

Basis of Reporting

2013 Reporting

centrica

Summary

The Basis of Reporting (BoR) outlines the scope of each of the 18 key performance indicators (KPIs) assured in our 2013 CR Performance Review and Annual Report and Accounts.

Deloitte have assured our KPIs as stated within their Assurance statement, available at www.centrica.com/CRassurance. To review the assured KPIs see:

- 2013 CR Performance Review, page 42 or visit: www.centrica.com/crperformancereview
- 2013 Annual Report and Accounts, pages 185-186 or visit: www.centrica.com/annualreport

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British Gas Net Promoter Score (NPS)

Description

NPS is a measure of customer advocacy and has been shown to be linked to company growth. It uses a scale of 0 to 10, to measure how much a customer would recommend a company.

Calculation methodology

Unit of measure

NPS is calculated by categorising customers into three groups based on how they answer the question: *How likely is it you would recommend British Gas?*

On a scale of 0-10 with 0 being Definitely Not Recommend and 10 being Definitely Recommend, how likely is it that you would recommend British Gas?

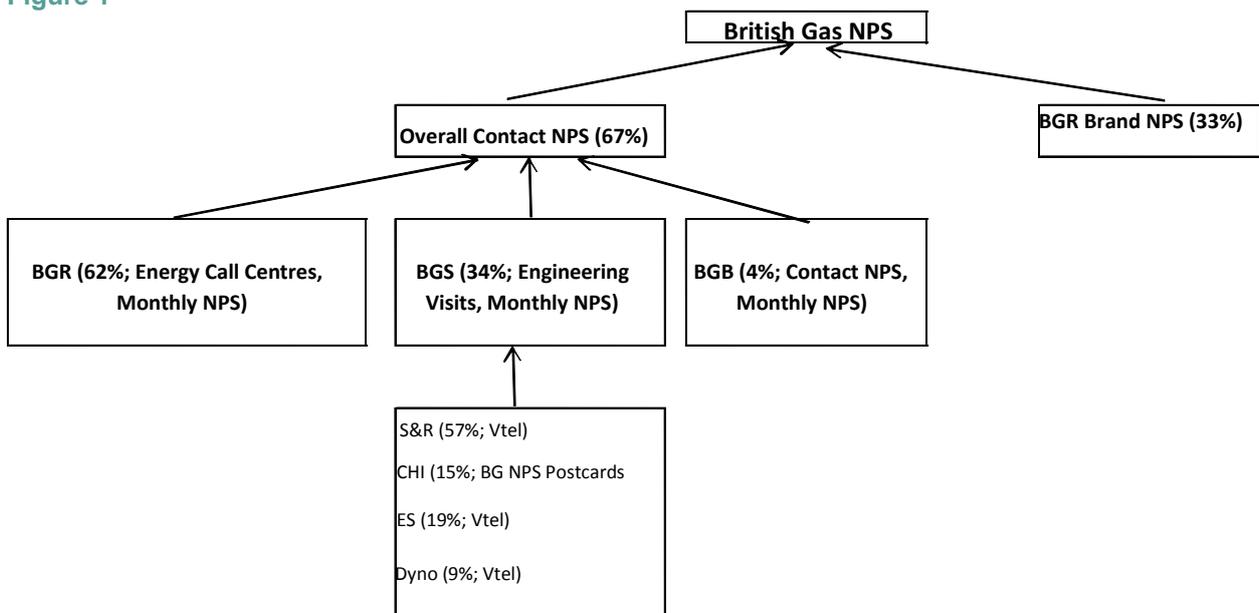


$$\text{NPS} = \% \text{ Promoters} - \% \text{ Detractors}$$

Scope

British Gas NPS measure is a composite metric combining NPS scores for Residential, Services and Business divisions. There are multiple NPS metrics from multiple separate survey sources that go into making up this composite score (outlined below – Figure 1), using the weightings shown.

Figure 1



Types of measurement

The British Gas NPS is made up of two types of measurement: Contact NPS across Residential Energy, Services and Business divisions and Brand NPS across Residential Energy and Services divisions. The Contact NPS measures customer advocacy soon after an interaction (call centre or engineer visit). Brand NPS measures customer advocacy among all Residential customers, including customers with no recent interaction with the business.

