

United Nations Global Compact

Centrica's 'Communication on progress' – 2015

The United Nations Global Compact (UNGC) challenges business to uphold universally accepted principles on key issues such as human rights, anti-corruption and the environment. As a signatory to the UNGC and as part of our commitment to being a good corporate citizen, we remain steadfast in our pledge to support, uphold and communicate the action we are taking on these important issues.

Iain Conn
Chief Executive

[Visit the United Nations Global Compact website](#)

1. Businesses should support and respect the protection of internationally proclaimed human rights

As a leading international company, we have a responsibility to protect our people and the communities in which we operate from human rights abuses.

Our Business Principles are aligned to the [Universal Declaration of Human Rights](#) and set out the high ethical standards we expect our people and partners to uphold. To ensure we embody the Business Principles wherever we work in the world, we conduct an annual Business Principles declaration which requires all junior management level employees and above to pledge their commitment to human rights. All new employees additionally undertake an e-learning module to ensure they understand the Business Principles from the outset of their employment, while clauses in employment contracts support their compliance.

Find out more:

- [Business Principles](#)
- [Human Rights Policy](#)
- [CR Performance Update](#)

2. Businesses should make sure that they are not complicit in human rights abuses

We contribute positively to global efforts that uphold human rights by mitigating potential abuses in our business and our supply chain. We predominantly operate in countries with legal frameworks that safeguard these rights such as the UK, Republic of Ireland and North America.

Our Business Principles include the obligation to respect human rights. We embed this commitment across our business by delivering Business Principles training to all junior management level employees and above. All new starters complete an online module that ensures they are aware of the Business Principles while clauses in their contract helps ensure compliance.

We likewise embed safeguards on human rights through the products and services we buy. To reduce risk of non-compliance with social, ethical and environmental issues, we conduct supplier assessments through independent sustainability supply chain experts, EcoVadis. In 2015, 46 potentially higher risk, strategic suppliers completed assessment which resulted in an average supplier risk score of 54 (low risk). This score is better than the multi-industry average of 42 (medium risk) and marks an improvement from our 2014 score of 51 (low risk). Where suppliers receive a medium or high risk score, we work with them to raise standards by creating corrective action plans.

Should anyone have concerns about human rights abuses across our operations, we enable alleged issues to be reported anonymously via our independent Speak Up helpline which stimulates investigation and, if necessary, remedial action.

Find out more:

- [Business Principles](#)
- [CR Performance Update](#)
- [Procurement and Corporate Responsibility Policy for suppliers](#)
- [Human Rights Policy](#)
- [Supply chain case study](#)
- [Customer case studies](#)

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Centrica recognises that working in partnership with trade unions is essential for achieving business objectives that benefit our people, our customers and wider society.

We uphold the right for employees to be active members of recognised trade unions and in 2015, 44% of our people were part of trade unions which remains relatively consistent with the 43% of employees in 2014. Through responsible procurement clauses in supplier contracts, we also uphold the right to freedom of association for workers in our supply chain.

In 2015, we continued to engage trade unions in an open and transparent way in order to promote collaboration based on trust and honesty. In particular, we worked closely with unions on issues that included pay negotiation, changes to pension arrangements and business transformation following our strategic review.

Find out more:

- [Business Principles](#)
- [CR Performance Update](#)
- [Procurement Policy](#)
- [Supply Chain web page](#)

4. Businesses should uphold the elimination of all forms of forced and compulsory labour

We support the core conventions of the [International Labour Organisation \(ILO\)](#), which include the Abolition of Forced Labour (Convention 105, 1957). This pledge is embodied in our Business Principles as part of our commitment to respect human rights. All junior management level employees and above confirm their compliance with the Business Principles via the annual Business Principles declaration.

Responsible Procurement clauses in supplier contracts together with our dedicated Procurement and Corporate Responsibility Policy for Suppliers, prohibits the use of forced labour in any form across our supply chain.

Find out more:

- [Business Principles](#)
- [Human Rights Policy](#)
- [Procurement Policy](#)
- [Procurement and Corporate Responsibility Policy for Suppliers](#)

5. Business should uphold the effective abolition of child labour

As part of our continued vow to respect human rights as set out in our Business Principles, we prohibit child labour across our operations and supply chain.

We embed this commitment through online training via the Business Principles annual declaration for all junior management level employees and above. We further ensure the rights of children are protected via responsible procurement clauses in supplier contracts alongside conditions set out in our Procurement and Corporate Responsibility Policy for suppliers.

