

2008

**Corporate
responsibility
report**

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Chief Executive's introduction

Introduction from Sam Laidlaw



Welcome to Centrica's corporate responsibility report for 2008.

It has been a very challenging year with changing economic circumstances and extraordinary turbulence in the commodity markets. As a result there has been an increased focus on many corporate responsibility (CR) issues and, in particular, how companies continue to manage these issues in and embed them into everyday business performance during times of recession where cost efficiencies are very much a global priority. In a year of sharply rising fuel prices the areas of highest impact for Centrica were our support programmes for our most vulnerable customers and our long term efforts to ensure security of energy supply. We also continued to take a lead role in our generating power through low emission technologies, minimising climate change as we move towards a low-carbon future.

2008 was my first full year as a member of the Corporate Responsibility Committee. Throughout the year, the Committee challenged our current performance and debated areas of future activity across a range of critical business issues. Through this continual process of improvement, I have confidence that we are making good progress in developing the necessary structures and processes, allied to a management commitment that will build a sustainable and environmentally aware business for the future. In this report, you can read about our initiatives and performance over the year, as well as our forward-looking plans for 2009 and beyond.

As our CR programmes mature, there is an increasing amount of available information to present to our internal and external audiences. As in previous years, we have chosen to use the online environment to report. Through our website we believe we can disclose the most information in the easiest to use format, leaving users to choose the level of detail appropriate to their interests.

I hope you find the report useful and encourage you to provide any feedback that you may have so that we can continue to improve both our performance and how we communicate it.

A handwritten signature in black ink that reads "Sam Laidlaw". The signature is written in a cursive, flowing style.

Sam Laidlaw
Chief Executive

Assurance and scope

Scope

This report covers our corporate responsibility (CR) performance from 1 January 2008 to 31 December 2008. It updates our last CR report, which was published in May 2008. For the sixth consecutive year, our report is externally assured by Corporate Citizenship.

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. However, we also provide detail on our operations in Nigeria and our outsourced activities in India; and we have increased reporting on Belgian energy company SPE, in which we acquired a 51% stake. In future reports, as our international businesses continue to evolve and grow, we will report our activity and performance accordingly.

Where appropriate, we have reported the activities of our individual business units but we have chosen not to produce separate reports for each of these. Further details of their corporate responsibility activities can be found on each of the business unit websites.

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 strategy, our Group business principles and the principles of the United Nations Global Compact, to which we are a signatory.

We encourage you to contact us with your views through our feedback tool.

We will publish our next corporate responsibility report in May 2010.

Independent assurance

Centrica has commissioned Corporate Citizenship to provide it with external assurance and commentary on its 2008 Corporate responsibility report. The 2008 report is embedded within the 'Responsibility' section of the Centrica.com website. 2008 performance is denoted by the '2008 Reporting' badge.



Centrica's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of content and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility.

Corporate Citizenship is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world.

Corporate Citizenship
www.corporate-citizenship.com
1 May 2009

Centrica 2008 Assurance

An excerpt from Corporate Citizenship's assurance statement is included in this report. For the full statement, please visit www.centrica.com/cr08/assurance

Assurance and scope

Excerpt from Corporate Citizenship's Assurance 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

2008 Highlights

We were pleased with our progress across the CR agenda in 2008 and have highlighted below some of our key achievements. However, we cannot be complacent and there is still more to do. So, we have identified those areas that will require particular focus in 2009.

Key performance indicators and targets

We have developed a robust set of key performance indicators in 2008 and set challenging targets around our key impact areas. We have also made significant progress in increasing the scope of our data, particularly around our environmental performance.

More to do

We now need to align our internal processes and targets against these key performance indicators to ensure a consistent approach across the business. There are also areas where we see external verification as important. In particular, we will look into verification of our employee safety data.

Vulnerable customers

We've developed a comprehensive strategy for improving the help we provide to our vulnerable and in-need customers. This includes an industry-leading approach in working with charity partners to target customers with the right kind of support, rather than assuming that 'one size fits all'.

More to do

We must now deliver our strategy and continue to protect our vulnerable customers, especially in times of economic difficulty.

Health and safety

We are putting a strong management system in place with commitment from all levels within the business. The increased visibility of health and safety at all executive meetings and business quarterly performance review meetings with the Chief Executive is ensuring that we maintain our focus on this crucial impact area.

More to do

We can never afford to lose our focus on health and safety. We have further to go in embedding a culture where health and safety is a core value of the organisation. We aim to achieve leading standards in all areas of health and safety, ensuring Centrica benchmarks favourably against leading organisations in this area.

Climate change and the environment

We exceeded all three key targets set for 2008 around the environment: we reduced our carbon intensity below our 2012 target; we provided energy efficient products to customers that are equivalent to lifetime carbon savings

of 17.87m tonnes; and we reduced our own office energy usage in the UK by 7.23%. Our employee engagement in this area has been particularly important and was a key factor in the certification of British Gas to ISO 14001.

More to do

Climate change concerns are rising up the agenda in the United States and Canada and we need to monitor the risks and opportunities for our Direct Energy business. We also have more to do in assessing the impact that climate change may have on the physical operating environment, such as changing weather patterns.

In addition, we will focus on ensuring that our environmental policy and strategy are robust for the long term and able to deliver leading performance; on our carbon intensity targets; in setting challenging targets to further reduce our operational footprint and in ensuring that we become a leader in the delivery of our low carbon products and services.

Supply chain

We have made good progress on the wide-scale implementation of our Responsible Procurement Policy. We now have processes in place to include responsible procurement clauses in supplier contracts.

More to do

We must now focus on embedding these commitments among our suppliers so that we have confidence in the standards of our supply chain. We must also develop key performance indicators and targets to measure our progress in this area.

Internal engagement

The engagement of our employees in all aspects of the CR agenda is essential if we are to meet our targets and commitments. In 2008, we have enhanced the understanding and awareness of employees around the green agenda and we have also increased help for our employees to get involved with volunteering and community programmes. British Gas's inclusion in the Top 20 Best Big Companies to Work For index was just one reflection of our success in building an engaged workforce.

More to do

We will continue to embed corporate responsibility within our business activities, further developing a sense of ownership and accountability within our operating divisions. 6

Business overview

Centrica’s main operations are in the UK, North America and Europe.

We secure and supply gas and electricity for millions of homes and businesses and offer a distinctive range of home energy solutions and low-carbon products and services.

All facts and figures apart from number of ordinary shareholders and average number of employees taken from 2008 Preliminary results and cover the period for the 12 months ended 31 December 2008. Number of ordinary shareholders at 31 January 2009; approximate average number of employees in 2008 calculated over 13 months.

Facts and figures

Group revenue [^]	£21.3bn
Operating profit ^{^*}	£1,942m
Number of ordinary shareholders	851,249
Adjusted basic earnings per share ^{^*}	21.5p
Full year dividend per share	12.2p
Number of operating countries	9
Number of employees	32,817
Effective tax rate ^{^*}	53%

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

[^] from continuing operations.

Our core retail brands



Our approach

To deliver our business strategy successfully, we must identify and respond to the many social and environmental challenges of our operations.



Our approach

Modern society is placing an increasingly high value on sustaining the physical environment and nurturing people and communities.

For any organisation this shift in values raises issues of judgement between short-term gain and longer-term sustainability. Such decisions require strong leadership and governance. They also require a clear strategy and clear values that are applied consistently throughout the business.

Our approach to corporate responsibility is straightforward yet integral to our strategic decision-making and business performance:

- We communicate our position on key issues and, through our business principles, are clear about the standards we expect of ourselves and those we work with
- We consult our employees, customers, investors and wider stakeholder groups to understand the main social and environmental matters affecting our business
- This enables us to identify and prioritise the risks we face and opportunities we have, and to develop distinctive strategies, commitments and targets
- We communicate our performance with openness and transparency, so that our stakeholders understand the progress we're making

A successful approach can help us win business advantage and deliver value to our shareholders. Conversely, if we fail, we face reputational and financial risks.

The Corporate Responsibility Committee oversees our overall corporate responsibility (CR) strategy and our business units are responsible for its implementation.

CR strategic priorities

- **Lead the consumer market for low-carbon energy products and services**
- **Maintain our low-carbon position in power generation**
- **Reduce the environmental impact of our operations**
- **Deliver industry-leading support to our vulnerable customers**
- **Deliver industry-leading health and safety performance**

In addition to these key priorities, we have individual strategies for each of our key impact areas. Find out more about these in the overview section of each key impact area.

Our approach

Business case

Our business case is based on three 'Rs'.

Return – Creating sustainable value for our shareholders

Risk – Identifying and managing risks and opportunities

Reputation – Protecting and enhancing our reputation

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. Our risk management processes capture both the financial and non-financial risks affecting the business and our internal audit programme monitors the effectiveness of our controls.

Identifying opportunities

Maintaining dialogue with our stakeholders on social and environmental matters, and being attuned to emerging changes in society and government, helps us identify commercial opportunities. For example, we launched British Gas New Energy to become the leading provider of low-carbon energy solutions in the UK.

Protecting our reputation

Our research demonstrates the high value our CR activities create for our brand and reputation. Meeting our stakeholders' high expectations is vital to building trust and loyalty in the marketplace. We understand the cost of getting it wrong and how this would harm our reputation.

Engaging our employees

CR credentials are becoming an important factor when people select potential employers. Our employees have a vested interest in our approach and an important role to play in helping us to embed our principles and deliver our 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 society enables us to develop products, services and systems that improve efficiency.

Our approach

Risk management and internal control

The Board regards the identification, assessment and prioritisation of risks, together with the implementation of effective mitigating controls, to be fundamental to achieving the Group's strategic objectives and supporting the creation of long-term, sustainable returns for shareholders.



Our approach

The Board, supported by the Centrica Executive Committee (CEC), sets our strategic direction, which includes objectives, performance targets and policies for the management of material risks and opportunities.

Each business unit operates its own risk management committee. These committees identify, assess and advise on material risks to the business and consider the adequacy of controls and the actions planned to mitigate those risks. The most significant risks are escalated to the Group Risk Management Committee to help develop our overall risk profile including those risks that might affect us at Group level. Where significant risks have been identified, these are subject to management scrutiny to assess the effectiveness of existing controls and to identify if further actions are required.

The CEC reviews the risks identified by the Group Risk Management Committee at its monthly meetings to assure itself that the significant risks facing the Group are being managed appropriately.

At each of its four meetings in 2008, the Audit Committee of Non-Executive Directors received a Group Risk Report that provided an assessment of the material risks facing the company including the adequacy of the associated controls.

Identifying CR risks

The Corporate Responsibility Committee (CRC) is responsible for ensuring that CR risks (and opportunities) that could materially affect the Group's business performance are effectively identified and managed.

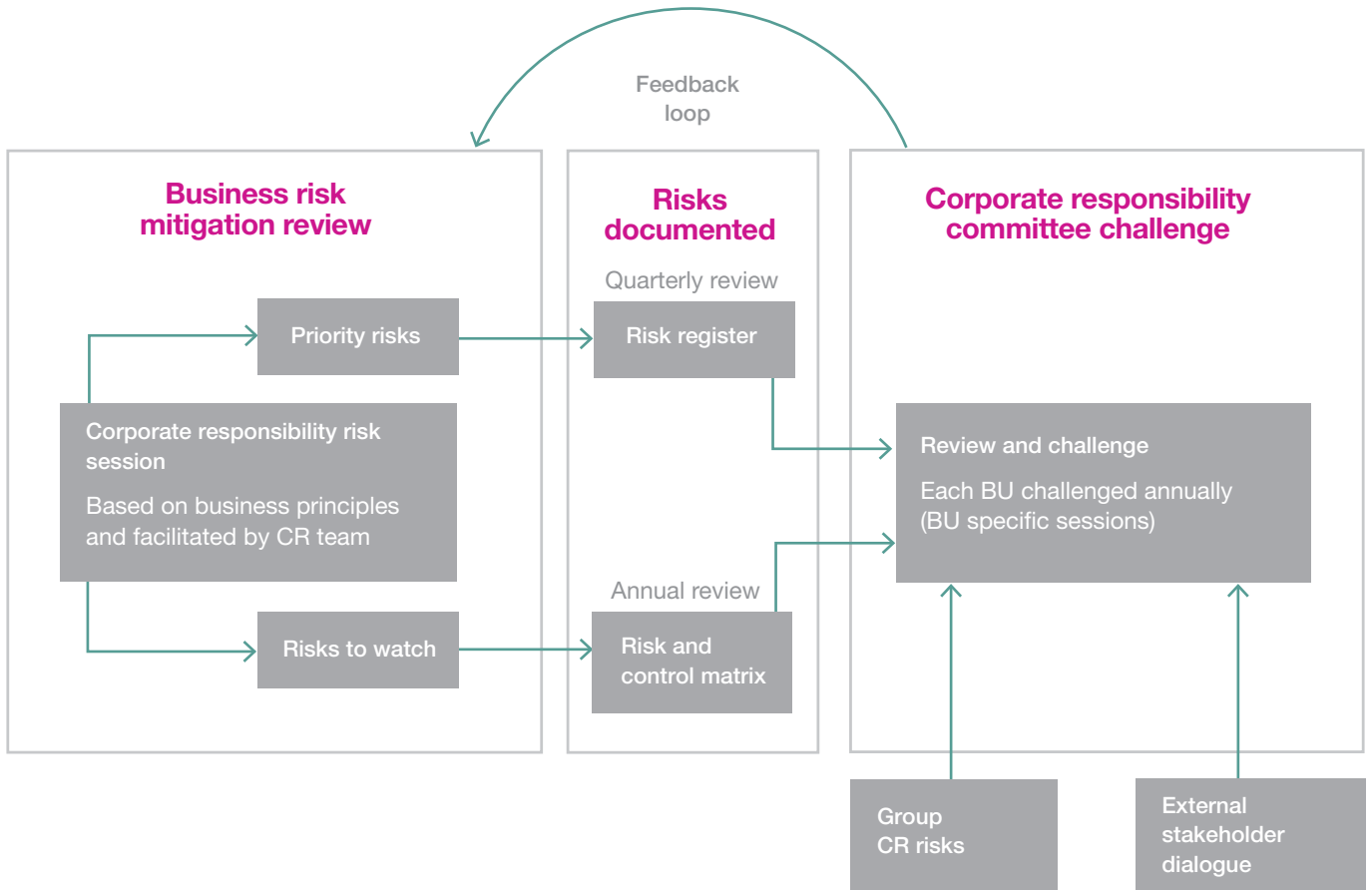
Material CR risks affecting the Group are currently recorded on our risk registers and managed through our Business Risk Management Committees, Group Risk Management Committee and Audit Committee process. Current examples include health and safety, climate change, reputation management, and outsourcing.

Any CR risks that are not recorded on the list of priority risks at either Group or business unit level are managed via the process highlighted in the diagram below.

Business unit managing directors have responsibility for reporting to the CRC on CR risks and how they are being addressed. Potential CR risks are discussed, agreed and monitored annually through a risk and control matrix that is reviewed annually by the CRC. Views on potential risks from external stakeholders are also incorporated at CRC meetings.

Our approach

Risk management and internal control



Non-financial risks

Each risk is assessed against both financial and non-financial criteria. Non-financial risks are assessed according to their impact on:

- Brand and reputation
- Legal and regulatory
- Customers and employees
- Health, safety and security
- The environment.

We manage our social and environmental risks in accordance with the disclosure guidelines on social responsibility developed by the Association of British Insurers.

The CRC is authorised by the Board to review the effectiveness of the Group's processes and controls for identifying and managing CR risks and opportunities that could materially affect the Group's business performance and reputation. The CRC also sets objectives, performance targets and policies for managing material CR risks and opportunities, which are monitored by the Board.

Internal audit

There is a strong link between our risk management and internal audit processes. Our internal audit programme assesses the effectiveness of management controls in relation to CR risks. Conclusions from the audit process feed back into the risk assessments. In addition, the Audit Committee receives quarterly updates on the material findings and actions from the internal audits.

Our approach

Shaping the policy environment in 2008

We are committed to playing a full and active role in the political process to support the creation of competitive energy markets that deliver consumer choice, support vulnerable customers, promote security of supply and facilitate the move towards a low-carbon society.

Competitive markets

In 2008, we welcomed Ofgem's initial findings into the UK energy market, which concluded that effective competition exists in the energy supply industry in Britain. The report suggested tariff reductions for prepayment customers to more accurately reflect the additional cost involved in supplying those customers. British Gas was the first major energy supplier to comply with the recommendations.

Reducing carbon emissions

During 2008 we supported the introduction of 100% auctioning for power generation under phase III of the EU emissions trading scheme. We welcomed enabling clauses in the 2008 Energy Act on feed-in tariffs and renewable heat incentives and we are working with other industry stakeholders to ensure their speedy introduction. In North America, Direct Energy engaged directly with government officials and associations, including the Alliance to Save Energy and the Business Council for Sustainability, to promote our support for cap-and-trade.

Fuel poverty

In 2008, fuel poverty was an issue at the top of the political agenda. All energy suppliers reached an agreement with the UK Government to commit an additional £375m to social programmes over the next three years. British Gas had the largest share with £34m agreed, but we actually spent closer to £70m.

Working with regulators

We continued to consult on a wide range of energy related issues with the UK energy regulator Ofgem and the North American regulators. Our regular discussions cover a range of areas relating to energy supply including debt and disconnection, consumer representation and complaint handling standards, as well as fuel poverty and consumer policy issues.

CR Committee and Governance



CR Committee and Governance

Overview

CR Governance

Good governance is essential to a company managed in the interests of its shareholders, customers, employees and wider stakeholders.

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.

We believe successful non-financial performance can deliver bottom-line benefits – just as uncontrolled CR risks can negatively impact our reputation. To ensure a coordinated and commercial focus to corporate responsibility, we assign CR governance as a matter for the Board.

CR Committee

Our Corporate Responsibility Committee (CRC) oversees our CR strategy and activities on behalf of the Board and is chaired by our Senior Independent Director, Mary Francis CBE. The CRC meets quarterly and the Centrica Board reviews progress and performance of the CRC quarterly.

CR Committee members



Mary Francis CBE

Senior Independent Director



Phil Bentley

Managing Director, British Gas



Deryk King

President and Chief Executive Officer, Direct Energy



Sam Laidlaw

Chief Executive



Andrew Mackenzie

Non-executive Director



Catherine May

Group Director of Corporate Affairs

The Committee's main role is to ensure that our day-to-day business operations respond to the opportunities and avoid the risks posed by CR issues. View the Risk Management section to find out more about our risk management approach.

To do this, the committee challenges management to assess and control risks while developing programmes to capitalise on opportunities. The CRC uses KPIs and targets to monitor the business' performance in achieving these tasks.

CR Committee responsibilities

The Corporate Responsibility Committee (CRC) is authorised by the Board to:

- Review the effectiveness of the Group's processes and controls for identifying and managing CR risks and opportunities that could materially affect the Group's business performance and reputation
- Review and challenge the Group's performance on CR matters in line with the Group corporate responsibility strategy, policies and standards

Also in attendance: Simon Henderson, Director of Corporate Reputation

CR Committee and Governance

2008 performance

I am pleased that the CRC continues to receive strong commitment from our senior leadership and provides strategic oversight to our CR approach.

Committee objectives

The Committee's objectives in 2008 were to:

- Review the CR strategies of each business unit and ensure that key impact areas are being effectively managed
- Oversee further work to improve the scope and quality of the Group's CR performance indicators
- Monitor the implementation of the Group business principles and responsible procurement policy

Governance and management

2008 was the first full year the Committee operated with Andrew Mackenzie, Non-Executive Director, and Sam Laidlaw, Chief Executive, as members of the Committee. During the year, the CRC discussed the approach the company should take on key topics and promoted the development of indicators and targets to measure performance.

Each business unit now has a CR representative responsible for coordinating CR strategy and reporting back to the Committee. This added a level of visibility and accountability for CR within the Centrica Group.

Direct Energy established a Corporate Responsibility Committee to oversee CR activities in our North America operations. The committee comprises senior executives from Direct Energy and meets quarterly.

More information on our corporate governance is available in the Corporate Governance Report in our 2008 Annual Report.

Business unit CR strategy review

Throughout 2008 the Committee undertook a review of CR strategy in British Gas, Centrica Energy and Direct Energy. Managing Directors presented to the Committee an outline of the non-financial risks to their businesses. This process ensured that the key impact areas relevant to our different business divisions were discussed and challenged at a senior level with actions identified as part of a process of continual improvement.

Key performance indicators

A key initiative in 2008 has been to enhance the quality of key performance indicators (KPIs) and targets at our disposal to enable the Committee to exercise clear oversight of the business' non-financial performance.

We have undertaken a detailed review of each key impact area with input from senior directors from across the company, notably through the CR questionnaire in early 2008 and CRC discussions. This has enabled the Committee to review and challenge current strategy and help shape future priorities, particularly in relation to climate change and fuel poverty.

I have been pleased with the rigour behind the process that has ensured the KPIs are both relevant and important to our business performance and that the targets are sufficiently stretching.

Metrics have been discussed and formally approved at both CRC and Centrica's Executive Committee (CEC). KPIs have now been incorporated into business division performance dashboards (for quarterly review) with updates provided to CRC and CEC on a quarterly and bi-annual basis, respectively. Performance data has also been integrated into the Group's internal audit processes.

CR policy review

The British Gas fuel poverty strategy was reviewed by the Committee in 2008 as we aimed to sharpen our approach to helping our vulnerable customers. Given the breadth of support currently available, I believe we continue to deliver comprehensive support for our customers most in need by providing a range of helpful solutions tailored to their particular circumstances.

Responsible procurement

In 2008 the Committee reviewed progress of the development of the new responsible procurement process. Corporate responsibility clauses were developed for inclusion into supplier contracts and performance indicators were created to monitor the risk in our supply chain.

For more information on our responsible procurement process, read the Supply Chain section of the Report.

Looking ahead

During 2008, we have continued to review, understand and manage the social, environmental and economic impact of our operations. I believe we have made good progress and in 2009, the Committee will seek to provide particular challenge and focus in the following areas:

- Increase oversight of health and safety to help apply best practice standards to the company
- Continue to support global efforts to combat climate change despite the economic downturn
- Seek to embed the Executive Committee's ownership of CR in the Group, and further develop ownership and accountability of CR in the business units
- Oversee business unit CR strategy and performance using the KPIs and targets developed in 2008



Mary Francis CBE

Senior Independent Director and Chairman,
Corporate Responsibility Committee

Business principles

Business principles

Our business principles

Our business principles set out the standards we expect and to which we must all work.

- Demonstrating integrity in corporate conduct
- Ensuring openness and transparency
- Respecting human rights
- Enhancing customer experiences and business partnerships
- Valuing our people
- Focusing on health, safety and security
- Protecting the environment
- Investing in communities

Applying our business principles

Who do our business principles apply to?

- All employees (staff, contract and temporary), officers and directors of Centrica in each of our business units worldwide
- 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 our business partners to apply our principles

We will fully support those who make decisions based on our business principles and treat any infringement with the utmost seriousness, even if this would result in Centrica losing a business opportunity. Those who fail to respect our business principles could face disciplinary action and dismissal.

How will we make sure that all our employees and business partners understand and apply our principles consistently throughout our business?

We will communicate our principles through internal communications channels supported by practical guidance and training.

We are committed to continual improvement through verifiable and systematic monitoring, reporting and reviewing of our performance in accordance with these principles. We will continue to implement an appropriate corporate responsibility strategy including indicators, target-setting, stakeholder engagement and an assurance programme open to independent audit where appropriate.

How can employees raise concerns?

If an employee is concerned about any possible improper, unethical or illegal practice within the organisation, they have a responsibility to speak up. We have provided a confidential and independent 'Speak Up' helpline.

Business principles

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Business principles	Progress
Continue to deliver a range of communications activities to raise awareness of our principles	●
Undertake internal research to measure awareness levels and assess the impact that our principles are having	●
Host workshops for suppliers to discuss our new responsible procurement policy and seek their commitment to integrate it in their activities	●

Our initiatives

Employee training

We continue to provide an e-learning package to help employees understand how to handle business dilemmas and to gain a complete overview of the business principles. This training is aimed at all managerial level employees. Direct Energy rolled out this e-training to all their employees in 2008. However, completion rates for the course are not as high as we would like and we are looking at developing a shorter and more regular certification around our business principles to assess understanding and commitment.

Throughout the year, we have also provided training opportunities on specific topics that are related to our business principles. For example, over 15,000 employees completed data protection training in 2008 and we also provided two sessions on financial controls and fraud initially aimed at our finance team but offered to a wider audience. Around 150 employees attended these sessions.

All new starters receive our 'Guide to Sound Business Practice' along with their contract. Training and awareness around the business principles is also included as part of employee induction.

Employee research

We conducted research among employees to monitor their awareness and understanding of our business principles. An encouraging 87% of respondents agreed that as a business we take our social and environmental responsibilities seriously, with 72% identifying Centrica as a leader in corporate responsibility.

However, the effectiveness of communications around our business principles varied across the business. As a result, we are implementing changes in the way that we communicate our business principles and in how we monitor understanding and adherence to them. We aim to report more fully on our new processes in our CR report 2009.

In December 2008, we conducted a financial and corporate responsibility audit of our Nigerian business. The audit, led by an external audit team, found health, safety and environment performance monitoring and governance mechanisms for community engagement to be best practice. While the findings noted the presence of CR policies, the communication of those policies was identified as an area for improvement. We have begun actions to improve communication and awareness of CR policies and measures are due to be in place by summer 2009.

Business principles

Our initiatives

Fraud management

Our new Group Security Directorate is developing a group-wide framework for managing the risk of fraud. We will report more fully on progress in our CR report 2009.

Responsible procurement

Through our responsible procurement processes, we are ensuring that all our key suppliers are aware of our business principles and that they adhere to minimum standards of responsible business behaviour.

Employees 'speaking up'

We launched our 'Speak Up' helpline in April 2007, to provide an independent means for employees to raise concerns. Phone numbers are available for all our businesses, including those in Europe, and our third-party agency that provides the helpline, Expolink, has translation services to make it easy for people to report an issue.

In 2008, we received 25 calls to the Speak Up helpline.

Although a relatively low number of calls were recorded in 2008, we believe this is an indication that existing grievance processes are working well with employees talking to managers in the first instance and the 'Speak Up' line used only as a last resort.

The system continues to work effectively and enables us to address issues quickly and efficiently. We have identified areas of the business where take up is lower and we are looking to raise awareness of the helpline here.

Categorised breakdown of 'Speak Up' calls received

Company issue	1
Confidentiality issue	1
Grievance with manager	1
HR Issue	1
Malpractice	1
Theft	4
Fraud	1
Substance abuse	1
Unprofessional behaviour	1
Security issue	1
Enquiry	7
Advice	2
Feedback given	1
Feedback request	1
Other	1
Total	25

Future commitments

- We will develop a system for monitoring to what extent each business principle is communicated, embedded and adhered to across the Group
- We will aim to increase awareness of the Speak Up helpline
- We will develop the business principles e-learning platform to become a regular declaration of acceptance and understanding
- We will continue to embed our business principles into our supply chain

Our approach

Our policies

Our policies build on our business principles, establishing a clear framework to help our employees and business partners understand the standards we expect.