Table A - Outlines type of measurement used

Metric	Measurement type	Composition / inputs
(1) British Gas NPS	Blend of Contact and Brand NPS	British Gas Contact NPS (67%) + British Gas Brand NPS (33%)
(2) British Gas Contact NPS	Blend of British Gas Residential, British Gas Services and British Gas Business NPS	British Gas Residential NPS (62%) + British Gas Services NPS (34%) + British Gas Business NPS (4%), each of these scores are in themselves derived from scores based on multiple surveys.
(3) British Gas Brand NPS	Brand	NPS calculated from one survey which is representative of residential customers. End of year score is based on rolling three months to ensure robustness and to eliminate any spikes in the monthly survey data.
(4) British Gas Residential (BGR) NPS	Contact	Combination of BGR Customer Services NPS and BGR Customer Relations (complaint handling) NPS. End of year score is based on the survey data for the 12 months from January to December 2013. No weightings are applied.
(5) British Gas Services (BGS) NPS	Contact	Composite of Service & Repair (S&R, 57%), Central Heating Installation (CHI, 15%), Electrical Services (ES, 19%) and Dyno (9%), British Gas Community Energy is no longer part of BGS Engineer Visit NPS Metric, as of Dec 2011. NPS scores weighted based on 2012 expected gross profits in each area. End of year score is based on an average of the 12 monthly weighted scores (from January to December 2013).
(6) British Gas Business (BGB) NPS	Contact	NPS score is based on result of eDigital surveys sent to a selection of customers who have been in contact with BGB. For the overall BGB NPS metric no filtering is applied and so covers all departments. No weightings are applied. End of year score is based on e-Digital survey data from October to December 2013.

Calculation methodology

For all business areas within the contact measurement types, the NPS is calculated monthly by calculating the percentage of promoters for that month, the percentage of detractors for the month and subtracting detractors from promoters.

Contact NPS metrics capture customer experience, yearend scores are based on full year survey data where available to encompass our customers' views over the full period. The year-end score for BGR

Contact NPS has been calculated using the underlying survey data for January to December. The same methodology has been used for BGB Contact NPS however due to the change in process only the new e-Digital surveys carried out from October to December have been included.

BGS Contact NPS year end score is an average of the January to December monthly scores for simplicity. However calculating the year end score using the underlying survey data results in the same end of year score and so the average is seen to be accurate.

Brand NPS year end score is the 3 month rolling average at December 2013, and so includes survey data from October to December. Brand NPS is a strategic metric reflecting the standing of the brand, the end of the year score has been used as it reflects current consumer opinion

Brand NPS

The Brand NPS survey provides a monthly NPS score for the British Gas residential customer base. The study is designed to ensure that the results are representative of residential customers and as such are weighted based on whether customers are dual fuel or single fuel, what type of Homecare product they purchase, and their method of payment (cash/cheque, direct debit or Pay As You Go).

The monthly total completed surveys among British Gas residential customers are 1,500 (3 month average based on 4,500). The 2013 Brand NPS year-end score is the 3 month rolling average at December 2013 (Oct-Dec 2013).

British Gas Residential NPS

The overall British Gas Residential (BGR) NPS score is derived from 2 surveys. One covers customer service calls and the other covers complaint handling calls. No weighting is applied and the 2013 NPS is calculated from the arithmetical sums of the promoter responses and detractor responses obtained from the 2 surveys for the year.

British Gas Services NPS

The overall British Gas Services (BGS) NPS score is created based on a two stage process. First, NPS is calculated for each of the business areas (S&R, CHI, ES and Dyno). Next, an overall BGR NPS score is calculated by combining the four metrics and weighing based on 2012 expected gross profits in each area. Weightings are reviewed and updated every 2-3 years as they remain quite consistent during this period.

The average monthly number of completed surveys for British Gas Services in 2013 was 63,715.

The yearend score for British Gas Services NPS is the moving annual total (MAT), calculated across January 2013 to December 2013.

Note: British Gas CE is no longer part of BGS Engineer Visit NPS Metric, as of December 2011.

British Gas Business Contact NPS

NPS is based on e-Digital surveys. This scheme piloted at BGB from August 2013, starting with the Contact Centres only. The full launch of the new process covering all departments and decommissioning of the previous telephone based NPS process took place in October 2013. The end of year BGB NPS score has been based on e-Digital survey data from this point. Surveys prior to this date were based on a different methodology and for consistency have been excluded from the calculation.

