

Our response to the Modern Slavery Act: Modern Slavery Act Statement 2019

Modern slavery is a term used to encapsulate various forms of servitude, forced or compulsory labour and human trafficking. Centrica plc and its subsidiaries ('Centrica', the 'Group' or 'we') are committed to conducting our business responsibly and have a zero-tolerance approach to the issue across our business and supply chain.

This statement, pursuant to the UK Modern Slavery Act 2015 (the 'Act'), is our fourth under the Act and relates to the financial year ending 31 December 2019. We fully support the aims of the Act and associated standards such as the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) and are committed to tackling slavery and human trafficking wherever we can.

Our business

We are an international energy services and solutions company focused on satisfying the changing needs of our customers and enabling the transition to a lower carbon future. We supply energy and services to over 26 million customer accounts mainly in the UK, Ireland and North America, supported by around 9,000 engineers and technicians.

In July 2019 we announced our intention to exit oil and gas exploration and production and nuclear power generation, completing our shift towards the consumer and enabling us to focus on our distinctive strengths to create a leading, 21st century international energy services and solutions provider.

We will become a simpler organisation with two divisions:

- Centrica Consumer, focused on energy supply, in-home servicing and home solutions with offers centred on home energy management; and
- Centrica Business, focused on energy supply, energy optimisation and business services and solutions.

A number of Group Functions, including Procurement, Legal, Regulatory, Ethics and Compliance, Finance, Health, Safety, Environment and Security and Corporate Affairs, support the businesses, setting boundaries and standards in driving commercial performance, managing risk and ensuring a strong system of internal control.

More information about our business is available at centrica.com

Centrica is currently made up of three divisions:



Centrica Consumer

Energy supply

- Gas supply
- Electricity supply

In-home servicing

- Cover products (protection plans, warranties)
- On demand repair and maintenance
- Electric vehicles charging point installations

Home solutions

- Home security and monitoring
- Remote diagnostics
- Home control
- Appliances control
- Home energy management



Centrica Business

Energy supply

- Gas supply
- Electricity supply

Energy optimisation

- Asset optimisation
- Aggregation and optimisation of distributed energy resources
- Access to energy, capacity and flexible markets
- Trading partner
- Energy commodities and risk products

Business services and solutions

- Multi-technology solutions
- Design, install, maintain and service
- Energy resource management and monitoring
- Operational insights from energy data
- Preventive maintenance



Upstream

- Focus on safety
- Operational excellence



Our approach



Centrica has a zero-tolerance approach to modern slavery. We always conduct our business with integrity and within the laws and regulations of the countries we operate in. We have processes and practices in place that are aligned to international standards like the UN Guiding Principles and Goal 8 of the UN Sustainable Development Goals, focused on Decent Work and Economic Growth; these aid us in identifying and reducing modern slavery risk.

Our policies and Our Values

We have a suite of internal and external policies that set out our expectations and requirements. These are available to every individual working for the Group:

- **Our Code** – is mandated for all Centrica employees, subsidiaries, affiliate companies, agency staff and consultants. It represents a high-level summary of key areas of our policies and standards, providing a framework to ensure our people, and those we work with, do the right thing; our commitments include respecting human rights and requiring everyone we work with to operate responsibly.
- **Procurement and Corporate Responsibility Policy for Suppliers** – covers suppliers that operate for or on behalf of Centrica and sets out our requirements that suppliers will respect human rights, will not use child labour or forced labour in any form and do not or have not contributed directly or indirectly to human rights abuses.
- **Managing Our People: HR Management System Policy** – although primarily directed at HR and line managers, this internal policy is applicable to all our people as it sets out the standards of recruitment that the organisation, including contractors, agents and outsourced arrangements, should adhere to.
- **Speak Up** – is our online and phone-based system enabling employees, suppliers and business partners to confidentially raise concerns relating to possible improper, unethical or illegal practices. Centrica is committed to dealing with such reports about the company in an open and responsible manner and those that raise concerns in good faith are protected from retaliation.

We have a common set of values, no matter where we sit in the business or the world, which are essential to our success: Care, Delivery, Collaboration, Agility and Courage were developed through conversations with employees and are lived in everything we do.

How we're reducing risk

Our focus areas

During 2019, the following areas continued to warrant specific focus, based on their associated jurisdictional and industry risk:

Technology products and the Internet of Things

We manufacture branded and unbranded products, including Hive Active Heating and other Hive products, via suppliers located in jurisdictions in which the prevalence of modern slavery is higher, according to the Global Slavery Index 2018 (GSI).