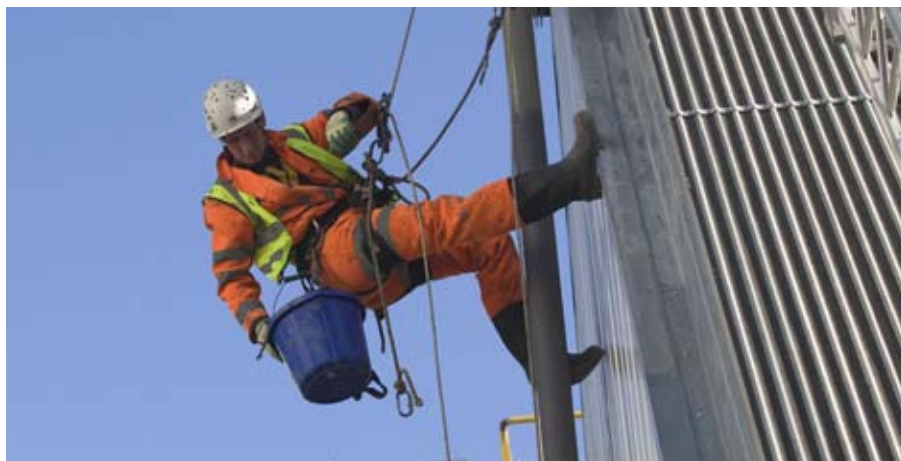
- Anti-corruption
- Community and local impact
- Environment
- Gifts and hospitality
- Health and safety
- Human rights
- Political involvement
- Responsible procurement and supplier management
- Group public interest disclosure ('Speak Up')

Read our policies – www.centrica.com/policies

Performance indicators



Key Performance Indicators



Carbon intensity of our power	Unit	2008	2007	2006	2008 Δ%
UK ¹	g CO ₂ /kWh	379	390	394	-2.82%
Direct Energy	g CO ₂ /kWh	264	305	n/a	-13.44%
SPE ¹	g CO ₂ /kWh	290	282	n/a	2.84%
Average carbon intensity	g CO ₂ /kWh	351	n/a	n/a	

¹ Based on verified emissions data under the requirements of the EU Emissions Trading Scheme

Δ% has been used to express 'percentage change' from the previous year

Lifetime carbon savings	Unit	2008	2007
UK household energy efficiency products provided	Million tonnes	17.87	n/a ²

² The basis on which carbon savings are calculated has changed making a comparison with 2007 inapplicable

Reduction in energy consumption	Unit	2008	2007
Year-on-year percentage reduction in electricity and gas consumption across UK property portfolio	%	7.23	n/a

British Gas social programmes	Unit	2008	2007	2006	2005	2004
Customer accounts on 'Essentials' social energy tariff		526,500	340,000	-	-	-

Employee safety	Unit	2008	2007	2006	2005	2004
Lost time injuries/100,000 hours worked		1.00	1.05 ³	0.80	0.73	1.10
Total number of fatalities		1	0	7 ⁴	1	1

³ We have restated the 2007 LTI figure following a review of the data and the reclassification of a number of accidents.

⁴ Morecambe Bay helicopter accident: four employees and three contractors

Key Performance Indicators

Community investment	Unit	2008	2007	2006	2005	2004
Total community contribution ^{5,6}	£m	7.0	5.2	7.4	8.2	7.4
Voluntary social contributions ⁷	£m	45.9	25	-	-	-

5 Calculated using London Benchmarking Group methodology

6 Includes £3.6m donation to the British Gas Energy Trust, which supports vulnerable customers

7 Cost of voluntary programmes to support vulnerable customers in the UK

Employee Indicators	Unit	2008	2007	2006	2005	2004
Percentage of employees committed to Centrica	%	57	53 ⁸	-	-	-
Average days absent per full time employee (FTE ⁹)		8.8	9.34	-	-	-
Employee retention	%	85.4	84.1	81.5	87.0	88.0
Employee attrition	%	14.6	15.9	18.5	13.0	12.0
Employees from ethnic minority groups	%	15.3 ¹⁰	15.2	15.9	17.2	16.6
Female / male employees	%	30.0 / 70.0	30.2 / 69.8	29.9 / 70.1	31 / 69	33 / 67

8 We have restated this figure due to errors in rounding in the 2007 report

9 The FTE is based on the average over a 13 month period: December 2006-December 2007 for 2007's average FTE and December 2007-December 2008 for 2008's average FTE

10 1,779 headcount in Centrica UK and 155 in Direct Energy are not included in the ethnicity analysis because there was no information available

Key impact areas

Climate change and the environment

Customer service

Securing future energy supplies

Health and safety

Employees

Supply chain

Local impact



Climate change and the environment

Overview

The CR Committee has prioritised tackling climate change, alleviating fuel poverty and supporting vulnerable customers and focusing on health and safety as areas of leadership for Centrica that can help the Group be distinctive and deliver competitive advantage.

We believe that climate change is one of the most important issues facing the world today and that man-made greenhouse gas emissions are a key driver of climate change. We believe energy companies like ours have a key role to play in helping countries reduce greenhouse gas emissions.

Our commitment

We are committed to playing our full part in the transition to a low-carbon energy future, while ensuring the security of present and future energy supplies by:

- Sourcing and producing energy from cleaner sources
- Reducing wasted energy – both by producing energy more efficiently and by helping customers reduce their usage
- Developing and deploying new technology

Operating context

The ever-growing need to address climate change presents risks and opportunities for our business and our customers. Climate change issues, including energy efficiency and renewables, are subject to significant legislation at both the national and EU levels. We also need to operate within the context of planning law when developing new assets such as wind farms and other power generation infrastructure. There are opportunities for us to develop markets for new products and services, especially around new technologies, but there are risks if the legislative framework fails to deliver the necessary carbon price over the longer term to ensure the viability of investment.

Our impact

We emit carbon dioxide (CO₂) from a variety of direct and indirect sources. Our direct CO₂ emissions, defined in accordance with Scope 1 of the Greenhouse Gas Protocol, include those from sources owned or controlled by us such as power generation, producing and storing gas, consuming gas at our offices and emissions from our fleet of commercial vehicles and company cars. Our indirect CO₂ emissions under Scope 2 are from the electricity we consume in our offices and at our assets.

We also take into account CO₂ emissions under Scope 3 – those that we do not produce, but are a result of our activities and the products and services we provide,

such as the emissions associated with the electricity we purchase to sell to our customers and the products and services we purchase to run our business.

The impact of our indirect emissions is far greater than the impact of our direct emissions, which is why we have an important role to play in helping our customers use energy efficiently and working with our business partners to minimise the impact of our supply chain activities. As the country's largest energy supplier and retailer of green energy, we also have a role to play in helping young people and consumers become more energy aware.

Our strategy

Our strategy is to:

- lead the consumer market for low-carbon energy products and services
- maintain our low-carbon position in power generation
- work with our employees and suppliers to reduce the environmental impact of our operations

We also recognise the need to quantify, measure and communicate our environmental impact in a robust and clear manner.

Key performance indicators and targets

We have identified three key performance indicators to track progress against our strategic priorities for climate change:

- Carbon intensity
- Lifetime carbon savings of energy efficiency products provided under the Carbon Emissions Reduction Target (CERT)
- Office energy consumption

Carbon intensity is reported by all our main UK competitors, with each assessing their own carbon intensity according to internal criteria. We use this data to help us benchmark our progress effectively. CERT delivery is a major annual expenditure and a key component of making British Gas the leading green brand in energy. The reduction in office energy consumption demonstrates our wider climate change commitment and indicates the level of employee engagement in our strategy.

Climate change and the environment

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Key targets	Progress
1. Reduce power generation carbon intensity [^] to 380g CO ₂ /kWh by 2012 and to 350g CO ₂ /kWh by 2020.	●
2. Deliver UK CERT carbon savings target of 16.1m tonnes CO ₂ in 2008.	●
3. Achieve 5% year-on-year reduction in UK office energy use.	●
Lead the consumer market	
Become the leading supplier of green energy to domestic customers in the UK directly and through partnerships.	●
Develop capability to install low-carbon microgeneration for UK domestic, business and public sector customers.	●
Extend our British Gas Energy Savers Report programme to domestic and business customers.	●
Deliver UK CERT carbon savings target of 16.1m tonnes CO ₂ in 2008.	●
Maintain our low-carbon position	
Reduce power generation carbon intensity [^] to 380g CO ₂ /kWh by 2012 and to 350g CO ₂ /kWh by 2020.	●
Invest £1.5bn in renewable energy assets over the next five years.	●
Generate first power from Lynn and Inner Dowsing wind farms.	●
Achieve planning consent for Lincs wind farm development.	●
Continue to assess the feasibility of a clean coal development at Teesside.	●
Reduce our operational footprint	
Finalise and make public our carbon footprint commitments in North America.	●
Further develop 'Being Green' to motivate and engage employees.	●
Achieve 5% year-on-year reduction in UK office energy use.	●
Extend our environmental management system throughout British Gas.	●
Make progress with extending our environmental management system across our operations in North America.	●
Introduce a new cross-group framework to improve the quality of our environmental performance monitoring and reporting.	●

[^] Carbon intensity figures are based on the average annual emissions from all wholly owned UK power generation assets and all other power generation assets from which Centrica is entitled to output under site-specific contracts in the UK.

Climate change and the environment

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Public policy

Encourage support for:	●
An EU cap and trade emissions trading scheme – 100% auctioning for power generation and ever-tightening caps.	●
A regulatory, policy and fiscal framework that will deliver a significant increase in renewable generation investment in the UK.	●
A policy framework to encourage the deployment of non-renewable low-carbon investment including carbon capture and storage and nuclear generation.	●
A policy framework to allow for a significant increase in installed capacity of microgeneration technologies, both heat and power.	●

Stakeholder perceptions

Continue to deliver Green Streets programme.	●
Launch a national programme enabling schools to reduce their carbon footprint and take action to tackle climate change.	●
Deliver a range of brand marketing activities to support low-carbon positioning.	●
Maintain constructive relationships with NGOs and other opinion formers.	●

Climate change and the environment

Our initiatives

Lead the consumer market

Our consumer strategy for low-carbon products and services is led in the UK by British Gas New Energy (BGNE), which was established in 2007. We believe we are uniquely positioned to maximise the commercial opportunities of a low-carbon economy by building on our brand, our existing installation capability and our unique combination of expertise in energy supply and our understanding of the needs of customers in their homes. In North America, Direct Energy leads our low-carbon approach.

Low-carbon solutions

The UK has a binding target to reduce CO₂ emissions by 80% by 2050 with a corresponding target of 15% of all energy coming from renewable sources by 2020. Smaller scale renewable technologies have a significant role to play in helping to achieve these aims and during the year BGNE made a number of acquisitions and agreements to help develop our capability in microgeneration and low-carbon solutions.

We have established a number of partnerships to showcase our technologies and reach new audiences. Our partnership with B&Q included an Energy Shop trial, which we hope to replicate in 2009. Towards the end of 2008, the Co-operative selected British Gas as its green energy partner for 2009. The partnership means that British Gas will work with the Co-operative to achieve 20,000 green energy sales using the Co-operative's marketing channels. We are also developing technology partnerships with BT, Procter and Gamble, Sky and Pilkington.

We continued to be the only supplier offering a full range of technologies under the Government's low-carbon Buildings Programme 2, installing over £6m of microgeneration on public sector buildings during 2008. In 2009 we will look for further acquisition opportunities to increase our range of low-carbon products and services.

We continue to offer green energy tariffs and have signed up to Ofgem's Green Supply Guidelines, which stipulates that a Green Tariff must deliver an additional environmental benefit. This will raise the standard of industry products, ensure genuine benefits for the environment and provide transparent and consistent information to reduce consumer confusion around tariff labelling.

We support the move away from subjective interpretations of 'green' following criticism by the Advertising Standards Authority (ASA) for the advertising of our industry-leading green tariff 'Zero Carbon' in 2008.

We had independent evidence to support our claims but the ASA ruled that the advertisements were potentially misleading because the product involves the use of offsets. Our 'Zero Carbon' tariff is backed by 100%

renewable electricity, additional to the electricity we have to produce under the Renewables Obligation.

Encouraging take-up of green tariffs remains challenging. This is mainly because we are charging a premium to fund a contribution to the Energy for Tomorrow fund to undertake carbon abatement projects.

Direct Energy offers green energy in our North American markets by providing customers with low-carbon electricity and gas plans. We were the first energy retailer in North America to introduce low-carbon natural gas and we remain one of the largest providers of low-carbon energy in our markets. In early 2009 Direct Energy Business launched an 'Event Greening Program' to help organisers make their conferences and meetings in Alberta and Ontario carbon neutral.

In Spain, Centrica Energía completed a second major photovoltaic project, a €1m (£790,000) solar farm, which will generate about 200,000kWh a year.

Energy efficiency

Energy efficiency has become increasingly important as gas and electricity prices increase and the downturn starts to impact consumers. We have continued to demonstrate strong leadership in the delivery of energy efficiency to customers in 2008. We've provided energy saving advice to over 2m people who have completed the Energy Savers Report, by recommending behavioural changes and low-carbon products and services to deliver an average annual saving of £175.

By the end of 2008 we had delivered more than 50% of our three-year Carbon Emissions Reduction Target (CERT), which was increased by 20% over the course of the year. CERT is a government obligation aimed at increasing the uptake of energy efficiency products and services by domestic households. The products we supplied under CERT, including 250,000 standby savers to British Gas households, will save 17.87m tonnes of carbon dioxide over their lifetime.

Our distribution of four free energy saving light bulbs and energy efficiency advice to all British Gas customers, represented the largest free distribution of light bulbs ever. We delivered a total of 48m light bulbs to 12m households in seven months. We are also working with Local Authorities to offer our customers who install home insulation a Council Tax discount of up to £125. So far, more than 60 local councils are participating in the scheme and we have completed around 20,000 installations to date.

In Canada, Direct Energy is working with the Ontario Power Authority (OPA) to cut demand for electricity at peak times when the Ontario grid is under stress. Direct Energy's commitment is to reduce demand by 25MW

Climate change and the environment

Our initiatives

when requested by the OPA, which also provides an opportunity to our business customers who receive financial incentives for participating in the programme.

Meanwhile in Houston, Texas, Direct Energy has been taking part in a pilot scheme sponsored by the city authorities to retro-fit – free of charge – energy saving features such as insulation and low-energy light bulbs to 2,000 older properties in one of Houston's less affluent neighbourhoods. The pilot delivered energy efficiency improvements averaging 19% year on year – and it is now being extended to other parts of the city.

Direct Energy recently certified additional home energy auditors to help residential customers identify energy efficiency improvements and access government grants for these activities. We also invested in eRadio, a Canadian-based company that is developing a system to help balance energy use at times of high demand in a given area.

Engaging communities

As the UK's leading energy supplier, we have a role to play in engaging communities in energy efficiency and the move towards a low-carbon future.

In 2007, we developed a unique social experiment, Green Streets, which concluded in February 2009. This year-long competition between eight communities promoted awareness of low-carbon solutions for householders and showed how different microgeneration and energy efficiency technologies, alongside greater awareness of behavioural change, can deliver real benefits to customers. The competing streets achieved average energy savings of more than 25%, with the Leeds street leading the way with energy savings of 35%. The 64 participating households reduced their total carbon emissions over the year by almost 89 tonnes. More information can be found in the IPPR's independent report on the project.

In April 2008, we launched Generation Green, our ground-breaking community-based programme, which aims to educate children and families about saving energy and reducing carbon emissions. This builds on our Think Energy programme for schools through which we have shared our energy expertise for over ten years. In the first year of the programme, more than 9,000 schools had signed up for Generation Green, making it the fastest growing schools programme in the UK.

The programme provides free teaching materials such as lesson plans and rewards green behaviours with green prizes for schools.

See www.generationgreen.org.uk for details.

Maintain low-carbon position

Low-carbon emissions

We aim to invest in low-carbon generation. This currently includes high-efficiency gas-fired power stations and offshore wind farms, but we are also actively pursuing an interest in nuclear power through a proposed acquisition of 25% of British Energy. Our strategy will not only enable us to meet our own targets but enable Centrica to play a key role in meeting broader UK and European emissions reduction targets.

The carbon intensity of the power we supplied to our British Gas customers remained significantly lower than the other five major UK suppliers in 2008*. And during the year we exceeded our 2012 target to reduce our power generation intensity to 380g CO₂/kWh by achieving 379g CO₂/kWh. The generation from our renewable assets, especially our wind farm assets, which are variable in nature, was higher than we expected in 2008 and this coupled with some unplanned outages within our traditional generation assets has led to a higher reduction in our carbon intensity figures than we would otherwise expect. If our wind generation assets continue to outperform against our expectations then this will be considered alongside any further changes in our generation portfolio when these targets are re-assessed during 2009.

Direct Energy owns and operates a small fleet of modern gas-fired power generating facilities and has site-specific wind power offtake agreements. The carbon intensity of the power supplied by Direct Energy from these facilities was 264g CO₂/kWh in 2008, compared to 305g CO₂/kWh in 2007. The reduction was primarily due to an increase in wind-generated power.

Our Belgian business – SPE – retained a low-carbon intensity of 290g CO₂/kWh, primarily due to its high proportion of renewable wind and hydroelectric generation.

* Relates to total power supplied, calculated using the government's standard emission factors to allow comparison.

Renewables

During the year, we completed construction of the Lynn and Inner Dowsing wind farm development off the Lincolnshire coast, the largest offshore wind farm development in the world, that will be fully operational in 2009. In October our proposed 250MW Lincs offshore wind farm project received official consent and we are currently considering the investment case. The Lincs project would, subject to investment approval, be capable of supplying around 170,000 British Gas customers and

Climate change and the environment

Our initiatives

delivering CO₂ savings of between 300,000 and 710,000 tonnes per annum.

Centrica is also exploring the opportunities for two further wind farms in the Greater Wash at Docking Shoal and Race Bank, totalling 1160MW. Subject to approval and construction, by the middle of the next decade these three projects, together with our existing operational wind assets, would give us more than 1.6GW of generating capacity in the UK, capable of meeting the annual needs of more than 1.1m homes.

Direct Energy has power purchase agreements with AES Corporation for the renewable electricity produced by the Buffalo Gap wind farms in Texas. Buffalo Gap 3 started commercial operation in September, bringing Direct Energy's total operational offtake agreements to 813MW.

Clean coal

Given the large investment we are making in other low-carbon technologies and the current uncertainties surrounding carbon capture and storage (CCS) we decided to end our involvement in the Eston Grange CCS project. We are not a technology developer and CCS resulted in a greater risk profile than we wanted given our other investments in renewable technology.

We sold our equity stake in the project to Progressive Energy, who we believe are best placed to bring in new investors and secure the project's success. While we are not looking to develop a CCS project, we believe in time CCS technology will be commercially viable and we may be involved in this technology in the future. Nuclear

We firmly believe that new nuclear capacity will be a vital longer-term contributor to energy security in a low-carbon world. Much of the existing nuclear generation fleet will retire over the next 15 years, and the replacement process has a very long lead time so needs to begin immediately. Our Rights Issue in December has provided the capital required to enable us to be actively involved in this market.

Reduce operational footprint

In line with our commitment to reduce our operational impact, we met or exceeded all UK internal environmental targets during 2008 relating to energy, water and resource consumption and waste reduction. This performance reflects the growing support from an increasingly well-informed workforce towards our goal of building a sustainable business.

Employee engagement

In 2008 we launched a campaign to double the number of 'Green Teams' and cover all our main UK offices. Our Green Teams are a network of volunteers who act as ambassadors to cascade and spread the 'Being Green' message of sustainability within our UK sites, from energy

saving and waste recycling to car-sharing and joining local community eco-projects.

During the year, we also developed online learning materials around climate change and energy efficiency to help employees change their own behaviour and to provide knowledge and understanding to improve the advice given to customers.

In North America, Direct Energy's Climate Change Committee is leading a carbon footprint management programme to address employee engagement, the impact of the fleet, business travel and buildings. The renewable energy plan offers Direct Energy employees the opportunity to purchase renewable energy for their homes at discounted rates, while the Carbon Offset initiative enables employees to calculate and offset their personal carbon footprint. Environmental Champions meet on an ongoing basis to identify opportunities to reduce our carbon footprint and environmental impact.

Performance against targets

The success of our approach in engaging employees, combined with a three-month energy campaign, helped to cut UK office energy consumption by over 7% in 2008. This exceeded our target of 5% and saved the mid and downstream businesses over £300,000. A similar campaign run during 2007 led to British Gas Business collecting the Green Organisation's 'Green Apple Award' for environmental best practice in November 2008. These successes build upon six years of continued effort during which we have reduced the energy consumption of our UK offices by over 40%.

Waste management continued to be a focus this year and we achieved a 14% reduction in waste sent to landfill whilst increasing our UK recycling rate to 64%, exceeding our targets in both cases. In addition, we met our UK environmental targets for a 10% reduction in office water and paper consumption, reducing by 10% and 18% respectively.

We also made progress towards our 2013 Direct Energy internal carbon footprint reduction target of 8.5%. Direct Energy reduced emissions by an estimated 7% in 2008 although these reductions are mainly attributable to a slowing economy and fewer business miles travelled.

Environmental management systems

The group environmental management system (GEMS) was launched early in 2008 as an online tool to assist the businesses in complying with our policy commitment for certified EMS across all our activities. GEMS provides a common approach to environmental management across Centrica and covers such areas as power supply, energy use, waste, travel and company vehicles, employee behaviour, wildlife and influencing customers.

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Our initiatives

All our British Gas brands, together with property, information systems and fleet departments implemented GEMS in 2008 and received certification to the international environmental standard ISO 14001 following a rigorous assessment by independent auditors. The certification covers more than 26,000 people and 30 locations in the UK. The British Standards Institute (BSI), which conducted the audit, reported that: "This was a very strong performance by the company with commitment and awareness demonstrated by staff spoken to at all locations and at all areas within the business."

Certification to ISO 14001 was successfully retained by the UK upstream power and gas assets and Ringvaart and Seraing power stations in our Belgian operations. South Humber and Killingholme power stations maintained their registration to the EU Eco-management and Audit Scheme (EMAS). A GEMS implementation plan for Direct Energy received approval in 2008 and we aim to complete certification across the business by the end of 2010. We are also progressing plans to implement GEMS within our UK renewable energy business and our Spanish business, Centrica Energía.

Another 2008 highlight was achieving certification to the Carbon Trust Standard for property management within the UK.

Transport

We continue to work towards replacing our fleet with cars that have smaller, cleaner engines. In 2007, we restricted the choice of company cars to those that emit a maximum of 200g CO₂/km, helping to lead to a reduction in the carbon intensity of our company car fleet from 164g CO₂/km in 2007 to 158g CO₂/km in 2008. We also began trials of our Safe and Fuel Efficient Driving (SAFED) package; an online tool aimed at educating our 15,000 fleet and company car drivers in how to drive in a more environmentally friendly manner.

We introduced a bike4work scheme to encourage more employees to use a bicycle for commuting. Direct Energy was recognised by Metrolinx as 'Smart Commute Employer of the Year' for encouraging carpooling, cycling, teleworking and public transport usage among employees.

Biodiversity

During 2008 we continued in our efforts to minimise our ecological impacts and enhance the quality of the natural environments within which we work. We continued to monitor, study and manage the ecology of Cavendish Dock adjacent to Roosecote power station and we presented the latest annual report to stakeholders at a well-attended meeting on site. At our South Humber Power Station we completed phase one of our environmental landscaping plan for the site.

As a major investor in offshore wind farms, we aim to understand and mitigate all potential impacts on the local marine environments. In line with this, we engaged Loughborough University in 2008 to undertake a leading-edge study on sub-sea noise modelling and mitigation related to wind turbine piling operations. We also worked with Natural England to study the impact of sediment produced by drilling on the marine environment.

We have also agreed to be the main sponsor of the inaugural conference of the Natural Capital Initiative (NCI). The event aims to address the decline of ecosystem services due to overuse and mismanagement through identifying gaps in current research, policy and its implementation and encouraging these gaps to be filled. The NCI conference will create a forum for constructive debate on the benefits and trade-offs involved of the ecosystem approach by involving the natural, social and economic sciences, as well as the public and private sectors.

Public Policy

During 2008 we supported the introduction of 100% auctioning for power generation under phase III of the EU emissions trading scheme. We advocated a streamlining of the planning system to allow the delivery of crucial offshore and onshore infrastructure, where profound – and expensive – investment decisions need to be made in the near future.

We supported the extension of the Carbon Emissions Reduction Target (CERT) and will be one of the leaders in the delivery of the community energy saving programme (CESP), focusing on deprived communities. We welcomed enabling clauses in the 2008 Energy Act on feed-in tariffs and renewable heat incentives and we are working with other industry stakeholders to ensure their speedy introduction.

Direct Energy continued to engage with federal, state and provincial policy-makers as well as industry groups to inform thinking on carbon legislation. In 2008, we developed the first protocol for the aggregation of carbon from energy efficiency projects and lobbied the Canadian federal and Alberta governments to adopt this. The US approach to carbon legislation could shift following the election of President Obama and we are monitoring the situation closely. The new administration announced plans for \$150bn investment in clean energy over the next ten years.

The move towards energy efficiency could have a positive effect on our services business, especially in North America, where government subsidies are being made available for this work. This investment will be in the areas where Direct Energy is well equipped to deliver, such as incentives to install new home insulation and

Climate change and the environment

Our initiatives



energy efficient boilers, together with increased renewable generation.

Read more about our approach to climate change in our 2008 Annual Report and Accounts available at www.centrica.com/report2008

Stakeholder perceptions

Standards and expectations continue to rise in environmental disclosure for UK plc; accordingly, work has continued to improve the scope and quality of the data Centrica publishes.

Centrica maintained its position in the Carbon Disclosure Leadership Index for the second year running. The CDLI includes the top 60 companies demonstrating leadership in climate change disclosure. We also retained our listings on the FTSE4Good Index and Dow Jones Sustainability Index.

Green Streets has also been a core programme for stakeholder engagement and improving British Gas' green credentials.

Climate change and the environment

Performance data

Our approach to environmental reporting

We subscribe to best practice in environmental accounting and disclosure and apply the WRI Greenhouse Gas Protocol and GRI Sustainability Reporting Guidelines in our approach.

This year, for the first time, we have included consumption and emissions data from all of our global operations. Over 95% of our data is directly measured, but where this is not possible we have calculated our performance using appropriate reference factors.

Carbon intensity

Carbon intensity of our power	Unit	2008	2007	2006	2008 Δ%
UK ¹	g CO ₂ /kWh	379	390	394	-2.82
Direct Energy	g CO ₂ /kWh	264	305	n/a	-13.44
SPE1 ¹	g CO ₂ /kWh	290	282	n/a	-2.84
Average carbon intensity	g CO ₂ /kWh	351	n/a	n/a	

¹ Based on verified emissions data under the requirements of the EU Emissions Trading Scheme.

Δ% has been used to express 'percentage change' from the previous year.

Commentary

Our carbon intensity figures are based on the average annual emissions from all wholly owned power generation assets and all other power generation assets from which we are entitled to output under site-specific contracts. It is a measure of the carbon footprint per unit of electricity that we have produced or purchased under offtake agreements. In the UK, we have the lowest carbon intensity of the six major suppliers (relates to total power supplied, calculated using the government's standard emission factors to allow comparison).

Carbon footprint – Greenhouse Gas Protocol

We calculate our greenhouse gas (GHG) emissions in accordance with the WRI GHG Protocol and report them as Direct Emissions (scope 1) and Indirect Emissions (scopes 2 and 3). We report on all emissions from sources we operate regardless of ownership². For increased transparency we also account for emissions (prorated) from facilities operated by a third party of which we are an equity shareholder, as in our operations in Belgium. We convert emissions to tonnes carbon dioxide equivalent (TCO₂e) using recognised and published conversion factors.

Scope 1

Direct GHG emissions from sources operated or part-owned by Centrica. These include:

- Upstream power generation
- Upstream gas production and storage

Scope 1	Unit	2008	2007	2006	2005	2004
UK	TCO ₂ e	8,386,376	7,011,393	5,144,755	7,056,810	8,061,566
North America	TCO ₂ e	2,031,200	2,129,814	1,922,399	n/a	n/a
Belgium	TCO ₂ e	453,221	430,795	465,657	n/a	n/a
Rest of World ³	TCO ₂ e	606	n/a	n/a	n/a	n/a
Total ⁴	TCO ₂ e	10,871,403	9,572,002	7,532,811	7,056,810	8,061,566

Climate change and the environment

Performance data

Scope 2

Indirect GHG emissions from purchased electricity consumed by the company. These include:

- Electricity consumed in our offices
- Electricity imported and consumed at power stations, gas storage and processing plant

Scope 2	Unit	2008	2007	2006	2005	2004
UK	TCO ₂ e	104,572	61,421	40,017	41,466	38,986
North America	TCO ₂ e	124,641	61,292	9,201	n/a	n/a
Belgium	TCO ₂ e	2,555	n/a	n/a	n/a	n/a
Rest of World ³	TCO ₂ e	526	n/a	n/a	n/a	n/a
Total ⁴	TCO ₂ e	232,294	122,713	49,218	41,466	38,986

Scope 3

Emissions as a consequence of Centrica's activities but released from sources not owned or controlled by Centrica. These include:

- Air travel
- Rail travel
- Helicopter and shipping
- Power purchased for supply to end users
- Outsourced services (e.g. data centres)
- Off-shored business activities (outsourced services occurring in another country e.g. call centres).

Scope 3	Unit	2008	2007	2006	2005	2004
UK	TCO ₂ e	12,768,015	11,719,563	11,647,657	10,012,898	9,509,108
North America	TCO ₂ e	9,976,844	15,492,202	10,602,437	n/a	n/a
Belgium	TCO ₂ e	215,371	676,221	n/a	n/a	n/a
Rest of World ³	TCO ₂ e	349,532	426,940	n/a	n/a	n/a
Total ⁴	TCO ₂ e	23,309,762	28,314,926	2,250,094	10,012,898	9,509,108

2 We do not report emissions data from facilities that we operate or part own, where a third party holds the EU ETS licence (such as the Langedel Receiving Facility).