The overall BGB NPS score is non-weighted, reflective of the actual number of completed surveys. The 2013 year end score for British Gas Business Contact NPS is based on the e-Digital surveys completed since the pilot commenced to December 2013.

British Gas Contact NPS

The British Gas Contact NPS is calculated by combining British Gas Residential, British Gas Services and British Gas Business NPS scores using the weighting outlined in Figure 1.

British Gas NPS

The Overall British Gas NPS is calculated by then creating a weighted average of British Gas Residential (BGR) Brand NPS (33%) and British Gas Contact NPS (67%).

Data quality, collection and reporting frequency

British Gas Residential NPS

The BGR Customer Service NPS survey uses an automated Interactive Voice Response methodology. Respondents are called back within an hour of their conversation with a contact centre agent. Some respondents are screened out by the system, for example if they have recently filled in a survey, otherwise all are dialled. The contact centre agent does not select the calls that will get the survey. This methodology was introduced at the beginning of 2013. The survey had 286,000 responses in the year. The number of responses was lower in January and February whilst it was in its trial period. The number of responses was also reduced in August and December due to systems issues.

The BGR Complaints NPS survey uses an 'agent select' IVR methodology. Respondents are asked by the contact centre agent whether they would like to participate in the survey. If they agree the agent puts them through to the survey at the end of their call. The survey had 87,000 responses in 2013.

British Gas Residential reporting is available on a weekly basis, the monthly scores are calculated from the summation of the weekly data.

British Gas Services NPS

In 2013 CHI customers are surveyed by post, administered internally by British Gas. Each week each business area pulls together a list of all customers who have had an engineer visit in the prior week. All of these customers are sent a paper survey. Completed surveys sent back by customers are analysed by British Gas and NPS scores created.

S&R, Dyno and ES customers are surveyed by an outbound automated phone survey. Each day a dialler file is created for all customers who have had an Engineer visit in the previous day. The file is uploaded to internally hosted secure site, and customers are called automatically and invited to participate in the survey.

The BG Management Information (MI) analysts from ES, Dyno, CHI and S&R then process the raw survey data and calculate the monthly NPS figure. All MI reports are published on the MI portal.

British Gas Services reporting is published monthly.

British Gas Business NPS

Data is delivered in three files received daily from eDigital. Weekly NPS scores are calculated every Monday after the import of that days files. The monthly values are generated on a Monday once the correct weeks have been completed.

British Gas Residential (BGR) Brand NPS

Interviews are conducted by telephone by an external research agency. Interview quotas are set on joint/single status, fuel mix (single v dual), payment method, and Services product holding. Corrective weights are added to the final data to ensure the data represents the customer base

Fieldwork takes place on a daily basis. About 1,500 interviews with British Gas residential customers are completed monthly. Customers surveyed in the last month for any British Gas survey are excluded from the sample, as are customers who have completed the Brand NPS survey itself within the last six months. British Gas provides the external agency with a randomly generated customer file on a monthly basis for use during the following month. The customer records are transferred securely via an site. The external agency conducts interviewing and collates the resulting data via their CATI (Computer-Aided Telephone Interviewing) tool, Askia Vista. The Brand NPS figure is published to the business monthly.

In addition interviews are also conducted among customers of British Gas's five main competitors, around 250 per competitor per month in order to give the business an understanding of their relative position in the market. However these interviews are separate from the British Gas customer interviews and have no impact on the British Gas Brand NPS score.

Direct Energy Net Promoter Score (NPS)

Description

NPS is a measure of customer advocacy and has been shown to be linked to company growth. It uses a scale of 0 to 10, to measure how much a customer would recommend a company.

The North America Direct Energy NPS metric reflects customer advocacy from residential and business energy customers and home services customers from across its operating markets in the United States and Canada.

Calculation methodology

Unit of measure

NPS is calculated by categorising our customers into three groups based on how they answer the question: *How likely are you to recommend {Brand Name} to friends or colleagues?*

Customers rate their likelihood to recommend on a scale of 0 to 10, with zero being 'definitely would not recommend' and 10 being 'definitely would recommend'. As depicted in the image below, customers are grouped three ways based on how they rate their likelihood to recommend:

- 0 to 6 are detractors
- 7 or 8 are passive
- 9 or 10 are promoters



Types of measurement

Direct Energy employs two methods for measuring NPS: 'relationship' and 'moment of truth'. The relationship approach is used to measure residential and business energy customers' advocacy. It measures the 'likelihood to recommend' at an overall brand level on a monthly basis by region and commodity where applicable.

