

Our Gender Pay Statement 2017 – UK

Reflecting the diversity of our customers and communities by attracting and retaining diverse talent, is vital to satisfy the changing needs of our customers.

That is why we are passionate about creating a fulfilling, diverse and inclusive place to work, with equality and fairness at the heart of our values, policies and everyday practices.

As part of this, we strive to ensure that women have the same opportunity to achieve strong career progression and pay as men.

We welcome laws introduced by the UK Government for companies with 250 or more employees to disclose their gender pay gap each year.

We believe that this transparency will improve collective understanding of the complex factors that contribute to the gender pay gap and empower our company, our sector and our society to drive positive change.

Our gender pay

Mean gender pay gap
12%

Median gender pay gap
30%

Mean gender bonus pay gap
30%

Median gender bonus pay gap
8%

Proportion of males receiving a bonus
91%

Proportion of females receiving a bonus
92%

Our equal pay

Mean equal pay gap
2%

Median equal pay gap
1%

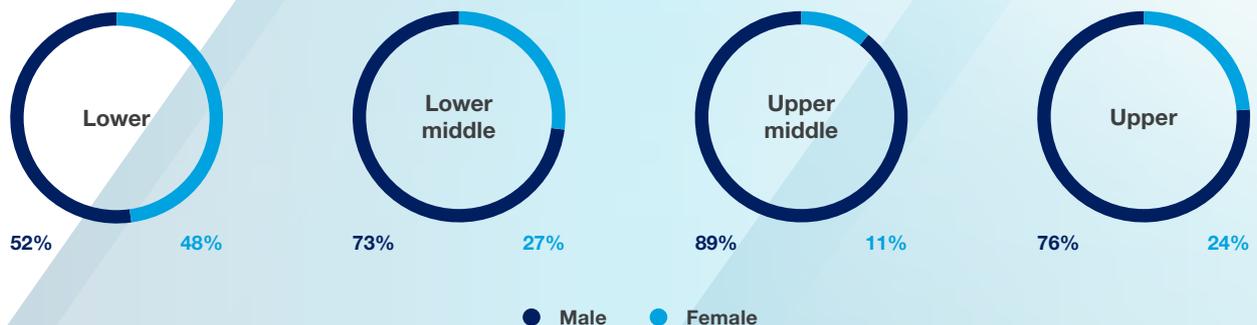
What is the gender pay gap and what is equal pay?

The gender pay gap is the difference between the average pay of all men and women across the business, irrespective of their role and seniority. It is different to equal pay which measures whether men and women are paid the same for performing similar roles or work of equal value, as set out by The Equality Act 2010. We have robust processes in place to ensure we do not have an equal pay issue. Our gender pay gap is instead driven by a greater number of men in traditionally male-dominated technical roles such as gas and electrical engineering (see next page).

What is the mean and what is the median?

- The mean measures the average pay or bonus for a woman against the average pay or bonus for a man.
- The median compares the 'middle' pay or bonus for a woman and the 'middle' pay or bonus for a man when all values are distributed from low to high. The median is less affected by outliers compared to the mean.

Proportion of males and females in each pay quartile



Explaining our gender pay gap

In the UK, our mean gender pay gap is 12% while our median gender pay gap is 30%. Our gender pay gap is above the UK median average of 18%⁽¹⁾. This is not driven by unequal pay but by the uneven distribution of men and women across the business and the type of roles they do. Like other employers in our sector, we have a greater proportion of men in higher paid, traditionally male-dominated technical roles such as gas, central heating and electrical engineering, which form a significant portion of our workforce. By contrast, we have a larger number of women in lower paid, less technical roles such as customer service and administration. This greater distribution of men across our upper pay quartiles explains our higher median gender pay gap compared to our lower mean gender pay gap.

We have robust processes in place to uphold equal pay. This includes conducting an equal pay audit each year and using the Hay job evaluation methodology to standardise our approach to job grading and reward. When comparing pay across equivalent jobs, our gender pay gap reduces considerably to 2% mean and 1% median. The remaining difference can be attributed to factors relating to experience.

