Social, environmental and ethical risks and opportunities are included in our risk management procedures at Group and business unit levels and our response to them is monitored by the Board.</p>
<p>The Board has received adequate information to make this assessment and account is taken of social, environmental and ethical matters in the training of Directors</p>	<p>Board members receive formal training on issues relating to their role with the Company. This includes briefing on CR.</p> <p>Mary Francis updates the Board regularly on progress in managing CR risks and opportunities as well as new developments that may affect its duties.</p>
<p>The Board has ensured that the Company has in place effective systems for managing significant risks which, where relevant, incorporate performance management systems and appropriate remuneration incentives</p>	<p>The Board has established objectives and policies for managing significant risks and opportunities to meet the requirements of the Turnbull Guidance on the Internal Control, part of the Combined Code on Corporate Governance, and in relation to the revised Companies Act 2006.</p> <p>The Corporate Responsibility Committee (CRC) sets the framework and is responsible for identifying significant social, ethical and environmental risks and opportunities, determining the Group’s ‘risk appetite’ and developing mitigation and monitoring strategies. The CRC sets objectives, performance targets and policies for managing key risks and opportunities, which are monitored by the Board.</p>

<p>A description of social, environmental and ethical related risks and opportunities that may significantly affect the Company's short- and long-term value, and how they may impact on the business</p>	<p>Our most significant social, environmental and ethical risks and opportunities have been outlined in this report.</p>
<p>A description of the Company's policies and procedures for managing risks to short- and long-term value arising from social, environmental and ethical matters</p>	
<p>A description of the extent to which the Company has complied with its policies and procedures for managing risks arising from social, environmental and ethical matters</p>	<p>The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks and opportunities affecting the Group. This includes risks and opportunities arising from social, environmental and ethical matters.</p> <p>At each of its meetings in 2006, the Audit Committee received an internal control report, which allowed it to track a number of issues and monitor performance against objectives. The Chairman of the Audit Committee reported the issues discussed and conclusions reached at the following Board meeting.</p>
<p>A description of the procedures for verifying social, environmental and ethical disclosures</p>	<p>This report is assured by The Corporate Citizenship Company. In addition, a significant proportion of our activity on environmental matters, customer-related issues and health, safety and security is subject to assessment and audit by third parties including regulators and accreditation bodies.</p>

Quality management

We seek to meet best practice standards in the way we run our business and in the products and services we provide. In many instances we seek external and independent certification of the standards we are achieving.

British Gas

British Gas has a business management system that covers quality management, environmental management and Investors in People. This system is regularly reviewed by external independent assessors and is checked internally – providing a framework for continual improvement.

Customer Contact Association (CCA)

British Gas Residential sites achieved CCA accreditation in 2006. The CCA is the professional body for customer contact centres. It promotes the delivery of best practice and encourages participation from all organisations with call centre operations. The CCA framework is a guide to support and develop internal processes which ensure improved performance and increased customer satisfaction. British Gas received a number of CCA excellence awards. Read more about British Gas and the Customer Contact Association (CCA).

ISO9001: 2000

British Gas's quality management systems are certified to ISO9001: 2000 Company Wide Registration by the British Standards Institute. Only a limited number of companies worldwide achieve this status. The integrated management systems at our power stations and Hydrocarbon Resources Limited (HRL) follow the principles of ISO9001.

Investors in People

British Gas has achieved business-wide Investors in People certification to the revised standard. This national standard sets a level of good practice for improving an organisation's performance through its people. Read more about Investors in People.

EnergySure

British Gas energy sales employees are accredited under EnergySure, the first national accreditation scheme for energy sales. This shows they are appropriately trained and registered on a nationwide database designed to protect consumers.

ISO14001

A large majority of British Gas sites are certified to ISO14001 for their environmental management systems. All seven of our UK power stations and Hydrocarbon Resources Limited (HRL) are accredited under this international environmental standard. We will apply the principles of ISO14001 in our environmental management systems in international ventures. Our Information Systems function was accredited to the standard in 2006.

OHSAS18001

The health and safety management systems at our power stations, HRL and in our international ventures follow the principles of the Occupational Health & Safety Assessment Series OHSAS18001.

Competence Assurance

Our competence assurance programme at HRL is externally accredited by COGENT, the sector skills council for chemicals, nuclear, oil and gas, petroleum and polymers. We are extending this programme to our UK power stations.

Direct Energy

Direct Energy has an Integrated Management System that is compatible with ISO14001, OHSAS18001 and the US OSHA VPP standard.

Dialogue

Dialogue

Dialogue with stakeholders

Structured engagement with all our stakeholders is fundamental to the way we do business and enables us to identify risks and opportunities, and tackle our key areas of impact. We manage this process by building strong, two-way relationships with employees, customers, governments, investors, regulators, suppliers, opinion-formers and communities.

This engagement is a continuous and dynamic process which at every level – from our Chief Executive meeting a senior politician, to one of our engineers talking with a customer – help us to shape our future business direction.

In 2006, we continued to our stakeholders to find out their views on CR, their interpretation of Centrica's responsibilities and whether our activities and level of disclosure were fulfilling their expectations. For the second consecutive year, stakeholders identified climate change and environmental issues as our primary area of impact.

Stakeholder map

We communicate with our stakeholders on a wide range of issues. For some customers, how we deal with human rights issues might be a significant factor in their choosing to use our services. Similarly, with many investors, particularly those specialising in socially responsible investment, we cover subjects under the headings on the left of the table. The table below, which is not exhaustive, provides highlights on which we have concentrated with various stakeholders.

Issues Stakeholders	Climate change & environment	Customer service	Health, safety & security	Human rights & labour standards	Supply chain responsibility	Diversity & inclusion
Charities and NGOs	●	●	●	●	●	●
Consumer organisations	●	●	●			
Customers	●	●	●			●
Employees	●	●	●	●	●	●
Government & Parliament	●	●	●	●		●
Investors	●	●	●	●		
Communities	●	●	●	●		●
Regulators	●	●	●			
Suppliers	●		●	●	●	●
Trade unions			●	●		●

Stakeholder: Charities and NGOs

We work with a range of charities and non-governmental organisations (NGOs) to enhance our understanding of social and environmental issues.

Issue: Climate change and environment

In 2006 we engaged with Green Alliance and a number of individual environmental NGOs and charities including the World Wildlife Fund (WWF) and Forum for the Future, to shape our climate change strategy and discuss policy and regulatory issues. In North America, Direct Energy continued to work in partnership with WWF to assess the impact of climate change.

Issue: Customer service

We worked with a range of charities including Help the Aged, NEA and Save the Children, to better understand the needs of our more vulnerable customers and provide them with targeted and relevant support. Our dialogue with these charities was influential in the development of the British Gas Essential Tariff – the largest social energy tariff in the UK.

Issue: Health, safety and security

On carbon monoxide safety, we maintained dialogue with the gas industry safety group CO-Gas Safety – an independent charity committed to reducing accidents involving carbon monoxide – and other organisations such as the Royal Society for the Prevention of Accidents

Issue: Human rights and labour standards

In 2006, we continued to work with the Institute of Business Ethics and the International Business Leaders Forum to increase our understanding of the human rights and labour standards facing the business. We revised our Group Policy on Human Rights and also initiated dialogue with Amnesty International and Transparency International, specifically in relation to our exploration activities in Nigeria. We will maintain open channels of communication with these organisations moving forward.

Issue: Supply chain responsibility

Our engagement in this area is covered in our dialogue with a range of organisations on human rights and labour standards.

Issue: Diversity and inclusion

We worked with a range of charities and NGOs during the year to deliver our diversity and inclusion strategy. In particular, we worked very closely with the Employers' Forum on Age to implement necessary changes and deliver an employee awareness programme following the introduction of new age regulations in the UK in 2006.

Dialogue

Stakeholder: Consumer organisations

Regular discussions with consumer organisations help ensure we are tackling key consumer issues.

Issue: Climate Change and Environment

We work with consumer organisations to research the development of low carbon products and services for our customers.

Issue: Customer service

We engage with a range of consumer organisations in the UK, Europe and North America on climate change and environmental matters. A particular focus in 2006 was on 'green' electricity tariffs and carbon offsetting. We initiated dialogue with several consumer organisations to provide input in research they conducted into these increasingly important product categories.

We engage with energywatch – the UK gas and electricity consumer watchdog – and other organisations including the National Consumers Council, on customer service related issues. We faced a number of service challenges during 2006, which placed particular emphasis on maintaining open and transparent dialogue with consumer organisations. Regular meetings were held to update these groups on our customer service performance and improvement programmes.

Issue: Health, safety and security

We are committed to raising awareness of the dangers of carbon monoxide poisoning. Indeed, through our membership of the Energy Retail Association, we have collaborated with fellow members with the aim of promoting the issue across the industry.

Stakeholder: Customers

Two-way dialogue with our customers is essential if we are to understand and meet their needs.

Issue: Climate Change and Environment

In 2006 we conducted extensive customer research in the UK and North America to help us develop our energy efficiency and climate change strategy, and launch British Gas New Energy. Through a combination of focus groups, interviews and larger-scale surveys we gained a great deal of insight into customers' perceptions on climate change and levels of awareness and demand for low-carbon products and services.

Issue: Customer service

We seek to continually improve the level of service we provide to our customers. All of our customer-facing businesses have extensive research programmes that enable us to engage with customers, listen to their views and concerns, and implement changes that improve our approach.

Issue: Health, safety and security

We reached out to our customers on product safety issues through campaigns and communications. Our particular focus was on raising awareness of carbon monoxide safety among students in rented accommodation.

Issue: Diversity and inclusion

Recognising the diversity of our customers in Greater London, British Gas was a key supporter of the Mayor of London's 'We are Londoners' campaign in 2006, which celebrated the ethnic and cultural diversity of the capital. We continued to engage with our customers in the UK and North America to identify the needs of specific groups and tailor our products and services accordingly.

Stakeholder: Employees

Listening and responding to the views of our employees is core to our success. We liaise with our people through a range of internal communication channels, a series of individual opinion surveys and our annual employee engagement survey. More than 80% of employees responded in 2006

Issue: Climate change and environment

We relaunched our internal environmental campaign in 2006, with the theme of 'future generations'. The campaign, which is driven by 'green teams' across the Company, enables our employees get involved in helping us achieve our environmental goals. In addition, we consulted employees during the development of climate strategy to gauge their understanding of the issue and what they think Centrica should be doing to address it.

Issue: Customer service

The engagement and commitment of our employees is central to providing the high quality of customer service we strive to deliver. During the year we communicated extensively with employees on customer service issues through our internal communications channels, via face-to-face briefings and, in particular, through the provision of training. We delivered 1.4 million hours of training to our front line employees in British Gas to equip them with the necessary skills to use our new billing system. We also trained 1,000 new engineers in our British Gas training centres, focusing both on technical competency and customer service skills.

Issue: Health, safety and security

We delivered health and safety training and awareness raising initiatives during the year. These ranged from occupational health sessions on stress management and mental health to updates on safety aspects of new technologies for our engineers and technical teams.

Issue: Human rights and labour standards

Our annual employee engagement survey measures engagement in key areas such as, 'me as an individual', 'management impact', 'customer focus', 'team leadership' and 'performance and development'. In 2006, we provide training and guidance to employees working in developing countries, and to our procurement teams, on human rights and labour standards in relation to communities, suppliers and contractors. Human rights training will be a core part of our business principles e-learning programme which we plan to roll out in 2007/08.

Issue: Supply chain responsibility

We ran a successful briefing session for our 40-strong group commercial team on managing CR in our supply chains. This highly interactive event enabled our procurement specialists to assess how social, ethical and environmental issues affect categories and supply chains.

Issue: Diversity and inclusion

Diversity and inclusion is a core part of people strategy. A dedicated intranet site provides employees and managers with guidance on key areas and enables them to request support. We have developed a diversity and inclusion index within our wider employee engagement survey which enables our people to provide valuable feedback on our approach.

Stakeholder: Government and Parliament

We maintain relationships with government and parliamentarians, primarily through face-to-face briefings and discussions and also through membership of such organisations as the Whitehall and Industry Group.

Issue: Climate change and environment

With the ever increasing linkage of energy and environmental policy, we contributed to several consultations during 2006 in the UK, EU and in North America. As a leading energy company, policy makers are keen to understand our perspectives on energy markets and successful carbon emissions reduction strategies.

Issue: Customer service

In the UK we work closely with Government to ensure that its fuel poverty targets are met. In 2006 we also worked in partnership with fuel poverty charity NEA to hold a series of dinners and lunches with key MPs from all parties to increase understanding about the root causes of fuel poverty and debate the most appropriate solutions. In all our geographies we work with politicians to provide insights into the energy markets and encourage policy making that enables us to provide the best possible service to our customers.

Issue: Health, safety and security

British Gas has worked hard to highlight the dangers of carbon monoxide poisoning. We continued to engage with the members of the All-Party Gas Safety Committee, to encourage them to raise awareness among their constituents. We also maintained with the DTI, Health and Safety Executive and other UK government departments to brief them on the major health and incidents that occurred at our Rough gas storage facility and at our Morecambe Bay gas field in 2006.

Issue: Human rights and labour standards

We continued to work closely with the UK Foreign and Commonwealth Office to support our international gas exploration and procurement activities. Ongoing discussions to ensure that we are fully aware of the local operating environments in host countries and that human rights and labour standards are a dimension of these discussions. We also seek to develop positive relationships with host country officials to support our awareness and understanding of these issues, should they exist.

Issue: Diversity and inclusion

We contributed to the UK Government's consultation on the Age and Equality legislation which was introduced in 2006. This process enabled us to share our experiences to help shape the legislation. We also took part in debates with other Government departments including the Women and Work Commission.

Dialogue

Stakeholder: Investors

Creating sustainable shareholder value is at the heart of our strategy. Our investors' are increasingly interested in how we are addressing the social, ethical and environment impact of our operations to identify and manage the risks and opportunities affecting the business.

Issue: Climate change and environment

In 2006 we hosted a roadshow with investors to outline our approach to managing social, ethical and environmental matters, our performance in key areas and future plans. Analysts were particularly interested in our strategy for addressing the risks and taking advantage of the opportunities created by climate change.

Issue: Customer service

In 2006 we hosted a roadshow with investors to outline our approach to managing social, ethical and environmental matters, our performance in key areas and our future plans. Analysts scrutinised our customer service performance and plans for making improvements in this key area of responsibility.

Issue: Health, safety and security

In 2006 we hosted a roadshow with investors to outline our approach to managing social, ethical and environmental matters, our performance in key areas and our future plans.

Issue: Human rights and labour standards

In 2006 we hosted a roadshow with investors to outline our approach to managing social, ethical and environmental matters, our performance in key areas and our future plans.

Stakeholder: Communities

We engage with our neighbours to understand the impact of our activities and work with local communities to contribute positively to their social, economic and environmental development.

Issue: Climate change and environment

Our wind farm construction projects have involved extensive liaison with community stakeholders. Face-to-face meetings and public exhibitions help us to keep our stakeholders informed of progress. We are also establishing partnerships with local community organisations, schools and colleges to support projects that have environmental and educational goals. In Nigeria, community liaison has been central to our environmental and social impact assessment activities.

Issue: Customer service

Identifying and providing appropriate support to our more vulnerable customers is a challenging priority for us. British Gas' 'here to HELP' programme is an example of our locally driven approach to supporting those most in need. The programme has delivered benefits to hundreds of communities across Britain. Direct Energy's Neighbor-to-Neighbor project is another example of effort work with local charitable and community agencies to reach out to those who need our help. In addition, our community energy advisers, debt advisers and engineers talk to thousands of customers in local communities each day. This helps us to provide advice to vulnerable customers.

Dialogue

Issue: Health, safety and security

In both, our upstream gas production and electricity generation activities, and our downstream energy and services operations, the health and safety of those living in the communities where we work, is a top priority. Our management systems help us to ensure that our activities are managed in accordance with the highest standards of safety. This involves initiating dialogue with local community stakeholders to listen and respond to their concerns.

Issue: Human rights and labour standards

Protecting human rights and ensuring the highest labour standards are emerging issues for Centrica as we continue to develop our international upstream strategy and begin to look to secure gas supplies in developing countries. Our approach is to engage in structured and sustained dialogue with members of the local communities where we operate. This enables us to understand potential issues and work with community leaders to take action to ensure positive outcomes.

Issue: Diversity and inclusion

The British Gas Engineering Academy's diversity and education team reaches out to local communities to raise awareness of engineering careers and attract more women and people from minority ethnic groups into our engineering workforce. We work with a range of community organisations and education establishments to provide employment opportunities, career support and advice.

Stakeholder: Regulators

Centrica operates in regulated markets. Managed dialogue and the development of one-to-one relationships with regulatory authorities are essential if we are to meet our regulatory obligations, inform policy making and share best practice.

Issue: Climate change and environment

Throughout the year British Gas has maintained a dialogue with Ofgem on a number of climate change and environmental issues. We provided input into the development of the third phase of the Energy Efficiency Commitment. Other topics of dialogue included emissions trading, green tariffs and microgeneration.

Issue: Customer service

We continued to liaise with Ofgem in the delivery of energy efficiency measures that contribute to the reduction of fuel poverty in 2006. In our British Gas Residential business we were unable to maintain the high standards of service we strive for as we introduced a major new billing system. We maintained regular dialogue with Ofgem to update them on our efforts to improve levels of customer service. We also continued to work closely with the regulator to inform its policy and strategy on matters including fuel poverty, debt management, sales practices and disconnection.

British Gas is a member of the Energy Retailers Association (ERA), which was established in October 2003 and is the only dedicated trade association for energy suppliers. The ERA was set up to identify areas where energy suppliers could work together for the common good without competitive advantage.

Issue: Health, safety and security

We have contributed to industry discussions with Ofgem in a number of areas connected with the safe supply of energy in the UK and in consumers' homes. This was particularly important following the major incident at our Rough gas storage facility in February 2006, which had a significant impact on the availability of gas storage capacity in the UK and therefore affected security of supplies.

Stakeholder: Suppliers

We work with our suppliers to ensure that they manage their operations in a manner consistent with our values and business principles. We assess the social, ethical and environmental impact of our supply chains and encourage our suppliers to work with us to support our goals.

Issue: Climate change and environment

We continued to ask suppliers to respond to relevant questions during tendering and renegotiation processes to enable us to assess their management of social, ethical and environmental matters. In 2006, we hosted a round table discussion on corporate responsibility with 11 of our key suppliers. Much of the debate centred on the issue of climate change and it enabled us to understand how our suppliers' environmental strategies were contributing to our priorities. We also plan to assess the carbon footprint of our top 20 suppliers during 2007.

Issue: Health, safety and security

We continued to ask suppliers to respond to relevant questions during tendering and renegotiation processes to enable us to assess their management of social, ethical and environmental matters. This was particularly important in our tender processes for contractors to support our gas exploration activities in Nigeria. We requested very detailed information from prospective contractors and will continue to closely monitor their adherence to our policies and management systems.

Issue: Human rights and labour standards

We continued to ask suppliers to respond to relevant questions during tendering and renegotiation processes to enable us to assess their management of social, ethical and environmental matters. In 2006, we hosted a round table discussion on corporate responsibility with 11 of our key suppliers. Human rights and labour standards emerged as a topic of discussion and with the increasing trend in offshoring to developing countries it will remain a core element of our supply chain assessments.

Issue: Supply chain responsibility

We continued to ask suppliers to respond to relevant questions during tendering and renegotiation processes to enable us to assess their management of social, ethical and environmental matters. In 2006, we hosted a round table discussion on corporate responsibility with 11 of our key suppliers.

Issue: Diversity and inclusion

We continued to ask suppliers to respond to relevant questions during tendering and renegotiation processes to enable us to assess their management of social, ethical and environmental matters. In 2006, we hosted a round table discussion on corporate responsibility with 11 of our key suppliers. As with all aspects of our diversity and inclusion policy, fairness and equality in supplier assessment and selection are central to our approach.

Dialogue

Stakeholder: Trade unions

Constructive and open relationships with trade unions are essential to managing our business activities.

Issue: Health, safety and security

We engage with trade unions on a quarterly basis through the National Joint Council, which comprises full-time officials and representatives from our business. For specific programmes we form consultation groups to address and respond quickly to issues. These often occur on a weekly basis.

In 2006 we continued our dialogue with trade unions on health and safety matters at both national and local level. At local site level trade union representatives sit on our health and safety steering groups.

Issue: Human rights and labour standards

We engage with trade unions on quarterly basis through the National Joint Council, which comprises full-time officials and representatives from our business. For specific programmes we form consultation groups to address and respond quickly to issues. These often occur on a weekly basis.

In 2006 we worked in collaboration with trade unions to embed our standards of employment for British Gas' offshored activities in India. We also worked together to develop a robust framework for managing any future offshoring projects.

Issue: Diversity and inclusion

We engage with trade unions on quarterly basis through the National Joint Council, which comprises full-time officials and representatives from our business. For specific programmes we form consultation groups to address and respond quickly to issues. These often occur on a weekly basis.

In 2006 we worked with our trade unions to implement a number of changes to British Gas call centre working patterns to meet inbound telephone call demand. This consultation took into account the flexible working needs for employees, particularly those with caring responsibilities or who prefer to work part-time.

Dialogue in 2006

In 2006, we commissioned The Corporate Citizenship Company to consult our stakeholders to find out their views on CR, their interpretation of Centrica's responsibilities and whether our activities, reporting and level of disclosure were fulfilling their expectations.

Two methodologies were used; an online survey was sent to 450 opinion-formers in the UK, Europe and North America; and a series of face-to-face conversations took place with CR experts from four UK organisations – Business in the Community, Context, Institute of Business Ethics and MORI.

Respondents to our online survey included CR professionals – both consultants and those working in-company. Other respondents included representatives of NGOs, academics, investment analysts and journalists.

Summary

Feedback confirms that Centrica has a well-defined approach to managing key areas social, ethical and environmental matters, and that our CR report addresses the majority of our most 'significant' impact areas.

Positive feedback

- 72% were previously aware of Centrica's approach to CR and almost 75% rated the company as a good or very good corporate citizen
- 100% identified climate change as the most significant impact area for Centrica to focus on
- 43% stated that their perception had changed positively having read Centrica's CR report – none said their perception had changed negatively
- 70% agreed or strongly agreed that the style and presentation of our report made it accessible and easy to read, and 94% rated the clarity of language as good or excellent

- Stakeholders commended our report for its clear statement of business principles and business case for CR, economic impact analysis, summary of future commitments and independent assurance

Opportunities for improvement

- Additional issues that stakeholders expect us to be addressing and reporting more fully on include:
 - Customers – service and pricing
 - Energy security
 - Business conduct - breaches of business principles
 - Employees – pensions, labour standards, operations in Nigeria
 - Supply chain management – human rights, upstream operations
 - Lobbying and public policy – engagement with policy makers
- *Climate change* – publish our carbon footprint, explore future scenarios, commitment to renewables and carbon intensity of energy supplied to customers
- Vulnerable customers – provide clarity over mandatory versus voluntary activities and provide more focus on levels of service for “non-vulnerable” customers
- *Health and safety* – demonstrate how we have investigated accidents, what we have learned and what we are doing to improve our performance
- Although we have good KPIs in some areas it was felt that our overall approach to performance indicators and target setting could be improved

Our response in this year's report

- We have continued to focus on climate change and health, safety and security, and extend our coverage of customer service matters (including vulnerable customers)
- We have included position statements on customer service, energy pricing and energy security to provide context, highlight our activities and explain future priorities
- We have improved the quality and scope of our performance indicators throughout the report but acknowledge that more can be done in this area
- We have expanded our commentary on public policy and government relations, including position statements and lobbying activity on key policy issues affecting the Group
- We have published our carbon footprint and outlined our plans to reduce our operational impact

Memberships

We are involved with a range of membership organisations, professional bodies and industry groups, to support our management of social, ethical and environmental matters.

Corporate responsibility

- Corporate Responsibility Group
- Business in the Community
- Institute of Business Ethics
- Basic Services Network on Human Rights
- International Business Leaders Forum
- Sustainable Development Commission

Customer

- Confederation of British Industry
- Energy Retailers' Association
- The Parliamentary Warm Homes Group
- Fuel Poverty Action Group (Scotland)
- Fuel Poverty Advisory Committee (Wales)
- Energy Action Scotland
- NEA
- Social Action Plan Review Group
- Association of Energy Suppliers
- ISBA - The voice of British advertisers
- The Marketing Society
- CORGI - UK national watchdog for gas safety
- British Standards Institute
- Royal Society for the Prevention of Accidents

Environment

- Corporate Leaders Group on Climate Change
- All-Party Parliamentary Climate Change Group
- The Parliamentary Renewable and Sustainable Energy Group
- Energy Saving Trust
- Green Alliance
- The Renewable Energy Association
- The British Wind Energy Association
- UK Business Council for Sustainable Development
- The Micropower Council
- Oil and Gas UK
- UK Emissions Trading Group

Employees

- Institute of Personnel and Development
- The Health and Safety Executive
- Energy and Utility Skills Council
- Engineering Development Trust
- Learning and Skills Council
- Universities and Colleges Employers' Association (UCEA)
- Apprenticeship Ambassadors Network
- Women in Science and Engineering
- Institute of Electrical Engineers
- ICAS
- Engineering and Technology Board
- Engineering Council UK
- Employers' Forum on Age

Dialogue

- Employers' Forum on Disability
- Opportunity Now
- Race for Opportunity
- Stonewall
- Working Families

Communities

- London Benchmarking Group
- Business in the Community

Suppliers

- The Chartered Institute of Purchasing and Supply

Customers



Customers

As a multi-national utility, providing essential services to millions of customers every day, understanding their evolving needs is very important.

Our aim is to earn the trust and respect of our customers by consistently delivering high standards of service. Being responsible and responsive in how we manage relationships with our customers is central to our business strategy.

In 2006, we made significant progress in installing a new multi-million pound billing and customer management system in British Gas. During the process of transferring customer accounts, we were unable to maintain the high standards of service we strive for. Returning to an industry leading position is a high priority for us.

Pricing

Our priority is to provide reliable and affordable energy to our customers and provide additional support to our more vulnerable customers.

Customer experience

Only by continuously listening to our customers on a wide range of issues can we fulfil their expectations and earn their satisfaction.

Vulnerable customers

Our aim is to make life safe, warm and comfortable for all our customers but particularly for those on low incomes, older people and those with a disability.

Energy efficiency

Centrica plays a leading role in tackling fuel poverty and climate change by championing the efficient use of energy.

Green electricity

We are developing a range of low carbon products and services to help our customers tackle climate change.

Customer safety

We are always seeking to develop innovative ways to promote the safe and responsible use of our products and services.

Sales and marketing

We work hard to ensure that our communications with customers are open and credible, and that the right procedures are in place to deal with their concerns.

Customer diversity

To deliver excellent service we must understand individual customer needs and make sure we meet them.

Performance highlights

2006 performance highlights.

Pricing

High wholesale energy costs continued to dominate the first half of 2006. In the UK, this forced retail price increases from all the major suppliers, including British Gas. Our pricing policy throughout this period of volatility was to protect customers by passing through only a proportion of the full wholesale market increases.

To lessen the impact, we created innovative fixed price propositions and developed a range of initiatives to help millions of our most vulnerable customers. For example, we committed to provide £18.3 million of winter fuel rebates to vulnerable customers and launched the country's largest social energy tariff.

We were delighted to be the first UK supplier to announce a price decrease for residential customers from March 2007. We have since announced a further decrease which means that we have cut gas prices by 20% and electricity prices by 17% this year. These lower prices are saving a typical customer £167 a year.

Why did prices go up in the first place?

After decades of the UK being reliant on cheap North Sea gas, production started declining and from 2004, prices went up sharply. The UK is now part of a global market and what happens across the rest of the world will impact on the cost of energy in the UK. The linkage between oil and gas prices and weather patterns also significantly affects energy prices.

What's changed?

In the past 18 months Centrica has signed deals worth billions of pounds to import new gas supplies from Norway and Holland to the UK. These contracts made it possible for new pipelines to be built to the UK from both countries. We are also seeing new shipping terminals being built to bring in liquefied natural gas by tanker. That new gas is now flowing, pushing down the market cost of gas and enabling us to cut prices for customers.

Will wholesale prices continue to fall?

While prices are coming down, they are unlikely to return to the low levels the UK has been used to in recent decades. Wholesale prices have fallen but they have fallen from a very high point and looking ahead there is still some uncertainty as to where prices will go.

We are already dependent on overseas imports of gas, so the UK is competing for it in a global market at global prices, like oil. That means battling with North America and Europe for tanker loads of liquefied natural gas. We strongly believe it is in the UK's interests not to become overly dependent on any one country to supply its gas in future. Diversity brings security of supply. That is why British Gas is exploring for gas in Norway, Nigeria, Egypt and Trinidad.

Will British Gas be further reducing prices?

As we've seen from the past few years, energy wholesale prices can be very volatile and remain difficult to predict. Since we made our price decreases forecasts for wholesale have risen by 20% for winter 2007.

We will continue to watch carefully what happens with wholesale gas prices for the rest of the year. If we can pass on more benefits to customers, we will. In the meantime our objective is to provide our customers with the best value in the market place, by offering affordable and reliable energy but also by offering innovative low carbon products; by being a trusted brand; and by offering access to our 8,500 engineers.

What is British Gas doing to protect vulnerable customers?

We have launched the country's largest social tariff. This will help up to 750,000 low income customers, regardless of how they pay, by giving them access to our cheapest energy rates, which are usually only for direct debit customers. They will see nearly £300 come off their annual bill. Not having access to a bank account has proved an expensive barrier for many and we are the first company to remove this obstacle on such a large scale.

The Essentials Tariff makes us the only energy supplier to have responded to energywatch's challenge to ensure that vulnerable prepayment customers do not pay more for their gas and electricity than customers who pay by cash or cheque.

Customer experience

As a multi-national utility, providing essential services to millions of customers every day, understanding their evolving needs is very important. Being responsible and responsive in how we manage relationships with our customers is central to our business strategy.

We aim to keep improving our customer experience by upholding the following principles:

- always treat customers with respect
- resolve matters to our customers' satisfaction
- keep our promises to customers
- protect the privacy of our customers' data
- recognise the diversity of our customers.

Customer satisfaction is a key element of performance appraisal for executive directors and senior managers. Each month, customer service performance is reported to senior managers. This reporting process enables us to track the performance of our own service delivery and that of our suppliers.



Case study

Accrediting call centres

British Gas has received accreditation for its three major outbound call centres from the Customer Contact Association (CCA).

Summary of customer service performance

Climate change	2006	2005	Δ%
British Gas Residential			
Customer numbers ('000)	10,263	11,131	(8%)
Customer satisfaction	516	667	(151)
British Gas Services			
Product relationships ('000)	7,171	6,894	4%
Customer satisfaction	741	756	(15)
British Gas Business			
Customer supply points ('000)	932	909	2.5%
SME contract renewal rate	95%	96%	1ppt
Customer satisfaction	6.9	6.6	0.3
Centrica North America			
Customer numbers:			
- Canada energy ('000)	2,090	2,118	(1.3%)
- US energy ('000)	1,296	1,228	5.5%
- Home services	1,964	1,885	4.2%
Customer satisfaction*			
- Canada energy ('000)	43%	45%	(2)
- US energy ('000)	56%	58%	(2)
- Home services	71%	69%	3

* MOT - Recommend

Our businesses

- British Gas Residential
- British Gas Services
- British Gas Business
- Direct Energy

British Gas Residential

In 2006, we made significant progress in installing a new multi-million pound billing and customer management system – the largest of its kind in Europe. During the process of transferring customer accounts we were unable to maintain the high standards of service we strive for. Necessary price increases in February and September compounded this situation. We lost 1 million customer accounts during the year.

We were very disappointed that overall customer satisfaction dropped from 667 to 516 during the year. The customer is asked to rate their overall satisfaction with British Gas. Seven options are provided which translate to a 0-1000 scale: 0=Very Bad, 200=Poor, 400=Fair, 500=Satisfactory, 600=Good, 800=Very Good, 1000=Excellent.

Complaints to energywatch – the energy industry watchdog – about British Gas Residential more than doubled year on year from 11,190 in 2005 to 25,380 in the 12 months to November 2006.

Returning to an industry-leading position is a high priority for us. Our investments in new systems, additional manpower and frontline training are now delivering benefits for our customers. There was an encouraging improvement in the last quarter of year, which was further boosted by our price reduction announcement in February 2007. In 2007 we will increase our investment in employee training to reduce repeat contact; review our Direct Debit process; improve our bill design and layout; launch a new consumer website; and improve our IVR to reduce call transfers.

In 2007, all our businesses will measure customer satisfaction using a methodology called Net Promoter Score* – a measure of customer advocacy. British Gas Residential finished the year at -30%, and we are targeting -17% in 2007. Although this is a negative target it is in line with industry norms.

British Gas Services

Overall customer satisfaction fell from 756 to 741 during the year. Engineer scheduling and resourcing problems at the beginning of the year contributed to this decline. However, by improving our deployment processes and resourcing arrangements we were able to halt the decline in satisfaction level in the last 5 months of the year.

Satisfaction levels among customers who had a central heating installation or used our plumbing and drains service consistently increased during the year.

In 2007, we will continue to drive responsibility for customer satisfaction right down to the front line. Our target for 2007 is to achieve a net promoter score of* of +41% from a 2006 year end position of +38%.

British Gas Business

Overall, customer satisfaction rose from 6.6 to 6.9 out of a possible 10 in 2006, against a target of 7. Our target for 2007 is to achieve a score of 6.9 out of ten by the end of year.

Energy complaints dropped from 186 in January 2006 to just 49 in December 2006 against a target of 60. These improvements were reinforced by exceptionally high contract renewal rates of 95% in very challenging market conditions.

Differentiating through excellence in

service is one of the identified criteria of British Gas Business' success. We introduced account managers for every customer in 2006. This provides our customers with a direct telephone number to a single, named point of contact dedicated to their account/s. This signals a strong move towards tangible customer focus through the development of stronger customer relationships.

We are measuring the success of our dedicated account manager programme through the Net Promoter Score*.

Our general advocacy score at the launch of the programme in October 2006 was -32 per cent. By January 2007, this score improved to -16 per cent as customers began to realise the benefits. Through advocacy tracking, dissatisfied customers likely to cancel their account or pass on negative word-of-mouth are immediately identified. Our account managers then work hard to recover their service, contacting them within 24 hours of identification. This process has delivered a 19% uplift in successfully moving 'dissatisfied' customers to 'neutral' customers or advocates.

The benefits of programme are demonstrated by feedback from customers.

In 2007 we will increase our weekly tracking of customer satisfaction at individual account manager level. By October we hope to be tracking around 8,000 customers on a monthly basis.

Direct Energy

In 2006, Direct Energy continued to focus on overall customer improvements, supported by customer satisfaction data and external research. The 'Moment of Truth (MOT) - Recommend' scores (as presented in the table above) improved in Canadian Home Services and remained static in the North American Energy markets.

Our commitment to increase customer satisfaction in a number of business units were highlighted in Canada Home Services, with the implementation of the 'perfect visit' programme and a complaint management process called "Single Gateway", which provides a single point of handling of escalated complaints. Standards of service in our energy businesses were impacted by high price volatility, increased political activity and extreme weather, which resulted in an increase of inbound calls and negatively influenced customer perception. Analysis highlighted that we must address both direct (operational) and indirect (media, communications, pricing) factors to deliver improvements in 2007.

"Our account manager is good, very good. It is a much better system than the previous one and he does what he says he is going to do."

"You're a lot better now that you have someone dealing with each account. It's much better having one person responsible for you, it's more personal."

Case study

Direct Energy Remote Agent Program

Incoming call volumes can fluctuate greatly with a minimal amount of notice.

Case study

The Perfect Visit

Through the "Perfect Visit," an eight-point checklist that includes state of the art equipment...

Customers

Customer privacy

We have procedures in place to make sure we comply with the Data Protection Act 1998 and data protection specialists have been nominated for the Group.

The way we use customer information is set out in the Uses of Information section of a customer's terms and conditions.

Special attention is given to ensuring a customer's marketing preferences are adhered to. Security of customer information is also of great importance to us and our call centres carry out checks to verify each caller's identity.

As well as safeguarding customer information, the measures we have in place to deal with data protection aim to keep employee and shareholder information secure.

Vulnerable customers

Our aim is to make life safe, warm and comfortable for all our customers but particularly for those on low incomes, older people and those with a disability.

Continued rises in the cost of wholesale energy led all UK energy suppliers to increase gas and electricity prices during 2006. This highlighted the position of older and vulnerable people on fixed incomes.

To lessen the impact of price increases on vulnerable customers, British Gas committed to provide £18.3 million in winter fuel rebates of up to £90 per customer. More than 300,000 British Gas customers benefited from the rebates in 2006.

British Gas also introduced the UK's largest social energy tariff, aimed at cutting gas and electricity bills for 750,000 of our most vulnerable customers. The Essentials Tariff provides additional help to vulnerable customers, particularly those who use prepayment meters.

'here to HELP'

British Gas is working with a number of charities, housing associations and local authorities to improve energy efficiency and tackle fuel poverty. In 2006 we identified more than £2.2 million of unclaimed benefits for vulnerable households.

Home Energy Care

British Gas' Home Energy Care programme provides essential services for some of our most vulnerable customers. More than 560,000 customers currently benefit from this scheme.

British Gas Energy Trust

We continued to support the work of the British Gas Energy Trust – an independent fund established with a £10 million investment by British Gas. In 2006 the Trust provided grants to help around 4,000 families and individuals.

Neighbor-to-Neighbor programme

Direct Energy's multi-million dollar investment in the Neighbor-to-Neighbor project helped thousands of customers in debt in North America.

Debt and disconnection

We provide a combination of practical support and advice to help customers who are having problems paying for their gas and electricity.

'here to HELP'

Launched at the end of 2002, British Gas 'here to HELP' is a multi-million-pound household poverty programme run in partnership with six charities. It tackles a range of issues affecting older people, those with disabilities, single parents and families with young children.

The programme offers energy efficiency products, benefits assessments, essential appliances and adaptors, home security measures, and advice from our charity partners – all for free. We have identified almost £10.5 million in unclaimed benefits, making a real difference to help improve people's quality of life.

Performance Highlights	2006 Actual	2006 Target	2005 Actual	Cumulative*
Homes signed up	117,438	81,000	116,823	574,260
Homes completed (energy efficiency products installed)	37,352	31,368	28,212	214,724
Charity referrals	4,137	8,320	8,636	49,661
Quality of life assessments completed	3,019	n/a	4,602	22,895
Value of unclaimed benefits identified (£m)	2.2	n/a	2.6	10,422
Average increase in claimable benefits identified (£)**	1,467	n/a	1,542	1,466

* Cumulative figures since the programme began.

** Describes the average value of additional claimable benefits per vulnerable household identified by British Gas through our 'here to HELP' programme



Case study

Amington Peeps Football Competition

Amington Peeps, a constituted youth forum, applied to Save the Children and British Gas for a 'here to HELP' Award to run a community football project to help reduce anti-social behaviour.



Case study

Working with Help the Aged

Now in its eighth year, the British Gas Help the Aged Partnership continues to grow in strength.

Customers

British Gas won Business in the Community's Healthy Communities Excellence Award for our 'here to Help' programme in 2005. In addition, it was also awarded the Cause Related Marketing Award at the Marketing Society Awards for Excellence 2005.

Charity partnerships

Our partners are Help the Aged, National Debtline, Scope (includes Capability Scotland), Royal National Institute for the Blind and Save the Children.

Help the Aged

Mavis Lee has lived alone in her flat in Yorkshire for seven years – and now feels much more secure.

Through the 'here to HELP' scheme she was put in touch with charity partner, Help the Aged, which arranged for her to receive a deadlock, door chain and spy hole. Her previous locks were not very effective and the spy hole was unclear.

Mavis, 73, who receives a pension and housing benefit, said: "'here to HELP' is an excellent scheme. I would encourage anyone to take part in it. I feel much more secure now.

"In the flats I live in there are probably quite a lot of older people and most of them would benefit from new locks and better security."

Royal National Institute for the Blind

Royal National Institute for the Blind is the UK's foremost charity in offering specialist support and advice to anyone with sight problems. It can often provide free products, such as big button telephones.

Peggy, a lively 80-year-old, has had age-related macular degeneration for the past four years. She lives alone in Essex.

As part of the 'here to Help' programme, she was referred to the RNIB, who advised her on how to cope with the illness.

Save the Children

Save the Children is the UK's largest international children's charity, working in the UK and overseas.

British Gas' partnership with Save the Children awards grants of up to £1,000 to inspire young people to take the lead in transforming their communities and enable them to do so. We want to encourage them to make a positive difference to where they live, play and socialise. The 'Help Yourselves' website provides advice, support and inspiration for young people thinking of undertaking projects.

Scope

Scope helps disabled people achieve equality. It focuses on people with cerebral palsy and campaigns for them to be valued and to have the same rights and opportunities as anyone else.

Lewis' family, referred to Scope through the 'here to Help' programme and received support to secure funding for a buggy so he can get about and strengthen his leg muscles. Scope helped the family apply for a grant as well as providing general advice on disability issues.

The family home was also entitled to free loft insulation, draught-proofing, free low-energy light bulbs and energy efficiency advice.

National Debtline

National Debtline provides a free, confidential and independent telephone helpline for people in England, Scotland and Wales with debt problems. Its aim is to help individuals find a way out of spiralling debt through timely money advice.

It provides a free phone service, enabling people to speak confidentially to a trained adviser. Also on offer is a free self-help pack (for people in rented accommodation or with mortgages). The packs cover personal budgets, prioritising debt, offers of payment and how to deal with court procedures.

British Gas Home Energy Care Register

Our Home Energy Care Register provides essential services for some of our most vulnerable customers. Almost 560,000 customers now benefit from the service, which provides annual safety checks and specially designed appliance controls and adaptors for older people, people with disabilities and those who are chronically sick.

Home Heat Helpline

We continued to support the National Home Heat Helpline for customers who may be in need of support, such as help with paying their energy bills. The service is run by the Energy Retail Association and funded by British Gas and the other major energy suppliers.

This helpline offers one point of contact, connecting customers to advice and help from their energy supplier. Callers can speak to expert advisers, including former health professionals who are trained to give advice on how to stay warm during the cold weather.

The helpline can also take calls from intermediaries on behalf of vulnerable people, such as friends, family, carers, social workers or health visitors. A specialist British Gas team takes calls from British Gas customers and puts them in touch with the most appropriate support.

The helpline number is 0800 33 66 99 and lines are open from 9am to 8pm Monday to Friday and 10am to 3pm on Saturday.

British Gas XtraCare

British Gas has given a public commitment that we will “not disconnect anyone who we know to be vulnerable”. “XtraCare” is the process we have adopted to help us proactively identify signs of vulnerability amongst our customers; how we keep this information on our systems and what we need to do once we have identified someone as being potentially vulnerable.

We describe all of the support we are giving to our more vulnerable customers under the term XtraCare. In other words, we’re taking XtraCare of our more vulnerable customers. Whilst this is a voluntary undertaking, the protection of the more vulnerable has a high level of awareness amongst the Government and consumer bodies such as energywatch.

As part of our day to day contact with our customers, we’re now listening out for any signs the customer may give us that might indicate that they are vulnerable. For example, they may mention that they have a carer visit them in their home. If this is the case, we need to be extra careful in how we manage and support them.

Once we identify someone as being an XtraCare customer, we will:

- encourage the customer to take advantage of our fuel poverty/energy efficiency measures
- promote our social initiatives such as Warm-a-life and the Help the Aged Price Promise
- encourage the customer to seek financial grants from the British Gas Energy Trust Fund
- promote membership of our Home Energy Care scheme
- refer the customer to Social Services if appropriate, for additional support.

As well as offering the above service the customer can be placed on a specific debt path, which is similar to the guaranteed supply debt path that does not threaten disconnection of supply. The emphasis is on more proactive contact with the customer to agree a long term payment arrangement.

British Gas Energy Trust

We continued to support the work of the British Gas Energy Trust, an independent fund established with an initial investment of £10 million over three year period from British Gas. It is the first national utility trust fund of its kind.

In addition to making grants to people in debt, the Trust provides funding to voluntary sector organisations and registered charities which assists in the prevention and relief of poverty, with particular emphasis on fuel debt.

The Trust, a registered charity, is governed by its own board of trustees and is run by Charis Grants, which manages a number of utility trust funds under a shared programme of giving. That means an applicant to one fund is automatically considered for other funds run by Charis.

The Trustees' aim is to make a long-term difference to people's lives by freeing them from the maze of debt and giving them the chance to make a fresh start.

In 2006, the Trust awarded around 4,000 grants with a total value of £1.5m.

Two programmes make up the British Gas Energy Trust:

Individual and Families in Need Programme

It awards grants to individuals and families to clear energy arrears and in some cases pays for essential household costs. Applicants must be current domestic customers of British Gas or Scottish Gas.

Organisational Grants Programme

It helps voluntary sector groups such as Citizens Advice Bureaux and money advice centres. This programme has so far carried out two rounds of bids for funding and has awarded grants to a further nine groups in England, Scotland and Wales to provide advice and education on debt related matters throughout 2006/07.

The Trust excludes financial help to cover fines, tax or national insurance debts, medical equipment, holidays, business debts, personal loans or anything owing to shopping catalogue and credit card companies.

Case study

Keeping heads above water

A 74-year-old man and his wife from the West Midlands, both with health problems, were struggling on a low income.

Debt and disconnection

We have continued to develop ways of helping all of our customers reduce their expenditure on energy. Through a combination of practical support and advice we aim to do everything we reasonably can for customers who would like to pay but can't, while pursuing early repayment of debts by customers who could pay but choose not to.

British Gas

British Gas offers a range of payment options to assist our customers in budgeting effectively for their energy costs. This includes direct debit, standing order, cash, cheque or prepayment. Payment can be in advance or by weekly, fortnightly and monthly payment arrangements, which can be made through a number of locations including the Post Office and outlets that support PayPoint and PayZone.

We make every effort to meet our customers face-to-face to discuss any money problems they may have. Disconnection is always the last stage of a detailed debt follow-up process that involves numerous contacts with our customers. We do not want to disconnect customers and it is our policy never to disconnect a vulnerable customer. We much prefer to focus on finding a payment method that suits them as our policy is one of focusing on debt prevention as opposed to debt collection.

In 2006, British Gas disconnected just three occupied properties for non payment of energy bills.