The moment of truth approach is used to measure Home Services customers. Moment of truth measures the 'likelihood to recommend' at an overall brand level following a moment of truth customer interaction with respect to a service / maintenance visit and a furnace / air conditioning installation.

Scope

The North America Direct Energy (NA DE NPS) metric measures Direct Energy's residential and business energy customers and home services customers across Direct Energy's various operating regions. The table below outlines the scope of the metric and indicates the type of measurement used.

Table H - Scope of the metric and type of measurement used

Line of business	Measurement	Regions/Segments
Residential	Relationship	<ul style="list-style-type: none"> ▪ Texas (Direct Energy Brand and Incumbent brands that include CPL Retail Energy, WTU Retail Energy and First Choice Power) ▪ Canada (Alberta Competitive only) ▪ USN region (continue to survey Direct Energy brands in CT, OH, PA, MI, MD, NY NJ IL, Gateway brand in NY and NJ. Vectren Source Brand in OH included after benchmarking in 2012. Energetix! And NYSEG Solutions Brands of NY Benchmarked in 2013, but not included in final score (inclusion is planned for 2014).
Business	Relationship	<ul style="list-style-type: none"> ▪ US only (Canada dropped due to operating conditions similar to residential) ▪ Large, Medium and Small Commercial (excludes Small Commercial customers sourced via DER acquisition channels) customer base
Home Services	Moment of truth	<ul style="list-style-type: none"> ▪ Canadian Home Services Airtron ▪ Clockwork Brands (One Hour Heating and Air, Benjamin Franklin Plumbing, Mister Sparky Electric) ▪ Added the acquired Home Warranty of America (HWA) brand in 2013 (HWA had a program it ran historically so we had benchmarked data from 2012)

Calculation methodology

An NPS score is calculated by each line of business. Calculations for Residential energy customers are first conducted on a regional basis to show an NPS regional score, and then combined with other regions using weightings based on customer count to produce a line of business NPS score.

Business energy customers are based on the brand survey in the US only. The score is then weighted at 65% for small and mid-sized companies and 35% for large sized companies.

Home services customer scores simplified its weighting methodology in 2013, NPS Calculations are now done using the pure, unweighted scores from within each Line of Business. This results in a NPS score for each of the four business units. These four scores are in turn weighted based on customer count to come up with the consolidated DE Home Services score. For residential and business customers, scores are weighted regionally to account for different customer numbers across operating markets

Each business' NPS score is calculated by adding all the promoters, divided by the rolling total sample for the last twelve months, and adding all the detractors, divided by the rolling total sample for the last twelve months. A score is produced by subtracting the percentage of promoters by the percentage of detractors and multiplying by 100.

The full NA DE NPS score is then calculated by multiplying each business' NPS score against a weighting and adding the totals together. The formal below shows the calculation:

$$\text{NA DE NPS} = (\text{Residential NPS} \times 50\%) + (\text{Services NPS} \times 30\%) + (\text{Business NPS} \times 20\%)$$

Deliverables – data and reporting

Data collection – relationship NPS

Data is collected through telephone interviews conducted by research agencies. Direct Energy provides the agencies with a random sample of DE customer records. Data management aligns to industry best practices with the research agency performing the cleaning to ensure no duplications exist. The agency collates interview responses and provides data to the respective Direct Energy team (Residential data to the Customer insights team and Business to the Customer Experience committee team) who calculates the final NPS score (excluding don't know responses) with data being cleaned of errors and de-duplicated.

Data collection – Moment of Truth Home Services NPS

For Canadian Home Service (CHS), data is collected through the daily execution of mail and email NPS surveys the day following the MOT customer interaction. All eligible customers (not on Do Not Contact list) with an email address are surveyed. For mail, a random 25% sample is selected for Service while 100% of Installs are selected. The mail vendor and email vendors deliver daily response files. The survey execution files and the response files are loaded daily to database tables. Derivation and reporting of NPS scores is performed by Customer Insights and Analytics team in Toronto by querying a database view table that consolidates the NPS database tables across all DES business units.

A similar process is followed for each of Clockwork and Airtron with the exception that only mail surveys are conducted for Airtron with 25% sampling of Service and 100% sampling of install. For Clockwork, mail surveys are executed only for the install customers who do not have an email address. Derivation and reporting of Clockwork and Airtron NPS scores is performed by Customer Insights and Analytics in Toronto team by querying the consolidated view table noted above.