Our mean gender bonus pay gap is 30% and our median gender bonus pay gap is 8%. The higher mean gap is due to a greater number of men than women in roles which carry a higher proportion of performance related variable pay, such as sales and trading. Additionally, whereas the gender pay gap is based on an hourly rate of pay, the bonus pay gap is calculated using the actual bonus amounts paid irrespective of whether an employee works part-time or full-time. As 27% of our women versus 3% of our men work part-time, prorated bonus for women further influences our gender bonus gap.

Across our wider workforce, we have a consistent distribution of performance ratings and associated bonus earnings. Our men and women have equal opportunities for roles involving performance related variable pay, with 91% and 92% receiving an award respectively. Our male top bonus earners significantly influence our mean gender bonus pay gap, while our relatively consistent distribution of bonuses explains our lower median gender bonus pay gap.



Overall percentage of female employees⁽²⁾

29%

Overall percentage of female senior managers⁽²⁾

28%



Watch our video on the gender pay gap and how we hope to close it: centrica.com/explaininggenderpay



“ I use my volunteer days to go into primary schools and showcase what an engineering and tech career can be like. Some of these kids may never have met an engineer before and for them to see that they could be inventing the future is hugely rewarding. ”

Nicola Combe
Connected Home Global Product Lead



(1) Office for National Statistics, October 2017. A comparable mean national average has not been calculated.

(2) As at 31 December 2017 to align with annual reporting rather than 5 April 2017 gender pay gap snapshot data.

Our focus on closing the gap

We work hard to be a company where everyone can progress in their careers and achieve their full potential.

We know, however, that there is more we can and must do. That is why we are sharpening our focus on building an inclusive and gender balanced talent pipeline by attracting, developing and retaining our people. Over time, we are confident that this approach will help close our gender pay gap and support our goal of being an employer of choice.

Attraction

We are strengthening our recruitment strategies and breaking down gender stereotypes to become an employer of choice for diverse talent.

- Leadership teams have set internal targets to achieve greater diversity and gender parity.
- Recruiters have been challenged to present more diverse candidates while resourcing teams are undergoing unconscious bias training to ensure fairness.
- Gender demographics and insights for all new starters and leavers are tracked and reviewed to make sure pipeline targets remain on-track.
- Our strong female role models are playing a leading role in the national debate on women in STEM (science, technology, engineering and maths) subjects, to encourage greater diversity in traditionally male-dominated roles. Through interviews, social media campaigns and school visits, we are changing the perception of engineering and technology to show how these roles can provide a fulfilling career for women as well as men.
- We are active participants in the Women's Business Council, a government-backed, business-led body, that is breaking down the barriers for women to enter and succeed in the workplace by sharing and championing best practice.

Development

Our mentoring and training initiatives are enhancing our female talent pipeline and supporting our ambition to increase the number of women in senior positions.

- We are active members of the 30% Club, a cross-company, cross-sector mentoring programme for mid-career women. The aim of the programme is to help create a step change in the number of women attaining senior leadership roles.
- The Centrica Women's Network provides a valuable source of development, with access to role models and practical learning to grow personal and professional impact.
- Training on unconscious bias is being rolled-out to help managers understand how their actions may inadvertently affect their team and ensure decisions are meritocratic.

Retention

By making Centrica a great place to work through forward-thinking policies, practices and programmes, we can retain our best people in the best jobs.

- In 2017, we introduced a new set of values that will help us become truly inclusive and create a culture where our people can flourish.
- Our flexible working practices are helping employees better balance work with family commitments. This includes being one of few large companies to offer up to one month's paid leave for employees with carer responsibilities.
- We sought feedback from maternity returners about the challenges women face when they return to work after starting a family. As a result, we have improved our policies and procedures and will launch a new mentoring programme for new parents in 2018.
- Following learning from HITReturn, our pioneering pilot that supported senior female professionals returning to work following a long career break, we will launch an enhanced programme in 2018. During the programme, women will be given support, development and exposure opportunities with a view to secure permanent employment at the end.