Electronic 'smart' meter reading

British Gas is currently piloting new smart metering technology in 150 homes. The meters collect and transmit accurate meter readings direct to British Gas, but also offer considerable customer benefits, in terms of better information about consumption (and cost) of energy, and, for prepayment customers the ability to prepay for energy direct from their home.

The technology means that our customers receive bills that are always accurate and up to date, whilst reducing the need for customers to be present for regular meter readings. At the same time, it will help us improve our service by monitoring payments against regular consumption, so that we can identify any payment difficulties at an earlier stage.

During 2007, we will continue to develop our plans to make these benefits more widely available to the mass market in the future.

Supporting low-income and vulnerable customers in South and West Texas

Direct Energy's Neighbor-to-Neighbor programme helps customers pay their home energy bills in emergencies. Customers in genuine financial need can receive up to US \$150 twice a year.

The programme, to which customers can contribute by voluntarily adding extra money to their regular payments, has helped more than 9,000 Texas customers with their bills since it was re-established two years ago.

The Company contributed an additional US \$1,100,000 to the programme in 2005, on top of the US \$350,000 contributed annually.

Direct Energy helped establish two programmes in Ohio, administered by the Salvation Army, designed to help people struggling to pay their bills.

In one, Direct Energy kicked off a pledge drive with a US \$25,000 contribution to the EnergyShare programme, which helps pay home heating bills for eligible people. It serves as a last resort for the elderly, the ill, or anyone facing financial hardships from unemployment or family crisis. In the other, Direct Energy approached Columbia Gas with an idea to start the HeatShare scheme which helps low-income residents who have exhausted other sources of energy assistance. Again, Direct Energy contributed US \$25,000.

Direct Energy operates within multiple jurisdictions and, as such, there is no single regulatory body with oversight of issues relating to vulnerable customers, debt and disconnection. We seek to identify and serve vulnerable customers in a manner that complies with varying government regulations across all our markets and aligns stakeholders' social and economic expectations. In the majority of our markets vulnerable customers are protected from disconnection.

In Houston, Texas, Direct Energy manages the Neighbor-to-Neighbor programme which donates money to 29 community agencies. Since 2002, over US\$3 million has been contributed to customers who are unable to pay their home electricity bills in emergency situations and during financial hardship. These customers have identified with the help of our relationship with the community agencies that support the programme.

In 1999, the Texas Legislature introduced the System Benefit Fund which levied a US \$0.65 fee on electricity bills to provide financial support to low-income households under a scheme called LITE-UP Texas. In 2005, legislators redirected the funds to support other areas of the state's budget, effectively terminating LITE-UP Texas and the rate discounts for vulnerable consumers.

Direct Energy, through its CPL Retail Energy and WTU Retail Energy brands, committed to continue to fund rate discounts of 10 percent for its most vulnerable customers in 2005. We did this to help protect our customers from the effects of the hurricane season, and hot summer temperatures.

We continued to provide a full 10 per cent discount on electricity rates for customers who met the state's low-income criteria until May 2006. We then provided low-income customers with a 5 per cent rate discount until the end of the year as part of our negotiated settlement with the Public Utility Commission of Texas that lowered overall electric rates in South and West Texas across the board. During 2006, the total value of the rate discounts we provided was almost US \$11 million.

Energy efficiency

The UK Government's long-term goal is to reduce the country's carbon emissions by 60% by 2050, with significant progress by 2020. British Gas plays a leading role in helping to achieve these challenging targets. We work with a range of commercial partners, voluntary organisations, charities and the public sector to deliver energy efficiency initiatives, and the effectiveness of these partnerships is a key factor in our success.

Under the UK Government's Energy Efficiency Commitment (EEC), electricity and gas suppliers are required to achieve energy-saving targets by promoting improvements in domestic energy efficiency. Half of the energy savings have to be targeted at the 'priority group' – households receiving income-related benefits or tax credits. EEC has an environmental aim, providing carbon savings to tackle climate change, as well as a focus on alleviating fuel poverty.

We go beyond legislative obligations to provide a range of energy efficiency and low carbon solutions for our customers.

British Gas domestic customers

In 2006, British Gas subsidised more than 13 million energy efficiency measures, such as cavity wall insulation and low energy light bulbs, with an equivalent lifetime carbon saving of 1 million tonnes, benefiting more than 6 million households.

Energy Efficiency Commitment

British Gas is the largest installer of energy efficiency products under EEC.

Energy efficient products

British Gas is developing innovative products and services to help customers reduce their carbon footprint.

Direct Energy

British Gas is developing innovative products and services to help customers reduce their carbon footprint.

Energy Efficiency Commitment

During the year, we subsidised more than 13 million energy efficiency products, benefiting around 6 million households. The total energy saved by the products subsidised by British Gas in 2006 was equivalent to approximately £41 million.

Expenditure in 2006 was approximately £93 million (£112 million in 2005), this high level of spend is being maintained to ensure that we achieve our EEC obligation, which started in April 2005 and will run for three years.

We used innovative ways to engage our customers in energy efficiency in 2006. For example, we have

established a council tax rebate scheme in partnership with 42 district councils, offering rebates of up to £100 on cavity wall and loft insulation. This scheme will be rolled out to more local authorities and extended to include solar technologies in 2007.

Direct Energy launched project 'evolve' in 2005, a partnership agreement with the University of Calgary which is a holistic energy-management solution that should result in a CO2 reduction of 14,500 tonnes which is the equivalent of taking 2,960 vehicles off the road and should reduce energy consumption by more than CN\$30 million over seven years.

Case study

British Gas helps UK 'Save a Billion'

In 2006, British Gas launched a campaign to help UK households reduce their energy waste by £1 billion.

Performance Highlights	2006	2005	2004
Household energy efficiency products installed (million)	13.5	9.0	6.1
Number of priority* households benefiting from energy efficiency products (million)	1.1	1.3	1.1
Number of non-priority households benefiting from energy efficiency products (million)	4.8	2.5	0.8
Lifetime carbon savings for household energy efficiency measures installed (million tonnes)**	1.0	1.1	1.0

* Under the UK Government's Energy Efficiency Commitment, priority customers are those in receipt of at least one of the following benefits: council tax benefit, housing benefit, income support, income-based job seekers allowance, attendance allowance, disability living allowance, war disablement pension which includes either a mobility supplement or constant attendance allowance, disablement pension which includes constant attendance allowance, state pension credit, child tax credit where the relevant income is £14,600 or less, working tax credit where the relevant income is £14,600 or less.

** Source: <http://www.nef.org.uk/energyadvice/co2calculator.htm>

Energy efficient products and services

We are committed to helping our customers cut their fuel costs and reduce their carbon footprint by providing a range of energy efficiency products and services.

Insulation products

We offer a range of products to help customers improve the insulation of their home. These include cavity wall insulation, loft insulation and solid wall insulation.

Condensing boilers

British Gas' energy-saving boilers release fewer CO2 emissions than conventional boilers and can help to reduce our customers' heating bills by as much as 40%.

Partnerships

We are working in partnership with electrical retailer Currys to offer customers substantial discounts and trade-ins for 'A'-rated energy efficient appliances. In partnership with B&Q, we provide funding to promote energy efficiency products. Customers receive savings on a wide range of products, including loft insulation, low energy lighting and energy efficient appliances.

Energy Savers Report

The British Gas Energy Savers Report, a bespoke home energy efficiency audit, was completed by more than 1.5 million householders during the year. This innovative service helps them save money and reduce their household emissions. We are targeting 2 million homes by the end of 2007.

Our initiative was welcomed by David Miliband, Secretary of State for the Environment who said: "I welcome British Gas' Energy Savers Report initiative for the tailored advice it will give to consumers on the energy consumption of their homes. The campaign will highlight wasteful behaviour in the home and show that simple actions, such as not leaving appliances on standby, can save energy."

'Save a Billion' campaign

British Gas launched a campaign to help UK households reduce their energy waste by £1 billion in 2006. Our Energy Savers Report revealed that two-thirds of British households would 'fail' an energy efficiency test.

The 'Save a Billion' campaign had two core aims: to raise awareness of the scale of UK energy waste and to highlight simple steps people can take to reduce the amount of energy they waste.

The campaign was welcomed by Prime Minister Tony Blair who said "I welcome British Gas' campaign and anything that encourages people to be more efficient when it comes to energy use. As well as being good for our environment, saving energy saves money too."

Energy Performance Certificates

In 2007, British Gas will launch a service to provide the new Energy Performance Certificates (EPCs) which all home-sellers must have from June 1. These will give an energy efficiency rating to potential buyers in a market where approximately 1.4 million homes are sold annually. British Gas is currently training 500 engineers to carry out the EPC surveys.

Energy efficiency advice

Our Energy Advice Service (0845 965 0650) offers free advice and information on energy-saving ideas. Our highly trained advisers are qualified with a certificate in energy awareness from the City and Guilds of the London Institute. We are constantly reviewing our training programmes to ensure our advisers have the right skills to help our customers.

Our team of community energy advisers works with local authorities and housing associations to promote energy efficiency and generate referrals to our energy efficiency grant schemes. They help ensure that those customers most in need receive our support and assistance.

Case study

Cut-price insulation from British Gas and Mayor Ken

In 2006, British Gas launched a campaign to help UK households reduce their energy waste by £1 billion.

Case study

Scottish Gas lands major energy efficiency deal

The Scottish Executive awarded an £85 million contract to Scottish Gas Services in 2006. The contract is to deliver the Scottish Executive's social Central Heating Programme and Warm Deal initiative.

Business energy efficiency

British Gas Business

British Gas Business (BGB) stepped up its smart meter programme during the year. We also announced plans for new gas business connections to get smart metering.

Smart metering (or automated meter reading) enables companies to manage energy consumption better by monitoring usage. It also removes the need for regular meter reader visits and estimated reads. In 2006, BGB successfully managed the UK's largest smart meter installation programme installing more than 6,000 smart meters, mostly in small and medium sized businesses (SMEs). BGB was also the only SME bidder short-listed by Ofgem to take part in the DEFRA/DTI Energy Demand Reduction Pilot in 2006.

Accurate bills are the number one requirement for our customers. Smart metering offers the perfect solution, as well as enabling our customers to better manage their energy consumption. We will phase this in as part of our service proposition and see it growing rapidly over the next few years.

Direct Energy

The issue of climate change is resonating and is considered to be the most serious threat facing the world today. Direct Energy recognises the leadership role the energy industry must take in tackling climate change. "I think it's time that industry stood up and acknowledged its responsibilities. Our business models have to evolve and turn these challenges into new opportunities," said Deryk King, Direct Energy's Chairman and CEO.

Since 2004 Direct Energy Business Services has been working with clients to find total energy solutions with all aspects of the energy value chain from energy supply through to consumption and environmental stewardship. In 2006 Direct Energy announced the launch of its new business division,

Direct Energy Consulting in a move to provide strategic energy management solutions to large strategic clients.

Direct Energy Consulting offers unique subject matter expertise in assisting clients address the growing demands of climate change. The business provides advisory and management services that drive bottom line financial impact related to energy risk management, commodity procurement strategies, energy consumption, metering, energy efficiency engineering and the impact of climate change.

Being able to identify projects through the Direct Energy Consulting group, we aim to work with our clients to reduce green house gas emissions through energy efficiency measures that will produce significant savings both financially and to the environment.

Our work at Canadian Forces Base Kingston has been recognised by the Conservation Bureau of Ontario. Find out more about our recent project by following the links below.

- 2006 Edison Award Nomination: International Category PDF (273K)
- 2006 GLOBE Awards: The Corporate Award for Technology Innovation and Application PDF (786K).
- Canadian Forces Base Kingston PDF (121K)
- University of Calgary PDF (205K)

Case study

Forces base project wins award

In 2006, Ontario's Conservation Bureau gave Direct Energy an award for its work at the Canadian Forces Base (CFB) in Kingston.

Think Energy

British Gas' national Think Energy programme is a free online educational programme designed to teach students about different types of energy and the importance of energy efficiency. Educational resources, based on the national curriculum, have been developed for children aged from seven to 18.

Teachers, pupils and parents can access free downloadable resources from the website. Since it began, more than 52% of schools have requested the resources.

In 2005, we launched a new Think Energy website to encourage children to get involved in the battle to save energy and combat climate change. Fun online characters such as Billy Buzz and Power Pals have been introduced to help educate tomorrow's adults about the dangers facing the planet.

The award-winning programme has been running successfully for four years and has already been used in thousands of schools, helping to develop an understanding of energy concepts.

In 2007, we plan to launch a new and improved Think Energy website, which will be packed full of new content on how to save energy and the environment.

For more information visit www.think-energy.com

Green electricity

Green electricity is power generated from environmentally friendly sources such as wind farms. The electricity we provide to our customers has the lowest carbon intensity of any of the major UK power suppliers.

In the UK, we are working hard to meet the Government's renewable energy targets. Under the 'Renewables Obligation' all licensed suppliers must provide a percentage of electricity generated from renewable sources – 15% by 2015.

Centrica is committed to invest £750 million in the coming years, alongside joint venture partners, to develop renewable electricity generation. In addition, we continue to buy energy from other generators of renewable electricity and from Non Fossil Purchasing Agency auctions at which electricity is sold from renewable sources including landfill gas, small-scale hydro and wind power.

Domestic customers

British Gas is the largest supplier of green electricity in the UK with around 120,000 domestic customers.

Business customers

We supply 1.6TWh of renewable electricity to customers including Vodafone and BT at almost 14,000 individual sites across Britain.

Domestic customers

British Gas is developing an innovative range of low carbon products and services to enable our customers to be more energy efficient and help reduce their carbon footprint. British Gas is the largest supplier of green electricity in the UK with around 120,000 domestic customers.

Low Carbon Building Programme

In 2006, British Gas was selected as an accredited supplier for the UK Government's Low Carbon Building Programme providing access to grant funding of up to 50%. We are the only company within this phase of the programme to gain accredited supplier status across all five microgeneration technologies – solar photovoltaic, ground source heat pumps, biomass, wind and solar thermal.

Developing fuel cell technology

In 2006, British Gas signed a £2.7 million contract with Ceres Power to accelerate the introduction of fuel cells into the UK. The contract, part-funded by the Department of Trade and Industry, represents a strengthening of the partnership between the two companies, which started last year.

We will design and build combined heat and power units, powered by fuel cells, delivering electricity, heating and hot water, and cutting energy bills and carbon dioxide emissions. Ceres' cells can run on fuels such as gas as well as hydrogen.

Solar panels

These panels, fitted in the roof, provide free hot water, even on cloudy days. We are working with our partner, Worcester Bosch, to produce the panels, which have strong green credentials.

Climate Aware

Now in its second year this British Gas initiative gives consumers an opportunity to offset the carbon emissions from their homes by making a payment to environmental experts 'Climate Care' based on an average 12 months' consumption, which funds carbon reduction projects around the world.

Online green help

British Gas' green website is our main source of information for: saving energy in the home; simple practical tips and exclusive discounts on energy-saving measures; and the latest 'green gadgets' that can be bought online (such as solar powered iPod and mobile chargers).

Paperless billing

We have almost 570,000 customers receiving quarterly paperless billing (bills are sent online), which helps to reduce the impact on forests and gives customers an annual £5 per fuel discount. Almost 240,000 customers signed up to paperless billing in 2006 and we plant a tree for every 100 customers who sign up.

Case study

British Gas signs fuel cell deal

British Gas signed a £2.7 million contract with Ceres Power to accelerate the introduction of fuel cells into UK homes in 2006.

Customers

Business customers

British Gas Business

British Gas Business (BGB) supplies 1.6TWh of renewable electricity to customers including Vodafone and BT at almost 14,000 individual sites across Britain.

In 2006, we launched a green electricity product to our small and medium-sized enterprise customers with energy that is provided from 100% fully renewable sources - energy bought in addition to our statutory requirement.

Customers taking 'green' energy include The Royal Bank of Scotland, Vodafone, BT and HSBC. We aim to encourage more of our corporate and small and medium-sized enterprise customers to sign up for 'green' power during 2007.

BT, the world's leading buyer of green power, extended its renewable energy deal with BGB during the year. The three-year deal, welcomed by Environment Secretary David Miliband, will enable BT, which consumes 0.7 per cent of the UK's entire electricity supply, to save each year the equivalent amount of carbon emitted by 300,000 households, roughly the same as domestic users in Liverpool and Cardiff combined.



Case study

'Special' move makes Spain greener

Centrica Energía, the company's subsidiary in Spain, has started building up a new 'special regime' business venture.

Customer safety

Safety is a top priority for us and we are continually developing innovative ways to promote the safe and responsible use of our products by customers.

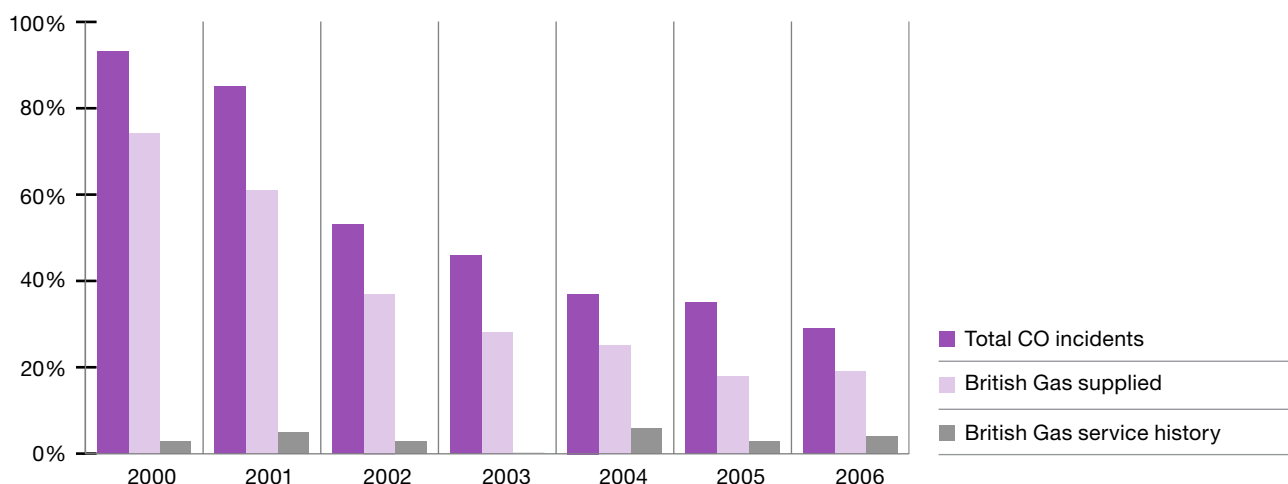
Carbon monoxide safety

British Gas is the leading carbon monoxide (CO) incident investigator in the UK. Our CO investigation team is the most experienced in the UK and since 1996 has undertaken more than 2,600 investigations for the majority of gas suppliers. Safety advisers and service engineers from British Gas provide face-to-face safety advice to help ensure that our products are used in compliance with the highest safety standards.

We continued to work with the charity CO Awareness, providing expert advice and distributing CO detectors to households across the country. British Gas worked closely with members of the All Party Parliamentary Gas Safety Group and with the Health and Safety Executive on the fundamental review of gas safety. The review will ensure that lessons learnt through incident investigation result in changes within the industry. We also strengthened our relationship with CORGI to ensure a consistent approach to gas safety is maintained.

Our central heating systems are certified to the British Standards Institute 'Kitemark' scheme and we offer safety checks for landlords to help improve the quality of gas equipment in rented accommodation. We also offer gas fire control adaptors free of charge for customers with a disability.

Performance	2006	2005	2004	2003	2002	2001	2000
Total CO Incidents	29	35	37	46	53	85	93
British Gas Supplied	19	18	25	28	37	61	74
British Gas Service History	4	3	6	0	3	5	3



CO detector student discounts

During the year we launched a student campaign offering cut-price carbon monoxide detectors after a British Gas survey uncovered a lack of attention to safety in their rented homes.

Our survey identified that one in four students admitted they wouldn't bother reporting a smell of gas in their house, with one in seven saying they would also turn a blind eye even if they knew their boiler had a gas leak. Almost a fifth of the students interviewed by British Gas admitted they had never heard of a CO detector.

With many landlords failing to act on legislation requiring them to have Gas Safety Certificates, we distributed special coupons to universities offering the high-tech safety devices for less than £20 – a 15% discount and much less than the cost of an average night out.

We also repeated the call for CO detectors to be made mandatory in all rented homes in the UK.

Inquest into Oxford incident

In 2006, the inquest began into a domestic CO incident that occurred in Oxford in 2005. The affected household was a British Gas customer and as such we provided evidence to support the investigation. The inquest concluded in July 2006 but a final outcome is not expected until later in 2007.

Sales and marketing

Sales

British Gas is a founder member of the Association of Energy Suppliers (AES), which oversees the operation of and compliance with the industry code of practice for face-to-face sales. Our direct sales agents operate in conformity with the AES Code of Practice (PDF 36K).

To reinforce this commitment, all British Gas domestic energy sales agents are fully trained and accredited to the 'EnergySure' standard – the first national accreditation scheme.

Distraction burglary partnership

In 2006, British Gas launched a partnership with the Metropolitan Police to combat distraction burglary in London. The two-year anti-distraction burglary partnership is designed to encourage Londoners to keep a close eye out for their neighbours – alerting them to the dangers of bogus callers and encouraging people to report anyone they think is suspicious to the police.

More than 2,000 distraction burglaries were committed in London between 1 April 2005 and 31 January 2006 and thieves got away with property valued at over £1 million. Ninety per cent of victims, according to the figures, are over 60 years old. Offenders are of all ages, ranging from young children, used to win the trust of older people, to bogus callers in their sixties.

The criminals who carry out distraction burglaries often pose as bogus utility workers to target older and more vulnerable people.

The partnership communicated a simple message to Londoners - 'If In Doubt, Keep Them Out' - on special poster vans and thousands of leaflets, endorsed by Help the Aged.

Marketing

We are committed to ensuring that all our marketing and advertising is fair and transparent. We take the following steps to ensure that our brands, products and services are fairly represented to consumers.

Industry best practice

British Gas works hard to ensure our marketing communications are compliant with industry standards.

We work closely with, and commit to follow the code of conduct of the main trade associations which include Ofgem, Ofcom, Advertising Standards Authority (ASA), Committee of Advertising Practice (CAP), Broadcast Advertising Clearance Centre (BACC), Radio Advertising Clearance Centre (RACC), ISBA and the Direct Marketing Association (DMA).

This helps us to ensure that all our marketing, from advertising to telesales, is conducted in accordance with relevant industry standards.

In addition, we also help to shape industry best practice through our representation at board level within ISBA and The Marketing Society.

We have rigorous internal processes. Our marketing team endeavours to make all of our communications clear and straightforward, while our internal competition compliance team checks for conformity with regulatory and legislative requirements. In addition, every piece of marketing communications is approved by the relevant trade association before it is published or broadcast.

Customers

Consumers also have their say. British Gas' advertising undergoes extensive consumer research to ensure our communications are clear and straightforward.

The positive impact of our efforts to work closely with regulatory bodies, combined with our increasingly rigorous internal processes is evident:

- In 2006, we more than halved the number of ASA complaints we received in 2005, with only 3 being upheld (7 in 2005)
- We were awarded the Crystal Mark for our communications. This is widely recognised as a guarantee that a document has been written and designed as clearly as possible. Last year, British Gas Business became the first utilities supplier in the UK to get the Crystal Mark

Plans for 2007

- Continue to work closely with marketing trade bodies and our customers to ensure we continue to deliver high quality, transparent communications while minimising ASA complaints.
- Launch our new British Gas website and ensure that it is fully compliant with W3C accessibility guidelines.



Case study

British Gas joins Met in battle against bogus callers

In 2006, British Gas and the Metropolitan Police launched a two-year anti-distraction burglary partnership in the fight against doorstep crooks.



Case study

Direct Energy's new brand values

Direct Energy unveiled a new brand positioning in 2006, based on the three core values of simple, friendly and direct. The new positioning provides a consistent position for the company across North America.

Customer diversity

We recognise that some of our customers have particular needs, which we take into account when delivering products and services to them. Our creative communications are responding to the needs of our diverse consumers in a number of ways.

Bills in different formats

More than 63,000 bills were sent in an alternative format, such as Braille or large print and we sent out over 165,000 such communications in 2006. They ranged from gas and electricity bills and statements to marketing inserts and terms and conditions.

Telephone translation service

In 2006, we spoke to more than 2,000 customers in over 50 languages via our innovative telephone translation service. In addition, we encourage our employees to use their language skills and understanding of different cultures to help us communicate with and serve our customers better.

Textphone support

Working with the Employers' Forum on Disability and the Royal National Institute for Deaf People, British Gas has improved our service to customers with hearing or speech impairment by providing a single textphone number that is answered by a special team.

Online accessibility

In 2006, British Gas made a number of investments to improve the quality of our online presence. During this process some elements of our existing site were not fully compliant with W3C guidelines. When we introduce our new website in 2007, we aim to achieve the highest level of compliance.

Language Lines

Our Language Line service enables British Gas engineers, sales advisors and call centre agents to 'speak' to customers in over 150 languages at any time of the day. It has been commended by the Commission for Racial Equality, won approval from Trading Standards and was backed by 62 MPs.

The service enables engineers to communicate vital safety advice to customers who do not speak English fluently. The engineer is able to call our language service provider to secure a three-way conversation with the customer in the required language.

Direct Energy's Home Services business operates in many of Canada's most culturally diverse regions. Our call centre teams often need to communicate with customers whose first language is not English. Our Language Line service provides an over-the-phone interpretation on both incoming and outgoing calls. The service enables us to communicate with customers in one of 150 languages. It has helped us improve customer service and reduced repeat calls.

Employers' Forum on Disability

Centrica is a Gold Card member of the Employers' Forum on Disability and an active member of its Customer Advisory Group – a cross-industry group which meets quarterly to identify key issues for service providers and to recommend best practice solutions.

REECH

REECH (Realising Energy Efficient Communities and Homes), now entering its fourth year, is an innovative scheme that has helped hundreds of people from ethnic minority communities across Great Britain.

Established by fuel poverty charity National Energy Action (NEA) and British Gas, REECH aims to help members of ethnic minority communities overcome barriers that can prevent them from heating and insulating their homes affordably.

Ethnic minority communities face particular difficulties when trying to access the range of energy efficiency information and assistance available to the public. REECH aims to ensure communities don't miss out on vital help and information they need to keep their homes warm and safeguard their health.

REECH provides training and support for community advice workers and volunteers to enable their communities to access energy efficiency advice, information and grants. Delegates who attend training sessions can access the British Gas energy efficiency programme and receive low-energy light bulbs for their communities.

To date, 272 organisations representing minority ethnic communities, or working closely with those communities, have registered with NEA to join the REECH project and more than 750 community organisations in all areas have been contacted. Almost 7,000 low energy lamps have been distributed to REECH community organisations.

Case study

REECH reaches out to London's minority groups

In 2006, ethnic minority communities in London gathered to find out more about how the British Gas REECH scheme can help spread the energy efficiency message.

REECH Community Organisations	Awareness raising sessions	No. of attendees	Training courses	No. of trainees	Potential households reached
Bradford	2	6	7	39	25,705
Greater Manchester	2	10	22	116	67,002
London	5	30	11	38	15,258
West Midlands	-	-	19	80	34,193
Total	9	46	59	273	142,158

Performance data

Customers	2006	2005	2004
Energy efficiency			
Energy efficiency measures subsidised by British Gas (million)	13.5	9.0	6.1
Number of priority* households benefiting from measures (million)	1.1	1.3	1.1
Number of non-priority households benefiting from energy efficiency products	4.8	2.5	0.8
Lifetime carbon savings for household energy efficiency measures installed (million tonnes)**	1.0	1.1	1.0
Vulnerable customers			
Homes signed up to British Gas 'here to HELP' programme	117,438	116,823	78,019
Value of unclaimed government benefits identified through 'here to HELP' programme (£ million)	2.2	2.6	3.8
Average increase in claimable government benefit per household (£)	1,467	1,542	1,197
Winter fuel rebates to British Gas customers (£ million)	18.3	6.7	n/a
Customer experience			
Customer complaints to energywatch about British Gas	31,703	13,798	17,078
British Gas Business contract renewal rate (%)	95	96	99
Number of carbon monoxide incidents with British Gas service history	4	3	5
Advertising Standards Authority complaints upheld against British Gas	3	7	1

* Under the UK Government's Energy Efficiency Commitment, priority customers are those in receipt of at least one of the following benefits: council tax benefit, housing benefit, income support, income-based job seekers allowance, attendance allowance, disability living allowance, war disablement pension which includes either a mobility supplement or constant attendance allowance, disablement pension which includes constant attendance allowance, state pension credit, child tax credit where the relevant income is £14,600 or less, working tax credit where the relevant income is £14,600 or less.

** Source: <http://www.nef.org.uk/energyadvice/co2calculator.htm>

Future commitments

What we said we'd do	What we've done	What we plan to do next
Vulnerable customers		
Meet the industry 'no discrimination' commitment and continue to develop innovative initiatives that help our most vulnerable customers.	Continued to work with members of the Energy Retailers Association, Ofgem, local councils and charities to deliver a range of innovative solutions for vulnerable customers.	Continue to work with a range of external partners to identify and provide a range of support to vulnerable customers.
Low carbon products and services		
		Launched a new service offering Energy Performance Certificates which UK home sellers will require from 1 June 2007, training 500 assessors.
		Launched a new service offering Energy Performance Certificates which UK home sellers will require from 1 June 2007, training 500 assessors.
Energy efficiency		
		Offer our free British Gas Energy Savers Report (ESR) to all UK households and aim to complete 2 million ESRs by the end of 2007.
Green propositions		
Develop 'green' customer propositions to enable customers to benefit from renewable electricity and reduce their carbon footprint.	British Gas is now the largest supplier of green electricity in the UK with 120,000 customers.	British Gas plans to launch the 'greenest' domestic renewable energy tariff in the market in 2007.
Customer experience		
Develop 'green' customer propositions to enable customers to benefit from renewable electricity and reduce their carbon footprint.	British Gas is now the largest supplier of green electricity in the UK with 120,000 customers.	British Gas plans to launch the 'greenest' domestic renewable energy tariff in the market in 2007.
Fuel poverty		
Continue to address the primary causes of fuel poverty through initiatives that combine heating, insulation and income related measures.	British Gas installed more than 13 million energy efficiency measures, such as loft and cavity wall insulation and low energy light bulbs, benefiting more than 1.1 million priority households.	Continue to deliver our Energy Efficiency Commitment, including a focus on 'priority' customers to address fuel poverty, through initiatives such as the British Gas Winter Fuel Rebate scheme and Essentials social energy tariff.
Customer safety		
Work with fire brigades across the UK to highlight the dual issues of fire safety and carbon monoxide (CO) safety. Build on our successful student campaign in 2005 with a further campaign focusing on wider home safety issues.	British Gas delivered a campaign targeting students and homeowners to raise awareness of CO poisoning.	Continue to raise awareness of key safety issues, including CO poisoning in collaboration with industry bodies.

Customer Diversity		
Develop and implement action plans in each business to further embed diversity and inclusion good practice into the service we provide to our customers.	Action plans are in place for each business unit, focusing on key aspects of customer diversity including website accessibility and alternative format communications.	Continue to monitor the implementation of business unit action plans through the Diversity and Inclusion Action Group and encourage a 'business as usual' approach in this area.
Sales and marketing		
Improve internal processes to minimise advertising related complaints and share knowledge and good practice across businesses.	Introduced new processes, which more than halved the number of upheld Advertising Standards Authority (ASA) complaints in relation to British Gas' marketing communications.	We will continue to work closely with marketing trade bodies and customers to ensure we continue to deliver high quality, transparent communications while minimising ASA complaints.
Customer diversity		
		Launch a new British Gas consumer website which is fully compliant with W3C accessibility guidelines and continue to provide a range of alternative format communications to support customers with specific requirements

Employees



Employees

We employ more than 33,000 people around the world, including almost 28,500 in the UK.

The calibre and conduct of our employees is central to our relationships with customers, shareholders, suppliers and the communities in which we operate. We aspire to build relationships with our employees based on mutual trust and respect for individuals.

Health, safety and security

The health, safety and welfare of our employees in the workplace, and others who could be affected by our activities, are top priorities for Centrica.

Diversity and inclusion

Valuing diversity makes business sense. We are committed to creating a truly inclusive workplace with equality of opportunity for all.

Management development

Our business success depends on the capabilities of our people. Identifying potential and providing development and career opportunities is a key priority.

Employee relations

An open and fair approach to employee relations is essential to maintaining strong relationships with our people.

Reward and remuneration

We work hard to reward our employees fairly for their efforts, recognising the valuable contribution their performance makes to the business.

Human Capital data

We continued to develop our approach on human capital management reporting.

Future commitments

2007 commitments.

Human capital management

We continued to monitor a range of indicators to support our human capital management during the year. Our performance against these key indicators is presented below.

Human Capital Return	2006	2005	2004
Human Capital Return on Investment Ratio defined by PWC Saratoga	2.0:1	2.1:1	1.9:1

Our Human Capital Return on Investment Ratio (HC ROI) for 2006 was 2.0 showing a slight reduction on the previous year. Whilst we were successful in containing headcount costs during the year, the reduction in HC ROI reflects the 5% reduction in profitability of the business over the course of the year. With a strategic focus on business transformation and cost reduction, we expect Human Capital Return to increase during 2007.

Number of employees	2006	2005	2004
Total	33,933	35,410	43,414
UK	28,704	29,948	39,832
North America	5,032	5,261	3,187
Rest of World	197	201	75

In line with our continuing focus on reducing operating costs, and in particular people related costs there has been a reduction in the number of Full Time Equivalent employees in the business during 2006. We expect further overall headcount reductions in 2007.

Employee turnover	2006	2005	2004
Number of redundancies	1,300	-	-
Employee retention	81.5%	87%	88%
Employee attrition	18.5%	13%	12%

There was a significant increase in employee turnover during 2006, measured by the number of voluntary leavers; 83% of staff turnover took place in front line grades. As the 2007 People Plan places emphasis on harnessing business expertise, skills and talent we would expect this measure show an improvement during 2007.

Employees

Employee safety	2006	2005	2004
Lost time injuries/1,000 employees	14.3	13.2	21.5
Lost time injuries/100,000 hours worked	0.8	0.7	1.1
Total injuries/100,000 hours worked	3.3	3.1	5.1
Number of fatalities (employee/contractor)	4/3	1/0	1/0

Our 2006 performance reflects the major helicopter accident at Morecambe Bay which resulted in seven fatalities (4 offshore employees; 3 contractors including 2 pilots). Read more about our health and safety performance.

Diversity and inclusion	2006	2005	2004
Employees from ethnic minority backgrounds	15.9%	17.2%	16.6%
Average age range of employees	25 - 35	25 - 35	25 - 35
Employees with a disability	2.7%	2.5%	2.4%
Female/male employees	30/70	31/69	33/67

There is a mixed picture of diversity trends within Centrica; the proportion of employees from ethnic backgrounds fell slightly as did the proportion of female to male employees. The average age range of employees remained level with a slight increase in proportion of employees with a disability. Read more about our approach to diversity and inclusion.

Employment engagement	2006	2005	2004
Employee engagement score	3.84	3.78	3.73

Our annual engagement survey measures attitudes and opinions of our employees on a five point scale. In 2006 our overall engagement score increased by two per cent which, during a very challenging period for the business, demonstrates the commitment of our people. Our score of 3.84 benchmarks favourably with other FTSE100 companies and represents a high level of engagement. Read more about our employee engagement survey.

Participation in employee share schemes	2006	2005	2004
Centrica Sharesave	42%	41%	34%
Centrica Share Incentive Plan	21%	17%	14%
Direct Energy Employee Share Purchase Plan	20%	34%	25%

We encourage our employees to own Centrica shares so they can share in the growth of the Company. Our three schemes are Sharesave and Share Incentive Plan in the UK and Share Purchase Plan in North America. The total number of employees participating in our schemes increased during the year. Read more about our employee benefits schemes.

Health, safety and security

The health, safety and security (HSS) of our employees and others who may be affected by our activities are a top priority. Our HSS performance is linked to action plans and targets which are reported regularly to the Centrica Board. Scrutiny is also applied to accidents and incidents to ensure that lessons are learned and implemented.

Our previously strong safety performance was marred by two major incidents during in 2006. The first occurred when a pressure vessel on our Rough storage facility failed catastrophically causing a gas release, explosion and residual fire. The crew evacuated but two people were injured.

The year ended on a tragic note with a helicopter accident in the Morecambe Bay area which claimed the lives of seven people - four employees, one contractor and two pilots.

Independent investigation indicates that the root causes of these incidents were not within our domain of control and that our emergency response capability was rapid and comprehensive. However, in both cases the impact on our employees and their families has been traumatic and tragic.

Other than the two incidents described above, we have continued to maintain our underlying improvement in safety performance by reducing the injury frequency rates in most businesses and maintaining very low frequency rates in others.

Employee safety

The tragic events of February and December 2006 served as a serious reminder of the inherent risks within our operations. Our investigations have focused on identifying the root causes of these accidents and we will implement the lessons learned.

Strong underlying performance

Despite the two major accidents during the year, our underlying safety performance continued to be strong. Our preventive programmes supported the delivery of our targets and there was a general reduction in the frequency of workplace injuries and ill health. The annual improvement plans of our business units reinforced their safety management

arrangements and supported better workforce engagement.

British Gas Services (BGS) commissioned an independent review of its safety management system (SMS) and the resulting improvement plan is now being implemented. BGS also initiated a detailed review of operating arrangements, training and safe working procedures in response to recommendations made by the Oxford coroner following a carbon monoxide fatality that occurred during the year.

Our upstream businesses continued to deliver excellent performance standards underpinned by strong

preventative programmes. The appointment of a new UK facilities management contractor helped us bring added focus to health and safety in the workplace. Direct Energy successfully integrated new operations into its existing safety management system and continued to deliver substantial improvement in its performance. The health, safety and security arrangements in our developing operations in India and Nigeria were embraced by our safety management system. We audited key aspects of our domestic and international operations and subjected our audit process to third party verification.

Employee safety	2006	2005	2004
Lost time injuries/1,000 employees	14.3	13.2	21.5
Lost time injuries/100,000 hours worked	0.8	0.7	1.1
Total injuries/100,000 hours worked	3.3	3.1	5.1
Fatalities (employee/contractor)	4/3*	1/0	1/0

* Morecambe bay helicopter accident; 4 offshore employees and 3 contractors including 2 pilots

Priorities for 2007

- Initiate a programme to implement 'Performance Plus' - a significant evolution of our safety management system and culture
- Track implementation of the lessons from Rough, Morecambe and BP Texas
- Implement a group-wide reporting package to support further risk reduction and performance improvement

Occupational health

Our occupational health (OH) programme aims to prevent ill health arising from work activities and promote wellness among our employees. This includes ensuring a good fit between the person and the job and recommending any suitable adjustments. Our approach is to take action through practical support and training, by raising awareness of work-related health issues and encouraging personal responsibility for all aspects of health both at work and more widely.

Key activities delivered during the year included:

- Providing expert support for employees following the major accidents at our Rough gas storage facility and in Morecambe Bay
- Delivering a series of workshops for employees suffering from knee problems and introducing a wellness induction programme for gas engineers covering lifestyle, drugs and alcohol, nutrition and physical fitness
- Reviewing our health screening arrangements for employees travelling and/or working overseas

Wellness in the workplace

We continued to focus on musculoskeletal disorders, running knee care workshops to build on our existing back care initiatives. We also introduced a wellness programme for apprentice engineers to improve their understanding of health in the workplace and provide practical advice and support.

Overseas travel

In response to the increasing numbers of Centrica employees now visiting or working abroad we enhanced our procedures to include health screening pre- and post-travel. We also took steps to ensure high quality medical support is available to our employees in countries where health services are limited.

Supporting employees

We have established and well used systems to support mental wellbeing, mainly through our employee assistance programme. During the year our programme provided high quality and effective support in response to the tragic accidents at Rough and Morecambe Bay.

Attendance management

We introduced a number of new processes to ensure that our OH teams provide timely and practical support to employees suffering from ill health. We have found that early intervention from our OH experts often supports an employee's recovery and helps them to return to work more quickly.

Future plans

Attendance management

To support our continued focus on attendance management we will introduce further initiatives to reduce employee absence. We will build on our existing training activities, sharing of best practice internally and undertake external benchmarking of our approach.

Wellness in the workplace

We aim to refine existing programmes to ensure their continued effectiveness and value for money. Productivity whilst at work is also related to wellness, a broader concept than merely good health, which we wish to encourage. We will publish a booklet called 'Working Well' which will highlight the impact that lifestyle behaviours can have on working life and provide employees with advice on wellbeing at work.

Case study

Young drivers steer towards a benchmark

Centrica's training for young drivers could be used as a benchmark by one of the country's leading health and safety organisations.

Case study

Tackling sickness absence

Musculoskeletal disorders (MSDs) are regarded as one of the greatest contributors to organisations' sickness absence costs (HSE, 2005).

Workplace diversity

Our business case for diversity is built on two principles. The first is the recognition that valuing diversity is simply the right thing to do for any organisation. The second is the commercial recognition that it makes good business sense.

The impact of changing demographics, and social and technological change, makes good diversity management and the creation of an inclusive organisation an increasingly important part of sustainable business success. Our aim is to promote activity across the Company that will enable us to understand, reflect and serve the breadth of diversity in the communities in which we operate.

Leadership

Our diversity and inclusion action group, led by Jake Ulrich, Board Director and Managing Director of Centrica Energy, continued to provide direction to this work during the year. A similar leadership group was established for Direct Energy to drive activity in our North American operations.

Age regulations

During the year, we worked closely with the Employers' Forum on Age to prepare for the introduction of the new UK age regulations in October. An integrated communications and training programme was developed to support our employees and managers, and we reviewed our policies and procedures to maintain our position as an inclusive employer.

Engineering diversity

Our British Gas Engineering Academy continued its work to recruit more women and people from ethnic minority backgrounds into our engineering workforce. We raised awareness of careers in engineering, reaching more than 200,000 young people aged between 13 and above through hundreds of events and presentations.

Work-life balance

The balance between work and personal life is an important aspect of our work on diversity and inclusion. We aim to think creatively about new ways of working to improve employee retention, productivity, motivation and morale, as well as increasing diversity and talent.

Measuring performance

We continued to measure the diversity of our workforce across a number of key areas through our annual employee engagement survey. We analysed this data across different levels of the organisation for the first time.

External recognition

Centrica was recognised as an 'Exemplar Employer' by Opportunity Now for our efforts to provide career support to women through our family-friendly policies and promotion of engineering roles in our British Gas Engineering Academy. Centrica was positioned eighth in the annual Female FTSE benchmarking report, which is based on research undertaken by Cranfield University.

Working with others

We worked with a number of partner organisations on diversity initiatives, enabling us to share best practice and tackle key issues. We are an active member of the following organisations:

- Employers' Forum on Age
- Employers' Forum on Disability
- Opportunity Now
- Race for Opportunity
- Engineering Development Trust
- Employers for Carers - Carers UK
- Stonewall
- Working Families
- Women in Science and Engineering
- Institute of Employment Studies

Case study

Direct Energy diversity

Our North American Diversity and Inclusion Council was formed in September 2006 to recognise the value of a diverse workforce.

Case study

BGB group sees and believes in diversity

Musculoskeletal disorders (MSDs) are regarded as one of the greatest contributors to organisations' sickness absence costs (HSE, 2005).

Case study

Engineering a new approach

The goal of the British Gas Engineering Academy's Diversity team is to change the face of the engineering workforce...

Key statistics

Measurement and monitoring

We continued to develop and improve our monitoring processes in line with the 'Accounting for People' principles on Human Capital Management. Our most recent data shows that:

- Almost 16% of our employees come from ethnic minority backgrounds
- 30% of our workforce is female
- 2.7% of our employees have identified themselves as having a disability
- 58% of our people are aged between 25 and 44

Diversity

Diversity index

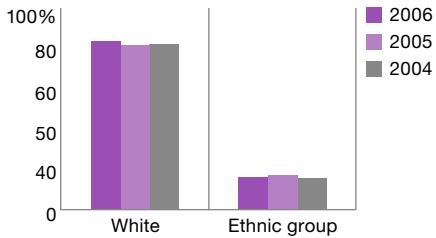
To improve our ability to monitor progress in our diversity and inclusion work we have developed a diversity index for use with the information we obtain from our annual employee engagement survey. The index is made up of seven questions and scores are marked out of a possible five. Our aim is to see the score for all questions improve year on year.

Employee safety	2006	2005	2004	%
Employees are respected for their contribution rather than gender, ethnicity, age etc	3.91	3.81	3.78	3%
My work and personal life are reasonably well balanced	3.63	3.53	3.50	3%
My ideas and views count	3.53	3.43	3.32	3%
I believe there are opportunities for me to develop my career within Centrica	3.42	3.21	3.21	7%
My manager cares about my welfare	4.05	4.00	3.93	1%
I would recommend Centrica's products and services to family and friends	3.64	3.60	3.63	1%
Overall I am extremely satisfied with this business as a place to work	3.55	3.42	3.45	4%

As well as looking at the overall scores we are able to undertake more detailed analysis by using the demographic data that employees provide as part of the survey process and we can look at the responses from different groups e.g. gender split or age splits or by different racial groups.