3 Rest of World includes Centrica's operations in Spain, Netherlands, Germany, Norway, Nigeria, Trinidad & Tobago, Egypt and outsourced operations in India and South Africa (Trinidad & Tobago and Egypt non-operational during reporting period).

4 Total of data currently available.

Commentary

The increase in scope 1 emissions in 2008 compared to the previous year is primarily as a result of increased power generation in the UK. Emissions per unit of production have, however, reduced (see carbon intensity figures). The apparent increase in scope 2 emissions is primarily a result of our improved reporting. The reduction in scope 3 emissions in 2008 compared to the previous year is primarily as a result of us procuring less power for resale from fossil fuel derived sources.

Climate change and the environment

Performance data

Compliance

Compliance (Centrica plc)	Unit	2008	2007	2006	2005	2004
Fines	No	1	0	0	0	0
Non-compliances ⁵	No	18	7	3	6	14
Incidents	No	8	12	14	30	17
Complaints	No	2	30	13	54	38

⁵ Includes minor, self-notified breaches of emission limits and incidents.

Commentary

We operate in accordance with a vast array of environmental legislation, at our upstream assets for which we hold permits to operate from relevant regulators and in our downstream operations where we interact with our customers. Our environmental management systems are aimed at ensuring continual improvement and the highest levels of compliance with these requirements. Our fine in 2008 was as a result of a late data submission by Direct Energy and we have implemented measures to prevent reoccurrence. The increase in non-compliances relates to improvements in reporting and to minor issues identified and reported by ourselves to the appropriate authority.

Generation and production

Power generation	Unit	2008	2007	2006	2005	2004
UK	GWh	18,409	15,154	11,069	14,441	16,462
Direct Energy	GWh	4,650	5,053	4,450	3,212	1,176
SPE ⁶	GWh	1,236	1,160	n/a	n/a	n/a
Total ⁷	GWh	24,296	21,367	15,519	17,653	17,638

Excludes power purchased from non-Centrica facilities (such as Spalding and from our power purchase agreements). This data was included in previous reports and we have adjusted our historical totals accordingly.

Energy consumed in power generation

Energy consumed in power generation	Unit	2008	2007	2006	2005	2004
UK	GWh	37,810	33,576	23,124	32,242	36,344
Direct Energy	GWh	10,653	n/a	n/a	n/a	n/a
SPE ⁶	GWh	2,469	n/a	n/a	n/a	n/a
Total ⁷	GWh	50,932	33,576	23,124	32,242	36,344

Includes gas, diesel and electricity consumption.

⁶ Based on Centrica equity share of facilities (25.5%).

⁷ Total of data currently available.

Climate change and the environment

Performance data

Power generation CO ₂ e emissions	Unit	2008	2007	2006	2005	2004
UK	TCO ₂ e	7,345,752	6,169,135	4,341,366	5,869,728	6,958,841
Direct Energy	TCO ₂ e	1,732,572	1,899,822	1,700,000	n/a	n/a
SPE ⁶	TCO ₂ e	452,810	430,791	465,657	n/a	n/a
Total ⁷	TCO ₂ e	9,531,133	8,499,748	6,507,023	5,869,728	6,958,841

6 Based on Centrica equity share of facilities (25.5%).

7 Total of data currently available.

Commentary

The power that we generate comes from a variety of sources including our gas-fired power stations, on and offshore wind farms and hydroelectric plants. We consume more energy than we generate at our power stations because we burn gas to produce electricity.

Fuel mix

Centrica fuel mix	Unit	National average for all suppliers (2008) ⁸	2008	2007	2006	2005
Centrica Energy (UK)⁹						
Coal	%	33	13	18	15	14
Natural Gas	%	43	66	56	58	62
Nuclear	%	16	13	20	22	16
Renewables	%	6	6	4	3	5
Other	%	2	2	2	2	3
Direct Energy (North America)						
Coal	%	49	25	34	29	n/a
Natural Gas	%	22	44	35	40	n/a
Nuclear	%	19	17	21	1	n/a
Renewables	%	8	11	8	20	n/a
Other	%	2	3	2	10	n/a
SPE (Belgium)						
Coal	%	4	2	n/a	n/a	n/a
Natural Gas	%	29	54	n/a	n/a	n/a
Nuclear	%	54	34	n/a	n/a	n/a
Renewables	%	7	8	n/a	n/a	n/a
Other	%	6	2	n/a	n/a	n/a

8 We have used 2007 US data for Direct Energy's comparison, which is the most recent available.

9 Data based on fiscal year and not calendar year.

Climate change and the environment

Performance data

Commentary

Each year we publish the fuel mix of the power we supply – this details the various fuel sources of the electricity we supply to our customers (including electricity that we have purchased for resale) and the respective proportions.

Compare our fuel mix with other suppliers: http://www.fuelmix.co.uk/supplier_ranking.htm

Gas production and storage

Gas production and storage – Volumes	Unit ¹⁰	2008	2007	2006	2005	2004
UK	mscm	11,669	9,610	7,662	14,647	16,982
Direct Energy	mscm	1,472	832	n/a	n/a	n/a
Total ¹¹	mscm	13,141	9,610	7,662	14,647	16,982

¹⁰ We have changed the units for reporting this year to million standard cubic metres and recalculated historical data accordingly.

Gas production and storage – Energy use	Unit	2008	2007	2006	2005	2004
UK	GWh	3,235	3,403	3,132	4,460	5,257
Direct Energy	GWh	356	n/a	n/a	n/a	n/a
Total ¹¹	GWh	3,591	3,403	3,132	4,460	5,257

Gas production and storage – CO ₂ e emissions	Unit	2008	2007	2006	2005	2004
UK	GWh	680,692	566,132	569,046	804,712	n/a
Direct Energy	GWh	211,469	202,706	200,248	n/a	n/a
Total ¹¹	GWh	892,161	768,838	769,294	804,712	n/a

Carbon intensity of our gas production and storage	Unit	2008	2007	2006	2005	2004
UK	g CO ₂ /kWh	5.30	5.36	6.75	4.99	n/a
Direct Energy	g CO ₂ /kWh	13.06	22.16	n/a	n/a	n/a
Average carbon intensity	g CO ₂ /kWh	6.17	n/a	n/a	n/a	n/a

¹¹ Total of data currently available.

Commentary

These gas production and storage figures include all gas produced, in addition to gas that we store and process on behalf of third parties. Please note that the gas volumes reported in the Securing future energy supplies section shows gas sales only, in line with showing the impact of our operations under the criteria for securing supplies.

Climate change and the environment

Performance data

Our offices and buildings

Energy consumption	Unit	2008	2007	2006	2005	2004
Total office and building energy consumption	MWh	89,813	98,885	119,995	123,299	119,955
Total CO ₂ e from energy consumption	tonnes	37,472	42,453	53,387	55,524	52,983

Commentary

Where possible we monitor our energy consumption (gas, electricity and diesel) in all our offices. Where direct measurement is not possible (we often occupy only part of leased buildings), we calculate consumption using appropriate reference data and our occupancy profile. Due to improvements in our data capture, we are now able for the first time to account fully for all of our offices globally (previous years account for UK operations with North America included in 2007). Despite the additional data, our overall office consumption has reduced compared to last year primarily due to energy saving initiatives in the UK office portfolio.

Energy consumption	Unit	2008	2007	2006	2005	2004
Outsourced services energy consumption	MWh	12,517	n/a	n/a	n/a	n/a
Total CO ₂ e from outsourced services energy consumption	tonnes	6,676	4,193	1,013	n/a	n/a

Commentary

In accordance with best practice, where Centrica outsources or offshores significant operations that were previously undertaken in-house, we continue to account for the environmental impact of the operation under our GHG Scope 3. The data above includes call centres in India and South Africa, in addition to IT data centres located within the UK.

Air emissions

Emissions to air	Unit	2008	2007	2006	2005	2004
Total SO ₂ emissions	tonnes	123	28	24	50	19
Total NOx emissions	tonnes	11,267	7,240	5,060	7,059	7,768
Total Ozone Depleting Substances (ODS)	CFC-11e	2,540	1,876	2,041	1,221	963

Commentary

In accordance with international best practice, we account for non-greenhouse and ozone-depleting gases related to direct emissions from our operations which are subject to regulations and controls. Due to improvements in our data capture, we are now able, for the first time, to account fully for all our global operations. This is the primary cause for the increase in emissions compared to last year although there has also been an increase in our operational activity.

Climate change and the environment

Performance data

Travel

Business flights	Unit	2008	2007	2006	2005	2004
Total air travel	000 miles	22,857	15,432	18,744	10,393	9,070
Total CO ₂ e produced	tonnes	4,580	2,729	3,466	1,420	1,237
Rail journeys	Unit	2008	2007	2006	2005	2004
Total rail journey distance	000 miles	1,407	1,065	2,294	1,166	1,127
Total CO ₂ e produced	tonnes	136	103	223	113	109
Road travel	Unit	2008	2007	2006	2005	2004
UK – business cars distance	000 miles	41,215	48,149	58,558	44,728	71,435
UK – operational vehicles distance	000 miles	107,292	108,594	109,253	100,017	191,877
UK – CO ₂ e produced	tonnes	47,196	51,412	54,832	47,469	86,650
Direct Energy – operational and business car distance	000 miles	25,246	n/a	n/a	n/a	n/a
Direct Energy CO ₂ e produced	tonnes	23,711	26,478	20,502	n/a	n/a
Rest of the world – business cars distance	000 miles	2,548	n/a	n/a	n/a	n/a
Rest of the world – CO ₂ e produced	tonnes	860	n/a	n/a	n/a	n/a
Total Centrica plc – CO ₂ e produced	tonnes	71,767	77,890	75,334	47,469	86,650

Commentary

In undertaking our everyday operations a certain amount of travel is unavoidable, however we are working hard to implement measures within our main operations to reduce the need and impact of travel. We track our direct emissions such as those from our operational fleet or company cars in addition to indirect emissions from the flights and rail journeys we take. Due to improvements in our data capture, we are now able, for the first time, to account fully for all of our global travel.

Climate change and the environment

Performance data

Waste

Waste	Unit	2008	2007	2006	2005	2004
Office waste – Total	tonnes	4,599	4,445	5,839	6,320	7,652
UK office waste % recycled/ recovered	%	64.7	60	65	59	51
Office waste % recycled/ recovered	%	59	n/a	n/a	n/a	n/a
Operational waste – Total	tonnes	22,801	16,413	14,238	7,368	21,222
Operational hazardous waste	tonnes	5,736	1,897	1,303	2,385	2,696
Operational waste – % recycled/recovered	%	66	64	48	72	68

Commentary

We monitor the waste we produce at our offices as well as at our operational facilities and when we work in our customers' homes or premises. Where direct measurement is not yet possible, we calculate waste data using appropriate reference data. In addition to ensuring the safe and correct method of treatment or disposal, we also set challenging targets to reduce waste production and increase recycling. This year's data is representative of all our global waste management activities (previous years figures are UK only).

Water

Water use	Unit	2008	2007	2006	2005	2004
Total cooling water	000 m ³	790,684	985,282	716,558	771,739	833,644
Total office water	m ³	169,176	114,833	139,341	161,692	177,567
Total process water	m ³	1,042,908	1,624,146	1,572,600	1,586,929	1,814,529

Commentary

We use water both in our offices and in some of our operational facilities, as process and cooling water. Abstractions and releases of water are all managed and monitored in accordance with the requirements of the appropriate authority. Due to improvements in our data capture, we are now able, for the first time, to account fully for all of our global water use (previous year's figures are UK only) and this explains the increase in office water use.

Products and services

Lifetime carbon savings	Unit	2008	2007
UK household energy efficiency products provided	million tonnes	17.87	n/a ¹²

12 The basis on which carbon savings are calculated has changed making a comparison with 2007 inapplicable.

Climate change and the environment

Performance data

Carbon footprint of electricity purchased for resale

	Unit ¹³	2008	2007	2006	2005 ¹⁴	2004 ¹⁴
UK	TCO ₂ e	12,747,810	11,706,800	11,631,040	10,000,000	9,500,000
Direct Energy	TCO ₂ e	9,975,059	15,484,178	10,600,000	n/a	n/a
SPE	TCO ₂ e	215,365	676,221	n/a	n/a	n/a
Rest of world	TCO ₂ e	346,572	425,270	n/a	n/a	n/a
Total	TCO ₂ e	23,284,806	28,292,469	22,231,040	10,000,000	9,500,000

¹³ Carbon equivalent data calculated using UK government standard fuel-type emission factors and country-specific national reserve fuel mix.

¹⁴ estimated.

Commentary

The energy efficiency products provided under the Carbon Emissions Reduction Target (CERT) in 2008 included the distribution of 48m low-energy light bulbs to our customers. By the end of 2008 we had completed 50% of our three-year CERT target. The reduction in emissions related to the electricity we purchased for resale compared to the previous year is primarily due to procuring less power from fossil fuel derived sources.

Climate change and the environment

Future commitments

Key targets

1. We aim to reduce power generation carbon intensity[^] to 380g CO₂/kWh by 2012 and to 350g CO₂/kWh by 2020
2. We will provide energy-efficiency products in 2009 with total lifetime carbon savings of 13.2m tonnes of CO₂ to meet our CERT obligation¹
3. We aim to achieve a 5% year-on-year reduction in UK office energy use

Lead the consumer market

- We will provide energy-efficiency products in 2009 with total lifetime carbon savings of 13.2m tonnes of CO₂ to meet our CERT obligation¹
- We will deliver a range of brand marketing activities to support our low-carbon positioning
- We will look for further acquisition opportunities to increase our range of low carbon products and services
- We aim to expand uptake of Energy Savers Reports by our business customers

Maintain our low-carbon position

- We aim to reduce power generation carbon intensity[^] to 380g CO₂/kWh by 2012 and to 350g CO₂/kWh by 2020
- We will reassess our carbon intensity target in 2009
- We will invest £1.5bn in renewable energy assets in the period 2008-2013
- We will commission fully Lynn and Inner Dowsing wind farm development
- We aim to achieve planning consent for Race Bank and Docking Shoal wind farm developments
- We will commission fully Langage CCGT power station

Reduce our operational footprint

- We will implement and certify our environmental management system across Direct Energy, Centrica Energía and Centrica Renewable Energy by 2010
- We aim to achieve a 5% year-on-year reduction in UK office energy use
- We aim to achieve a 10% reduction in UK office water usage in 2009
- We aim to achieve a 10% reduction in UK office waste production
- We aim to increase the percentage of UK office waste recycled to 65% and reduce the amount of waste sent to landfill by 15% (two year target using 2007 baseline)

- We aim to reduce the internal carbon footprint of our Direct Energy business by 8.5% by 2013 (using a 2007 baseline)
- We will develop and introduce a global environmental reporting system to improve the scope and quality of our environmental performance monitoring and reporting by January 2010
- We will develop a UK national Biodiversity Plan programme for upstream and downstream activities
- We aim to increase the visibility and activities of the Green Teams and promote the model across our non-UK activities.

[^] Carbon intensity figures are based on the average annual emissions from all wholly owned UK power generation assets and all other power generation assets from which Centrica is entitled to output under site-specific contracts in the UK

¹ This figure is an externally agreed target with Ofgem and subject to change, depending on our market share

Public policy

We will encourage support for:

- A regulatory, policy and fiscal framework that will deliver a significant increase in renewable generation investment in the UK
- A policy framework to encourage the deployment of non-renewable low-carbon investment including carbon capture and storage and nuclear generation
- A policy framework to allow for a significant increase in installed capacity of microgeneration technologies, both heat and power
- A policy framework to encourage energy saving in the most effective way

Stakeholder perceptions

- We will build on the success of Green Streets through launching a new community programme
- We will continue to build on Generation Green, involving employees to a greater extent
- We aim to improve our performance in the Carbon Disclosure Leadership Index
- We will maintain constructive relationships with NGOs and other opinion formers

Customer service

Overview

We believe that to acquire and retain customers requires an understanding of their needs and a commitment to operating with professionalism, integrity and fairness. We must offer our customers affordable, reliable and competitively priced products and services they want with the guidance they need to ensure safe and responsible use.

Our commitment

Our priority is to provide the best value in the marketplace by delivering good quality customer service and being competitive on price. This includes delivering ways to make life safe, warm and comfortable for all our customers, and particularly to provide proactive support to our vulnerable customers.

Operating context

Like any service-based industry, energy retailing involves dealing with millions of customers every year. With so many interactions, and despite the best efforts of suppliers to achieve high standards, complaints and issues arise. These are closely monitored by industry regulators and consumer organisations, and suppliers are held to account for poor performance.

Energy suppliers are judged by consumers and other stakeholders on their ability to deliver products and services with good quality customer service. It is one of the main drivers of customer satisfaction and loyalty.

High wholesale energy prices and increased environmental costs mean higher energy prices for us all. National Energy Action (NEA) estimated that the number of UK households in fuel poverty rose from 3.5m in 2007 to more than 5m in 2008. This could rise further as the economy continues to downturn and unemployment rises. In this difficult environment the blurring between vulnerable and fuel poor customers will deepen.

In North America, varying government regulations that offer support for vulnerable customers are delivered in a regionally specific manner. Similarly, the definition of a vulnerable customer varies regionally, which means that eligibility for programmes is different across our North American markets.

Our customer service levels in our core UK residential market have been steadily improving after the low levels experienced a few years ago. In our North American markets, our strong performance continues to improve year-over-year as well. High quality customer service remains an operational and strategic priority for our business. Our 2008 Annual Report includes commentary on customer service performance in the Chief Executive's review and in the British Gas Operating Review.

Whilst mainstream customer service issues remain a business priority, our CR approach also looks to ensure that we are treating our customers fairly and securing their trust. In adhering to this commitment, the customer service section explores the other elements of our customer service offering. We aim to ensure that we are delivering consistently high performance across a range of issues that is in keeping with our stated CR approach.

Our impact

As a multinational integrated energy company providing essential services to millions of customers every day, understanding their evolving needs is very important. Our customers depend on reliable energy to live their lives and run their businesses, and we must recognise their diversity and specific requirements they have.

With more customers than any other UK energy supplier and over 5m customer accounts in North America, a number of our customers are considered to be vulnerable. We seek to ensure that we identify these customers and work with other agencies to offer them help that addresses their energy price, payment plan, the maximisation of their income and the energy efficiency of their housing. Making a distinctive difference in tackling the issues affecting the lives of our vulnerable customers will remain a priority in 2009.

We need to be able to help those in debt who would like to pay but struggle, whilst pursuing those who can pay but choose not to. But it can be very challenging to identify vulnerable customers, and to distinguish between those who are genuinely disadvantaged in some way from those who are not.

Our strategy

Our goal is to provide the best value in the marketplace by earning our customers' trust and ensuring we treat our customers fairly.

We aim to build customer trust by providing reliable and high quality customer service, while being honest and clear in our communications and advertisements, and protecting the privacy of their data. We also have a responsibility to treat our customers fairly and we do this through providing affordable energy, adapting our services for our diverse customer base and delivering a range of services to support our vulnerable and in-need customers.

Addressing the needs of our vulnerable customers will remain a high priority in 2009. We can, and will, continue to support our vulnerable customers and tackle fuel poverty issues where appropriate. Fuel poverty, however, is a subset of the wider social issues of poverty in the UK

Customer service

Overview



with many of its causes, including unemployment levels, inflation, benefits delivery, beyond our control as an energy supplier.

In responding to our commitment to treat all customers fairly, and as the numbers of households in fuel poverty have increased due to issues highlighted above, our strategy is to focus our efforts appropriately, directing the most appropriate support to groups of customers based on their particular circumstances. Our top priority is on our vulnerable customers who are unable to safeguard their personal welfare or the personal welfare of other members of the household, for reasons of age, health, disability and severe financial insecurity.

Our strategy in the UK is to maintain our leadership position on vulnerable customers among UK suppliers and with the UK Government by:

- Delivering industry-leading propositions to combine tariff help, energy efficiency, income maximisations and specialist services
- Working with public and voluntary sector partners to identify those most at risk
- Using our expertise to contribute to public policies that address the root causes of fuel poverty and create a framework for coordinated action

Key performance indicators and targets

We have developed the following key performance indicators to measure our progress in customer satisfaction and in providing services to care for our vulnerable customers:

- Net Promoter Score
- Escalated Customer Complaints
- Number of customer accounts on social tariff
- Number of customers supported through financial spend on vulnerable customer initiatives in UK and North America

Net Promoter Scores is a measure of customer advocacy. For British Gas and Direct Energy we combine the figures for residential and business energy with our services divisions. The number of escalated customer complaints informs on the efficiency we deal with customer complaints. Measuring the number of customer accounts on our social tariff enables us to benchmark our services against our peers.

Customer service

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Measuring customer satisfaction	Progress
Improve Net Promoter Scores in the UK and North America.	●
Continue to reduce levels of complaints.	●
Delivering a great customer experience	
Continue to invest in training for our frontline employees.	●
Industry-leading initiatives for vulnerable customers	
To continue to deliver our industry-leading initiatives such as the 'Essentials' tariff.	●
We have committed £3.3m to the British Gas Energy Trust each year for the next four years.	●
We investigated expanding the 'Neighbor-to-Neighbor' programme in our North American operations.	●
Working in partnership	
We continue to partner with key charities to deliver initiatives on fuel poverty and vulnerable customers.	●
Helping shape public policy	
We are fully committed to working with Ofgem, DBERR and other industry parties in clarifying the framework for energy suppliers' spend on fuel poverty. We expect to draw on our experience as market leader in this field and will work with Ofgem, DBERR and other energy suppliers in considering the best way to meet our commitment.	●
We welcome the commitment the UK Government has made to explore options for data-sharing, including if necessary through legislation. Better access to UK Government data and some form of data-sharing mechanism will be absolutely crucial for us going forward to ensure that we can target the support we offer in the most effective way. We will work closely with the UK Government to take this forward.	●

Customer service

Our initiatives

Building customer trust

Delivering good customer service

In 2006 our complaint levels increased as we migrated all of our customers to a new billing system. In 2007, we concentrated on improving the service that had suffered during this migration process. Figures at the end of 2007 highlighted significant improvement in key customer service metrics such as speed of telephone answering and reduced complaint levels. Despite this improvement, it remained a critical short term priority to continue to focus on our service to customers during 2008.

Our customer service levels in 2008 continued to improve significantly from levels in 2007. Average time-to-answer and to handle calls were lower than 2007 levels. We also increased the percentage of customer enquiries that our customer service agents resolved in the first instance compared to 2007. First contact resolution along with improved internal processes helped reduce the volume of incoming calls by 22% compared to 2007.

Good customer service is essential for retail businesses such as ours.

In September 2008, the UK consumer watchdog energywatch ceased operations. Now, the Energy Ombudsman provides consumers with impartial service to resolve complaints where the customer and supplier cannot agree on final resolution. We monitor Ombudsman complaints as a key internal metric and reported this information in the 2008 Annual Report Operating Review.

With our improvements in handling calls and queries, our proportion of industry complaint levels fell by nearly a third over the year with Ombudsman's complaints of 25% at the end of the year lower than our overall market share. These improvements gave us a yearly average proportion of industry complaints of 29%, which again is lower than our overall market share.

Enhancing the customer experience through one British Gas

To deliver a more tailored and improved experience for our diverse customer base in British Gas, we introduced three distinct internal customer units within British Gas Residential.

In February 2009, our Chief Executive announced further changes to the structure of British Gas. We are combining our British Gas business divisions—British Gas Residential, British Gas Services and British Gas Business—into a single customer-focused organisation. This will enable us to launch new bundled products under the British Gas brand and deliver customers the products they want. The single organisation will enable customers

to handle their service and energy products more easily. It will also allow us to target more efficiently the substantial support we already provide for our vulnerable customers.

Transforming British Gas is one of our four strategic priorities. You can read our Chief Executive's review in the Annual Report of our achievements and plans for integrating British Gas.

Focusing on the customer in Direct Energy

Direct Energy surveyed over 35,000 of its energy and service customers to determine customer service levels. As a result of the customer feedback, we established the Customer Council, which has a mandate to ensure that the customer perspective is reflected and embedded in our decision-making.

The Customer Council has conducted a series of customer awareness activities to move this agenda forward, providing front line experience to our managers such as accompanying service technicians on their visits to customer homes. This is helping to ensure that customers are at the heart of our management culture.

Measuring customer satisfaction

We continued to measure customer satisfaction using net promoter score (NPS), which shows the percentage of customers who would recommend us, minus the percentage who would not. British Gas Services showed improvement in its NPS score along with Direct Energy, which increased its score to 6.9%. For residential energy customers, British Gas saw a reduced NPS score that reflected scores for the rest of the industry on the back of two price rises in 2008.

We restated Direct Energy's NPS values from 2007 as we aligned the methodology for monitoring customer satisfaction across our businesses.

We also report our customer satisfaction in Centrica's Annual Report.

Marketing and sales

We strive to communicate our products and services with accuracy to ensure we are being honest with our consumers. Our marketing and legal teams together with their marketing agencies collaborate on communications, and an internal process exists to review marketing material to ensure alignment with the Committee of Advertising Practice (CAP) Code and the Consumer Protection from Unfair Trading Regulation (CPRs).

Sometimes stakeholders disagree with the way we have portrayed an issue and lodge complaints with the Advertising Standards Authority (ASA). Last year, British Gas had five adjudications upheld by the ASA. The

Customer service

Our initiatives

adjudications listed below are publicly available on the ASA's website (www.asa.org.uk):

- ASA Adjudications 30 January 2008
- ASA Adjudications 30 January 2008
- ASA Adjudications 26 March 2008
- ASA Adjudications 16 April 2008
- ASA Adjudications 28 May 2008

We continue our work with the ASA and other advertising stakeholders to deliver high quality and transparent communications. We are working with the Marketing Society Alliance to develop a common language to communicate 'green' initiatives.

We fully support and respect high standards of sales conduct. We are committed to supporting the Energysure Code of Practice and in doing so open up our policies and practices to be audited each year by Deloitte and Touche LLP.

We put in place a comprehensive training and monitoring programme to help deliver high quality sales standards. We also introduce in January 2009 a new recruitment process for our energy sales consultants. Designed by third party psychologists, the method aims to identify applicants by assessing their skills, abilities and persona as part of a sales environment. Initial online applications are followed by aptitude tests, telephone interviews, employment background checks, interviews, personality questionnaires and customer scenarios with role playing. The system aims to reduce attrition and decrease recruitment costs by selecting the most suitable candidates for the role.

Streamlining the complaints process

We strive to provide our customers with high quality service, however with millions of accounts, complaints and issues are bound to arise. In 2008 and in line with our regulatory obligations, we streamlined the complaints process at British Gas to make it easier for customers to lodge complaints and understand where they can go for advice. We began a similar journey at Direct Energy to improve our complaints handling processes by providing additional training to our customer service representatives.

When customers wish to lodge a complaint against British Gas, they now must contact the Energy Ombudsman. Their services are free of charge to the customer and final decisions are binding on the energy supplier and not the customer. The Energy Ombudsman will only accept a complaint if it meets certain criteria. For more information, see www.energy-ombudsman.org.uk.

Ensuring we treat customers fairly

Pricing and payment

The volatility in the wholesale gas markets in 2008 resulted in the need for British Gas to raise prices twice in order to maintain profitability. Even with the price rises British Gas saw a reduction in profits in 2008 mostly because we did not pass on the entire rise in wholesale gas prices to customers.

We also protected our most vulnerable customers from these price rises through the winter months. With the fall in wholesale energy prices, we were able to reduce gas prices in January 2009 by 10% for British Gas customers.

We were also the first supplier to comply with Ofgem's suggestion to reduce prepayment meter tariffs to reflect more accurately the cost involved in supplying those customers. We reduced tariffs for prepayment meter customers within a matter of weeks of Ofgem's recommendation.

We continue to strive to provide affordable energy to customers through a number of products and services. Customers can use online direct debits to spread payments across the year and take advantage of British Gas' low Websaver tariffs. Energy efficient solutions are available to customers through our two green tariffs, Future Energy and Zero Carbon[^].

Our Energy Savers Reports aim to raise awareness among customers and provides services that enable them to reduce their energy bills by increasing their energy efficiency. Over 2m customers have now completed an energy savers report, which can deliver an annual average saving of £175.

See the Climate change and environment section to explore our low carbon solutions for customers

British Gas trialed a new product in 2008 called EnergyPOINT for customers who use the Pay As You Go system. The product enabled users to top-up their electricity accounts from their homes. Later this year we plan to trial a new product that will improve on EnergyPOINT's innovative offerings. The new product will be dual fuel and enable customers to top-up from home as well as monitor their energy consumption, purchase items online and receive news headlines.