For HWA/DEPP, an email survey is sent to every homeowner who had a claim in which a vendor (contractor) was assigned. The data is collected, and results of those surveys are stored in a various database tables. Every Monday an automated job queries the above referenced tables, and sends an encrypted NPS file to the Customer Insights and Analytics team in Toronto

Reporting timelines

The NA DE NPS is reported on monthly and on a rolling 12 month basis for each year. The metric is reported to management, corporate affairs and back to each business. The 2013 figure is based on results for the calendar year 1st January 2013 to 31st December 2013.

HWA provides a weekly response file to the Canadian Home Services Customer Relationship Management team to enable weekly and monthly reporting of DES business unit scores and a consolidated DES score.

Vulnerable households helped by British Gas initiatives

Description

The metric measures the total number of vulnerable households helped through British Gas initiatives. A 'vulnerable household' is where one or more of its residents are defined as 'vulnerable'.

Those households impacted are where a specific product or service is provided to help improve the service experienced or ensure the household is able to manage their gas or electric supply.

The broad industry definition of vulnerability agreed with Energy UK and the big six UK energy suppliers is:

A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household.

British Gas has defined more specific criteria to enable us to apply this framework. The criteria include any one of the following:

- Customers suffering from severe financial insecurity:
 - Customers claiming Means Tested Benefits; and / or
 - Customers with a household income of < £16,190
 - Customers spending >10% household income on fuel per year for adequate heating (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms)
- Age, disability or long term illness - households with one or more of the following:
 - Households with children aged 16 years or under;
 - A household member of pensionable age;
 - A household member who requires constant carer's assistance;
 - Relies on mains powered medical equipment;
 - Long term/chronic ill health including terminal illness e.g. cancer;
 - Claiming disability benefits or registered disabled
- Customers suffering from severe stress or any other mental health problems:
 - People living with dementia (Alzheimer's is the most common form)
 - Very confused or stressed and unable to understand basic information, hold a normal conversation or make a decision

Products and services available to vulnerable customers may differ, depending on the vulnerability criteria being met.

For customers who are identified as vulnerable, an indicator is added to their gas and / or electricity account to ensure their status is recognised in future interactions, and as a trigger for our agents to offer appropriate products and services that the customer may be entitled to, or in need of. Customer status is periodically reassessed. Once identified as "vulnerable", a customer is reported as fitting this definition until such a periodic assessment has been performed and concluded that the customer household no longer meets this definition.

Calculation methodology

Unit of measure

Total number of households that benefited in 2013 from one or more of British Gas' social programmes designed to assist vulnerable customers.

Scope

The metric covers British Gas residential customers and programmes. Each of the seven vulnerable customer programmes that British Gas offers are shown below, including the products offered within each. Data is sourced from these products to produce the metric.

Table I – British Gas Vulnerable customer programmes

1. Debt Customers
Products which support vulnerable households suffering from debt. These products differ for the energy they receive (e.g. electricity or gas). Customers are considered in debt with outstanding arrears of greater than 28 days. PAYGE customers are identified where a debt was added to their meter at the point of meter exchange from credit to prepayment. Fuel Direct supports customers on certain benefits to repay their debt. A weekly repayment value is agreed with Department for Work and Pensions, and with the customer's permission.
2. British Gas Energy Trust (BGET)
Grants to help vulnerable customers manage their energy debt.
3. Home Energy Care and Extra Care
HEC scheme (also known as PSR or Priority Service Register) provides additional help to customers who are elderly, disabled or on long term sick; as well as those on means tested benefits with children under 5. Forms of help include bills in alternative formats, annual free gas safety checks and specially designed appliance controls. Extra Care is the umbrella term for the process of identifying vulnerable customers, which then flags their customer profile to protect them from disconnection due to debt at any time.
4. Energy Efficiency
Customers can have insulation and / or a boiler installed to help with managing their energy use.
5. Benefits Assessment / Income Maximisation
Customers on low income are offered advice and guidance on eligibility and application for government benefit.
6. Vulnerable Customers Off Supply
Where customers are without fuel due to faulty meter or card / key, a visit is undertaken to get them back onto supply within four hours where practicable to do so. This service is measured in terms of successful visits / measures (some measures may include providing alternative sources of heat or cooking or paying for a taxi to stay at a relative's house).
7. Warm Home Discount Scheme
Customers who qualify for a one off payment to help with their electricity fuel costs. Customers are either identified by data sharing with Department for Work and Pensions, who notify suppliers of Pension Credit recipients (criteria changes each year). This is known as the Core Group. Suppliers also have their own Broader Group Scheme, with criteria which is approved by Ofgem. These customers are assessed for the Scheme either verbally, or via an application form, and once qualified, will receive a payment equal to that of Core Group customers.

