

United Nations Global Compact

Centrica's Communication on progress 2016-17

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.

Our Business Principles are aligned to the [Universal Declaration of Human Rights](#) and set out the high ethical standards we expect our people and partners to uphold. To ensure we embody the Business Principles which includes the principle to respect human rights, employees declare their commitment to the Principles each year and via learning management system training. New employees are required to adhere to the Business Principles through clauses in their contracts and they must also complete an e-learning module which ensures they understand the high standards we expect from the very outset of their employment.

Find out more

- [Business Principles](#)
- [Human Rights Policy](#)

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

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

To avoid human rights abuses across our business, our people commit to uphold human rights as part of the Business Principles declaration and via learning management system training.

We conduct due diligence on the suppliers we work with who we consider to be higher risk. This includes conducting an analysis of their social, ethical and environmental performance through independent sustainability supply chain experts, EcoVadis. In 2016, 73 potentially higher risk strategic suppliers completed an assessment, resulting in an average supplier risk score of 57 (low risk). This score marks an improvement on our 2015 score of 54 (low risk) and is above the multi-industry average of 42 (median risk). If suppliers receive a medium or high risk score, or, we work with someone who we discover is contravening our commitment to human rights, we will consider appropriate steps which may include collaborating to raise standards or ending our relationship and reporting the abuse.

Should anyone have concerns about human rights abuses across our operations, we enable issues to be reported anonymously via our independent Speak Up helpline. All reported issues are investigated and if necessary, remedial action is taken.

Find out more

- [Business Principles](#)
- [Human Rights Policy](#)
- [Procurement and Corporate Responsibility Policy for suppliers](#)
- [Supply chain case study](#)

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

We recognise that working in partnership with trade unions is essential for achieving business objectives that benefit our people, our customers and wider society. We are committed to satisfying the changing needs of our customers and our relationship with trade unions are critical to ensuring we achieve this.

We uphold the right for employees to be active members of recognised trade unions and in both 2015 and 2016, 44% of our people were members of a union. We also support the right for workers in our supply chain to participate in collective bargaining through responsible procurement clauses in supplier contracts.

In 2016, we continued to engage trade unions in an open, transparent and collaborative way. We consulted 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.

Find out more

- [Business Principles](#)
- [Data centre](#)
- [Procurement Policy](#)
- [Ethics webpage](#)

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 have a zero tolerance approach to modern slavery which spans forced and compulsory labour. This commitment is reflected in our Modern Slavery Statement and our Business Principles.

While clauses in our suppliers' contracts require the protection of labour and workers' rights, we recognise that risks relating to forced or compulsory labour could lie within our 35,000-strong supplier base. That is why during 2016, we completed an assessment for nearly all of our suppliers on the issue and allocated them with a risk rating. Where suppliers are considered to be potentially high risk, we include additional stipulations specific to modern slavery in all new contracts and if required, conduct independent site inspection. We have also implemented a three-year action plan during 2017-20 which 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. Modern slavery training has been delivered to specific employees in our Procurement function during 2017, helping them better recognise and manage potential risks in our supply chain.

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

Find out more

- [Business Principles](#)
- [Human Rights Policy](#)
- [Modern Slavery Act Statement 2016](#)
- [Procurement Policy](#)
- [Procurement and Corporate Responsibility Policy for Suppliers](#)

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 Business Principles, we prohibit child labour across our operations and in our supply chain. We will never use, or work with anyone who uses, child labour.

We embed this commitment via the Business Principles declaration as well as 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

- [Business Principles](#)
- [Human Rights Policy](#)
- [Ethics webpage](#)
- [Procurement and Corporate Responsibility Policy for Suppliers](#)

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

We embrace diversity because having a range of backgrounds and perspectives that reflects the customers that we serve, is vital to attracting and retaining the talent needed to satisfy the changing needs of our customers.

As part of this, we have values, policies and working practices in place to ensure our people are treated in a non-discriminatory manner irrespective of their gender, sexuality, age or race. Our industry-leading approach to flexible working is helping parents and carers balance work and family commitments. This includes being able to work part-time or from home, as well as being one of few large companies to offer matched leave for carers in addition to annual leave. We have employee networks for Women, Carers and Lesbian, Gay, Bi-Sexual and Transgender (LGBT), as well as a newly launched Disability and Wellbeing network. Our networks provide a supportive environment for our people and a forum for engagement that helps us improve our ability to create a diverse and inclusive culture. In recognition of Centrica's commitment to LGBT inclusion, Iain Conn, Group Chief Executive, was ranked as a Top 30 Ally Executive in the Financial Times' 2016 OUTstanding Leading LGBT+ & Ally Executives and LGBT+ Future Leaders Lists.

In 2016, women made up 27% of our workforce, 26% of our senior management and 25% of our Board. We have a number of programmes in place to improve gender representation and ensure women enjoy the same career progression and pay as men. One of the ways we are supporting this ambition is through our participation in the 30% Club, a cross-company, cross-sector mentoring programme that is helping create a step-change in the number of women attaining senior leadership roles. We also work with the Women's Business Council who make recommendations to the UK Government and businesses on how to optimise the economic contribution women make.

We actively recruit employees across a range of ages. This can be demonstrated by removing upper age limits for apprenticeships and making mature graduates eligible for 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 had provided 700 training placements, with 60% of those taking part going on to secure permanent employment or further training. We will provide 300 additional places by the end of 2017.

Find out more

- [Responsible Business Update 2016](#)
- [Data centre](#)
- [Diversity and Inclusion Policy](#)

7. Business should support a precautionary approach to environmental challenges

As a leading energy and services company, we play an important role in tackling energy's impact on climate change by driving down carbon emissions from our customers and our business.