Wholesale gas market volatility also required us to raise gas and electricity prices in Direct Energy's incumbent markets in 2008.

[^] Zero Carbon is the name of the tariff. We offset CO2 emissions from the gas and electricity customers consume using carbon offset certified by the United Nations.

Customer service

Our initiatives

While we needed to raise prices twice in the year, we absorbed as much of the wholesale price rise as possible to ensure our customers did not feel the full force of the volatility.

During 2008 we served as the default provider in Texas for customers when their retail providers defaulted. We have actively worked with the governing bodies in shaping the rules to provide a stable platform for customer choice in deregulated markets.

Smart meters

Smart meters will play an important role in delivering domestic energy efficiency and customer service improvements and we strongly believe that a national roll out programme should be instigated as quickly as possible. We also believe that smart meters can lead to the creation of many green collar jobs. For example we are planning to recruit an additional 900 installers into our new metering division.

Our business customers

In April 2009 we launched a support package called SAVE (Small business Advice and Value Expertise) for our British Gas Business customers. The initiative aims to help our small and medium enterprise (SME) customers who are struggling with their energy payments due to the current economic climate.

We created the Expert Credit Solutions team to support our business customers with a more flexible approach to managing their costs and debt. The team aims to offer bespoke solutions designed to clear the customers accrued debt, reduce future energy consumption through energy efficiency advice, audits and products and direct customer towards the many agencies able to provide general business advice.

Our business customers' credit teams are equipped with 'Top Tips' advice sheets to help customers avoid energy debt issues. Advice includes getting customers to pay you, maximising your cash flow, budget forecasting, energy efficiency, communicating with suppliers and using professional advice.

We have expanded British Gas' Energy Savers Reports to our SME customers to provide them with energy efficiency information and energy efficiency products and services that can help them reduce their consumption and bills. Businesses can complete their ESRs online where they can find sector specific energy efficient advice. The ESRs will also evaluate how much they are spending on energy annually and will benchmark their energy efficiency rating relative to other businesses of their size and type.

Following the successful integration of Strategic Energy in North America in 2008, we are now the third largest commercial and industrial supplier of energy in North America. Direct Energy Business has developed a series

of programmes to support our business customers further.

The energy market in North America is complex. We are partnering with a number of associations across our markets and developing online tools to enable our business customers to make more informed energy decisions. Our work with the Cities Aggregation Power Project, the Texas Association of School Boards and the Mid-Atlantic Aggregation Group Consortium provides transparency of market trends and energy costs. Online tools such as Energy Insights and the Education Centre help customers evaluate their energy needs.

Customer safety

We aim to protect our customers from harm relating to our products and services. We provide regular health and safety training to our employees who have face-to-face contact with customers. We are also a key member of the Carbon Monoxide Consumer Awareness Alliance (COCAA), which aims to reduce incidences of carbon monoxide poisoning.

More information on how we aim to keep customers safe is available in the Health and safety section of the report.

Customer diversity

With over 15.6m residential customer accounts in British Gas alone, the needs of our customers are varied. British Gas offers its bills in a range of formats including bold or large print, Braille, audio or CD and talking bills. We also offer a Welsh language service for customers in Wales. In 2008, we saw a 25% increase in the use of our alternative formats for bills.

Direct Energy also caters to customers who speak different languages by offering customers in Texas the option to have bills in Spanish or English. In 2008, over 175,000 customers received Spanish bills.

Language Line

British Gas continues to offer Language Line as a resource to customers whose first language is not English and need assistance understanding their bills. Our engineers and sales people also use prompt cards to communicate with customers at their doorstep. During 2008, around 3,600 customers were helped through Language Line's services.

We're here to help our vulnerable customers

We are committed to helping our vulnerable and in-need customers. As their energy supplier, there are real ways we can make a difference in their lives. We are building a cohesive strategy providing a range of helpful solutions that address the root causes of fuel poverty, including reduced tariffs, free insulation and advice to help customers claim the financial support to which they are entitled.

Customer service

Our initiatives

More information on our charity partnerships is available in the Local Impact section of the report.

British Gas vulnerable customer initiatives

Our British Gas initiatives, which helped an estimated 1.4m vulnerable and in-need customers during 2008, are part of a programme of work with the UK Government to define a fuel poverty framework.

At a Fuel Poverty Summit in April 2008, agreement was reached with Ofgem whereby the main UK energy suppliers agreed to spend a total of £375m over three years (2008-2011) on fuel poverty initiatives, allocated on the basis of market share. The British Gas commitment is more than £120m with a £34m target in 2008/9.

As part of the Carbon Emissions Reduction Target (CERT), British Gas and other energy suppliers are required to allocate 40% of all energy efficiency spend on 'priority' customers who receive energy efficiency products and services free of charge. The current CERT scheme runs from 2008 until 2011. Recent Government discussions have led to a 20% increase to CERT in the final two years to help additional priority customers.

The Community Energy Saving Programme (CESP) was also announced in April 2008 with local councils, NGOs and energy suppliers agreeing to work together on house-to-house calls to offer help in deprived areas. The programme will commence later in 2009. The cost of this to British Gas is estimated at £70m up to 2011.

Lower tariffs and support packages

The Essentials Tariff is British Gas' lowest price tariff aimed at vulnerable and in-need customers on a low income. By the end of 2008, there were around 526,000 accounts on this tariff, more than on any of our competitors' social tariffs and a 55% increase compared to 2007.

In July 2008 and to coincide with the price rises British Gas announced, we launched Essentials Extra. This package of measures offered existing Essentials customers a benefits health check to help maximise their income, and a free home energy audit and energy efficiency measures as a way to reduce bills.

We also delayed any price rise for Essentials customers until April 2009.

Our more recent Essentials Advance initiative, offering free energy efficiency measures and a £50 rebate once measures are installed, is in line with the Government's 'save money, save energy' programme.

As a result of our work with Essentials customers, and through our other initiatives, we distributed over 20m free energy efficiency measures to vulnerable households in 2008. We also insulated 90,000 vulnerable households. In 2008, British Gas funded initiatives completed over 15,000

benefits health checks and helped low income households to claim over £7m in additional benefits. We have committed £1.3bn over the next three years to improve energy efficiency in all our customers' homes.

Targeted assistance through our Essentials Programme

We aim to identify and prioritise our vulnerable and in-need customers to ensure they have access to the most appropriate assistance. For customers on low incomes, we will focus on helping them to improve their energy efficiency and on providing income and bill management support. For vulnerable customers – older people and those who are disabled or chronically sick – we will focus on ensuring continuity of supply, priority service and providing specific tailored support through charity partnerships. Those in the highest priority group are customers who are both vulnerable and on low incomes and to whom will be available a complete package of measures.

Priority service

The Home Energy Care Register is a priority service register for all our gas and/or electricity customers who are elderly, disabled or chronically sick. It enables us to record any specific requirements they may have so we can provide them with the right services appropriate to their needs.

We have a dedicated team to support these customers and through the register we provide important services such as annual gas safety checks, bills in alternative formats such as large print of Braille and specially designed appliance controls adaptors for customers with dexterity and visual impairment. Those on the register will also receive priority attention in the case of emergencies. In 2008, we supported 250,000 customers with essential services through Home Energy Care.

Debt and disconnection

Being in debt is a difficult situation for anyone, and we strive to be part of the solution for our customers, not part of the problem. We have publicly committed not to disconnect any customer who is identified as vulnerable, and we support a number of agencies that provide support for those in debt.

Assisting those in debt with advice and financial support is also an important component of customer service. Our funding to National Energy Action helps run fuel debt advice training sessions to third party advice agencies to aid people in energy debt. We continued our commitment to the British Gas Energy Trust, the largest national utility fund in the domestic energy sector, with an investment of £3.6m in 2008. The Trust is an independent charity that helps customers in energy debt through grants and

Customer service

Our initiatives

financial assistance payments. Since 2004, British Gas has committed over £21m to the initiative. In 2008 the British Gas Energy Trust awarded over 5,500 energy and other financial assistance grants to customers in debt at a total value of more than £3.3m.

The weakening economy in 2009 will create real challenges through higher customer debt and reduced consumption. Throughout 2009 our focus is to have a proactive debt management approach and help our customers at an early stage in cases where they struggle to pay their bills.

Charity partnerships

Through British Gas' partnership with charities we are improving the way we identify vulnerable customers and are looking to provide better means of targeting those most in need to make our programmes more effective.

In November 2008, the British Gas Help the Aged partnership, which has been running for 10 years, launched our annual winter campaign. The campaign, which ran until March, included the distribution of a '3 Steps to a Warmer Winter pack, containing a free thermometer, practical advice on keeping warm, energy efficiency and benefits advice, a free insulation offer from British Gas, and a Department of Work and Pensions benefits check coupon. The campaign distributed more than 110,000 packs to older people, which included 82,000 hard copy packs sent out and a further 29,000 packs downloaded from the Help the Aged website. The partnership also funds a Benefits Advice Programme, which has helped older people claim an additional £21.4m in benefits to date.

Our coalition of charity partners under the 'here to HELP' programme aims to help the most vulnerable people in society. The programme offers free insulation, a benefits assessment and other products and services from four of our charity partners – Help the Aged, Scope, Royal National Institute of Blind People (RNIB) and Money Advice Trust – to vulnerable customers. For example, in 2008, the here to HELP programme delivered 2,900 specialist products and services to help blind and partially sighted customers through the RNIB. The Money Advice Trust provides support and advice to customers in debt and is currently working with British Gas to provide specialist advice to vulnerable customers on a low income and in financial difficulty.

In 2009, we aim to build deeper relationship with key NGOs and re-launch the here to HELP programme.

Direct Energy vulnerable customer initiatives

In North America, fuel poverty is not at the forefront of the energy agenda. Growing concern during the difficult

economic times though, is raising the profile of vulnerable and low-income customers.

The multi-jurisdictional nature of the North American energy market make managing these issues a challenge. For example, definitions on vulnerability vary from market to market. However, caring for our vulnerable and low-income customers in North America is an important element of treating our customers fairly, so we have developed a range of programmes in our market areas to assist these customers.

Targeted assistance

In our Texas market, the state of Texas maintains a database of vulnerable customers who qualify for social assistance paid for by the state, such as welfare payments or food stamps. We cross reference our customer database with the state's database to identify our customers who are eligible to receive energy bill payment assistance.

Support programmes in Texas and Ohio

Support in our Texas market is available through state based energy bill payment assistance, and Direct Energy's programmes to support vulnerable and low-income households with services including energy efficiency, debt management and financial assistance.

We administer the payments on our customers' behalf through the Texas System Benefit Fund and the LITE-UP Texas programme. We provide automatic discounts to low-income customers who receive benefits from the Texas Department of Human Services. Customers may be eligible if they receive benefits such as food stamps, Medicaid, Temporary Assistance for Needy Families (TANF) or Social Security (SSI).

In 2008, we contributed CAD\$700,000 to our long-standing 'Neighbor-to-Neighbor' programme, which is dedicated to assisting customers with electricity bills in crisis situations. In 2008, the Neighbor-to-Neighbor and LITE-UP programmes benefited over 30,000 customers.

With energy efficiency being a key way to manage energy costs, we developed the Residential Energy Efficiency Programme (REEP) in Houston, Texas. Through REEP we perform energy efficiency upgrades, including insulation and draft-proofing.

In our Ohio market, when a customer is identified as vulnerable we work with them to find a suitable bill payment assistance programme. The Ohio Home Energy Assistance Program is a federally funded programme administered by the Ohio Department of Development to help low-income customers in Ohio meet the costs of heating their homes. More information on the programme is available through Ohio's Department of Development website.

Customer service

Our initiatives

We are committed to learning from these efforts so we can better develop and implement similar programmes in other markets.

Debt and disconnection

In many markets in which we operate, Direct Energy does not have a direct billing relationship with customers or have the ability to disconnect supply. However, where we do, we maintain comprehensive policies and work with our customers to find solutions before any disconnection action. In addition, we do not disconnect customers during winter months in selected markets where it is essential to maintain an acceptable level of warmth.

Partnerships

Direct Energy maintains a number of programmes that enable us to manage the energy challenges faced by our vulnerable customers in North America. We partner with local initiatives, raise funds and run a community fund matching programme to support and administer funds to our vulnerable customers. We have developed regionally specific programmes to provide assistance.

Caring for our customers in Belgium

In Belgium, services for vulnerable customers are legislated by the regulatory organisations Walloon Commission for Energy (CWAPE) and Flemish Regulation Entity for the Electricity and Gas market (VERG). SPE provides flexible payment plans for customers taking into consideration an individual's circumstance. However, Belgian legislation provides a high level of protection to vulnerable customers.



Customer service

Performance data

Customer satisfaction	Unit	2008	2007	2006	2005	2004
British Gas Net Promoter Score	%	-0.8	3.1	-	-	-
Direct Energy Net Promoter Score	%	6.9	5.1 ¹	-	-	-

¹ In 2008 we aligned Direct Energy's NPS calculation with the UK's. We have recalculated Direct Energy's NPS for 2007 using this methodology.

Commentary

The net promoter score (NPS) measures customers' responses to the question 'How likely would you be to recommend us as an energy supplier to a friend or relative (0-10)?' The score is calculated by the percentage of customers defined as promoters (scoring 9-10) minus the percentage defined as detractors (scoring 0-6).

Source: Internal calculations combining figures for residential, business and services divisions. Net promoter scores are collected through customer feedback forms and telephone interviews conducted by a third-party supplier.

Customer experience	Unit	2008	2007	2006	2005	2004
Customer complaints to energywatch about British Gas		3,815 ²	30,297	31,703	-	-
British Gas residential customer complaints to Energy Ombudsman as percentage of industry totals	%	29	-	-	-	-

² Customer complaints to UK consumer watchdog energywatch January-September 2008, after which energywatch ceased operations.

Commentary

By the end of September 2008, complaints to energywatch had fallen by 87% from 2007 figures. High numbers of complaints earlier in the year occurred as we transferred our customers to a new billing platform.

We also calculate and target the year end percentage of industry totals of British Gas customer complaints to the Energy Ombudsman. For 2008, this figure was 25%, which is lower than our overall energy market share. The Energy Ombudsman started accepting complaints from business customers in October 2008. We will report our industry share of these complaints next year when there is data available for the full year.

Marketing and sales	2008	2007	2006	2005	2004
British Gas sales complaints	146	238	468	-	-
Advertising Standards Authority complaints upheld against British Gas	5	2	3	7	1

Commentary

British Gas sales complaints are tracked by the Energy Ombudsman.

Customer service

Performance data

Customer diversity	2008	2007	2006	2005	2004
Bold/large print	67,795	51,328	-		
Braille	2,702	2,369	-		
Talking bills	2,635	1,933	-		
Audio/CD	955	594	-		
Total alternative format bills sent	74,087	55,224	63,000	-	-

Commentary

Our printed documents are available in a range of formats including large print, Braille and audio. Documents requested in alternative formats ranged from gas and electricity bills and statements to marketing inserts and terms and conditions. We have restated the 2007 figure to reflect improved reporting processes.

British Gas social programmes	Unit	2008	2007	2006	2005	2004
Customers accounts on British Gas 'Essentials' social energy tariff		526,500	340,000	-	-	-
Customers on ExtraCare		190,530	260,000	-	-	-
Cumulative value of unclaimed benefits identified	£m	21.4	14.4	-	-	-

Commentary

'Winter Warmer' was reported in the 2007 CR Report but this programme has since ended and therefore there is no data to report. ExtraCare is the process we have adopted to help us proactively identify signs of vulnerability among our customers.

Help the Aged Partnership	2008	2007	2006	2005	2004
Advice packs distributed	82,000	75,728	50,000	-	-
Thermometers distributed	82,000	146,838	185,000	-	-

Commentary

Annually, £4.5bn worth of benefits goes unclaimed by the elderly. We are working with Help the Aged to highlight this issue and help older people claim the benefits to which they are entitled. Under the Benefits Advice Programme (BAP), a national programme in partnership with Help the Aged, which funds benefits advice for older people, 14,601 people received a benefit health check in 2008 and around 2,800 home visits were conducted. In 2008, thermometers were distributed only in advice packs, whereas previously they were also provided separately from advice packs.

British Gas Energy Trust	Unit	2008	2007	2006	2005	2004
Number of grants awarded		5,000	6,439	4,000	1,716	39
Value of grants awarded	£m	3.3	3.1	1.5	0.6	0.02

Commentary

The British Gas Energy Trust is an independent fund which aims to make a long-term difference to people's lives by freeing them from the maze of debt and giving them a chance to make a fresh start. The Trust provides individual energy payments to help with debt clearance of British Gas bills, further assisted payments to help clear other bills and organisational grants in areas of multiple deprivation for projects such as debt advice centres.

Customer service

Future commitments



Customer satisfaction

- We will continue to focus on improving customer service and building our brand reputation through increasingly good customer service
- We aim to improve our Direct Energy NPS score and to reverse the trend in British Gas customer satisfaction

Pricing and payment

- We plan to introduce a new system to enable Pay As You Go users to top up their electricity accounts and monitor their energy use from their homes
- We want to expand uptake of Energy Savers Reports by our business customers

Vulnerable and in-need customers

- We will provide specialist support services to vulnerable customers who are unable to safeguard against their personal welfare due to age, health and disability
- We will help to reduce bills for customers on very low incomes through energy efficiency measures
- We will provide bill management support and signposting to help maximise income and debt advice
- In 2009 we look to build on the help British Gas provided to more than 1.4m vulnerable customers in 2008
- We aim to achieve fuel poverty spending plans as measured through the UK suppliers Voluntary Agreement Commitment (2009/2010 – £41m)
- We will continue to work with our charity partners to deliver specific assistance to our vulnerable and in-need customers
- We aim to re-launch the here to Help programme from a social housing programme to a vulnerable customer focused coalition

Securing future energy supplies

Overview

Our commitment

We are committed to securing sustainable and affordable energy for our customers over the long term.

Operating context

Energy security is a geopolitical issue and is high on the public policy agenda. Growing demand – particularly in developing countries – and the need to reduce carbon emissions is influencing future energy choices. The link between wholesale oil and gas prices is significantly affecting energy prices, and volatility in wholesale energy costs directly impacts retail prices for consumers.

In the UK gas production is becoming more limited as UK North Sea reserves decline and the country is increasingly dependent on overseas imports of gas. It is estimated that by 2015 75% of UK gas will be imported, which means the UK must compete on the global market for energy sources. For example, the UK is competing with North America and Europe for liquefied natural gas imports and is reliant on piped gas from European networks. Future gas supplies will come from countries such as Norway, Russia and the Middle East.

Historically, the ready supply of gas from the North Sea has meant that the UK has not needed as much storage as other European countries. However, supply of gas from the North Sea is rapidly declining and this year the UK will import 50% of the gas it needs. By 2015, this will rise to 75%. Current UK gas storage covers approximately 4% (16 days) of annual demand. This compares with 24% (88 days) in France and 21% (77 days) in Germany.

Furthermore, a quarter of UK power generation will come offline by 2015 due to environmental rules. New sources of generation must be developed to replace this.

Our impact

As an energy company with significant energy supply businesses, energy sustainability is a fundamental strategic issue for Centrica. We have a key role to play in securing new energy supplies for the UK so that we can provide our customers with reliable and affordable energy. 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.

Our strategy

To overcome the challenges of volatility we must become a more fully integrated energy company. In short, we need to produce more of the energy that we sell.

In the UK we are able to supply around 29% of our gas requirements and around 58% of our peak electricity requirements from our own resources or major contracts

we hold. The remainder has to be purchased in highly volatile wholesale markets.

We are planning to continue investing at least £1bn a year on average on upstream gas production and power generation assets in the UK for the foreseeable future. The intention is to significantly increase the proportion of our gas and power requirements which are produced from our own assets, up from around 40% across gas and power at present. This will help protect our customers and the business from volatile wholesale energy prices. Investments are likely to include additional gas production, focused on the UK Continental Shelf and Norway, together with more renewable, nuclear and gas-fired power generation.

We believe that diversity brings security of supply. That is why we are exploring and developing gas reserves in Norway, Nigeria, Egypt, Trinidad and other fields on the UK continental shelf. To support our operations in North America, we are developing gas reserves in Canada.

We are constructing a modern and efficient combined cycle gas turbine power station of 885MW at Langage in Devon. The UK has a binding target to reduce CO₂ emissions by 80% from 2050 with a corresponding target of 15% of all energy coming from renewable sources by 2020. We are working hard to meet the UK Government's target, which is likely to call for more than 30-35% of electricity to come from renewable sources compared with less than 5% today.

Facilities to store gas for use during times of high gas demand will become an increasingly important element of security of supply. The UK government is targeting 20% storage, which would require an investment of £8-11bn. Centrica is committed to increasing UK storage capacity but are seeking clarification of the fiscal regime from the UK government to enable new gas storage investment to proceed.

Key performance indicators and targets

Our performance in securing future energy supplies including the expansion of our power generation capabilities, gas supplies and storage capacity are monitored by the Centrica Executive Committee rather than the CR Committee.

Securing future energy supplies

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Gas and power	Progress
Plan to invest £1bn in gas and power projects each between 2007 and 2010.	●
Continue international dialogue to source gas supplies, including discussion with National Oil Companies.	●
Progress exploration activities in the UK, Egypt, Trinidad and Nigeria, and seek to acquire additional licences.	●
Complete construction of Langage power station – first power in early 2009.	●
Consider possible equity investments in new nuclear infrastructure.	●
Renewables	
Work closely with the government to ensure that an appropriate policy framework is developed to incentivise and support the delivery of new renewables infrastructure for the UK.	●
Play a significant role in new wind farm developments and expect to invest up to £1.5bn in renewable assets over the next five years.	●
Together with other wind farms in development, our UK generation capacity in the next few years is expected to reach more than 1.6GW.	●
Deliver first power from our Lynn and Inner Dowsing wind farm development.	●

Securing future energy supplies

Our initiatives

Previously unseen levels of volatility in wholesale gas and power prices were experienced in 2008. Oil prices rose to almost \$150 per barrel and then fell back to below \$40 as the high levels of global oil demand reversed rapidly due to the recessionary impact of the global financial crisis. This volatility underscores the necessity of securing long-term energy supplies to reduce exposure to these fluctuations.

Alongside this, reports stress the need for increased investment to help the UK meet its energy goals. An Ernst & Young report commissioned by Centrica, *Securing the UK's energy future – meeting the financing challenge*, estimates that the UK energy supply industry will have to invest over £230bn in new infrastructure by 2025 to ensure the country's future security of supply and that current climate change and renewable targets are met.

We are actively working to deliver secure and low-carbon energy sources for our customers through:

- pursuing investments in new nuclear infrastructure
- acquiring gas blocks and storage sites to expand capacity
- building the next generation of gas-fired power plants
- exploring gas-rich areas to increase our own reserves
- developing some of the largest offshore wind farms in the world

We detail our specific initiatives below, however, as an integral part of our group strategy and one of our four strategic priorities, information on how we're securing future energy supplies is available in a number of places. Details of our progress in 2008 can be found within the following sections of our 2008 annual report:

- Chief Executive's Review
- Operating review: Centrica Storage
- Operating review: Centrica Energy
- Operating review: Direct Energy

Gas and power

Nuclear generation/British Energy deal

In September we entered into a Memorandum of Understanding (MOU) with EDF to acquire a 25% stake in the British Energy nuclear business. This investment would provide us with access to power where the prices are not impacted by the cost of oil or gas, and supply us with energy generated with a significantly lower carbon footprint.

UK and European gas exploration

We undertook a number of investments and acquisitions in 2008 that have increased our gas reserves to help reduce our exposure to future energy price fluctuations.

We acquired gas assets in the British and Norwegian sectors of the North Sea. In March 2008 we increased our equity stake in the Grove and Seven Seas assets originally acquired from Newfield in 2007. In October we completed our acquisition of assets in the Heimdal area of the North Sea. At the end of the year we announced an agreement to acquire an additional interest in the Peik gas field in the UK and in January 2009 we agreed to take additional equity in York gas field.

These deals provided us with both producing gas assets and a pipeline of valuable exploration and development prospects. Once developed, these fields could increase our reserves by up to 211 billion cubic feet (bcf).

Developing our assets

We made great progress on our development plans and commenced drilling further gas wells on the Grove field in July 2008. The first two wells of a four well programme were successfully completed during 2008. In 2009 we plan to drill the two remaining wells and install new subsea gas pipelines to connect with Grove.

At Seven Seas gas field we are refining our development plans including ordering new infrastructure and services to bring the field on to commercial production.

North American acquisitions

North American acquisitions in 2008 included Rockyview Energy and the Canadian assets of TransGlobe Energy. Development of current reserves also helped increase natural gas production volumes to 365 million therms (mmth).

Operations in Nigeria

Our seismic activities continued in Nigeria as we completed our onshore exploration and planned to commence offshore seismic acquisition. Due to security concerns we chose to postpone offshore operations until we could ensure the safety of our employees and business partners. Our Business Principles played an instrumental part in contributing to the decision taken by management to wait until we could deliver the project in a safe and secure way.

In December 2008, we conducted a financial and corporate responsibility audit of our Nigerian business. The audit found HSE performance monitoring and governance mechanisms for community engagement to be best practice. While the findings noted the presence

Securing future energy supplies

Our initiatives

of CR policies, the communication of those policies was identified as an area for improvement. We have begun actions to improve communication and awareness of CR policies and measures are due to be in place by summer 2009.

Liquefied Natural Gas (LNG)

We received our first shipment of LNG at the Isle of Grain LNG import terminal in November. The tanker delivered 43.9mmth of gas, enough to supply around 4 million British Gas customers' homes for a week. This volume represents around 30% of total UK demand on an average winter day. This shipment was part of our contract with National Grid to commission phase two of its Isle of Grain LNG import terminal.

In January 2009 we received our first fully commercial cargo of LNG totalling 25mmth.

Read more about LNG capacity at Isle of Grain on our Centrica Energy website at www.centricaenergy.com.

Langage

Our 885MW gas-fired station project in Langage, the UK's first major power station development for almost five years is now expected to commence full commercial operation towards the end of 2009.

UK renewables developments

We completed the major construction work at the 180MW Lynn and Inner Dowsing offshore wind farm development. All of the six arrays are now exporting their power directly to the National Grid. Lynn and Inner Dowsing is made up of 54 3.6MW turbine generators. The subsea cables transport the electricity to a newly constructed substation in Middlemarsh, Skegness.

In October we gained Government approval for our proposed Lincs project, a 250MW offshore wind farm project off the Lincolnshire coast. Lincs could be capable of supplying around 170,000 British Gas customers and delivering CO₂ savings of between 300,000 and 710,000 tonnes per annum¹.

We have also submitted applications for consent for two offshore wind farms, Docking Shoal in November and Race Bank in January, totalling 1,160MW. Subject to approval and construction, by the middle of the next decade these three projects, together with our existing operational wind assets, would give Centrica more than 1.75GW of generating capacity in the UK, capable of meeting the annual needs of more than 1.2m homes.

We entered the microgeneration market with our acquisition of Solar Technologies, an installer of solar photovoltaic technology. The acquisition will enable British

Gas to install solar photovoltaic (PV) technology² in the UK, build on its aim of becoming the leading provider of low carbon energy services and highlights our search for alternative forms of energy.

Read more about our microgeneration acquisitions and agreements in the case study on the Low Carbon Buildings Programme.

International renewable developments

In North America, the AES began commercial operations to expand generation capacity at Buffalo Gap 3 wind farm by 170MW bringing total capacity to 813MW. Direct Energy receives all electricity generated by Buffalo Gap 3 under a seven-year power purchase agreement with AES.

In Spain, Centrica Energía is one of the three 100% green suppliers in the country and now supplies approximately 2TWh of power to its business customers. Centrica Energía continues to be a major participant of the Special Regime market, enabling renewable energy producers to supply the Spanish power market on a more economic basis. In July 2008, the removal of the high voltage regulated tariff enabled increased access to the high voltage power market. Centrica Energía is the largest new entrant in the supply market in Spain.

Carbon capture and storage

Given the large investment we are making in other low carbon technologies and the current uncertainties surrounding carbon capture and storage (CCS) we decided to end our involvement in the Eston Grange CCS project. We are not a technology developer and CCS resulted in a greater risk profile than we wanted given our other investments in renewable technology.

We sold our equity stake in the project to Progressive Energy, who we believe are best placed to bring in new investors and secure the project's success. While we are not looking to develop a CCS project, we believe in time CCS technology will be commercially viable and we may be involved in this technology in the future.