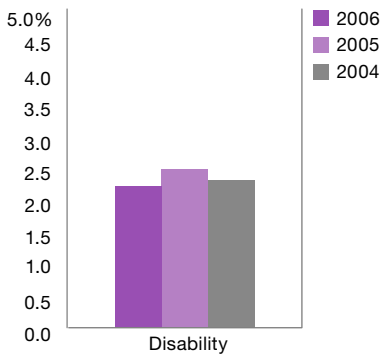
Employees

Ethnicity



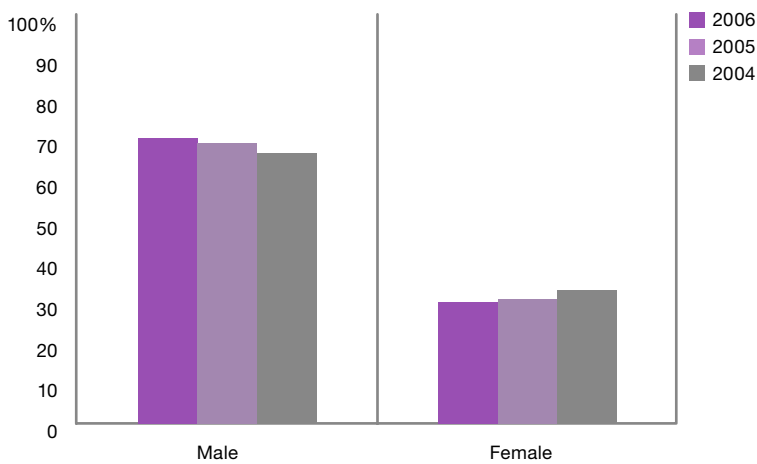
	White	Ethnic Group	2006 %
Centrica Overall	84.1	15.9	2006 %
Senior Managers	3.8	3.3	2006 %
Employees	71.5	21.4	2006 %

Disability



	Employees with a disability	2006 %
Centrica Overall	2.7	2006 %
Senior Managers	0.2	2006 %
Employees	2.5	2006 %
Centrica Overall	2.5	2005 %
Senior Managers	0.2	2005 %
Employees	2.3	2005 %

Gender

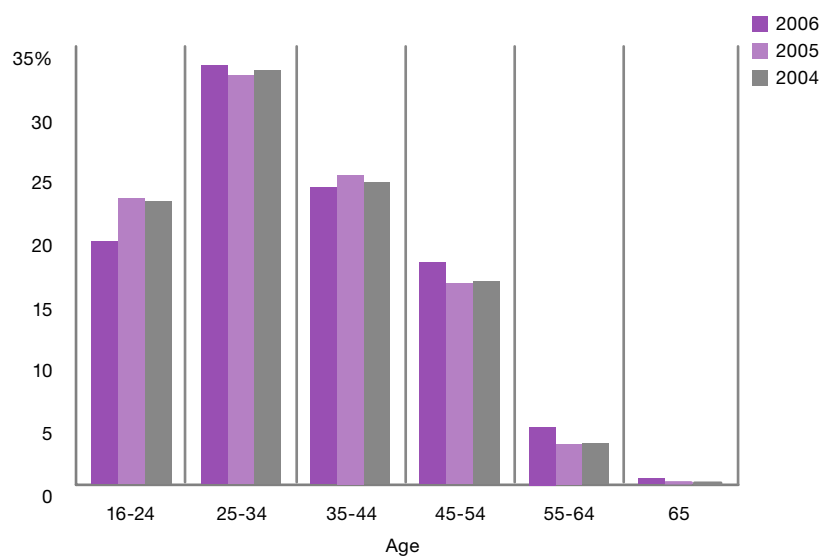


Employees

Males	Females	
70.1	29.9	2006 %
69.1	30.9	2005 %
66.8	33.2	2004 %

	Males	Females	
Centrica Overall	70.1	29.9	2006 %
Senior Managers	5.3	1.8	2006 %
Employees	64.1	28.8	2006 %

Age



	16-24	25-34	35-44	45-54	55-64	65	
	19.5	33.7	23.8	17.8	4.7	0.5	2006 %
	23	32.7	24.8	16.1	3.2	0.2	2005 %
	22.7	33.2	24.3	16.3	3.3	0.1	2004 %

	16-24	25-34	35-44	45-54	55-64	65	
Centrica Overall	19.5	33.7	23.8	17.8	4.7	0.5	2006 %
Senior Managers	0.6	1.4	2.5	1.9	0.5	0.1	2005 %
Employees	19.1	32.7	21.2	15.7	4.0	0.3	2004 %

Work-life balance

In line with our strategy of being an employer of choice and valuing diversity, we try to ensure that work-life balance is reflected in all our policies.

Flexible working

Our flexible working policy enables our people to seek different working arrangements during their career. Employee requests are supported wherever possible, whilst considering the needs of the business. We aim to think creatively about new ways of working to help improve staff retention, productivity, motivation and morale, broaden our recruitment pool and increase diversity and talent across the business.

We consider a range of flexible working patterns including changes to the hours or times employees work, flexible start and finish times, shift work, job sharing, staggered hours, part time and compressed hours (working normal hours over a shorter period).

Around 3,000 employees are now benefiting from greater flexibility through our 'work:wise' programme. The initiative was introduced to help employees balance their commitments in and out of the workplace and to make better use of office space.

Flexible working has been a major feature of our approach in British Gas for a number of years. Our 8,500 engineers are all home workers, using laptop and wireless technology to deliver expert service to our customers.

Caring for carers

An increasing number of our employees have caring responsibilities. In 2006, we reviewed our carers' policy and expanded our definition of a carer to include those who care for a close friend. We have also taken steps to ensure that carers are able to access flexible working and other support.

Our carers' network was set up in 2004 by carers in the organisation as a source of support and advice about all aspects of combining caring and working. It now has around 100 members spread across the organisation.

We encourage employees with caring responsibilities to get involved with the network, share experiences and help shape our approach. In 2006, we continued our long-term partnership with Carers UK, supporting the charity in relation to its involvement in implementing the Work and Families Act and raising awareness of the social and business benefits of supporting carers.

Case study

Direct Energy promotes flexible working

The flexible working policy was introduced in response to the 2004 employee engagement survey.

Case study

Achieving a work-life balance – Matthew Berry

"Centrica advocates that no-one should have to make a choice between a family or a career..."

Case study

Achieving a work-life balance – Saleha Lalan

"I've been working part time for the past three years while completing my university degree in business and marketing..."

Case study

Achieving a work-life balance – Sarah Kershaw

"Flexibility in the workplace is actively encouraged at Centrica to promote a healthy work-life balance..."

Age awareness

As a core member of the Employers' Forum on Age, we recognise the importance of employing an age diverse workforce. Age has been a core element of our diversity strategy and policies for a number of years.

On 1 October 2006 the new Employment Equality (Age) Regulations came into force in the UK. The regulations prohibit discrimination, harassment and victimisation on the grounds of age.

Understanding the impact

During the early part of the year, we undertook a thorough review of our policies and practices to ensure they embraced the new legislation. This led to a number of key changes, including:

- The introduction of a new retirement process
- Amendments to our redundancy schemes
- The removal of the upper age limits for entrance to our British Gas apprenticeship schemes
- The development of an Age Awareness e-learning package for managers and employees

Implementing the regulations

We established an 'Age Action Group' comprising managers from across our business units and functions, to coordinate the delivery of a detailed action plan. In addition, we developed an integrated communications and training programme to ensure that employees and managers understood the requirements of the regulations and how they would affect them. Central to this ongoing programme is an online learning package, which enables employees to learn by making decisions based on workplace scenarios.

Awareness and recognition

Our year-long communications and training programme has raised awareness both internally and externally that Centrica employs workers of all ages. We have also been recognised externally for our proactive approach.

Working in partnership with the London Development Agency we produced a video for small businesses promoting the business benefits of employing an age diverse workforce. Our British Gas Engineering Academy was featured on the BBC News in a special report on the regulations. We also presented our age awareness work at the Chartered Institute for Personnel and Development Age Conference.

In 2007, we will continue to educate our employees about age diversity and work with the Employers' Forum on Age to promote the benefits of an age diverse workforce.

Case study

Film spotlights Centrica's action on age

Centrica contributed to a London Development Agency (LDA) video to raise awareness of age discrimination...

Engineering diversity

The Academy's diversity and education team, formed in 2003, is working to recruit more women and people from minority ethnic groups into our engineering workforce.

The team aims to:

- promote a career in engineering to young people aged 13 and above
- raise awareness of the importance of a diverse workforce
- promote and develop a network of engineering ambassadors
- attend community, education and recruitment events around the country

By adopting this strategy we hope to make a long-term positive impact on the diversity of our recruitment, particularly of apprentices. Our objectives are to:

- increase the number of female engineers from the current position of 1% of the engineering workforce to 4% by 2010
- increase the number of engineers from a minority ethnic group from 2.7% to 9% by 2010.

2006 highlights

In 2006 our diversity and education team attended hundreds of events, reaching more than 200,000 young people across Britain. Key activities and achievements from the year include:

- a national award from CORGI in recognition of our work to encourage women into plumbing and associated trades
- a review of existing processes, policies and strategies relating to new age legislation to ensure compliance and the introduction of guidelines for employees

Engineers employed by British Gas	2006	2005	2003
Total number	9,400	9,424	8,341
Male (%)	98.7	98.8	99
Female (%)	1.3	1.2	1.0
White (%)	87.5	88.2	87.6
Ethnic Group (%)	4.5	3.8	2.7
No response (%)	8.0	8.0	9.7

Management development

We recognise that the success of our business depends on the capabilities and dedication of our people.

We are committed to developing employees to do their job in the most effective way, identifying their potential and providing development and career opportunities. In this way we can grow the value and contribution of our people to the overall performance of Centrica.

Nurturing talent

We have an established talent management strategy that focuses on the development of our people at all levels to secure future succession. It also focuses on the attraction of new talent to our organisation and on the provision of career development opportunities for individual managers.

In 2006, we worked on the creation of two particular talent pools; General Managers and Team Managers. Our aim is to support managers with targeted assessment and development activities to help them progress into these key roles.

Managing performance

Our performance management system enables managers to review their performance and plan their personal development. Development plans enable our managers to gain skills in priority areas, to either enhance performance in their current role or prepare them for an identified future role. We offer a range of management development opportunities for each stage of a manager's career with Centrica, from individuals in their first management position to more experienced managers responsible for leading whole business units.

Developing future leaders

Around 700 managers across Centrica took part in one or more development programmes, and a further 130 managers attended bespoke management development programmes in 2006. 200 new team managers in British Gas Residential

and British Gas Services attended training programmes specifically designed to prepare them for their first management role. We also continued to participate in the Henley Partnership and other external programmes to support our development agenda.

New learning programme

In 2006 we reviewed all our training programmes, updating and consolidating them into a single framework to launch in 2007. Our new Management Learning Programme comprises more than 30 workshops designed to develop managers with the capabilities we need now and in the future. The programme is built on inclusiveness, easy access and equality of opportunity for all.

Specialist training

In addition to general management development activities, we provide bespoke technical and behavioural development for our specialist functions. In 2006, more than 300 marketing specialists attended 28 workshops as part of a marketing development programme.

Hot topics

In 2006, we launched our 'Hot Topics' series - half day events with the theme of inspirational leadership delivered by respected external speakers. Topics included 'Daring to have the Real Conversations' and 'How to win by doing the stuff that matters most'.

Future plans

- Establish our new Management Learning Programme as the primary mechanism for management development
- Implement a development programme for HR professionals to support the transformation of the function
- Build on the success of the 'Hot Topics' series delivered in 2006 with further events designed to inspire and motivate

Henley Partnership

Centrica continues to be a member of the Henley Partnership, providing opportunities for senior managers to network with other business leaders outside of the organisation and to learn from the research and expertise provided by Henley College.

Supporting young companies

Several senior managers took part in a new initiative with Nottingham Business School and Scottish Enterprise in which young companies are partnered by mature companies to develop and grow their businesses. We partnered Enterprise Foods, a small Scottish food company looking to make a key strategic move in its' business development away from manufacture and into logistics (distribution and billing) and marketing. Centrica was identified as a 'world leader' with considerable expertise to share in this area. The initiative was highly successful in helping Enterprise Foods establish a plan for growth, whilst our managers enjoyed the opportunity to gain insights into a smaller business enterprise and its parallel challenges.

Case study

Class act by Centrica boosts education reform

Centrica is helping to shape a new national diploma designed to close the skills gap in IT.

Induction

Our Group-wide induction programme helps employees to quickly acquire a good understanding of Centrica, the specific business they are joining and the site where they will be based. It includes how their role fits into the business, the support they will receive and the pay and performance structure so that all recruits know how they will be evaluated and rewarded.

Each new Centrica employee has an induction manager and is often assigned a buddy or mentor. In most cases a combination of written information, face-to-face events and one-to-one discussions with managers is followed by a period of job-specific training and then an evaluation. These evaluations have been very useful in redesigning the process over time.

In addition to the job-specific induction information, employees receive guidance on the Group's business principles and policies, including our approach to corporate responsibility.

We have a similar scheme in place for graduates on our Graduate Development Programme

Case study

Logging on to a high rating

Centrica's career website is one of the best in the UK, according to a new survey.

Engineering Academy

British Gas invests around £26 million each year in its Engineering Academy and not only educates new recruits but delivers update and refresher training for British Gas Services' 8,500 engineers. Training is delivered at one of eight training centres or seven mobile training units. We trained around 1,000 new engineers in 2006.

Creating opportunities

In the past four years, British Gas has recruited more than 300 long-term unemployed people and lone parents through Job Centre Plus, New Deal, and welfare-to-work initiatives. More than 450 apprentice recruits joined the British Gas engineering workforce during the year.

Engineering diversity

British Gas aims to be an employer of choice and wants our engineering workforce to reflect more closely our customer profile. The Academy's Diversity and Education team, formed in 2003, continued to work with schools and communities to attract applications from under represented groups. Read more about the Diversity and Education team

Duke of Edinburgh's Award Programme

British Gas launched a partnership with The Duke of Edinburgh's Award Programme during the year. The Gold Award will now form an integral part of our apprenticeship training, with trainees undertaking an enjoyable, challenging and rewarding programme of personal development. It will build on the vocational training we provide, enabling trainees to develop their personal skills and experience through volunteering assignments in the local community. Trainees will contribute at least one hour of their own time each week during their training programme towards a chosen voluntary activity. Those completing the programme by their 25th birthday will receive the coveted Duke of Edinburgh's Gold Award.

Key skills technical training

During the year, we introduced a leading edge, interactive computer-based training programme. It delivers the key gas technical knowledge required to carry out day-to-day work activities, safely and with confidence. To support British Gas' ongoing commitment to energy efficiency we also developed an interactive, virtual reality programme to support energy conservation initiatives for domestic properties. This package won the Energy Efficiency category at the 2006 SBGI/IGEM Awards.

External recognition

Our Engineering Academy won the Learning and Skills Council's award for Large Employer of the Year for its work on apprenticeship training in England. We also received the Energy Efficiency Award from the Society of British Gas Industries and Institution of Gas Engineers and Managers. It recognised our interactive educational programme to raise awareness of energy efficiency and the environment among 12-18 year olds.

Future plans

- Achieve 'Approved Training and Assessment Centre' status and deliver training for 500 energy assessors in preparation for the introduction of Energy Performance Certificates in June 2007
- Implement the Duke of Edinburgh's Award Programme as a core element of our training programme for apprentices
- Develop and implement a new structure for technical training across our engineering workforce.

Case study

Cabinet heavyweight Johnson opens Dartford centre

Our newest training centre in the British Gas Engineering Academy was officially opened by Alan Johnson...

Case study

MP Claire Curtis Thomas sees Acton in action

Our Engineering Training Centre in Acton hosted a string of VIPs during the year...

Case study

British Gas wins top apprenticeship title

British Gas won the Large Employer of the Year title in the Learning and Skills Council's 2006 Apprenticeship Awards.

Academy of Customer Excellence

Quality of customer service can be a critical differentiator in a competitive market place. The British Gas Academy of Customer Excellence continues to support our drive to put customers at the heart of everything we do. Record numbers of front line employees joined the business in 2006 to support our efforts to improve customer service. The Academy provides training for front line employees in British Gas Residential and Services.

In 2006, the Academy joined forces with the Centrica learning and development team to create a centre of excellence for Management Development. This now brings together programmes for all managers from first line manager through to senior executive level.

New Start Programmes

Our new start programmes continued to be the core workstream within the Academy, with almost 5,200 employees participating in 2006. We reviewed our new-start training processes for office recruits in British Gas. New training programmes were introduced to provide a more experiential learning environment for trainees with an integrated approach to classroom and on the job learning.

Introducing new systems

We continued to implement a new customer billing system in British Gas Residential during 2006. Training on the new system was delivered to almost 6,000 employees in the UK and more than 2,000 employees in our new back office operations in India - a total of 1.4 million training hours.

Technical training was underpinned by a range of development courses including our five-day change management programme, 'Leading the Way.' It includes modules on 'adaptability', 'collaboration', 'managing people' and 'problem solving'. Almost 500 employees benefited from this programme in 2006.

Vocational qualifications

We continued to encourage our employees to complete NVQs in England, Scotland and Wales. We now have more than 350 people completing various programmes from customer service to business administration to management development. In addition, we continue to support the professional development of our own Academy training team with around 100 employees currently studying for a vocational qualification in learning and development.

Future commitments

- Continue to support the delivery of the business strategy by improving the customer service capabilities of our people
- Focus on improvement programmes to ensure that employees deal with customer enquires at the first point of contact
- Provide ongoing people development and career progression interventions for newly appointed employees through to first line managers

External Recognition

In 2006, the Academy received several external awards:

- IGEM Innovation Award
- National Customer Service Awards finalist for Training Team of the Year
- Welsh Contact Centre Forum Award for Best Recruitment Practice
- Institute of IT Training Awards - Silver Award for Training Department of the Year
- Institute of IT Training Awards - Finalist in Learning Centre of the Year Award

Graduates

Our graduate programme aims to develop skilled managers and future leaders to meet the challenges of a thriving and highly competitive global energy business. The overall principle of the General Management, Engineering, IS and Finance programmes is breadth. Breadth in experience of customers and assets, teams, products and brands. We believe this breadth will equip our next generation of leaders to make decisions that are right for the whole business.

Our goal is 'learning through doing'. We provide traditional formal training to show people the "what" of our business but just as importantly we focus on the "how" through on-the-job learning. Our graduates gain experience in a wide range of areas through hands on activity such as: serving customers on the front line, delivering and supporting projects during significant business change, coaching teams and leading people.

We treat ongoing development as critical to our success of the graduate programme so significant effort goes into creating a long term support structure including "business buddies" and mentors. We also include our graduates on our management talent review to ensure that, once they have completed the training programme, their progress can be monitored and supported to help them fulfil their potential.

In 2006, we extended our programme to include summer placements and as a result were short listed as a finalist in awards run by the National Council for Work Experience.

In 2007, we will continue to refine our programme with particular focus on developing our engineering graduate scheme to meet the needs of our growing upstream asset base and aligning the graduate strategy even more closely with group talent management.

Case study

New Direct Energy Graduate Programme

Competition for high calibre talent in North America is fierce.

Investors in People

British Gas became the first major UK company to be accredited to the new 2004 'Revised Investor in People (IiP) Standard' in 2005. This standard assesses how effectively a company communicates its strategic objectives to employees. We continued to use the IiP framework to drive performance improvement across British Gas during 2006.

We worked with IiP to develop an implementation strategy and were the first UK company to train internal reviewers to the revised standard. We trained 35 British Gas employees, achieving a first-time pass rate of over 90%. This reflects the quality of our people and our investment in training. Additional training for our internal reviewers was provided in 2006 to ensure their continued professional development.

We are aware of the need to improve our approach to employee development. In 2007, we will continue to work with IiP to measure and share best practice internally and benchmark our approach externally to ensure that the standard is embedded in our Business Management System. In addition, we aim to maintain our accreditation in 2008.

We attended a number of networking events in 2006 to share our best practice approach. Representatives from organisations including Fujitsu, the Crown Prosecution Service and the Home Office were in attendance.

Managing talent

Our Management Talent Review (MTR) is a well-established strategic business process. The MTR enables the development potential of our future leaders to be identified and tracked. In addition, it aids succession planning and resourcing at senior levels. It also provides vital information about the strength and depth of our leadership population against our current and future requirements.

Our MTR is a transparent process enabling managers to discuss their rating and personal aspirations with their line manager. It is supported by an online system so that individuals can update their experience, achievements and aspirations. This provides a valuable database from which internal candidates can be considered for management roles.

Development moves continue to be encouraged and planned by the Centrica Executive Committee and at local management levels. In 2006, around 240 senior managers benefited from a developmental move.

Career development workshops are available to all managers, to enable them to shape their development and take further responsibility for their career path. In addition to management development programmes and development moves, the highest potential managers are also invited to benefit from external executive coaching.

Key roles within Centrica are regularly reviewed to ensure that our people are supported and can successfully deliver to the role requirements and to enable the Group to identify and develop appropriate successors.

In 2006, we further enhanced the MTR process by:

Integrating a strategic capability review into the Board Planning Process

This enabled us to start to identify the essential capabilities required to successfully deliver Centrica's strategic priorities. This work highlighted areas of strength as well as capability gaps that we need to fill through leadership development or recruitment.

Introducing the General Management Talent Pool Programme

The programme will enable us to create succession options for key current and future General Management (GM) roles in Centrica. In 2007, managers will be able to nominate themselves to join the GM talent pool against defined criteria. Nominations will be calibrated at management level and validated via a comprehensive assessment process. The programme will identify a group of individuals who have potential to fill GM roles and we will work with them to establish focussed development plans.

Establishing a senior executive development centre

We worked with an external partner to establish a development centre for managers aspiring to senior executive level within the organisation. This provides an opportunity for individuals in specialist as well as general roles to test their knowledge and skills against internal and external benchmarks. All attendees return from the centre with a relevant and focused development plan which is shared with their manager and coach if relevant.

Employee relations

We have a history of good employee relations in Centrica. Employee engagement, regular dialogue and open communication are important building blocks of our people strategy. We believe they help us create a motivated and productive workforce that will deliver the levels of service our customers expect. The key relationships are between individual employees and their line manager, their team and their business unit.

During the year, we moved some British Gas back-office roles to India and, as a result started to make a number of employees redundant. Our priority was always to treat our employees fairly, maintain open dialogue with them and help them find alternative employment or training opportunities. We have maintained this through the implementation of these changes and have seen the level of motivation at our closing sites maintained.

Case study

BGB is UK's third best place to work

British Gas Business (BGB) celebrated third best place to work in the UK in 2006...

Employee engagement

Our annual employee survey measures engagement, attitudes, opinions and commitment levels for every team. The results are used to create action plans linked to personal objectives, covering both central and local issues. Progress is reviewed by the Centrica Executive Committee.

Key measures

The survey uses a zero to five scale to measure engagement in five key areas; 'me as an individual', 'management impact', 'customer focus', 'leadership' and 'performance and development'. All areas increased from 2005 to 2006. 'Performance and development' was the most improved area. In particular, there has been an 11% increase in satisfaction regarding learning and development opportunities since 2004.

In 2006, 86% of employees globally responded to the survey, with almost 30,000 employees having their say. Our overall engagement score increased by two per cent which, during a very challenging period for the business, demonstrates the commitment of our people and compares favourably with other FTSE100 companies. This is primarily because of the strength of 'management impact' score, which suggests that an impressive 79% of employees are satisfied with their relationship with their line manager.

Our highest scoring business unit in 2006 was British Gas Business (BGB), which achieved 4.33 out of 5. BGB's commitment to employee engagement led to it being voted the 3rd Best Workplace in the UK by the Financial Times sponsored Great Place to Work Institute UK 2006. In March 2006 and March 2007, BGB was voted as one of The Sunday Times Top 100 Place to Work in the UK (26th position in both). We are taking lessons learned from BGB and applying them elsewhere in the Group.

Positive results

The biggest rise in engagement score was 4% in British Gas Business.

The survey threw up some positive findings. For example, more than eight out of 10 employees know their objectives and 77% of managers hold regular team meetings, with 76% making sure performance reviews take place. Some 75% of employees feel they have a manager who cares.

According to the survey, 77% are aware of how people's work affects Centrica's performance, 79% believe their team works well with other teams to provide good customer service, and 71% feel their team is trusted and they can trust the people they work with.

Opportunities for improvement

Only 38% agree that senior managers inspire employees to achieve, and 39% that senior managers listen to and act upon employees' views and concerns.

Our focus for 2007, is to improve the extent to which employees feel more committed and valued. Our score for 'commitment' has increased marginally for the second consecutive year and 51% have said the company values their contribution. But this could be largely a result of the restructuring and change, making people feel less secure in their work. For Centrica overall, however, there was an increase in the level of support employees felt they received during organisational change.

Lower scoring questions in 2006 included referring a friend for employment and opportunities to build a career within Centrica. Only 54% believe these opportunities exist.

Case study

BGB wins Euro call centre award

British Gas Business won a leading European award for its call centre operation last year.

Trade unions

We recognise collective relationships with trade unions that help us support our business goals. Around 50% of employees are covered by collective agreement on health and safety, and remuneration.

Extensive changes in the structure of our UK businesses in recent years have been designed to reduce costs, improve our systems and enhance the levels of service we provide to our customers. We have worked successfully with trade unions to manage these changes and in nearly all cases have avoided disputes.

An example of this is the offshoring of back-office roles in British Gas Residential to India and the closure of three offices in Oldham, Manchester and Solihull. During 2006 a joint trade union/management group from the National Joint Council visited our operations in India on a fact-finding visit. The trade union members gained a full understanding of the British Gas operations in India, meeting both employees and members of the management team. They were able to see the work environment and understand the working conditions of the team. From this a joint article was published in the company internal magazine.

Trade union relations in Great Britain

Our trade union relationships fall into three main categories: British Gas engineers (GMB); British Gas office and field debt staff (Unison and GMB); and Centrica Energy Power Stations (Amicus and Prospect).

Formal agreements exist with these unions that cover recognition, membership and procedural and substantive items (e.g. pay). Communication involves sharing of information, consultation and negotiation, which occurs at national and local meetings. The arrangements with trade unions for British Gas office staff go further, with a modern partnership agreement entailing more involvement and participation than traditional arrangements on subjects such as organisational change. This was reviewed in 2006 and both the internal structures and nature of the agreement enhanced further.

Our UK business units have reviewed current consultation arrangements following the introduction of the European Information and Consultation Directive in April 2005. It has been agreed with the lead trade unions that current consultation arrangements cover the requirements of the Directive and that there is no need to establish National Works Councils.

For employees not represented by a union, we put in place consultation arrangements as the situation requires, e.g. for change programmes and redundancies.

North America

Our businesses in North America recognise and work with two trade unions. The Business Services division works with the UAW - the United Automobile, Aerospace and Agricultural Implement Workers of America. It is one of the largest and most diverse unions in North America, with members drawn from almost every sector of the economy. UAW-represented workplaces range from multinational corporations, small manufacturers and state and local governments to colleges and universities, hospitals and private non-profit organisations.

The Home Services division works with CEP - the Communications, Energy and Paperworkers Union. Home Services includes employees involved in the service and installation of HVAC (heating, ventilation and air conditioning) products for residential and small commercial customers. CEP is one of the largest unions in Canada, representing just about every type of worker. CEP represents workers in pulp and paper mills, telephone companies and the oil, gas, chemical, mining and aerospace industries.

As in the UK, working relationships are positive with the trade unions and there is a good record of change without disputes.

Communications

Communicating effectively with employees is vital to our long term business success. We believe that building employee engagement will help to position Centrica as an employer of choice where the best and brightest people want to work.

Employees across our businesses receive a series of regular communications to keep them informed of our strategic direction and business performance. We employ a full range of communications channels including a relaunched intranet, audio, video and printed publications. But the emphasis is on face-to-face dialogue. This is only one half of communication, the other half is how we listen to our employees and act on their feedback.

We promote two-way involvement in decision making at all levels of the organisation. We also have a number of initiatives in place for measuring employees' perceptions. This is achieved through our team briefing processes, our intranet portal and regular employee engagement surveys. Feedback can also be sent direct to Sam Laidlaw, Chief Executive Centrica. Employees' views are also sought using a network of local consultative bodies. We are a strong supporter of Investors in People.

Redundancies

In 2006, we started to make redundancies due to the closure of three British Gas Residential offices and the transfer of work offshore. These changes have helped deliver a materially reduced cost base in British Gas Residential. Our priority was to redeploy as many employees as possible, making redundancies only as a last resort. Around 1,300 employees were made redundant during 2006.

In line with previous changes, this programme emphasised consultation, transparency and fairness. Business proposals to implement the changes were shared and agreed with employee and trade union forums, as part of a formal collective and individual consultation process.

Online communication sites were set up in all affected business areas, with further support provided through the engagement of a specialist career counselling and outplacement support provider. Now we have closed sites we have also offered a training grant to help employees retrain and make the transition into different careers. To minimise redundancies and retain skills, knowledge and experience, redeployment opportunities were

actively sought within Centrica. Further offshoring plans were announced during the final quarter of 2006. All employees affected were told that they were not at risk of redundancy but would be transferred into other roles at the same location with relevant training and coaching support.

Line managers received training on how to manage change and individuals whose roles were identified as at risk were offered personal career coaching. Our employee assistance programme provided free and confidential access to a 24-hour personal support service for employees and their families.

In October 2006, the new age legislation came into effect in the UK. As a result we had to make some changes to our redundancy arrangements. Where appropriate we have consulted with the trade unions and developed new schemes which are compliant with the new regulations.

Outsourcing and offshoring

Outsourcing of support functions has been a growing trend in global business in recent years. In 2006, Centrica embarked on the outsourcing process for its Finance and HR Transactional Services, and the transfer of its IS infrastructure. These changes will deliver significant operational efficiencies across the business and are an integral part of our Group strategy.

We are committed to ensuring that our employees are fully supported during this period of change and that we maintain the quality of service to internal customers.

Business reasoning

Outsourcing can deliver significant benefits through lower labour costs, as well as maintaining high levels of productivity. It is important that Centrica reduces its costs to remain successful in a competitive and volatile energy market. Outsourcing offers a way of protecting the quality of service we provide to our internal customers, whilst maintaining competitive prices.

British Gas back office offshoring

In 2005, British Gas began rolling out a new customer billing system. The process, part of a major change programme representing an investment of £430 million, involved the transfer of around 17 million customer accounts to new systems. To achieve further efficiencies we decided to move most of our back-office activities to Delhi, Pune and Mumbai in India. We are working with two experienced outsourcing providers, EXL and WNS. The decision resulted in about 2,000 job losses in the UK and the closure of British Gas Residential offices in Solihull, Manchester and Oldham. We continued to implement these changes during 2006 and live offshore operations began in January 2006, following a seven-month transfer period.

HR Services outsourcing

We have been restructuring our HR function since early 2005. In 2006, we decided to outsource our transactional HR requirements to Hewitt Associates. This includes payroll processing and other administrative activity. This decision will result in the loss of 140 jobs. Hewitt will organise the work both offshore at Gurgaon, in India and onshore in Glasgow, and will also implement a series of self service tools for managers and employees to enable us to realise further efficiencies.

Finance outsourcing

In 2005, Centrica made investments to improve our core financial processes. We have since reviewed how to best deploy our new systems to deliver an even more effective and efficient finance function. As a result, in 2006, we decided to outsource some of our transactional finance activity to WNS, at Pune in India. The offshoring market for finance is well established and WNS is a leading company in this field. This decision will result in nearly 100 job losses by the end of 2007.

IS outsourcing

Following a year-long procurement process, Centrica outsourced its UK data centre and desktop support services to T-Systems with effect from March 2007. T-Systems is Deutsche Telekom's business customer brand and is one of Europe's leading providers of information and communications technology services. This decision resulted in the transfer of 150 permanent employees and a number of contractors to T-Systems. The transfer of employees was in accordance with the Transfer of Undertaking (Protection of Employment) regulations and followed an extensive employee consultation process.

Maintaining high standards

To ensure that our offshore agents perform to the same high standards as we expect in the UK, we invest in extensive training programmes. We ensure that our partners implement competitive reward and recognition systems and we measure employee satisfaction as part of our global employee engagement process. All our people in India are kept up to date with UK operations through our web-based intranet, internal magazines and cascaded briefings from team managers.

Supporting affected employees

We have taken several steps to help those leaving the Company to seek new opportunities. In addition to receiving a competitive redundancy package, employees are eligible for outplacement support for up to 12 months.

Pensions

Centrica operates various pension arrangements, which are managed by Trustees who act in the best interests of all classes of member and the employers. Trustees are appointed by Centrica and include member-nominated Trustees and an independent Trustee. Responsibility for the selection, retention and realisation of investments has been delegated to appointed fund managers, who are regulated by the Financial Services Authority. The scheme's investment performance is measured through the Bank of New York performance measurement service. Results are published in an annual newsletter for pension scheme members.

Most of the Group's employees are members of one of five defined benefit arrangements. These schemes are funded to cover pension liabilities in respect of accrued service to date. They are subject to independent valuations at least every three years, on the basis of which the appointed actuary certifies the rate of employers' contributions payable. The assets are invested together in the Centrica Combined Common Investment Fund (CCCIF) in a range of investments that will generate income and capital growth, to meet, together with future contributions, the costs of benefits.

In setting the investment strategy for the pension scheme, there is a range of options open to the CCCIF Trustee. These include active investment management, aiming to achieve investment returns that, over the long term, are better than those of a specified benchmark. Passive investment management aims to achieve a return as close as

possible to a particular benchmark. This is often known as index tracking, as the benchmark is often an index. An example of an index is the FTSE100. Each investment style has its own cost profile and level of fees charged by the investment manager, which can affect future expected returns.

Based on the assessment of the fund, the CCCIF Trustee employs a number of investment managers to promote adequate diversification by fund management organisation and investment style.

The managers have been set mandate-specific benchmarks, which have clear performance objectives attached. Where appropriate, explicit risk parameters have been developed to which the managers are expected to adhere and against which they are monitored.

It is CCCIF Trustee investment policy to leave the extent to which social, environmental or ethical considerations are taken into account to the discretion of the investment managers. However, ethical investment is discussed generally at Trustee meetings.

The CCCIF Trustee policy in relation to voting and activism is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. Each appointed investment manager is required to have a clear voting policy, which is acceptable to the CCCIF Trustee and is expected to produce regular reports in this regard. The CCCIF Trustee will review the voting policy of each investment manager at least annually.

During the year several significant pieces of legislation were implemented that affect the operation of occupational pension schemes in the UK. These include the Pensions Act 2004, the Finance Act 2004 and the Age Discrimination Regulations. The Centrica arrangements have been amended, as necessary, with the agreement of the Trustees and fully compliant with all legislative requirements. Members have also been notified of the changes appropriately.

Reward and remuneration

We regularly review our remuneration packages to ensure they remain competitive and our induction process explains to new employees the way their performance is evaluated and recognised. We use incentive schemes to encourage employees to surpass business and personal goals. All roles above a certain threshold are managed within a single reward strategy. Below this threshold each of our businesses develops and manages its own reward policy.

Senior management reward strategy

Centrica aims to recruit, motivate and reward high calibre employees. A total remuneration package that is competitive, flexible and recognises good performance is a crucial tool in aligning executive performance and shareholder interest.

Our reward strategy for senior managers is based on:

- the competitive market for employees
- incentives based on individual and business performance
- individual contracts sympathetic to individual circumstances
- opportunities for international experience
- a degree of flexibility to suit individual lifestyles.

Employee remuneration

In 2006, our average employee salary was £22,965 compared to £22,346 in 2005. All Centrica employees are paid in excess of the national minimum wage.

Board remuneration

Centrica has a Remuneration Committee made up of independent non-executive directors to make recommendations to the board on the policy and framework for executive remuneration. It also determines the remuneration packages for each of the members of the executive team. Centrica provides a detailed Remuneration Report on these areas as part of the Annual Report & Accounts.

Annual pay audit

In 2006, we conducted a fourth comparative review of the levels of pay for male and female employees. The results showed that the gender pay gap in Centrica is much narrower than published national norms.

Benefits

FlexSA

Our benefits package is made up of core benefits and a flexible spending account (FlexSA), which is currently set at a percentage of base salary for both full-time and part-time employees. FlexSA enables eligible employees to express a preference in the composition of their benefits package. They can 'spend' their flexible spending account on a range of benefits including additional holiday, retail vouchers and private medical cover. Alternatively, employees may choose to receive up to 89% of the non-utilised allowance as a non-pensionable cash allowance. We continued to extend our flexible benefits package and more than 10,400 employees now benefit from the scheme.

Salary sacrifice schemes

Centrica ran two salary sacrifice schemes in 2006, enabling employees to save tax and National Insurance (NI) contributions. Our childcare voucher scheme enables employees to sacrifice up to £243 each month in exchange for childcare vouchers of equal value. Our PC leasing scheme continues for those employees who elected to receive a PC in exchange for a salary sacrifice when the scheme was launched in 2005. Due to the removal of the tax and NI benefits associated with the scheme for new entrants we will not be offering a PC leasing scheme in the future.

Company shares schemes

We encourage our employees to own Centrica shares so they can share in the growth of the Company. Our three schemes are Sharesave and Share Incentive Plan in the UK and Share Purchase Plan in North America.

Sharesave enables employees to save up to £250 per month from their post-tax salary for either three or five years and exercise the right to buy Centrica shares at a 20% discount based on the market value at the start of the savings contract. More than 40% of our employees participate in this scheme.

The Share Incentive Plan enables employees to contribute up to £125 per month from their pre-tax salary (or 10% if lower) to buy shares each month. For every two shares purchased by the employee, Centrica allocates one free share, up to a maximum of 20 shares. More than 20% of our employees participate in this scheme.

In North America employees can join the Direct Energy Employee Share Purchase Plan (ESPP). Participants can purchase Centrica shares and receive one matching share from the Company for every two shares they buy. Employees may invest from 1% to 5% of their base salary up to a maximum investment of CN\$10,000. 36% of employees have joined this plan.

Future commitments

What we said we'd do	What we've done	What we plan to do next
Talent management		
Define selection criteria for general management talent pools and start identification of people to enter those pools.	We enhanced our management talent review (MTR) process by integrating a strategic capability review, introducing a general management talent pool programme and establishing a senior executive development centre.	Use our enhanced MTR identify and develop future leaders, and promote cross-group opportunities to share knowledge and expertise between our business units.
Management development		
We will extend our 'LEAP' programme for middle managers and run half-day seminars on 'hot topics' for our senior managers. We will also continue to work with several external business schools.	<p>We extended our learning for managers at all levels by developing the Management Learning Programme.</p> <p>Completed two 'hot topics' seminars, and continued to build on our senior manager programme with the Henley Partnership. Over 800 managers across Centrica completed development training.</p>	Continue to focus on the Management Learning Programme and Hot Topics seminars to support the development of our managers at all levels.
Employee engagement		
Our focus for 2006 is to improve the extent to which employees feel more involved and committed. This includes feeling valued and responding to leadership.	Overall engagement improved 2% across the group, which is a significant achievement given the number of organisational changes during the year	Our focus for 2007 is to continue to improve the extent to which employees feel more involved and committed. This includes feeling valued and responding to leadership.
Diversity and inclusion		
Our focus for 2006 was on implementing policies and processes in line with the new age legislation in the UK and to complete the roll-out of our online diversity learning package.	We implemented a comprehensive review of our policies and practices in line with the new age regulations, making a number of changes. We delivered an integrated communications and training programme for employees and managers.	Continue to work with external organisations to share best practice and identify improvement opportunities by monitoring a range of performance indicators.
Health, safety and security		
Continue to scrutinise and challenge periodic data reporting through the regular use of our corporate audit, learning from incidents in 2005.	British Gas is now the largest supplier of green electricity in the UK with 120,000 customers.	British Gas plans to launch the 'greenest' domestic renewable energy tariff in the market in 2007.
Reward and remuneration		
Continue to monitor market practice to ensure we maintain our competitive position to recruit and retain talented individuals, while embedding and improving reward and recognition policies that drive and reward high performance.	Average employee salary increased during the year and 10,400 employees are now benefiting from our flexible benefits package. Our employee share schemes remained popular and rewarding.	Continue to ensure that our reward packages compare favourably in the employment market, enabling us to recruit and retain talented and motivated people.

Occupational health		
We are planning a workshop for employees suffering from knee problems, a wellness induction programme for gas engineers and prescription gym membership to help employees recovering from musculoskeletal problems.	We delivered our planned musculo-skeletal workshops and wellness programmes. In addition, we provided expert support for employees following the major incidents at Rough and Morecambe Bay.	We will continue to implement programmes that support improvements in levels of sickness absence. We will publish 'Working Well' to provide advice to employees on managing the impact of lifestyle behaviours on working life.
Engineering Academy		
Our British Gas Engineering Academy will continue to work with schools and communities to increase the talent pool from which we recruit tomorrow's engineers.	We continued to promote engineering careers in schools and communities across the UK, reaching more than 200,000 individuals. We trained more than 1,000 new engineers during the year.	Achieve 'Approved Training and Assessment Centre' status to train engineers on Energy Performance Certificates from June 2007. Implement the Duke of Edinburgh's Award Programme as a core part of our apprenticeship training programme.
Academy of Customer Excellence		
Provide professional development opportunities for team managers in our call centres and deliver extensive training for our front line employees on our new IT systems.	We delivered a total of £1.4 million training hours to support the integration of our new British Gas Residential billing system to 8,000 front line employees. We also introduced an NVQ programme to support the professional development of our training team.	Focus on improvement programmes to ensure employees respond to customer enquiries efficiently and resolve issues at the first point of contact.

Environment



Environment

Reducing our carbon footprint

Our operations have a significant impact on the environment. We are committed to reducing the impact of our activities and helping our customers use our products and services in an environmentally responsible manner.

Tackling climate change

By managing our environmental impact we seek to contribute to the creation of a sustainable low carbon future whilst ensuring security of energy supply.

Improving energy efficiency

We are developing products and services to help our customers, shareholders and wider stakeholders use energy more efficiently.

Gas production and storage

We play a key role in the development and production of UK and European offshore gas reserves.

Biodiversity

We are implementing a new biodiversity strategy to ensure that we proactively identify and manage biodiversity issues in areas near our operations.

Power generation

We run seven gas-fired power stations in the UK and three in North America. Together these stations provide total generation of more than 4.5GW of electricity.

Renewable energy

Making significant investments in renewable energy technologies is helping us reduce our carbon intensity and increase the diversity of our fuel mix.

Resource efficiency

A continuous improvement programme helps us to reduce our own energy use, the impact of our vehicle fleet and the waste our operations produce.

Involving our employees

Informing and engaging our employees on environmental matters is key to reducing our impact and achieving our goals.electricity.

Environmental management systems

Our environmental management systems ensure that we manage our impacts effectively and identify opportunities for improving our performance.

Climate change

Climate change is the biggest single environmental issue the world faces. This was underlined by the high profile reports published by Sir Nicholas Stern and the International Panel on Climate Change in 2006.

Political debate and action intensified significantly during the year, particularly in Europe but also in North America, with governments formulating new policies designed to reduce carbon emissions. Media attention and as a result, public awareness also increased with around 80% of Britons indicating a willingness to be eco-friendly and protecting the environment becoming the most significant issue for Canadian citizens.

Our view is that climate change is happening and human activity is contributing to it. We therefore need to develop policies and action plans which first aim to slow and, eventually stabilise the ecological processes which are causing our planet to become warmer. This will take a significant effort and there are some who say that even such a modest goal is unrealistic.

Whilst it may be difficult to achieve, a gradual slowing and eventual stabilisation of greenhouse gas emissions is possible and we are committed to playing our part in the process by supporting Government policy and working with our stakeholders to deliver action plans aimed to achieve this.

Risks and opportunities

The ever-growing need to address climate change presents risks and opportunities across our business. Upstream, we must balance the economic, regulatory and operational aspects of reducing greenhouse gas emissions while ensuring energy security; downstream, there is a significant and growing demand for energy efficiency and low carbon products and services; and we know that whether or not we are perceived to be environmentally responsible increasingly affects our reputation.

As a leading integrated energy company, Centrica is taking steps to help reduce our overall impact on climate change both directly through our own business activities and also indirectly through supply chain management and by helping our customers to use energy more efficiently.

Strategy

In early 2006, our Corporate Responsibility Committee undertook a review of scientific, political and economic positions on climate change. As a result, a high-level advisory group was established to review Centrica's strategy for managing the risks and opportunities created by climate change.

Lowest carbon intensity

The electricity British Gas provides to its customers has the lowest carbon intensity of any of the major UK suppliers.

Carbon footprint

Our Group carbon footprint was 8.7 million tonnes of CO₂ in 2006.

Corporate leaders

Centrica joined the influential EU Corporate Leaders Group on Climate Change in 2006.

Investing in wind

The electricity British Gas provides to its customers has the lowest carbon intensity of any of the major UK suppliers.

Carbon trading

Centrica was involved in 15% of all trading under the EU Emissions Trading Scheme, making us a top three trader.

Our carbon footprint

We undertook a comprehensive review of our operational carbon footprint during the year, which will underpin our climate change strategy.

Renewable energy

Investing in renewable energy technologies is helping us reduce our carbon intensity and increase the diversity of our fuel mix.

Emissions trading

Centrica is a strong supporter of the EU Emissions Trading Scheme and an active participant in the traded market.

Investing in energy efficiency

We play a leading role in tackling fuel poverty and climate change by championing the efficient use of energy.

Reducing our operational impact

own energy use, the impact of our transport fleet and the waste our operations produce.

Climate change strategy

Our climate change strategy recognises both the risks and opportunities that will shape our future operating environment and ultimately the longer-term success of our business. These include regulatory and legislative factors, reducing energy consumption patterns, growing demand for low carbon products and services, and the reputational benefits of taking a leadership position.

Upstream, we are committed to maintaining the low carbon intensity of our power generation portfolio by investing in renewable, clean coal and gas fired technologies.

Downstream, the rising demand for 'green' power and energy efficiency products presents a promising growth area for our businesses. We aim to leverage our existing strong position in the marketplace to be a leader in energy efficiency and low carbon products and services.

Internally, we will continue to encourage our employees and suppliers to work with us to reduce our operational carbon footprint.

Leadership

We have created a new senior level position and business directorate to lead our strategy.

Gearóid Lane, previously Centrica's Director of Energy Procurement, has been appointed Managing Director of British Gas New Energy reporting directly to our chief executive.

Gearóid will be responsible for the creation of a stand alone profit centre for these products and services. He will also lead our investment in new energy efficiency and low carbon energy technologies, through standalone investments and strategic partnerships.



Case study

Direct Energy powers up a green deal

The issue of climate change is resonating and is considered to be the most serious threat facing the world today. Direct Energy recognises the leadership role the energy industry must take in tackling climate change. "I think it's time that industry stood up and acknowledged its responsibilities. Our business models have to evolve and turn these challenges into new opportunities," said Deryk King, Direct Energy's Chairman and CEO.

Case study

Centrica joins climate group

Centrica joined the Corporate Leaders Group on Climate Change in 2006.