Find out more:

- [Business Principles](#)
- [Human Rights Policy](#)
- [Supply Chain web page](#)
- [Procurement and Corporate Responsibility Policy for Suppliers](#)

6. Businesses should uphold the elimination of discrimination in respect of employment and occupation

At Centrica, we embrace diversity in all its forms because it is not only the right thing to do, but ensures we have people with different perspectives that better reflect our customer base. This approach helps us create a great place to work where our people feel motivated and able to achieve their full potential, while enabling us to attract and retain the talent needed to satisfy the changing needs of our customers.

Our industry-leading approach to flexible working is helping parents and carers balance work and family commitments. This includes being able to work part-time or from home, as well as being one of few large companies to offer paid leave for carers which is in addition to annual leave. We are working closely with other companies and organisations to share learning from our best practice approach so that wider society can benefit.

To further provide a supportive workplace for our people and a forum for engagement that helps us better meet employee needs, we have a range of employee networks in place. These include our 1,000-strong Carers Network, Parents Network, Lesbian, Gay, Bi-Sexual & Transgender (LBGT) Network as well as the Women's Network.

In 2015, women made up 29% of our workforce, 27% of our senior management and 18% of our Board. We are committed to maintaining the current level of women on the Board and will increase the percentage if the skills, experience and knowledge of the individual is appropriate and in keeping with the needs of the business. We have a number of programmes in place to improve gender representation and ensure women enjoy the same career progression and pay as men. For example, we participate in the 30% Club, a cross-company, cross-sector programme that is helping create a step-change in the number of women attaining senior leadership roles. In partnership with Mars and Vodafone, we have also launched the first-ever, cross-company returners pilot scheme, HitReturn, which supports people returning to work following a long career break as either a parent or a carer. We work with the Women's Business Council who make recommendations to the UK Government and businesses on how best to optimise the economic contribution women make.

We furthermore actively recruit employees across a range of ages. This can be demonstrated by removing upper age limits for apprenticeships and making mature graduates eligible for graduate programmes. We are also a founding partner of the UK Government's Movement to Work scheme which helps young people not in education, employment or training (NEETs), find a job. We provided training to over 270 NEETs in 2015 and will provide work placements to a further 300 people in 2016 and another 300 in 2017.

Centrica's best practice approach to providing a diverse and inclusive working environment has been recognised by leading organisations. In 2015, Top Employers for Working Families awarded Centrica the Best for Flexible Working Award while Business in the Community (BITC) presented us with the Championing an Ageing Workforce Award.

Find out more:

- [Data centre](#)
- [Diversity and Inclusion Policy](#)
- [Diversity case study](#)
- [Carers case study](#)

7. Business should support a precautionary approach to environmental challenges

The biggest impact energy has on the environment is its contribution towards climate change, which is one of the greatest global challenges facing society. As a leading energy and services company, we can play an important role tackling energy's impact by driving down customer carbon emissions as well as those generated from across our business.

With over 90% of our carbon emissions arising from customer consumption, the biggest difference we can make to climate change is to give customers greater choice and control over how they use and generate energy.

We established a global Connected Home business in which we will invest £500 million over the five years to develop cutting-edge products that satisfy the changing needs of our customers. This builds on the success of selling over 300,000 smart thermostats in the UK which enable customers to control their heating and hot water remotely and led to 58% of Hive users believing it has helped save money on their energy bills. We have also installed around 70% of the UK's smart meters, making us leaders in the mandated roll-out which helps customers make more informed energy choices by exploring their energy use and costs in real-time.

We are also making homes more energy efficient and reducing customer reliance on fossil fuels. Through the Energy Company Obligation in 2015 for example, we installed more than 149,000 measures such as insulation, which will generate lifetime savings of 2.8mtCO₂e. Solar energy is growing in North America and in 2015, we installed solar panels in over 2,000 homes and businesses.

As we transition to a lower carbon energy future, gas remains an important part of our strategy because it is one of the most affordable energy sources for heating homes and running businesses, is the lowest carbon fossil fuel and backs up intermittent renewable energy. Alternatives to fossil fuels are however important. That is why we hold a 20% stake in the UK's existing nuclear power fleet and while we are proud to have shaped the UK's wind industry through our role as an early developer, we will now focus on being an enabler of other operator's wind projects through Power Purchase Agreements having taken the decision to sell our 245MW wind capacity.

During this period, the carbon intensity of our power generation declined from 154gCO₂/kWh in 2014 to 117gCO₂/kWh and are working towards reaching our 200gCO₂/kWh target by 2020. When we take into account the energy purchased from other providers, we have one of the lowest carbon fuel mixes among major UK energy suppliers. We also strive to reduce our internal carbon footprint and in 2015, we achieved a 27% reduction since 2007 which surpassed our 20% target. We have committed to make a further 20% reduction in our footprint by 2025.