Garment manufacturers

Our engineer uniforms are manufactured in jurisdictions in which the prevalence of modern slavery is higher, based on GSI data.

Facilities management services

In the UK and Ireland, we mainly partner with large organisations that are subject to their own modern slavery obligations; our agreements with the same include modern slavery contractual clauses.

Solar

During 2018 we saw an increase in demand for solar as a component of energy solutions we provide to our business customers. We also acquired Vista Solar, a leading Californian solar engineering, procurement and construction (EPC) company. In 2019 we looked to develop our understanding of the risks in this area by reviewing third party inspection reports relating to the relevant sites. We also performed site visits under our 'Every Visit Counts' programme, gathering information on labour and health and safety practices. We will look to progress this work during 2020.



Recruitment

In the UK, our people are subject to various HR processes to ensure they have the right to work. Where we use external agencies to provide staff, they are subject to the same procurement due diligence process as any other supplier, and where we seek temporary labour, this is sourced via a managed service partner that is subject to their own obligations under the Act. Where a third party other than a managed service partner provides temporary labour, we ensure that they are bound by stringent contractual obligations that require them to support our objectives under the Act.

Where Centrica operates outside of the UK, we comply with local rules and regulations to ensure that our employees have the right to work in these countries and, where permissible by local laws, apply the same standards as we do in the UK. Where Centrica acquires a new business that has employees associated with it, our mergers and acquisitions integration practices ensure they have the right to work in the host country.

Training

People are Centrica's most valuable asset and we recognise that appropriate modern slavery and human trafficking training will increase awareness as well as mitigate risk within the business and supply chains.

During 2019 we continued to train Procurement staff through face-to-face sessions. We continued to improve and promote our 'Every Visit Counts' programme which was launched in 2018; this empowers category managers to take every opportunity to assess and improve labour and ethical practices in the supply chain which they manage. We created a network of Risk and Responsible Sourcing Champions for each procurement category to embed responsible sourcing practices across the organisation. At the end of 2019, we held a Risk and Responsible Champion day which included planning the responsible procurement agenda for 2020 and responding to hypothetical ethical dilemmas, including incidents of modern slavery.

Supply chain due diligence

We continue to view our operations as lower risk than our supply chain, taking account of the nature of activities and relevant jurisdictions. The Centrica supply chain operates across a variety of industries and jurisdictions and we work with over 14,000 suppliers, with most activity centralised and managed by Procurement.

Having completed our initial three-year action plan to investigate our large and complex supply chain, we embarked on a three-year strategy spanning 2019-2021 focused on three key areas: 'Prevent', 'Partner for Solutions' and 'Put Right'. This Procurement-led strategy was inspired by the 'Respect and Remedy' pillars of the UN Guiding Principles. Priorities include implementing procedures in new business areas not previously subject to in-depth review, such as Local Heroes; working more closely with peer industries, forging deeper relationships with some of our key suppliers and improving our remediation strategy.

In terms of due diligence procedures, during 2019 we continued to risk rate new Procurement-managed suppliers using a third-party country and sector risk segmentation tool that considers the product or service being offered and any slavery risk. Suppliers that were identified by the tool as high risk were subject to a further, enhanced risk assessment which considered their corporate responsibility standards, including labour and workers' rights, with suppliers that continued to be categorised as high-risk receiving site visits from a third-party assessor and, where appropriate, our own Procurement team. We continued to build on the work of previous years, prioritising suppliers with jurisdictional and/or product risk, and continued to consider additional risk indicators such as a low skilled work force and/or factory size, where the risk of modern slavery could potentially be higher.

During 2019, nine site visits/revisits were completed in China, the UK, Italy and Turkey that included reviewing human rights, labour and health and safety practices. Nine corrective action plans were implemented and assurance activity was undertaken in respect of corrective action plans arising out of previous site inspections.

In addition, we accessed third party ethical audit reports for other high-risk suppliers to give us additional insight, including those based in China, Bangladesh, Pakistan and South Korea.

During 2019, following on from the commitment we made in our 2018 statement, we checked that all relevant key facilities management services subject to the reporting requirement of the Act had produced statements and taken steps to minimise the possibility that modern slavery exists in their supply chains. We also verified that in-depth due diligence had been undertaken where needed.

Moreover, the launch of a new procurement strategy enabled us to ensure we work with preferred and already vetted suppliers, in turn limiting supplier-related risk, including modern slavery.

No evidence of modern slavery or forced labour was found in our supply chains during 2019. In addition, no factory worker contacted the anonymous third-party worker helpline provided by an independent audit firm to report any concerns. We are continuing to work with suppliers to make sure we continue to deliver improvements in working practices across our supply chain.