Shaping our strategy

Find out more about our climate change strategy from Gearóid Lane, Managing Director of British Gas New Energy

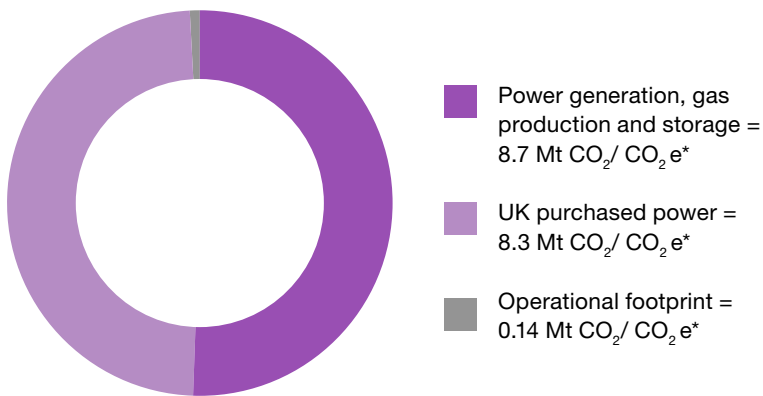
New business

Read the press release announcing the launch of British Gas New Energy

Our carbon footprint

In order to develop a coordinated and effective strategy to reduce our carbon emissions we undertook a comprehensive review of our operational carbon footprint during the year.

Our operational carbon footprint – energy usage, fleet, travel – is 0.14 Mt CO₂/CO₂ equivalent (e)*, emissions from our power generation, gas production and gas storage activities is 8.7 Mt CO₂/CO₂ e* and emissions from UK purchased power is 8.3 Mt CO₂/CO₂ e*.



This work will underpin our climate change strategy and determine how Centrica can adapt to and mitigate against the effects of climate change on the Company and society as a whole.

* Data tolerance level of 10%.

Case study

Centrica ranks high in climate survey

Centrica ranked equal third of the eleven companies in the multi-utilities section of the annual Carbon Disclosure Project (CDP) international survey on carbon emissions.

Involving employees

Our new Natural Capital 2050 campaign will enable our employees to help us reduce our carbon footprint

Largest wind farm

We are building the UK's largest offshore wind farm at our Lynn and Inner Dowsing sites in the Greater Wash

Renewable energy

In July 2006, the Government published its Energy Review and underlined its support for the development of renewable energy by setting an aspiration of 20% of UK electricity being generated from renewable sources by 2020. Government also recognised that if this target is to be achieved, the next generation of renewable technologies require additional financial support and it consulted on revising the Renewables Obligation (RO) to ensure that offshore wind projects are commercially viable for developers such as Centrica.

In addition to developing our own assets, we meet our renewable energy requirements by contracting

directly with generators of 'green' power or by buying green certificates, otherwise known as Renewables Obligation Certificates (ROCs), which guarantee that power purchased has been generated by renewable means. We also continue to support independent generators including those developing biomass, wind and landfill technologies.

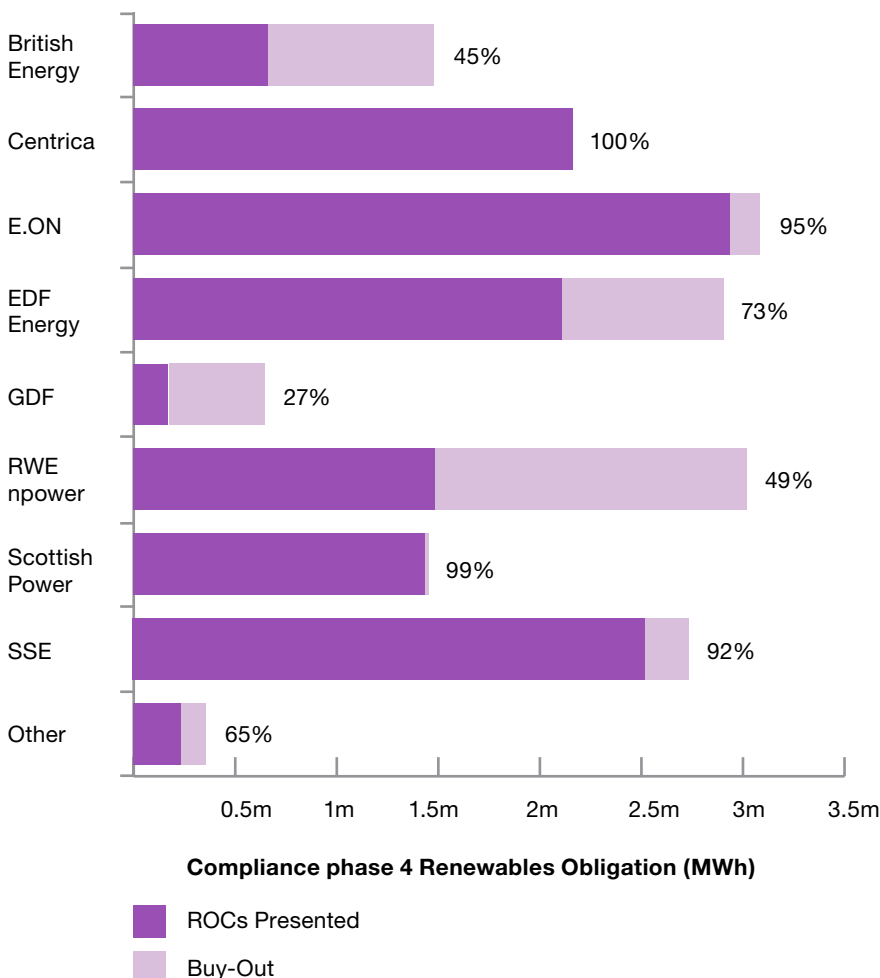
We currently source 5.5% of the electricity we supply to our British Gas customers from renewable sources. In 2005/06, for the fourth consecutive year, we were the only large supplier to meet the RO solely through presenting ROCs and not resorting to the buy-out arrangement.



Case study

Offshore wind farm is officially launched

Centrica's first offshore wind farm, a joint venture with the Danish company DONG Energy, was officially opened in September 2006.



Case study

Direct Energy powers up a green deal

In 2006 Direct Energy announced a five-year green power deal with Dublin-based Airtricity.

Case study

Darling blows in to Barrow wind farm

Trade and Industry Secretary Alistair Darling visited Centrica's first offshore wind farm in April 2006.

Asset development

Centrica will shortly have interests in three operational wind farms. Our third wind farm, a 72MW development at Braes of Doune in Stirlingshire, has delivered its first power. This 50/50 joint venture with Airtricity is scheduled for completion in 2007 and follows the development of our wholly owned Glens of Foudland wind farm in Aberdeenshire and our first offshore wind farm at Barrow, which produced its first power in March 2007. Barrow Offshore Wind (BOW) is a 50/50 joint venture with Danish energy group DONG Energy. Centrica takes all the renewable power from BOW.

Onshore preparation work continues for our Lynn and Inner Dowsing projects in the Greater Wash. The installation of offshore foundations for these two 90MW wind farms is scheduled to take place throughout 2007, with turbine installation and commissioning expected by the end of 2008, subject to weather conditions during construction.

Our next offshore wind project, also in the Greater Wash will be Lincs, a 250MW wind farm. A comprehensive Environmental Statement and application for consent for this project are currently being considered by DTI and Defra. Subject to consent and financial evaluation, construction work could commence in 2009.

Power Purchase Agreements

During 2006, we have negotiated a range of agreements with renewable electricity developers and financiers, doubling the amount of green electricity that we buy through offtake contracts in the UK over the next five years. These projects cover a diverse range of technologies such as wind, landfill gas and biomass generation.

In North America, our Direct Energy business has four long-term contracts for wind power in Texas – Buffalo Gap, Buffalo Gap 2, Sand Bluff and Lone Star Wind Farms. These contracts, which deliver a total capacity of 643MW, help us diversify our power supply and provide our customers with green energy.

Microgeneration technologies

Centrica is pioneering the development of micro combined heat and power technologies and sources of renewable energy such as fuel cell powered boilers, heat pumps and solar heating.



Case study

Lincs environmental impact assessment

In January 2007, Centrica submitted an application to the Department for Trade and Industry for consent to construct the 250MW Lincs offshore wind farm five miles (8km) off the Lincolnshire coast, east of Skegness.

Engaging stakeholders

Developing energy assets requires close liaison with local stakeholders, particularly in the pre-consent planning stages and construction, but also during the following years of operation. We engage widely with stakeholders to assess the social and environmental impact of our renewables projects and are committed to working with local communities at every stage.

Our approach is to deliver a proactive and responsive programme of meetings with individual groups and public exhibitions to engage with our neighbours and ensure that their interests are taken into consideration. We circulate a wide range of information such as scoping documents, which sets out the basis for scientific studies, enabling interested parties to comment and provide further information where necessary.

The latest in a series of public exhibitions outlining the detail of the Lincs project were held in February and March 2007 in Skegness, Hunstanton, Sutton Bridge and King's Lynn. A questionnaire was circulated in May 2005 to more than 22,000 households and businesses in the Skegness area to seek views on the proposal. The survey generated a 15 per cent response. Almost 85 per cent of those who responded were in favour of the development.

Plans are now being developed for the Docking Shoal and Race Bank wind farms, two prospective projects off the Lincolnshire and north Norfolk coasts. Detailed environmental survey work is being completed for these. Centrica is committed to liaising with interested stakeholders, to build an understanding of the sites and address any issues that their prospective development might raise. Consent applications are expected to be submitted in due course.

Case study

Environmental impact

In 2006 we assessed the environmental impact of our Lincs offshore wind farm

Case study

Community support

We continued to develop partnerships with local communities, providing support for a range of initiatives

Biodiversity

We are developing a biodiversity policy and plan. The policy and action plan will reflect the scale and nature of our operations and activities, in particular those related to power and gas assets in the UK and overseas. We aim to have the policy and plan completed before the end of 2007.

We aim to enhance the biodiversity of the environment within the boundaries of our sites and we will work with local agencies, interest groups and schools to contribute to the environment outside them. Our biodiversity action plan will also include developing greater awareness of our impact on the environment among our employees and steps they can take to improve our performance.

Base line surveys and existing issues

A number of our power stations and gas assets are located in or close to very sensitive environments, in particular Humber and Roosecote power stations. These two facilities have undertaken a baseline environmental survey, as has our Peterborough power station. It is our intention to have baseline biodiversity studies carried out on all upstream assets by the end of 2008.

Exploration in Nigeria

Biodiversity and environmental protection are at the forefront of our new exploration activities in Nigeria. Environmental and social impact assessments were undertaken during 2006 to give us baseline information. We worked with national and local environmental agencies and with community groups to understand our environmental and social impact.

Gas production and storage

Centrica plays a key role in the development, transportation and storage of offshore gas reserves in the UK, Europe and North America.

Gas for the UK

Gas reserves in UK waters are starting to decline and the UK is now a net importer of gas. As our dependence on foreign supplies continues to grow, future gas supplies will increasingly come from a variety of countries. Much will be piped from places such as Norway and Russia, while the rest will be shipped as liquefied natural gas (LNG).

We currently produce around 25% of the gas we need to supply our customers from within our own portfolio and purchase our remaining requirements from the wholesale market. Our strategy is to grow our own gas portfolio and invest in long-term contracts to secure gas supplies for our British Gas customers, reduce our exposure to price volatility and answer the UK's need for new gas sources.

Langeled pipeline

British Gas contracts have underpinned the investment of a consortium of Norwegian companies in the new Langeled pipeline for Norway to the UK. The opening of the 745-mile pipeline, the world's longest subsea pipeline, in October 2006 helped bring an immediate fall in wholesale gas prices. Centrica will receive a fifth of the gas that comes via the pipeline through a 10-year contract with Statoil. Centrica Energy managed the construction of the terminal at Easington on the Yorkshire coast, which is receiving gas from the pipeline. Centrica Storage is now operating the terminal.

Gas exploration

We are working with a range of organisations to develop gas reserves in Norway and other fields on the UK continental shelf. National oil companies in various countries need secure demand for their liquefied natural gas – and between them they own the vast majority of the world's undeveloped gas reserves. We have secured exploration blocks in Norway, the UK, Egypt and Trinidad to add to our existing blocks in Nigeria. All of this activity is focused on the Atlantic Basin, where LNG could go to our UK, North American or European businesses.

Nigerian operations

We are developing an LNG capability in Nigeria. This will involve the whole process of seismic exploration and the building of onsite oil and gas infrastructure and pipelines. We are committed to ensuring that we conduct our activities to the highest social, ethical and environmental standards.

LNG capacity

To support our strategy, we have secured regasification capacity at the Isle of Grain LNG terminal and are one of four partners involved in the development of an LNG import facility at Canvey Island, Essex. The proposed terminal would offer regasification capacity of 5 billion cubic metres and we are currently working with a range of stakeholders during the planning permission process.

Centrica Storage

Centrica also plays an important strategic role in UK gas storage. Our Rough facility in the North Sea is the UK's largest storage facility, which holds 70% of the gas the country keeps in store. When gas supply is plentiful, we store the excess capacity in the offshore field. When additional supply is required, we release this gas back into the UK network. This balancing is important in maintaining gas supply – particularly if weather patterns become less predictable in the future.

Direct Energy

In North America we operate more than 3,000 producing natural gas wells in north west, central and south-eastern Alberta. Most of these are drilled on private land through agreements with the land owners. These are a significant source of gas, with an average operating production of around 124,000 million cubic feet per day.

Since the beginning of 2005 we have drilled more than 100 coalbed methane (CBM) wells. We are currently preparing to begin drilling around 10 new wells at the Fort Assiniboine, Alberta, project. CBM is natural gas that has been trapped deep within coal beds by water pressure. This represents an enormous source of relatively inexpensive natural gas.

Gas production

Hydrocarbon Resources Limited (HRL) is the Centrica subsidiary that operates the offshore Morecambe gas fields and onshore gas processing terminals at Barrow-in-Furness. At peak production around 15% of UK gas supply is obtained from this source. Morecambe reserves are in decline and as such we are pursuing opportunities to acquire sources of additional capacity.

Our environmental policy seeks to protect the natural environment, to conserve of resources and promote the principles and practices of sustainable development. Our policy is delivered through an Environmental Management System (EMS), which was certified in February 2001 and re-certified in February 2005 against the international standard ISO14001. Areas of environmental focus within the HRL environmental management programme are:

Atmospheric emissions

- Exhaust gases produced by combustion of fuel gas or diesel for power generation
- Exhaust gases produced by the gas turbine-powered compressors used to export gas to onshore terminals and onward to the national transportation system
- Flaring or venting of hydrocarbon gas

Produced water discharges to sea

Formation water found in gas reservoirs is produced in small quantities as a by-product with the gas. This 'produced water' is treated to remove hydrocarbon condensate and discharged into the sea. Through treatment system design and performance monitoring, the hydrocarbon content in the produced water is restricted to an industry agreed limit, currently 30 parts per million by volume.

Accidental spills

Offshore operators are required to report every hydrocarbon spill into the sea, to carry out an investigation into the causes, and to take steps to avoid recurrence. Unlike oil production installations, gas producing platforms have only small inventories of hydrocarbon liquids, namely hydrocarbon condensate and diesel fuel.

Chemical use and discharge

Offshore gas production utilises bulk chemicals to assist the required physical processes. Large machines such as compressors and pumps require lubricants. Steel structures and pipe work need protection against corrosion.

Waste management

As with any industrial activity, solids and liquid waste streams are created. All offshore waste is transported onshore for disposal.

Gas flaring/venting

Natural gas is a valuable commodity and flaring and venting operations are minimised to secure maximum commercial value. Small amounts of gas are, however, burnt (carbon dioxide emissions) in flare systems or vented (methane emissions) for the following purposes:

- Planned depressurisation of gas inventories to allow plant maintenance, repairs or modifications to be carried out
- Emergency depressurisation of gas inventories in response to safety protection systems operating
- Disposal of small purge flows from gas blanketing systems in flammable liquid storage tanks or to maintain flare/vent systems free of oxygen.

Offshore, the Department of Trade and Industry controls gas flaring and venting by means of a licence known

as 'a consent'. The consent places a ceiling for the volume of gas lost in this way and requires monitoring and reporting of the gas flared or vented annually. At the terminals, flaring and venting are included in the emissions authorisations. Offshore operators are being encouraged by the Government to operate a flare consent transfer system. The intention is to establish targets for reducing the amount of flaring and venting as part of the UK's undertaking under the Kyoto Protocol. The scale of the Morecambe operation and the already low frequency of flaring and venting provide no opportunity for meaningful participation in such a scheme.

Ozone depletion

Ozone depleting chemicals are used in fire suppression systems, e.g. halon, and also in some air conditioning and industrial refrigeration systems, both onshore and offshore. We continue to assess viable alternatives to the existing chemicals and to minimise losses through leaks, to reduce the environmental impact.

In our South Morecambe gas processing plant we have replaced freon, a CFC and ozone-depleting chemical, with R22, an HFC. Although R22 is significantly less ozone-depleting than freon, it does have a global warming potential some 1,700 times that of carbon dioxide. We are committed to minimising losses and to working with a national user group to identify and assess alternative refrigerants.

Halon manufacture has been phased out world wide and there are timetables in place for restrictions on refilling fire suppression systems and, ultimately, their removal or replacement. We have plans in place to replace our halon fire suppression systems, where appropriate, using alternative suppressants, at a cost of £6.6 million.

Gas storage

Centrica Storage operates the Rough field, the UK's largest gas storage facility, 18 miles off the East Yorkshire coast. The two offshore complexes are connected to the gas processing terminal at Easington via a 36-inch diameter pipeline.

This depleted natural gas field has a reservoir located about 3,000 metres under the sea bed and is designed to inject gas to a total storage capacity of 2,800 million cubic metres. This stored gas is available to be piped back into the National Transmission System (NTS) at rates of up to 42 million cubic metres a day. This is equivalent to about 10% of the total gas supplied in Britain during the coldest day in winter.

Areas of focus in the environmental management programme are:

Atmospheric emissions

Atmospheric emissions arise from the combustion of natural gas, producing carbon dioxide, oxides of nitrogen, carbon monoxide and unburnt hydrocarbons. Sulphur dioxide is produced from the combustion of diesel offshore and transport operations.

Emissions to water

Discharges to water from offshore operations include small quantities of water associated with gas processing together with discharges of sewage, cleaning and maintenance chemicals and service water from the accommodation facilities. Sea water is used in the cooling water systems with a minimal impact on the marine environment.

Onshore, discharged water is passed through carbon filters and a caustic dosing plant to reduce contaminants. The resulting effluent is analysed to ensure compliance with discharge limits set by the Environment Agency.

Surface water from the process areas passes through an oily water separator into a retention pond. The effluent is analysed to ensure compliance with discharge limits before it is pumped to the storm water sewer with almost no effect on the marine environment.

Emissions to land

Waste from offshore is returned to the base at Immingham and, together with waste from onshore activities, is disposed of by licensed waste disposal companies.

Recycle/reuse

Condensate, a by-product from gas processing, comes onshore and is stabilised before being sold for other uses. Waste oil is recovered both offshore and onshore for recycling off-site. Methanol is injected onshore to prevent hydrate formation in the pipelines. It is recovered from the produced water and stored for reuse. Scrap metal and waste paper are collected offshore and onshore for recycle and reuse.

Energy

Most of the energy consumed offshore is required to drive the gas re-injection compressors. Energy consumed onshore operates the gas compressors and large process heaters and is related to customer

needs. Rough is currently predicted to last until 2029 but is subject to regular review. On decommissioning, the platforms and other equipment will be completely removed.

Transport

Supply and support vessels transport materials and equipment to the offshore platforms from the Immingham support base and return waste onshore. People travel to and from the platforms by helicopter from the heliport at Kirmington. Atmospheric emissions are reduced by using low sulphur fuels and minimising the number of shipments and flights.

Power generation

Centrica currently runs seven gas-fired power stations in the UK and three in North America. Together these assets have the capacity to produce more than 4.5GW of electricity.

All of our UK stations have environmental management systems certified to ISO14001 and two of them have been verified to the European Eco Management and Audit Scheme (EMAS).

In addition, we are constructing a new Combined Cycle Gas Turbine (CCGT) power station in the South West of England at Langage. The new station will have a generating capacity of up to 1010MW and we anticipate that generation will begin in 2008/09.

Gas is the cleanest fossil fuel from which to generate electricity. This means that Centrica has the lowest carbon intensity of the major UK power suppliers. We are committed to maintaining our low carbon intensity position. In 2006 we announced our intention to build the UK's first integrated carbon capture and storage coal-fired power station. We also plan to invest £750 million in renewable power generation in the coming years and are currently constructing the UK's largest offshore wind farm.

Pollution prevention and control

During 2006, all our UK power stations became regulated under Integrated Pollution Control as part of the new pollution prevention control regulations (PPC). Our PPC applications are publicly available and contain a significant amount of information about each of the stations.

Emissions trading

Centrica is also actively involved in the European Union Emissions Trading Scheme (EU ETS). The EU ETS is designed to tackle emissions of greenhouse gases, mostly carbon dioxide, and combat the threat of climate change. Find out more about EU ETS.

Operating efficiency

Environmental regulations and our carbon trading obligations have focused our attention on ensuring that we apply the best available techniques to our operations. In 2006, we delivered improvement programmes at our power stations and our upstream assets. This enabled us to optimise our activities and to minimise our environmental impact.

Direct Energy

The Energy Management Group (EMG) is a core part of our North American business, generating and procuring energy for our retail operations. Our main activities are concentrated in the energy hubs of Houston, Texas, and Calgary, Alberta.

Direct Energy owns and manages three electricity power plants in Texas: the Paris, Bastrop and Frontera Energy Centers. We also have four long-term contracts for wind power in Texas - Buffalo Gap, Buffalo Gap 2, Sand Bluff and Lone Star Wind Farms. These contracts help us diversify our power supply and provide our customers with green energy.

Case study

Centrica buys into a UK's first clean coal project

Centrica announced that it is set to take part in the UK's first complete clean coal power generation project.

Case study

New power station gets £400m green light

Centrica was given the go-ahead to construct the first major power station in the UK for nearly five years.

Emissions trading

Centrica has been participating in the European Union (EU) Emissions Trading Scheme (ETS) for almost three years. We strongly support market mechanisms that set a price for carbon and believe the ETS is the primary scheme for reducing emissions across the EU.

Our UK power stations, gas installations and Rough gas storage facility are all covered by the scheme. We are active in the emissions market through our Accord trading arm, and in 2006 Centrica was involved in approximately 15% of all EU carbon allowance trades.

We made a number of significant investments through the Clean Development Mechanism (CDM) and also made our first investment via the Joint Implementation (JI) scheme. The CDM and JI are both Kyoto Protocol mechanisms aimed at promoting investments in emission reducing projects in third party countries.

Centrica believes the CDM is crucial to engaging developing countries in emission reductions and has committed to further investments in this area.

During 2006, the UK Government drew up the National Allocation Plan (NAP) for the second phase of the scheme, and as a major participant in the scheme Centrica was heavily involved in the consultation process. We were pleased to see a NAP which represented a cut against projected emissions at the high end of the range previously announced, and one which will see a relatively high proportion of allowances auctioned compared to the maximum allowed under the Commission rules.

Carbon credit deal

Centrica announced that it has secured access to carbon credits from China, in its first deal with carbon brokers Climate Change Capital (CCC). The carbon credits will be produced from a project that will help reduce the level of greenhouse gases in China.

Centrica, as a member of a syndicate, purchases Certified Emission Reduction certificates from the project. We use these to help meet our carbon requirement under the EU Emissions Trading Scheme. We believe project credits like these are a vital step towards global engagement in reducing carbon emissions.

During 2006, Centrica also made a commitment to invest in a Carbon Fund operated by Climate Change Capital, believed to be the largest private fund operating in the carbon markets.

Case study

Centrica signs carbon credit deal

We announced our first deal with carbon brokers Climate Change Capital (CCC) in 2006, which secured access to carbon credits from China.

About the ETS

The scheme was established in 2005 to tackle emissions of greenhouse gases, mostly carbon dioxide, and to combat the threat of climate change.

EU member state governments fix an emissions cap for all installations covered by the scheme, set out in a National Allocation Plan. Installations must hold an emissions trading permit, which is, in effect, a licence to operate and emit carbon dioxide.

The scheme allows companies to emit more than their allowances (each allowance represents one tonne of carbon dioxide) by buying allowances from the market. A company emitting less than its allocation can sell its surplus allowances.

This method of trading allowances gives companies flexibility in meeting emission reduction targets – by reducing emissions on site or by buying allowances from other companies. This facilitates carbon abatement at the lowest cost and is therefore the most economically efficient solution.

Management and compliance

Our power station teams are committed to achieving high standards in environmental performance. Our processes are designed to ensure the highest standards of environmental management are delivered and procedures are reviewed on a regular basis.

In 2006, Centrica received no fines or penalties for its environmental operations. Where minor environmental incidents occur, however infrequently, steps are taken to address these as quickly as possible.

Pollution Prevention Control (PPC)

Pollution control is a very important part of the environmental management systems we operate in our power stations. In the UK pollution control also forms part of the remit of The Environment Agency, which has responsibility for monitoring and regulating the impact that industry has on air, land and water quality.

The Environment Agency conducts an annual appraisal of the environmental risks posed by a range of businesses including power generators. Each of our UK power stations has been assessed and awarded an Operator Performance Risk Appraisal (OPRA) under this process.

Case study

Barry completes its biggest overhaul

In 2006, Centrica Energy's Barry Power Station completed the biggest maintenance programme it has ever undertaken.

Management and compliance

Peterborough

Location

Storeys Bar Road, Peterborough
 Cambs PE1 5NT

Date acquired by Centrica

October 2001

Fuel

The station can burn both gas and distillate



Running regime

The power station offers flexible operations, typically starting up and shutting down on a daily basis thereby meeting the demands of Centrica’s customers in a challenging market.

Total amount of electricity generated in 2006

804 GWh

Air emissions

Pollutant	2006 total emissions
Nitrogen oxides	3.3 tonnes
Sulphur hexafluoride	n/a
Methane	24.1 tonnes
Carbon dioxide	374,664 tonnes

Water management

The power station has an air-cooled condenser to eliminate the need for cooling water. It makes use of a grey water supply provided by Anglian water’s sewage treatment plant in Peterborough. This grey water prevents the use of clean potable water from the towns supply, and it reduces the unnecessary use of chemicals to regenerate the ion exchange resins which we use to demineralise the water to protect the power stations, boilers and steam turbine. This helps Peterborough Power Station to protect the environment through reduced chemical use.

Awards

Peterborough Power Station has been awarded the Investors in People Award with staff training being considered key in ensuring the site has a very competent workforce which is completely in tune with health, safety and the environment.

Community

The power station holds an annual Open Weekend, where members of the public can come to the site and learn more about the operation of the plant. Frequent site visits are hosted for various interest groups including schools and societies. Peterborough Power Station will continue to support environmental projects in the local community. Previous projects have included the Peterborough Green Wheel Cycleway, Flag Fen Bronze Age Excavation and the Wildlife Trust.

Rosecote

Location

Barrow-in-Furness, Cumbria, LA13 OPQ

Date acquired by Centrica

14th May 2003

Fuel

The station is dual fuel with the capability to burn both gas and distillate.

Running regime

The power station offers flexible operations in order to meet the demands of Centrica’s customers in a challenging market.

Total amount of electricity generated in 2006

716 GWh



Air emissions

Pollutant	2006 total emissions
Nitrogen oxides	2.8 tonnes
Sulphur hexafluoride	n/a
Methane	15 tonnes
Carbon dioxide	312,172 tonnes

Water management

Rosecote Power Station is water-cooled. The station abstracts water from Cavendish dock. The water is returned to the dock at up to ten degrees Celsius higher than ambient temperatures. As a result the dock is extremely attractive to a range of wildlife, including exotic species not normally found in the UK. It is an exemplary demonstration of collaborative working between power generators, landowners and the environmental regulators.

Community

The role of Rosecote power station in sustaining the benefits of the heated discharge to Cavendish Dock has been recognised by the English Nature.

Glanford Brigg

Location

Scawby Brook, Brigg, Humberside. DN20 9LT

Date acquired by Centrica

Summer 2002

Fuel

The station is dual fuel with the capability to burn both gas and distillate

Running regime

The power station offers flexible operations, typically starting up and shutting down on a daily basis thereby meeting the demands of Centrica's customers in a challenging market

Total amount of electricity generated in 2006

399 GWh



Air emissions

Pollutant	2006 total emissions
Nitrogen oxides	1.7 tonnes
Sulphur hexafluoride	n/a
Methane	24.8 tonnes
Carbon dioxide	193,579 tonnes

Water management

Water is extracted from the nearby River Ancholme for two purposes, firstly cooling and secondly, for conversion in the demineralisation plant to process water. Cooling water is circulated using large vertical pumps and is passed to the cooling towers where it is cooled and for re-use.

Awards

Glanford Brigg Generation Station has been awarded the Royal Society for the Prevention of Accidents (ROSPA) Gold Medal. The site has also attained the Investors in People Award for its development of a competent workforce.

Community

In 2004 Glanford Brigg Generation Station raised £2700. This money was used to sponsor local junior football teams, scout groups as well as being donated to Scawby Primary School and Local under 5's playgroup to help fund new buildings, a local animal sanctuary and carer support groups. Work has now begun with local schools to build a partnership so that Brigg Power station can participate in and support active learning as part of the curriculum.

King's Lynn

Location

Willows Business Park, Saddlebow, Norfolk. PE34 3RD

Date acquired by Centrica

October 2001

Fuel

The station burns gas.

Running regime

The power station offers flexible operations, typically starting up and shutting down on a daily basis thereby meeting the demands of Centrica's customers in a challenging market.

Total amount of electricity generated in 2006

900 GWh



Air emissions

King's Lynn Power Station monitors its emissions to air and water monitoring equipment for 2005 and maintenance tasks to ensure compliance with EN14181 Quality Assurance of automated measuring systems.

Pollutant	2006 total emissions
Nitrogen oxides	3.2 tonnes
Sulphur hexafluoride	n/a
Methane	24 tonnes
Carbon dioxide	364,603 tonnes

Water management

Kings Lynn Power Station uses an air-cooled condenser to eliminate the need for cooling water. Some town's water is used to provide make-up water for the boiler and steam turbine. This water is treated by the power station to removal harmful minerals that would damage the equipment at the station.

Awards

King's Lynn Power Station has been awarded the Investors in People Award with staff development being considered key in ensuring the site has a very competent workforce.

Barry

Location

Sully Moors Road, Sully, Vale of Glamorgan. CR64 5YU

Date acquired by Centrica

July 2003

Fuel

The station burns gas.

Running regime

The power station offers flexible operations, typically starting up and shutting down on a daily basis thereby meeting the demands of Centrica's customers in a challenging market.

Total amount of electricity generated in 2006

521 GWh



Air emissions

Pollutant	2004 Total Mass Emissions per annum (Tonnes)
Nitrogen oxides	1.7 tonnes
Sulphur hexafluoride	n/a
Methane	15.5 tonnes
Carbon dioxide	237,008 tonnes

Water management

Barry Power Station uses an air-cooled condenser to eliminate the need for cooling water. The town's water is used to provide make-up water for the boiler and steam turbine. This water is treated by the power station to removal harmful minerals that would damage the equipment at the station.

Barry Power Station has planned a comprehensive ground survey of its drainage systems to ensure integrity of system and the protection of controlled waters.

Community

Barry Pwer Station, through the Barry Foundation, at the time of build, donated £600,000 to the Bananal Island Project in Brazil. This project involved the reforestation of indigenous trees. In recognition of its donation, the first six million tons of carbon to be sequestered from the air by the forest will be accredited to Barry Power Station. It is estimated that if Barry Power Station were to operate at max load for its estimated life cycle it would produce less than 6 million tons of carbon.

South Humber Bank

Location

South Marsh Road, Stallingborough, Northeast Lincolnshire. DN41 8BZ

Date acquired by Centrica

July 2003

Fuel

The station burns gas.

Running regime

The power station is a joint venture between Centrica and Total and offers flexible operations in order to meet customer demand in a challenging market.

Total amount of electricity generated in 2006

5,945 GWh



Air emissions

Pollutant	2004 Total Mass Emissions per annum (Tonnes)
Nitrogen oxides	20.4 tonnes
Sulphur hexafluoride	< 10 kg
Methane	10 tonnes
Carbon dioxide	2,303,221 tonnes

Water management

Cooling water is drawn from, and returned to, the River Humber under a license granted by the Environment Agency. A small amount of mains water is used on site for domestic purposes. Industrial water is also supplied to provide make-up water to process via a demineralisation plant. The site has two small sewage treatment plants to treat domestic waste prior to return to the River Humber. However, since 2000, these plants have been regularly emptied by tanker and recycled.

Killingholme

Location

Chase Hill Road, North Killingholme, Immingham, North Lincolnshire. DN40 3EH

Date acquired by Centrica

July 2004

Fuel

The station burns gas.

Running regime

The power station offers flexible operations, typically starting up and shutting down on a daily basis thereby meeting the demands of Centrica's customers in a challenging market.

Total amount of electricity generated in 2006

1,290 GWh



Air emissions

The site provide financial support to the local community and local authority and has purchased an air quality monitoring station at a local school. The data from the station is shared with the local community at the environmental liaison committee, demonstrating to our neighbours that our emissions have no significant impact on the local air quality.

Pollutant	2006 total emissions
Nitrogen oxides	4.9 tonnes
Sulphur hexafluoride	< 10 kg
Methane	25.5 tonnes
Carbon dioxide	556,119 tonnes

Awards

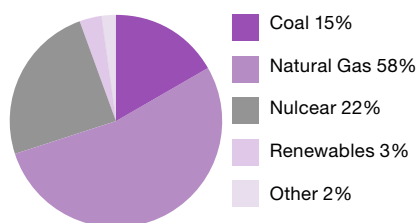
In 2004 Killingholme Power Station was awarded the Royal Society for the Prevention of Accidents (ROSPA) Gold Medal and was re-accredited with the Investors in People award in recognition of the continuous development of our staff in the areas of health, safety and the environment.

Community

Over the past year, we have continued to develop relationships with external interested parties by promoting the use of the Killingholme visitor centre.

Our fuel mix

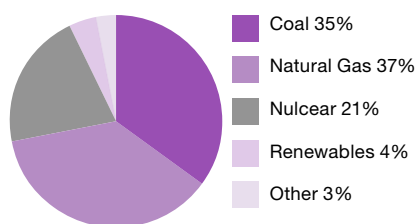
Centrica's Fuel Mix 2005/06



Centrica's Fuel Mix 2005/06

Fuel type	Percentage (%)
Coal	15
Natural gas	58
Nuclear	22
Renewables	3
Other	2
Total	100

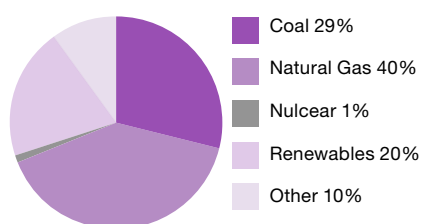
UK Average for Comparison



UK Average for Comparison

Fuel type	Percentage (%)
Coal	35
Natural gas	37
Nuclear	21
Renewables	4
Other	3
Total	100

North America



Direct Energy's estimated fuel mix* in 2006

Fuel type	Percentage (%)
Coal	29
Natural gas	40
Nuclear	1
Renewables	20
Other	10
Total	100

* No formal systematic requirement for CO2 emissions submissions exists in the US and for Canada

	Centrica	UK Average
CO2 emissions (g/kWh)	354.50	461.13
Nuclear waste (g/kWh)	0.00262	0.002508

Operational footprint

The efficient use of energy is central to our efforts to reduce the environmental impact of our operations. Our internal carbon footprint in 2006 was around 0.14 Mt CO₂/CO₂ e*.

We aim to lead by example by using our own resources efficiently – minimising waste, increasing recycling, reducing energy usage and improving the efficiency of our vehicle fleet.

Case study

Centrica IS logs on to green computer campaign

Centrica signed on to a green charter run by one of the UK's leading computer magazines in 2006.

Case study

'Buildings that talk' bring Group Property a top award

The Centrica Group Property team won a high profile award for innovation in 2006.

Performance summary

	Unit	2005 actual	2006 actual
Building energy use (including offices)	KwH	119,995	123,159
Vehicle Mileage (fleet and company cars)	Miles	167,811	144,745
Waste disposal from offices	tonnes	5,839	6,320
Recycling in offices	%	59%	65%

Energy management

Energy management programmes are central to the way we run our facilities. They enable us to optimise the heating and cooling of our offices, reduce our energy demand and cut costs.

In 2006, we reduced office energy use across the business by 3.9% by setting individual office targets for our buildings and making changes to our property portfolio. We aim to deliver a further reduction in energy use of 10% in 2007.

Fleet efficiency

We seek to improve the efficiency of our fleet by working closely with vehicle manufacturers, providing driver training for our people and by encouraging flexible working patterns, video, and teleconferencing.

In 2006, we delivered fuel efficiency driver coaching to around 3,000 of our British Gas engineers. This programme, which will be expanded in 2007, encourages safe and fuel efficient driving skills.

Waste management

We seek to use materials that limit the operational waste we generate. Where waste is unavoidable, we aim to minimise incineration or landfill by recycling and reusing where possible.

In 2006, we recycled 65% of our waste which represents an improvement of more than 6% on 2005 performance and exceeded our 2006 target by almost 4%.

Reducing consumables

We seek to limit the volume of consumables purchased by setting challenging targets, closely monitoring usage and rewarding good performance.

Centrica Print Services conducted an extensive review of paper usage across the business. Following this, we were approached by Wrap, a government funded organisation to help promote our planned move towards using recycled papers.

We have initially focused on corporate materials - Centrica Annual Report, training materials, and internal communications - which are now produced on recycled paper and use vegetable-based inks. The Annual Report alone equates to 550 tonnes of paper.

British Gas Business is converting all its marketing materials to recycled papers, which further underpins its green product offerings. British Gas has tested customer bill inserts using recycled paper, and plans to extend recycled paper usage in 2007.

Our internal paper reduction programme 'paperchase' continues to deliver strong results. In 2006, we exceeded our target of 10% reduction by more than 5%. However, we recognise that there is potential for significant further reductions in paper use across the business and have set an additional 10% reduction target for 2007.

* Data tolerance level of 10%

Environmental management system

Centrica has successfully implemented ISO14001 certified environmental management systems in all its major assets. Two of our power stations have also had their management systems verified to the European Union's eco management and audit regulation system, EMAS.

These systems help ensure that we manage our environmental risks, reduce our impact on the environment and identify opportunities for improving our performance. The main requirements are that we:

- assess the significance of the effect our activities can have on the environment
- implement robust controls to manage our environmental performance and set and meet objectives to reduce our environmental impact
- commit ourselves to continual improvement, to prevent pollution, and to comply with environmental legislation and regulations.

Our 2006/10 environmental action plan identifies the need for a revised Group Environmental Management System (GEMS).

In 2006 we developed the GEMS template, which meets all of the ISO14001 requirements. It has been implemented across Centrica's Information Services activities. The new system will be implemented across our property and fleet operations in 2007/08. The existing British Gas Services ISO14001 system will be migrated to GEMS during 2007.

Our long-term target is to ensure that all of our businesses have fully implemented GEMS by 2010. As part of our environmental stewardship we will be looking at ways in which we can help promote environmental best practice by providing ISO14001 and EMAS support to our suppliers and contractors through the GEMS template.

Involving employees

We continue to deliver a range of internal environmental initiatives through a campaign called Natural Capital (NC). We engage with our employees on a variety of environmental issues such as waste, recycling, travel to work and energy efficiency. We have a network of volunteer 'green teams' across our UK operations who promote good environmental practice in the workplace and drive local activities.

In 2006, we reviewed the issue of climate change, and examined the risks and opportunities it presents to the Group. One key aspect we identified was the need for significant changes in behavioural attitudes to successfully stabilise carbon dioxide (CO₂) emissions.

To raise awareness of Centrica's position on climate change among our employees we re-launched Natural Capital during the year, emphasising the need to take action to preserve the planet for future generations. Our internal communications activities also strongly reflected the UK Government's 60% CO₂ reduction target by 2050.

We delivered a range of events and activities including World Environment Day. Centrica Information Services (IS) was particularly active during the year in supporting the implementation of an ISO14001 environmental management system and its contribution to the development of the Group Environmental Management System (GEMS) template. The IS green team ran events on a range of issues including energy management, waste disposal and recycling.

Future plans

In 2007, we aim to further expand our employee engagement activities. We will undertake an annual survey of employees' attitudes on environmental issues. Our intention is to coordinate four Group-wide campaigns during the year:

- World Environment Day
- Greening Christmas
- Minimising Waste and Maximising Recycling
- Energy Efficiency

Also during 2007, we will be actively encouraging our employees to consider how they can improve their environmental performance at home. We are already looking at how we may provide financial support for our employees to reduce their personal carbon footprint and we will actively support wider environmental initiatives in their local communities.

Performance

Incidents

Pollutant	2006	2005	2004	2003
Non-compliances	3	5	12	15
Incidents	14	30	13	2
Complaints (including noise)	13	51	26	2

Building/Infrastructure and downstream

Building/Infrastructure and downstream	Unit	2006	2005	2004	2003
Building Gas & Electricity Consumption	MWh	119,995	123,159	148,737	168,699
Group Fleet Operations	000 Miles	109,253	100,017	191,877	191,097
Group Company Cars	000 Miles	58,558	44,728	71,435	87,970
Rail	000 Miles	2294	1166	1127	446
Group Air Travel	000 Miles	18,744	10,393	9070	7,741
Total Office Waste	Tonnes	5,839	6,320	7,712	7,491
Recycled Office Waste	Tonnes	3786 (65%)	3704 (59%)	3929 (51%)	3603 (48%)
Final Disposal Office Waste	Tonnes	2,053	2,616	3,783	3,888

Power Generation

Power Generation	Unit	2006	2005	2004	2003
Gas Consumption and Fuel oil (CO ₂)	Tonnes	4,341,366	5,869,728	6,934,443	5,187,267
NO _x	Tonnes	4,613	6,669	7,411	5,593
Nitrous Oxide (N ₂ O)	Tonnes	38.3	47	61	57
Methane	Tonnes	138	153	167	171
Total VOC (Non Methane)	Tonnes	39.3	96	140	166
Total CO ₂ (CO ₂ + CO ₂ e)	Tonnes	4,356,156	5,887,589	6,957,838	5,208,650
Carbon Intensity (T CO ₂ /MWh)		0.35	0.41	0.42	0.42

Environment

Upsteam gas production & processing

Upsteam gas production & processing	Unit	2006	2005	2004	2003
Fuel Gas Consumption	GWh	2,990	3,103	4,092	4,490
Diesel used	Litres	1,882	1331	971	1,615
Imported Electricity	GWh	13.3	20.1	8	15
Total Energy Consumption	GWh	3,185	4509	4,169	4,534
Total CO ₂ Energy Consumed	Tonnes	579,771	602,428	783,995	864,550
CO ₂ from Incinerator	Tonnes	59,669	176,942	209,342	281,048
Gas Flared	kscm	17,521	16,930	15,102	13,033
Methane from NRU's	Tonnes	321	357	388	530
Gas Vented	kscm	1,312	2,126	54	2,101
Fugative	Tonnes	96	96	0	96
Helicopter and Shipping fuel used	000 litres	4,576	3,712	2,439	1,738
NOx	Tonnes	447	390	357	555
Total Gas Production CO ₂ (Emissions and Energy)	Tonnes	692,522	838,824	1,026,371	1,199,060
Gas Produced	mscm	7,662	14,647	10,802	18,070
Efficiency ratio (CO ₂ /mscm)		90	52	95	66

Operational waste

Upsteam gas production & processing	Unit	2006	2005	2004	2003
Total Recycled Hazardous Waste	Tonnes	435	1766.87	1,920	654
Final Disposal Hazardous Waste	Tonnes	868	617	776	329
Total Hazardous Waste	Tonnes	1,303	2,385	2,696	983
% Recycled Hazardous Waste	%	33%	74%	71%	67%
Total Recycled	Tonnes	7,964	3487	12,061	11,290
Total Final Disposal	Tonnes	4,971	1496	6,465	5,820
Total	Tonnes	12,935	4,983	18,526	17,111
% Recycled	%	62%	70%	65%	66%

CO₂ Emissions**CO₂ Emissions from activities covered by the EU Emissions Trading Scheme†**

Installation	Emissions Verified 2005 (tonnes)	Emissions Verified 2006 (tonnes)	Allocation (tonnes)	2006 long/short (tonnes)
Barrow Terminals	373,474	293,484	271,456	-22,028
Morecambe CPC	227,259	133,436	210,938	77,502
HRL Total	600,733	426,920	482,394	55,474
Barry	279,723	237,008	426,873	189,865
Brigg	321,303	193,579	516,792	323,213
Killingholme	1,295,903	556,119	1,357,664	801,545
King's Lynn	330,897	364,603	561,358	196,755
Peterborough	366,366	374,664	725,291	350,627
Roosecote	339,547	312,172	517,885	205,713
Humber	2,935,989	2,303,221	2,483,996	180,775
Total Power	5,869,728	4,341,366	6,589,859	2,248,493
Total All	6,470,461	4,768,286	7,072,253	2,303,967

Centrica Storage Ltd

Installation	Emissions Verified 2005 (tonnes)	Emissions Verified 2006 (tonnes)	Allocation (tonnes)	2006 long/short (tonnes)
Rough 47/3B	104,324	67,787	102,193	34,406
Centrica Storage Ltd	99,655	74,339	102,193	18,838

†Independently verified by DNV/DEFRA.

* Centrica gained full ownership of South Humber Bank power station in September 2005. Emissions are reported for the whole station but until September, Centrica was only responsible for 60% of the emissions.

** European Union Allowance (EUAs) are a permit to emit one tonne of CO₂. An installation's free allocation is based on its average emissions between 1998 and 2003.

Future commitments

What we said we'd do	What we've done	What we plan to do next
Office energy		
Reduce energy use per person in our buildings by 3% year on year.	During 2006 our office energy consumption reduced by 3.9% against 2005 figures.	We have set a year-on-year energy reduction target of 10% for 2007. We are also planning a further energy reduction programme for 2008/12, which will involve the application of new technologies and behavioural change across our property portfolio.
Office waste		
Archive office recycling rate of 62%.	Exceeded the overall office waste recycling target of 62% by 3% with a minimum of 50% in every office.	Continue to focus on the Management Learning Programme and Hot Topics seminars to support the development of our managers at all levels.
Achieve a year-on-year reduction in waste sent to landfill by 15%.	Delivered a 21% reduction in the volume of waste sent to landfill against 2005 figures	Maintain current level and investigate further reduction opportunities particularly in our supply chain.
Management systems		
Extend ISO14001 certification to all upstream assets.	All upstream assets have attained and continue to retain certification to ISO14001, two are verified to EMAS. During 2006 we also delivered the Group Environmental Management System (GEMS) template and extended ISO14001 certification to our IS function.	Maintain certification and cascade GEMS across the whole of the business by the end of 2010.
Renewables		
Produce green electricity from Barrow offshore wind farm during the first half of 2006. Continue to progress on schedule the construction of Lynn, Inner Dowsing and Lincs offshore wind farms. Progress consent applications for Docking and Race Bank wind farms.	Barrow offshore wind farm entered operation during 2006. We made good progress with our Lynn and Inner Dowsing development which has now entered the construction phase and is the largest offshore wind farm development in the UK. We also progressed on schedule with our other developments at Lincs, Docking Shoal and Race Bank.	Continue to progress on schedule with the construction of our Lynn and Inner Dowsing offshore wind farm, installing foundations for the turbines in 2007. Successfully manage environmental impact assessment processes.
Regulations		
Integrate the requirements of new regulations such as energy labelling, pollution prevention control (PPC) and the European Union Emissions Trading Scheme.	PPC applications for all UK power stations were duly made in March 2006. EU-ETS phase I verifications were also completed March 2006, and we have received the PPC permits for all of our UK power stations.	Implement PPC improvement programmes and coordinate with wider climate change agenda.