- 1 Generation from wind creates zero emissions of carbon dioxide. The savings quoted compare these zero emissions against Britain's portfolio of power generation, which includes a range of technologies such as nuclear, coal and gas-fired power stations. As fossil fuel technologies emit different amounts of CO₂, the savings achieved will therefore vary and so a range of savings is quoted.
- 2 Solar photovoltaic technology describes the conversion of sunlight into electrical energy through thin layers of semiconductor material. The output is determined by the brightness of natural light available and by the area and efficiency of panels.

Securing future energy supplies

Our initiatives

Storage

Centrica Storage, operating the Rough storage facility, plays a crucial role in the UK gas market. Rough currently represents 70% of UK storage and delivered around 10% of the UK demand during the winter of 2008/2009.

Over the past year we also announced our involvement in three major new build storage projects. In March 2008 we announced the proposed conversion of the Bains offshore gas field into a gas storage facility, with a potential capacity of up to 20bcf. The existing partly depleted Bains field is situated eight miles away from Centrica's South Morecambe field in the East Irish Sea. Subject to completion of the development studies we expect Bains to commence commercial operations in 2012.

In September we acquired Caythorpe Gas Storage Limited and began the process of converting it into a storage field capable of holding up to 7.5bcf of stored gas. Caythorpe is an onshore depleted gas field in East Yorkshire near to Bridlington. We expect Caythorpe to commence commercial operations in 2012.

In February 2009, we acquired a 70% stake in the project to convert the Baird depleted gas field in the southern North Sea into the UK's second largest gas storage facility. The proposed Baird storage facility would have capacity of approximately 60bcf, just over half the 118bcf capacity of Rough, the UK's largest gas storage facility. We anticipate that Baird will commence operations in 2013.

All three of these new assets will be designed to be faster and more flexible than Rough. The combined storage capability will be enough to supply around 18% of peak winter demand.

If completed, these three projects could increase the UK's storage capacity by 87.5bcf to a total of 205.5bcf, and increase storage cover to 7% of average annual gas demand. Centrica will own 178bcf from this total of 205.5bcf.

Securing future energy supplies

Performance data

Improving our quality of data

We began a project last year to improve the collection and maintenance of data to enhance the quality of the information we report. During this process we realised the need to restate previous figures to reflect historical levels more accurately. We aim to be transparent, and to maintain good levels of disclosure so we can continue to provide high quality data.

Generation and production

Gas production	Unit	2008	2007	2006	2005	2004
Centrica Energy	mmth	2,418	2,260	1,916	3,057	3,038
Power generation	Unit	2008	2007	2006	2005	2004
UK	GWh	18,409	15,154	11,069	14,441	16,462
Direct Energy	GWh	4,650	5,158	n/a	n/a	n/a
SPE ¹	GWh	1,236	1,160	n/a	n/a	n/a
Total ²	GWh	24,296	21,472	11,069	14,441	16,462

Includes Centrica renewable generation but excludes power purchased from non-Centrica facilities

1 Based on Centrica equity share of facilities (25.5%).

2 Total of data currently available.

Commentary

The power that we generate comes from a variety of sources including our gas-fired power stations, on and off-shore wind farms and hydroelectric plants.

Data provided in Power Generation differs from previous years reported as Centrica Energy power generation due to this year excluding power purchased from non-Centrica facilities.

Centrica Energy Renewable Generation	Unit	2008	2007	2006	2005	2004
Renewable power generated (including offtake from JVs)	GWh	800	410	230	40	–
Renewable power purchased under long-term contracts	GWh	1,200	710	310	130	–
Renewable power installed capacity	MW	287	107	71	26	–
Wind under construction / Consented	MW	250	180	216	225	–

Securing future energy supplies

Performance data

Fuel mix	Unit	National average for all suppliers (2008) ⁴	2008	2007	2006	2005
Centrica Energy (UK)³						
Coal	%	33	13	18	15	14
Natural gas	%	43	66	56	58	62
Nuclear	%	16	13	20	22	16
Renewables	%	6	6	4	3	5
Other	%	2	2	2	2	3
Direct Energy (North America)						
Coal	%	49	25	34	29	n/a
Natural gas	%	22	44	35	40	n/a
Nuclear	%	19	17	21	1	n/a
Renewables	%	8	11	8	20	n/a
Other	%	2	3	2	10	n/a
SPE (Belgium)						
Coal	%	4	2	n/a	n/a	n/a
Natural gas	%	29	54	n/a	n/a	n/a
Nuclear	%	54	34	n/a	n/a	n/a
Renewables	%	7	8	n/a	n/a	n/a
Other	%	6	2	n/a	n/a	n/a

³ Data based on fiscal year and not calendar year.

⁴ We have used 2007 US data for Direct Energy's comparison, which is the most recent available.

Commentary

Each year we publish the fuel mix of the power we supply – this details the various fuel sources of the electricity we supply to our customers (including electricity that we have purchased for resale) and the respective proportions.

Compare our fuel mix with other suppliers: http://www.fuelmix.co.uk/supplier_ranking.htm

Storage

Storage facility	BCF	Duration (days)	Centrica Equity	Third-Party Equity
Rough	118	75	100%	
Bains	20	60	52.8%	47.2%
Caythorpe	up to 7.5	45	100%	
Baird	60	60	70%	30%
Total Centrica equity capacity	178.1			

Securing future energy supplies

Future commitments



Gas and power

- We will continue international dialogue to source gas supplies, including discussion with National Oil Companies
- We will commission fully Langage power station
- We will continue exploration activities in the UK, Norway and Nigeria
- We expect to invest over £15bn to secure new power and gas by 2020

Renewables

- We will continue to work with the UK government and regulator to support a policy and regulatory framework that incentivises the delivery of new renewables
- We will explore access to debt and equity finance to secure funding to develop renewable energy projects
- We will continue to develop our UK generation capacity of 1.6GW over the next few years

Health and safety

Overview

We believe that the health, safety and security of our employees in the workplace, our contractors, customers and communities in which we live and work are fundamental to the success of our business.

Our commitment

We are committed to pursuing and maintaining an outstanding and interdependent safety culture combined with rigorous management systems that include education, training and monitoring programmes to ensure we effectively manage our risks.

Operating context

Sourcing hydrocarbons and generating power can be hazardous. Increasingly, our strategy will focus on sourcing energy in locations across the world, which involves many new challenges including health and safety considerations. Maintaining gas and electrical appliances and using energy in homes and business also involves health and safety risks.

Our impact

Health and safety is an essential component of effective operational performance, and it is our policy for it to be at the heart of everything we do and for us to be respected for the quality and integrity of our performance. We are responsible for the health and safety of over 30,000 employees and for the safe use of the millions of products and services we sell to customers.

There are particular safety risks to our employees and contractors in high hazard operations, including the sourcing, generation, processing and storage of energy. There are increased risks at these operations of major incidents such as fires, explosions and accidental releases of hazardous substances. And where we have large assets such as power stations, there are health and safety risks to local communities that we need to mitigate. Securing gas supplies from global sources can also increase personal security risks to our employees and contractors.

With the scale of the van and company car fleet in the UK and North America, road risk remains a high priority for the Group. In addition, many of our employees are in physically demanding roles which put them at greater risk of musculoskeletal problems. Among all our employees, we have the capacity to raise awareness of occupational health issues and to take actions to reduce safety and security risks.

We are also responsible to our millions of customers who depend on us to install and maintain appliances to the highest safety standards. Carbon monoxide poisoning from gas appliances is a risk to customers that we take extremely seriously. We also have a responsibility to make all users of our products and services aware of their safe and correct use.

Our strategy

Our strategy combines strong leadership, an interactive health and safety culture and robust systems to support the delivery of sustained performance improvement. We engage employees, contractors, customers and local communities in dialogue to ensure that safety information is available and that risks are understood. We continue to target risk reduction in all our operations, and aim to achieve exemplary standards of health and safety performance. Through this we will deliver on corporate responsibility commitments, control the risks in the organisation and ensure legal compliance.

Governance and leadership

The Board is ultimately responsible for ensuring that Centrica has the appropriate culture and arrangements for meeting its health and safety responsibilities. The Chief Executive is accountable to the Board for health and safety, which is the first item of every Executive Committee meeting.

Employee health

Our strategy is to build an interactive and interdependent health and safety culture, one in which individuals at all levels in the company understand, accept and interact positively to deliver high standards of health and safety performance. It is also a culture in which everyone can take a lead in helping to promote the behaviours and working conditions that will help us meet our health and safety goals.

The strategy is supported by committed leadership, a robust governance framework, the continual, systematic assessment of risk, implementation of appropriate controls and verification that those controls remain effective. This includes annual improvement plans, targets, key performance indicators, performance review, emergency response plans, training, competency development, audit and proactive accident prevention programmes. We also develop and test emergency response measures and programmes to ensure the security of employees working overseas.

Process safety

Process safety is concerned with the prevention of harm to people and the environment from major incidents such as fires, explosions and accidental releases of hazardous substances. We ensure that process safety is at the heart of our business decision-making in our operations where there are such risks. All incidents, including near misses, are examined at Executive Committee level and lessons implemented. We also provide process safety training to all employees involved in higher hazard operations. This ensures that we maintain vigilance and drive continual risk reduction.

Health and safety

Overview

Occupational health

Our occupational health (OH) programme aims to prevent ill health arising from work activities and to promote wellness among our employees. We proactively address issues which may lead to chronic illnesses and injuries. This includes ensuring a good fit between the person and the job and recommending any suitable adjustments.

Wellness is a broader concept than merely good health and is linked to productivity. We offer practical support and training for employees and managers to raise awareness of work-related health issues and encourage personal responsibility for all aspects of health both at work and more widely. We also manage return-to-work programmes to reintegrate into the workplace employees who have been injured or absent through illness.

Customer safety

We provide regular and extensive training to our engineers on reducing health and safety risks in customers' homes, such as ventilation guidelines and air/gas ratio valves. All Service Engineers have access to the latest legislation, standards, manufacturers' information and operational procedures via their laptops. They are all ACS qualified and CORGI/Gas Safe registered and are seen as exemplar safety practitioners during company-wide audits undertaken by CORGI and the British Standards Institute.

Our safety advisors and service engineers also provide face-to-face safety advice to help ensure that our products and services are used in compliance with the highest safety standards. In North America, Direct Energy is committed to an eight-point pledge to ensure that work is carried out in a way that ensures both the customers' and the employees' safety.

In the UK, British Gas is the leading carbon monoxide (CO) incident investigator. We work with victim support groups and have a close and long standing relationship with CO awareness campaigners the Dominic Rodgers Trust, CO-Gas Safety and the CO Awareness support group providing expert advice and distributing CO alarms and leaflets to households across the country. We also work closely with the All Party Parliamentary Gas Safety Group and Gas Registration Scheme operator to ensure a consistent approach to gas safety.

Key performance indicators and targets

Our key indicator is the rate of lost time injuries per 100,000 hours worked. This is a recognised societal measure for measuring health and safety in the workplace and enables us to benchmark performance against other companies and against our past performance.



Health and safety

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Key indicator	Progress
Target a 4% minimum year-on-year reduction in time lost from injuries and the delivery of upper quartile performance standards.	●
Employee safety	
Implement comprehensive 3rd party verification of processes, improvement programmes and performance.	●
Enhance process safety performance reporting and implement revised KPIs.	●
Implement a global incident reporting, analysis and tracking package.	●
Continue to seek proactive involvement of contractors and their health and safety practitioners in enhancing safety performance.	●
Maintain strategic dialogue with HSE through 'Working Together'.	●
Employee health	
Continue to focus programme on key risks: musculo skeletal and mental health.	●
Make a measurable contribution to the reduction of sickness absence.	●
Encourage prompt referral and effective rehabilitation/return-to-work programmes.	●
Ensure consistent standards of occupational health service across contracted employees.	●
Deliver 'Safe and Fuel Efficient Driver' initiative.	●
Develop key performance indicators to track the effectiveness of our occupational health services.	●
Internal campaigns	
Introduce 'From Home to Home Safely' initiative for British Gas engineers.	●
Relaunch the 'Slips, Trips and Falls' campaign to raise awareness of hazards and relevant precautions.	●
Customer safety	
Ensure the supply, installation and maintenance of safe and reliable gas installations and appliances.	●
Implement comprehensive arrangements in customers' premises to prevent incidents and accidents involving carbon monoxide (CO), asbestos, fire, slips, trips and falls.	●
Send CO information leaflets to all British Gas customers and distribute these to doctors' surgeries via the waiting room information service.	●

Health and safety

Our initiatives

Governance and leadership

Centrica's managing directors are accountable to the Chief Executive for providing leadership in the implementation of the Group's health and safety policies and management system. They are accountable for setting targets and monitoring performance and for promoting the development of an interactive and interdependent health and safety culture through the provision of suitable training, coaching and mentoring.

We set up a new health, safety and environment (HS&E) sub-committee of the Executive to determine the policies, targets and key performance indicators we need to meet our strategic vision and objectives for HS&E and to drive forward the improvement strategy. Health and safety is also now on the agenda of all executive meetings and business quarterly performance review meetings with the Chief Executive. We also issued a new Group HS&E standards manual for managing health and safety across Centrica, providing a consistent, best practice approach wherever we operate and whatever our role. The manual highlights the importance of leadership at all levels in the organisation in delivering our health and safety objectives.

Management system

Our management systems and standards for health and safety incorporate the key elements of internationally recognised good practice. In 2008, we conducted a detailed internal examination of our management systems and we believe that we have effective processes for managing the condition of our plant and equipment and for process safety. We are now looking to implement in-depth third party audits of our safety systems, processes and data within key areas of the business, including British Gas Services and Direct Energy.

During the year we also developed an online tool, myHSE, to make reporting of health and safety incidents faster and more accurate. The system means that all injuries, near misses, material losses, occupational illnesses and environmental events are reported and recorded on one system. This enables us to identify trends and respond quickly to emerging issues.

Employee safety

Accident rates

All employees have a duty to themselves, their colleagues, the community and the environment to work in a responsible manner. Accident rates in our power generation and gas producing facilities are low compared to the rest of the upstream industry (source: *Oil & Gas UK*). Across the business, we achieved a 5% reduction in the lost time injury (LTI) rate, a widely accepted measure of personal safety performance.

However, while trends in many of our businesses showed improvements in LTI rates during 2008, the impact of our British Gas Services business in this area is significant, accounting for more than 80% of our LTI accidents, while representing only 40% of the total hours worked. In reducing our overall LTI figure for 2009, it is important we focus on improving the British Gas Services performance.

In 2008, the group LTI rate was 1.00 per 100,000 hours worked. Although this highlights an improvement compared to 2007, our performance compares unfavourably to industry leading benchmark performances which are in the range of 0.1 to 0.3.

Sadly a British Gas Services technician died at work in an incident in which another company is being investigated by the Health and Safety Executive (HSE). An inquest to establish the cause of his death has yet to be held.

To decrease injury rates, and particularly to address the challenges in British Gas Services, we launched a major programme of safety improvements. This included a high profile internal awareness campaign called 'What if...' implemented by the British Gas Services management team to deliver a visible step change in performance. Service engineers from across the UK were invited to one of ten safety forums held nationwide. Each event included personal safety stories from the senior leadership team as well as an interactive breakout session focusing on how everyone could work together to improve the business' safety record. Early indications in 2009 are that the campaign is having a positive effect, with accident rates reducing by approximately 50%. We also ensure that safety is given the highest priority and reinforced at every opportunity during the apprenticeship scheme.

Road safety

We are one of the first business champions in the UK Government's Driving for Better Business programme, which recognises employers that put best practice plans into action to boost the safety of employees who drive on business and of road users in general. Driver training has been a particular focus area in 2008, with 1,473 engineers in the UK receiving 'in vehicle' safety training. We also launched the 'Safe and Fuel Efficient Driving' initiative, which provides advanced driver training, and used Road Safety Week to promote road safety messages to employees.

In May the UK Fleet organisation received the 'Fleet Safety Award' from *Fleet World* magazine. In 2009 our new reporting framework will enable greater analysis of road accident information across the Group and enable us to introduce more rigorous performance indicators.

Health and safety

Our initiatives

Personal safety

In 2008, we invited the Suzy Lampugh Trust to deliver six personal safety training sessions for our employees across five sites. These sessions reinforced practices for keeping employees safe while on business, as well as outside work. We also provided free personal safety alarms to any employee that requested one.

Our new Group Security Directorate, launched in December 2008, aims to increase awareness of personal safety practices and introduce a 24-hour security helpline for employees to access, for example while travelling overseas on business.

Process safety

We made significant progress in process safety during 2008, carrying out hazard analysis studies on Direct Energy's Frontera power plant, the UK power generation fleet, South Morecambe Terminal and Centrica Storage's Rough facilities. These analyses ensure that we maintain a thorough and up-to-date understanding of our hazards, that the key controls are in place and, importantly, that we identify opportunities to reduce risk further. At a Group level, we strengthened our governance of process safety, putting in place a new Group standard and performance reporting framework, aligned to international good practice.

We delivered training to increase process safety awareness from workforce to Director level, including key contractors. This included Centrica Storage's 'Just one Link' programme as well as Centrica Energy's Spadeadam safety leadership training and major hazards workshops at Barrow Gas Processing Terminals. Centrica Storage also won an award from Humber Chemical Focus for commitment to process safety and is leading Centrica's participation in a new cross-sector peer review programme.

We are making a wide range of improvements to the integrity of our assets and management controls, for example on alarm and shutdown systems, control of ignition sources, fire protection and human factors. We are also using the findings from the UK Buncefield explosion and fire in 2005, in which we were not involved but from which there are important lessons. Regrettably, in 2008, we had one process safety incident, resulting in a serious injury. The lessons from such incidents and near misses have been implemented through review and upgrade of relevant procedural and engineering controls and a strengthening of governance procedures. Process safety incidents and near misses are now tracked monthly at the Executive Committee.

Occupational health

The health of Centrica employees is a priority, with our focus on reducing absence and occupational illness, and improving wellbeing. In the UK we are aiming to improve absence management by implementing programmes and processes that support prompt referral, bespoke treatment and return to work programmes, and making advice and support readily available for employees to help them self-manage their condition. In 2008, our occupational health team took on 8,320 cases (5,908 in 2007) across the UK businesses.

Our main occupational health issues in the UK are musculoskeletal disorders and mental health. We now have data on work-related illness rates and lost days per case for the UK and these form our key occupational health performance indicators. We are currently working to benchmark these indicators against our corporate peers so that we can better judge our business performance in this area.

Targeted support

Our employees work in diverse roles and environments with varying occupational health issues. For example, there are specific issues for our offshore population and we have established a network of physicians for our offshore workers to improve the quality of the fitness assessment process. In 2008, we also began a project with the University of Central Lancashire to understand the occupational health issues of the offshore population and their differing working patterns. We are due to complete this research in 2009.

We conducted a review of occupational health services in 2008 and identified a need to improve support for line managers and combat common misconceptions around sickness absence. As a result, we launched our 'Building confidence' programme in early 2009 to increase management capability in dealing with health issues in the workplace. The programme comprises 45 minute sessions on a range of subjects such as musculoskeletal disorders, confidentiality and the Disability Discrimination Act (DDA).

Absence management

We have introduced a process to improve visibility and management of long-term sick cases. All those who are absent for more than three weeks are classed as 'long-term sick' and tracked to a conclusion by both our occupational health team and the human resources department. The process identified a higher number of long-term sick cases than had been expected but by increasing the effectiveness of our management, we can ensure that all cases reach a final decision.

Health and safety

Our initiatives

After a successful 2007 trial in Southampton to replace GP sick notes with occupational health referrals (or 'fit notes'), we began a similar trial in Uddingston for engineers in May 2008. The programme aims to get people back to work more quickly. The positive results led to us extending the programme across all our Scottish engineering operations at the beginning of 2009. We will continue to assess this approach and consider wider implementation.

Health campaigns

In 2008 we relaunched the Employee Assistance Programme, which helps employees with a wide range of work and personal problems. The relaunch helped to increase usage of the programme from 6% of UK employees in 2007 to 9% (just over 2,422 people) in 2008.

Working with our company caterer, we developed a healthy eating calendar for our canteens to promote healthier lifestyles, a programme we plan to extend in 2009. British Gas is also taking part in the Global Corporate Challenge 2009 to encourage employees to be more active by walking 10,000 steps a day for three months.

Customer safety

We provide regular and intensive health and safety training to all our employees who have face-to-face contact with customers in their homes. For example, engineers are trained to recognise potential hazards to reduce the likelihood of slips, trips and falls. For the second year running, British Gas Services won an award for 'Training initiative of the Year' at the *Safety and Health Practitioner* magazine Awards from the Institute of Occupational Health and Safety.

We are a key member of the Carbon Monoxide Consumer Awareness Alliance (COCAA), which aims to reduce incidences of carbon monoxide (CO) poisoning. In conjunction with other energy suppliers and as part of our licence condition, we distributed approximately 24 million carbon monoxide safety and Standards of Service leaflets to gas and electricity customers in 2008. This national 'Be Alarmed' campaign, supported by MPs, has helped to increase the penetration of CO alarms from 18% to 25% in the UK.

We also encourage customers to exchange riskier open-flued boilers for more energy efficient models and to increase the regular servicing of their appliances. In the UK 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.

A British Gas representative now sits on Department of Health commissioning and advisory panels to ensure CO training and awareness is cascaded to all primary care operatives in hospitals and communities.

Health and safety

Performance data

Employee safety	2008	2007	2006	2005	2004
Lost-time injuries/100,000 hours worked	1.00	1.05 ¹	0.80	0.73	1.10
Total fatalities	1	0	7 ²	1	1

1 We have restated the 2007 LTI figure following a review of the data and the reclassification of a number of accidents.

2 Morecambe Bay helicopters accident: four employees and three contractors were killed

Commentary

We achieved a 5% reduction in the rate of lost time injuries per 100,000 hours worked as a result of continued efforts in all our businesses. However, while trends in many of our businesses show improvements, British Gas Services accounted for more than 80% of our accidents. Sadly a British Gas Services technician died in an incident in which another company is being investigated by the Health and Safety Executive (HSE). An inquest to establish the cause of his death has yet to be held.

Occupational health ³	2008	2007
Occupational health referrals		
Total number of cases	8,320*	5,908*
Total number of musculoskeletal cases (including those not work-related)	2,514	2,947
Total number of mental health cases (including those not work-related)	1,266	1,434
UK average frequency per 100,000 employees of work-related illnesses ⁴	3,400	-
Work-related musculoskeletal disorders		
Total work-related cases	736	-
Average number of calendar days absent per case	37	-
Frequency per 100,000 employees	2,789	-
UK average frequency per 100,000 employees ⁴	1,780	2,200
Work-related mental health issues		
Total work-related cases	272	-
Average number of calendar days absent per case	57	-
Frequency per 100,000 employees	1,034	-
UK average frequency per 100,000 employees ⁴	1,460	1,560

* This number was updated on 18.05.09 after initial publication of this report due to an error in the original data

3 These figures are UK only.

4 Comparative figures from the Health and Safety Executive (HSE) of self-reported cases, ie where there is no professional opinion as to whether an illness is work-related.

Commentary

This is the first year that we have been able to collect and publish data on occupational health key performance indicators. The process took some time to establish, however, the information is now more reliable and will provide a baseline from which to assess future performance. Musculoskeletal disorders and mental health issues, such as anxiety and depression, comprise the bulk of work-related illnesses. It is currently difficult to benchmark our performance against our industry peers but we have used indicative figures from the Health and Safety Executive, which show that Centrica is within the range of UK industry in general. The number of referrals increased substantially between 2007 and 2008 because we introduced a new absence management process whereby employees were referred to occupational health on day 8 of their absence. Previously occupational health did not become involved as standard practice until day 20 of the absence.

Health and safety

Performance data

Customer safety ⁵	2008	2007	2006	2005	2004
Carbon monoxide incidents (energy supplied by British Gas)	28	20	19	18	25
Carbon monoxide incidents (British Gas Service History)	7	5	4	4	5
Total carbon monoxide incidents (all suppliers)	43	29	29	35	37
Number of CO alarms provided by British Gas	303,327	268,515	233,307	-	-

⁵ UK only.

Commentary

Levels of carbon monoxide incidents declined steadily from 2004 and then increased in 2008 to pre-2004 figures. The reason for higher incident rates is not clear but it may be due to increased awareness of carbon monoxide issues as a result of the Carbon Monoxide Consumer Awareness Alliance (COCAA)'s high profile campaign in 2008. British Gas sales of carbon monoxide alarms have also increased steadily over the last three years.

Future commitments

Employee safety

- We will target a 20% reduction in lost-time injuries to 0.8 per 100,000 hours worked.
- We will launch a 24-hour security helpline for employees travelling on business.
- We will continue to implement myHSE incident reporting to improve the quality of management information.
- We will link individual employee performance on health, safety and environment to their overall performance rating and the Annual Incentive Scheme.
- We will provide training to Centrica and business unit executive teams in health and safety leadership.
- We will introduce a health and safety audit process to enable a more rigorous means of providing assurance to the Board.
- We will undertake a formal policy review in the second half of 2009.
- We will deliver a personal safety awareness campaign for employees.

Process safety

- We will strengthen performance assurance processes for process safety.
- We aim to achieve further reduction in the inherent risk associated with our upstream operations.

- We will strengthen engagement with key stakeholders within and outside the company.

Occupational health

- We will track our key performance indicators on work-related illnesses and durations of absence to measure our progress.
- We will benchmark our key performance indicators externally to evaluate our business performance in this area.
- We will promote active participation in the Global Corporate Challenge.
- We will deliver a healthy eating campaign across British Gas.
- We will deliver the 'Building confidence' programme to management.
- We will develop a group-wide approach to managing obesity and an ageing workforce.

Customer safety

- We will distribute carbon monoxide safety leaflets to every gas and electricity customer as part of our licence obligation.
- We will work to increase awareness of carbon monoxide poisoning among the medical profession through our representative on Department of Health medical panels.

Employees

Overview

We believe that a diverse and inclusive workplace with a culture of trust and respect is the most productive working environment and that we can achieve this when employees are empowered and engaged in decision-making.

Our commitment

We are committed to ensuring that Centrica offers an environment in which all our employees can flourish, providing competitive compensation and benefits, training and career development opportunities and the flexibility to attract and retain the most talented and committed individuals.

We recognise the importance of building skills capacity and seek to play a role in the wider debate as a leading employer.

Operating context

The impact of changing demographics and social and technological change makes good diversity management and the creation of an inclusive organisation an important part of sustainable business success. We depend on the capabilities and dedication of our people.

Our impact

We employ approximately 33,000 people around the world, including over 27,000 in the UK and just under 5,000 in North America.

The calibre and conduct of our employees is central to our relationships with customers, shareholders, suppliers and the communities in which we operate. Whatever their role, our people are using their experience and expertise to address one of the biggest challenges facing the world today: securing energy supplies, now and in the future.

Our strategy

Our strategy is to engage employees through dialogue, recognising the contribution of individuals and ensuring all are fairly rewarded for the work they put in.

We aim to attract and recruit the best people, build skills internally, develop leadership and manage talent. We have a wider role to play in helping to shape the skills agenda in the countries in which we operate.

Our Centrica People Plan provides a framework to improve employee retention, productivity, motivation and morale, as well as increasing diversity and talent.

We also promote activity across the Group that enables us to understand, reflect and serve the breadth of diversity in the communities in which we operate.

Key performance indicators and targets

We have identified the following key performance indicators around how we treat our employees:

- Employee engagement
- Attrition
- Absence
- Diversity data on ethnicity and gender

Employee engagement is seen as the most comprehensive and consistent way of monitoring commitment towards the organisation and the survey methodology enables us to benchmark against companies in the UK, Europe and North America.

Reducing the level of attrition across the business is a key part of the HR strategy and has a significant financial impact through reduced recruitment costs. Absence also has important cost implications and specific focus on this particular area will enable us to monitor progress and understand the impact of planned absence reduction programmes around absence prevention and targeted wellbeing programmes.

Centrica has reported diversity data for a number of years and there are clear external expectations that we continue to communicate this data on an annual basis to complement specific performance improvement opportunities that demonstrate progress against our commitment to diversity and inclusion.

Employees

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

Employee engagement	Progress
In 2008 we will change how we measure employee engagement, and begin to measure the percentage of employees who are committed to Centrica.	●
Based on this measure, 54%* of Centrica people were strongly committed in 2007. 54% is equal to the global average and significantly above the UK average of 39% and the European average of 48%.	●
By 2008 we aim to achieve a score of at least 60% and by 2010 achieve the 'Best Employers Score' of at least 70%.	●
Work-life balance	
We will review paternity pay and leave in light of legislative changes proposed for 2010 whereby fathers will be given the opportunity to take up to 26 weeks.	●
We will offer Additional Paternity Leave for fathers to care for their child if certain conditions are met, including the mother returning to work.	●
Leadership	
We will extend our work on embedding leadership behaviours.	●
British Gas will focus on developing the capability of managers.	●
Direct Energy will introduce an executive leadership programme.	●

* We have restated this figure in our performance indicators following errors in rounding. In 2007, 53% of Centrica people were strongly committed.

