

United Nations Global Compact

Centrica's Communication on Progress 2017-18

The United Nations Global Compact (UNGC) challenges business to uphold universally accepted principles on key issues such as human rights, corruption and the environment. As a signatory to the UNGC and as part of our commitment to being a good corporate citizen, we remain steadfast in our pledge to support, uphold and communicate the action we are taking on these important issues.

Iain Conn
Group Chief Executive

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1. Businesses should support and respect the protection of internationally proclaimed human rights

As a leading international energy and services company, we respect and uphold the fundamental human rights and freedoms of everyone who works for us, with us or lives in our local communities.

We embrace internationally recognised standards on human rights across our business, including the UN's Guiding Principles on Business and Human Rights. This commitment is set out in Our Code, a new company-wide code of conduct introduced in 2018, to refresh and reemphasise our dedication to acting with integrity across everything that we do. To ensure our people understand and embody Our Code, 96% of our people in 2018 completed training and certified that they would uphold Our Code. All new employees additionally commit to support Our Code via clauses in their contracts and they are also required to complete an e-learning module to ensure they adhere to the high standards we expect from our people, from the very outset of their employment with us.

We only work with third parties who act with integrity and who operate in a way that is consistent with Our Code, including our commitment to human rights.

Find out more

- [Our Code](#)

2. Businesses should make sure that they are not complicit in human rights abuses

We never knowingly cause or contribute to activities or relationships that violate human rights and we take action to address any abuses if they occur.

To avoid human rights abuses across our business, our people are able to grow their understanding and make a commitment to respect human rights through the annual Our Code declaration process. We also undertake due diligence of potentially higher risk strategic suppliers on their social, ethical and environmental performance as part of an independent assessment carried out by sustainability supply chain experts EcoVadis. In 2017, we assessed 138 suppliers which resulted in an average supplier sustainability score of 56 (low risk) which is better than the multi-industry average of 44 (medium risk). If suppliers receive a medium or high-risk rating, we will consider appropriate next steps which may include collaborating to raise standards or ending our relationship and reporting the abuse.

Should anyone have concerns about how we do business which includes human rights abuses, we enable concerns to be raised via our independent Speak Up helpline. All concerns are treated confidentially, investigated and where necessary, remedial action is taken.

Find out more

- [Our Code](#)
- [Supply chain case study](#)
- [Procurement Policy](#)

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Working in partnership with trade unions is essential for achieving business objectives that benefit our people, customers and wider society. We therefore uphold the right for employees to be active members of recognised trade unions as set out in Our Code. And in 2017, 45% of our people were unionised.

During 2017-18, we continued to engage trade unions in an open, transparent and collaborative way. We consulted with trade unions on a number of issues such as large-scale organisational changes, the mitigation of redundancies and achieving a fair award agreement on pay negotiations.

Through responsible procurement clauses in supplier contracts, we also uphold the right for workers in our supply chain to participate in collective bargaining.

Find out more

- [Our Code](#)
- [Data centre](#)
- [Procurement Policy](#)

4. Businesses should uphold the elimination of all forms of forced and compulsory labour

Centrica supports the core conventions of the [International Labour Organisation \(ILO\)](#) which incorporates the Abolition of Forced Labour (Convention 105, 1957). We therefore take a zero-tolerance approach to modern slavery - spanning forced and compulsory labour as well as human trafficking. This position is underpinned by Our Code and is reflected in our Modern Slavery Act Statement.

We recognise that risks relating to forced or compulsory labour could lie within our 36,000-strong supplier base. To guard against this risk, we implemented a three-year action plan during 2017-20 that will enable thorough investigation of potential risk areas, including the manufacturing of technology products, solar panels and garments as well as the sourcing of facilities' services. In 2016 we reported that higher risk contracts had been amended to include modern slavery clauses and during 2017, we updated all contract templates to include these provisions as standard. New procurement-managed suppliers are now also rated for slavery risk. If suppliers are identified as higher risk, we will undertake an enhanced assessment which includes an on-the-ground site inspection. To further strengthen our ability to detect risk in our supply chain, we additionally delivered enhanced training to 160 people in our Procurement team during 2017 and in 2018 and we launched a new online supply chain risk learning module for all new starters in the Procurement.

If we discover that we work with someone who is contravening our commitment to human rights or has done so in the past, we will consider appropriate next steps which may include terminating our relationship and reporting the abuse.

Within our direct workforce, we have various processes in place to avoid being complicit in instances of forced and compulsory labour. This includes HR processes that ensures all of our people have a right to work in the country while contractual obligations with third parties who provide us with temporary labour also uphold the Modern Slavery Act.

Find out more

- [Our Code](#)
- [Modern Slavery Statement 2017](#)
- [Procurement Policy](#)

5. Business should uphold the effective abolition of child labour

As part of our continued focus on respecting human rights as set out in Our Code, we prohibit child labour across our operations and in our supply chain. We will never knowingly use or work with anyone who uses child labour.

