

# Our response to the Modern Slavery Act

Modern Slavery Act Statement 2018



This statement, relating to the financial year ending 31 December 2018, is made pursuant to section 54(1) of the Modern Slavery Act 2015 (the 'Act') and outlines the steps we have taken as an organisation to assess our operations and supply chain and mitigate any risk of slavery and human trafficking. Centrica plc and its subsidiaries ('Centrica', the 'Group' or 'we') are committed to conducting business ethically and responsibly and fully support the aims of the Act and associated standards such as the UN Guiding Principles on Business and Human Rights. We are committed to tackling slavery and human trafficking wherever we can.

## Our Organisation

We are an energy and services company. Everything we do is focused on satisfying the changing needs of our customers.

### Centrica Consumer

Our Centrica Consumer strategy is designed around five areas: energy supply; services; peace of mind; home energy management; and home automation. All are intended to support the needs of residential consumers. We provide gas and electricity, install heating and aircon, provide repair and maintenance services, undertake remote diagnostics and enable consumers to control their own appliances via innovative products such as the Hive range, which are now available in the UK, Ireland, Italy and North America.

### Centrica Business

Our Centrica Business strategy is also designed around five areas: energy supply; wholesale energy; energy insight; energy optimisation; and energy solutions. All are intended to support the needs of the business customer. We provide gas and electricity, trade commodities, undertake preventative maintenance and optimise assets. We provide flexible multi-technology solutions including combined heat and power, back up generation, battery storage and demand response and are repositioning away from large centralised generation. We intend to pursue a sale of our nuclear investment by 2020.

**30,520**

Employees worldwide

**Zero tolerance**

Our approach to slavery and human trafficking

### Exploration & Production

Our Exploration & Production division focuses on gas and oil production in the UK, Netherlands and Norway. It consists of Spirit Energy and Centrica Storage. Spirit Energy was formed in 2017 through a joint venture with Bayerngas Norge, with Centrica owning 69% of the venture. Centrica Storage produces and processes gas from the Rough gas field in the southern North Sea on behalf of Centrica plc, having ceased its storage activities in 2017.

### Group Functions

To ensure our organisational model remains efficient and scalable, all businesses are supported by a number of Group Functions that are responsible for setting boundaries and standards which support the businesses in driving commercial performance, effectively manage risk and ensure a strong system of internal control.



## Our Approach

Centrica has a zero-tolerance approach to slavery and human trafficking, which is underpinned by the following internal and external policies that are communicated to every individual working for the Group, including employees, contractors as well as third party suppliers:

### Our Code

This is mandated for all Centrica employees, subsidiaries, affiliate companies, agency staff and consultants. It sets out what we stand for and defines our obligations, which include respecting human rights and requiring everyone we work with to operate responsibly.

### Procurement and Corporate Responsibility Policy for Suppliers

Covering 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.

### Speak Up

Centrica is committed to dealing with concerns about the company in an open and responsible manner, empowering those that raise concerns and protecting them from retaliation; employees are encouraged to report via our confidential Speak Up helpline and online reporting tool.

### HR Management System Resourcing Policy

Although primarily directed at HR and line managers, this is applicable to all staff as it sets out the standards of recruitment that the organisation, including contractors, agents and outsourced arrangements, should adhere to.

In 2018, Centrica reached the first anniversary of the launch of Our Values – Care, Delivery, Collaboration, Agility and Courage. We live these values in everything we do and, in line with our value of ‘Care’, we have been moving beyond simply focusing on regulatory compliance, by promoting and embedding responsible practice and behaviours across the organisation both via training sessions and procurement activities.