Communities



Communities

Our business success depends on developing and maintaining positive relationships not only with our customers and employees but also our business partners, shareholders and the communities where we operate.

Our approach is to engage with our neighbours, community leaders, non-governmental organisations and charities to understand the implications of our activities. We seek to minimise or eliminate any negative impact, while maximising opportunities to make positive and sustainable contributions.

We believe that working in partnership with communities over a sustained period of time is the most effective way to achieve real results and lasting change. This approach is guided by our community investment policy.

Offices and call centres

We have over 25 offices and call centres around the world.

Engineering workforce

Our engineers are the face of our brands in the community.

Power generation and exploration

We operate energy assets and explore for gas.

Supporting customers

We work with a range of charity partners to support our more vulnerable customers.

Involving employees

We enable our employees to get involved in their local communities.

Performance

We closely measure and benchmark our community activities.

Our impact

Our operations are global. We produce and supply energy for millions of customers in the UK, North America and Europe and are increasingly looking to secure gas supplies outside our core markets in countries such as Nigeria, Trinidad and Egypt. We employ more than 30,000 people in a range of jobs, from engineers to call centre agents, geophysicists to training experts. Our engineers make more than 10 million visits to our customers' homes in the UK and North America every year.

Employment

We provide employment opportunities for people local to our operations and strive for the diversity of our workforce to reflect these communities.

Skills and training

We train our employees to work safely and with the required skills to realise their full potential.

Economy

As a leading company, we contribute to the global economy and to the local and national economies in the countries where we operate.

Environment

Our activities have a significant impact on the environment. We are committed to reducing our operational impact and helping our customers use energy more efficiently.

Energy

Energy is an essential part of our everyday lives. We have a responsibility to deliver affordable and reliable energy supplies to our customers, and provide particular support for the fuel-poor.

Infrastructure

Our business activities have an impact on national infrastructures, such as roads and public services.

Education

We deliver programmes to educate young people and adults about subjects including the energy industry, energy efficiency and career opportunities.

Human rights

We support all aspects of human rights consistent with the Universal Declaration of Human Rights. These form the basis of our respect for the communities in which we operate, our belief in equality and diversity and our emphasis on health and safety.

Offices and call centres

Our offices, call centres and training facilities in the UK and North America have well established relationships in their local communities. When opening new sites in recent years, engaging our community stakeholders has been a key priority.

We employ thousands of people directly from these local communities. Our ability to recruit and retain talented and motivated individuals requires us to invest time and money to support the local economy.

Our brands are recognised and trusted in the marketplace and there is a significant level of interest in our business and community activities. We maintain constant, open dialogue with all our stakeholders to understand changes in our industry and in wider society. This enables us to ensure that we continue to serve communities, minimising any negative impact while maximising opportunities to contribute sustainably.

Call centres

Our seven call centres across the UK took 30 million calls directly from customers in 2006. Customer service agents are the voice of our brands and their interaction is essential to our success. Ensuring our employees are engaged in an inclusive and welcoming environment contributes to their own well-being and performance. We do all we can to guarantee a positive experience in the workplace. Contributing to the local communities our employees live in is an essential element of that.

Our presence in North America has continued to grow and our relationships with the communities in which we operate have helped us achieve this growth. We enable our employees to have a positive impact on the communities through a range of volunteering and fundraising activities



Case study

Get Involved

We encourage and enable our people to give their time, ideas and support to a range of community activities.

Case study

Texas community groups helped

Eight community groups in Texas have received funding from Direct Energy to buy new energy equipment.

Engaging employees

86% of employees think it is important that their employer is responsible to society and the environment.

British Gas Customer Service Centre in Cardiff

Our activity

Our British Gas customer service centre has been based in Cardiff city centre for 20 years. It employs around 1,700 people from the local area, takes around eight million customer calls each year and makes two million outbound calls. The centre answers customer service calls for our British Gas Residential and British Gas Business customers, and has specialist teams, such as Home Movers and the Welsh Language team.

Our impact

As one of the largest employers in the area, our recruitment and training activities have a significant positive impact on the local community.

Unemployment is only three per cent in the area and there are about 80 call centres competing for talent. Recruiting and retaining talented and committed people is a constant challenge.

Our engagement with local stakeholders and community involvement activities are a key part of our employment profile and help differentiate British Gas from other employers.

Our approach

In 2006, we recruited 650 new employees. Each completed a minimum of three weeks' training in customer service and our products and processes. Our industry-leading training programmes and commitment to skills development among the local workforce define our approach.

Sharing good practice

Mike Mullins, operations manager, sits on the board of the Welsh Contact Centre Forum, which shares best practice with experts in Wales and learns from other businesses experience and suggestions. It supports the call centre industry, ensuring the best customer service and employment opportunities in Wales.

Celebrating diversity

Last year, with the Black Association of Women Stepping Out, the Welsh Contact Centre Forum initiated the ESTEEM project and applied for backing from the European Social Fund. The project supports economic development and lifelong learning in Wales. Its aim is to tackle issues such as social exclusion, skills development and economic growth in marginalised communities. British Gas has committed money, resources and time to the project and will be training two new employees to work in the call centre. The project was launched in March 2007.

Providing flexibility

To encourage diversity and work-life balance, we have 150 shift patterns, meaning all employees should be able to find a work pattern to suit them. This enables registered carers, university and college students, parents and others who have commitments associated with their religion, interests or beliefs to work more flexibly. These shift patterns also minimise the impact on local services, particularly transport, because employees do not all travel at the same times.

Seeking opinions

We work carefully in Cardiff to consider our employees and the community in every decision we make. For example, when refurbishing the employee 'Sky Café', we donated all the cutlery and furniture no longer needed to the YMCA, which passed it on to local people in their first independent homes. This small donation has minimised waste and contributed to the wider community.



Case study

Cardiff volunteering and fundraising

In 2006, our Cardiff call centre was awarded second place in the South Wales Echo's Community Workplace of the Year Award.

Close community

'Everyone in Cardiff knows someone who works for British Gas'

*Mike Mullins,
Operations Manager*

Fundraising

Employees raised £28,000 to donate to a range of charities in 2006

Communities

Welsh team

We have a specialist team that communicates with our 3,000 Welsh-speaking customers, helping to keep Welsh a living and working language. It is important to our employees and customers in Wales that we continue to offer this service, because it demonstrates our respect for their culture and the history of the nation we are operating in.

Volunteering and fundraising

We encourage our employees to support our community work because community involvement and good corporate citizenship enhance employee morale, motivation, commitment and performance.

Benefits of our approach

- Increased levels of employee satisfaction
- Employee engagement was the highest of all British Gas Residential operational sites: 80 per cent compared with British Gas' average 77 per cent, a local rise of over 3 percentage points since 2005
- Positive effect on employee retention rates
- More opportunities for employee development
- Lower incidence of absence, reduced by 30 per cent in 2006
- Increased positive media coverage
- Awarded second place in the South Wales Echo's Community Workplace of the Year Award
- Our employees raised £28,000 for charitable causes and volunteered 1,000 hours of their time.

Outreach

In 2006, we trained five homeless individuals through Business in the Community's 'Business Action on Homelessness'

Volunteering

Employees volunteered for over 1,000 hours in 2006, the equivalent of £23,000

Flexibility

We offer employees 150 different shift patterns in Cardiff giving them choice and work/life balance

Direct Energy

Our activity

Direct Energy has over five million customer relationships. We supply gas, electricity and related services to business and residential customers across Canada and a number of US states including Texas, Ohio and New York. We operate through Direct Energy, CPL Retail Energy and WTU Retail Energy brands and employ around 5,000 people.

Our impact

In North America, we look to engage our employees, customers and the communities in which we operate. We undertake employee surveys and community liaison to understand what people think, want and need.

Internal and external stakeholders identified homelessness as a priority. Our presence within homes, providing warmth, air-conditioning and other essential services, highlights the problem of homelessness. In 2006, we introduced new regional initiatives, working with vulnerable customers and introducing programmes to help ensure that 'at risk' customers do not find themselves without heat or power.

Valuing our employees is also key in order for us to recruit and maintain talent, and encourage our employees to work to their full potential. We know that 35 per cent of employees in the US, who are aware of their employers' support for community activities, say it has made them more committed in their jobs¹.

Our approach

We have worked with community partners and charitable causes to reach the homeless and do all we can to alleviate the problem. Our charitable partners are able to identify the individuals and, by sponsoring their projects and working alongside them, we are making a real difference to improve the lives of homeless people, including the 650,000 young homeless people in Canada.

Coalition on Housing and Homelessness in Ohio

We are proud to have supported the Coalition on Housing and Homelessness in Ohio (COHHIO) since 2005. So far, we have given over US\$200,000 (£100,000). COHHIO is involved in a range of housing assistance services, including homelessness prevention, emergency shelters, transitional housing and permanent affordable housing with links to support services. It assists hundreds of housing organisations and homeless service providers in Ohio through public policy advocacy, training and technical assistance, research and public education.

In 2006, Direct Energy became the lead sponsor on a 2007 Housing Ohio Conference, as well as a sponsor of the Youth Leadership awards. The Youth Leadership programme's mission is to empower young people by increasing opportunities for them to take control of their situation while building self-esteem and improving their quality of life through advocacy, leadership, community service and education.

Neighbor-to-Neighbor Program

In Houston, Texas, Direct Energy has managed the Neighbor-to-Neighbor Program which donates money to 29 community agencies. Since 2002, over US\$3 (£1.5 million) has been contributed to customers who are unable to pay their home electricity expenses in emergencies and during financial hardship. These customers have been identified through our relationship with the community agencies that serve as stewards of the programme.

Case study

FOCUS sponsorship

Direct Energy has announced that it is supporting a neighbourhood community celebration in Ohio.

Case study

Alberta volunteer awards programme

Direct Energy has launched the second year of its awards programme in the province of Alberta to recognise those who volunteer to support their community. community celebration in Ohio.

Volunteer Citizen of the Year Award

The direct in the community – Volunteer Citizen of the Year Award is an extension of an existing Direct Energy programme that encourages employees to volunteer their time and energy to a cause or a local organisation. The award process helps Direct Energy build profile and brand awareness among customers in Alberta communities.

Raising the Roof

In 2006, Direct Energy announced that it would be the lead sponsor in an innovative new initiative called *Youthworks*, designed to break the cycle of homelessness among young Canadians. Direct Energy is providing CN\$380,000 (£190,000) of the project's CN\$1.2 million (£600,000) budget.

Created by Raising the Roof, Canada's national homelessness charity and Direct Energy's Canadian charity of choice since 2003, this three-year initiative provides major funding to three leading community agencies – in Calgary, Toronto, and St John's, Newfoundland – with demonstrated success in moving homeless youth permanently off the street. They achieve this through cutting-edge education, training, employment and life skills programmes.

In partnership with these agencies, Youthworks is tracking the progress and challenges of more than 700 homeless young people to identify best practice and formulate recommendations for government about what is needed to end homelessness among Canada's youth. By the end of 2006, 195 young people had participated in 'intake' interviews to assess the root causes of their homelessness.

In addition to its Youthworks sponsorship, Direct Energy continued its support for Raising the Roof's Shared Learnings on Homelessness initiative – an interactive website hub for front-line workers addressing homelessness in their communities – and The Hidden Homeless Campaign, a national media campaign designed to show Canadians the true face of homelessness.

Benefits of our approach

- Nearly 80 per cent of our employees participate in activities aimed at alleviating homelessness
- We have positive, sustainable relationships with community organisations local to our operations
- We are making a difference – in 2006, 195 homeless youths were involved in Youthworks
- We receive positive media coverage for our work, particularly in Alberta thanks to the Volunteer Citizen of the Year Award

¹ Martin Palimeris, Ipsos MORI Employee Relationship Management, November 2006

Investing for commitment

35 per cent of employees in the US, who are aware of their employers' support for community activities, say it has made them more committed in their jobs¹.

Employee support

Nearly 80 per cent of Direct Energy employees take part in activities aimed at alleviating homelessness

Working with partners

Direct Energy and its employees across Canada have contributed close to CN\$1 million, countless volunteer hours and immeasurable support to addressing the issue of homelessness.

Encouraging the next generation

Since 2004, we have awarded 18 scholarships to our employees' children. Each scholar receives \$1,500 (£750) per year for four years.

Engineering workforce

Our engineers are the public face of our brands in towns and cities across the UK and North America. They visit the homes of thousands of customers every day, providing expert technical support and advice, and ensuring safe and reliable energy and related services. Our engineers are recognised and trusted as key community figures.

Creating opportunities

In the UK, we invest £26 million every year to provide industry-leading training for new and existing engineers. We deliberately established our award-winning British Gas Engineering Academy training centres in communities experiencing skills shortages. Building close relationships with these communities is enabling us to find our engineers of the future.

Engineering diversity

Diversity contributes a wide range of ideas and skills to the business. So we are focusing on increasing the number of female engineers we employ and those from black and minority ethnic backgrounds. We want our employees to reflect the communities they live in. This gives us a better understanding of our customers.

Our Academy Diversity Team liaises directly with community leaders and schools, providing career advice and information on careers in the engineering workforce, particularly to people from communities that have not historically considered being a British Gas engineer as a career option.



Case study

Engineers dig in for a makeover

A group of our engineers have volunteered their time and lent a helping hand in tidying up a London hospice.

Case study

Engineers help Anneka rise to the challenge

Two engineers from British Gas Services will be featured on television's Challenge Anneka on Boxing Day 2006.

British Gas Engineering Academy

Our activity

In 2002, British Gas Services identified a skills shortage when trying to recruit fully trained engineers. So we set up the British Gas Engineering Academy, which now has nine training centres across the country. We plan to open a tenth in 2007. Four thousand engineers have been trained in the centres over the past four years.

We invest £26 million each year to recruit and train new engineers from a range of backgrounds. We use the latest technology and equipment to simulate 'real world' work situations in all areas of the home. Our recruits graduate as highly skilled engineers to serve in the homes of our customers.

The apprenticeship training programme sits at the heart of our business' growth plans, and our research has shown apprentices to be 25 per cent more productive than staff trained outside our business. We fully recognise the business benefits of 'growing' our own engineers. They live the culture, and our values are embedded from the very outset.

Our impact on the community

Our training centres are in key locations across the UK where communities have experienced skills shortages. We also have partnerships with two further education colleges. This enables us to reach out into communities, working in partnership with employment agencies, community organisations, schools and colleges to raise awareness of engineering careers and highlight the industry-leading training programmes British Gas can offer. We have a significant positive impact on by providing access to training, education and skills development in communities where opportunities are lacking.

Our approach

Training and skills development opportunities

Our training centre in Dartford was opened in Crossways Business Park in October 2006 by Education and

Skills Secretary Alan Johnson. It is the first training facility in the south-east, and will help British Gas to recruit from London and across the south-eastern regions. Our aim is to increase the diversity of our overall workforce and serve the south-east with local engineers from within their communities. British Gas Services is determined to provide only the highest quality of service to its customers and having engineers who are from the same communities can help us achieve that.

Some trainees have previously had to travel significant distances to other Engineering Academy centres. The Dartford location will help us to cut down the impact of our training on the environment, and encourage more local people to train with us, because they will not have to travel so far from home.

Education

Sam Laidlaw, Centrica chief executive, said at the opening of the Dartford centre: "Together, this is making a real difference to gas customers and the lives of many, many young and not so young people determined to learn a profession. Successful applicants enter an environment that expects excellence and introduces them into a culture of learning that stretches out over the lifetime of their career in British Gas."

Although there are fewer than 15 permanent employees at our Dartford training centre, around 100 engineers are expected to qualify there by the end of 2007. They train on a rotation basis combining classroom learning and 'on the job' time with experienced engineers, learning the technical skills they need and how to deliver the high level of service our customers expect. New recruits gain qualifications varying from NVQ levels two and three to Approved Contractor Status accreditation, and the centre also offers existing engineers scope to improve their high level of understanding and knowledge.



Ensuring our engineers are fully qualified and kept up to date is essential to providing excellent customer service and guaranteeing the health and safety of our engineers and customers.

Duke of Edinburgh Award

In 2006, British Gas Services announced an exciting partnership with the Duke of Edinburgh's Awards Scheme. All our new apprentices will be encouraged to complete the Gold Award programme. This will require them to work across four areas: service, adventurous journey, skill and physical recreation.

Over 300 new recruits will volunteer in local communities as part of this programme in 2007. The centres, such as Dartford, will form links with the local community to source volunteering opportunities, and trainees will be able to search for their own through the Centrica Get Involved programme.

Working together and individually to meet the high level of performance required by the Duke of Edinburgh Award will enable our new engineers not only to learn the essential skills for the job but also to become involved in their local community by making a concrete contribution while learning new skills and keeping physically fit.

Engineering diversity

Our Engineering Academy has a dedicated diversity team to raise awareness of careers in engineering and the opportunities British Gas offers, particularly among younger people, women and those from minority ethnic backgrounds. The team works with community groups, schools and colleges, and attends national and regional recruitment and education events. In 2007, the Academy will arrange 'Ladies' Days' to inform women about careers in engineering with British Gas.

We have been associated with Ambition: Energy in the past. It was a welfare-to-work programme that provided training for the disadvantaged in the labour market - for example, long-term unemployed people, lone parents and other people who needed a helping hand to get back into work.

By the end of 2006, the Ambition: Energy programme had delivered 2,264 jobs within the sector. British Gas Services employed 323 engineers as part of this total and to date 89 per cent of the people remain employed by the Company.

Although UK Government funding for Ambition: Energy has ended, we are keen to continue to benefit from the quality of recruitment the programme delivered. We have therefore launched an independent scheme in partnership with Jobcentre Plus and T Brown, a local engineering firm in Dartford where we are piloting the scheme. In April 2007, 12 recruits began training. They will have the option of working directly for us once they have completed the course. We are expecting a 50:50 male to female ratio and about 40 per cent to come from black and minority ethnic backgrounds.

Benefits of our approach

- In 2007, more than 300 trainees will begin the Duke of Edinburgh Gold Award programme
- 35% of our new recruits are over the apprenticeship age of 24
- Awarded Large Employer of the Year in the Learning and Skills Council's 2006 Apprenticeship Awards
- Won an award from Women into Science and Engineering for our efforts to attract women into engineering jobs
- Strong links with local community groups, networks and schools nationwide
- Michelle Dow, resourcing officer and member of the Diversity Team, was nominated as Woman of the Year for a second time
- 89% of the 323 engineers recruited through Ambition: Energy have stayed with us.

A day in the life of Richard Ackroyd, British Gas engineer

A typical day for Richard Ackroyd starts when he logs on to his computer.

“Through the new system, I get up to about nine or 10 jobs a day, but that can vary,” he said. “It’s a case of going systematically through each one and visiting each customer’s home. I treat each job as unique, although you do see various similarities.”

Richard currently works repairing white goods - mainly fridges, washing machines and dishwashers.

“On a day-to-day basis, everything starts with the back office teams,” he said.. “They receive calls from customers and pass jobs to us engineers out in the communities we work in. Throughout the day, we receive updates from them on things like job cancellations. There’s definitely a strong team spirit between the back office and engineers and with the communities we work in. It wouldn’t work otherwise.”

Richard has 25 years of electrical engineering experience, 15 of them with British Gas. He is confident in his ability and has a can-do attitude.

“The thing I love about my job is that I go into a customer’s home because they have a problem. They tell me about it, I look at the equipment and then try to find solutions. I mend goods which are essential to the

customer and their families. “I spend my days fixing things for other people and making sure their equipment is safe and as energy-efficient as possible. It’s a good job. I’m making people happy.”

Over the years there have been a lot of changes: “Now we’ve got the technology it’s easier to do the things that I would have otherwise had to do on paper. The new technology has also helped engineers diagnose and fix problems even more quickly.” Richard has become a mentor and training assessor, and takes great delight in being able to help others, colleagues and customers.

“You’ve got to listen to them and listen to the way they’re explaining the problem,” he said. “If you do that, no matter what their problem is, you’ll be able to sort it out.”



Power generation and gas production

We source the gas and electricity we need to supply our customers through gas production, electricity generation and, increasingly, investing in the development of wind farms. As we operate our assets, establish new sites and explore for gas, we ensure that we liaise with local communities to understand our impact. This has to be considered whatever the activity: constructing a new wind farm, exploring for gas in Nigeria, or running a power station or gas field.

A proactive and responsive approach is important to maintaining our positive reputation and successfully running our operations.



Constructing wind farms

Centrica has interests in three operational wind farms. Our third wind farm, a 72MW development at Braes of Doune in Stirlingshire...



Running a power station

Centrica bought the Killingholme Power Station in North Lincolnshire in July 2004.



Exploring for gas

As gas reserves in the UK continue to deplete, we are increasingly looking towards international sources of sustainable and affordable gas.



Helicopter accident in Morecambe Bay

The risks of working offshore were made evident in December 2006, when seven people, four of them Centrica employees...

Renewables in the community

Our activity

Centrica has interests in three operational wind farms. Our third wind farm, a 72MW development at Braes of Doune in Stirlingshire, has delivered its first power. This 50/50 joint venture with Airtricity is scheduled for completion in the summer of 2007 and follows the development of our wholly-owned Glens of Foudland wind farm in Aberdeenshire and our first offshore wind farm at Barrow, which produced its first power in March 2006. Barrow Offshore Wind (BOW) is a 50/50 joint venture with Danish group DONG Energy. Centrica takes all the renewable power from BOW. In addition, we are constructing the UK's largest offshore wind farm and are applying for planning permission to build the 250MW Lincolnshire Wind Farm.

Our impact

- The construction and operation of our wind farms have an impact on the landscape when onshore and on the seascape when offshore
- Our presence in local communities has offered us the opportunity to educate local school children and residents on renewable energy and climate change
- As corporate citizens, we have provided financial assistance to causes and projects
- By building wind farms we are securing local sources of renewable energy, which help us reduce our carbon footprint and that of our customers.

Our approach

Developing energy assets requires close liaison with local stakeholders, particularly before planning approval is given and through the construction stages, but also during the following years of operation. Our approach is to deliver a proactive and responsive programme of meetings with individual groups and public exhibitions to engage with our neighbours and ensure their interests and concerns are taken into consideration.

We also aim to build sustainable partnerships with local communities by supporting projects and working alongside local organisations in line with our community investment policy. Where possible, we support initiatives that relate to education and environmental responsibility. Some examples of our partnerships are outlined below.

Glens of Foudland, Aberdeenshire

In 2006, the Trustees of the Glens of Foudland Wind Farm community fund, set up and financed by Centrica, made its first contributions towards local projects. The fund, the first development of its kind in Aberdeenshire, is managed by members of the local community and guaranteed an annual income of £18,200, which is then topped up depending on the amount of electricity the wind farm produces. During the first year this totalled more than £26,000.

"The Trust is absolutely delighted that the wind farm has generated this amount in its first year. It's down to that success that we have already been able to commit nearly £10,000 to a variety of extremely worthwhile and deserving local projects. Every time I drive past the wind farm and see the turbines spinning around, I always think that, as well as being an environmentally sound way to produce electricity, it's also raising money for the local community."

Eleanor Anderson, who chairs the Community Trust

Most recently, the Trust bought renewable energy education kits for schools with material designed to make them aware of energy and the effects it can have on climate change. These local schools are familiar with the wind farm and its operations because every local child is guaranteed a visit to the site. We organise these visits with head teachers and make sure that all their children have visited before they finish primary school.

Case study

Gibraltar Point National Nature Reserve

In 2006, Centrica supported the redevelopment of the visitor centre at Gibraltar Point National Nature Reserve.

Reduced carbon emissions

Centrica was given the go-ahead to construct the first major power station in the UK for nearly five years.

Local green supply

Our 20-turbine Glens of Foudland wind farm supplies green electricity to meet the annual needs of 13,000 homes across Aberdeenshire. It would take just 40 minutes, on average, for the entire wind farm to power a house for a year.

Investing for the future

Centrica is committed to investing £750 million in the coming three years in renewable generation.

Communities

The Trust saves a portion of the annual income to establish an 'evergreen fund' – relying on interest payments to maintain a constant balance – so that the benefits will be felt well beyond the anticipated lifetime of the wind farm itself.

Barrow Offshore Wind, Barrow-in-Furness

Walney School in Barrow-in-Furness hosted the official opening of our joint venture renewables project in the East

Irish Sea. The Barrow Offshore Wind Farm, which generated its first power in March 2006, can be seen from the school. Centrica, alongside our partner DONG Energy, has pledged £25,000 to support the school's bid to gain specialist engineering status and has given advice and documents to assist with the application. If successful, the school will receive significant additional funding to develop engineering as part of its curriculum.



Lynn and Inner Dowsing, Lincolnshire

Construction work is under way for the Lynn and Inner Dowsing wind farms 5km off the Lincolnshire coast, east of Skegness. Subject to weather conditions during offshore construction, first power should be generated during 2008. We have already engaged widely with our stakeholders and made community investments.

Towards the end of 2006, when onshore cable preparation work began for the wind farms, Centrica worked closely with the local community and residents' association where the roadworks took place. To thank the residents of Winthorpe in Skegness for their co-operation during the

disruption, Centrica funded the installation of a new central heating and hot water system for Seathorne community centre there. The centre is now being fully used by local groups.

Benefits of our approach:

- Local residents support our wind farms and understand the benefits they can bring to the community and the environment
- Awareness of British Gas' commitment to the environment has increased
- Gibraltar Point National Nature Reserve has reopened thanks to Centrica's support.

Killingholme Power Station

Our activity

Centrica bought the Killingholme Power Station in North Lincolnshire in July 2004. Part of a portfolio of seven gas-fired power stations, Killingholme offers flexible operations, typically starting up and shutting down daily. The plant generates about three million megawatt hours of power every year. The site is open 24 hours a day, 365 days a year and employs around 50 skilled employees.

Location

Killingholme Power Station covers an area of 20 hectares on the south bank of the River Humber estuary, next to the North Lincolnshire village of North Killingholme. It is a heavily industrialised area close to another gas-fired power station and the Lindsey and ConocoPhillips oil refineries and associated power plant. The nearest town is Immingham, about 5km away, which is one of Britain's fastest growing ports.

Our impact

Engaging with the local community to understand what it perceives our impact to be, and how we can provide support, is a key priority for us. Therefore, we talk to local community groups, individuals and schools, responding to their ideas and requests as appropriate. Key considerations include our effect on the local environment and natural habitats, our contribution to education activities and our support for local charities and community organisations.

Our approach

Environment

Data on emissions from the station is shared with the community at the local environmental liaison committee, demonstrating to our neighbours that our emissions have no significant impact on the local air quality. The committee meets quarterly and consists of representatives from local industry, the parish council and the Environment Agency.

Our health, safety and environment directors work closely with the Environment Agency, to keep it informed of our activity and to use its expertise. It is our responsibility to monitor our emissions and any effect they could have on the local community and environment. Our transparency ensures the community is informed and has confidence that we work efficiently to have a minimal impact. We have also bought an air quality monitoring station at a local school so that the pupils can acquire an awareness of environmental issues and can monitor activity for themselves.

Employment

Our employees live in the local community and surrounding areas; valuing, training and rewarding them is important to the business, our employees, their families and the community they come from. Unemployment in the area is above the national norm, so local people rely on employment from industries such as ours, particularly following the closure of mines and recent job losses in the steel industry. On a usual operating day we employ 50 full-time employees, but during an outage this can increase to nearly 200.

To encourage new workers into the industry, Centrica Energy runs an apprenticeship scheme to introduce potential employees to power generation and gas storage facilities. The 12 apprentices we recruit every two years spend their first 65 weeks with a specialist training company on a residential programme. The rest of their four years is spent working at the sites closest to their homes, to gain the qualifications required in a modern apprenticeship (at NVQ level 3) in a specific engineering discipline (control and instrumentation, mechanical, electrical or process). They experience broad engineering and plant operations and further education to HNC level.



Case study

Gibraltar Point National Nature Reserve

In 2006, Centrica supported the redevelopment of the visitor centre at Gibraltar Point National Nature Reserve.

School children visit

In 2006, we had around 500 school children visit Killingholme power station's visitor centre.

Communities

Apprentices are offered the option to visit, and work at, other sites to suit them and their training needs.

Health and safety

The power station requires skilled workers who understand the industry and can work safely with power generation facilities. Health and safety is a key priority for us, our employees and our local community. Killingholme takes pride in its health, safety and environmental performance, operating within an ISO14001 accredited management system. In 2004, Killingholme Power Station was awarded the Royal Society for the Prevention of Accidents Gold Medal and was reaccruited with the Investors in People award in recognition of the continuous development of our employees in the areas of health, safety and the environment.

Education

Our visitor centre enables us to bring the members of the community on site to see how we operate and what exactly the station contributes to their own community, the industry and our customers. On average, we have one visit per week. These visits generally consist of young people from local schools, further education colleges and local community groups such as the Scouts and Sea Cadets.

“I think it’s interesting. Instead of working in the classroom with cells, wires and bulbs, it’s nice to see it all on a big scale. Living so close to the power stations and factories along the Humber, the children see all these buildings but don’t really know what they do. This gives them first-hand experience of it. And they love wearing the safety helmets and jackets as well.”
– Liz Coulam, local duty head teacher.

The visitor centre aims to educate visitors on Centrica Energy’s range of energy producing assets. We hope that visitors to the centre will leave with a better understanding of Killingholme’s power generation process, health, safety and the environment, and an introduction to the advantages and disadvantages of alternative methods of power generation, including renewables.

All school and further education college visits are aligned with the national curriculum to ensure maximum benefit is gained. We also aim to raise awareness among visitors about the career opportunities in the industry and with Centrica.

Future plans for the visitor centre include the purchase of a model wind generator, so that our visitors can understand wind power generation and the significance of renewables in the future of power generation. We also intend to broaden the groups and types of visitor.

Benefits of our approach

- Increased presence of birds and local wildlife on site
- Young people local to the station have an understanding of how the plant operates
- Increased awareness of environmental issues and what Centrica Energy is doing to invest in the future
- Health and safety is important. We operate within an ISO14001 accredited management system

Exploring for gas in Nigeria

Our activity

As gas reserves in the UK continue to deplete, we are increasingly looking towards international sources of sustainable and affordable gas. Late in 2005, we established Centrica Resources Nigeria Limited and acquired the right to explore for gas and oil in two exploration blocks in the country, blocks OPL 276 and OPL 283. In Nigeria, oil and gas account for 80 per cent of government revenues and 95 per cent of export earnings, so it is extremely important to the national economy and to us that we invest with full consideration of the implications.

Our impact

Our activities in Nigeria will have a wide-ranging social, economic and environmental impact. The effect of our scouting, seismic and drilling programmes on the natural habitats, the environment and local communities is a key consideration. So, too, is our ability to work in partnership with local community leaders to create employment opportunities and contribute to economic development.

Our approach

Impact assessment

Environmental and social impact assessments were undertaken during 2006, using government approved contractors. Our approach has been that of inclusiveness with members of the community and regulatory bodies. Representatives of the Federal Ministry of Environment have undertaken site visits to both blocks to verify our processes for social and health impact assessment and the taking of water and ground samples as part of the environmental baseline surveys. The Environmental and Social Assessment Impact report for each block has been submitted to the regulator for approval.

Engaging stakeholders

Understanding the environmental and social impact of our operations is at the forefront of our new exploration activities in Nigeria. We seek to minimise or eliminate any

negative impact we may have on the local environment and maximise opportunities to contribute positively to local communities. We demonstrate fairness, transparency and integrity with all stakeholders, particularly host communities. All our team members dealing with communities are honest in their conduct.

We have placed significant emphasis on our engagement with the communities that may be affected by our activities. On block OPL 283 we have consulted with some 29 communities and on block OPL 276 with around 40.

We have initiated Community Development Plans in agreement with the local communities, which underline the importance of:

Communicating with local stakeholders

Employing local labour

Working with local contractors

Community development projects

Environmental management plans (EMPs)

Our plans ensure compliance with legislation, good environmental performance and the integration of environmental issues into project decisions. The assessments of our impact will enable us to do all we can to contribute to the environment and education locally.

The objectives of our EMPs are to:

- Demonstrate a systematic procedure, ensuring that all activities are completed in compliance with legislation and our own policies
- Show that mitigation measures are in place for every impact throughout the project lifecycle and monitor their effectiveness
- Demonstrate that effective recovery
- Set out the structure that will ensure compliance by all contractors with the EMP.



Helicopter accident – Morecambe Bay

The risks of working offshore were made evident in December 2006, when seven people - four employees, one contractor and two pilots - were killed in a helicopter accident in Morecambe Bay. The helicopter was on its way to our South Morecambe platform.

Our first response was to consult with emergency services, the families concerned and fellow employees working in Morecambe.

We spoke directly to the families and responded in accordance with their wishes by setting up a memorial fund. They will have a direct influence over where the money donated is invested and whom it benefits.

The intention is that it will go to charitable and community causes chosen by the families and trustees. Our donation to the fund and its administration do not affect the insurance and compensation received by the families.

If you would like to read more or donate, visit www.centricamemorialfund.com

Supporting customers

We work in partnership with a range of charities to support our more vulnerable customers in communities across the UK and North America.

Combining our skills and expertise with those of our community partners helps us make life safe, warm and comfortable for families, older people and people with disabilities in disadvantaged communities.

'here to HELP'

We work with six national charities and numerous housing associations and local authorities to tackle household poverty and improve the quality of life for disadvantaged communities.

Help the Aged

Our long-term partnership with Help the Aged addresses issues for older people: fuel poverty, income benefits and excess winter deaths.

REECH programme

Our Realising Energy Efficient Communities and Homes REECH programme is helping hundreds of people from ethnic minority groups across Britain to improve the energy efficiency of their homes.

Neighbor-to-Neighbor programme

Direct Energy's multi-million dollar investment in the Neighbor-to-Neighbor project helps thousands of customers in debt in North America.

Case study

Kids pick up £42,000 in awards

British Gas and Save the Children have announced the winners of the second round of the 'here to HELP' awards in 2006.

Involving employees

We encourage our employees to get involved in their local communities and increase their contribution to society. We gather their opinions so we can better understand their expectations and help them make the best of charity and volunteering activities.

In 2006, our people invested more than 13,000 hours in volunteering activities with a range of charities and community organisations. This in-kind support equates to a contribution of around £300,000.

In North America, nearly 80% of Direct Energy employees volunteer to help tackle homelessness. This has been identified as a key issue.

Getting involved

We launched a new initiative called 'Get Involved' in 2006. Get Involved is a website enabling employees to give time and money to the causes they choose, as teams or individuals. It offers more than 1,500 volunteering opportunities across Britain and enables employees to claim matched funding from the Company.

Since its launch, nearly 7,500 employees have registered with Get Involved.



Our employees can take up to two days of paid time off work each year to get involved in volunteering activities. While making a valuable contribution to the causes they choose, our people learn and develop new skills, which they can use in the workplace. We make grants of £150 per employee to the relevant chosen charities.



Case study

Back to school for British Gas volunteers

British Gas Residential's London team downed tools and picked up paintbrushes...



Case study

Get Involved

Nearly 7,500 employees have now signed up to our Get Involved initiative.

Payroll giving

In 2006, nearly eight per cent of our UK employees donated over £230,000 to charities directly from their pay. The Charities Aid Foundation presented us with a silver award for this high-level of participation.

Communities



Get Involved also enables employees to donate directly from their pay, play our employee lottery, sign up to fundraising events, host fundraising sponsorship pages and apply for matched funding of up to £150 per year.



Performance

2006 performance highlights

	2006	2005	2004
Community investment (£m)*	7.4	8.2	7.4
Percentage of pre-tax profit (%)	0.6	0.6	0.6
Employee volunteering (hours)	13,000	15,000	13000
Per cent club position	40th	48th	48th
CR Index community score	100%	100%	100%
Employee opinion score	4.01	3.97	4.05

* Measured using London Benchmarking Group and community stakeholders methodology.

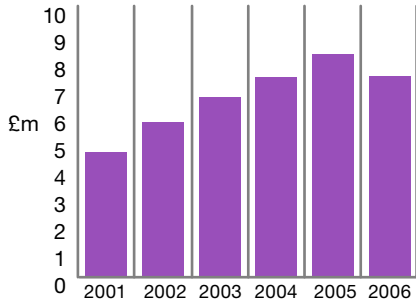
We discuss and agree with our charity partners how we will measure the impact of our community projects. In addition to specific project indicators, we look at longer-term benefits and ongoing sustainability.

We measure our performance through:

- The London Benchmarking Group
- The BITC Per Cent Club
- The BITC Corporate Responsibility Index
- Employee opinion surveys

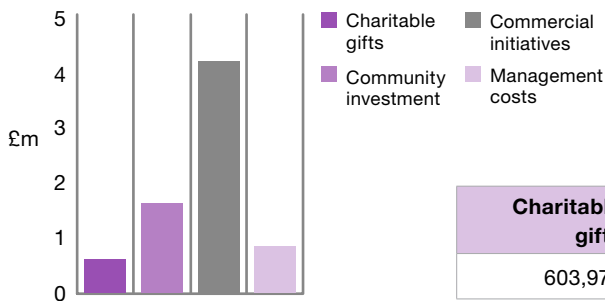
What we invest

In 2006, we contributed £7.38m to a wide range of community causes through a combination of cash, time and in-kind support.



2001	2002	2003	2004	2005	2006	£m
4.62	5.67	6.63	7.35	8.2	7.38	

We carefully manage and measure our contributions through membership of the London Benchmarking Group (LBG). Participation in the London Benchmarking Group provides us with a number of key indicators in relation to the performance of our community investment programme.



Charitable gifts	Community investment	Commerical initiatives	Management costs	£m
603,979	1,659,626	4,250,355	867,044	

Communities

Per Cent Club

We participate in the Business in the Community Per Cent Club, which measures community spending in relation to pre-tax profit and encourages companies to aim to spend 1% of pre-tax profits on community activities.

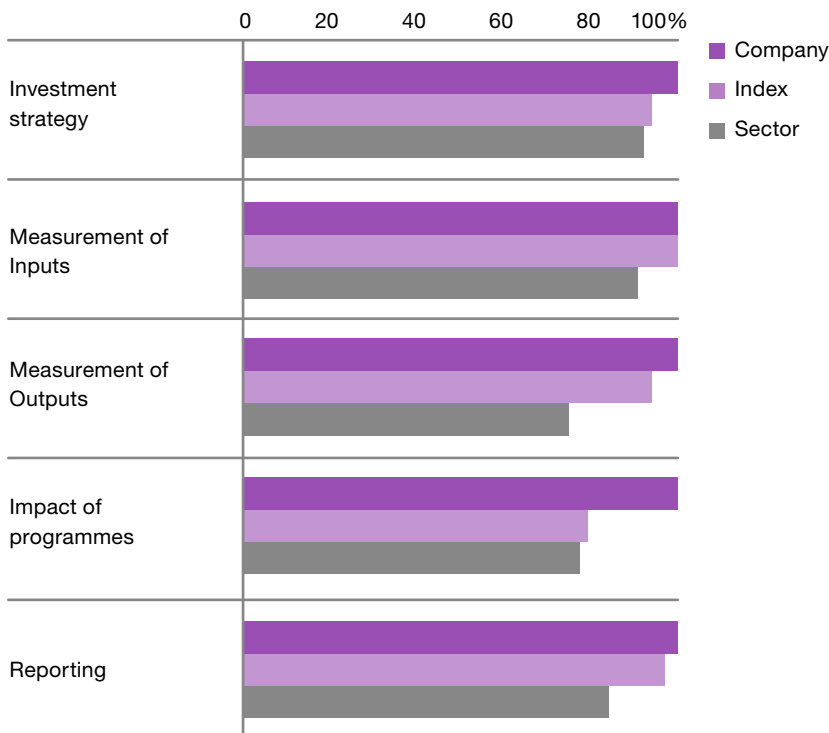
In 2006, we contributed 0.6% of pre-tax profits through our community investment programme, maintaining the same level as in 2005. We also stayed in the top 50 of the UK's corporate givers, coming 40th in The Guardian Giving List in 2006.

2002	2003	2004	2005	2006	
5.8	6.6	7.4	8.2	7.4	Value (£m)
36	38	48	48	40	Position

BITC CR Index

The BITC CR Index assesses companies' corporate responsibility strategies in terms of integration, performance and impact in communities, on the environment, in the marketplace and in the workplace.

In 2006, we maintained our 100% score for our approach to community investment against a sector average of 94% and an Index average of 85%.



Investment strategy	Measurement of Inputs	Measurement of Outputs	Impact of Programmes	Reporting	
100	100	100	100	100	Company %
94	100	94	79	97	Sector %
92	91	75	77	84	Index %

Employee opinions

Our annual employee engagement survey shows us whether our employees value our approach to community investment. The survey enables us to ensure that our strategy is aligned with their views and expectations.

Our 2006 survey identified that an increased number of employees, over 80%, are proud that Centrica supports local communities through its work with a range of charities. In 2006, we launched an employee involvement initiative and website called 'Get Involved'. Over one quarter of our UK employees have registered accounts on the site, enabling them to volunteer, apply for matched funding, play the employee lottery, donate to charity and read about the latest community involvement news.

Future commitments

What we said we'd do	What we've done	What we plan to do next
Vulnerable customers		
Continue to identify vulnerable customers and tackle household poverty through British Gas 'here to HELP'.	<p>In 2006 'here to HELP' reached 117,438 households, resulting in 38,000 charity referrals and completed 3,019 quality of life assessments.</p> <p>We introduced the UK's largest social energy tariff, aimed at cutting gas and electricity bills for 750,000 of our most vulnerable customers.</p>	Continue to ensure vulnerable customers are identified, working with external partners to provide a range of solutions and services to help.
Employee involvement		
Develop a website portal to enable more employees to get involved in volunteering, fundraising and other community involvement activities on a local level.	We launched the 'Get Involved' initiative and website, which has nearly 7,500 employee account holders. The website has a database of volunteering and fundraising opportunities and enables employees to apply for matched funding.	To continue our support for employees to make a difference in their local communities and encourage 8,000 employees to register for 'Get Involved.'
Local impacts		
		To review our engagement with local stakeholders, particularly focusing on Centrica Energy, its existing assets and new global operations.
Direct in the Community		
Work with community partners to alleviate homelessness and support vulnerable customers. Encourage employees to become involved by donating their time and taking part in fundraising events	We focussed on issues of homelessness and vulnerable customers. In 2006, we became lead sponsor for Youthworks- designed to break the cycle of homelessness among young Canadians. We provided CN\$380,000 (£190,000) of the project's CN\$1.2 million (£600,000) budget	To maintain and develop relationships with community organisations who help us to tackle homelessness, and enable our employees to volunteer and fundraise.
Nigeria		
		Continue to engage with communities local to our gas exploration blocks in Nigeria and report on the outcome of these dialogues. We shall operate responsibly to minimise any negative impacts and contribute positively.
Measurement		
Continue to measure the outputs and impacts of all programmes through a combination of external and internal surveys and benchmarks.	We continued to measure the impact of our community investment activities using the London Benchmarking Group methodology. Centrica scored 100% for the 'performance and impact' our community investment activities in the Business in the Community CR Index.	To maintain our performance, learn from feedback and measure our impact through internal and external surveys, benchmarks and sharing of experiences.

Investors

Interest in socially responsible investment (SRI) has grown steadily in recent years, with further growth widely predicted. Most major institutional fund managers in Europe have some form of SRI capability and private investors, too, are beginning to recognise SRI as a worthwhile investment strategy.

The challenge for business is to demonstrate to the investment community the link between corporate responsibility (CR) and strong financial performance.

The launch of our new energy efficiency and climate change business, British Gas New Energy, earlier this year, is a strong example of how CR is shaping our business strategy.

We have clearly articulated our key areas of impact and business case, and our approach to CR seeks to manage risk, protect our reputation and create sustainable returns for our shareholders.

Investor roadshow

In 2006, we hosted our third annual roadshow with investors to outline our approach to managing CR, demonstrate how it is integrated in our corporate strategy and highlight our performance in key areas.

Benchmarking and indices

Like many listed companies, Centrica's CR performance is rated by independent organisations that assess the extent to which companies effectively manage social, ethical and environmental matters.

Dow Jones Sustainability Index

Centrica was selected in both the Dow Jones Sustainability World and European Indexes in 2006. This means we are judged to be among the leading sustainability-driven companies worldwide.

FTSE4Good Indices

Centrica has been included in the UK, European and World indices since they were launched by the FTSE Group in 2001.

Business in the Community CR Index

In 2006 Centrica scored 94% (91% in 2005).

Global 100 Most Sustainable Corporations in the World

Centrica was again named as one of the world's most sustainable companies in 2006.

Oekom Research

In 2006 Centrica was rated 8th out of 20 companies in the utilities sector for its CR performance by Oekom Research, the German ratings agency.

Vigeo

Centrica scored above the sector average in five of the six areas assessed by Vigeo's corporate responsibility research for fund managers.

Ethibel Investment Register

Centrica continues to be included in this established register, which is used by banks, fund managers and institutional investors across Europe.

Centrica SRI Roadshow 2006 feedback from analysts

Suppliers

In 2006, we spent around £10 billion buying goods and services including technology, professional services, property and transport as well as specialist purchasing in upstream gas production, electricity generation and gas storage.

Strong supplier relationships are important to our business success. We expect our suppliers and commercial partners to understand and uphold our business principles. We have adopted a policy framework to guide our approach and made good progress with the integration of our business principles in procurement tenders and contracts during the year.