Data collection, quality and reporting frequency

Data collection and quality

Data is collected for the seven programmes from eight individuals. The customer data for each of these programmes is sent to data analytics. Etiquette marketing database is used to match the addresses against those held in the database and perform any de-duplications. Where more than one product is assigned to one house, the figure is consolidated to produce a total number of unique households.

Reporting frequency

Some of the individual vulnerable customer products are collated and reported monthly, but the metric for all vulnerable customer programmes and products is measured on a half-yearly basis.

Total carbon emissions

Description

Centrica's total carbon emissions are important non-financial indicators for the company and are included in both Centrica's Annual and Corporate Responsibility reports.

The reporting of the company's total carbon emissions demonstrates our understanding of our greenhouse gas (GHG) footprint, a pre-requisite for the successful management of such emissions and enables comparison with other companies.

Reporting methodology

Unit of measure

Tonnes of carbon dioxide equivalent (tCO₂e)

Scope and organisational boundaries

Centrica has committed to reporting its total carbon emissions based on the Scope 1 and 2 GHG emissions from all wholly owned or partially owned reporting entities across the group¹. This encompasses all global activities associated with our brands, British Gas, Centrica Energy, Centrica Storage and Direct Energy. Where Centrica has only part equity in a reporting entity, (e.g. joint ventures), the emissions are pro-rated to reflect Centrica's share. This equity share approach to our organisational boundaries is an approach supported by the GHG Protocol. It is intended that the reporting approach aligns as closely as possible with the financial accounting approach used in the same reports. This enables the relationship between carbon and financial performance to be compared directly.

Companies in the oil and gas industry often have particularly complex organisation structures as is the case with our gas and oil exploration and production business. Whilst Centrica follows the equity share approach described by the GHG Protocol; we also draw from the IPIECA guidelines², to assist in the application of the GHG Protocol to these complex organisational structures (IPIECA is the global oil and gas industry association for environmental and social issues). Section 3.2.1 of the IPIECA guidelines interprets the GHG Protocol equity approach for the oil and gas industry as below:

Because these guidelines recommend that the selected organizational boundary (equity share, operational control or financial control) be applied at the reporting unit level, all of the emissions from sources in assets managed by the company's reporting units are used as the basis for consolidation without regard to whether specific emission sources are owned or leased. The emissions sources in assets managed by the company's reporting units are accounted for as Scope 1 emissions and would be consolidated as part of the total emissions of the reporting unit following the method the company selected for establishing its organizational boundaries.

Therefore Centrica applies the company's equity share to the organisation that controls the assets and not the assets themselves. Hence, where the organisation has contractually exclusive use of assets such as operating and financial leased properties, vehicles and platforms, these are included within Scope 1 and 2 (Sub-leases are excluded irrelevant of their lease type). For consistency, this approach is applied to all the company's business units and not just the oil and gas parts of the business.

Note, this approach is a slight departure from the GHG Protocol's stated approach where only assets that are financial or capital leases are included under the equity share control approach, but it is considered the most transparent and appropriate approach for Centrica.

A calendar year reporting period is adopted for GHG reporting i.e. 1st January to 31st December. This aligns with the company's financial reporting periods.

¹ Note: Where an entity is operated as a component of another entity and the environmental regulators treat the facilities as a whole, they are reported as a single reporting entity at the equity of the main facility.

² Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions (Second Edition): May 2011

Materiality

For entities and assets, in which we have equity, all material GHG emissions are reported. However, GHG emissions not material to the business are only reported when they are readily available, including, where Centrica is the operator of the asset. The criterion for material emissions is dependent on the central business of the asset, as summarised in Appendix B. This is consistent with ISO 14064-1³.

This materiality approach is applied across the whole organisation, but to date, it is only the non-operated offshore oil and gas production assets where non material GHG emissions are omitted. These omitted emissions equate to approximately 0.1% of the company's Scope 1 emissions.

