

CENTRICA



# Corporate Responsibility Report 2008

**Assurance statement and  
commentary**

APRIL 2009

# Corporate Responsibility Report 2008: assurance statement and commentary

## **Assurance statement**

Centrica has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2008, contained within this site. The assured material is denoted by a “2008 Reporting” badge on relevant pages.

## **The scope of our assurance**

The assurance provides the reader with an independent, external assessment of the report and, in particular, with how it corresponds with the AA1000 standard. It is intended both for the general reader and for more specialist audiences who have a professional interest in Centrica’s corporate responsibility performance.

Centrica has chosen to use the new iteration of the AA1000 standard, AA1000AS (2008). Our assurance is a Type 2 assurance as defined by the standard, in that it evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness and assures the behaviour of the organisation as reported here. It used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions. It has verified the reliability of selected reported sustainability performance information.

The level of assurance offered is moderate as defined by AA1000AS (2008). That is to say, our work obtained sufficient evidence to support the statement that the risk of our conclusion being in error is reduced.

Centrica is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. As noted above, the disclosures covered by this assurance are denoted by a “2008 Reporting” badge on relevant pages.

A detailed note on our assurance methodology appears at the end of this statement.

## **Opinion and conclusions**

In our opinion the *Centrica Corporate Responsibility Report 2008* reflects the principles of AA1000 (2008), namely inclusivity, materiality and responsiveness. The specified sustainability performance information is reliable and accurate. The level of assurance is that defined by AA1000 as moderate.

Centrica engages with key stakeholder groups, gives balanced consideration to their views and issues, assesses which are material, and responds by altering practice and innovating as appropriate.

## **Commentary**

Our work was considerably assisted by the thorough, deep and ordered way in which the Centrica Corporate Responsibility Committee engages with the corporate responsibility agenda. Within the work of the Committee, the regular presentation by businesses of their responsibility engagement, agenda and response was a notable feature, providing significant evidence of the application of relevant policies and targets within the businesses.

In our opinion future reports could be strengthened by further addressing the five aspects that we identify below.

## **Climate change**

As a member of the Carbon Disclosure Leadership Index, Centrica has an independently acknowledged claim to leadership in this field. In our judgement the current report meets current expectations of stakeholders with regard to climate change. However, Centrica should note that this area needs to be held under review. A shift upwards in the generally reported assumptions about the likely extent of climate change is evident, and 2009 will be marked by the Copenhagen Climate Conference.

In particular, future coverage should show the extent to which Centrica's policies and programmes seek to maintain a leadership position by addressing the latest public and scientific understanding of the issue, including consideration of the main physical and social risks that may accompany climate change.

## **Responsible procurement**

In last year's statement we noted the progress made in the development and initial deployment of a responsible procurement policy. We note that suitable measures

for this activity have been devised and data is being collected. Performance data should be published as soon as there is sufficient information to inform Centrica's implementation of the policy and to give readers insight into the policy's effectiveness.

Given the importance of climate change issues to the group, Centrica should ensure that environmental considerations are embedded into the supply chain contracts alongside responsible business behaviour.

### **Comparability of data**

The *Exposure Draft of Guidance for the Use of AA1000 AS (2008)* cites comparability, also a GRI principle as a test of information quality, as a positive attribute of a report. In particular, the guidance notes that comparability includes: year-on-year comparability, comparability with industry peers, and comparability with appropriate benchmarks.

Centrica has developed a style of reporting that is built upon a broad base of performance data. The quantity of data disclosed has grown. Centrica as a norm gives a five-year range of data showing changing performance over time. Currently Centrica includes relatively few comparisons with peers or external benchmarks and should, we believe, consider including comprehensive benchmarking of a limited number of key performance indicators in future reporting.

### **Process for deciding what issues to include in the report**

The section *Our approach* provides a succinct explanation of how Centrica judges what are its material corporate responsibility issues. Some leading reporters include a brief section explaining how and why they decided on what information to include in the report and where other relevant information may be found. Inclusion of such a section in future report would further strengthen the materiality and responsiveness of Centrica's reporting.

### **Review of report and underlying documentation against the scale of business activities**

We considered whether the contents of the report fully reflected the balance of Centrica's different businesses and geographies. We concluded that the report was appropriately balanced. However, the review raised two issues.

Centrica has made progress on management information and key performance indicators. Whilst good progress has been made over the last 12 months in Direct Energy, Centrica's North American business that accounts for roughly one-quarter

of Centrica's turnover with evidence of stronger governance, a necessary next step is that Direct Energy should address the fact that it has fewer, less well-embedded targets than Centrica's UK businesses and maintain this progress in 2009.

Given the material contribution made to turnover by business customers and by domestic customers who are not vulnerable, we are also of the view that Centrica should continue to provide coverage for these groups, with future coverage reflecting any material changes of impact.

**Corporate Citizenship**

*London, 29 April 2009*

[www.corporate-citizenship.com](http://www.corporate-citizenship.com)

## **Methodological notes**

A team of three, led by an associate 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 [www.corporate-citizenship.com](http://www.corporate-citizenship.com).

The work was commissioned in December 2008 and was completed on 29 April 2009. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality 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 Centrica's Corporate Responsibility Report 2008 has involved, but not been limited to, 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 Interview with the Senior Independent Director and Chair of Corporate Responsibility Committee, and the senior executive in charge of corporate responsibility.
- 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 More detailed engagement with representatives of the Centrica Energy business to test the application of Centrica's corporate responsibility policies within the business. In particular Centrica Energy's stakeholder engagement practice was subject to detailed scrutiny.
- 5 Analysis of the agendas of, minutes of and papers presented to the Centrica Corporate Responsibility Committee and a correlation of these with Centrica's reporting.
- 6 Review of key media coverage of Centrica corporate responsibility and related items.

7 Reviews of internal consumer research documents underpinning the customer section of report; of reports on equal pay, on ethnic origin and on employee engagement underpinning the employee section.

8 Checks on a sample basis of elements of the report's contents to underlying records, particularly of the numerical data within the report.

9 Assessment of report coverage against contribution made by business to revenue and profit.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the 2008 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 judgments, or take any decisions, of a financial nature.

Corporate Citizenship is a leading assessor of corporate responsibility reports. The company is a member of AccountAbility.

We have worked with Centrica on corporate responsibility reporting since 2000 and have provided assurance for the last six years. During the 2008 reporting period, except as noted below our work with Centrica focused exclusively on assurance and stakeholder engagement.

Centrica is a member of the LBG (London Benchmarking Group [www.lbg-online.net](http://www.lbg-online.net)), an evaluation framework for corporate community involvement which we manage on behalf of its members and adherents.