

Our response to the Modern Slavery Act

Centrica plc Modern Slavery Act Statement

This statement, relating to the financial year ending 31 December 2017, 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 chains and mitigate any risk of slavery and human trafficking. Centrica plc and its subsidiaries ('Centrica' or the 'Group') 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.

Customer-facing businesses

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. Our Centrica business strategy is 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, optimise assets and provide flexible multi-technology solutions.

Asset-based businesses

Our Exploration & Production business focuses on gas and oil production in the UK, Netherlands and Norway. In December 2017, this business combined with Bayerngas Norge to form a new joint venture company, Spirit Energy, with Centrica owning 69% of the venture. Through our Central Power Generation asset-based business, we hold a 20% interest in eight UK nuclear power stations, and have a tolling arrangement with Spalding power station.

Through Centrica Storage, we have operated the UK's largest gas storage facility, Rough; in June 2017, we announced that Rough was ceasing storage activities. The Competition and Markets Authority released the Rough Undertakings in December 2017, enabling Centrica Storage to transition to a production asset. Since 17 January 2018, Centrica Storage has operated under a production licence.

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. The primary Group Functions are IS, Procurement, Finance, HR, Health, Safety, Environment & Security, Legal, Regulatory, Ethics & Compliance, Secretariat, Marketing and Corporate Affairs.

Over 33,000

employees worldwide

We have a

Zero tolerance

approach to slavery and human trafficking

27m

customer relationships worldwide



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 available to every individual and entity working for the Group:

- Business Principles - Until January 2018, our Business Principles underpinned everything we did, demanding ethical behaviour that was compliant with all laws and regulations of the countries in which we operate. In January 2018, the Business Principles were replaced with a new code of conduct, Our Code, which applies to all Centrica employees, subsidiaries, affiliate companies, agency staff and consultants. Our Code 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 third parties 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 Policy - 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.
- Good Repute Policy - This is directed at HR personnel and line managers and sets out the standards of recruitment that the organisation, including contractors, agents and outsourced arrangements, should adhere to.

2017 has also seen the launch of new Centrica values which were developed through conversations with employees across the business. We live the values of Care, Delivery, Collaboration, Agility and Courage in everything we do in order to better fulfil our purpose to satisfy the changing needs of our customers.

Classroom training sessions delivered to

160

Procurement staff globally

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. In our previous statement, we set out our intention to deliver enhanced training to higher risk personnel. During 2017, we delivered classroom training sessions to 160 Procurement staff covering supply chain risk with specific reference given to modern slavery. We also designed a mandatory online supply chain risk learning module for new starters within the Procurement function that will be launched during 2018. In 2018 we will look to signpost modern slavery learning resources to new starters across the organisation via a global induction programme. We encouraged awareness of modern slavery via the publication of internal news items and during 2018 will consider the development of a dedicated intranet space where relevant resources can be published.

Governance

The 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 standards 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 provides updates to executive management as well as the Board.



Risk Assessments and Supplier Due Diligence

As anticipated in our previous statement, our understanding of the modern slavery risks to which Centrica is exposed has deepened during 2017. Our last statement reported that our operations were considered to be lower risk than the supply chain on account of nature and jurisdiction; this view has been supported by our findings during 2017.

In the UK, our people are subject to various HR processes to ensure a right to work in the UK. 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 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 we rely on third parties to provide temporary labour, we ensure that they are bound by stringent contractual obligations that require them to support our objectives under the Act.

Our three-year action plan to investigate our large and complex supply chain continues. The Centrica supply chain operates across a variety of industries and jurisdictions and we work with over 35,000 suppliers with the majority of activity centralised and managed by Procurement. Last year, we reported that higher risk contracts had been amended to include modern slavery clauses. During 2017, we have updated all contract templates with these provisions.

New procurement-managed 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 that are identified by the tool as high risk are subject to a further, enhanced risk assessment which takes into account their corporate responsibility standards, including labour and workers' rights, with suppliers ultimately falling within the high-risk category receiving 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.



We work with over

35,000

suppliers

We source goods and services from over

20

countries

Site inspections commenced during 2017 and will continue throughout 2018/19. At the end of 2017, 18 supplier sites had been visited in jurisdictions including China and India by an independent site inspection provider reviewing factors such as human rights and labour practices and health and safety practices.

Corrective Action Plans were subsequently developed with the managers of each site setting out steps that must be taken by the supplier to improve their labour, health, safety and environmental practices. No evidence of modern slavery has been identified as a result of these inspections. Our Procurement team continues to work closely with the site managers to monitor the progression of these plans and revisits are to be conducted in 2018; we recognise that collaborative working is vital in order to effectively mitigate issues and implement long-term change.

The Steering Group continues to be responsible for the creation and oversight of suitable response and escalation plans for both the supply chain and operations, ensuring that in the event of an identified or suspected modern slavery incident Centrica responds in an appropriate and effective manner with a clear governance structure and longer-term strategy. In our previous statement, we advised we were looking to conduct a 'business continuity resilience day' during 2017. This was duly undertaken with some of our most senior leaders and our response to a hypothetical modern slavery incident within the supply chain was tested and evaluated. As a result of our learnings, we are working on enhancing the agility of our internal processes to ensure a timely response.

During 2017 we started exploring opportunities for collective action with our suppliers and industry counterparts. In March, we partnered with the Supply Chain School to host a supplier forum focused on supply chain sustainability and best practice. We are engaging with the Institute of Business Ethics to facilitate increased collaborative working with other organisations and during 2018 we will explore additional initiatives that can help us progress our modern slavery programme.

Our Areas of Focus

The work we have undertaken during 2017 has supported the views we formed during 2016, namely that the following areas 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 (GSI).

- Garment manufacturers

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

- Facilities services

Our catering, cleaning and security services across the business are sourced via agencies; however, we predominantly partner with large organisations that are subject to their own modern slavery obligations.

In last year's statement, we included solar panels as a potential area of risk. During 2017, demand in this space has significantly reduced, and we foresee no further sourcing requirement for solar equipment. We will review this again in 2018.

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 continues to be developed and applied in order to measure the effectiveness of our compliance with the Modern Slavery Act. KPIs to date include:

- Statistics relating to supply chain risk and modern slavery face to face and online training; during 2017, 160 Procurement employees received classroom training. Online training will commence during 2018 and we will review these statistics in our next statement.
- Volume of supplier desktop reviews; we have completed 138 desktop reviews.
- Number of higher risk suppliers audited; 18 site inspections were undertaken during 2017.
- Number of remedial actions agreed in respect of audit findings; 18 Corrective Action Plans, relating to health, safety, environment and labour practices, were agreed with suppliers following site inspections undertaken during 2017.

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
Chief Executive Officer