Graduate development	Progress
We will enhance our position with the Association of Graduate Recruiters.	●
We will seek to partner with major graduate organisations to raise our profile.	●
HR transformation	
We will continue to develop intranet resources to support employees and managers.	●
Direct Energy will embed the new HR Shared Services model into the organisation.	●

Employees

Our initiatives

We aim to engage employees through dialogue, recognising the contribution of individuals and ensuring all are fairly rewarded for the work they put in.

Employee Engagement

Engaged and committed employees are essential to our business and we measure our success in this area through our annual Employee Engagement Survey. There was a 94% response rate to our 2008 survey, up from 84% in 2007. Commitment reached 57% at the Group-wide level, a 4% increase since 2007 and a total well in excess of the UK benchmark (38%) and above European and global benchmarks (48% and 54% respectively).

Employees report strong relationships with colleagues and immediate managers and tell us they are aligned with business goals and customer requirements. These high levels of commitment are a result of the engagement programmes put in place across the business, such as 'team talk live'. Less positive responses were received around the transparency of career opportunities, reward and recognition. Our challenge is to harness the strong relationships with immediate managers to improve the less positive areas above.

However, our progress in engaging our employees was demonstrated in February 2009 when, for the first time, British Gas was recognised by *The Sunday Times* as one of the '20 Best Big Companies to Work For'. Our ranking in this index was partly the result of an independent survey of our employees in which they gave their honest opinions about the business.

Attrition and retention

We have worked hard to reduce the level of attrition across the business through increased levels of employee engagement and employee relations activities. Attrition levels in Direct Energy, Oxxio and Centrica Energía are all higher than the UK, highlighting the challenges of retaining people where we are competing with large incumbents. Overall attrition for Centrica UK has improved, mainly as a result of reductions in the call centres which have seen attrition rates drop in the region of 20-30%. This saved the business £3.4m in 2008 compared to 2007. We aim to manage attrition at below 12% for Centrica as a whole.

Direct Energy continues to make progress in attracting and retaining employees and increasing employee productivity and morale through effective employee engagement. Since 2006, Direct Energy has delivered significant cost savings and noted a marked improvement in unplanned employee attrition, which has declined from 31% in 2006 to 21% in 2007 and 16% in 2008. In response to high attrition rates after 12 months' service, a new on-boarding process has been introduced that includes training for hiring managers, a guide to employee orientation and an

orientation checklist, all tools to help new employees make a successful transition.

Diversity and inclusion

In 2008 we have continued to work with external organisations to share best practice and identify performance improvement opportunities. Diversity is monitored and managed by each business unit and the data is reviewed by the Executive Committee on a monthly basis.

Around 30% of our total workforce is female, which is partly explained by the high ratio of male versus female engineers (engineers representing a significant proportion of the Centrica UK workforce). The British Gas Services Academy has a dedicated diversity and inclusion team tasked with improving the representation of female engineering recruits and those from ethnic minorities. This team won the Opportunity Now award for 'inspiring the workforce of the future' in 2008, specifically for their work in encouraging females to apply for engineering. The number of female engineers at the end of 2008 was 213, an increase of 39 from the end of 2007. British Gas Services also won the Pinsent Masons Award for Diversity in the Workplace at the *Personnel Today* awards. Just over 10.2% of our engineering workforce in 2008 identified themselves as other than 'British', up from 9.7% in 2007.

Direct Energy's Diversity and Inclusion Council oversees a strategy that is intended to drive innovation and help position Direct Energy as an employer of choice. Female representation at Direct Energy is currently 29%, with 24% representation within the Senior Executive Group. According to Self Identification Form (SIF) data, visible minorities and employees with disabilities are currently 20% and 0.6%, respectively. However, only 66% of employees provided a response through the SIF indicating their disability status.

Our work on age diversity led to us becoming winners of the 2008 AARP (American Association for Retired Persons) International Innovative Employers Award for demonstrating best human resource policies and practices in the recruitment, retention and promotion of older workers. British Gas Services also won the 2009 Employers Forum on Age award for innovation in attracting baby boomers.

Work-Life Balance

Our new UK Group Family Leave Policy introduced in 2007 has been positively received by employees and demonstrates our leadership approach to supporting working families. Examples include bringing our adoption pay and leave in line with maternity pay and leave and enhancing paternity pay for fathers.

Employees

Our initiatives

Our flexible working policies are open to all employees. In 2008 we commissioned a research project undertaken by Cranfield University to examine the impact of flexible working practices on employee performance. The research indicated that our policies and practices are highly regarded by employees with a good take-up across the business and 75% of employees agreeing that flexible working is embedded in our culture. Flexible workers scored significantly higher than non-flexible workers on organisational commitment, empowerment, job fulfilment and job satisfaction. Around 70% of flexible workers were either satisfied or very satisfied with their job.

These findings underpin our view that flexible working is an important business tool, improving recruitment, retention and overall employee engagement. Centrica won the 2009 Employers Forum on Age award for innovation in flexible working and we were also highly commended for our effective use of workplace flexibility at the HR Excellence Awards 2008.

Absence management

Total sickness decreased by 8% across the Group during the year, a difference of 23,007 days compared to 2007. All parts of the business showed this downward trend with the exception of Centrica Storage and Direct Energy. The average number of days absent per full time employee was 8.8, which compares to a national average of 8 days (Ref: CIPD Absence Management Survey).

We embedded a new attendance management policy and we used a wide range of initiatives in different parts of the business to reduce absence. These included incentive schemes, increased workforce engagement and more training for line managers.

Whilst there are further opportunities to improve attendance levels across the company, this will become increasingly challenging and reductions are likely to be marginal. Historically interventions and initiatives have focused on reducing the main causes of absence, however several of the projects planned for 2009 will take a more holistic approach to managing absence, such as considering the impact of an ageing workforce and general levels of obesity in the population.

Read more about our absence management for work-related illnesses in the Health and Safety section.

Reward

We regularly review our remuneration packages to ensure they remain competitive and fair to support our goal of employing committed and engaged employees. 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.

Our Remuneration Committee of independent non-executive directors makes 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 using external benchmarking.

Read the Remuneration Report from our 2008 Annual Report.

We have produced an 'Equal Pay Review' for the past six years, which looks at three areas: employment pattern of male/female numbers employed within the business; gender impact on the 2008 Annual Reward Review reward decisions; and pay levels by gender. For the first time in 2008 we also analysed performance ratings by gender. This is important because performance ratings impact both base pay increase and incentive awards. The overall conclusion from this review was that Centrica's reward processes and implementation, including performance assessment, were not subject to gender bias.

Our UK benefits package is made up of core benefits and a flexible spending account (FlexSA). Through FlexSA, eligible employees can select from a range of benefits and can choose to support PURE Trust, a UK based environment charity. From 2008, they can also contribute to Global Action Plan, a charity that focuses on people from all sections of society and how they can take individual practical action in their everyday lives for a better world. We also encourage our employees to own Centrica shares through share schemes so they can share in the growth and success of the company.

More information about our benefits packages is available on our website.

More information about our employee share schemes is available in our 2008 Annual Report.

In 2008, Centrica introduced the 'bike4work' scheme, a tax efficient benefit allowing employees to purchase a bike at a discounted price, for travel to and from work. A case study is available on this scheme on the website.

Pensions

Our pension policy is to offer pension provision to our employees in line with the market. We are also committed to ensuring that our employees receive the pension benefits that they expect and to which they are entitled. In particular this means careful monitoring and balancing of the costs and risks associated with the provision of defined benefit schemes.

Employees

Our initiatives

Following an extensive consultation process with our employees, and their trade union representatives, we made a number of changes to our UK pension provision during 2008. Specifically, we introduced a new defined contribution scheme, the Centrica Savings Plan, for new hires and closed a defined benefits scheme to new members. We also harmonised member pension contributions for our final salary arrangements at 6%.

More information about our pensions is available on our website.

HR Transformation

The launch of myHR, a self-service area of the corporate intranet where employees and line managers go to view and maintain their employment and personal details, has been positively received and delivered significant improvements in terms of data availability. Employee engagement in this area has increased, with more than 97% of self-service transactions now carried out online, and day-to-day human resources (HR) processes have become more efficient. This has helped release HR professionals from providing administrative tasks to concentrate on strategic activities.

We aim to attract and recruit the best people, build skills internally, develop leadership and manage talent.

Recruitment

It has been an unusual year in terms of recruitment, with the first half of 2008 seeing 'normal' levels of hiring and candidate activity both within Centrica and the UK market generally. With the economic downturn in the second half of the year, the number of roles UK employers are seeking to fill has nearly halved while candidate numbers have increased dramatically. This environment presents us with both an opportunity and a challenge. Candidates are seeing Centrica as a highly attractive destination in the current climate and applying in significantly increased numbers to join our business.

As part of our drive to improve recruitment processes, we established an internal Centrica Recruitment Team (CRT), which achieved a net reduction in recruitment spend of £1.3m in 2008. Early indications are that new hires joining Centrica via the CRT have a significantly higher intent to stay in the organisation and are more confident that they have made the right decision in joining the business.

Graduate Development

The 2008 graduate campaign has seen a number of significant changes. We introduced a new campus marketing strategy and began work to monitor our increasing profile on campus. The graduate website has been completely rebuilt and features technology such

as video profiles, graduate blogs and live web chats to engage our target audience.

Centrica has been named as a Top 50 graduate recruiter by both Oxford and Cambridge Universities and we are now partnering with major student organisations such as Bright Futures and SIFE (Students in Free Enterprise). Our profile within the Association of Graduate Recruiters has also climbed sharply with two of the recruitment team members sitting on National Task Groups.

Our summer placement programme, which provides ten-week work placements to talented undergraduates, has grown to equal the size of the main graduate programme and become a significant pipeline of successful applicants for the Graduate Programme. We were recognised at the annual National Council for Work Experience Awards as Best Work Placement Provider for this programme. A case study on this is available on this on our website.

People development and behaviours

We developed leadership behaviours to help senior management improve business performance, inspire our people and deliver exceptional customer service. The behaviours were developed in consultation with over 150 leaders across the group to ensure that they are truly reflective of Centrica and build and complement brand values within individual business divisions. A case study on this is available on this on our website.

Launched in 2008, our leadership behaviours are currently being embedded into all processes including training and development, performance management, recruitment and talent management. As part of this, we have developed and piloted our leader's journey, which is being rolled out to our top 200 managers worldwide. One of the five stages of the journey involves all delegates completing a project in support of the local community.

We are in our second year of the Group-wide General Management Programme, which aims to build our senior management capability and develop successors for key roles. Direct Energy also continues to offer 'Essentials of Management' and 'High Performance Leadership' learning programmes to middle-management leaders. The focus of these programmes is to strengthen and build leadership capability.

Training

Corporate responsibility forms an integral part of both our recruitment approach and our New Start training programme for our customer service advisors (CSAs). We provide detailed training for new starters and refresher courses for existing employees in areas such as Diversity, Age Awareness, vulnerable customers and the Data Protection Act (DPA). In 2008, more than 15,000 employees undertook refresher training on data protection.

Employees

Our initiatives

Apprenticeships

We are already the largest single trainer and employer of domestic gas engineers in the UK. In September, British Gas announced it would treble its recruitment of apprentice gas engineers, creating around 1,000 new jobs over the coming years. In addition to tackling the 20,000 shortfall in domestic gas engineers, this will also help to deliver the Government's target of providing every qualifying young person with an apprenticeship place by 2013. We plan to invest £30m in recruitment and training across our network of five Engineering Academies. In 2008, the British Gas Academy delivered 170,000 training days and introduced a new Customer Service NVQ for call centre employees. Around 96% of Academy engineering recruits complete their training, the highest success rate in the industry, and 90% of apprentices are still with the company after five years. The Duke of Edinburgh's Gold Award is now fully integrated into the Engineer Apprenticeship programme. Since launching the scheme in 2007, 72 Apprentices have completed the 18-month Gold Award programme.

Outsourcing

Outsourcing of support functions has been a growing trend in global business in recent years. It can deliver significant benefits through lower labour costs, as well as maintaining high levels of productivity. We must reduce our costs to remain successful in a competitive and volatile energy market and have outsourced a range of activities in recent years including parts of the British Gas and Direct Energy back-office support functions.

A number of our outsourced activities are offshore, mainly in India. During the year, we also began a trial with a partner in South Africa. In reviewing potential partners, one of the key activities has been consideration of the 'cultural fit' with our organisation, both in the way in which the partner works and ensuring that any offshore operations meet the operational standards we would expect from a Centrica working environment. We review performance on a continual basis including using the Centrica employee engagement survey, a suppliers' engagement survey, focus groups and a regular audit of people processes by a senior human resources manager. We also review the terms and conditions on which our third party providers employ their people to ensure they meet our standards.

This additional offshoring led to reductions in employee numbers both in the UK and North America, and predominantly from our existing onshore outsourced operations. We have worked closely and sensitively with our suppliers to ensure that they manage downsizing in line with local legislation.

We have a wider role to play in using our expertise to provide training opportunities and to help shape the national skills agenda.

Helping shape public policy

In September 2008, Centrica chief executive Sam Laidlaw was named as chair of the CBI's Higher Education Task Force on skills. The Task Force aims to find ways of ensuring universities and colleges deliver what business wants from higher education, how business and universities can best work together and how the sector should be funded. This will involve looking at increasing the number of science, technology and engineering graduates, higher education funding, research provision, management and leadership skills and workforce training.

More information on the CBI press release on the Task Force is available on our website.

We have also joined the National Employment Partnership, an initiative which has been set up by the Prime Minister and the Chancellor. The purpose of the group is to look at what more employers and Jobcentre Plus can do together to help people into work as quickly as possible, in the context of the current economic climate.

We currently work with Jobcentre Plus (JCP) on a Local Employment Partnership. Long-term unemployed people (at least six months) are invited into our centres and given a two-day course on our business before being invited to apply for positions as customer service advisers (CSAs). In 2008, we recruited 174 customer service advisers (CSAs), 59 apprentices/trainees and two heating sales advisers through JCP. In total, 27 of the 174 CSAs came via the Local Employment Partnership.

Employees

Performance data

In 2008, we continued to monitor our employee metrics. However, we also improved the consistency of the data reported by each business unit in terms of the definitions used and the time of the month it is generated. The report brings together data from the UK, Direct Energy and Europe (Oxxio and Centrica Energía).

Headcount and FTE numbers include 62 employees from British Gas Business's newly acquired company BMSI but these employees are excluded from other data as they had not been incorporated into the data collection system by year end.

SPE data is not included in these figures.

Average number of employees	2008	2007	2006	2005	2004
Total	32,817	33,908	33,718	35,410	43,414
UK	27,538	28,829	28,489	29,948	39,832
North America	4,991	4,839	5,032	5,261	3,187
Rest of World	288 ¹	240	197	201	75

1 This number does not include any employees from SPE.

Commentary

The reduction of employees in the UK is primarily as a result of a recruitment freeze in British Gas Residential front line staff alongside continual trimming by not back-filling positions which become vacant through other planned or unplanned leavers and dismissals. In addition, we have increased the efficiency with which we deal with customer queries, resolving considerably more first time without the need for repeat calls by better training our customer service advisers and investment in technology. This has helped to reduce the operational workload and the need for the previous high levels of front line staff.

Employee Commitment	Unit	2008	2007	2006
Percentage of employees committed to Centrica	%	57	53 ²	-

2 We have restated this figure due to errors in rounding in the 2007 report

Commentary

We measure the commitment of our employees through questions in our Employee Engagement survey that ask whether employees would recommend Centrica as a place to work, whether they see a long term future with the business and whether they are inspired to fulfil their own potential through their work. We introduced this methodology in 2007, which is why there is no data prior to this. Our score of 57% is better than Hewitt's UK, European, North American and Global benchmarks and is just 3% below their high performance/best employer range. Using our previous scoring methodology, employee engagement was 4.11 in 2008, (compared to 3.96 in 2007).

Absence	2008	2007	2006	2005	2004
Average days absent per full time employee (FTE ³)	8.8	9.34	-	-	-

3 The FTE is based on the average over a 13 month period: December 2006-December 2007 for 2007's average FTE and December 2007-December 2008 for 2008's average FTE.

Commentary

In 2008, we achieved a 6% reduction in the average number of days absent per full time employee. The most significant achievements were in Centrica Energy and British Gas Services, both of which improved by more than one day per employee.

Employees

Performance data

Diversity and Inclusion	Unit	2008	2007	2006	2005	2004
Employees from ethnic minority groups	%	15.3 ⁴	15.2	15.9	17.2	16.6
Average age range of employees	%	25-34	25-34	25-34	25-34	25-34
Employees with a disability	%	n/a ⁵	3.2	2.7	2.5	2.4
Female / male employees	%	30.0 / 70.0	30.2 / 69.8	29.9 / 70.1	31 / 69	33 / 67
Female senior managers (UK) ⁶	%	21	21 ⁶	-	-	-
Female senior managers (North America)	%	20	-	-	-	-
Male part-time (UK)	%	4	5	-	-	-
Male part-time (North America)	%	0.6	-	-	-	-
Female part-time (UK)	%	29	27	-	-	-
Female part-time (North America)	%	1	-	-	-	-

4 1,779 headcount in Centrica UK and 155 in Direct Energy are not included in the ethnicity analysis because there was no information available.

5 We did not collect disability statistics among our UK employees in 2008.

6 Figure for 2007 restated as we cannot corroborate the historical data. 'Senior managers' are defined as all those at level 4 and above.

Commentary

Centrica's diversity data has changed very little in 2008. The average age distribution remains in the 25 to 34 bracket, reflecting the weighting in our employee numbers to front line customer service and engineer apprentice roles typically filled by younger workers, even though 37% of our apprentice intake is over the age of 24. Female versus male employees remain around the 30/70 split. This is partly explained by the high ratio of male versus female engineers (engineers representing a significant proportion of the Centrica UK workforce). The majority of part-time employees are based in the UK, however 38% of the total Oxxio employee base works part time.

Employee tenure	Unit	2008	2007	2006	2005	2004
Less than one year	%	15.0	16.3	-	-	-
1 to 2 years	%	18.5	19.1	-	-	-
2 to 5 years	%	23.2	25.9	-	-	-
5 to 10 years	%	22.1	17.2	-	-	-
10 to 20 years	%	9.3	9.2	-	-	-
More than 20 years	%	11.9	12.3	-	-	-

Commentary

At the end of 2007 just 39% of the employee population had more than five years service – this number has risen significantly to 43% during 2008. Whilst the percentages in all three segments up to 5 years fell, the proportion of employees who have 5-10 or 10-20 years of service increased. The data shows the increase in tenure through a high number of employees passing beyond 2 years service into the 2-5 year segment and an even higher number passing beyond 5 years into the 5-10 year segment. This increase in loyalty is a result of our people initiatives and work to communicate the employee proposition for the calibre of staff that we want to retain and develop for the future.

Employees

Performance data

Employee Trade Union Membership	Unit	2008	2007	2006	2005	2004
Direct Energy	%	14.8	16	-	-	-
Centrica UK	%	53.9	52	-	-	-

Commentary

Overall trade union membership has increased slightly from 46.6% to 47.8%, which is mainly due to an increase in the UK. The reason for this is that as we have reduced attrition and our headcount has stabilised, we have seen a gradual decline in our total full time equivalent employees at a rate faster than the decline in our longer serving employees. It is these employees who are more likely to be trade union members.

Employee Turnover	Unit	2008	2007	2006	2005	2004
Redundancies		399	1,381	1,300	-	-
Employee retention	%	85.4	84.1	81.5	87.0	88.0
Employee attrition	%	14.6	15.9	18.5	13.0	12.0

Commentary

Our planned attrition through redundancies has reduced dramatically in 2008. The majority of these were in British Gas Residential, British Gas Services and Direct Energy through small scale restructuring programmes. Overall attrition for Centrica UK has improved, mainly as a result of reductions in the call centres which have seen attrition rates drop in the region of 20-30%. Our ambition is to manage attrition at below 12% for Centrica as a whole.

Employee Share Schemes Participation	Unit	2008	2007	2006	2005	2004
Centrica Sharesave	%	47	42	42	41	34
Centrica Share Incentive Plan	%	21	20	21	17	14
Direct Energy Employee Share Purchase Plan	%	29	23	20	34	25

Commentary

These percentages have been calculated using total number of employees participating in the schemes divided by total headcount at year end. The total number of employees participating in our schemes increased during the year across all three schemes. Under the Sharesave scheme, employees can save between £5 and £250 per month for three years and/or five years. At the end of the chosen savings period, they can opt to withdraw the savings or buy shares at a discounted 'option' price. The Share Incentive Plan enables employees to get a free Centrica share for every two purchased. The Direct Energy Employee Share Purchase Plan enables North America employees to invest in Centrica shares by contributing a percentage of their base salary on a monthly basis. For every two shares held for two years, employees receive a free matching share.

Employees

Performance data

Employee Remuneration (UK only)	Unit	2008	2007	2006	2005	2004
Average employee salary ⁷	£	24,484	23,693	22,965	22,364	22,752
Average employee salary including benefits package ⁸	£	35,768	33,879	32,967	-	-

7 This data measures actual salary rather than the full time equivalent (ie it is not pro-rated).

8 This measure uses the PwC Saratoga definition and is calculated using the actual payroll cost 2008 (including salary, bonus, annual incentive scheme, pensions and other benefits) divided by total full time equivalent.

Commentary

We are moving towards reporting average salary under the PwC Saratoga definition as this will increase our ability to benchmark against other companies more effectively. In 2008, our average employee salary was £24,484 compared to £23,693 in 2007, an increase of 3.3%. All Centrica employees are paid in excess of the national minimum wage.

Employer pension contributions make up around 20% of the average employee salary including benefits package. In 2008 there was a rise in employees participating in our pension schemes which has contributed to the overall rise in average salary from £33,879 to £35,768.

Human capital ROI	Unit	2008	2007	2006	2005	2004
Human capital ROI ratio ⁹		2.39	2.5	2.1 ¹⁰	2.1	1.9

9 PwC Saratoga measurement of financial return for investment in employee remuneration, benefits and training.

10 We have restated this figure due to an error in our 2006 report.

Commentary

Human capital return on investment (HCROI) measures the financial impact that employees have on the organisation in terms of contribution and cost. It is a methodology that enables us to measure and benchmark the skills that employees bring to employment. HCROI was established for Centrica as a strategic measure in 2005 based on the PwC Saratoga formula. It enables an analysis of the opportunities for making the workforce more effective. As can be seen from the table above, application of this approach has measurably improved the effectiveness of our workforce.

Employee Safety	Unit	2008	2007	2006	2005	2004
Lost time injuries/100,000 hours worked		1.00	1.05 ¹¹	0.80	0.73	1.10
Total number of fatalities		1	0	7 ¹²	1	1

11 We have restated the 2007 LTI figure following a review of the data and the reclassification of a number of accidents.

12 Morecambe Bay helicopter accident: four employees and three contractors.

Commentary

We achieved a 5% reduction in the rate of lost time injuries per 100,000 hours worked as a result of continued efforts in all our businesses. However, while trends in many of our businesses show improvements, British Gas Services (BGS) accounted for more than 80% of our accidents. Sadly in 2008 a BGS technician died at work in an incident in which another company is being investigated by the Health and Safety Executive (HSE). An inquest to establish the cause of his death has yet to be held.

Read more information about our approach to employee safety in the Health and Safety section.

Employees

Future commitments

Employee engagement

- The next full survey is scheduled for 2010 with a target commitment score for Centrica of 62%
- We will run an interim survey covering a sample of the employee population in 2009 and track improvement towards the 2010 commitment score by setting ourselves an interim target for Centrica overall of 60%
- Following 2008 survey results, we will focus on areas that scored less well including the involvement of senior leadership, the provision of career opportunities and reward and recognition

Attrition and retention

- We aim to manage attrition at below 12% for Centrica as a whole

Absence

- Our target is to reduce the average annual absence of 8.8 days per full time employee
- We will deliver a wellbeing campaign to tackle the top three causes of absence

Diversity and inclusion

- We believe our policies, procedures and data monitoring are well established and that our range of existing initiatives address our main areas of impact. We will conduct a diversity benchmarking exercise to identify areas of opportunity on which we can capitalise

Work life balance

- We will undertake investigative work on developing a career / life planning tool for employees of all ages undergoing career changes during key life changing events

Reward

- We will broaden our programme of FSA seminars across the Centrica group
- We will focus on helping employees better understand the value of their reward package

HR Transformation

- We will implement a new absence entry tool to administer planned and unplanned absence
- We will connect our offline communities, most notably our service engineers, to myHR

- We will continue to look at ways of exploiting the myHR platform to improve other less automated processes and to improve the employee/line manager user experience

Recruitment and training

- We will increase the amount of external hires handled by the Centrica Recruitment Team (CRT) from 50% to 75% in 2009
- We will introduce personal safety training for all British Gas Services employees through the Suzy Lamplugh Trust
- We will open two new Academy Centres in 2009 to modernise facilities and provide better working environment for new recruits
- We will invest in new online learning management systems to build our e-learning capability
- We will deploy a suite of 'Green' modules to our customer service advisors

Graduate programme

- We will aim to enter the Sunday Times Top 100 Graduate Recruiters list
- We will work with each area of the business to define talent gaps that the graduate programme can support

Supply chain

Overview

We believe that we must collaborate with our business partners to yield a sustainable approach to the management of resources and effectively operate a supply chain management system that regards environmental, social and economic imperatives.

Our commitment

We are committed to working with our suppliers and business partners to integrate our business principles into our supply chain activities.

Operating context

For any large organisation, procuring goods and services is a complex global activity. To remain competitive companies are adopting a range of sourcing strategies such as increasing outsourcing and sourcing from emerging markets. Energy companies in particular must focus their efforts increasingly on developing countries and less stable economies to find new sources of energy.

Companies are regularly held to account by consumers, NGOs and investors for failing to manage the social and environmental impact of their supply chains. As a result, there is a growing need for companies to focus on both their own operations and the activities of their suppliers and business partners.

Our impact

Every year we spend billions of pounds purchasing goods and services to support the delivery of our business activities: including outsourced services, central heating boilers, electrical parts and metering. In the course of this activity we are responsible for delivering value to our investors and customers, while observing responsible purchasing practices that align with our business principles.

Our strategy

We expect our suppliers and business partners to understand and uphold our business principles. Our Group Responsible Procurement and Supplier Management Policy explains the conduct we expect of ourselves and our business partners, our operating standards and how we integrate these standards into our procurement and supplier management activities.

To extend these principles through our supply chain, we include corporate responsibility clauses in supplier contracts. Alongside this we assess our supply chain activities to identify and prioritise risks, and check that business partners have in place processes to manage the social and environmental impact of their operations.

If underperformance is identified we seek to work with business partners that commit to a mutually agreed remediation plan. Our supplier management programme enables us to monitor performance in our supply chains through regular meetings with business partners.

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.

Key performance indicators and targets

We have identified two key performance indicators to measure our progress in introducing responsible business practices among suppliers:

- Number of suppliers signed up to the CR clauses
- Number of responsible procurement audits initiated of suppliers deemed high risk

We are monitoring these on an internal basis as we continue to roll out the responsible procurement process. These indicators will inform on the effectiveness of responsible procurement implementation.

Supply chain

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

2008 Commitments	Progress
Communicate our Business Principles, Guide to Sound Business Practice and Responsible Procurement Policy to suppliers and business partners.	●
Work with our business partners and suppliers to increase their awareness of our policy and our expectations in relation to its implementation.	●
Introduce an online portal for suppliers and business partners to communicate our Business Principles and key policies.	●
Deliver refresher training to procurement and supplier management teams on social and environmental considerations and on the implementation of our new policy.	●
Develop performance indicators to track the implementation of our approach.	●
Identify key performance indicators for publication to external audiences.	●
Evaluate the effectiveness of the risk assessments on our procurement activity and relationships with suppliers.	●
Continue to work with business units to ensure that our policy is integrated across all procurement activities.	●
Hold further supplier forums for our upstream and North American operations.	●

Online portal – we are scoping a new project as part of our supplier management that will enhance the communication and accessibility of our responsible procurement policies.

External KPIs – as we implement our responsible procurement processes we need to verify the integrity of our reporting system before we share data externally.