Risk mapping

In 2006 we undertook a CR risk assessment of procurement categories with our UK commercial supply. This work helped us to prioritise areas for particular focus during 2007.

Briefing for procurement specialists

We ran a successful briefing session for our 40-strong group commercial team on managing CR in our supply chains. This highly interactive event enabled our procurement specialists to assess the potential social, ethical and environmental impact of our supply chains.

Engaging our suppliers

We hosted a round table discussion on current and future trends in supply chain responsibility with 11 of our main suppliers. The session enabled us to explain our approach and learn from the good work that our suppliers are doing in this area.

Future plans

We recognise the need to continually improve our processes to ensure that CR risks in our supply chain are identified and managed. In 2007 we intend to:

- develop a revised responsible procurement policy, inline with established best practice, to articulate how we apply our business principles in our relationships with suppliers, contractors and business partners
- extend CR risk mapping to our upstream activities in the UK and work with Direct Energy to introduce a consistent approach in our North American activities
- build on our successful supply chain briefing session by providing practical guides to our procurement team on the likely CR impact areas in our procurement categories
- use the results of our supply chain risk mapping exercise to assess higher risk categories in more detail, working with our suppliers to ensure potential risks are mitigated and opportunities exploited
- undertake a carbon footprint assessment of our top 20 suppliers in the UK and encourage them to work with us to deliver our environmental goals and targets.

UK supply chain risk mapping

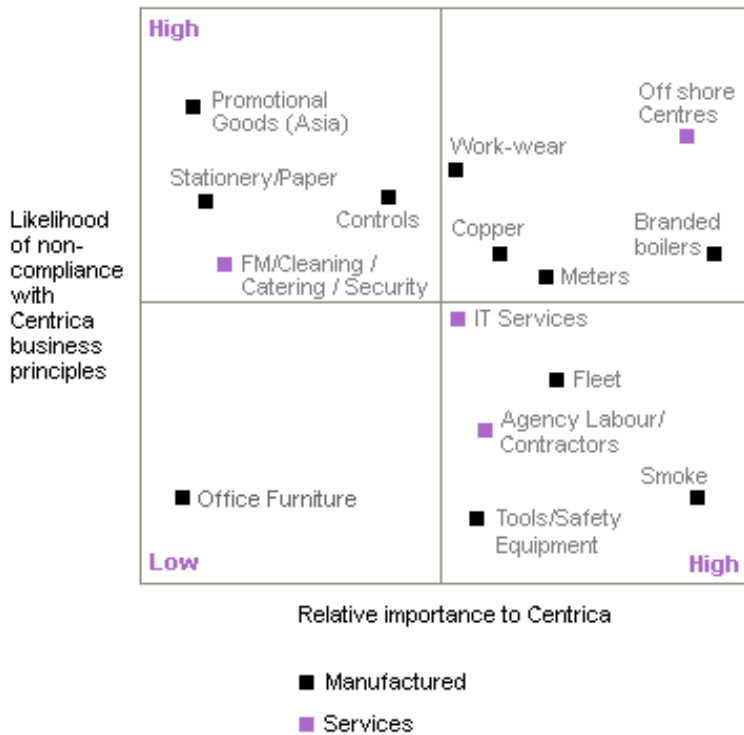
In 2006, we undertook a CR risk assessment of procurement categories within our UK commercial supply chain. This process helped us to identify and prioritise those supply chains and product/service categories that pose potentially higher risks.

Factors we considered included:

- **Brand association:** products/services which are branded or explicitly linked to our brand
- **Product/service risk:** products/services from those industries that have been associated with labour and other human rights abuses and/or are competing in highly price competitive markets using low skilled workers

- **Levels of sub-contracting:** products/services with long or complex supply chains that are more difficult to trace due to the use of agency, transient or migrant workers
- **Country risk:** products/services with supply chains in countries that have been associated with poor human rights/labour conditions and
- **Influence:** spend in relation to the overall market and our relationship with the suppliers.

Product categories were analysed and plotted on the supply chain risk matrix below. This process was useful in prioritising specific categories for further, more detailed investigation.



In 2007, we will use the results of our supply chain risk mapping exercise to assess higher risk categories in more detail, working closely with our suppliers to ensure potential risks are mitigated and opportunities exploited.

Selection

We continually review our procurement practices in line with our business principles and policies, good practice and growing stakeholder expectations. We aim for high standards of integrity in our business conduct and, as a FTSE100 company, we are increasingly held to account by external audiences, such as investors and NGOs. It is therefore very important that we identify and manage potential risks at the earliest stage.

In our tendering process we ask potential suppliers a series of social, ethical and environmental questions. We use this information to guide our decisions on which supplier to use. It enables us to:

- identify potential risks to our reputation
- initiate dialogue and share learning with our business partners on the management of social, ethical and environmental matters
- help bring about sustained improvements in performance in our supply chain and general business operations.

The purpose of the group procurement and supplier management team is to get the best commercial deals for Centrica on products and services provided by third parties and support the business to manage relationships with our suppliers.

We recognise the benefits of working with our suppliers and business partners to share knowledge and expertise that will help both organisations develop good social, ethical and environmental policies and processes.

Payment

We have a responsibility to pay our suppliers on the terms agreed at the time of purchase. Failure to do so has the potential to damage our reputation, undermine our supply source and weaken our relationship with suppliers.

We believe it is important that we maintain good payment practices. Centrica has agreed to support the Better Payment Practice Code, inspired by the Department of Trade and Industry, and is committed to:

- agree payment terms at the outset of an agreement and stick to them
- explain the payment procedures to suppliers upon engagement
- pay bills in accordance with any contract agreed with the supplier or as required by law
- inform suppliers without delay when an invoice is contested and settle disputes quickly.

Compliance with the code will only happen if we follow the correct purchasing and payment processes, designed to protect us and our suppliers. We have advised employees of our commitment to the code and asked them to ensure that correct processes are followed at all times, in accordance with the terms and conditions of the code.

For more information on the Better Payment Practice Code, visit www.payontime.co.uk

Governments

Governments

Centrica and its subsidiaries exist in highly regulated markets where policy decisions can fundamentally affect our commercial operations. The 2006 Energy Review established the parameters of the energy debate in the UK by clarifying four long-term goals for energy policy. These are reducing carbon emissions, maintaining reliable energy supplies, delivering competitive prices through effective markets, and protecting vulnerable customers.

Centrica engages with a wide range of political and governmental stakeholders both in the UK, the EU and North America on all these issues and submitted a comprehensive response to the 2006 Energy Review.

We believe that liberalised markets are the best model for delivering government energy objectives. Regulation should be countered only in the absence of competition, or where it is clear the market is not delivering on these objectives.

As a significant employer, and with over 16 million UK domestic customer accounts, Centrica is also interested in a broad range of consumer and employment issues.

Our approach is to engage and to listen, and to be transparent and honest in all our dealings with external stakeholders. We aim to build relationships with our key stakeholders and to increase their understanding of our business and the policy environment in which we operate. To facilitate this, we arranged for a small number of stakeholders to visit our sites and other assets in 2006 to gain first-hand experience of our business.

Our key political stakeholders include UK government, EU Commission, UK and EU politicians and their advisers, Scottish, Welsh and London Assembly members, civil servants, NGOs, and trade associations. We operate on a politically neutral basis at all times and maintained working relationships with spokespeople for all political parties over the last year. In Westminster Centrica is a member of the Parliamentary Group for Energy Studies (PGES), the All-Party Parliamentary Climate Change Group (APPCCG), the Parliamentary Warm Homes Group (PWHG) and PRASEG, the Parliamentary Renewable and Sustainable Energy Group. In Scotland, we are members of the Fuel Poverty Action Group and the Cross Party Group for Renewable Energy and Energy Efficiency. In Wales we sit on the Welsh Assembly's Fuel Poverty Advisory Committee.

We engage with these stakeholders in a variety of ways. Centrica responds to formal consultations by government, opposition parties, select committees and others where the subject matter is relevant to our business. In 2006, this included full engagement with the government consultations emerging from the Energy Review and the Conservative's Quality of Life policy review. We also responded to the European Commission's green paper on energy efficiency, and engaged on the EU strategic energy review and the EU energy sector inquiry.

We also arrange meetings to discuss specific areas of policy where a stakeholder has a particular interest. Over the last year we have discussed issues including strategic gas storage, fuel poverty and energy prices, the role of microgeneration, support for renewable technologies, energy liberalisation on the continent, the future of carbon trading, and the domestic energy efficiency framework.

Where we believe our voice can add value to cross-business organisations, we are happy to join forces with others to raise awareness of key issues. In 2006 Centrica joined the Corporate Leaders Group on Climate Change (CLG) which exists to provide business support for significant carbon reduction targets, and actively engage in political communication programmes coordinated by the CLG.

We continued our membership of, and engagement with other key UK and EU organisations throughout the year including the Energy Retail Association, the CBI, the UKBCSE, which brings together key players in the energy sector to strengthen the UK's strategic agenda for sustainable energy, the Micropower Council, the Whitehall and Industry Group (WIG), Energywatch, Citizens Advice, Green Alliance and Eurogas. Where appropriate we aim to build relationships with the regional offices of these organisations in Scotland and Wales.

Governments

We value partnerships that provide a forum for open and frank policy debate. In 2006, we hosted six public fringe events at the three main UK political party conferences. In partnership with National Energy Action (NEA), who campaign on fuel poverty, we debated the economic and environmental benefits of competition. We also discussed security of supply in partnership with Centreforum (Liberal Democrats), the Foreign Policy Centre (Labour) and Politeia (Conservatives).

Our dedicated government relations team based in our Windsor HQ, Edinburgh and Cardiff, will respond to ad-hoc requests for information from our political stakeholders. Centrica does not make political donations and fully complies with the Political Parties, Elections and Referendum Act 2000.

North America

Direct Energy engages with regulators and a wide variety of other public officials and stakeholders. As the largest competitive energy supplier in North America, Direct Energy is well positioned to provide commentary and input into retail energy policy direction and actions. These efforts are undertaken through four dedicated Government & Regulatory Affairs teams that align with Direct Energy's business organisation within North America: Canada East, Canada West, US North, and US South.

Canada

In Canada, we engage with a wide range of political, governmental, consumer and industry stakeholders on issues of tactical and strategic importance in the key energy service markets of British Columbia, Alberta, Manitoba and Ontario. We believe that open and competitive markets are beneficial for consumers and provide the most effective conduit for the delivery of government policy objectives respecting retail energy matters. While no jurisdiction in Canada is likely to eliminate the regulated retail energy option in the near term, our efforts remain focused on striving for regulated models which foster, or at the least do not inhibit, the development of sustainable retail energy competition.

Direct energy is also recognised and respected by stakeholders for its compliance programs and adherence to robust training, monitoring and auditing processes surrounding those programs across all operating jurisdictions. We have taken the lead role in a number of initiatives to promote the development of standardized technology and data platforms and protocols for Advanced Metering Infrastructure.

Governments

Read more about our government relations activities in:

British Columbia

In 2006, the British Columbia government, following the successful opening of the commercial natural gas market in 2004, announced the opening of the residential natural gas market to competitive retailers in early 2007. Direct Energy has been working closely with policy officials, the provincial regulator, other retailers, and the distribution utility to ensure that market rules and operational requirements are aligned with ensuring a successful market opening. In addition, the new British Columbia Energy Plan has as a central theme energy efficiency and sustainability. Direct Energy is well positioned as a provider of total energy solutions to assist the province in attaining their ambitious goals in this area.

Alberta

Alberta policy makers continue to refine the retail energy market structure so as to enhance the viability of energy competition. Direct Energy participates in formal consultation sessions and in formal and informal meetings with politicians, policy officials, and regulators and is viewed by these stakeholders as a strong and sought out voice respecting retail energy matters. In 2006 we successfully demonstrated the policy need for a retail return on our regulated electricity business which provides both current revenues and a cost structure more conducive to the success of the competitive retail market. We also participated in a government consultation resulting in a commitment from provincial policy makers to examine all retail energy regulation with the stated intent of harmonisation of rules and adoption of rules aligned with competitive market policy objectives. This consultation will be undertaken in 2007.

Ontario

In Ontario Direct Energy is actively engaged in industry forums and in governmental and regulatory committees, forums, and consultative processes. We continue to solidify relationships at all political and governmental levels and are recognised for as the largest competitive energy supplier in the province. In 2006 Direct Energy played a lead role in a successful multi-party regulatory negotiation with the dominant distributor to retain access to their bills and billing envelope. We also engaged in a government endorsed process examining the potential to radically alter regulated retail electricity procurement and provision in Ontario and our efforts are directed at ensuring a model compatible with retail competition.

United States (north)

Overall, within the United States, Direct Energy's US North Government & Regulatory Affairs (G&RA) Team supports operations in nearly 50 different utility company service territories, operates within 4 Independent System Operator (ISO) markets, and ships natural gas on over 10 interstate and intrastate natural gas pipelines. The vast complexity of the region is reflected in the team's responsibilities.

In 2006, the US North G&RA Team supported retail electricity sales in the following 11 jurisdictions: Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, and (residential offerings in New York, Texas and Pennsylvania). In addition, Direct Energy was licensed but inactive in the Connecticut, California, Michigan and Ohio retail electricity markets. We were involved in numerous legislative

and political proceedings relating to consumer and industry benefits of retail energy restructure during the year.

We also undertook activity to support retail natural gas sales in 8 jurisdictions: Connecticut, Illinois, Massachusetts, Michigan, New York, Ohio, Pennsylvania and Rhode Island, and residential offerings in Ohio, Michigan, New York and Pennsylvania. In addition, Direct Energy was licensed but inactive in the Maryland and New Jersey retail natural gas markets.

In the wholesale and upstream market area, the US North G&RA Team supported storage and midstream natural gas positions as well as examination of a number of wholesale transactions.

In Ohio, the Team worked to support the initial phase of the Exit from the Merchant Function process for Dominion East Ohio ("DEO") natural gas by means of a wholesale auction (in which we participated and won the right to deliver approximately 5 BCF of natural gas). DEO also agreed to remove the 1% discount charged for buying our residential and small commercial customer receivables. In Michigan, the Company achieved passage of legislation that provided for outbound telemarketing activities. This legislative change has now given Direct Energy an opportunity to once again grow its customer base in Michigan. In Illinois, the Company actively supported electricity market reform and business market entry in Illinois. Positive outcome from this activity included our participation and winning 200 megawatts of full requirements load in the ComEd wholesale auction.

Governments

In the Northeast, significant work occurred in New York and Connecticut. In New York, the Company successfully advocated for rules requiring all utilities to implement ESCO referral programs which the New York Public Service Commission (“NYPSC”) subsequently adopted. Additionally, the NYPSC issued an order in the NYSEG rate case making the Variable Price Offer (“VPO”) the default for residential customers. In Connecticut, the Department of Public Utility Control (“DPUC”) issued an order requiring the natural gas utilities to release transportation capacity to natural gas marketers and opening an additional proceeding to consider other natural gas market reforms.

In the Mid-Atlantic region, the key focus was on Pennsylvania and Maryland. In Pennsylvania, Direct Energy worked to have the Pennsylvania Public Utility Commission order the implementation of an opt-out aggregation program for approximately 4,500 Pike County Power & Light customers that included the adoption of certain critical New York-style market rules; importantly, Direct Energy was able to secure the business through a PaPUC solicitation. In Maryland, Direct Energy led the retail marketer community in pushing for business market improvements that resulted in the Maryland Public Service Commission issuing orders that require quarterly default service pricing for all business customers in Maryland that have a peak demand of 25 kilowatts or more.

United States (south)

Our US South initiatives focused primarily on Direct Energy’s Texas business, which includes Direct Energy’s retail electric business, which serves approximately one million customers and is the state’s third largest provider, as well as wholesale power generation and marketing operations. Activity was also undertaken to support the Residential Services Group, which provides home services throughout the state.

Key stakeholders include the 180-member Texas Legislature, the state’s governor and Lieutenant Governor, the Public Utility Commission (PUC), and a variety of other local and state officials. In addition, the G&RA team works extensively with various other stakeholders, including consumer advocacy organisations, low-income assistance agencies, charitable organisations and trade associations.

After five years in the Texas market, Direct Energy has effectively built relationships with key stakeholders by advocating sound public policies and providing a credible and consistent voice on energy issues.

During 2006, the Company participated in numerous formal policy proceedings before the PUC and offered testimony during many legislative hearings. In addition to day-to-day contacts and meetings with various officials, Direct Energy held informal engagements that ranged from hosting a tour for staff members of the Public Utility Commission at the Company’s new generation natural gas power plant near Austin to hosting receptions for public officials. Direct Energy also continued to sponsor a low-income advisory committee consisting of non-profit organisations that meets quarterly to discuss issues of concern to their constituents.

Although permitted by U.S. and Texas law, Direct Energy has elected to implement a consistent policy with respect to political campaign contributions and does not make contributions to any local, state or federal officials. require quarterly default service pricing for all business customers in Maryland that have a peak demand of 25 kilowatts or more.

Economic impacts

Customers

Turnover (from continuing operations)	2006	2005	2004
Total	£16.5bn	£13.4bn	£11.4bn
British Gas Residential Energy	£7,112m	£6,032m	£5,901m
British Gas Services	£1,104m	£1,024m	£943m
British Gas Business	£2,303m	£1,510m	£1,200m
Centrica Energy	£1,291m	£1,011m	£931m
Centrica Storage	£358m	£195m	£133m
Centrica North America	£4,907m	£3,552m	£2,242m
Europe	£295m	£119m	£8m
Other	£0m	£5m	£3m

Employees

Number of employees	2006	2005	2004
Total	33,933	35,410	43,094
UK	28,704	29,948	39,522
Rest of Europe	197	201	385
North America	5,032	5,261	3,187

Employee costs	2006	2005	2004
Wages and salaries	£1,038m	£1,031m	£1,093m
Social security	£90m	£83m	£107m
Other pension and retirement benefits	£141m	£136m	£168m
Share schemes	£23m	£22m	£19m

Suppliers

	2006	2005	2004
Total spend with suppliers	£13,305m	£9,917m	£7,876m

Economic impacts

Shareholders and creditors

	2006	2005	2004
Ordinary dividend per share	11.5p	10.5p	8.6p
Total dividend paid to shareholders	£384m	£340m	£1,314m
Net debt	£2,010m	£1,592m	£725m
Net interest payable	£183m	£145m	£104m

Governments

	2006	2005	2004
Total taxation paid	£627m	£768m	£502m

Profit and re-investment

	2006	2005	2004
Profit retained	£707m	£672m	£205m

Value added statement

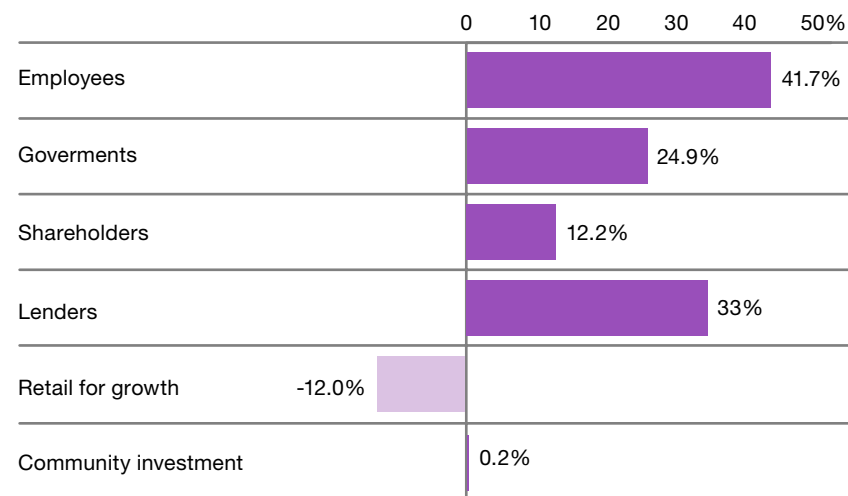
Our value added statement shows the flow of money in and out of the business among our various stakeholders. It gives an account of the wealth created by 'adding value' to the cost of raw materials, goods and services purchased and its distribution to employees, governments, providers of capital and local communities.

	2006 £m	2005 £m	2004 £m
Cash generated from customers	16,190	13,192	11,039
Payments to suppliers for goods and services	£384m	(9,917)	(7,876)
Cash value added from operations	2,885	3,275	3,163

Distribution of cash value added

	2006 £m	2005 £m	2004 £m	2006 %	2005 %	2004 %
Employees	(1,202)	(1,189)	(1,280)	41.7	36.3	40.5
Government	(717)	(851)	(609)	24.9	26.0	19.3
Shareholders	(351)	(711)	(1,495)	12.2	21.7	47.3
Lenders	(953)	(284)	(137)	33	8.7	4.3
Retained for growth	345	(233)	364	-12.0	7.1	-11.5
Community investment	(7)	(7)	(6)	0.2	0.2	0.2
Total	2,885	3,275	3,163	-	-	-

Distribution of cash value added



Performance summary

Performance summary

Customers

Performance

Customer performance highlights in 2006	2006	2005	2004
Energy efficiency			
Energy efficiency measures subsidised by British Gas (million)	13.5	9.0	6.1
Number of priority* households benefiting from measures (million)	1.1	1.3	1.1
Number of non-priority households benefiting from energy efficiency products	4.8	2.5	0.8
Lifetime carbon savings for household energy efficiency measures installed (million tonnes)**	1.0	1.1	1.0
Vulnerable customers			
Homes signed up to British Gas 'here to HELP' programme	117,438	116,823	78,019
Value of unclaimed government benefits identified through 'here to HELP' programme (£ million)	2.2	2.6	3.8
Average increase in claimable government benefit per household (£)	1,467	1,542	1,197
Winter fuel rebates to British Gas customers (£ million)	18.3	6.7	n/a
Customer experience			
Customer complaints to energywatch about British Gas	31,703	13,798	17,078
British Gas Business contract renewal rate (%)	95	96	99
Number of carbon monoxide incidents with British Gas service history	4	3	5
Advertising Standards Authority complaints upheld against British Gas	3	7	1

* Under the UK Government's Energy Efficiency Commitment, priority customers are those in receipt of at least one of the following benefits: council tax benefit, housing benefit, income support, income-based job seekers allowance, attendance allowance, disability living allowance, war disablement pension which includes either a mobility supplement or constant attendance allowance, disablement pension which includes constant attendance allowance, state pension credit, child tax credit where the relevant income is £14,600 or less, working tax credit where the relevant income is £14,600 or less.

** Source: <http://www.nef.org.uk/energyadvice/co2calculator.htm>

Employees

We continued to monitor a range of indicators to support our human capital management during the year. Our performance against these key indicators is presented below.

Human Capital Return	2006	2005	2004
Human Capital Return on Investment Ratio defined by PWC Saratoga	2.0:1	2.1:1	1.9:1

Our Human Capital Return on Investment Ratio (HC ROI) for 2006 was 2.0 showing a slight reduction on the previous year. Whilst we were successful in containing headcount costs during the year, the reduction in HC ROI reflects the 5% reduction in profitability of the business over the course of the year. With a strategic focus on business transformation and cost reduction, we expect Human Capital Return to increase during 2007.

Number of employees	2006	2005	2004
Total	33,933	35,410	43,414
UK	28,704	29,948	39,832
North America	5,032	5,261	3,187
Rest of World	197	201	75

In line with our continuing focus on reducing operating costs, and in particular people related costs there has been a reduction in the number of Full Time Equivalent employees in the business during 2006. We expect further overall headcount reductions in 2007.

Employee remuneration	2006	2005	2004
Average employee salary	£22,965	£22,364	£22,752

Employee turnover	2006	2005	2004
Number of redundancies	1,300	-	-
Employee retention	81.5%	87%	88%
Employee attrition	18.5%	13%	12%

There was a significant increase in employee turnover during 2006, measured by the number of voluntary leavers; 83% of staff turnover took place in front line grades. As the 2007 People Plan places emphasis on harnessing business expertise, skills and talent we would expect this measure show an improvement during 2007.

Performance summary

Employee safety	2006	2005	2004
Lost time injuries/1,000 employees	14.3	13.2	21.5
Lost time injuries/100,000 hours worked	0.8	0.7	1.1
Total injuries/100,000 hours worked	3.3	3.1	5.1
Number of fatalities (employee/contractor)	4/3	1/0	1/0

Our 2006 performance reflects the major helicopter accident at Morecambe Bay which resulted in seven fatalities (4 offshore employees; 3 contractors including 2 pilots).

Diversity and inclusion	2006	2005	2004
Employees from ethnic minority backgrounds	15.9%	17.2%	16.6%
Average age range of employees	25 - 35	25 - 35	25 - 35
Employees with a disability	2.7%	2.5%	2.4%
Female/male employees	30/70	31/69	33/67

There is a mixed picture of diversity trends within Centrica; the proportion of employees from ethnic backgrounds fell slightly as did the proportion of female to male employees. The average age range of employees remained level with a slight increase in proportion of employees with a disability.

Employment engagement	2006	2005	2004
Employee engagement score	3.84	3.84	3.73

Our annual engagement survey measures attitudes and opinions of our employees on a five point scale. In 2006 our overall engagement score increased by two per cent which, during a very challenging period for the business, demonstrates the commitment of our people. Our score of 3.84 benchmarks favourably with other FTSE100 companies and represents a high level of engagement.

Participation in employee share schemes	2006	2005	2004
Centrica Sharesave	42%	41%	34%
Centrica Share Incentive Plan	21%	17%	14%
Direct Energy Employee Share Purchase Plan	20%	34%	25%

We encourage our employees to own Centrica shares so they can share in the growth of the Company. Our three schemes are Sharesave and Share Incentive Plan in the UK and Share Purchase Plan in North America. The total number of employees participating in our schemes increased during the year.

Performance summary

Environment

Incidents	2006	2005	2004	2003
Non-Compliances	3	5	12	15
Incidents	14	30	13	2
Complaints (including noise)	13	51	26	2

Building/Infrastructure and downstream	Unit	2006	2005	2004	2003
Building Gas & Electricity Consumption	MWh	119,995	123,159	148,737	168,699
Group Fleet Operations	000 Miles	109,253	100,017	191,877	191,097
Group Company Cars	000 Miles	58,558	44,728	71,435	87,970
Rail	000 Miles	2294	1166	1127	446
Group Air Travel	000 Miles	18,744	10,393	9070	7,741
Total Office Waste	Tonnes	5,839	6,320	7,712	7,491
Recycled Office Waste	Tonnes	3786 (65%)	3704 (59%)	3929 (51%)	3603 (48%)
Final Disposal Office Waste	Tonnes	2,053	2,616	3,783	3,888

Upstream gas production & processing	Unit	2006	2005	2004	2003
Building Gas & Electricity Consumption	GWh	2,990	3,103	4,092	4,490
Diesel used	Litres	1,882	1331	971	1,615
Imported Electricity	GWh	13.3	20.1	8	15
Total Energy Consumption	GWh	3,185	4509	4,169	4,534
Total CO ₂ Energy Consumed	Tonnes	579,771	602,428	783,995	864,550
CO ₂ from Incinerator	Tonnes	59,669	176,942	209,342	281,048
Gas Flared	kscm	17,521	16,930	15,102	313,033
Methane from NRU's	Tonnes	321	357	388	530
Gas Vented	kscm	1,312	2,126	54	2,101
Fugative	Tonnes	96	96	0	96
Helicopter and Shipping fuel used	000 litres	4,576	3,712	2,439	1,738
NO _x	Tonnes	447	390	357	555
Total Gas Production CO ₂ (Emissions and Energy)	Tonnes	692,522	838,824	1,026,371	1,199,060
Gas Produced	mscm	7,662	14,647	10,802	18,070
Efficiency ratio (CO ₂ /mscm)		90	52	95	66

Performance summary

Power Generation	Unit	2006	2005	2004	2003
Gas Consumption and Fuel oil (CO ₂)	Tonnes	4,341,366	5,869,728	6,934,443	5,187,267
NOx	Tonnes	4,613	6,669	7,411	5,593
Nitrous Oxide (N ₂ O)	Tonnes	38.3	47	61	57
Methane	Tonnes	138	153	167	171
Total VOC (Non Methane)	Tonnes	39.3	96	140	166
Total CO ₂ (CO ₂ + CO ₂ e)	Tonnes	4,356,156	5,887,589	6,957,838	5,208,650
Carbon Intensity (T CO ₂ /MWh)		0.35	0.41	0.42	0.42

Operational waste	Unit	2006	2005	2004	2003
Total Recycled Hazardous Waste	Tonnes	435	1766.87	1,920	654
Final Disposal Hazardous Waste	Tonnes	868	617	776	329
Total Hazardous Waste	Tonnes	1,303	2,385	2,696	983
% Recycled Hazardous Waste	%	33%	74%	71%	67%
Total Recycled	Tonnes	7,964	3487	12,061	11,290
Total Final Disposal	Tonnes	4,971	1496	6,465	5,820
Total	Tonnes	12,935	4,983	18,526	17,111
% Recycled	%	62%	70%	65%	66%

CO₂ Emissions from activities covered by the EU Emissions Trading Scheme†

Installation	Emissions verified 2005 (tonnes)	Emissions verified 2006 (tonnes)	Allocation (tonnes)	2006 long/short (tonnes)
Barrow Terminals	373,474	293,484	271,456	-22,028
Morecambe CPC	227,259	133,436	210,938	77,502
HRL Total	600,733	426,920	482,394	55,474
Barry	279,723	237,00	426,873	189,865
Brigg	321,303	193,579	516,792	323,213
Killingholme	1,295,903	556,119	1,357,664	801,545
King's Lynn	330,897	364,603	561,358	196,755
Peterborough	366,366	374,664	725,291	350,627
Roosecote	339,547	312,172	517,885	205,713
Humber	2,935,989	2,303,221	2,483,996	180,775
Total Power	5,869,728	4,341,366	6,589,859	2,248,493
Total All	6,470,461	4,768,286	7,072,253	2,303,967

CO2 Emissions from activities covered by the EU Emissions Trading Schemet

Installation	Emissions verified 2005 (tonnes)	Emissions verified 2006 (tonnes)	Allocation 2006 (tonnes)	2006 long/short
Barrow Terminals	104,324	67,787	102,193	34,406
Centrica Storage Ltd	99,655	74,339	93,177	18,838

†Independently verified by DNV/DEFRA.

* Centrica gained full ownership of South Humber Bank power station in September 2005. Emissions are reported for the whole station but until September, Centrica was only responsible for 60% of the emissions.

** European Union Allowance (EUAs) are a permit to emit one tonne of CO₂. An installation's free allocation is based on its average emissions between 1998 and 2003.

Community

Performance

Customer performance highlights in 2006	2006	2005	2004
Community investment (£m)*	7.4	8.2	7.4
Percentage of pre-tax profit (%)	0.6	0.6	0.6
Employee volunteering (hours)	13,000	15,000	13,000
Per cent club position	40th	48th	48th
CR Index community score	100%	100%	100%
Employee opinion score	4.01	3.97	4.05

* Measured using London Benchmarking Group methodology.

Global reporting initiative

Key: C = Complete
P = Partially complete
I = Incomplete

		Links	Coverage
Strategy and analysis			
1.1	Statement from the CEO and chair, or head of the organisation who is independent of the reporting organisation's executive management about the relevance of sustainability to the organisation and its strategy	CEO introduction CR Committee Chairman introduction Chairman introduction	C
1.2	Description of key impacts, risks and opportunities	Principle risks and uncertainties Key impact areas	P
Organisational profile			
2.1	Name of the reporting organisation	Business overview	C
2.2	Major brands, products and services	Business overview Employees - Employee relations – Offshoring Our businesses	C
2.3	Operational structure of the organisation	Business overview Our businesses	C
2.4	Countries in which the organisation's operations are located	Centrica – Our company	C
2.5	Nature of ownership; legal form	Business overview	C
2.6	Nature of markets served	About us Corporate Governance Report	C
2.7	Scale of reporting organisation	Operating review	C
2.8	Total All	Operating review Employees	C
2.9	Major decisions during the reporting period	British Gas Residential British Gas Business British Gas Services Centrica Energy Centrica Storage Centrica North America Europe	C

Performance summary

Report parameters			
Report Profile			
3.1	Reporting Period	About this report	C
3.2	Date of most recent report	About this report	C
3.3	Reporting Cycle	About this report	C
3.4	Contact point for questions regarding the report or its contents	CR toolbox – Feedback Feedback	C
Report Scope and Boundary			
3.5	Process for defining report content	CEO introduction Dialogue	P
3.6	Boundary of report (countries/regions, divisions/facilities/ joint ventures/subsidiaries)	About this report Business overview Our businesses	C
3.7	State any specific limitations on the scope of the report	About this report	C
3.8	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations	About this report	C
3.9	Data measurement techniques including the bases of calculations	Customers – Performance Data Employees – Human capital management Environment – Performance Communities - Performance	P
3.10	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Re-measurements	C
3.11	Significant changes from previous years in the inclusion of, and measurement methods	About this report Our carbon footprint	C
GRI Content Index			
3.12	Table identifying the location of the standard disclosures in the report	GRI Content Index	C
Assurance			
3.13	Policy and current practice on seeking independent assurance for the report	Assurance	C

Governance, commitments and engagement			
Governance			
4.1	Governance structure of the organisation	Governance CR governance	C
4.2	Indicate if the Chair of the highest governance body is an executive officer	Governance – Board of Directors	C
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	Governance – Board of Directors	C
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance - Relations with shareholders Employees – employee relations – trade unions	P
4.5	Linkage between compensation and the organisation's performance for members of the highest governance body, senior managers, and executives	Governance – remuneration report	C
4.6	Processes of the highest governance body to ensure conflicts of interest are avoided	Governance – Corporate governance report	P
4.7	Process for determining required qualifications and expertise of the members of the highest governance body to guide the strategy of the organisation, including on issues related to economic, environmental, and social performance	Governance – Corporate governance report – Nominations committee	C
4.8	Internally developed mission and values statements, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Business Principles What we stand for – Corporate responsibility	C
4.9	Processes of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	Governance – Board of Directors CR governance	C
4.10	Processes for evaluating the performance of the highest governance body, particularly with respect to economic, environmental, and social performance	Governance – Corporate governance report Governance – remuneration report	C

Performance summary

Governance, commitments and engagement			
Governance			
4.1	Governance structure of the organisation	Governance CR governance	C
4.2	Indicate if the Chair of the highest governance body is an executive officer	Governance – Board of Directors	C
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	Governance – Board of Directors	C
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4.5	Linkage between compensation and the organisation's performance for members of the highest governance body, senior managers, and executives	Governance – remuneration report	C
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4.10	Processes for evaluating the performance of the highest governance body, particularly with respect to economic, environmental, and social performance	Governance – Corporate governance report Governance – remuneration report	C
Commitments to external initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Centrica has not formally signed up to the Rio Principles on the precautionary approach.	I

Performance summary

Commitments to external initiatives			
4.12	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses	Business principles	C
4.13	Significant memberships in associations (such as industry associations), and/or national/international advocacy organisations	Dialogue – Memberships Employee – Employee relations – Trade unions	C
Stakeholder engagement			
4.14	List of stakeholder groups engaged by the organisation	Dialogue – Stakeholder map Dialogue – Dialogue in 2006	P
4.15	Basis for identification and selection of stakeholders to engage	Dialogue – Stakeholder map Centrica will engage with any stakeholders on any issue.	C
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Dialogue – Stakeholder map	P
4.17	Key issues and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key issues and concerns	Dialogue – Stakeholder map	C
Economic performance indicators			
Economic performance			
EC1	Processes for evaluating the performance of the highest governance body, particularly with respect to economic, environmental, and social performance	Governance – Corporate governance report Governance – remuneration report	C
EC2	Financial implications of climate change (core)	Key impact areas – Climate change Environment – Gearoid Lane vodcast Environment – Climate change	C
EC3	Coverage of the organisation's defined benefit pension plan obligations (core)	Financial Statements – Notes to the financial statements 30	C
EC4	Financial assistance received from government (core)	Centrica has received no financial assistance from the government.	C

Market presence			
EC6	Practices and proportion of spending on locally-based suppliers at significant locations of operation (core)	Business principles	P
EC7	Procedures for local hiring, and proportion of senior management in locations of significant operation from the local community (core)	As a major supplier of energy and related services we have significant contact centre and field based engineering operations. Together these activities account for around 90% of the people we employ. By their nature these activities have a very regional and local focus and recruit, at all levels, from the local communities of which we are part.	P
Indirect economic impacts			
EC8	Description of infrastructure investments and services supported that provide public benefit (core)	We will publish this information on this aspect in our 2007 CR Report	I
Environmental performance indicators			
Materials			
EN1	Weight of materials used (core)	Environment – Performance – Operational waste	I
EN2	Percentage of materials used that are recycled (core)	Environment – Performance – Operational waste Environment – Performance – Building/ Infrastructure and Downstream	P
Energy			
EN3	Direct energy consumption broken down by primary energy source (core)	Environment – Performance – Upstream gas production and processing Environment – Performance – Building/ Infrastructure and downstream	P
EN4	Indirect energy consumption broken down by primary source (core)	Environment – Performance – Upstream gas production and processing	P
Water			
EN8	Total water withdrawal by source (core)	In 2006, our water usage was as follows Cooling water 716,558,000 cubic meters Process and Domestic 157,260 cubic meters Notes: UK data only. Our power stations use once through cooling water from local water bodies to which the only additive is heat	C

Performance summary

Biodiversity			
EN11	Location and size of land owned, leased, or managed in, or adjacent to, protected areas (core)	Environment – Biodiversity	P
EN12	Description of significant impacts of activities on protected areas (core)	Environment – Biodiversity	P
Emissions, effluents and waste			
EN16	Greenhouse gas emissions (core)	Environment – Performance – CO2 emissions	P
EN17	Other relevant indirect greenhouse gas emissions	Environment – Our carbon footprint	P
EN19	Emissions of ozone-depleting substances (core)	Environment – Performance – Upstream gas production and processing	P
EN20	NOx, SOx, and other significant air emissions by weight (core)	Environment – Performance – Upstream gas production and processing	P
EN21	NOx, SOx, and other significant air emissions by weight (core)	Refer to EN8	P
EN22	Indirect energy consumption broken down by primary source (core)	Environment – Performance – Operational waste	P
EN23	Total water withdrawal by source (core)	Environment – Performance – Incidents	P
Products and services			
EN26	Initiatives to manage the environmental impacts of products and services and extent of impact reduction (core)	Environment – Involving employees Customers – Vulnerable customers Customers – Vulnerable customers – Here to help Customers – Energy efficiency Customers – Energy efficiency Products Customers – Energy efficiency – Business energy efficiency Customers – Green electricity	C
EN27	Percentage of products sold that is reclaimed at the end of the products' useful life by product category (core)	We are working with our suppliers to implement systems to measure this more effectively	I
Compliance			
EN28	Incidents of, and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations (core)	Environment – Performance – Incidents	P

Social Performance: Labour Practices & Decent Work Performance Indicators			
Employment			
LA1	Breakdown of total workforce by employment type and by region (core)	Employees – Human capital management	P
LA2	Total number and rate of employee turnover broken down by age group and gender (core)	Employees – Human capital management	I
Labour/management relations			
LA4	Percentage of employees represented by independent trade union organizations or covered by collective bargaining agreements (core)	Employees – Employee relations – Trade unions	P
LA5	Minimum notice period(s) and consultation and nego-tiation practices with employees and/or their represen-tatives regarding operational changes (core)	Employees – Employee relations – Trade unions	P
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and ab-senteeism and number of work-related fatalities (core)	Employees – Health, safety, security Employees – Human capital management	C
LA8	Education, training, counselling, prevention and risk-con-trol programs in place for assisting workforce members, their families or community members affected by HIV/AIDS or other serious communicable diseases (core)	Employees – Health, safety & security – Occupational health	P
Training and education			
LA10	Average hours of training per year per employee broken down by employee category (core)	Employees – Management Development Employees – Management Development – Engineering academy Employees – Management Development – Academy of customer excellence	p
Diversity and equal opportunity			
LA13	Composition of governance bodies' and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity (core)	Employees - Workplace diversity Employees - Workplace statistics	C
LA14	Ratio of average remuneration of men and women broken down by employee category (additional)	Employees – Reward	P

Social performance: human rights			
Management practices			
HR1	Percentage of significant investment agreements that include human rights clauses or that underwent human rights screening (core)	< 1%	P
HR2	Percentage of major suppliers and contractors that underwent screening on human rights (core)	Suppliers	P
Non-discrimination			
HR4	Incidents of discrimination (core)	Centrica has a clear policy in relation to human rights including discrimination. Throughout Centrica's operations there were no incidents of violations of discrimination in 2006.	P
Freedom of association			
HR5	Incidents of violations of freedom of association and collective bargaining (core)	Centrica has a clear policy in relation to human rights including freedom of association and collective bargaining. Throughout Centrica's operations there were no incidents of violations of freedom of association and collective bargaining in 2006.	P
Child labour			
HR6	Incidents of child labour (core)	Centrica has a clear policy in relation to human rights, including child labour. Throughout Centrica's operations there were no incidents of child labour in 2006.	P
Forced and compulsory labour			
HR7	Incidents of forced or compulsory labour (core)	Centrica has a clear policy in relation to human rights including forced and compulsory labour. Throughout Centrica's operations there were no incidents of forced or compulsory labour in 2006.	P
Social performance society			
Community			
SO1	Programmes and practices for assessing and managing the impacts of operations on communities, including entering, operating and exiting (core)	Key impact areas – Gas exploration – Gas exploration in Nigeria Dialogue – stakeholder map Customers – Vulnerable customers	C

Performance summary

Corruption			
SO2	Percentage and total number of business units analysed for corruption	Centrica has a clear policy on bribery and corruption. All business units are required to operate in accordance with this policy and all parts of the group were analysed during 2006.	P
SO3	Extent of training and risk analysis to prevent corruption (core)	Business principles Key impact areas – Gas exploration – Gas exploration in Nigeria	P
SO4	Actions taken in response to instances of corruption (core)	Centrica has a clear policy on bribery and corruption. All business units are required to operate in accordance with this policy. Our analysis highlighted no instances of corruption in 2006.	C
Public Policy			
SO5	Participation in public policy development and lobbying (core)	Governments	C
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions	Centrica has a clear policy on bribery and corruption. All business units are required to operate in accordance with this policy. Our analysis highlighted no instances of corruption in 2006 and therefore no significant fines or non-monetary sanctions were imposed in 2006.	P
Social performance: product responsibility			
Customer health and safety			
PR1	Procedures for improving health and safety across the life cycle of products and services (core)	Customers – Customer safety	C
Products and services			
PR3	Procedures for product and service information and labelling (core)	Environment – Power generation – Our UK fuel mix	C
Marketing communications			
PR6	Procedures and programmes for adherence to laws, standards, and voluntary codes related to marketing communications including advertising, promotion and sponsorship (additional)	Customers – Sales and marketing	C
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations regarding the provision of goods and services	No significant fines were imposed in 2006.	P

United Nations Global Compact Communication on progress

As a signatory to the United Nations Global Compact (UNGC) we are committed to taking action to support and uphold the principles it describes. The table below provides an overview of the policies we operate by and the activities we undertook in 2006.

UNGC principle	Report/Business link
1 Businesses should support and respect the protection of internationally proclaimed human rights	What we stand for – Corporate policies – Human rights Gas exploration in Nigeria
2 Businesses should make sure that they are not complicit in human rights abuses	What we stand for – Corporate policies – Human rights
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	CR Report 2006 Employees – Employee relations – Trade Unions
4 Businesses should uphold the elimination of all forms of forced and compulsory labour	What we stand for – Corporate policies – Suppliers What we stand for – Corporate policies – Human rights
5 Businesses should uphold the effective abolition of child labour	What we stand for – Corporate policies – Suppliers What we stand for – Corporate policies – Human rights
6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	CR Report 2006 - Suppliers What we stand for – Corporate policies – Suppliers CR Report 2006 - Employees – workplace diversity
7 Businesses should support a precautionary approach to environmental challenges	CR Report 06 – Key Impact areas – Climate change
8 Businesses should undertake initiatives to promote greater environmental responsibility	CR Report 06 – Key Impact areas – Climate change CR Report 06 – Environment – Renewable energy CR Report 06 – Environment - Biodiversity CR Report 06 – Environment – Power generation CR Report 06 – Environment – Operational footprint CR Report 06 – Environment – Involving employees CR Report 06 – Customers – Vulnerable customers CR Report 06 – Customers – Energy Efficiency CR Report 06 – Customers – Green Electricity
9 Businesses should encourage the development and diffusion of environmentally friendly technologies	CR Report 06 – Customers – Energy Efficiency CR Report 06 – Customers – Green Electricity CR Report 06 – Key Impact areas – Climate change CR Report 06 – Environment – Renewable energy CR Report 06 – Environment – Power generation
10 Businesses should work against all forms of corruption, including extortion and bribery	CR Report 06 – Business principles Group Corruption and Bribery Policy

Commitments

Commitments

Customers

What we said we'd do	What we've done	What we plan to do next
Vulnerable customers		
Meet the industry commitment and continue to develop innovative initiatives that help our most vulnerable customers	Continued to work with members of the Energy Retailers Association, Ofgem, local councils and charities to deliver a range of innovative solutions for vulnerable customers.	Continue to work with a range of external partners to identify and provide a range of support to vulnerable customers.
Low carbon products and services		
		Launch British Gas New Energy – a new business unit to develop and deliver innovative low carbon products and services for our customers.
		We will launch a new service offering Energy Performance Certificates which UK home sellers will require from 1 June 2007, training 500 assessors.
Energy efficiency		
		We will offer our free British Gas Energy Savers Report (ESR) to all UK households and aim to complete 2 million ESRs by the end of 2007.
Green propositions		
Develop 'green' customer propositions to enable customers to benefit from renewable electricity and reduce their carbon footprint	British Gas is now the largest supplier of green electricity in the UK with 120,000 customers.	British Gas plans to launch the 'greenest' domestic renewable energy tariff in the market in 2007.
Fuel poverty		
Continue to address the primary causes of fuel poverty through initiatives that combine heating, insulation and income related measures	British Gas installed more than 13 million energy efficiency measures, such as loft and cavity wall insulation and low energy light bulbs, benefiting more than 1.1 million priority households.	Continue to deliver our Energy Efficiency Commitment, including a focus on 'priority' customers to address fuel poverty, through initiatives such as the British Gas Winter Fuel Rebate scheme and Essentials social energy tariff.
Customer experience		
Successfully transfer existing customers to our new British Gas Residential billing system. Reduce engineer repeat visits in British Gas Services. Introduce a named point of contact for all British Gas Business customers. Introduce relationship surveys in Direct Energy.	We completed the installation of a new, multi-million pound billing system in British Gas Residential in 2007. As we implemented the system we did not achieve the standards of customer service we strive for. We introduced a named point of contact customer management programme in British Gas Business.	Improve levels of customer service and introduce Net Promoter Score methodology across all businesses during 2007.

