

Basis of Reporting 2020

We engaged DNV GL Business Assurance Services UK Limited (DNV) to undertake a limited assurance engagement using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information', over the KPIs set out in the this Basis of Reporting for performance disclosed in the Annual Report and Accounts 2020 on pages 30 and 224. View centrica.com/assurance or centrica.com/ar20 for more information.

Contents

- [Total Carbon Emissions \(Scope 1 and 2 Emissions\)](#)
- [Total Energy Use](#)

Total Carbon Emissions (Scope 1 & 2 Emissions)

1. KPI description

The reporting of the company’s total carbon emissions in our Annual Report and Accounts is a legal requirement under The Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. It also enables us to understand our greenhouse gas (GHG) footprint, a pre-requisite for the successful management of such emissions.

2. Scope

Table A – Scope overview

	In scope	Out of scope
Geography	<ul style="list-style-type: none"> Global 	<ul style="list-style-type: none"> N/A
Organisational	<ul style="list-style-type: none"> All wholly or partially owned reporting entities across Centrica¹ irrespective of operational control² 	<ul style="list-style-type: none"> Reporting entities where Centrica has no equity Independent franchisees of Centrica owned franchises
Operational	<ul style="list-style-type: none"> Scope 1 emissions from the combustion of fuels in the premises, vehicles, equipment and machinery owned/controlled³ by the reporting entity⁴ Combustion of hydrocarbons in flaring Release of unburnt hydrocarbons Scope 2 (location-based) emissions associated with the electricity, heat and steam we import for use in our premises, vehicles, equipment and machinery 	<ul style="list-style-type: none"> Carbon emissions released during the combustion of biologically sequestered carbon – biomass and biofuels

¹ Where Centrica has only part equity in a reporting entity (e.g. joint ventures), the GHG is pro-rated to reflect Centrica’s share. Whilst Centrica follows the equity share approach described by the GHG Protocol; we also draw from the IPIECA guidelines, to assist in the application of the GHG Protocol to our complex organisational structures. Accordingly, Centrica applies the company’s equity share to the organisation that controls the assets and not the assets themselves.

² Reporting entities where we have equity, but which we do not operate, include Spirit Energy, UK nuclear and some Combined Heat & Power (CHP) units on customer sites.

³ Owned can mean owned or exclusively leased by the reporting entity (refer below).

⁴ The equity approach is applied to the reporting entity and does not necessarily reflect the actual ownership of the assets used by that reporting entity. For example, we lease many of the offices and vehicles that we use, but we report them as scope 1 and apportion the emissions based on the equity we have in the reporting entity that uses them.

Table B – Scope 1 & 2 emissions

In scope	Out of scope
Offices and Depots	
Scope 1 Emissions from offices that we wholly or partially own or lease <ul style="list-style-type: none"> • Gas use • Diesel use • Refrigerant loss 	Scope 1 <ul style="list-style-type: none"> • Emissions from offices that we sub-lease to others • Joint venture office and fleet emissions⁵ • Biofuels used onsite to generate heat and power for on and offsite use (sequestered carbon is reported as a separate indicator)
Scope 2 Emissions from offices that we wholly or partially own or lease <ul style="list-style-type: none"> • Imported power (whether from Centrica or another supplier) 	Scope 2 <ul style="list-style-type: none"> • Emissions from offices that we sub-lease to others • Joint venture office and fleet emissions⁵
Fleet	
Scope 1 Emissions from: <ul style="list-style-type: none"> • Commercial fleet vehicles owned or leased by Centrica • Company cars (business travel only) • Rental cars where the fuel is claimed back as expensed mileage 	Scope 1 Emissions from: <ul style="list-style-type: none"> • Contractor's vehicles • Personal mileage in company cars, including commuting • Rental car fuel use unless claimed back as expensed mileage • Grey fleet (personally owned cars used for company business) • Emissions from biofuels in forecourt fuel
Power Generation Reporting Entities	
Scope 1 Emissions from power generating entities where we have equity: <ul style="list-style-type: none"> • Carbon dioxide (CO₂) from fuel combustion & fugitive emissions • Fugitive GHG (incl. methane (CH₄)) from gas turbines, Sulphur Hexafluoride (SF₆) leakage, fugitive natural gas emissions, refrigerant leakage (HFCS and PFCS); emissions of Nitrous Oxide (N₂O) and Nitrogen Trifluoride (NF₃) 	Scope 1 N/A
Scope 2 Imported power for plant consumption (whether from Centrica or another supplier)	Scope 2 N/A
Hydrocarbon Production & Storage Reporting Entities	
Scope 1 GHG emissions from reporting entities where we have equity: <ul style="list-style-type: none"> • Carbon dioxide (CO₂) from fuel combustion (incl. flaring) • Venting and fugitive GHG (incl. methane (CH₄)) from gas turbines, Carbon dioxide (CO₂) from hydrocarbon processing, Sulphur Hexafluoride (SF₆) leakage, fugitive natural gas emissions, refrigerant leakage (HFCS and PFCS); emissions of Nitrous Oxide (N₂O) and Nitrogen Trifluoride (NF₃) 	Scope 1 N/A
Scope 2 Imported power for plant (whether from Centrica or another supplier)	Scope 2 N/A

3. Calculation methodology

3.1 Unit of measure

Tonnes of carbon dioxide equivalent (tCO₂e)

⁵ These emissions are immaterial in magnitude for disproportionate effort to source.