We recognise that collaborative working is vital to effectively mitigate issues and implement long-term change.

Partnering for solutions

We recognise that collaborative working is vital to effectively mitigate issues and implement long-term change. During 2019, we continued our partnership with the Responsible Sourcing Council and the Institute of Business Ethics to facilitate increased collaborative working with other organisations and improve responsible business practice.

We attended all three Responsible Sourcing Council meetings which enabled us to benchmark activities and further embed best practice. One of these events was hosted at our headquarters in the UK and gave us the opportunity to share our responsible procurement achievements so that others could learn from our experience, as well as collaborate to find solutions to some of our challenges.

In 2019 we also developed a Responsible Labour Practice Toolkit to support supplier capability building which includes modern slavery considerations. The Toolkit helps develop a shared understanding of what good looks like when it comes to labour practice in the organisation and supply chain. It sets out our minimum expectations but also provides best practice to those suppliers who are keen to do more.

Policy development

During 2019, our Procurement Policy for Suppliers was updated; our definition of modern slavery was widened in order to capture new emerging forms of exploitation and abuse. In line with the UN Guiding Principles on Business and Human Rights, we also added the reference to the 'Protect and Remedy' pillar, recognising the importance to provide care for any potential victim of modern slavery, and strengthened the reference to diversity and inclusion to include employees and groups who might be underrepresented and potentially more vulnerable to modern slavery or other injustices.

How we measure and monitor progress

Our governance

Our Modern Slavery Steering Group, formed in 2016, led by Procurement and comprised of representatives from other Group Functions including Ethics and Compliance, Legal, HR and Corporate Affairs, continued to convene on a quarterly basis during 2019 to review and oversee progression of the modern slavery strategy. The Steering Group sets the Group approach for modern slavery compliance across the business and, where relevant, in the Group Functions. The Steering Group also manages the composition and publication of our annual statement, tracks key performance indicator (KPI) progress and provides updates to the Centrica Board and committees of the Centrica Board.

Our progress

We continually measure the success and performance of responsible procurement activities by tracking KPIs such as the average sustainability risk rating of assessed suppliers. A similar set of KPIs relating to our modern slavery programme continue to evolve.



Our performance during 2019

Supply chain risk and modern slavery training

102

procurement employees received face-to-face and online training, bringing the total number of employees trained since 2017 to 288

Volume of supplier desktop reviews completed

52

Number of high-risk suppliers independently audited and sites inspected

9

Number of remedial actions agreed in respect of audit findings

9

corrective action plans relating to health, safety, environment and labour practices, were agreed with suppliers

Number of other suppliers being monitored through third party evaluations and associated corrective action plans

7

Number of suppliers' evaluations conducted under our 'Every Visit Counts' initiative

9

bringing the total number of evaluations since the initiative commenced to 21

Number of factories that have made improvements to their labour and health and safety practices following the implementation of corrective action plans (since 2017)

25

Next steps

In 2020 we aim to:

- continue driving our 2019-2021 Modern slavery strategy 'Prevent, Partner for Solutions and Put Right';
- consolidate our due diligence across a broader scope of our supply chain;
- roll out the Responsible Labour Practice Toolkit to a wider pool of suppliers with the aim of influencing behaviours;
- work towards identifying more likeminded organisations, amongst our network of partners, to collaborate towards solutions;
- take our 'Every Visit Counts' programme to the next level, enabling more colleagues to confidently identify risks when visiting a supplier facility;
- continue our ethical site inspection programme; and
- look at better ways to remediate some of our key risks in our supply chain.

This statement was approved by the Safety, Health, Environment, Security and Ethics Committee of the Board on 10/02/2020 and by the Centrica plc Board of Directors on 11/02/2020.

For and on behalf of Centrica plc and its subsidiaries.

Iain Conn

Group Chief Executive Officer

11/02/2020

This statement covers the following subsidiary companies:

British Gas Trading Ltd, British Gas New Heating Ltd, British Gas Social Housing Ltd, British Gas Insurance Ltd, British Gas Services Ltd, Dyno-Rod Ltd, Centrica Hive Ltd, Centrica Energy Ltd, Centrica Energy Marketing Ltd, Centrica Energy (Trading) Ltd, Centrica Energy Trading GmbH, British Gas Energy Procurement Ltd, Centrica LNG Company Ltd, Centrica LNG UK Ltd, Neas Energy Ltd, Centrica Business Solutions UK Ltd, Centrica Offshore UK Ltd, Centrica Storage Ltd, Centrica Services Ltd.