Commitments

Customer safety

Work with fire brigades across the UK to highlight the dual issues of fire safety and carbon monoxide (CO) safety. Build on our successful student campaign in 2005 with a further campaign focusing on wider home safety issues.

British Gas delivered a campaign targeting students and homeowners to raise awareness of CO poisoning.

Continue to raise awareness of key safety issues, including CO poisoning in collaboration with industry bodies.

Diversity and inclusion

Develop and implement action plans in each business to further embed diversity and inclusion good practice into the service we provide to our customers.

Action plans are in place for each business unit, focusing on key aspects of customer diversity including website accessibility and alternative format communications.

Continue to monitor the implementation of business unit action plans through the Diversity and Inclusion Action Group help ensure a 'business as usual' approach in this area.

Sales and marketing

Improve internal processes to minimise advertising related complaints and share knowledge and good practice across businesses.

Introduced new processes, which more than halved the number of upheld complaints in relation to British Gas' marketing communications.

We will continue to work closely with marketing trade bodies and customers to ensure we continue to deliver high quality, transparent communications while minimising ASA complaints.

Customer diversity

Launch a new British Gas consumer website which is fully compliant with W3C accessibility guidelines and continue to provide a range of alternative format communications to support customers with specific requirements

Commitments

Employees		
What we said we'd do	What we've done	What we plan to do next
Talent management		
Define selection criteria for general management talent pools and start identification of people to enter those pools.	We enhanced our management talent review process by integrating a strategic capability review, introducing a general management talent pool programme and establishing a senior executive development centre.	Use our enhanced MTR to identify and develop future leaders, and promote cross-group opportunities to share knowledge and expertise between our business units.
Management development		
We will extend our 'LEAP' programme for middle managers and run half-day seminars on 'hot topics' for our senior managers. We will also continue to work with several external business schools.	We extended our learning for managers at all levels by developing the Learning Management Programme. Completed two 'hot topics' seminars and continued to build on our senior manager programme with the Henley Partnership. Over 800 managers across Centrica completed the development training.	Continue to focus on the Management Learning Programme and 'hot topics' to support the development of our managers at all levels.
Employee engagement		
Our focus for 2006 will be to improve the extent to which employees feel more involved and committed. This includes feeling valued and responding to leadership.	Overall engagement improved 2% across the group, which is a significant achievement given the number of organisational changes during the year.	Our focus for 2007 is to continue to improve the extent to which employees feel more involved and committed. This includes feeling valued and responding to leadership.
Diversity and inclusion		
Our focus for 2006 was on implementing policies and processes in line with the new age legislation in the UK and to complete the roll-out of our online diversity learning package.	We implemented a comprehensive review of our policies and practices in line with the new age regulations, making a number of changes. We delivered an integrated communications and training programme for employees and managers.	Continue to work with external organisations to share best practice and identify improvement opportunities by monitoring a range of performance indicators.
Health and safety		
Continue to scrutinise and challenge periodic data reporting through the regular use of our corporate audit, learning from incidents in 2005.	Our underlying performance demonstrates a continual reduction in injury frequency rates in most businesses. Our safety management system responded well to the major incidents at Morecambe Bay and Rough.	To act on lessons learned from the incidents at Rough, Morecambe Bay and the BP Texas Oil Refinery. Implement a Group-wide reporting package and performance 'plus' programme to drive improvement.

Commitments

Reward and remuneration		
Continue to monitor market practice to ensure we maintain our competitive position to recruit and retain talented individuals, while embedding and improving reward and recognition policies that drive and reward high performance.	The average employee salary increased during the year and 10,400 employees are now benefiting from our flexible benefits package. Our employee share schemes remained popular and rewarding.	To continue to ensure that our reward packages compare favourably in the employment market, enabling us to recruit and retain talented and motivated people.
Occupational health		
We are planning a workshop for employees suffering from knee problems, a wellness induction programme for gas engineers and prescription gym membership to help employees recovering from musculoskeletal problems.	We delivered our planned musculo-skeletal workshops and wellness programmes. In addition we provided expert support for employees following the major incidents at Rough and Morecambe Bay.	We will continue to implement programmes that support improvements in levels of sickness absence. We will publish 'Working Well' to provide advice to employees on managing the impact of lifestyle behaviours on working life.
Engineering Academy		
Our British Gas Engineering Academy will continue to work with schools and communities to increase the talent pool from which we recruit tomorrow's engineers.	We continued to promote engineering careers in schools and communities across the UK, reaching more than 200,000 individuals. We trained more than 1,000 new engineers during the year.	Achieve 'Approved Training and Assessment Centre' status to train engineers on Energy Performance Certificates from June 2007. Implement the Duke of Edinburgh's Award Programme as a core part of our apprenticeship training programme.
Academy of Customer Excellence		
Provide professional development opportunities for team managers in our call centres and deliver extensive training for our front line employees on our new IT systems.	We delivered a total of £1.4 million training hours to support the integration of our new British Gas Residential billing system to 8,000 front line employees. We also introduced an NVQ programme to support the professional development of our training team.	Focus on improvement programmes to ensure employees respond to customer enquiries efficiently and resolve issues at the first point of contact.

Environment

What we said we'd do	What we've done	What we plan to do next
Office energy		
Reduce energy use per person in our buildings by 15% compared to 2000 baseline.	Achieved target with an overall reduction of 32.9% (CO2/FTE) excluding IS data centres at the end of 2005, during 2006 our office energy consumption fell a further 3.9% against 2005 figures.	As part of our climate change strategy we have set a further energy reduction target of 10% for 2007. We are also planning a further energy reduction programme for 2008/12 which will involve the application of new technologies and behavioural change across our property portfolio.
Office waste		
Maintain office recycling rate of 50% level compared to 2000 baseline.	Exceeded the overall office recycling target of 62% by 3% with a minimum of 50% in every office.	During 2007 we will maintain our 62% recycling target whilst investigating other ways of recycling "difficult" waste or eliminating it at source.
Reduce waste sent to landfill by 15% compared to 2001	Our end of 2006 figures showed a 21% reduction in the volume of waste sent to landfill against 2005 figures.	We are reviewing how we can improve on these figures across the business by targeting our supply chain.
Diversity and inclusion		
Our focus for 2006 was on implementing policies and processes in line with the new age legislation in the UK and to complete the roll-out of our online diversity learning package.	We implemented a comprehensive review of our policies and practices in line with the new age regulations, making a number of changes. We delivered an integrated communications and training programme for employees and managers.	Continue to work with external organisations to share best practice and identify improvement opportunities by monitoring a range of performance indicators.
Management systems		
Extend ISO14001 certification to all upstream assets.	All upstream assets have attained and continue to retain certification to ISO14001, two are verified to EMAS. During 2006 we also delivered the Group Environmental Management System (GEMS) template.	Maintain certification and cascade GEMS across the whole of the business by the end of 2010.
Renewables		
Produce green electricity from Barrow offshore wind farm during the first half 2006. Continue to progress on schedule, the construction Lynn, Inner Dowsing and Lincs offshore wind farms. Progress consent applications for Docking and Race Bank wind farms.	Barrow offshore wind farm enter operation during 2006. We made good progress with our Lynn and Inner Dowsing development which has now entered the construction phase and is the largest offshore wind farm development in the UK. We also progressed on schedule with our other developments at Lincs, Docking Shoal and Race Bank.	Continue to progress on schedule with the construction of our Lynn and Inner Dowsing offshore wind farm, installing foundations for the turbines in 2007. Successfully manage environmental impact assessment.

Commitments

Regulations		
Integrate the requirements of new regulations such as energy labelling, pollution prevention control (PPC) and the European Union Emissions Trading Scheme.	PPC applications for all UK power stations were duly made in March 2006. EU-ETS phase I verifications were also completed March 2006, and we have received the PPC permits for all of our power stations.	Implement PPC improvement programmes and coordinate with wider climate change agenda.

Community

What we said we'd do	What we've done	What we plan to do next
Vulnerable customers		
Continue to identify vulnerable customers and tackle household poverty through British Gas 'here to HELP'.	<p>In 2006 'here to HELP' reached 117,438 households, resulting in 38,000 charity referrals and completed 3,019 quality of life assessments.</p> <p>We introduced the UK's largest social energy tariff, aimed at cutting gas and electricity bills for 750,000 of our most vulnerable customers.</p>	Continue to ensure vulnerable customers are identified, working with external partners to provide a range of solutions and services to help.
Employee involvement		
Develop a website portal to enable more employees to get involved in volunteering, fundraising and other community involvement activities on a local level.	We launched the 'Get Involved' initiative and website, which has nearly 7,500 employee account holders. The website has a database of volunteering and fundraising opportunities and enables employees to apply for matched funding.	To continue our support for employees to make a difference in their local communities and encourage 8,000 employees to register for 'Get Involved'.
Local impacts		
		To review our engagement with local stakeholders, particularly focusing on Centrica Energy, its existing assets and new global operations.
Direct in the Community		
Work with community partners to alleviate homelessness and support vulnerable customers. Encourage employees to become involved by donating their time and taking part in fundraising events.	We focused on issues of homelessness and vulnerable customers. In 2006, we became lead sponsor for Youthworks-designed to break the cycle of homelessness among young Canadians. We provided \$380,000 (£190,000) of the project's \$1.2 million (£600,000) budget.	To maintain and develop relationships with community organisations who help us to tackle homelessness, and enable our employees to volunteer and fundraise.

Commitments

Nigeria		
		Continue to engage with communities local to our gas exploration blocks in Nigeria and report on the outcome of these dialogues. We shall operate responsibly to minimise any negative impacts and contribute positively.
Measurement		
Continue to measure the outputs and impacts of all programmes through a combination of external and internal surveys and benchmarks.	We continued to measure the impact of our community investment activities using the London Benchmarking Group methodology. Centrica scored 100% for the 'performance and impact' of our community investment activities in the Business in the Community CR Index. Read more about our community investment activities.	To maintain our performance, learn from feedback and measure our impact through internal and external surveys, benchmarks and sharing of experiences.

Case studies



Case studies

Customers

Accrediting call centres

British Gas has received accreditation for its three major outbound call centres from the Customer Contact Association (CCA).

The centres at Uddingston, Glasgow City Park and Cardiff, employing a total of 600 staff, gained the accreditation through their consistently good service delivery, processes and knowledge management. They have already achieved Investors in People and ISO certification.

The assessment was conducted over a total of seven days by the British Standards Institute on behalf of the CCA. The CCA standard was chosen because it is rigorous and disciplined and serves to stimulate new thinking, leading to higher levels of performance – and it is being used in new contractual relations with outsourcing partners.

CCA launched the Standard Framework for best practice in November 2000. It is a guide to support and develop internal processes which ensure improved performance and increased customer satisfaction. The principle is: happy and fulfilled staff dealing with satisfied and content customers.

British Gas' Business Management System, which covers the systems and processes that define how the company operates its business, comprises four primary elements which dovetail to a degree with the CCA standard: business management, quality management, people management and environmental management.

Assessments and reviews are conducted regularly by our Business Integrity team, the company's internal business analysts. The standard is now being used as a management tool to improve communications and consistency of practice and delivery across all operations.

The company is now looking at the experiences from the outbound side and applying the lessons to all customer-facing operations, starting with our large inbound call centre in Edinburgh, which employs 1,400.

Ultimately, an organisation's decision to pursue the CCA standard accreditation is based on the bottom line. British Gas viewed ensuring its call centres operate to the highest standards as an investment decision.

'We now have an excellent understanding of what the CCA expects to see in a well-run call centre and we have the realisation that a completely consistent approach to all our processes has to be followed.'

Anne Burgess, project team leader at Uddingston

Direct Energy Remote Agent Programme

Challenge

Incoming call volumes can fluctuate greatly with a minimal amount of notice. Certain events such as extreme to severe weather can double call volume in a matter of hours. Our challenge is to consistently offer a high level of service during these incidents. We define a high level of service as answering 80% of incoming calls within the first 30 seconds of arrival. While having the ability to allocate call volume to the best performing of our two outsourced partners, our staffing capacity was essentially fixed. We required a new strategy to deliver best in class customer service.

Strategy

The analysis of call arrival patterns and seasonal trends indicated that the ability to employ a variable capacity model was required and the option to increase the staffing capacity by 35-45% would be a key component in handling unpredictable call volumes. Direct Energy's pioneering Remote Agent Programme is an innovative solution that provides access to a virtual, on-demand, call centre staffed by independent, home-working agents.

Remote agents

Agents are self-employed independent contractors, who supply a home office environment complete with computer, telephone and high speed internet. The typical remote agent has a professional background and has chosen to work from home to avoid commuting, to enhance family life and to increase their earning potential. 80% of the employees on the network are 35-50-year-old females of which 82% of have a college or university education. The average demographic of a bricks-and-mortar call centre are 18-year-old males with a high school education. The average attrition for

this profile has been 6% per annum compared to a traditional call centre attrition of 75% per annum.

Training

Training is delivered in the online environment by our in-house or contract trainers. This has resulted in 100% attendance and full participation. The training in a traditional call centre is three weeks while the remote programme training is eight days. This is due to the pre-course e-learning that remote agents complete as well as the homework the agents can do from their home offices. Agents must go through a live call test phase with our trainers prior to becoming certified to take calls.

Operations

To achieve a consistent service level, handling 80% of the calls in the first 30 seconds of arrival, approximately 35% of the overall call volume is directed to the Remote Agent Programme. Quality control is strictly monitored by the supervisor and internal quality manager guaranteeing customer satisfaction and process compliance. The supervisor is able to monitor all of the agent's activity, listen to calls, monitor statistics and provide assistance to the agent base via web chat. The supervisor is empowered to remove agents short term for coaching or permanently at any time for any reason. Weekly meetings are held to facilitate ongoing training/coaching via a remote training environment.

Benefits

- The scalability and flexibility of the programme helps us to 'weatherproof' the business and achieve cost savings
- The ability to diversify our call handling ability acts as a model to develop this programme to support other areas of our Home Services business
- A reduction in green-house gas emissions by 392 tonnes (based on the US average of 1.12 t per family car) a year by removing the need for 350 extra vehicles travelling an average of 8.5 miles one way to work.

Essentials: social energy tariff

British Gas introduced the UK's largest social energy tariff, aimed at cutting gas and electricity bills for 750,000 of our most vulnerable customers. The Essentials Tariff provides additional help to vulnerable customers, particularly those who use prepayment meters.

Our aim is to offer the lowest standard gas and electricity prices¹, which have been otherwise inaccessible to people who don't have a bank account. British Gas customers who registered for the British Gas Winter Rebate scheme will automatically be moved onto the Essentials Tariff.

National Energy Action (NEA), the leading fuel poverty charity, has applauded British Gas for introducing a new social tariff.

William Gillis, NEA chief executive, said: "A new social tariff aimed at cutting gas and electricity bills for up to 750,000 of British Gas's most vulnerable customers will see their energy bills drop by 24.6 per cent or around £285 per annum.

"NEA has pressed the energy supply industry to introduce social tariffs that actually represent the best deals available. NEA applauds British Gas for the introduction of a social tariff which will ensure that its low-income and vulnerable customers are guaranteed the best deal in terms of the prices they pay for gas and electricity from the company."

Working with Help the Aged

Now in its eighth year, the British Gas Help the Aged Partnership continues to grow in strength. British Gas has invested more than £6 million to develop and implement practical schemes to improve the lives of around 1.7 million older people.

In 2006, British Gas and Help the Aged worked together to raise the profile of Excess Winter Deaths (EWD) in Britain, which last year alone numbered over 25,000 older people. We also provided a variety of practical solutions to help combat some of the causes and effects of EWD. The research we commissioned revealed some startling differences between how people in Britain and Sweden prepare for the cold, but also differences in how people feel about winter.

It showed that older people in Britain were poorly informed about the cold and feared the onset of winter more than their well informed and well prepared Swedish counterparts. It also demonstrated that the right attitude and approach to the cold, combined with financial support can dramatically reduce the misery, illness and even death that are too often a hidden problem in Britain.

Our campaign launch and the subsequent media coverage exceeded all of our targets, really helping us to get the message out into the public domain. June Whitfield was the celebrity spokesperson for the campaign and was a great helping getting the message out in the media.

We distributed around 185,000 thermometers to homes around the country and ensured that the important issues were televised and posted directly into people's homes. In addition, we have distributed over 50,000 Cold Can Kill packs, which contain easy to use information on keeping warm, useful telephone numbers for benefits and grants as well as a supply of free thermometers.

The Benefits Advice Programme (BAP), a national programme which funds benefits advice for older people, has once more exceeded all expectations. As we near the end of its third year, the programme is approaching £10 million in benefits claimed for some of Britain's most vulnerable older people. A model for best practice, BAP has gone from strength to strength and remains one of the Partnership's proudest achievements and will continue growing over the coming years.

Amington Peeps Football Competition

Amington Peeps, a constituted youth forum, applied to Save the Children and British Gas for a 'here to HELP' Award to run a community football project to help reduce anti-social behaviour. They wanted to bring together young people from different areas in an activity where there was a common interest. They also wanted to include the Tamworth Police and Street Wardens in the project to promote the positive community work they do.

235 young people took part in the football and fun day competition in Tamworth Castle Grounds and there has been a 25% reduction in anti-social behaviour and gang rivalry since this event. Young people have fed back that the project has helped boost their confidence and belief in themselves, having developed teamwork, leadership and organisational skills.

The competition has allowed the Police, Street Wardens, Tamworth Borough Council and other community members to see young people in a more positive light and be part of the process that helped bring out the best in them.

They have already taken the project idea to other young people in the region and want to support other young people to start up groups. They have also started working with the Street Warden to try to get sports facilities in Amington and are taking part in peer mentor training. Three of the young people in Amington Peeps now want to be youth workers.

British Gas helps UK 'Save a Billion'

In 2006, British Gas launched a campaign to help UK households reduce their energy waste by £1 billion.

The campaign followed the results of the company's Energy Savers Report, which showed a real North-South divide on energy efficiency. The report, a survey of one million UK households, revealed that two-thirds of British households would 'fail' an energy efficiency test.

Of the top 10 most energy efficient local authorities, only two are in the South and all 10 of the least efficient are in or around London.

The 'Save a Billion' campaign had two core aims: to raise awareness of the scale of UK energy waste and to highlight simple steps people can take to reduce the amount of energy they waste.

Amanda Mackenzie, brand director for British Gas, said: "One in every three pounds spent on energy in the UK is wasted through poor energy efficiency. Our aim is to reduce £1 billion worth of energy waste – but if everyone made a few small changes, we could save a lot more. A few simple steps can make a big difference."

British Gas estimates that if the UK continues to waste energy at current rates, by 2020 the country will be wasting £11 billion worth of energy every year.

The Energy Savers Report was praised by Environment Secretary David Miliband, Stephen Hale, director of the Green Alliance, and Philip Sellwood, chief executive of the Energy Saving Trust.

Mr Miliband said: "I welcome British Gas' Energy Savers Report initiative for the tailored advice it will give to consumers on the energy consumption of their homes. The campaign will highlight wasteful behaviour in the home and show that simple actions, such as not leaving appliances on standby, can save energy."

Examples of ways to cut household energy waste include turning the thermostat down one degree (could save around £49 a year), switching off unused lights (£32 a year) and switching off the cable or satellite box at the wall (around £18 a year).

Saving £1 billion worth of energy waste is akin to planting a forest 13 times the size of London.

Cut-price insulation from British Gas and Mayor Ken

British Gas joined forces with London Mayor Ken Livingstone to launch a cut-price insulation scheme in the capital in 2006.

London's homes are responsible for 38 per cent of the capital's emissions. The deal offers savings on household insulation, with discounted cavity wall insulation from £250 and loft insulation from £274.

Each household signing up for the offer will be given £100 cash back, paid jointly by the two partners, when the work has been completed – and interest free credit is available. For most households, the energy savings will mean the measures pay for themselves within a year.

Mr Livingstone said: "This is a fantastic opportunity for Londoners to cut their energy bills and reduce harmful emissions that cause climate change. We don't have to reduce our quality of life to tackle climate change, but we do need to change the way we live and most of us can start by making our homes much more energy efficient. I am delighted that British Gas has joined with us as a partner in delivering this in London."

Andrew Reaney, head of residential energy for London at British Gas, said: "As London's greenest leading energy supplier, we are committed to using our expertise to help every Londoner save money, energy and the environment.

"As part of this commitment, we have already helped save around £16 million on energy bills across the capital through greater energy efficiency and we look forward to benefiting many more homes through our cut-price home insulation offer in partnership with the Mayor of London."

Scottish Gas lands major energy efficiency deal

The Scottish Executive awarded an £85 million contract to Scottish Gas Services in 2006. The contract is to deliver the Scottish Executive's social Central Heating Programme and Warm Deal initiative.

Chris Weston, managing director of Scottish Gas Services, described it as "fantastic news" for Scottish Gas and for British Gas Services as a whole.

He said: "As the largest contract of its kind within the business, I am delighted we have secured this very high profile account by clearly illustrating our ability to provide very high quality delivery at good value."

The priority now, he said, was ensuring the greatest number of installations of central heating and insulation for vulnerable people in Scotland from the investment made.

Scottish Gas already installs around 12,000 central heating systems a year in Scotland and this contract is set to double the annual volume. In addition, it will lead to around 5,000 insulation contracts a year.

Forces base project wins award

In 2006, Ontario's Conservation Bureau gave Direct Energy an award for its work at the Canadian Forces Base (CFB) in Kingston. The award follows a two-year project that will save the base more than CN\$2 million (£900,000) in energy costs.

Peter Love, Ontario's chief energy conservation officer said: "The actions taken by the base will save Canadian taxpayers millions of dollars, at the same time saving energy and reducing greenhouse gases. I congratulate both CFB Kingston and Direct Energy for their partnership, which is an efficient and cost-effective way to become more energy efficient and create a culture of conservation in Ontario."

The project involved more than 300 energy conservation initiatives, including using more efficient bulbs; better fixture design and occupancy sensors; expanding and reprogramming building automation systems; modifying heating, ventilation and air conditioning fan systems; and switching to high-efficiency chillers.

CFB Kingston also installed a solar-powered heating system and has investigated using a 1,500 MW wind turbine.

"Direct Energy has extensive experience helping large organisations reduce greenhouse gas emissions," said David Bowden. "The energy performance contract is expected to save CFB Kingston over 30 per cent of the energy used prior to the commencement of the programme. This is a significant amount of savings, both financially and to the environment."

The work at the base, the largest Federal Building Initiative ever awarded in Canada, began in 2005 and is expected to be completed next August.

BGB steps up its smart meter programme

In 2006, British Gas Business (BGB) announced it had ordered 5,000 smart electric meters to boost its smart metering installation programme. We also unveiled plans for new gas business connections to get smart metering.

Smart metering (or automated meter reading) enables companies to manage energy consumption better by monitoring usage. It also removes the need for regular meter reader visits and estimated reads. More than 700 BGB smart meters have been installed so far.

Ian Peters, BGB's managing director, said: "Accurate bills are the number one requirement for our customers. Smart metering offers the perfect solution, as well as enabling our customers to better manage their energy consumption. We are phasing this in as part of our service proposition and see it growing rapidly over the next few years."

BGB ordered the new meters to scale up its first phase of remote metering to high-demand small and medium enterprise (SME) customers. This will be followed by more installations in both the SME and corporate markets.

Jim Reed, BGB's head of metering, said: "With rising energy costs and environmental concerns through the climate change levy, there is a growing need to reduce energy consumption."

"BGB's smart metering incorporates web-based energy management software to provide feedback on energy usage. This will facilitate further energy savings via improvements to onsite energy usage."

British Gas signs fuel cell deal

British Gas signed a £2.7 million contract with Ceres Power to accelerate the introduction of fuel cells into UK homes in 2006. The contract, part-funded by the Department of Trade and Industry, represents a strengthening of the partnership between the two companies, which started last year.

The programme will design and build combined heat and power units, powered by fuel cells, delivering electricity, heating and hot water, and cutting energy bills and carbon dioxide emissions. Ceres' cells can run on fuels such as gas as well as hydrogen.

The announcement follows a major technical breakthrough from Ceres – a production-engineered 1kW fuel cell stack, known as the 'Ceres Stack', generating sufficient power for the average home. The Ceres Stack is the fundamental building block of micropower generation products aimed at a variety of consumer and commercial uses.

Ceres fuel cell stacks are made up of multiple fuel cells layered on top of one another, each made from stainless steel with tiny amounts of ceramic coating. The cells combine fuel and air to create electricity and heat via a quiet, solid state electrochemical process similar to a battery. This process does not involve combustion, like an engine or burner, so it is highly efficient and environmentally friendly.

'Special' move makes Spain greener

Centrica Energía, the company's subsidiary in Spain, has started building up a new 'special regime' business venture.

Its aim is to help companies generating their own renewable energy sell their production or any excess power into the liberalised Spanish wholesale electricity market.

It has quickly developed a portfolio of 150 MW capacity with customers using wind, mini-hydro, co-generation, biomass and urban waste.

Centrica Energía works with the companies to help them maximise the revenue they get from selling their excess energy – and has set up a 24-hour contact centre and website under the control of the Energy Management department at the company's offices in Madrid.

Enrique Giménez, Centrica Energía's managing director, said: "Our service offering is growing day by day. Our partnership with our customers is so strong that we are learning how they all operate. For example, there's a textile company, a department store, even a sausage factory.

"From a generation point of view, Centrica in Spain is 100 per cent green."

This is Centrica Energía's latest move into the green energy market. It already has a growing presence in Spain's solar power sector.

In Spain, legislators call renewable generation 'special regime' as opposed to 'ordinary generation'.

British Gas joins Met in battle against bogusscallers

In 2006, British Gas and the Metropolitan Police launched a two-year anti-distraction burglary partnership in the fight against doorstep crooks.

The new award scheme is part of a police campaign in the capital, which has seen offences drop by 27 per cent in the last financial year. And new figures reveal the full picture of the crooks conning their way into Londoner's homes every year.

More than 2,000 distraction burglaries were committed in London between April 1 2005 and January 31 2006 and thieves got away with property valued at over £1 million.

The award scheme was designed to encourage Londoners to keep a close eye out for their neighbours – alerting them to the dangers of bogus callers and encouraging people to report anyone they think is suspicious to the police.

Shaun Williams, British Gas community safety manager for London, added: "The criminals who carry out distraction burglaries often pose as bogus utility workers to target older and more vulnerable people."

Awards made under the scheme – funded by British Gas – were judged by a panel of representatives from British Gas, Help the Aged and the Metropolitan Police.

REECH reaches out to London's minority groups

In 2006, ethnic minority communities in London gathered to find out more about how the British Gas REECH scheme can help spread the energy efficiency message.

The event – REECHing out to London's minority communities – was part of the Realising Energy Efficient Communities and Homes programme, a partnership between British Gas and National Energy Action (NEA).

Ethnic community leaders, health officials, politicians and industry leaders were there, hearing about ways to improve awareness of energy efficiency.

REECH aims to break down barriers faced by members of ethnic minority communities, preventing them from heating their homes affordably. The event targeted such communities, which might otherwise struggle to access energy efficiency services.

NEA said the need for energy efficiency advice tailored for ethnic minority communities was greater in the UK than anywhere in Europe – and greater in London than anywhere in the UK. The largest number of community languages in Europe can be found in the United Kingdom. More than 300 languages are spoken in London.

Andrew Reaney, from British Gas Residential Energy, said: "We're working hard in the London area to ensure that minority communities are able to access vital information and services to help improve the quality of their lives.

"REECH hopes to do exactly what the name suggests – to reach out to these communities, and this event should help further overcome any potential barriers to the take-up of energy efficiency advice and services."

REECH was launched in 2002 in London, Bradford, Oldham and Rochdale. It also operates in Birmingham, the West Midlands, Cardiff and Greater Manchester.

Quality of Life

Edward Findlay is a lone parent from Tyne & Wear, who lives with his 10-year-old son Jack and works full time as an engineer repairing launderette machines.

Through 'here to HELP', Edward has received free loft insulation and free energy efficiency advice and light bulbs. His free benefit health check identified £2,172.56 a year of unclaimed benefits: £38.08 in child tax credit per week and £3.70 in working tax credit.

Edward said: "Despite living in a relatively new house, the insulation in place fell short of the recommended depth and now I've had more insulation installed by British Gas I can really feel the difference. The house is much warmer.

"The extra money is great. It comes in very handy and goes a long way. It means I don't have to worry about getting little treats for Jack. It's definitely made life easier for both of us."

Home Energy Care

British Gas is also keen to promote the Priority Services Register (PSR), which entitles vulnerable people to free services from their energy supplier.

Great-grandmother Frances Hilton, on British Gas' register, was chosen to launch a campaign run by consumer champion energywatch, and supported by Trade and Industry Minister Nigel Griffiths, to encourage another 750,000 people in need to sign up to the PSR with their supplier.

Mrs Hilton, 100, is on the special password protection scheme. She said: "People should find out what is on offer. They are entitled to it and it will make life safer and easier."

Energy Trust

Keeping heads above water

A 74-year-old man and his wife from the West Midlands, both with health problems, were struggling on a low income.

They had £300 a week coming in but outgoings of £285. Their financial difficulties had led to a build-up in arrears, which they were unable to pay.

The British Gas Energy Trust awarded the couple £1,700 to clear their energy arrears, giving them the chance of a fresh start.

A middle-aged single mother with three children under five had a weekly income of £110, which was eaten up by bills.

She had suffered marital abuse, which led to depression. Her problems were compounded by a dependence on alcohol and by the behavioural problems of one of her children – which meant she was unable to work.

The Trust awarded her £500 to clear her energy arrears, and now she feels confident she can keep on top of her bills.

Reaching Minority Groups

London is the most diverse city in the world, its residents speaking over 300 languages. British Gas recognises that there's no 'Mr and Mrs Average' in London, and that our communications need to change to ensure we reach all our customers. For example, as part of the winter warmth campaign, partnership with Help the Aged and the Greater London Authority, Cold Can Kill packs were sent out to 120,000 people aged 65 or over with the strapline 'working together to stop the cold killing older people'.

To ensure that the campaign reached elderly people in black and minority ethnic communities, it was promoted on ethnic minority radio stations and translated posters were sent to community groups. The Cold Can Kill pack was translated into ten languages.

Investing in New Systems

We are investing in new technologies and infrastructure and in the training and development of our people to make sure our customer experience keeps getting better. For example, we introduced a new customer relationship management programme in British Gas in 2005, enabling us to provide a more personal service. This is part of a major change programme, representing an investment of £430 million and will involve the transfer of almost 17m customer accounts to new computerised systems.

The programme provides a single energy bill for gas and electricity and an automated home move process, which allows us to improve billing accuracy and flexibility, get a better understanding of the issues that cause concern and meet customers' needs more effectively.

British Gas Home Services is investing in new systems to change the way our engineers' work is allocated. This new way of working will improve the way we provide customer service and will have positive benefits for employees as well. The new systems will offer more customers flexible appointment slots, including our new family friendly appointment (10.00 am - 2.00 pm).

Direct Energy's new brand values

Direct Energy unveiled a new brand positioning in 2006, based on the three core values of simple, friendly and direct. The new positioning, which provides a consistent identity for the company across North America, will strengthen the Direct Energy business, resonate with customers and set us apart from our competitors.

Research

To arrive at this single, strong North American brand, Direct Energy initiated brand positioning research early in 2006. The disciplined research process involved a detailed look at our strategy, products and services, competitors and extensive dialogue with consumers – 26 individual focus groups in five cities across North America.

The 'simple, friendly, direct' positioning emerged as a clear winner in the eyes of consumers. Quantitative studies indicated that 71% found the positioning appealing, and 68% described it as unique. After exposure to the simple, friendly, direct concept, the number of individuals who expressed an interest in switching companies rose to 60% from 19%.

Inside out

We believe that the strongest brands are built from the inside out. We therefore placed significant emphasis on internal communications and the engagement of our employees. We established several programmes including the Brand Champion Network, employee Photo Contest and a Brand Blog to motivate and engage employees in becoming ambassadors of the brand. In less than six months, employee awareness of the brand increased from 37% to 90%.

The 'simple, friendly, direct' positioning now unifies our marketing and communication efforts with consistent graphic standards and brand guidelines.

Kids pick up £42,000 in awards

British Gas and Save the Children have announced the winners of the second round of the 'here to HELP' awards in 2006.

Forty-two groups of young people will use their £1,000 award, for example, to make short films about bullying and racism, host photography exhibitions and learn new skills through play and leisure.

The awards, funded by British Gas, are intended to inspire young people to make their local area a better place to live and offer them support to make changes.

This is the second year of the three-year award programme, which will fund up to 300 new projects. So far more than 400 applications have been received and 91 awards have been funded.

The project supports young people aged 13 to 18 to research dangers in their local area, helping them learn how to minimise risks by developing a 'Personal Safety Strategy'. The young people have captured the key points in a 'rap' CD.

British Gas corporate responsibility manager Hannah Finnis said: "All too often we hear negative things about young people with nothing to do but hang around on the streets.

"However, young people in a community are a great resource with their energy and creativity. The 'here to HELP' awards help harness this energy and creativity, ensuring positive change from the people who know what is needed within their local area."

www.helpyourselves.org.uk

Cardiff Volunteering and fundraising

In 2006, our Cardiff call centre was awarded second place in the South Wales Echo's Community Workplace of the Year Award. Our strong commitment to fundraising and volunteering activities was a key to this success.

Also that year, we supported Business in the Community's (BITC) 'Wales Cares' Education Action day. The initiative aimed to hold the biggest ever employee-volunteering day, with a total of 1,000 people supporting 100 schools across Wales.

Paul Webb, Cardiff senior operations manager said: 'We believe that employee volunteering helps us support local communities whilst aiding the development of individuals and teams within our company. The community gets tangible benefits, and as well as enjoying the activities our people learn how to work better as a team; so everyone wins.'

Our fundraising activities are spearheaded by employees, and funds raised are donated to the local charities they choose. The business supports this fundraising by supplying resources and facilities. We hold football tournaments, raffles, fancy dress days and other fun activities for employees but our aim is to embed fundraising activities into our employees' working-day so that donations are sustainable and beneficial to all.

Fairtrade fruit is available for a donation on every floor, ensuring employees have healthy snacks in the workplace, and the money donated goes directly to charity.

- A cash machine in the foyer, free to employees, generates revenue from every transaction
- Pool tables in the office occupy employees during breaks and generate funds
- Massage chairs help relaxation and the profit is donated to charity.

In total, in 2006 we raised over £28,000.

The Perfect Visit

Through the "Perfect Visit," an eight-point checklist that includes state of the art equipment, we've turned a furnace cleaning visit into a preventative diagnostic visit. As a result, we're able to identify problems before equipment breaks down. The checklist also provides an opportunity for discussion with customers. With the Perfect Visit approach, we've decreased repeat calls by 25% while increasing customer satisfaction by 7.8%. We've subsequently expanded the Perfect Visit approach to sales, installation, in-bound customer calls and maintenance.

Customers are benefiting by having a hard copy of a complete list of diagnostic checks that have been performed on their equipment. These checks comprehensively indicate not only failed components but also those that are likely to become an issue in the near future.

The benefits to the company have been:

- A general reduction in repeat calls of 2% year over year translating to a \$1 million savings to our rental and insurance product costs;
- Increases the likelihood of obtaining the 7 call per day average by providing a consistent diagnostic protocol;
- Decreases workload peaks by removing the traditional seasonal ties;
- Sets a benchmark for consistent delivery; and
- Sets expectations among our field forces, ensuring QAS programs can measure individual performance and compliance levels.

Employees

Young drivers steer towards a benchmark

Centrica's training for young drivers could be used as a benchmark by one of the country's leading health and safety organisations.

The programme has been submitted to the Institution of Occupational Safety and Health (IOSH) and will be passed to the European Agency for Safety and Health at Work, which is developing a report on young workers – and presents good practice awards.

Protecting teenagers and the under-21s at work was the focus for the IOSH's campaign in 2006. A spokesman said: "Young people are far more vulnerable than older age categories. Those in their teens and early 20s are twice as likely to have an accident."

Centrica's fleet compliance manager Jon York oversaw a programme to provide around 500 apprentice engineers with driver development in 2006 to reduce the possibility of vehicle incidents.

First they are given a one-to-one assessment, where their level of skill and risk is checked by a trainer, who highlights and seeks to correct their errors.

Jon said: "The assessment is essential for trainees because they may have recently passed their driving test and gained little experience of driving on the road since. In addition, our vans have restricted visibility: the rear doors are solid. So they must learn to rely solely on their side mirrors and be aware of blind spots."

Direct Energy diversity

Our North American Diversity and Inclusion Council was formed in September 2006 to recognise the value of a diverse workforce in helping us to understand the needs of our customer base. Since then, diversity councils for each region have been working on local diversity and inclusion initiatives across North America.

"The Diversity and Inclusion Council was formed to help recognise the value that employees of different backgrounds, experiences and abilities bring to our company," says Janice Thomson, SVP, HR, Marketing and Communications. "Our regional activities demonstrate that we are engaged in putting this theory into practice."

Examples of local initiatives include:

- The formation of Women's Network, which facilitates discussions on central issues among women at all levels of the organisation
- Ensuring that recruitment advertising fully embraces diversity and seeks to attract candidates from a range of backgrounds
- The embedding of our flexible working programme in our Houston office, where around 65% of employees benefit from some form of flexible work hours
- Outreach activities with Hispanic and Asian Chambers of Commerce to learn how to improve our targeting and recruitment of employees from those communities.

BGB group sees and believes in diversity

Nineteen people from the customer sales and service teams in British Gas Business took part in a 'Seeing is Believing' trip to Leicester in 2006.

The visit took the group to a Hindu temple and a mosque, and to meet groups working with young people of all backgrounds.

The aim of the visit, led by BGB managing director Ian Peters, was to see why Leicester had earned its reputation as Britain's top ethnic city – and why it was likely to be the first UK city where ethnic minorities make up the majority by 2012.

'Seeing is Believing' visits were created by Business in the Community and are intended to give executives the chance to see the real diversity which exists in a number of communities within the city.

Ian, who suggested the Leicester visit, said: "it's great to help bridge the gap between business leaders and community leaders but everyone needs to be involved and that means our people, customers and the community.

"I hope that by bringing our people to visit these new and culturally different communities we can build on the excellent foundations we already have."

As a result of the visit, British Gas Business will review aspects of its human resources practices, consider how diversity can be strengthened among its leadership group and develop closer links with the community.

Mukesh Patel, who took part in the visit, said: "It was an honour to be participating in such a day with senior management and it was a great pleasure being there. It's a great feeling working for British Gas Business, which shares its values regarding diversity and understanding individual differences."

Direct Energy promotes flexible working

Our North America flexible work policy was introduced in response to the 2004 employee engagement survey, which showed room for improvement in the work-life balance area.

These new ways of working will enable business growth through improved retention, productivity, motivation and morale. A flexible work policy also leads to increased diversity and recruitment pools. Employees can request changes to their working arrangements at different stages in their career and as personal circumstances change. Requests will be supported wherever possible, provided they fit the needs of the business.

There are five main types of flexible working at Direct Energy;

Flexible hours

Some employees may find their job lends itself to a different schedule, perhaps from 7am to 3pm, enabling them to avoid the rush-hour or pick up children from school.

Job sharing

This allows two employees to share the responsibilities, hours, salary and benefits of one full-time job.

Shortened working week

Eligible employees may be granted reduced work hours and/or part-time work arrangements.

Working from home

This can be a formal arrangement – for example, working from home one day per week – or an informal one, such as working from home on a particular day. Access to laptops, teleconferencing and handheld devices make it feasible to work outside the office.

Reduced summer hours

During the summer months, employees are welcome to establish work arrangements within their department to allow an increased amount of personal time.

How Ruth and May went flexible

Ruth Noel, who works in the office of the president administrator, loved her job in Houston, Texas. But the hour and a half she spent commuting each day was stressful for the single mother, who wanted to spend as much of her non-working time as possible with her 18-month-old son.

Thanks to the Direct Energy flexible work policy, Ruth is now telecommuting and she's much happier and even more productive.

May Tong, expatriate and relocation assistant in Human Resources in Toronto, has benefited from a flexible working arrangement since August 2003.

When May returned from maternity leave, the Company was able to split off a portion of her job. She now works three days a week.

Achieving a work-life balance Matthew Berry Head of resourcing

“Centrica advocates that no-one should have to make a choice between a family or a career and it provides a diverse range of family-friendly policies to help employees maintain a healthy work-life balance. So when my wife and I discovered that we were expecting our first child last year, I was able to agree a practical working solution that would accommodate both my imminent childcare commitments and my career.”

After the birth of his baby in July 2006, Matthew enjoyed an extended paternity leave of three months, safe in the knowledge that his work commitments were covered by additional resources.

“I’m incredibly lucky to work for such a supportive and flexible employer. Being able to take three months off really helped out at home. It took the pressure off us both as we adjusted to a new routine. Also, the knowledge that my work commitments can be covered by a short-term internal secondment gave me total peace of mind.”

Achieving a work-life balance Saleha Lalan Employee engagement officer British Gas Business

“I’ve been working part time for the past three years while completing my university degree in business and marketing. I have been incredibly impressed by Centrica’s flexible working policies, which have not only supported me every step of the way but have helped to shape my future career prospects as well.”

Now in her final year of study, Saleha has been able to conduct her 12-month work placement and base all her dissertation work at British Gas Business while gaining real hands-on experience at the same time. Most recently, she has also been able to agree a new pattern of flexible working hours to fit round her final year studies.

“British Gas Business lets me work fewer hours in the weeks when my university course work needs priority. I can then make up these extra hours in the weeks when my study load is lighter. This certainly takes the pressure off all round.

“Furthermore, the experience I have gained through flexible working has not only benefited my studies over the past three years but has secured me full-time employment with Centrica after my graduation. I have been most impressed at the level of interest my manager has shown in my career development and I’m really looking forward to joining the team full timer.”

Achieving a work-life balance Sarah Kershaw Senior legal counsel British Gas

“Flexibility in the workplace is actively encouraged at Centrica, to promote a healthy work-life balance. So when I returned to work from maternity leave earlier in 2006, I was able to take full advantage of the Company’s family-friendly policies. I sat down with my manager and, together, we came up with a practical working solution to accommodate both my childcare commitments and my career.”

Sarah accepted a ‘job swap’ with a legal colleague from another area within the business. This swap afforded Sarah a four-day week and the ability to leave on time for her afternoon nursery run plus the challenge of a new business area. Her colleague benefited from experiencing a corporate rather than commercial legal role. Sarah was also provided with a home-working kit to allow her to work from home when necessary.

“I leave at 5pm to pick up my child from nursery and I’m never made to feel guilty for doing so. Even if it means that I have to duck out of afternoon meetings or decline late appointments, I am 100% supported by my colleagues. If I didn’t work for such an accommodating company, either myself or my husband would definitely have been forced to look for alternative employment to meet the demands of our childcare routine.”

Film spotlights Centrica's action on age

Centrica contributed to a London Development Agency (LDA) video to raise awareness of age discrimination in advance of the new legislation that came into effect in October 2006.

Group head of HR policy Melanie Flogdell outlined Centrica's approach to age awareness.

She said: "Age is an increasingly important factor to consider in society, particularly with the upcoming legislation which will make ageism in the workplace unlawful. This video gives us the chance to explain to a wide audience how we have been working to tackle age issues affecting our employees.

"The business case for diversity is strong. The more attuned we are to our groups of customers, the more they will turn to Centrica and the more profitable the company will become."

The 10-minute video was commissioned by the LDA as part of its Diversity Works for London programme, a flagship campaign launched by London Mayor Ken Livingstone. Audiences for the video will be mainly business leaders and decision-makers in the private sector, and companies will be encouraged to use it internally as well.

Class act by Centrica boosts education reform

Centrica is helping to shape a new national diploma designed to close the skills gap in IT.

The aim of the diploma is to prepare teenagers for the IT workforce and ensure they have the right expertise for the e-economy. It will combine business, technology and interpersonal skills.

Described by the Government as the most radical reform to secondary education for more than 60 years, the diplomas were announced in a White Paper in 2005.

Five specialised diplomas, to be available from September 2008 for students aged 14 to 19, are being developed by the Government's sector skills councils. The IT diploma is being produced by the e-skills council.

Centrica is on a steering group with representatives from blue chip operations including BT, Ford, Fujitsu, John Lewis, Telewest and Vodafone, as well as the Armed Forces and the Cabinet Office.

Caroline Cryer, learning and development manager, who is Centrica's representative on the steering group, said: "There is a very real need for these diplomas, particularly the IT diploma. I feel sure there will be backing in industry and education for this valuable reform."

Logging on to a high rating

Centrica's career website is one of the best in the UK, according to a new survey.

The Company's site has been ranked at 21 in the survey of 100 corporate career websites, based on the views of more than 1,000 students and recent graduates.

Ninety-four features were examined in each of the websites analysed by Swedish research and consulting firm Potentialpark, which specialises in recruitment communication.

Six key categories were covered – usability, employer branding, talent relationship building, application management, recruitment process, and assessment and individual feedback.

Centrica was placed higher than companies such as Siemens, Unilever and BP.

Cabinet heavyweight Johnson opens Dartford centre

Our newest training centre in the British Gas Engineering Academy was officially opened by Education and Skills Secretary Alan Johnson in 2006.

At the opening of the £2 million centre in Dartford, Kent, was Centrica chief executive Sam Laidlaw, who unveiled plans to recruit an extra 200 engineers in London and the South East.

He also announced that the Company would be working in partnership with the Duke of Edinburgh award scheme from next year, offering new apprentices a chance to enter for the scheme's gold award.

The Dartford centre takes to nine the number of training centres the Academy runs across the UK (plus two partnerships with colleges). About 1,000 trainees qualify each year through the centres.

He said: "Together, this is making a real difference to gas customers and the lives of many, many young and not so young people determined to learn a profession.

"Successful applicants enter an environment that expects excellence and introduces them into a culture of learning that stretches out over the lifetime of their career in British Gas.

Alan Johnson praised Centrica for its training programme and toured the new centre, talking to some of the first batch of trainees.

MP Claire Curtis-Thomas sees Acton in action

Our Engineering Training Centre in Acton hosted a string of VIPs during the year, including MP Claire Curtis-Thomas.