Our efforts to effectively manage risks and opportunities related to climate change have been recognised. For example, CDP, an international non-governmental organisation (NGO) reporting to investors representing around a third of the worlds invested capital, ranked Centrica as a leader in disclosure and performance on climate change.

Find out more:

- [Data centre](#)
- [CR Performance Update](#)
- [Environment Policy](#)
- [CDP Climate Change Response](#)
- [CDP Water Response](#)
- [Environment and Energy security web page](#)

8. Business should undertake initiatives to promote greater environmental responsibility

With millions of people increasingly reliant on energy, we have a responsibility to provide the energy our customers need but we must do this in a way that minimises adverse environmental impacts. This enables us to build positive relationships with customers and communities, based on mutual interest.

Through our new global Distributed Energy and Power (DE&P) business, in which we expect to invest £700 million over the next five years, will give large-scale energy users such as businesses and hospitals the ability to take control of their energy use. DE&P will do this by bringing together flexible,

local generation with storage and renewable technologies alongside energy efficiency measures and smart building management systems. This will help keep costs and carbon emissions as low as possible. Our £500 million investment over the next five years in our Connected Home business, will also empower residential customers to reduce their use through greater awareness and control over energy.

We are working closely with communities to raise awareness about climate change and encourage the adoption of energy efficiency measures. Through our Generation Green education programme for instance, we have engaged over 14,000 schools in order to inspire the next generation to use energy more sustainably and become the energy innovators needed for the future. We also back Ignite, the UK's first corporate impact investment fund focused on energy. Through Ignite, we have committed £8 million of our £10 million fund alongside the expertise of our people to help energy entrepreneurs grow positive environmental and social impact in society.

Find out more:

- [Data centre](#)
- [CR Performance Update](#)
- [Environment Policy](#)
- [Environment web page](#)
- [Generation Green case study](#)
- [Ignite investments](#)

9. Business should encourage the development and diffusion of environmentally friendly technologies

While we cannot control how customers use energy, we are well positioned to drive the development and diffusion of technology that will help customers gain greater control and understanding over their consumption. This not only reduces carbon emissions but saves money on energy bills.

We are making investments that give us the technology and skills needed to innovate and create the connected home and businesses of the future a reality. To do this, we will invest £1.2 billion over the next five years in our new global Connected Home and DE&P businesses. This builds on the acquisition of AlertMe in 2015, a leading energy management services company who already provide the technology behind Hive Active Heating™, giving customers greater control over their heating and hot water from wherever they are via an app. Panoramic Power were also acquired and will lead the future development of wireless sensors that identify ways businesses can reduce operating costs.

In North America, we are using new technologies to help balance demand on the grid which reduces impact from fossil fuels as less energy is needed to meet peak demand. In 2015 for example, we launched Reduce Your Use Rewards which incentivises customers to lower usage during a peak event by saving 5% on energy bills. Through the Innovation to Inspiration exhibition tour, we are actively engaging communities to increase product demand and diffusion by showing how products like smart thermostats and automated sprinklers, can improve energy management.

Alongside these technologies, we also deliver energy efficient and renewable products and services such as insulation and solar. This has helped our UK customers save the equivalent average annual emissions of 5.9 million UK homes since 2008.

Find out more:

- [CR Performance Update](#)
- [Environment Policy](#)
- [Environment web page](#)
- [Our strategy](#)

10. Businesses should work against all forms of corruption including extortion and bribery

We are committed to operating ethically and upholding the laws and regulations of all the countries in which we operate. We therefore actively support the 2010 Bribery Act in the UK which forms the foundation for our approach to Anti-Bribery and Corruption (ABC) across Centrica.

To guard against ABC contraventions, our Business Principles provide a clear framework for guiding the behaviour of our people and partners. All junior management level and above employees undertake the annual Business Principles declaration while all new starters complete an awareness module and have clauses in employment contracts which help ensure compliance. Specific workshops and training are also delivered for employees working in higher risk roles relating to ABC.

Our zero tolerance approach to bribery and corruption extends to our partners and supply chain. For example, the Financial Crime Team monitors and manages risks in new business ventures and acquisitions throughout the year. The Procurement & Corporate Responsibility Policy for Suppliers also states that the supplier 'has and will comply with all relevant and applicable anti-bribery and corruption legislation' and 'has in place anti-bribery and corruption policies and procedures that apply across its company, including subsidiaries'. Supplier commitment to ABC is analysed in the EcoVadis assessment for strategic suppliers and verified during site audits, if necessary.

Find out more:

- [Business Principles](#)
- [Anti-Bribery and Corruption Policy for Suppliers](#)