Greenhouse Gas Emission Sources

The GHG emissions include emissions from:

Scope 1

- The combustion of fossil fuels in the premises, vehicles, equipment and machinery owned/controlled⁴ by the reporting entity⁵
- The leakage or escape of GHG emissions from the above

Scope 2

- The GHG emissions associated with the electricity, heat and steam we import for use in our premises, vehicles, equipment and machinery

Greenhouse gasses are defined in section 92 of the Climate Change Act 2008 (c. 27) as carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCS), perfluorocarbons (PFCS) and sulphur hexafluoride (SF₆).

Other GHG's including HCFC's are also captured and reported where relevant.

Also, in accordance with the GHG Protocol, greenhouse gases that are released during the combustion of biologically sequestered carbon (biomass and biofuels) are reported as a separate line of the Scope 1 emissions. Currently the company has low volumes of stationary biofuels and biomass consumption, in addition to the biofuel component of UK vehicle petrol and diesel which will also be captured in this separate line.

³ BS ISO 14064-1 states "The organisation may exclude from quantification direct or indirect GHG sources or sinks whose contribution to GHG emissions or removals is not material or whose quantification would not be technically feasible or cost effective."

⁴ Owned can mean owned or exclusively leased by the reporting entity (refer below).

⁵ 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 G below, details which emissions are in scope

Table G – Scope 1 & 2 Emissions

In scope	Out of scope
Offices and Depots	
<p>Scope 1 Emissions from offices that we wholly or partially own or lease</p> <ul style="list-style-type: none"> • Gas use • Diesel use • Refrigerant leakage • Biofuels used onsite to generate heat and power for on and offsite use (sequestered carbon to be reported as a separate line) 	<p>Scope 1 Emissions from offices that we sub-lease to others</p>
<p>Scope 2 Emissions from offices that we wholly or partially own or lease</p> <ul style="list-style-type: none"> • Imported power (whether from Centrica or other supplier) 	<p>Scope 2 Emissions from offices that we sub-lease to others</p>
In scope	Out of scope
Fleet	
<p>Scope 1 Emissions from:</p> <ul style="list-style-type: none"> • Commercial fleet • Company cars (business travel only - via mileage expenses or fuel card records) • Rental cars where the fuel is claimed back as expensed mileage (typically where it is a temporary company car) 	<p>Scope 1 Emissions from:</p> <ul style="list-style-type: none"> • 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)
Power Generation Reporting Entities	
<p>Scope 1 Emissions from power generating entities where we have equity:</p> <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); and emissions of Nitrous Oxide (N₂O)) 	<p>Scope 1 Emissions below the materiality threshold (see Appendix B)</p>

Scope 2 Imported power for plant consumption (whether from Centrica or other supplier)	Scope 2 Emissions from power purchased for resale i.e. Tolling and Power Purchase Agreements (PPA ⁶)
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Hydrocarbon Production 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 including 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); and emissions of Nitrous Oxide (N₂O) 	Scope 1 Emissions below the materiality threshold (see Appendix B)
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Scope 2 Imported power for plant (whether from Centrica or other supplier)	n/a
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⁶ PPA and Tolling agreements, as well as open market power purchases, are Scope 3 emissions and therefore outside of the Scope of this BoR, even though the financial gains from them are included in our financial accounts.

Calculation methodology

Scope 1 – Direct GHG Emissions

Scope 1 emissions are the sum of:

1. EU Emission Trading Scheme [EU ETS] values where available. Where reporting entities are not part of the EU ETS scheme, including in North America, the equivalent to the EU ETS is calculated. This being the sum of CO₂ emissions from fossil fuel combustion (including flaring).
2. Plant fugitive and venting GHG emissions
3. Fleet and property combustion and refrigerant emissions

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:

- The Greenhouse Gas Protocol – Revised Edition from the WRI and WBCSD
- Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting by DEFRA
- United States Energy Information Administration (EIA)
- eGrid
- Environment Canada

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.

Scope 2: Electricity indirect GHG emissions

Scope 2 GHG emissions are from the generation of purchased electricity, heat or steam consumed by the company. Centrica currently imports neither heat nor steam. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organisational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.