“ Engineering is a largely male environment and I was a little apprehensive going in. But I found that I fit in perfectly. I get on well with the rest of the engineers and even the customers who are a bit surprised initially seeing me on the doorstep are so welcoming! ”

Natalie Foster
British Gas engineer



Monitoring our performance

We will continue to monitor and analyse our gender pay gap so that we can better understand the drivers of the gap and target action to reduce it. We recognise, however, that meaningful and sustained change across our business and sector will take time. Detailed strategic updates on diversity and inclusion, talent development and our gender pay gap performance will be reported to the Board's Group People Committee throughout the year.

Our declaration

We confirm that our gender pay gap calculations are accurate and meet the requirements of the methodology set out in The Equality Act 2010 (Gender Pay Gap information) Regulations 2017.

Iain Conn

Group Chief Executive

Jill Shedden

Group Human Resources Director

Disclosure by legal employing entity

To provide a more meaningful picture of our performance, we have gone beyond mandated disclosure by leading the statement with our overall UK gender pay gap which better reflects how we operate as a business.

Our overall UK gender pay gap has been calculated by combining performance from across all of our legal employing entities in the UK, irrespective of whether they have 250 or more employees.

As required by law, our performance for each legal employing entity with 250 or more employees is also provided below.

Notes on methodology

- Data relating to the gender pay gap is based on hourly fixed rates of pay for employees at full pay as at the snapshot date of 5 April 2017.
- Bonus data encapsulates anyone receiving a bonus during the twelve months leading up to the snapshot date.

Legal employing entity – UK	Number of relevant employees in entity	Proportion of men and women (M/W) (%)	Mean gender pay gap ⁽¹⁾ (%)	Median gender pay gap (%)	Proportion of men and women in the lower quartile for pay (M/W) (%)	Proportion of men and women in the lower middle quartile for pay (M/W) (%)	Proportion of men and women in the upper middle quartile for pay (M/W) (%)	Proportion of men and women in the upper quartile for pay (M/W) (%)	Mean gender bonus pay gap ⁽¹⁾ (%)	Median gender bonus pay gap ⁽¹⁾ (%)	Proportion of men and women receiving a bonus (M/W) (%)
Centrica Group – UK ⁽²⁾	28,947	72.4/ 27.6	12.2	30.3	52.2/ 47.8	72.7/ 27.3	88.9/ 11.1	75.9/ 24.1	30.1	8.3	91.2/ 92.2
British Gas Trading Ltd	12,542	61.9/ 38.1	-0.6	8.5	57.7/ 42.3	53.0/ 47.0	77.1/ 22.9	59.7/ 40.3	18.6	23.0	92.9/ 95.9
British Gas Services Ltd	11,978	83.7/ 16.3	22.6	37.0	56.8/ 43.2	87.5/ 12.5	97.3/ 2.7	93.1/ 6.9	3.5	8.7	96.0/ 95.9
Centrica PLC	2,998	68.9/ 31.1	16.6	12.0	60.4/ 39.6	70.5/ 29.5	70.3/ 29.7	74.3/ 25.7	56.6	39.4	82.3/ 85.3
British Gas Services (Commercial) Ltd	460	83.3/ 16.7	34.8	44.1	43.8/ 56.3	92.3/ 7.7	99.2/ 0.8	95.7/ 4.3	-61.3	18.5	64.9/ 22.3
PH Jones Ltd	397	80.1/ 19.9	27.2	34.8	40.6/ 59.4	82.7/ 17.3	98.0/ 2.0	97.1/ 2.9	-52.8	-21.3	43.1/ 7.1
Centrica Storage Ltd	309	84.1/ 15.9	30.9	36.8	59.7/ 40.3	89.5/ 10.5	95.0/ 5.0	92.1/ 7.9	38.8	38.9	80.1/ 94.0

(1) A negative number indicates a gender pay or bonus gap in favour of women.

(2) Constitutes all of our UK legal employing entities set out in the table above, together with all of our UK legal employing entities with less than 250 employees which includes British Gas Energy Services Ltd, British Gas New Heating Ltd, Centrica Production (Services) Ltd, Dyno-Rod Ltd and Hydrocarbon Resources Ltd.