Supply chain

Our initiatives

Embedding sustainability into our supply chain

During 2008 we embarked on wide-scale implementation of our Responsible Procurement and Supplier Management Policy, which was signed off by the Corporate Responsibility Committee and Executive Committee in late 2007. We have made good progress embedding responsible business practices into our supply chain by creating a policy for business partners and incorporating corporate responsibility (CR) clauses into supplier contracts. This year we will continue to apply these CR clauses across our supplier base, expand the performance tracking of responsible procurement in our business and further develop the process to screen and assess the risks in our supply chain.

Cross business steering group

To coordinate and ensure consistency of implementation of responsible procurement practices across our operations, we established the Responsible Procurement Steering Group. Chaired by our Head of Group Procurement and Supplier Management, this cross-business global steering group meets quarterly to review progress, exchange lessons learned and leverage practices. It includes group and business unit procurement team members, and legal and corporate responsibility representatives.

CR policy and clauses introduced into supplier contracts

To uphold Centrica's Business Principles in procurement activities and supply chain management, corporate responsibility clauses have been introduced into supplier contracts. These clauses require suppliers to comply with a Procurement and Corporate Responsibility Policy (RP Policy), provide Centrica with access to suppliers' premises / records to audit compliance and the right for Centrica to terminate the contract in the case of non-compliance and/or if a material breach occurs despite having agreed remediation plans in place.

The RP policy for suppliers outlines the standards that Centrica expects of its business partners. It translates the values of the Business Principles and the Responsible Procurement and Supplier Management Policy into a document that can be applied as a schedule in supplier contracts.

Responsible procurement – business as usual

We want to ensure sustainability in our supply chain while minimising burden on the business and suppliers. Therefore, we are integrating non-financial risk assessment into our procurement 'business as usual' processes. We developed a risk matrix to enable procurement managers to identify the CR risks present with the supplier.

In some cases we may wish to audit suppliers' compliance with the responsible procurement policy. We are still in the process of developing a robust yet practical audit procedure. We are working with suppliers to reduce the burden an audit might entail, while still enabling us to ensure our principles are being upheld.

During 2008 Worcester Bosch shared a high level overview of their supply chains and provided an insight into the end-to-end process. Further deep dives into supply chains are planned for 2009.

You can read more about our dialogue with Worcester Bosch in the Stakeholder section.

Direct Energy has conducted a preliminary screening of its largest suppliers by spend to better understand the state of 'responsible' procurement practices within its supply chain. We found that a significant number of these suppliers maintained responsible procurement policies in areas covering environmental, social and ethical issues.

Monitoring performance

We have developed key performance indicators to measure our progress when introducing responsible business practices with suppliers. These indicators are currently being monitored on an internal basis. We will seek to monitor both the number of suppliers signed up to the CR clauses and the number of responsible procurement audits initiated of suppliers deemed high risk.

KPIs will initially apply to UK suppliers during 2009 and then expand to include North American suppliers in 2010.

As we introduce the new clauses and policy into contracts, we are capturing initial supplier reactions. We created an escalation team composed of procurement, corporate affairs and legal representatives to review outstanding issues and ensure consistent application of the procedures.

Reporting

Currently, we manually track our performance. As part of our Supplier Management activity, we are scoping a project that will capture and store online the acceptance and compliance to RP Policy and CR clauses. This project is scheduled to roll out in early 2010 and may enhance the communication and accessibility of our responsible procurement policies.

Further work is underway within the oil and gas extractive industries to integrate corporate responsibility into supplier pre-qualification. Applying such measures will ensure consistency of approach to corporate responsibility across the oil and gas sector in the UK.

Supply chain

Our initiatives

Training sessions

We provide regular training sessions to ensure procurement, supplier and contract managers are familiar with identifying non-financial risks in our supply chain. Sessions are aimed to provide the relevant skills and knowledge to those engaging with our business partners. Our legal teams offer insight on contractual negotiations involving the CR clauses.

Supplier workshops

Following the successful RP supplier forums last year, we plan to hold further supplier workshops with the next event scheduled for first half of 2009. The Group Finance Director will be attending part of the event as the Executive sponsor to reaffirm the importance of RP for Centrica to our key partners.

Performance data

We are currently at a very early stage of presenting the RP Policy and related clauses to suppliers as part of a new contract or contract renewal. However, clauses have been presented to a number of suppliers and experience to date has been positive with acceptance of the initiative and some beneficial discussions on specific elements. We will look to update this information later in the year as the roll out continues.

Future commitments

- We will continue to embed CR clauses and the supplier CR policy into contracts with business partners
- We plan to introduce an online portal for suppliers and business partners to communicate our key policies
- We aim to implement an audit process with our suppliers to enable us to monitor non-financial risks present in our supply chain and ensure CR policies are being adhered to
- We will provide ongoing training to ensure procurement, supplier and contract managers are familiar with best practice in responsible procurement
- We will deliver further UK supplier workshops
- We aim for greater engagement with North American procurement colleagues to build on the initial UK experiences
- We will roll out prequalification for First Point Assessment
- We plan to map out the CR risks within the end-to-end lifecycle of our supply chain
- We will enhance the communication of our responsible procurement activities

Local impact

Overview

Our commitment

We are committed to working with the communities in which we operate to understand and manage the impact of our operations.

Our community and local impact policy is available on our website.

Operating context

To deliver energy for the future, we must expand our activities to source new supplies of gas and generate more electricity. As gas reserves in established markets continue to deplete, sourcing new supplies increasingly involves working in developing countries.

Every new development has a local impact and requires sustained engagement with local stakeholders. In developed countries, stakeholder engagement is often a key element of our licence to operate. As business opportunities continue to expand in developing regions, we must similarly engage with our host communities to discuss our activities, learn about our impacts and build mutual understanding.

Our impact

As an integrated energy company which operates on local, national and global scales, our activities can affect local communities in a variety of ways.

We have a direct impact on local communities through our gas and power assets and our offices and call centres. We provide jobs for almost 33,000 people from engineers to call centre advisors and geophysicists to training experts. Our engineers make 10m visits to our customers' homes in the UK and North America every year. As a business we contribute to the global economy and to the local and national economies in the countries where we operate.

We have skills and knowledge that benefit others such as how to become energy efficient or reduce debt. Our employees care about the communities in which we live and work and contribute their time, money and expertise to helping others.

We produce and supply energy for millions of customers in the UK, North America and Europe. We are increasingly looking to secure gas supplies outside our core markets in countries such as Nigeria, Trinidad and Egypt.

To recruit and retain talented and motivated individuals we must invest time and money to promote skills development and support local economies.

Our strategy

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. To that end, we work to make a positive local impact, which can

enhance our reputation and reinforce our credibility with stakeholders.

Our approach is to engage with our neighbours, community leaders, non-governmental organisations, charities and other stakeholders to understand the implications of our activities and changes in industry and wider society. We liaise with local communities to understand our impact, whatever the activity: constructing a new wind farm, exploring for gas in Nigeria, or running a power station, gas field or call centre.

This approach is guided by our community investment and local impact policy. Where possible, we support initiatives that relate closely to our business activities. We also enable our employees to have a positive impact on communities through a range of volunteering and fundraising activities.

Human rights

We support all aspects of human rights consistent with the Universal Declaration of Human Rights (UDHR). 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.

Our human rights policy is available on our website.

Key performance indicators and targets

Our key performance indicator to measure our local impact is our total community contributions across the group. This measures both our voluntary community contributions inline with the London Benchmarking Group methodology and our wider community investments to help vulnerable customers.

Local impact

Previous commitments

Achieved ● Partially achieved ● Not achieved ●

2008 Commitments	Progress
Review Centrica Energy’s community investment activities and define future policy and approach, aligning with British Gas activities.	●
Improve the systems available to employees to enable them to engage with their communities.	●
Launch a national programme to enable schools to reduce their carbon footprint and take action to tackle climate change.	●
Continue to work with public and voluntary sector partners to identify and support vulnerable customers and address fuel poverty.	●
Review Direct Energy’s community investment policy and develop a new approach with greater focus on tackling key issues in a sustainable way.	●
Continue to benchmark our performance through recognised external indices and through research with employees and external stakeholders.	●

Our initiatives

Working with communities

Renewable Developments

During 2008, we completed key construction activity on our Lynn and Inner Dowsing offshore wind farms, to date the biggest offshore wind development in the world, and received planning consent for our proposed Lincs offshore wind farm. In December, we submitted our planning consent application for Docking Shoal offshore wind farm and completed preparations for our consent application for Race Bank offshore wind farm, which we submitted in January 2009.

Throughout 2008, we continued to involve a wide range of stakeholder groups in different stages of our proposals, collecting and sharing environmental data, holding public exhibitions and exploring other ways of raising awareness of renewable energy.

We held public exhibitions in Skegness, King’s Lynn, Hunstanton and Wells-next-the-Sea, and participated in a number of other events to share information and to answer questions about the projects.

Operations in Nigeria

As our gas exploration carries on in Nigeria we continue to engage with our host communities to identify sustainable development programmes. Through the Project Advisory Committee (PAC) we agreed with our stakeholders to two forms of investment: capacity building and infrastructure development.

As part of our capacity building initiative, we introduced a Skills Acquisition programme for Mbo local governing authority. The programme involves 25 youths from our host communities, including Enwang, Ebughu, Effiat, Udesi and Uda. They will study at the Maritime Academy of Nigeria, Oron, and in four major areas—Welding & Fabrication, Automobile Engineering, Industrial Safety and Computer Appreciation. We continue to work with our host communities through the PAC to determine infrastructure projects.

We have started the process for admission of a second batch of students for skills acquisition at the Maritime Academy in Oron. Unlike last year, we requested that the PAC presents 10 nominees instead of five, from which the top five would be chosen by a committee comprising the PAC, Centrica and the school. We also stipulated that the selection of students has to be gender sensitive. The process is aimed at selecting and placing another 25 students at the Maritime Academy by September 2009.

Community investment in India

We are committed to working with our host communities in India where we have expanded our existing community investment activities. We worked with our agency partners EXL and WNS to fund the development of a new secondary school in Noida and a primary school in Pune. British Gas will continue to support the schools for at least a further three years.

Local impact

Our initiatives

Generation Green

In May 2008 British Gas launched a new schools and community programme called Generation Green. Its aim is to bring together schools, children, their family and friends to create a greener future. Through a combination of online resources and green activities, schools are rewarded for green behaviour change with leaves. These can be redeemed for school and class rewards, from planting kits, recycling bins and composters to desktop turbines. Twenty schools were also able to win a solar panel system.

In the first year of the programme, over 9,000 schools have registered with the potential to influence more than 3m pupils. In the first nine months we estimate that through our lesson plans and online resources we have delivered over 300,000 hours of learning and have encouraged nearly 50,000 members of the community to donate leaves to their local school through our Energy Savers Report.

See www.generationgreen.co.uk for details.

Direct Energy

In North America we carried out a critical review and benchmarking evaluation of our community investment activities through 2008. This included engaging with internal and external stakeholders to identify focus areas that align with our business and stakeholders' concerns. This engagement helped us identify and select the following four priority focus areas: climate change and the environment, vulnerable customers, homelessness and supporting employees.

Following this review, we are re-launching our community programme to create an advisory centre of excellence in corporate philanthropy and corporate community engagement called Direct Energy Corporate Donations. We aim to build on the successful charitable relationships we have to deliver a community investment programme that supports commercial, strategic and philanthropic objectives. The approach involves cash donations, product and service donations and skill-based volunteering.

In 2008, we continued to support organisations that help find long-term solutions to homelessness, and funded solutions that helped more than 25,000 homeless families in Canada and the US.

In Texas we helped over 2,500 families by providing CAD\$700,000 equivalent through the Neighbor-to-Neighbor Bill Payment Assistance Program to support customers in need. In Texas we have partnered with over 20 agencies to support the delivery of our Neighbor-to-Neighbor programme and in Ohio we offer the Seniors Tariff Discount Program.

Working with charitable partners to deliver business solutions

British Gas

We work in partnership with a number of charitable partners to improve the way we identify and deliver vital services to our vulnerable and in-need customers. We partially fund an industry Helpline for consumers struggling to pay their energy bills, and work in partnership with six charities – Help the Aged, Scope, RNIB, Money Advice Trust, Carers UK and Save the Children – to help tackle the root causes of household poverty.

For more information on how our charity partnership serves our customers, view the Customer service section.

Help the Aged

Our nine-year partnership with Help the Aged continued to deliver information to older people on staying warm in the winter months. British Gas and Help the Aged launched the '3 Steps to a warmer winter' campaign on GMTV in November 2008. The campaign offers information packs that are distributed to older people. In 2008, 82,000 packs were distributed and around 29,000 were downloaded from the Help the Aged website.

We also sponsor the Help the Aged Benefits Advice Programme (BAP). Currently, 25 projects operate across the country and to date £21.4m in additional benefits have been received. In 2008, the programmes conducted 14,601 benefit health checks totalling £5.7m additional benefits and around 2,800 home visits.

The charities Help the Aged and Age Concern England plan to merge to create a single charity dedicated to improving the lives of older people. We aim to work closely with the new organisation to continue to deliver real benefits to older people.

Save the Children

We continue to work with and support Save the Children as it promotes childrens' rights and tries to reduce poverty among families.

For the past three years British Gas has funded Save the Children 'Help Yourself' programme. This has been a great success with more than 200 grants supporting and empowering 10,000 of the poorest children to make positive changes to their lives and communities.

British Gas and Save the Children have shared objectives in this difficult economic environment, to help the most in-need children and families suffering from severe poverty in the UK. In April 2009 Save the Children launched 'The Crisis Fund for Struggling Families' and British Gas is sponsoring a pilot to help 900 families and children living in fuel poverty in the UK.

Local impact

Our initiatives

National Energy Action

We work with National Energy Action (NEA) in a number of areas to help vulnerable customers and individuals experiencing fuel poverty. We sponsored NEA to provide more than 100 British Charity Partner advisers with fuel debt training and mentoring. This training will increase the capacity of advice agencies to deliver specialist debt advice by better understanding the complexities of fuel debt and promoting mechanisms to relieve the burden of fuel debt.

During 2009, we will be launching several initiatives to support in-need families in the UK through initiatives such as the Respect Programme. The project aims to recruit the young and retired to become energy information workers. After working side-by-side to learn about energy efficiency in the home, heating appliances and controls, national and local grants and scheme availability, they will engage their communities to help develop knowledge and take up in those areas.

Local Employment Partnerships

We currently work with Jobcentre Plus (JCP) on a Local Employment Partnership. Long-term unemployed people (at least six months) are invited into our centres and given a two-day course on our business before being invited to apply for positions as customer service advisers (CSAs). In 2008, we recruited 174 CSAs, 59 apprentices/trainees and two heating sales advisers through JCP. In total, 27 of the 174 CSAs came via the Local Employment Partnership.

A case study is available on our website about British Gas Services' outstanding achievement award for our work with JobCentre Plus.

Raising the Roof

We continued our support for Raising the Roof – Canada's only national charity dedicated to finding long-term solutions to homelessness. This year, our seven year partnership culminated in the National Solutions to Solving Youth Homelessness Conference in Toronto, Canada. This conference brought together over 100 partners to discuss a unified approach to managing the issue of homelessness and the development and delivery of a national strategy for the federal government of Canada.

Supporting our employees

Our employees care deeply about the communities in which they work, so we enable them to engage in their communities. More than 1,500 employees volunteered during work hours to contribute more than 22,600 hours, which equates to a financial donation of over £400,000 to our local areas.

Get Involved

In the UK our employee community involvement programme Get Involved helps employees to set up payroll giving, play

the employee lottery, apply for matched funding, search for volunteer opportunities and find tips on fundraising. We relaunched the Get Involved website on our intranet to provide a more accessible service to employees. Almost 6,000 UK employees continue to utilise case study Get Involved services.

We partnered with the charity YouthNet to provide our employees with a volunteering search engine through Get Involved that is linked to the National Volunteering Database. Employees can now search for opportunities from the company intranet.

direct in the community

Our newly launched and revised employee programmes in North America, which include fundraising, payroll giving, matching grants, scholarships, dollars for doers, volunteer opportunities and a Corporate Citizenship of the Year Award, has proven to be an exciting employee and community engagement tool. Responding to feedback from our employees, we have provided additional opportunities that allow employees to help their communities help each other while building relationships with their communities and their own teams.

During 2008, our employees raised over \$250,000 for charitable causes across North America through local fundraisers and time spent out of the office volunteering at company sponsored charitable initiatives.

CHI Giving 2008

Last summer more than 180 engineers from Central Heating Installations at British Gas Services installed almost 140 boilers in customers' homes. Called case study CHI Giving 2008 the engineers chose to volunteer their weekend to install the units free of charge. The programme was such a success for customers and the engineers who participated, that we are planning a CHI Giving 2009.

Duke of Edinburgh

Our British Gas apprentices continued to devote their time to helping local communities, with 320 apprentices contributing almost 8,000 hours of volunteering. The programme enables trainees to engage in the community while developing their problem-solving, communication and presentation skills.

Year in Industry

We continued our support of the Education Development Trust's Year in Industry programme by taking on five students in placements across our UK businesses. The Year in Industry programme provides paid, degree-relevant work placements for students in the year out before or during their degree course.

Local impact

Performance data

Community investments	Unit	2008	2007	2006	2005	2004
Total LBG contributions ^{1 2}	£m	7.0	5.2	7.4	8.2	7.4
Voluntary social contributions ³	£m	45.9	25	-	-	-

1 Calculated using London Benchmarking Group methodology.

2 Includes £3.6m donation to the British Gas Energy Trust, which supports vulnerable customers.

3 Cost of voluntary programmes to support vulnerable customers in the UK.

London Benchmarking Group analysis	Unit	2008	2007	2006	2005	2004
Charitable gifts	£	236,000	500,000	603,000	781,000	681,000
Community investment	£m	1.5	1.6	1.7	2.5	3.9
Commercial initiatives	£m	4.2	2.4	4.3	4.3	2.3
Management costs	£	698,000	679,000	867,000	535,000	535,000

Commentary

The new investment parameters reflect the significant amounts of contributions we make to the community that fall outside the London Benchmarking Group (LBG) rules or are part of government initiatives such as the Carbon Emissions Reduction Target (CERT).

Benchmarking community performance

	Unit	2008	2007	2006	2005	2004
CR Index community score	%	n/a	99	100	100	100

Commentary

As we became a Platinum performing company in the BITC CR Index in 2007, we did not need to complete a 2008 CR Index. We will participate in the CR Index again this year.

Employees	Unit	2008	2007	2006	2005	2004
Employees volunteering	Hours	22,600	18,000	13,000	15,000	13,000

Commentary

We continued to provide up to two days off in work time to encourage employees to volunteer in their communities. Volunteering activities undertaken by British Gas engineer trainees as part of the Duke of Edinburgh award programme contributed to the increase in time volunteered.

Future commitments

- We will continue to increase employee community involvement in the UK and North America
- We will continue to utilise charitable partnerships to deliver essential services for our stakeholders
- We will invest in North America to help support employees to get involved in volunteer initiatives
- We will continue to support our host communities in our international operations

Stakeholders



Our stakeholders

Structured engagement with all relevant stakeholders is fundamental to the way we do business. It helps to build trust, demonstrate transparency and to identify risks and opportunities.

Dialogue with stakeholders

It is essential that we are alert to evolving trends and opinions – among employees, customers, policy-makers, investors and wider stakeholders – so that we can fully understand our impact on society and the environment and contribute our expertise and experience to public debate.



Stakeholder dialogue – Customers

Overview

Our priority is to provide the best value in the marketplace by delivering good quality customer service and being competitive on price.

As a multinational energy company 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.

Consumer research

Understanding our customers is essential to growing our business, improving our service and developing the products that customers want. We use a combination of focus groups, interviews and larger-scale surveys to gain insight into customers' perceptions, identify the needs of specific groups and tailor our products and services accordingly.

Direct feedback

Our customer service advisers, technicians and engineers talk to thousands of customers every day. We encourage them to capture feedback on concerns and opinions that will help us to improve our service. We also encourage customers to give direct feedback via our websites and call centres, and we are focused on resolving complaints quickly and efficiently.

Measuring satisfaction

Customer satisfaction is a key element of performance appraisal for executive directors and senior managers. We track our performance through a range of measures including competitor benchmarking, advocacy tracking and brand tracking. All of our customer-facing businesses use the net promoter score (NPS), which measures customers' responses to the question 'How likely would you be to recommend us as an energy supplier to a friend or relative (0-10)?' The score is calculated by the percentage of customers defined as promoters (scoring 9-10) minus the percentage defined as detractors (scoring 0-6).

Transparency

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 any concerns.

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)
- Incorporated Society of British Advertisers (ISBA)
- Direct Marketing Association (DMA)
- Association of Productivity and Quality Control (APQC)

This helps us to ensure that all our communications, from advertising to telesales, are conducted in accordance with relevant industry standards. In addition, we help to shape industry best practice through our representation at board level within ISBA and The Marketing Society.

Performance

Here are some examples of our dialogue with customers in 2008.

Customer satisfaction

We have a major programme of customer satisfaction research to ensure we deliver the best possible service to our customers.

British Gas Residential

Building on the work done in 2007 to understand what information customers would like on their bills, we have redesigned them. The new bills show more clearly how we calculate the amount owed and also show the customer's daily average usage compared to the equivalent period last year.

The way we handled changes to direct debit payments in 2008 was an issue of customer concern and generated considerable media coverage. At British Gas, our customers spend, on average, eight months in debit and only four months in credit each year. We offer direct debit payment plans as a way for customers to spread their energy costs throughout the year.

We write to a large number of customers setting out exactly how direct debit reassessments are calculated

Stakeholder dialogue – Customers

Performance

but we recognise that we need to do more. As a result, we have taken steps to improve our customer communications. Our customer service advisers have undergone additional training to help them explain complex direct debit issues to customers, and we are working to change our systems so we can spread customers' payments over different time periods. When we cut prices by an average of 10% in February 2009, we kept it simple by automatically reducing our customers' direct debits by 10%.

British Gas Business

We use an independent provider to conduct telephone surveys and track satisfaction levels of over 5,000 business customers on a quarterly basis.

In 2008, customer feedback identified a number of factors that affected their satisfaction levels. In particular, we needed to improve on keeping customers informed, our speed of response and providing clear, accurate and timely bills. In response we have developed a fast track e-mail service and have begun to develop a query management system, putting a team in place to explain processes to new customers. We aim to increase proactive contact via account managers as well. One of the most significant issues that affected customer satisfaction was around energy pricing and value for money.

Across the whole business, we have increased the amount of information about energy pricing available, as much of it is due to external factors such as wholesale volatility.

Our internal surveying team call around 3,000 customers a month to gain insight into customer needs. Recognising the growing financial pressures on small firms in the current economic climate, in March 2009 we set up a new Expert Credit Solutions team to help small business customers who are struggling to pay their bills. This team will give energy efficiency advice and, on a case-by-case basis, facilitate irregular payment options and long-term payment plans. To date, we have assisted almost 300 small businesses in this way. We have also instructed our debt teams to provide information to customers about grants and loan schemes offered by the government in response to the economic downturn.

British Gas Services

In 2008, we listened to customer feedback through focus groups, verbatim comments on our net promoter score (NPS) surveys and by listening to calls. We are currently looking into a new customer survey system which enables customers to score their experience immediately and request follow up.

We ran focus groups with those who gave us low NPS scores and with customers who had experienced multiple

broken promises from us. In 2008, the main issue raised by customers was where we did not meet their expectations in fixing problems first time or by keeping them informed. In response we worked on better processes to identify customers who had experienced three or more visits and escalated their issues to ensure more rapid resolution.

We also invited operational and frontline employees to customer research sessions and launched a portal called 'Wearing Our Customers' Shoes' as a single source of customer insight. This is helping our employees to have a greater understanding of customer requirements.

Direct Energy

In 2008, we carried out over 14,800 surveys of our residential energy customers, which highlighted concerns over call centre service levels and the accuracy of bills. We conducted 20,682 surveys of our Home Services customers, which found that our complaints process needed improving. And the 1,800 business customers we talked to indicated declining customer care service levels due to unusually high call volumes.

As a result of this customer feedback, we established the Customer Council, which includes three members of Direct Energy's executive team and has a mandate to ensure that the customer perspective is reflected and embedded in our decision-making. The Customer Council has conducted a series of customer awareness activities to move this agenda forward, providing frontline experience to our managers such as accompanying service technicians on their visits to customer homes. This is helping to ensure that customers are at the heart of our management culture.

Stakeholder dialogue – Customers

Performance

Green issues

Our dialogue with customers on climate change and environmental issues has increased significantly in recent years across all of our markets. For example, British Gas Services now includes energy efficiency information on the customer checklist left after each visit and Direct Energy carried out North America-wide focus groups around low-carbon products and services. This led to a change in focus in our North American climate change and environment strategy towards energy efficiency.

We also engaged MORI to look at attitudes of the British public towards energy companies and British Gas in particular. The research found that the whole energy sector suffered reputational damage in 2008 related to the energy price rises meaning that our year-on-year performance was down significantly. Key areas that those surveyed wanted British Gas to focus on more included pricing, energy efficiency and vulnerable customers. We have already increased the volume of our communications in all these areas as part of 2009 marketing plans.

Green Streets

Our year-long competition, case study Green Streets provided a range of opportunities for us to engage with both the participating households and the wider public on energy efficiency and low-carbon energy usage. Each of the eight streets involved had a British Gas energy expert who acted as a regular liaison and source of advice. The research conducted among participants by the Institute of Public Policy Research (IPPR) provided invaluable feedback into incentives for behavioural change and we have used these findings to make recommendations to government and to develop our products and services.



Stakeholder dialogue – Investors

Overview

Addressing our social and environmental impact helps us to manage risk, protect our reputation and deliver strong returns for our shareholders.

We believe there is an intrinsic link between corporate responsibility and strong financial performance. Both mainstream and socially responsible investors are increasingly taking into account companies' social and environmental performance, and their ability to manage non-financial risks.

Socially responsible investors (SRI)

We participate in a range of benchmarking initiatives by the SRI community. We are included in the Dow Jones Sustainability Index, FTSE4Good Indices and are recognised as a leader by the Carbon Disclosure Project. We also achieved platinum performance in the 2007 Business in the Community CR Index.

One-to-one dialogue

Our social and environmental performance is discussed at briefings with mainstream investment analysts and we regularly have individual discussions with analysts to communicate and seek feedback on our strategy and respond to questions.

Performance

Institutional investors

In 2008, we didn't run an annual investor presentation for analysts and instead focused on more one-to-one meetings. Experience had indicated that analysts who had attended our previous annual presentations often had very different priorities regarding the social and environmental impact of our operations and we were better able to answer their specific questions at small face-to-face meetings. We will continue to assess the most appropriate means of communicating with these analysts. During the year, our senior management team held 158 one-to-one meetings and 19 group briefing sessions with institutional investors. Corporate responsibility issues were a feature of all these types of engagement.

Online survey

We conducted a survey via the Centrica website to find out what users thought of the information presented in the investor section of the site. The results highlighted a number of areas for improvement, such as more interactive data and greater prominence of share price and charting tools. These are areas that we are looking to improve in 2009.

Results and reporting

Corporate responsibility is now a key feature of all our results announcements and in our company reporting.

Our main communication with shareholders who have smaller holdings is around the annual report and at the annual general meeting. We encourage our shareholders to view our 2008 Annual Report and Annual Review online at www.centrica.com/report2008. Some shareholders prefer to receive hard copy reports and, in March 2009, we sent out around 75,000 Annual Reviews and around 23,000 full Annual Reports. The remainder receive a notice of availability directing them to the website.

In 2008, we also communicated with all shareholders around our successful rights issue, which was approved at a General Meeting on 21 November. The final take up of the rights was 91.3%.

Stakeholder dialogue – Investors

Performance

External benchmarking and recognition



FTSE4Good

FTSE4Good
We have been included in all FTSE4Good indices since 2001.
www.ftse.com



Global 100
Centrica was again named as one of the world's most sustainable companies in 2008.
www.global100.org



Dow Jones Sustainability Index
We retained our listing in the Dow Jones Sustainability Index in 2008, although our overall score dropped by 1%. This was mainly due to changes in criteria. We believe our overall performance improved year-on-year.



Most Responsible Corporate Citizens
Direct Energy achieved recognition in a list of the Top 50 Most Responsible Corporate Citizens in Canada by Corporate Knights magazine.

CARBON DISCLOSURE PROJECT

Carbon Disclosure Project
We were recognised in the Carbon Disclosure Project Climate Leadership Disclosure Index in 2008
www.carbondisclosureproject.com

GS Sustain
Goldman Sachs' new sustainability fund analyses corporate sustainability and performance. GS Sustain recently analysed the utilities and communications sector and identified Centrica as a 'best positioned' company to manage in a rapidly changing global context.