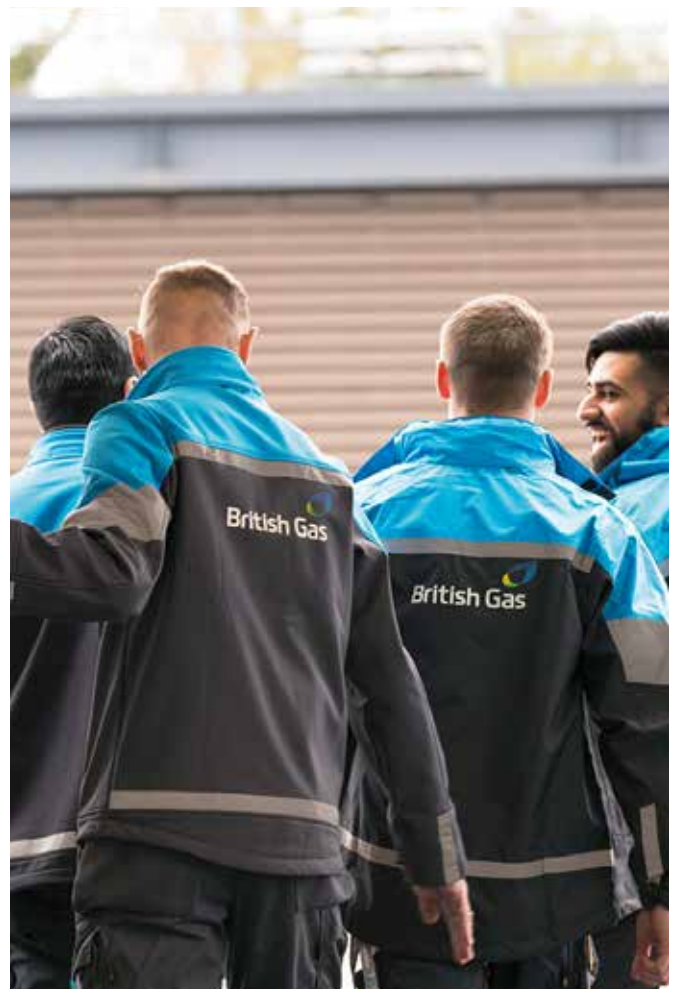
### Training

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

During 2018, we have continued to train procurement staff through face to face sessions and a mandatory online module. In addition, we have developed training on our new ‘Every Visit Counts’ programme, dedicated to category managers, to ensure they take any opportunity when visiting suppliers to assess labour and ethical practice in our supply chain. This training will continue in 2019 and we will report further on progress in our next statement.

### Governance

Our Modern Slavery Steering Group, formed in 2016, led by Procurement and comprised of representatives from other Group Functions including Ethics & Compliance, Legal, HR and Corporate Affairs, continues to convene on a regular basis to review and oversee implementation of the modern slavery strategy. It sets the Group approach for modern slavery compliance by our colleagues across the business and, where relevant, in the Group Functions. The Steering Group manages the composition and publication of our annual statement and provide updates to executive management as well as the Board.



## Risk Assessments and Supplier Due Diligence

Our last statement reported that our own operations presented lower risk than our supply chain due to both the type of operations and jurisdiction; this view continues to be supported by findings during 2018.

In the UK, our HR processes ensure that those recruited have appropriate approvals to work. Where we use external agencies to provide staff, these agencies 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 the 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, our M&A integration practices ensure new employees to our business have the right to work in the host country.

We are in the final year of our original three-year action plan to investigate our large and complex supply chain. The Centrica supply chain operates across a variety of industries and jurisdictions and we work with over 32,000 suppliers, with most activity centralised and managed by Procurement.

New suppliers to Centrica are risk rated using a third-party country and sector risk segmentation tool that considers the product or service being offered and any slavery risk. Suppliers identified as high risk are subject to a further, enhanced risk assessment which reviews their corporate responsibility standards, including labour and workers' rights. Suppliers which still remain within the high-risk category receive site visits from a third-party assessor and, where appropriate, our own Procurement team. During 2016 we formed a preliminary list of high risk suppliers; towards the end of 2017, a subsequent assessment of our supplier base was performed with jurisdictional, product and spend risk reviewed to ensure any changes to risk profile were identified. Any suppliers found to be falling within the higher risk category were included in the 2018/19 planned site inspection programme. For 2018, we have also included other risk indicators such as a low skilled work force and/or factory size.

Our site inspection programme continued throughout 2018. At the beginning of the year, we have replaced the previous independent audit firm with one that offers an anonymous workers helpline to enable factory workers in our supply chain to flag instances of modern slavery.



At the end of 2018, 14 supplier sites had been visited or revisited in jurisdictions, including China, Vietnam and Sri Lanka, reviewing factors such as human rights and labour practices and health and safety practices. Where required, corrective action plans were developed with the managers of each site. We recognise that collaborative working is vital to effectively mitigate issues and implement long-term change.