We embed this commitment via the annual Our Code declaration as well as in online and face-to-face training. We further ensure the rights of children are protected via responsible procurement clauses in supplier contracts alongside conditions set out in our Procurement and Corporate Responsibility Policy for suppliers.

Find out more

- [Our Code](#)
- [Procurement Policy](#)

6. Businesses should uphold the elimination of discrimination in respect of employment and occupation

Having a vibrant and diverse workforce that reflects the world around us is key to understanding and satisfying the changing needs of our customers. That is why we are passionate about creating a diverse and inclusive place to work where everyone can be themselves and build a successful and fulfilling career by attracting, developing and retaining our people.

We are changing the perception of engineering and building the workforce of the future by diversifying our talent pipeline and giving people the skills they need to thrive in the rapidly changing world of energy. For example, we are inspiring the next generation of young girls to take up STEM subjects and become the engineers of the future by running competitions with Talent 2030 to develop STEM skills and we are working with the Royal Academy of Engineering, to showcase strong female role models that demonstrate how exciting a career in energy can be. We are also helping women progress their careers through programmes like the 30% Club, a cross-company and cross-sector mentoring programme that is creating a step-change in the number of women attaining senior leadership roles.

We actively recruit a multigenerational workforce across a range of ages. To support this, we have removed upper age limits for apprenticeships and enable mature graduates to access our graduate programmes. We are also a founding partner of the UK Government's Movement to Work scheme, which helps young people not in education, employment or training (NEETs), find a job. Since 2014, we have helped nearly 2,000 people secure workplace skills through the scheme, with around 60% going on to secure permanent employment or further training.

Our approach to flexible working is making it possible for employees to better balance work with career development or family life. This includes being able to work part-time or from home and is a vital part of our world-class support provided to carers, where we are one of few large companies to offer matched leave for carers in addition to annual leave. In 2018, we launched a new charity partnership with Carers UK that will further enhance how we can make life better for carers within our business and across the whole of the UK.

Employee networks for carers, women, veterans, people with disabilities and the Lesbian, Gay, Bi-Sexual and Transgender (LGBT) community, provide a vital source of support and growth for our people. The network also provides a forum for engagement that helps us continuously improve how we can provide the right culture and practices for everyone flourish at work.

From attracting more women into STEM roles and further training to providing flexible working and supportive employee networks, these are all Initiatives that will help us reduce our 30% median gender pay gap. This is because our gender pay gap is driven by a greater proportion of men in traditionally male-dominated technical roles such as engineering coupled with a higher number of women in lower paid and less technical roles like customer service and administration.

We are proud to have received recognition for our diversity and inclusion efforts in 2018. This included Business in the Community's (BITCs) Best Employers for Race Award while Iain Conn, Group Chief

Executive, was ranked as a Top 30 Ally Executive in the Financial Times' 2018 OUTstanding 50 Ally Executives 2018 Lists.

Find out more

- [Strategic Update on our people 2017](#)
- [Gender Pay Statement 2017](#)
- [Data centre](#)
- [Diversity & Inclusion Policy](#)

7. Business should support a precautionary approach to environmental challenges

The implications of climate change are far-reaching and the energy sector is at the forefront of the need to respond. As a leading energy and services company, we can play an essential role in tackling climate change. That is why we are providing products and services that enable our customers to use energy more sustainably, why we are shaping a decarbonised energy system and why we are reducing emissions across our business. These actions positively contribute to emission reduction targets at a national and international level, including the Paris Agreement which we firmly support.

With over 90% of our carbon emissions arising from customer consumption of energy, the biggest difference we can make to climate change is to enable our customers use energy more sustainably. That is why we are focusing on providing customers with greater control and choice over their energy through innovative and efficient products and services. We have also sold over 2 million Connected Home products that can be controlled conveniently with just a tap on the app from anywhere at any time – from Hive smart thermostats, plugs, lights and cameras, to Hive window, door and motion sensors. The real benefit of increased control can be demonstrated with our Hive smart thermostat enabling 89% of our customers to feel more in control over their heating which has led to a net reduction in their energy consumption. Moreover, we have also installed over 6 million smart meters in the UK which shows customers how much energy they are using and its costs in real-time, empowering customers to make more informed energy choices.

By the end of 2018, we now emit 90% less carbon per unit revenue than we did a decade ago. This is the result of our strategic decision to move away from being a traditional utility company that operates centralised energy production and generation assets, to focus on energy supply and management services, delivered through our customer-facing businesses. As we transition to a lower carbon energy future, gas will however, remain an important part of our strategy through our joint venture with Spirit Energy because gas is a major source of domestic heating and backs-up intermittent renewables. We hold a 20% stake in the UK's existing low carbon nuclear power fleet and we continue to expand our route-to-market offering to customers across Europe and now serve customers who own decentralised assets with installed capacity of 11.5GW. In 2017, we also reduced our internal carbon footprint by 11% which takes our overall reduction to 18% against our target to reduce our footprint by 20% by 2025. This builds on us having already cut emissions by 27% during 2007-15.

We are recognised as global leaders for disclosure and action on climate change and water scarcity by CDP, an international NGO reporting to investors representing around a third of the world's invested capital.