BITC CR Index
In 2008, we retained our platinum score of 96% and participated in discussions to explore and develop a platinum plus rating

Stakeholder dialogue – Employees

Overview

We are committed to ensuring that we attract and retain the best talent and create an environment in which all our employees can flourish.

A motivated, committed and productive workforce that delivers the levels of service our customers expect is vital to our long-term business success. Communicating effectively with our people and encouraging them to share their opinions, concerns and ideas is central to the way we operate.

Open communications

We encourage all our employees to be involved in decision-making through team meetings, briefing sessions, events and suggestion schemes. Our intranet, blogs, audio, video and magazines help us to reach people across the company and help them to stay in touch with our strategy and performance.

Measuring perceptions

Our annual employee survey measures engagement, attitudes, opinions and commitment levels for every team. The results are widely communicated and help us to create action plans linked to personal objectives.

Management on the move

Our senior managers regularly visit different areas of the business to experience our frontline operations, listen to our employees' feedback and recommend action that will help us improve our performance. We also provide video and audio conferencing options to help senior managers stay connected.

Performance

Employee engagement

Our annual Employee Engagement Survey measures the success of our dialogue with employees and their commitment to Centrica. There was a 94% response rate to the 2008 survey, up from 84% in 2007. The commitment score, calculated by a third party as part of the engagement survey process, measured 57% at the Group-wide level, representing an improvement of four percentage points on 2007 scores. Each department used the findings to identify areas where scores were low and developed action plans to address these issues.

Our progress in engaging our employees was demonstrated in February 2009 when, for the first time, British Gas was recognised by The Sunday Times as one of the '20 Best Big Companies to Work For'. Our ranking in this index was partly the result of an independent survey of our employees in which they gave their honest opinions about the business.

Green issues

We communicate regularly with our employees around green issues to promote a culture consistent with a company committed to a low-carbon future. Our case study Being Green (UK) and Environment Central (North America) intranet sites and our locally-based case study Green Teams and Champion Networks act as a focal point for dialogue with employees. Our Green Teams led events on World Environment Day and Earth Day across our sites, helping to promote green messages. We also launched a business-wide '5% campaign' to cut energy, water and waste usage across every site, the results of which can be found in our climate change and environment section.

Communicating corporate responsibility

We commissioned an external agency to conduct in-depth research among employees around our CR communications. Encouragingly, 87% of those surveyed agreed that Centrica takes its social and environmental responsibilities seriously. However, only 58% feel well-formed about our approach. This has led to changes in our 2009 communications strategy and helped us to identify better ways of embedding our business principles into the business culture.

We have also been working with the Financial Services Authority (FSA), as part of a trial, to provide financial awareness seminars to engineering academy recruits. These sessions provide an overview of how to manage personal finances, covering basic financial planning and budgeting, borrowing (long-term and short-term), insurance, saving and investing and planning for retirement, whilst also promoting the value of our benefits package.

Stakeholder dialogue – Employees

Performance

Dialogue with senior leaders

Over 8,000 British Gas employees attended our interactive team talk live events in 2008, which focused on how we can deliver world class customer service. Encouragingly, 99% of those that completed team talk live feedback forms agreed that we've made significant improvements to the company over the last 12 months.

The 86 sessions were led by Managing Director Phil Bentley and his senior team over three weeks and the events gave employees the opportunity to raise issues, make suggestions and give direct feedback on progress so far. For example, following feedback from our customer service advisors at these events, we replaced our 0845 numbers with free phone 0800 numbers in August 2008.

Within British Gas Business, over 1,700 employees attended a total of 20 sessions with the senior management team to discuss vision and values.

Direct Energy holds regular town hall meetings with employees as an opportunity to share progress, celebrate success and gain feedback. Following the acquisition of Strategic Energy, we ran a campaign called 'I am Direct Energy Business' to integrate the cultures of our two organisations. As part of this, we identified key employees to define and drive the integration strategy in partnership with senior management.

Engagement with prospective employees

Our graduate team holds regular web chats for prospective employees, enabling them to ask questions about the scheme and the working environment at Centrica. Direct Energy's recruitment team also engages students at universities and colleges to discuss the skills we are looking for and how they can develop those skills to improve their employment prospects.

In addition, we take part in external debates and discussions on a wide range of topics. For example, we were recently represented in a video for *The Guardian* discussing age-discrimination in the workplace. On World Environment Day and Earth Day across our sites, helping to promote green messages. We also launched a business-wide '5% campaign' to cut energy, water and waste usage across every site, the results of which can be found in our climate change and environment section.

Stakeholder dialogue – Suppliers and business partners

Overview

We work with our suppliers and business partners to ensure they manage their operations in line with our business principles.

Every year we spend billions of pounds purchasing goods and services such as IT services, central heating boilers, appliances and electrical parts. While we implement our new responsible procurement procedures into our supply chain, we work with our suppliers to share knowledge and expertise to help manage good social and environmental performance.

Below is an outline of the approach we take when selecting suppliers.

We continued to maintain dialogue with suppliers and business partners on a range of CR issues during the year. This includes engagement on new responsible sourcing strategies and supplier audits.

Responsible procurement policy

- Supports our business principles
- Describes our expectations
- Provides a consistent standard
- Helps us identify and prioritise risks
- Communicated to suppliers and partners



Selecting new suppliers and partners

- Agree selection criteria
- Include CR clauses and responsible procurement policy
- Assess risk, performance and procedures
- Shortlist preferred suppliers and partners
- Award the contract



Monitor performance

- Ongoing management process
- Face-to-face meetings and site visits
- Review in line with agreed measures
- Aim to improve performance
- Identify and manage issues



Agree targets and commitments

- Agree performance criteria
- Include relevant CR criteria
- Finalise contract

Stakeholder dialogue – Suppliers and business partners

Performance

Cross-business steering group

Following the sign-off of the Responsible Procurement and Supplier Management Policy in December 2007, we established a cross-business steering group to embed the policy in all the major areas of the business including Direct Energy, Centrica Energy and at Group-level.

responsibility clauses and the Responsible Procurement Policy in their contracts as they come up for renewal.

See key impact areas for more about our supply chain activities.

Supplier workshops

Following the successful Responsible Procurement supplier forums we reported on last year, we plan to hold two more supplier workshops in the first half of 2009. Group Finance Director Nick Luff will be attending part of the event, to emphasise the importance of responsible procurement for Centrica to our key partners.

In-depth analysis

During last year boiler manufacturer Worcester Bosch shared a high level overview of their supply chains and provided an insight to their end-to-end process. As part of these discussions Worcester Bosch also provided access for us to the process flow they are adopting with their suppliers and examples of how these suppliers and their goods are tracked and monitored.

The Worcester Bosch responsible supply chain process is broken down into five elements:

- Raw materials
- Manufacture
- Distribution
- Use
- Disposal

To help build our understanding of this process flow used to measure social, ethical and environmental issues in their supply chains, we are continuing to work with Worcester Bosch during 2009.

Training and communications

We provide regular contract Terms and Conditions training sessions provided to the group procurement, supplier and contract management community.

Ongoing supplier management

We regularly correspond with our suppliers. During the year, we have initiated discussions with key suppliers, which included discussions on social, ethical and environmental issues. We engage closely with suppliers and partners over the inclusion of the corporate

Stakeholder dialogue – Governments and regulators

Overview

We work with political and regulatory stakeholders to increase their understanding of our business and to better inform policy formation.

We operate in highly regulated markets around the world, where policy decisions can fundamentally affect our commercial operations. As a leading integrated energy company, policy-makers are particularly keen to understand our perspectives on securing energy supplies, carbon emissions reduction strategies, competitive pricing and protecting vulnerable customers.

Key political stakeholders

Our key political stakeholders include the UK Government, EU Commission, UK and EU politicians and their advisers, Scottish Parliamentarians, Welsh and London Assembly members, civil servants, and trade associations. In North America we engage with regulators on federal, national, state and provincial levels, as well as a wide variety of other public officials and stakeholders, through four dedicated Government and Regulatory Affairs teams: Canada East, Canada West, US North and US South.

Engagement

We respond to formal consultations by Government, opposition parties, select committees and others and often join forces with other organisations to raise awareness of key issues. We arrange for officials to visit our sites to gain first-hand experience of our business. We also work closely with the UK Foreign and Commonwealth Office to support our international gas exploration and procurement activities.

Memberships

We are a member of a select number of organisations actively involved in shaping the policy environment in our markets. For example, we are members of the UK Business Council for Sustainable Energy, which provides a forum for dialogue between the energy industry, government and other stakeholders on key issues shaping the deployment of sustainable energy.

Taxation

During 2008, we have become aware of increasing stakeholder interest around company profits and the associated levels of taxation. Financial information on our

2008 taxation levels are reported in our Annual Report where a detailed breakdown is provided – on average, Centrica pays taxes at higher rates than the current UK statutory rate (28%).

As part of our ongoing commitment to openness and transparency within communications, we will continue to be accountable to our legal tax obligations. In addition to referencing latest information from our annual reports, we will initiate internal discussions during 2009 with a view to communicating our approach to tax issues from a corporate responsibility perspective.

Performance

We play an active role in helping government in developing competitive energy markets that deliver consumer choice, support vulnerable customers, promote security of supply and facilitate the move towards a low-carbon society.

Working with regulators

We continued to hold regular discussions with the UK energy regulator Ofgem and the North American regulators across all markets and consulted with them on a wide range of energy related issues. Our regular discussions cover a range of areas relating to energy supply including debt and disconnection, consumer representation and complaint handling standards, as well as fuel poverty and consumer policy issues.

Fuel poverty

Fuel poverty was an issue at the top of the political agenda in 2008 and we have responded by continuing to offer support to our most vulnerable customers. All energy suppliers reached a voluntary agreement with the UK Government in April 2008 which will see a further £375million committed by suppliers on social programmes over the next three years. British Gas has the largest share of all suppliers. In 2008/09 our agreed share was £34m but actual spend on social programmes will be nearer £70million, over twice what we agreed with Government.

British Gas continues to be represented on the Fuel Poverty Advisory Group (FPAG), which exists primarily to report on the delivery of the Government's Fuel Poverty Strategy in England.

Competitive markets

In October, Ofgem published the initial findings of its probe into the energy supply industry in Britain. The report concluded that effective competition exists between the

Stakeholder dialogue – Governments and regulators

Performance

major suppliers. However, it did make recommendations to reduce certain retail price differentials, particularly relating to former incumbent electricity suppliers who charge different prices for in-area and out-of-area customers.

The report also suggested a reduction in tariffs for those customers with a prepayment meter, to more accurately reflect the additional cost involved in supplying those customers. British Gas complied with this recommendation in a matter of a few weeks, the first of the major suppliers to do so.

Direct Energy commissioned a report examining the retail effects of energy pricing reform in Ontario. The report concluded that the amount of energy subsidies in the market were preventing electricity prices from reflecting the true cost of energy.

Reducing carbon emissions

During 2008 we supported the introduction of 100% auctioning for power generation under phase III of the EU emissions trading scheme. We advocated a streamlining of the planning system to allow the delivery of crucial offshore and onshore infrastructure, where profound – and expensive – investment decisions need to be made in the near future.

We welcomed enabling clauses in the 2008 Energy Act on feed-in tariffs and renewable heat incentives and we are working with other industry stakeholders to ensure their speedy introduction.

In North America, Direct Energy engaged directly with government officials and associations, including the Alliance to Save Energy and the Business Council for Sustainability, to promote our support for cap-and-trade.

Energy efficiency

We supported the extension of the carbon emissions reduction target (CERT) and will be one of the leaders in the delivery of the community energy saving programme (CESP), focusing on deprived communities.

MP engagement

We have an active MP engagement programme. For example, we try to ensure regular contact with MPs who have Centrica/British Gas sites within their constituency. We have also developed resource materials to help MPs help their constituents especially with what support is available to help people struggling to pay their energy bills. We also provide briefing papers in advance of Parliamentary debates on energy. We are committed to giving a prompt response to issues that MPs forward to us on behalf of their constituents.

Consultation responses and select committee enquiries

We submitted responses to a number of government consultations and select committee enquiries on energy matters. For a full list of our responses, please see www.centrica.com/views

North America

In Canada we have regular interactions in British Columbia, Alberta, Manitoba and Ontario with government policy officials, elected representatives including cabinet ministers, regulators, consumer representatives and various industry stakeholders.

In 2008, we developed the first protocol for the aggregation of carbon from energy efficiency projects and lobbied the federal and Alberta governments to adopt.

Stakeholder dialogue – Communities

Overview

We actively consult with communities local to our offices and assets to understand and manage the social, economic and environmental impact of our operations.

Our goal is to contribute positively to the development of the communities in which we operate. To achieve this we work with community organisations, local groups and individuals to assess our impact and develop partnerships that benefit both the communities and our business.

Project-based dialogue

Developing energy assets requires close liaison with local stakeholders, particularly before planning approval is granted 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 so that we can listen and respond to their concerns. We hold face-to-face meetings and public exhibitions to keep people informed.

Community partnerships

We establish partnerships with local community organisations, schools and colleges to support projects that have environmental and educational goals in line with our community investment policy. We talk to local groups and individuals, responding to their ideas and requests as appropriate.

Vulnerable customers

Identifying and providing appropriate support to vulnerable customers is a challenging priority for us. Our customer service advisers, technicians and engineers are in contact with thousands of customers in local communities every day. This helps us to identify vulnerable customers, understand their specific needs and provide support.

Education and advice

Our presence in local communities gives us the opportunity to educate local schoolchildren and residents on energy efficiency, renewable energy and climate change. Visitor centres at our power stations enable us to bring members of the community on site to see how we operate and how the station contributes to their own community, the industry and our customers.

Local employer

We work with a range of community organisations, schools and colleges for training, career support and advice. Creating employment opportunities and investing in skills development helps us to contribute positively to communities. We also encourage our employees to get involved in their local communities and increase their contribution to society.

Performance

Asset development

At Langage in Devon, where we are building a modern efficient gas-fired power station, we have held local liaison meetings on a regular basis (approximately every six weeks). These include key local stakeholders and are an opportunity to discuss and resolve concerns.

In April 2009, we held a public exhibition in Barrow to lay out our plans to convert the Bains gas field in the east Irish Sea into a dedicated seasonal storage facility. The exhibition was an opportunity for interested parties to find out more information from the Bains development team.

Gas exploration in Nigeria

As our gas exploration carries on in Nigeria we continue to engage with our host communities to identify sustainable development programmes. We work through a Project Advisory Committee (PAC), which includes three representatives from each of our five host communities. Through the PAC we agreed with our stakeholders to two forms of investment: capacity building and infrastructure development.

For more information please see Working with communities in the Local Impact section of the report.

The Project Advisory Committee (PAC) meetings include representatives from the host communities and from Centrica. The PAC oversees our community investments and also provides a forum in which we can discuss with our local stakeholders issues arising from our presence and operations there. For example, outside of the community investment, the PAC has also raised issues around interruptions by communities to our contractors' seismic activities.

Through our stakeholder discussions we can gain consensus on the approach we are taking to invest sustainably in the communities. PAC discussions around interruptions to operations have a direct impact on the project as the forum enables the company and communities to raise concerns and agree ways forward to minimise disruptions and settle disputes.

Stakeholder dialogue – Communities

Performance

North American fleet – Texas

Our Texan assets are typically located in areas surrounded by communities with whom it is essential to retain good relations. In 2008, our plant operators held a series of open days for these communities, including local schools and media, to find out more about our operations. Visitors learned how the plant works, how it contributes to the local market and the processes we employ to ensure the safety and security of the community in which we live and work.

not been possible before on such a scale and we are sharing the information widely. Working with groups that truly understand their own local environment is therefore essential. For example, we have forged a relationship with staff at the Gibraltar Point national nature reserve in Skegness and we are currently helping them to further their own studies.

See www.centricaenergy.com to find out more about our renewables developments.

Renewables development – Lincolnshire

One of our key responsibilities as a leading developer of renewables assets is to involve our stakeholders in the process and work with them to raise awareness of our plans and address their concerns. At the planning stage we clearly define our programme of engagement and environmental activities not only to ensure stakeholder interests are taken into consideration but also to capture local and specific scientific experience.

In 2008, we held public exhibitions in Skegness, King's Lynn, Hunstanton and Wells-next-the-Sea, and we participated in a number of other events to share information and to answer questions about the projects.

We also completed key construction work on the Lynn and Inner Dowsing projects, 8km off the Lincolnshire coast, east of Skegness. The presence of the construction work provided a backdrop for a number of exhibitions and events. As turbine installation commenced, the work attracted significant interest on the beach at Skegness so it was an ideal venue to meet local people and visitors to the seaside town. There was significant local support for the project, mirrored by independent public opinion research and this was evident during the planning stages.

We mounted our own exhibitions and joined in other groups events, taking part in a water safety event attended by hundreds of Skegness schoolchildren, the annual kite surfing event held on Skegness beach, which we sponsored, and other events such as the Wash Week exhibition at the Gibraltar Point visitors centre nature reserve in Skegness.

We also continued with our policy of working with local schools in Skegness. Teacher Kim Hudson designed a series of workshops to help youngsters understand about a whole range of issues relating to energy efficiency, recycling and sustainable living. These were presented to local schools during the spring and summer terms.

Our applications for consent for its wind farms are supported by 'Environmental Statements', which are greatly contributing to our understanding of the environments in which we are working. In some cases the research behind the statements is generating knowledge that has

Stakeholder dialogue – NGOs and consumer organisations



Overview

We work with relevant NGOs, charities and consumer organisations to inform and communicate our position on a range of social and environmental matters.

Partnerships

We work on a variety of social and environmental issues with key partners. For example, our dialogue with Help the Aged, National Energy Action and Save the Children was influential in the development of the British Gas Essentials Tariff – the largest social energy tariff in the UK. Direct Energy is working with WWF-Canada to influence policy-makers to update energy-efficiency standards across Canada, Ohio Coalition on Housing and Homelessness to reduce credit burdens and Raising the Roof to find long-term solutions to homelessness.

Consumer issues

We work closely with consumer organisations in our key markets such as Consumer Focus, the UK consumer watchdog, to ensure we adopt best practice and respond effectively to consumer concerns. We also belong to a number of consumer associations, including the Direct Marketing Association in the United States and the Canadian Marketing Association in Canada. These memberships ensure we help the industry meet or exceed standards set in our markets.

Presentations and research

We invite representatives from charities and NGOs to make presentations about their work to us and look at ways that we might form new partnerships.

In addition, selected NGOs carry out research work on our behalf and the results are incorporated into our strategy. For example, we have been working with Green Alliance and a number of individual environmental NGOs and charities to shape our climate change strategy and to discuss policy and regulatory issues.

Memberships

We are involved in a wide variety of membership organisations. For a full list, please see memberships appendix.

Performance

Green issues

Across the business we work in partnership with a range of environmental NGOs. For example, in 2008 we worked with English Nature and Humber Industry Nature Conservation Association (Humber INCA), in developing a Biodiversity Action Plan for South Humber Power Station. Our renewables team engaged Loughborough University to undertake a study into radiated noise from marine piling operations and worked with Natural England and the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) in monitoring the dispersion of sediment from offshore drilling.

Stakeholder dialogue – NGOs and consumer organisations

Performance

In North America, Direct Energy joined the Alliance to Save Energy which promotes energy efficiency worldwide. We also joined the Business Council for Sustainable Energy, which promotes clean energy technologies as solutions to economic, environmental and national security challenges. Direct Energy has also worked closely with WWF-Canada over the last two years to advance energy efficiency regulation within the National Building Code.

At a Group level, we contributed to the Prince of Wales' Accounting for Sustainability Project which aims to align sustainability reporting with financial reporting.

Consumer organisations

We maintained an ongoing dialogue with UK consumer watchdog energywatch on both an operational and a strategic basis throughout 2008 until the point they were replaced by Consumer Focus in October 2008. As part of the transitional undertakings, we worked closely with Ofgem, the Department of Business, Enterprise and Regulatory Reform, Trading Standards, Consumer Direct and key stakeholders in developing the transitional arrangements as part of the Consumer Estate Agents and Redress Act.

Following its establishment, we held regular discussions with Consumer Focus on issues such as social policy and customer service. We also consulted with the Royal Engineering Academy, Consumer Direct, Citizens Advice and Climate Groups on consumer issues. In North America, through our memberships and on a one-to-one basis, we regularly meet with consumer organisations to discuss sales practice and industry standards.

British Gas continues to support industry initiatives such as the Energysure Code of Practice; the Billing Code and the Energy Ombudsman – we continue to participate actively in these initiatives and maintain a Board Membership position. British Gas is also a Board member of the Energy Retail Association.

Fuel poverty

We maintain and promote a close relationship with the UK energy regulator Ofgem on a wide range of issues such as fuel poverty, social policy and vulnerability. British Gas continues to be represented on the Fuel Poverty Advisory Group (FPAG), which exists primarily to report on the delivery of the Government's Fuel Poverty Strategy in England. We also worked in partnership with a number of charities to deliver our fuel poverty initiatives and further our understanding of the issue. For example, we work with National Energy Action to host a series of dinners with politicians and

civil servants to discuss measures to address fuel poverty.

Direct Energy participates in active discussions regarding low income and vulnerable customers in North America. In 2008, we consulted with the Ontario Energy Board during the development of the Ontario Energy Assistance Program.

Homelessness

In North America, Direct Energy continued to work with a range of homelessness charities. This included supporting the National Youth Homeless Conference in Canada through Raising the Roof and working on a Youth Empowerment Programme through the Coalition on Housing and Homelessness in Ohio. Direct Energy was also involved in shared learning sessions with Houston's Star of Hope organisation. Through our partnerships we continue to work to influence policy and to address the causes of homelessness.

Stakeholder dialogue – Media

Overview

We engage with the media to ensure that the public perception of us is as closely aligned to reality as possible.

A business like ours is under increasing public scrutiny. We carefully monitor the media to understand public opinion on issues that matter to us. We communicate through a variety of media channels, including broadcast media, newspapers and magazines and the internet.

Campaigns

We use media campaigns and communications to reach out to our customers on product safety issues. For example, we raise awareness of carbon monoxide safety and highlight homelessness and fuel poverty issues. We also promote energy-saving measures through media partnerships.

Performance

The media play an important role in informing debate. It is therefore vital that we engage with journalists to ensure that they have access to credible and accurate information and that they fully understand all the issues involved in the energy industry.

Campaigns

The People's Fuel Poverty Campaign

In October, British Gas joined forces with UK Sunday newspaper *The People* to offer energy efficient products to help its readers use less energy and save more money. *The People's* campaign resulted in us providing standby savers to 115,000 readers, saving each of them up to £33 per year on their electricity bills. The total energy saved would be enough to power 2,000 homes for an entire year. The campaign was praised by the Prime Minister, Gordon Brown, and Department of Energy Secretary Ed Miliband.

Green Streets

Working closely with national and regional media was key to the success of the British Gas Green Streets campaign. Media coverage helped to highlight to the wider public how small changes could make a big difference to energy bills and carbon emissions.

The campaign generated over 150 regional pieces of newspaper and broadcast coverage and 45 pieces of national newspaper and broadcast coverage. Highlights included extensive coverage in the *Sunday Times*, *The Sun*, Channel 4 News and BBC Breakfast News.

Generation Green

A targeted media campaign has been central to driving engagement between schools and British Gas' schools and community programme, Generation Green. Work has included setting up a roundtable debate for the *Times Educational Supplement* discussing whether environmental teaching gets enough support in schools and two supplements in *The Guardian* tackling the subject of being green in schools.

This targeted media campaign has contributed to the success of Generation Green.

Over 9,000 schools have signed up since its launch in April 2008. At the time of this report's publication, the nation has redeemed over 31 million green leaves, and downloaded over 15,000 lesson plans. Generation Green inspires parents too: 40,000 have completed energy savers reports as part of the scheme.

Briefings and visits

We continue to make our senior executives, including Chief Executive Sam Laidlaw and Managing Director of British Gas Phil Bentley, available for briefings with the BBC, City Editors and newspapers.

We organised trips for key journalists to our many assets, including Morecambe offshore gas platform, our new power station at Langage and our renewables developments. The aim of these was to help the media to understand how energy supply works during winter months.

We also continued to conduct a vast number of one-to-one briefings with key journalists in the UK, Europe and North America.

Research

We commissioned a study of business and financial journalists in December 2008 to measure media perceptions of us and help us to understand how to improve the availability of information. Around 71% of those surveyed felt they knew a fair amount or a lot about Centrica and British Gas. However, we found that only 11% described themselves as favourable to the energy industry, with 44% actively unfavourable. As a result, we are working to promote greater understanding of energy issues. For example, we are including significant amounts of contextual information around our results announcements.

Stakeholder dialogue – Trade unions

Overview

We work closely with trade unions to manage change and develop constructive ongoing relationships. We recognise collective relationships with trade unions that help us support our business goals.

Around 50% of employees are covered by collective agreements with unions that cover recognition, membership and procedural and substantive items such as pay.

Relationships

In both North America and the UK, working relationships are positive with the trade unions and there is a good record of change without disputes.

Our trade union relationships in the UK fall into three main areas.

- British Gas engineers (GMB)
- British Gas office and field debt staff (Unison and GMB)
- Centrica Energy Power Stations (Amicus and Prospect)

In North America our trade union relationships fall into two categories:

- Direct Energy Technicians (CEP, USWA, UA, IBEW, VA, CCQ)
- Direct Energy Home Services clerical staff (CEP)

We communicate through sharing information, consultation and negotiation, which occurs at national and local meetings. For employees not represented by a union, we put in place consultation arrangements as the situation requires, e.g. for change programmes and redundancies.

Performance

United Kingdom

We continued to foster our UK trade union relationships throughout the year.

In particular, we consulted directly with trade union representatives around changes to the Group pension arrangement in 2008. By taking the time to carry out a series of site presentations we were able to mitigate concerns about our proposals. Pensions are an emotive and sensitive issue and any change is likely to be met with adverse reaction. However, through careful management and communication with employees we have been able to receive support for the changes.

North America / Direct Energy

In North America, Direct Energy continues to have positive working relationships with the Unions. With organisational changes, the approach has been to ensure regular and open communications with union representatives to provide information, and to discuss issues and concerns as they arise.

Appendix

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
- Sustainable Development Commission
- Canadian Business for Social Responsibility

Sector

- Gas Safe Registration Scheme
- Institution of Gas Engineers and Managers (IGEM)
- Society of British Gas Industries (SBGI)
- Heating and Hotwater Industry Council (HHIC)
- Institute of Plumbing (IOP)
- Institution of Engineering and Technology (IET)
- Gas Industry Safety Group (GISG)
- Gas Action Task Group (GATG)
- Energy Emergencies Executive (E3C)
- British Standards (BSI)
- Energy Retailing Association (ERA)
- CORGI Trust
- Gas Forum
- Royal Warrant Holders Association
- Carbon Monoxide Consumer Awareness Alliance (COCAA)
- The Micropower Council
- Institute of Domestic Heating and Environmental Engineers
- Micropower Europe

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
- British Management Data Foundation (PMDF)
- European Policy Forum (EFP)
- Industry Forum
- Enterprise Forum
- Policy Exchange
- Customer Choice Coalition
- The National Home Improvement council
- Customer Contact Association (CCA)

Communities

- London Benchmarking Group
- Business in the Community

Suppliers

- The Chartered Institute of Purchasing and Supply

Appendix

Memberships

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
- Energy Institute
- Energy Industries Club
- Alliance to Save Energy
- Business Council for Sustainable Energy
- Association of Conservation for Energy
- Ontario Energy Network
- Association of Power Producers of Ontario
- Ontario Energy Association
- Energy Markets
- Alliance for Cooperative Energy Solutions
- Opportunity Now
- Race for Opportunity
- Working Families
- Institute of Employment Studies
- Construction Safety Association of Ontario
- Mechanical Contractors' Association of Ontario Safety Group
- Heating, Ventilation, Air Conditioning and Refrigeration Sector Joint Labour/Management Safety Committee
- Association of Electric Company of Texas
- Women in Science and Engineering (WISE)
- Duke of Edinburgh Award

Employees

- Institute of Personnel and Development
- 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
- Employers' Forum on Disability

Feedback

Please direct any comments or queries about our approach to corporate responsibility to responsibility@centrica.com

For our full corporate responsibility report, visit: www.centrica.com/cr08

Centrica plc

Company registered in England and Wales no 3033654

Registered office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

Tel: 01753 494000 Fax: 01753 494001

www.centrica.com