3.2 Calculation

Table C - Constituent indicators

Gas Flared ⁶	Upstream Scope 1 Total Emissions	= Total Carbon Emissions (tCO ₂ e)
Oil Flared ⁶		
Fuel Oil Use ⁶		
Plant Gas Use ⁶		
Plant Diesel Use ⁶		
Formation Emissions		
AGR Reactor Emissions		
Methane from Gas Turbines		
Fugitive Emissions		
Nitrogen Removal Units (as CH ₄)		
Product Gas Compressors (as CH ₄)		
SF ₆		
N ₂ O Nitrous Oxide		
PFCs		
HFCs		
Freon (R22)		
Vented Gas		
HFC blends		
Total Methane Emissions		
Building Gas Use	Downstream Scope 1 Total Emissions	
Building Gas Oil Use		
Company Car (Fuel Card) - Petrol		
Company Car (Fuel Card) – Diesel		
Commercial Fleet - Diesel		
Commercial Fleet – Petrol		
Company Car Expensed Dist. Diesel		
Company Car Expensed Dist. Petrol		
Service Manager (SEAT) Distance Diesel		
Refrigerants (blended and HFCs)		
Building Electricity use	Scope 2 (location-based) Total Emissions	
Plant Electricity use		

⁶ Where EU ETS data is available, this value will replace: Gas Flared, Oil Flared, Fuel Oil Use, Plant Gas Use, Plant Diesel Use.

4. Data quality, collection and reporting frequency

Centrica plc HSES Reporting Standard 03 sets out the detailed data collection process and is available internally. Data is collected quarterly and biannually via a global online reporting system. Progress against our 2030 Ambitions is reported annually as part of Centrica's external annual reporting.

5. Assumptions

Site specific emission factors are used where available and when there is site specific variation (e.g. unprocessed natural gas) to convert activity data into GHGs. Where there is negligible site-specific variation, standard emission factors from published sources are applied, including:

- UK Government GHG Conversion Factors for Company Reporting
- United States Energy Information Administration (EIA)
- Egrid Summary Tables
- Environment Canada National Inventory Report
- International Energy Agency (IEA)
- Environmental Protection Agency (EPA)

Where activity data is submitted in energy units (e.g. kWh of gas consumption), the emission factor is based on the assumption that the energy units are the Gross Calorific Value, unless specified otherwise. This is based on natural gas suppliers typically quoting gas consumption in gross energy units and natural gas being the main fuel source used.

As a result of the sale of Direct Energy, at the end of the year, a higher than normal proportion of the Direct Energy office data was estimated in quarter four.

Total Energy Use

1. KPI description

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implements the UK Government's policy on Streamlined Energy and Carbon Reporting (SECR), which requires quoted companies to report the underlying global energy use that is used to calculate their Scope 1 and 2 GHG emissions.

Energy consumption is one of the Global Reporting Indicator (G4) core indicators for environmental reporting. The KPI includes the global consumption of all forms of energy products, including fossil fuels, renewable energy and electricity. The KPI is required to be reported across the following two breakdowns – 'UK and Offshore' and 'Non-UK'.

2. Scope

Table A – Scope overview

	In scope	Out of scope
Geography	<ul style="list-style-type: none"> Global 	<ul style="list-style-type: none"> N/A
Organisational	<ul style="list-style-type: none"> All wholly or partially owned reporting entities across Centrica¹ irrespective of operational control² 	<ul style="list-style-type: none"> N/A
Operational	<ul style="list-style-type: none"> Energy consumed as fuel or electricity 	<ul style="list-style-type: none"> Assets sub-leased to a third party Joint venture offices and fleet³ Assets where fuel is provided by a third party e.g. offshore helicopters and shipping Flared Gas⁴

3. Calculation methodology

3.1 Unit of measure

Kilowatt hours (kWh) as specified by the Regulations 2018.

3.2 Reporting gas use

In order to ensure consistency in energy consumption reporting, Net Calorific Vale (CV) is used for all energy consumption. The only exception is office gas consumption where Gross CV is used for reporting as this is the form in which consumption data is typically provided.

¹ Where Centrica has only part equity in a reporting entity (e.g. joint ventures), the energy usage is prorated to reflect Centrica's share. Centrica applies the company's equity share to the organisation that controls the assets and not the assets themselves.

² Reporting entities where we have equity, but which we do not operate, include Spirit Energy, UK Nuclear and some Combined Heat and Power (CHP) units on customer sites.

³ These are immaterial in magnitude for disproportionate effort to source.

⁴ This exclusion is consistent with ESOS regulations, where flared gas is excluded as it is not considered energy consumption but energy disposal.

4. Data quality, collection and reporting frequency

Centrica plc HSES Reporting Standard 03 sets out the detailed data collection process and is available internally. Energy consumption data is collated on a monthly or quarterly basis for fleet and offices, and on a biannual basis for plant and upstream energy consumption. Energy consumption is reported annually as part of Centrica's annual external reporting.

5. Assumptions

- Fuel properties sourced from UK Government GHG Conversion for Company Reporting
- Road vehicle properties sourced from Department of Transport statistics
- Net CV assumed for everything excluding office gas use
- Grey fleet (mixed fuel) has an assumed composition of 15% petrol and 85% diesel

5.1 Direct Energy Divestment

As a result of the sale of Direct Energy, at the end of the year, a higher than normal proportion of the Direct Energy office data was estimated in quarter four.