Mrs Curtis-Thomas, Labour MP for Crosby, is a member of the Commons Trade and Industry Select Committee and chairs Women into Science and Engineering (WISE).

During a tour of the centre, she met our apprentices and adult recruits, taking a particular interest in talking to British Gas' female trainee engineers. British Gas currently has around 111 female engineers but we're seeking to recruit more.

Mrs Curtis-Thomas, the first woman professional engineer to be an MP, has asked to be given an overview of the training facilities and to meet some of the women trainees who are leading by example.

The Acton training centre is part of the British Gas Engineering Academy. The Company is investing £26 million a year in the academy, which is training 1,000 people a year to become domestic gas engineers, plumbers and electricians.

British Gas wins top apprenticeship title

British Gas won the Large Employer of the Year title in the Learning and Skills Council's (LSC) 2006 Apprenticeship Awards.

The Company, which currently employs 650 apprentices, collected the prize at a glittering ceremony at London's Park Lane Hilton.

Stephen Gardner, director of apprenticeships at the LSC, described British Gas as "truly inspirational" and setting "a great example to businesses around the country".

National training manager Willie Nicol said British Gas had put its apprenticeship training programme at the heart of its growth plans, and its research showed apprentices to be 25 per cent more productive than staff trained elsewhere.

He said: "We fully recognise the business benefits of growing our own engineers. They live the culture and our customer service principles are embedded from the very outset."

This is the third year of the awards, which are designed to recognise employers who are successfully using apprenticeships to improve their own business performance.

Around 250,000 apprentices are now training with 130,000 UK businesses – the highest figure ever and rising.

New Direct Energy Graduate Programme

Competition for high calibre talent in North America is fierce. So Direct Energy has set up a programme to attract the best graduates.

The programme exposes university students and graduates to top-level business practice and procedures and a variety of training opportunities, and it gives them the chance to meet senior business leaders.

How it works

Applicants are evaluated based on their grades and non-academic achievements, such as extra-curricular activities, community involvement or work experience. They must be willing to relocate and, if they are applying for full-time hire, must have graduated within the previous two years.

The programme has four routes into the Company:

Co-op placement

University students are hired for a specified period (usually four to five months) for a work assignment within a department.

New graduate permanent hires

Graduates are recruited for permanent positions in a specific department.

Rotational assignments

Graduates work in various areas. They may be assigned to a specialised technical track or receive general management training.

Summer student placements

Students are hired for summer employment in their third or fourth year, establishing a relationship for potential future recruitment.

Members of the HR team have hosted job fairs and recruitment sessions, spoken at partner universities and visited campuses, targeting some of the best schools in Canada and the US.

So far, 23 people have participated in the programme in North America. They were recruited from engineering, finance, geology and IS disciplines.

Graduates go international

The IS department is taking part in a pilot that's giving the graduate recruitment programme an international element. The new graduates begin by completing an orientation week in Centrica's headquarters in Windsor. Then they work for six months at three locations in North America.

What the graduates say

"This is an excellent opportunity for us to benefit from the enthusiasm and ideas of young people on both sides of the Atlantic."

Stephen Marcil, drilling engineer

"From the day of the interview, I knew this opportunity was the right career choice for me. The interview process was meticulously designed to fully understand my experience, knowledge and abilities."

Omar Halabieh

"The programme is an excellent opportunity to learn from the company's experts in each discipline of the upstream business. Another reason is the positive atmosphere, approachable professionals and friendly attitude among Direct Energy employees."

Cathleen Rebalbos, exploitation engineer

BGB is UK's third best place to work

British Gas Business (BGB) celebrated third best place to work in the UK in 2006, according to the Financial Times Great Places to Work UK list. BGB also won first place in the category for businesses in the UK with more than 1,000 employees.

At the European Best Companies Awards dinner in Berlin, BGB won the European Diversity Award and moved into the top five companies in Europe with more than 1,000 employees.

Ian Peters, BGB managing director, said: "For everyone at BGB this is an immensely proud moment – and one in which we can all share in the success. We have exceeded all our expectations, moving from 15th place last year to the coveted number three spot."

More than 1,000 companies from 15 countries signed up for the Best Places Award. The average score from the survey increased from 81 to 83. So the standard of all entries needed to improve just to retain the position awarded in 2005.

Ian said BGB's aim had been to be in the top 10 by 2010. "Not only have we done it four years early but we have also exceeded all my expectations," he said. "We now have the really tough task of ensuring we stay there."

BGB wins Euro call centre award

British Gas Business won a leading European award for its call centre operation last year.

It picked up the 'Best People Experience' prize in the European Call Centre Awards 2006 – and was a finalist in the 'Best Contact Centre Culture' category.

The award recognises achievement for overall employee engagement – including talent management, career progression, qualification opportunities and rewards for committed people. Other finalists included a range of household names.

Head of customer service Rachel Vincent said: "We have proved yet again that BGB is a great place to work. There'll be another plaque going into our trophy cabinet."

Back to full duties

A gas engineer was referred to Occupational Health with backache. The Company funded a course of physiotherapy and, for some months, he continued work with fewer duties.

But his symptoms did not improve and he took sick leave. The Company funded a medical investigation, which highlighted a need for surgery. Centrica paid the £8,000 cost of surgery and he has now returned to full duties.

Without treatment, it is likely he would have lost his job – and Centrica would have lost his experience.

Ambition

Balaal Imran, 20, is a trainee central heating engineer from Harrow. At school his friends talked about wanting to go to university to become doctors, lawyers and engineers – but he was unsure of what he wanted to do and didn't necessarily want to follow the higher education route.

"I liked the idea of hands-on training. I have support from the trainers at the Engineering Academy, both in the classroom and working on gas appliances, but I really enjoy being out in the field with a fully qualified engineer. This way I get to find out what the job really involves and find out what customers expect from us."

There are two distinctive routes into the business: Service and Repair Engineers or Installation Engineers. As an apprentice central heating engineer, Balaal will be involved in the entire central heating installation process, planning the job in consultation with the customer and installing, testing and commissioning the system. Service and repair engineers carry out annual servicing of central heating systems, plus maintenance, including fault diagnosis and repair.

Apprentices work towards NVQ level 3 under continual assessment. When training is completed, engineers are mentored by a fully qualified engineer and work within a team of up to 30 engineers.

The British Gas Engineering Academy is made up of a 12-strong nationwide network of training centres. The Company spends £30 million every year on training and recruitment and took on 1,000 new recruits in 2006 to train as gas engineers, v plumbers and electricians.

Engineering Academy – Jenny from Peterborough

Home service operations

“From an early age I have been interested in mechanical and electrical engineering. I took this apprenticeship as a technical engineer just over a year ago.

“I originally joined British Gas because of the job security, the great benefits and the long-term training. I guess they’re not the most exciting reasons in the world, but when you’ve been made redundant twice through no fault of your own, as I have, these things are music to your ears.

“The training on the apprenticeship has taught me how to install and maintain central heating systems. The training is done in a structured format, so it’s never too much trouble if things need to be recapped. The training involves fairly intense college work, where you learn more technical skills and techniques than you ever thought possible!

“Work placements is part of the training, covering various aspects of the job role, at all times working with experienced engineers. I enjoy the freedom that the job offers and also meeting new customers.

“However, what keeps me here is a different thing entirely. I just love getting out and about in the van and helping our customers. You really can’t beat the buzz of turning up at someone’s house and fixing a problem that has really been stressing them out.

“People still look twice when I turn up, because – how can I put it? – when someone calls for a gas appliance engineer they expect a bloke to turn up! They quickly get used to me though, especially when they see me get to work sorting out their boiler, radiator or whatever is needed.

“I tell you what though, you really notice the value of all that learning, especially in the winter months. You know what it’s like, the summer’s over, autumn sets in and the temperature drops, so everybody switches on all their heating for the first time in months. And it’s only then that they realise that they have a fault. I’ve never been busier in my life.

“What does the future hold for me? Well I’m still learning the ropes and I want a lot more fault-finding and technical experience. Once I’ve got that, hopefully I can pass on what I know to the next generation of engineers in the same way that my colleagues have done with me.

“More and more women are coming into engineering. The team I work with are great and I don’t get treated any different from any of my male colleagues. This job is far more interesting than working in an office; there is more variety, new people and new locations.”

Building in diversity

Sam Martin, Vicky Shenton, Debra Higgins and Barbara Wynne have helped build diversity into the workplace at British Gas Business.

They made sure everyone was involved during the planning of the new Spinneyside headquarters in Leicester. Focus groups helped get the views of a wide range of people – in terms of faith, disability, work-life balance and more.

They have helped make the Diwali and Eid festivals as familiar as Easter or Christmas. Our people have the confidence to organise celebrations and events, knowing that their colleagues will want to join in. Every week, different festivals for all faiths are displayed on the intranet, including details of the meaning behind the celebration. By working alongside colleagues with different beliefs and different needs, people widen their horizons.

Working patterns that fit

By seeing people's disabilities, religious beliefs and cultural needs as opportunities rather than problems, we have retained skills, knowledge and expertise.

Darren Gartside is a typical British Gas Business manager. He truly believes that diversity gives us a broader and deeper pool of knowledge and experience and creates a dynamic and enthusiastic workforce.

By introducing flexibility, Darren enabled a Muslim colleague to pray five times a day and a recruit to carry on studying for a BSc in software engineering whilst working as a customer service adviser. He devised a mobility scooter for an employee who was finding walking painful.

Our customers have benefited from Darren's keenness to embrace diversity through the retention of skills and experience that we may otherwise have lost.

Engineering a new approach

The goal of the British Gas Engineering Academy's Diversity team is to change the face of the engineering workforce to reflect more closely the mix of customers the Company serves. In particular, it aims to recruit more women and more young people from different backgrounds on to its apprenticeship scheme – not least by providing positive role models.

Team members work closely with schools and have developed projects that fit within the national curriculum. They also target community activities such as careers fairs, demonstrating how a good career with British Gas is open to anyone with the right level of ability and commitment, regardless of gender or ethnic background.

The team, formed three years ago, is held in high esteem by external organisations and agencies and has raised British Gas' profile within the minority ethnic communities throughout Great Britain.

Tackling sickness absence

Musculoskeletal disorders (MSDs) are regarded as one of the greatest contributors to organisations' sickness absence costs (HSE, 2005). The Labour Force Survey of self-reported work related illness 2004/05 suggests that 11.6 million lost working days were due to MSDs, equating to an estimated individual's absence from work of 20.5 days in that 12 month period. These absence costs are a major contributory factor to the larger absence costs of the UK economy estimated to be at £10-12 billion per year.

British Gas Services

The sickness absence pattern in British Gas Services (BGS) is comparable with most large organisations with one third of all absences being attributed to MSDs. Engineers make up the majority of our workforce, with more than 8,500 employed across the country. The engineering role is physically demanding and our approach is to take proactive steps to promote the health and well being of our people.

BGS continues to implement long-term risk reduction strategies to address the occupational health needs of our workforce. We recognise that investing in employee health increases our ability to attract and retain talented people. In recent years we have introduced several tailored and proactive initiatives to support engineers at every stage of their career. Early intervention, treatment and rehabilitation programmes enable our people to return to work more quickly and help us to reduce rates of sickness absence.

Case studies

Back Care Programme

We established our innovative Back Care Programme in 2005, to support employees with a history of back problems. Through a programme of workshops we have introduced a self-management approach to help employees experiencing chronic back pain to manage their condition. More than 300 employees have participated in workshops, which have delivered strong results.

Impact

- Lost time pre-workshops = 1,105 days; lost time post-workshops = 626 days
- 73% of those participating in the programme had no related time off work
- The programme delivered a return of £31 for every £1 invested
- 69% of participants planned to participate in a daily exercise routine
- One year post-workshop 69% of participants reported reduced pain
- The cost benefit to the business for each participant averaged £1,660

Recognition

Our programme was shortlisted for a Business in the Community Excellence Award in 2006.

Environment

Centrica joins climate group

Centrica joined the Corporate Leaders Group on Climate Change in 2006.

Chief executive Sam Laidlaw signed a CLG letter on climate change policy to European Commission President José Barroso.

Sam said: "The UK Government is taking the right steps in imposing a tough National Allocation Plan for the second phase of the Emissions Trading Scheme, from 2008-12, driving down levels of UK emissions, and Centrica is working hard to help deliver this.

"But this is a European issue. We need the EC and member states to ensure tough National Allocation Plans, and also for the third phase of the ETS, from 2012, to include full auctioning of permits to emit CO₂, rather than the current situation where most are handed out free, delivering a multi-billion euro windfall for the owners of high-emitting generation plant.

"If companies are going to be able to make accurate decisions on investments in cleaner, but more expensive, generation in future, the key element is a stable and transparent European carbon price well beyond 2012. We need to be sure that such investment will not be penalised by market structures allowing 'dirtier' plant to emit CO₂ at low cost."

The Cambridge-based CLG is part of the Prince of Wales's Business and the Environment Programme and was set up to promote a low-carbon future as a strategic business objective.

Key concerns include:

- Industry needs to know the carbon-trading targets for beyond 2012 so companies can find the best path to achieve them
- EU policies must provide strong incentives for low-carbon technologies
- The Commission should assess the impact on carbon emissions of new and existing legislation.

CLG companies will help move EU climate change policy forward in a productive way and, over time, encourage other major companies to join the partnership.

Centrica ranks high in climate survey

Centrica ranked equal third of the eleven companies in the multi-utilities section of the annual Carbon Disclosure Project (CDP) international survey on carbon emissions.

We scored 85 per cent, behind Public Service Enterprise, a power generator in New Jersey, which got 100 per cent, and Pacific Gas and Electricity with 95 per cent.

This fourth CDP was supported by 225 investors with around \$31.5 trillion (£16.7 trillion) worth of investments. The project seeks company responses to questions aimed at providing climate change information to the investment community.

More than 900 international respondents representing all sectors of business were quizzed in such areas as risks posed by climate change, impact of greenhouse gas regulations, emissions, and how climate change is managed in the company.

Centrica Group Head of Environment Simon Davies said: "Investors are increasingly interested in how effectively companies are managing their social and environmental impact.

"The CDP is a useful indicator to how businesses are tackling climate change. Our position in the survey reflects our commitment to manage our business responsibly and reduce our carbon footprint."

Direct Energy powers up a green deal

In 2006, Direct Energy announced a five-year green power deal with Dublin-based Airtricity.

It will buy all the power from Airtricity's 90MW Sand Bluff Wind Farm 60 miles north of San Angelo in Texas, when it starts commercial operation in the second quarter of 2007.

Jay Hellums, senior vice-president for US energy management, said the agreement built on Centrica's links with Airtricity. The Irish company is developing the 72MW Braes of Doune wind project in Scotland, with which Centrica has a long-term off-take contract.

The Sand Bluff Wind Farm is among the first of many planned projects for Airtricity in the US. Jay said: "Airtricity is a world leader in renewable energy generation and supply and a natural ally for Direct Energy as we continue to grow our renewable supply in Texas.

"Purchase agreements such as this one are an integral part of Direct Energy's strategy for procuring a variety of competitively priced energy options for its Texas consumers."

This is Direct Energy's second wind power contract in Texas. Last June, the company began a 15-year power purchase agreement for all output from the 120MW Buffalo Gap Wind Farm near Abilene, Texas.

Offshore wind farm is officially launched

Centrica's first offshore wind farm, a joint venture with the Danish company DONG Energy, was officially opened in September 2006.

Centrica chief executive Sam Laidlaw and DONG's chief executive Anders Eldrup unveiled a plaque to mark the official opening – helped by children from a local school.

The ceremony was held in the hall at Walney School, overlooking the wind farm, which lies just 7km off the coast of Barrow-in-Furness, south west of Walney Island in the east Irish Sea.

Local government representatives, employees from local and national contractors and representatives of regional organisations took part in the opening ceremony.

Sam announced that the two Barrow Offshore Wind partners would be the main private sponsor of Walney School's efforts to win special engineering status for their school, contributing £25,000 to its fund. School head Alan Dickenson said he was keen to encourage youngsters to consider the options engineering offered in the area.

The 30 turbine, 90MW wind farm is now in full commercial generation. Construction and commissioning work was completed in June, although power from the first row of turbines was exported to the national grid at Heysham in March.

Since then, it has attracted media attention and a visit by Trade and Industry Secretary Alistair Darling, who dropped in on the wind farm a few days after the UK Government announced the outcome of its energy review in July. He spoke then about the importance of such projects in reducing emissions of carbon dioxide in the fight against climate change.

Darling blows in to Barrow wind farm

Trade and Industry Secretary Alistair Darling visited Centrica's first offshore wind farm in April 2006.

He boarded a helicopter to fly over the site four miles off the Cumbrian coast and then returned to the mainland to signal officially the completion of the 30-turbine wind farm.

The farm, which cost more than £100 million, was developed by Barrow Offshore Wind, a 50-50 joint venture between Centrica and Danish energy group DONG. It will power 65,000 British Gas homes and help to save around 200,000 tonnes of carbon dioxide emissions every year.

Mr Darling said: "Last year, renewables broke through the four per cent barrier for the first time but, as our recent energy review outlined, our ambition is to see this increase five-fold to 20 per cent of UK electricity.

"The completion of projects like the Barrow wind farm are indicative of the UK's shift to a low carbon economy and a boost to our efforts to tackle climate change and ensure reliable and diverse supplies of energy."

The wind farm is the first of several large renewable energy projects planned for the Irish Sea, which is one of three zones for offshore wind farm development designated by the UK Government.

Centrica Energia signs sunshine deal

Centrica Energia, our Spanish subsidiary signed its first solar farm project as a turnkey contractor in 2006.

The € 7.4 million (£5.1 million) solar farm will be located in Toledo, in the centre of Spain, and is backed by 10 investors.

There will be 6,060 solar panels and the expected yearly production of the 131,000 square metre site will be 2,500 MWh.

This deal follows two solar panel trading transactions in June, totalling €2 million (£1.3 million) in revenue and involving the purchase of 3,500 panels.

Centrica Energia's managing director Enrique Giménez said: "We are positive that this first solar farm project will deepen our knowledge of the market and put us in a strong position to develop this side of our operation."

Centrica buys into the UK's first clean coal project

Centrica announced that it is set to take part in the UK's first complete clean coal power generation project. The Company has bought an option to participate in the project for £7.15 million, which could result in the lowest emitting fossil-fuelled power station in Britain.

The agreement, with Progressive Energy Limited, provides Centrica with an 85 per cent interest in development company Coastal Energy Limited, which will seek permission to construct a new clean coal power station on Teesside in north-east England.

If it goes ahead, the project will be the first to combine Integrated Gasification Combined Cycle (IGCC) and Carbon Capture and Storage capabilities.

It will also lead to the development of a 'clean coal' power station to supply electricity for British Gas customers, together with a pipeline and storage project to capture the CO₂ emissions.

Centrica chief executive Sam Laidlaw said: "This landmark agreement gives Centrica the option to take advantage of the environmental and economic benefits offered by emerging clean coal technology and could lead to the development of the UK's first complete clean coal plant.

"It offers the potential to increase the diversity of our power generation, while underpinning our commitment to source low carbon and competitively priced electricity for our British Gas customers."

New power station gets £400m green light

Centrica was given the go-ahead to construct the first major power station in the UK for nearly five years. We are building a £400 million gas-fired plant at Langage in Devon, with commercial operations scheduled to start during winter 2008/09.

Energy Minister Malcolm Wicks, said: "This is a welcome move by Centrica, which is investing to secure the future energy needs of UK consumers. Langage will contribute towards the UK's security of supply as new and more efficient power stations are needed in the coming years to replace existing plant."

Langage, which will be one of the UK's most efficient power stations, will be capable of supplying nearly one million homes at baseload and could meet around 11 per cent of Centrica's forecast peak residential electricity demand.

A key part of the project is our public information campaign, which will inform people living near the planned Langage power station how the project is going.

We began by sending a two-page leaflet to people living within 1.5 miles of the site in Devon, outlining the background to the project, the current status at the site and what people are likely to see.

Centrica signs carbon credit deal

We announced our first deal with carbon brokers Climate Change Capital (CCC) in 2006, which secured access to carbon credits from China.

The carbon credits will be produced from a project that will help reduce the level of greenhouse gases in China.

Centrica, as a member of a syndicate, purchases Certified Emission Reduction certificates from the project. These can then be used to help meet our carbon requirement under the EU Emissions Trading Scheme.

Sue Wheeler, Centrica's head of new energy, said: "Centrica believes project credits like these are a vital step towards global engagement in reducing carbon emissions."

China is the world's second biggest emitter of greenhouse gases but as a developing country is not subject to limits on its own emissions.

CCC, set up three years ago, has reportedly raised more than £500 million for trading in carbon. The money sources include two of the world's top five pension funds as well as Centrica. One of CCC's first deals is with the Chinese chemicals company Zhejiang Juhua.

Barry completes its biggest overhaul

In 2006, Centrica Energy's Barry Power Station completed the biggest maintenance programme it has ever undertaken.

It took 44 days and involved 320 contractors and has boosted the 230 MW gas-fired station's commercial and environmental performance.

Centrica bought the power station from AES in 2003 for £39.7 million. It started commercial operations in September 1998. Thirty-four people work at the South Glamorgan power station, which is eight miles west of Cardiff.

Steve Pace, Centrica Energy's regional manager for the South West, paid tribute to the people involved in the overhaul, saying: "It has been a major success, to which everyone in the team contributed. Their excellent focus on health and safety meant that there was not a single safety incident during a highly complex operation."

Centrica IS logs on to green computer campaign

Centrica signed on to a green charter run by one of the UK's leading computer magazines in 2006.

The aim of *Computing* magazine's green charter is to help IT departments become more environmentally aware.

Chief information officer Peter Brickley said he fully supported the magazine's charter, adding: "At Centrica, we recognise the environmental and commercial benefits of taking a proactive approach to reducing our environmental impact. Involving our employees and suppliers helps us to meet our environmental goals."

The seven-point charter calls on companies to check how much energy their IT systems use and to monitor consumption levels. It also urges that unused equipment be turned off when not in use and that staff be educated to the benefits of saving energy and recycling.

There should be a code of practice to cut unnecessary printing, and new equipment should have energy-saving devices. Technology management practices should be identified to reduce power consumption and old hardware should be disposed of responsibly.

Although Centrica IS has processes in place to ensure its approach meets industry best practice, it also implemented ISO14001, the global environmental management system, during the year, to make our systems even more robust.

'Buildings that talk' bring Group Property a top award

The Centrica Group Property team won a high profile award for innovation in 2006.

It picked up the award at the British Institute of Facilities Management awards dinner at London's Grosvenor House Hotel, beating off strong challenges from Johnson Controls, Microsoft and Glaxo SmithKline.

Centrica's submission, entitled 'Buildings That Can Really Talk', highlighted three years of consistent development for the team, and the implementation of a Conditioned Based Monitoring system.

This has already been rolled out in Centrica buildings, bringing substantial cost savings and improved efficiency – and was highly commended earlier this year in the Building Services Awards 2006.

The judges acknowledged that the technology Centrica had developed represented a landmark change that would see the traditional approach in the way buildings were maintained, operated and controlled alter dramatically. Buildings of the future really would talk back and be able to deliver greater efficiency and reliability as well as offering lower operating costs.

Property director Greg Skyrme praised the team, saying: "This has been the culmination of three years' development, investment and hard work for the team. It is clear that Centrica has become the industry leader in building operation."

In the dock

Cavendish Dock attracts a range of wildlife seldom seen in the UK – thanks to Roosecote Power Station near Barrow.

Managers there have collaborated with aquatic scientists and the dock owners to create an internationally important conservation area for migrant and resident species of birds.

It is regarded as an outstanding example of how industrial needs and conservation interests can operate side by side with mutual benefit. The key is that the power station takes cooling water from the dock and returns it up to 10°C higher than ambient temperatures.

Among the exotic species found there are a calcareous tubeworm from the Mediterranean and a water plant known as beaked tassel weed, also commonly found in warmer climates. And the fish grow well there too.

But it is the bird populations that form the real conservation interest. In all, 32 bird species have been recorded there, in particular wildfowl, which use the site as a warm winter refuge. Groups of particular importance include the migratory waterfowl including mute swans, dabbling ducks, diving ducks and sawbills.

The success of the project has recently been recognised by English Nature, which acknowledges the role played by the power station.

The Cavendish Dock management strategy has been a central component in the operation of Roosecote Power Station since 1990 and Centrica remains committed to working with other stakeholders to ensure that this special habitat is cared for.

Barry to Bananal

Barry Power Station has run a ground-breaking initiative in the Amazon region in Brazil through the Barry Foundation.

It is the chief sponsor of the Bananal Island Carbon Sequestration Project in Tocantins State, launched in August 1998. It unites organisations from the private, governmental and voluntary sectors to deliver the largest such project ever undertaken in Brazil.

The aim is to offset some of the emissions from the Barry Power Station and at the same time benefit the local Amazonian population – and generate as much information as possible to aid similar projects.

Very good progress has been made towards its objectives and it has attracted considerable interest in Brazil and internationally. Much of the attention has focused on the high level of community involvement.

The project team has established two sapling nurseries for reforestation, developed an extensive environmental education programme and trained 250 local teachers. It has also led to a carbon sequestration research programme based at the Canguçu Research Centre.

Lincs environmental impact assessment

In January 2007, Centrica submitted an application to the Department for Trade and Industry (DTI) for consent to construct the 250MW Lincs offshore wind farm five miles (8km) off the Lincolnshire coast, east of Skegness. The DTI is currently undertaking a formal consultation with stakeholders and Centrica is providing further information as requested. Previous wind farm applications in the industry have taken at least 12 months to determine. Subject to consent construction could begin in 2009.

The key drivers for developing offshore wind are the environmental benefit, the delivery of clean, green power and its contribution to the power generation portfolio at a time Britain becomes more dependent on imported gas.

As a responsible developer, Centrica believes it is important to identify any potential environmental impacts (positive and negative) that may arise from our offshore developments. For example, the impact of the project on marine life or how it affects the onshore environment. The potential impact is studied and analysed by experts to inform on actual risks and how these may be mitigated. Mitigation measures, such as screening for onshore works, are identified in the Environmental Statement.

During the two years preceding our application for consent, we undertook a detailed Environmental Impact Assessment (EIA). We began by producing a scoping report which captured potential impact areas and set out initial plans for the detailed scientific studies to be carried out. Consultations were then held with more than 40 local and national stakeholder groups, such as local authorities, Natural England (formerly English Nature), RSPB and marine users and the Maritime and Coastguard Agency. This enabled us to capture their individual views and benefit from their technical knowledge and specific expertise.

The necessary surveys were then carried by a number of specialists including marine biologists, oceanographers, ornithologists and engineers as part of an EIA of the site which covered 35km².

These studies culminated in the publication of the Lincs Wind Farm Environmental Statement (ES). The statement provides a detailed description of the environmental studies, the outcomes and mitigation measures that would help ensure that the natural environment is protected. The ES was submitted to the DTI in support of our application for consent to build Lincs and circulated also to the key stakeholders who will be consulted by DTI when they are making their assessment of our plans.

The ES, which covers both the offshore and onshore elements of the proposed project, consists of around 1,000 A3 pages, backed up by information in many more pages of appendices.

It was also made available to libraries and local town councils for public viewing and a series of public exhibitions were held in Skegness, Hunstanton and King's Lynn in February 2007. These enabled the public to view our proposals and talk to members of our team about any concerns.

We ran ten local exhibitions to outline our initial proposals and provide regular updates on the progress of the project. We also delivered a comprehensive communications programme which included press releases and newsletters to specific groups such as local fishermen and public newsletters. Initial responses to the DTI's consultation have welcomed Centrica's active consultation and efforts to involve the community from the earliest stages of development.

Further details about the EIA process and updates on the projects can be found at www.centrica.com/renewables

Community

REECH – Southwark

Representatives from the Black Elderly Group in Southwark, London, received free energy efficient light bulbs after attending a training day that offered advice on heating the home affordably. They were also given information about grants.

Sandra Buchanan, a care worker with the group, said: “The training day was a brilliant day. It was really very useful and informative. It will definitely help to spread the message to community groups like ours. Before the training, I only knew about turning lights off and closing windows when the heating is on; really just very basic knowledge.”

Neil Marshall of British Gas said REECH aimed to do exactly what the name suggested – to reach out to communities that often missed out on advice which could really make a difference to their lives.

REECH – Lambeth

Mrs Van-Nghi Shek, a worker from Lambeth Elderly Association from Vietnam, attended a REECH training course.

Asked whether she had benefited, she said: “Now I feel I understand everything. I knew a lot after the course, especially about keeping warm and saving cash. The training pack is very good and useful.”

Mrs Shek is also positive about the impact her newly gained knowledge is having on her community: “I try to explain to members about energy, and we are distributing low energy lamps to householders. Many of our community are elderly and have fixed views. I am trying to change their ideas little by little.”

Representatives from the association received free energy efficient light bulbs from British Gas and advice on grants.

Ian Tanner of NEA, who manages the REECH scheme, said: “It’s terrific that groups like this are coming forward to find out how they can benefit.”

Texas community groups helped

Eight community groups in Texas have received funding from Direct Energy to buy new energy equipment.

It is the latest donation in a Direct Energy scheme that makes quarterly equipment contributions to non-profit organisations. The groups get between \$250 (£134) and \$5,000 (£2,680). In all, \$20,000 (£10,720) has been earmarked for the programme for the year.

“There are two sides to an energy bill – the cost of energy, and the amount you consume,” said Kevin West, vice-president of US Marketing for Direct Energy.

“Our energy equipment programme helps support community-based, non-profit organisations acquire or upgrade their equipment for better energy efficiency while also allowing them to focus their funding on supporting their core services.”

The organisations, which cover a range of needs from victims of domestic violence to youngsters struggling to stay off drugs or facing abuse or neglect, will mostly be buying kitchen equipment with Direct Energy’s money.

One recipient is a cultural events centre in West Texas, which will use the funding to replace audio-visual projection systems for museum exhibits. Another, in South Texas, supporting local artists, is going for an air-conditioning unit.

Alberta volunteer awards programme

Direct Energy has launched the second year of its awards programme for people in the province of Alberta who volunteer to support their community.

The Volunteer Citizen of the Year awards are run jointly with the Alberta Weekly Newspapers Association (AWNA) and are open to anyone in the newspaper group's circulation area. It is an extension of the company scheme that encourages Direct Energy employees to help local organisations.

Director of Communications Lisa Frizzell said: "We received almost 150 nominations last year, and it showed just how much volunteer spirit there is in this province. That spirit is worthy of recognition so we're delighted to be able to continue to fund the award programme."

The winner gets a cash prize of £1,000 and £5,000 for his or her organisation or cause plus an appearance in the AWNA papers. The deadline for nominations is 15 May.

The winner of the first award was Blanche Coultis of Brooks, who picked up the cash for her support of the local museum and historical society. Chelsea Dawes received the award in 2006.

FOCUS sponsorship

Direct Energy has announced that it is supporting a neighbourhood community celebration in Ohio.

The company is backing the festival run by Family Outreach Community United Services (FOCUS) on Saturday in Toledo. It will feature activities for adults and children, music, a bake sale, food, prizes and karaoke.

Direct Energy is sponsoring the event as part of its partnership with the Coalition on Homelessness and Housing in Ohio (COHHIO), of which FOCUS is a member. The company works with COHHIO to develop local programmes to help homeless and low-income families and individuals.

Mike Beck, vice president of sales and marketing for Direct Energy, said: "As COHHIO's partner, we are pleased to sponsor this welcoming event that gives people of all ages an opportunity to visit with their neighbours and make new friends."

FOCUS is a faith-based organisation providing transitional housing and support services for homeless families and individuals. At any given time, it manages about 50 units of scattered-site transitional housing and serves more than 110 individuals.

Diane Reamer-Evans, who chairs the festival and is vice chairman of the agency's board of directors, said the aim was to bring FOCUS member churchgoers, participants and neighbours together "as a simple act of fun and fellowship".

Engineers help Anneka rise to the challenge

Two engineers from British Gas Services were featured on television's Challenge Anneka on Boxing Day 2006.

Adrian Fox, a central heating care engineer, and Paul Kirby, an electrician from the Electrical Servicing Division, were shown helping Anneka Rice rebuild a Sri Lankan medical centre destroyed by the Boxing Day tsunami two years ago.

Paul said: "For the first couple of days you look around at the half destroyed buildings that people still live in, with everything boarded up and flooding from another recent storm, and the whole thing seems too massive. "If there was a plane going back that first day I would have been on it. But then you shut your mind to all of that, and all you see are the smiling faces of the local people."

After a week of 12-hour days, the centre was ready – and pregnant women were soon queuing to be seen by one of three doctors in the new, fully fitted hospital.

"Everyone was knackered," said Adrian. "But when we unveiled the projects, there wasn't a dry eye in the house. It was an emotionally charged day."

Paul added: "Grown men – hairy builders – were standing there with tears rolling down their faces."

The experience made a deep impression on Adrian and Paul: both are thinking of going back.

Challenge Anneka was broadcast on ITV1 on 26 December 2006.

Back to school for British Gas volunteers

British Gas Residential Energy's London team downed tools and picked up paintbrushes and shovels in June 2006 to take part in the London Cares employee volunteering day.

Call centre agents from Southampton joined London-based engineers, field sales managers and graduates to shovel, roller, paper, pot and plant, alongside more than 3,000 other London-based volunteers.

They transformed schools and youth centres in some of the capital's most deprived boroughs. London Cares, part of National Cares, is run by Business in the Community and sponsored by British Gas.

Kiran Sappal, call centre agent, whose team painted a jungle-themed mural on the playground wall at Archbishop Sumners Primary School in Lambeth, said:

"Many of the school's pupils live in nearby high-rise flats with a natural lack of green open spaces and colour. The children wanted us to liven up their playtime with a colourful mural painted on their playground wall."

The British Gas projects aroused interest among local London newspapers and radio and television.

Fellow call centre agent Bianca Harley said: "It's exhausting work but a great team builder and the greatest reward for me is the smiles on the children's faces when they see what we achieve."

British Gas will sponsor the day again with even more volunteers taking part on 15 June 2007.

Engineers dig in for a makeover

Led by technical support manager Phil Oliver, they spent a day fixing up St Luke's Hospice in Watford by removing shrubs from the entrance road, tidying up its garden and rebuilding a tool shed.

Phil, who has been with British Gas for 37 years, said: "I've had friends who have gone in for help and have been really well looked after, so it was a good feeling to be able to do something for the hospice after the support they've given."

"St Luke's maintenance manager had said that he needed a few bits sorted that looked like they would take longer than a day to finish, but as it turned out we all got stuck in and managed to get a lot more done than we thought we would."

The day was organised as part of Centrica's Get Involved scheme, where employees can find opportunities to support their community by searching a website. Some of the activities include working in a charity shop, becoming a family support manager and assisting those with reading difficulties.

Gibraltar Point National Nature Reserve

In 2006, Centrica supported the redevelopment of the visitor centre at Gibraltar Point National Nature Reserve. The reserve, which stretches from the southern edge of Skegness to the entrance to The Wash, attracts around 180,000 visitors each year.

Lincolnshire Wildlife Trust, which manages the reserve, has a strong commitment to learning, hosting educational and field study visits by thousands of children each year. Centrica made a financial contribution of £115,000 towards the redevelopment and, with an additional commitment of £13,750, secured £125,000 from the World Renewable Energy Network and supported a successful European funding application, which boosted the Trust's plans.

Our employees also provided in-kind support to help with the development of the new exhibits, which outline the importance of the nature reserve, the threat posed by climate change and the development of technologies to help combat this threat. Part of the exhibition will update visitors on the construction of Centrica's wind farms, situated off the local coastline.

The centre was officially reopened in October 2006. It is expected the improvements will help to increase visitor numbers to the Lincolnshire coast and to extend the tourism season, as well as raising additional income for the Trust.

Encouraging wildlife in their natural habitat

On the Killingholme power station site, employees have become involved in and led initiatives to encourage wildlife in their natural habitat:

- Bird feeders and nesting boxes that can be watched over the intranet
- An area of site land has been turned into a meadow, supporting wild flowers, insects, small mammals and ground nesting birds
- A new project to clean up and maintain a natural pond to promote the welfare of amphibians, fish, insects and birds

“We maintain a site that provides a habitat for a diverse range of wildlife, whilst maintaining the functionality of a working power station. We want the wildlife to use the land to the west of the site as a habitat, so we no longer cut the grass in this area. We plan to sow seeds of indigenous plants to enable it to become natural meadowland.”

– Dave Gibson, the employee who initiated the project.

Direct Energy goes for a hat-trick

Direct Energy has again thrown its weight behind the ‘Toque Tuesday’ campaign to raise money for a charity that helps Canada’s homeless people.

An army of employees volunteered to sell toques – woollen hats – on Tuesday 7 February joined by volunteers from local schools, churches and community agencies in Toronto. The campaign target is to sell 75,000 toques (at \$10 each) throughout the country.

Janice Thomson, senior vice-president, Human Resources, said: “At Direct Energy, volunteerism is part of the fabric of our organisation. We believe that as good corporate citizens it is important to give back to the communities in which we live and work.

“I would like to extend a challenge to all Canadians to get involved in their community and help us put a cap on homelessness by purchasing a Raising the Roof toque this year.”

Direct Energy, which has been the national sponsor of the Raising the Roof charity for three years, also funded a range of thought-provoking radio announcements and newspaper adverts to promote the Hidden Homeless campaign, launched two years ago to increase understanding of the way people can fall into homelessness.

By the end of 2006, Raising the Roof will have allocated more than \$2 million to Canadian agencies working at the community level to tackle homelessness.

Involving employees

Our offices, call centres and training facilities in the UK and North America have well established relationships in their local communities. When opening new sites in recent years, engaging our community stakeholders has been a key priority.

We employ thousands of people directly from these local communities. Our ability to recruit and retain talented and motivated individuals requires us to invest time and money to support the local economy.

Our brands are recognised and trusted in the marketplace and there is a significant level of interest in our business and community activities. We maintain constant, open dialogue with all our stakeholders to understand changes in our industry and in wider society. This enables us to ensure that we continue to serve communities, minimising any negative impact while maximising opportunities to contribute sustainably.

Call centres

Our seven call centres across the UK took 30 million calls directly from customers in 2006. Customer service agents are the voice of our brands and their interaction is essential to our success. Ensuring our employees are engaged in an inclusive and welcoming environment contributes to their own well-being and performance. We do all we can to guarantee a positive experience in the workplace. Contributing to the local communities our employees come from is an essential element of that.

Our presence in North America has continued to grow and our relationships with the communities in which we operate have helped us achieve this growth. We enable our employees to have a positive impact on the communities through a range of volunteering and fundraising activities.

External assurance statement and commentary

Introduction

Introduction

Centrica has commissioned The Corporate Citizenship Company to provide it with external assurance and commentary on its Corporate Responsibility Report 2006. Centrica's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of its contents and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility.

The Corporate Citizenship Company is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world. A detailed note describing our relationship with Centrica and the assurance process we have adopted appears at the end of this statement. Further information about our company, our key personnel and our clients is available on our website (www.corporate-citizenship.com).

Our opinion

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 gaps in available performance data and stakeholder views on material issues exist, they are identified by us below.

In forming our opinion and making our comments, we have had regard to the principles underlying the international assurance standard AA1000 (www.accountability.org.uk) notably concerning materiality, completeness and responsiveness. We have also had regard to the reporting guidance for content and the principles for defining quality contained in GRI's G3 sustainability reporting guidelines (www.globalreporting.org).

Commentary

A corporate responsibility report should explain how the company impacts on society, taking account of all the important economic, social and environmental concerns of its stakeholders. It should show how crucial decisions are made and differing interests balanced. Honest about shortcomings, it should demonstrate how the organisation is responsive, by listening, learning and improving. On this basis we believe Centrica's fourth corporate responsibility report represents another clear step forward on previous years.

Coverage

In its 2005 report we commended Centrica for highlighting the three areas where it has greatest impacts – "climate change", "vulnerable customers" and "health, safety and security". This year, Centrica has applied the same approach, but having engaged with stakeholders and corporate responsibility experts, the company has been responsive by incorporating their suggestions. The six key impact areas are now defined as "energy pricing", "energy security", "customer service", "climate change", "health, safety and security" and "gas exploration".

Last year we recommended increasing transparency regarding Centrica's relationship with governments. This report represents progress towards this, with a much expanded government relations section. Centrica has also made available its submissions and responses to regulatory bodies, both within the UK and European Union.

Issues and Openness

Responding to last year's commentary and stakeholder feedback this report is materially improved by including further consideration of:

- Customer satisfaction - Despite Centrica's strong performance across many aspects of its business, it has had on-going problems with its customer satisfaction and retention rates in its British Gas Residential business.
- Redundancies - Centrica has been open about the loss of 1,300 jobs in the course of 2006. It is notable that despite such disruption, this year's employee survey showed high levels of engagement and incremental improvement.
- Mandatory and voluntary activities - Stakeholders suggested that Centrica needed to be clearer in distinguishing between mandatory and voluntary activities, particularly regarding vulnerable customers and on measures seeking to reduce the impacts of climate change. The 2006 report has taken some steps towards clarifying that distinction.
- Exploration activities - As an indication of how it approaches stakeholder engagement and impact assessment Centrica explains how it has consulted with relevant stakeholders using a number of case studies, including with communities and NGOs throughout the process of exploring for gas in Nigeria.

Presentation

Last year Centrica moved to online reporting of its corporate responsibility activities. This year, Centrica has built upon its new reporting format and used it to provide a more complete picture of the company and its activities. The online format allows access to more data and innovative ways of showing information - the video interviews are good examples of how the company is using new media to engage audiences.

Looking ahead

Looking ahead

In our opinion Centrica's 2006 report could be further improved by addressing the following six aspects:

1. Scope

Despite some increased reporting of the different business activities, including some additional content on Centrica's North American operations, the report would be further improved if it highlighted specific impacts, challenges and activities of the different businesses. Given that the North American business accounts for over 15% of both profits and employees in terms of its operations and practices there should be yet more coverage of this business. In addition, readers would benefit from a clearer understanding of performance, risks and opportunities as they relate to Centrica Energy, British Gas Services and British Gas Business.

2. Business Principles

Centrica did not achieve its roll out of business principles in 2006 as planned. An explanation of how on-going organisation changes have affected this is provided within the report. During 2007 we would expect increased commitment to achieving this goal as well as moving to reporting on breaches of the business principles in future, once appropriate systems and data gathering have been put in place.

3. Beyond its own operations

Readers need to be assured that operations outside Centrica's direct control are encouraged to implement responsible business practices. Centrica should ensure its own standards are adhered to throughout its supply chains, through off-shoring and out-sourcing arrangements as well as joint ventures. This should extend

to encouraging adherence to accepted international standards such as the UN Global Compact. We believe readers would also benefit from a clearer explanation of social and environmental considerations relating to the purchase of energy.

4. Environmental Management

In previous years we highlighted the need to implement a group wide environmental management system. Work is still being done to implement this Group Environmental Management System (GEMS). Centrica has committed to rolling it out, aiming to include all property and fleet by 2008. We welcome this commitment and would expect to see it achieved, incorporating the proposed biodiversity policy.

5. Carbon Footprint

In keeping with its environmental commitment we believe readers would welcome more information on the direct and indirect production of greenhouse gas emissions. In our opinion Centrica should map in a way that is clear for stakeholders how the different elements of its activities – procurement, generation, supply and servicing - contribute to climate change.

6. Targets

All of the above would be supported by Centrica setting out clearer goals and targets. To have relevance such targets must be stretching while realistic, supporting measurable improvements in performance over a specific time periods. Developments such as Centrica's climate change strategy and the launch of its New Energy

business unit make defining targets and performance indicators, and reporting against them, even more important. We look forward to reading of progress in next year's report.

The Corporate Citizenship Company

www.corporate-citizenship.com
24 May 2007

Assurance process

Note on our relationship with Centrica and on the assurance process

Our relationship with Centrica

In 2006 part of our assurance process involved active engagement with key stakeholders through an on-line survey and face-to-face interviews. In addition we facilitated a workshop with Centrica's commercial procurement team to help explain emerging concerns and vulnerabilities.

Centrica is also a member of the LBG (the London Benchmarking Group www.lbg-online.net), an evaluation framework for corporate community involvement which we manage on behalf of its members and adherents.

The assurance process

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 (GRI), the stated views of principal stakeholders and our own professional expertise and experience.

In particular, we have considered the availability of information, sufficiency of evidence, underlying systems and processes, internal assurance systems, adequacy of resources allocated and relevant legal and commercial constraints. We have judged materiality by considering significant legal, regulatory and financial impacts, business policies, the performance of peers and competitors and stakeholder views.

A team of three, led by a director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has extensive

relevant professional and technical competencies and experience. For a fuller description please refer to our website. The work was commissioned in June 2006 and was completed 18 May 2007. Detailed records were kept of meetings, assurance visits and correspondence relating to the materiality, completeness and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data.

Our external assurance and commentary process for the 2006 report has involved the following elements:

1. Examination of the report at set stages in its development and thorough testing of the assertions throughout on a section-by-section basis drawing from evidence and supporting documentation.
2. Conducted a stakeholder review through an on-line survey and face-to-face interviews.
3. Meetings and discussions with a cross section of Centrica's managers and staff about its approach to corporate responsibility, its policies and performance, its future challenges and its relations with stakeholders.
4. An analysis of best practice among other companies, the principles of the GRI and AA1000as, followed by detailed discussions with Centrica's corporate reputation team about reporting the company's approach, policies, performance measures, benchmarks, stakeholder relations and future plans.
5. A review of national and international published sources of information about the views and opinions of external stakeholders, including inter-governmental and governmental agencies, academics and special interest groups.

6. Research to identify suitable national and international benchmarks against which to judge Centrica's performance.
7. An appraisal of Centrica's additional stakeholder engagement activity, principally employee surveys, environmental impacts assessments, Ofgem and other consultation documents as well as investment analyst views.
8. A review of external assessments made, notably by Dow Jones Sustainability Index, Business in the Community's Corporate Responsibility Index and Vigeo.
9. An assessment of the internal assurance process, notably the procedures adopted to ensure responsiveness, completeness, materiality and data accuracy.
10. Checks on a sample basis of elements of the report's contents to underlying records, focusing on quoted stakeholder views from employees and on claims made about new initiatives on environment, risk assessment and business assurance.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the 2006 report nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of Centrica's non-financial performance and should not be used or relied upon to form any judgements, or take any decisions, of a financial nature.