During 2018, no evidence of modern slavery or forced labour was found in our supply chain as a result of our ethical site inspection programme. Additionally, no factory worker contacted the third-party worker helpline to report any concerns. We are continuing to work with suppliers to make sure we contribute to deliver improvement in health and safety and working practice of workers across our supply chain and will continue our site inspection programme throughout 2019.

We have been exploring opportunities for collective action with our suppliers and industry counterparts. This effort resulted in our joining the Responsible Sourcing Council. This enables us to gain insights across industries and share leadership where possible. In addition, we continue to engage with the Institute of Business Ethics to facilitate increased collaborative working with other organisations.

Finally, in 2019, in line with the Home Office independent review of the Act, we will look at updating our Procurement and Corporate Responsibility Policy for Suppliers. This is to broaden the current definition of modern slavery to encapsulate new emerging forms of exploitation and abuse.

**32,000**

suppliers worldwide

**No forced labour**

was found in our supply chain



## Our Progress

### Our Areas of Focus

During 2018, the following areas continued to warrant specific focus based on jurisdictional and industry risk:

#### Technology products and the Internet of Things

We manufacture branded and unbranded products, including Hive Active Heating and associated Hive products, via suppliers located in jurisdictions that are higher risk according to the Global Slavery Index 2016 (GSI).

#### Garment manufacturers

Our engineer uniforms are manufactured in jurisdictions that may be considered higher risk based on GSI 2016 data.

#### Facilities management services

During 2018, we conducted a review of our facilities management suppliers, including those that provide catering, cleaning, logistic and haulage services, across the Group. In the UK and Ireland, we predominantly partner with large organisations that are subject to their own modern slavery obligations and with whom we have entered into agreements containing modern slavery contractual obligations. Across the rest of the Group, we are verifying that other large suppliers comply with the requirement to publish a statement under the Act or legislative equivalent and take steps to minimise the possibility that modern slavery exists in their supply chain. For other smaller suppliers, which are not required to publish a statement under the Act, we are continuing to assess whether they have satisfactory processes in place to tackle modern slavery.

#### Solar

During 2018, we have seen an increase in demand for solar as a component of energy solutions we provide to business customers. We are implementing due diligence on solar suppliers as appropriate and will report further on these efforts in our next statement. We will continue to review our risk profile as our programme matures and our business changes.

### Key Performance Indicators

We continually measure the success and performance of our organisation by tracking key performance indicators such as employee engagement and the average corporate responsibility risk ratings of assessed suppliers. A similar set of key performance indicators (KPIs) continues to be developed and applied to measure the effectiveness of our compliance with the Modern Slavery Act. KPIs to date include:

- Statistics relating to our supply chain risk and modern slavery training; to build on the classroom training delivered in 2017. At the end of 2018, a further 26 procurement employees have been trained both via face to face and online training: 186 in total
- Volume of supplier desktop reviews: 69 desktop reviews have been completed in 2018
- Number of higher risk suppliers independently audited: 14 site inspections were undertaken during 2018
- Number of remedial actions agreed in respect of audit findings; although no evidence of modern slavery or forced labour was found, 14 corrective action plans, relating to health, safety, environment and labour practices, were agreed with suppliers following site inspections undertaken during 2018
- Number of other suppliers being monitored via accessing third party evaluations and associated corrective action plans: 6
- Number of suppliers' evaluations based on our 'Every visit counts' programme to date: 12
- Number of factories which made improvements to their labour and HSE practice, as a result of implementing corrective action plans, over the past two years: 15

We will continue to drive this programme forward, and as it matures, we will report further on progress in our next statement. This statement has been approved by the Safety, Health, Environment, Security and Ethics Committee of the Board and by the Centrica plc Board of Directors.

For and on behalf of Centrica plc and its subsidiaries

**Iain Conn**  
Group Chief Executive Officer

#### 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, British Gas Energy Procurement Ltd, Centrica LNG Company Ltd, Centrica LNG UK Ltd, Neas Energy Ltd, Centrica Business Solutions Ltd, Spirit Energy North Sea Ltd, Spirit Energy Production UK Ltd, Spirit Energy North Sea Oil Ltd, Spirit Norway Ltd, Spirit Energy Resources Ltd, Spirit Production (Services) Ltd, Spirit Energy Southern North Sea Ltd, Centrica Offshore UK Ltd, Centrica Storage Holdings Ltd, Centrica Storage Ltd, Centrica Services Ltd.