With around 90% of our carbon emissions arising from customer consumption, the biggest difference we can make to climate change is to help our customers reduce their energy consumption and carbon emissions. That is why we are focusing on providing customers with greater control and choice over their energy through innovative and efficient products and services. To grow our capabilities in this area, we are investing £500 million during 2015-20 in our global Connected Home business. This builds on the success of our Hive smart thermostat which has enabled 88% of customers to feel more in control over their heating which can lead to a reduction in consumption. Moreover, we have also installed over 70% of the UK's smart meters to help customers make more informed energy choices by exploring their energy use and costs in real-time which similarly, can drive an overall reduction in energy use.

As we transition to a lower carbon energy future, gas remains an important part of our strategy because it is one of the most affordable energy sources for heating homes and running businesses, is the lowest carbon fossil fuel and backs up intermittent renewable energy. Alternatives to fossil fuels are, however, important. We hold a 20% stake in the UK's existing nuclear power fleet and we continue to be an enabler of other operator's wind projects through Power Purchase Agreements.

By the end of 2016, our business emitted more than 60% less carbon for every pound of revenue raised compared to 2010. This was primarily due to a reduction in our gas fired power generation. In 2015/16, we had the lowest carbon intensity among major UK electricity suppliers and in 2016, we reduced our internal carbon footprint by 8% towards our 20% reduction target which is due to be delivered in full in 2025.

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

Find out more

- [Data centre](#)
- [Responsible Business Update 2016](#)
- [Environment Policy](#)
- [CDP Climate Change Response 2017](#)
- [CDP Water Response 2017](#)

8. Business should undertake initiatives to promote greater environmental responsibility

With millions of people reliant on energy, we have a responsibility to provide the energy our customers need but we must do this in a way that minimises adverse environmental impacts. This enables us to build positive relationships with customers and communities, based on mutual interest.

Through our new global Distributed Energy and Power (DE&P) business, we are helping keep costs and carbon emissions as low as possible to ensure businesses can be as efficient and productive as possible. During 2015-20, we expect to invest £700 million to grow our DE&P business. Through DE&P, we are giving large-scale energy users the ability to take control of their energy through end-to-end solutions that bring together flexible and local generation, storage, energy efficiency and smart building management solutions. Our £500 million investment in our Connected Home business during 2015-20, will also empower residential customers to reduce their use through greater awareness and control over their energy.

We are working closely with communities to raise awareness about climate change and encourage the adoption of new technologies that have an environmental benefit. For example, our ground-breaking £19 million local energy market trial in Cornwall is doing just that. Through the trial, we are testing a new world of flexible demand, generation and storage with 100 homes and businesses. It will explore how we can support future carbon reduction, reduce pressure on the UK's electricity grid, avoid expensive network upgrades and reward customers for being more responsive. Our school's

programme has additionally engaged over 460,000 young people on how to use energy more sustainably while inspiring them to become the energy innovators needed for the future.

Find out more

- [Data centre](#)
- [Responsible Business Update 2016](#)
- [Environment Policy](#)
- [Environment webpage](#)
- [Schools programme case study](#)

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

We cannot control how customers use their energy but we are well positioned to drive the development and diffusion of technology that gives our customers what they want – more control, more choice, more understanding over their energy and the ability to cut their carbon footprint and bills. Since 2008, we calculate that we have helped our UK customers save 27mtCO_{2e} through our products and services. This is equivalent to the average annual emissions of seven million UK homes.

During 2015-20, we are investing £1.2 billion in our global Connected Home and DE&P businesses that will give us the technical capabilities and skills to provide new and innovative customer offerings. This builds on our 2015 acquisitions of AlertMe, a leading energy management services company and Panoramic Power, a pioneering company that provides wireless sensors that identify ways businesses can reduce operating costs and carbon emissions.

In North America, we are using new technologies to help balance demand on the grid which reduces impact from fossil fuels as less energy is needed to meet peak demand. For example, Reduce Your Use Rewards incentivises customers to lower usage during a peak event by saving 5% on energy bills.

We are also looking beyond our immediate customers by actively engaging and enabling communities to benefit from environmentally friendly technologies. Through our Direct Energy Innovation to Inspiration exhibition tour, we are increasing product demand and diffusion by showing how products like smart thermostats and automated sprinklers, can improve energy management. Meanwhile, our Ignite impact investment fund has committed more than £8 million and 27,600 hours of employee expertise in growing the positive social and environmental impact of entrepreneurs with innovative energy ideas.

Find out more

- [Responsible Business Update 2016](#)
- [Environment webpage](#)
- [Environment Policy](#)
- [Ignite investments](#)

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.

To guard against bribery and corruption, our Business Principles provide a clear framework for guiding the behaviour of our people and partners. Employees are required to undertake the Business Principles declaration or training that supports compliance. Specific anti-bribery and corruption workshops are also facilitated for employees working in higher risk roles.

We strive to ensure that our business partners and third parties share our commitment to eliminate bribery and corruption. For example, our contracts contain relevant clauses and the Group Ethics and Compliance Financial Crime Team, monitors and manages risks relating to new business ventures and acquisitions. The Procurement & Corporate Responsibility Policy for Suppliers states that the supplier 'has and will comply with all relevant and applicable anti-bribery and corruption legislation'

and 'has in place anti-bribery and corruption policies and procedures that apply across its company, including subsidiaries'. Meanwhile, our external Anti-Bribery and Corruption Policy for Suppliers sets out in further detail, Centrica's position and what behaviour is and is not acceptable. Supplier commitment to anti-bribery and corruption is analysed in the EcoVadis assessment for strategic suppliers and where relevant, verified during site inspections.

Find out more

- [Business Principles](#)
- [Anti-Bribery and Corruption Policy for Suppliers](#)