Find out more

- [Data centre](#)
- [Strategic Update on carbon 2017](#)
- [HSES Policy](#)
- [CDP Climate Change Response 2018](#)
- [CDP Water Response 2018](#)

8. Business should undertake initiatives to promote greater environmental responsibility

Climate change is one of the greatest global challenges facing society. To reduce energy's impact on climate change, we are focused on promoting greater environmental responsibility in society by making energy more sustainable.

Towards this, we are investing £500 million in establishing a market-leading Connected Home business to provide customers with greater choice and control over their energy; £700 million in our Distributed Energy & Power (DE&P) business to revolutionise the way energy is generated, managed and consumed by giving large-scale energy users the power to operate and optimise their energy; and £100 million to identify, incubate and accelerate new technologies that satisfy our customers and lead to a lower carbon future.

We are also building future energy systems for our communities that make them more resilient and reduce environmental impact. This can be demonstrated with our pioneering £19 million Local Energy Market trial in Cornwall which is testing a new world of flexible demand, generation and storage with more than 100 homes and business over three years. In doing so, we hope to help Cornwall and other communities realise their democratic energy ambitions while reducing pressure on the grid at peak times, stimulating the growth of renewables and creating opportunities to lower energy bills.

We understand the wider role we can play in promoting greater environmental responsibility across our supply chain. As part of this, we work collaboratively with partners to raise and maintain high environmental standards in our supply chain through sustainability clauses in supplier contracts and via assessment to identify and tackle risk in our supply chain.

Find out more

- [Data centre](#)
- [Strategic Update on carbon 2017](#)
- [Strategic Update on communities 2017](#)
- [Carbon webpage](#)
- [Environment webpage](#)
- [HSES Policy](#)

9. Business should encourage the development and diffusion of environmentally friendly technologies

We believe decarbonisation of the energy system will increasingly be driven by decentralisation, digitisation and increased customer control in how energy is generated, managed and consumed. This changing energy landscape coupled with our business capabilities, empowers us to play a leading role in the development and diffusion of technology that leads us to a lower carbon world.

We calculate that we have helped our customers save 31mtCO₂e since 2008 through our products and services, which is equivalent to the annual emissions of around nine million UK homes. Our £1.3 billion investment in our Connected Home, DE&P and Centrica Innovations businesses will continue to help us provide cutting-edge solutions that satisfy the changing needs of our customers and enable them to lower their emissions. In 2018 for example, Centrica Innovations invested in EtaGen, a start-up that is developing a Linear Generator that offers more affordable, flexible and clean onsite generation. Centrica Innovations also invested in Driivz, another start-up that offers end-to-end solutions for charging electric vehicles and will help us provide new offers for customers with EVs that better connect home, work and on-the-road charging.

In 2018, we released our Powering Sustainability Report to encourage large-scale energy users to adopt distributed energy solutions by showing how these technologies deliver significant cost and carbon savings. We found that if just 50% of the UK's Industry, Healthcare and Hospitality & Leisure sectors took up distributed energy technologies, they could deliver £1 billion on annual energy bills¹ and cumulative savings of 137mtCO₂e² by 2030 - equivalent to the annual emissions of 43 million homes.

Our £180 million investment in flexible fast response power plants and one of the world's largest battery storage facility is also helping decarbonise the energy system by ensuring we can respond more efficiently to peaks in demand. Meanwhile, time-of-use tariffs like Reduce Your Use Rewards in North America, incentivises customers to lower usage during a peak event which reduces the need to turn on additional fossil fuels to meet demand and rewards them for their action by saving 5% on their energy bill.

¹ DE&P, Powering Britain's Economic Future, 2017

² DE&P, Powering Sustainability, 2018

Find out more

- [Strategic Update on carbon 2017](#)
- [Environment webpage](#)
- [Powering Sustainability Report 2018](#)
- [HSES Policy](#)
- [Centrica Innovations webpage](#)

10. Businesses should work against all forms of corruption including extortion and bribery

We are committed to working with integrity and adhering to the laws and regulations of all the countries in which we operate, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977.

Our Code provides a clear framework for guiding and making good decisions which supports the elimination of bribery and corruption. For example, we do not condone any payments we feel to be improper and take particular care when offering or receiving gifts and hospitality. We also prohibit all forms of fraudulent conduct or dishonest behaviour and will report any serious matters to the relevant authorities.

To avoid being complicit in bribery and corruption, employees undertake an annual declaration to uphold Our Code while specific anti-bribery and corruption workshops are facilitated for employees working in higher risk roles.

We want our business partners and suppliers to share our commitment to guard against bribery and corruption. To support this, we have a number of robust processes in place such as bribery and corruption clauses embedded in supplier contracts and policies, anti-bribery and corruption practices analysed as part of the EcoVadis sustainability assessment for suppliers and bribery and corruption risks reviewed as standard for all new business ventures and acquisitions.

Find out more

- [Our Code](#)
- [Anti-Bribery and Corruption Policy for Suppliers](#)