The DEFRA Total Direct GHG one-year average is used to calculate the carbon emissions of our imported power for UK and Rest of World (DEFRA provide values for all countries). The United States of America emission factors are sourced from the latest Emissions & Generation Resource Integrated Database eGRID Summary Tables. The Canadian emission factors are sourced from Environment Canada Electricity Intensity Tables.

In the UK, where we purchase grid power from ourselves, we could justifiably use Centrica's own (lower) power carbon intensity to calculate GHG emissions for this imported power. Moreover, as we already report the emissions associated with power generation within the Scope 1 emissions of our exporting assets, it could be argued that we are double counting the same emissions in the Scope 2 emissions of our importing assets. A solution would be to report our Scope 2 emissions as zero in these cases or remove the relevant emissions from our Scope 1 totals. However, we have retained the approach of reporting our Scope 2 emissions as if they are imported from another generating organisation using the countries' standard grid emission factors. This ensures transparent accounting of our total Scope 1 and 2 emissions and enables trends in our imported electricity consumption to be understood.

Almost 70% of the power we purchase for our UK sites is 100% Agreed Renewable Source Electricity, which is therefore theoretically, zero carbon. However, we take the conservative approach of applying the UK year average emission factor to it; this is consistent with UK government guidance.

Data quality, collection and reporting frequency

Data quality

All the data is submitted in the *ourEnvironment* software system by the business units, sites or associated functions.

In the *ourEnvironment* system, all the Scope 1 and 2 Indicators have a tolerance check activated, where the value entered must be within 50% of the value for the same period in the previous year. Where the value is +/- 50% of the previous value, an explanatory comment must be made and/or supporting documentation attached.

All emissions are to be submitted in accordance with the Group Procedure for Environmental Reporting. This includes:

- The data being provided in the time frames required
- The most accurate data at the time of submission to be used, following the hierarchy of accuracy (direct measurement, if not then calculation, if not then estimation)
- Records to be maintained on site to provide an audit trail

The EU Emissions Trading Scheme (ETS) emissions are externally verified annually and represent almost half of our total Scope 1 emissions. Hence where there is an EU ETS value, it is used. This maximises the integrity of the total Scope 1. However, the EU ETS emissions data are subject to annual verification during March/April of the following year. When the total carbon emissions are reported externally by Centrica prior to receiving the EU ETS verification, the emissions are caveated to that extent. In the compilation of the EU ETS values, two approaches are used:

- Unverified emissions calculations – calculated internally - based on gas chromatography samples of actual gas consumed at sites; and
- Verified emissions calculations – evaluated annually using the finalised internal view of emissions for the calendar year and then verified by an accredited third party for compliance with the EU ETS.

GHG emissions associated with office fuel use and vehicle emissions are not covered by EU ETS, however the majority of these emissions are covered by the assurance for the Carbon Trust Standard. The UK office GHG emissions are also covered by the CRC Energy Efficiency Scheme.

The group totals are compiled by Centrica Group Environment with sign off from:

1. Group Environmental Reporting Manager
2. Group Head of Environment
3. Group Director of Health, Safety, Environment and Security

Assumptions

The GHG emission methodologies and associated assumptions are included in Tables H.

Table H – Calculations and assumptions

UK and European Building and Vehicle Emissions				
Category	Source	Calculation	Emission factors	Assumptions
Buildings				
Electricity	Solely occupied sites: meter readings validated against bills	Consumption (kWh) x emission factor	DEFRA's One-year Average	n/a
	Serviced offices: calculated using average Centrica power use per FTE	Average Centrica European power use per FTE x FTE in office x emission factor	As above	There will be a lower rate of improvement in the serviced offices; therefore an average (2009) Centrica power use/FTE value is applied to all years
	'Green' Electricity	Treated the same as other electricity (refer above)		
Gas	Solely occupied sites: meter readings validated against bills	Consumption (kWh) x emission factor	DEFRA's Gross Calorific Value	n/a
	Serviced offices: calculated using average Centrica gas use per FTE	Average Centrica European gas use per FTE x FTE in office x emission factor	As above	There will be a lower rate of improvement in the serviced offices; therefore an average (2009) Centrica gas use/FTE value is applied to all years
Biodiesel blends	Group Property	Measurement of biodiesel consumption for on-site power generation	Biodiesel consumption (litres) x Scope 1&3 emission factor	Biodiesel blends
Mineral diesel consumption x emission factor	DEFRA emission factor for the transport and processing (scope 3) of waste cooking oil plus the Scope 1 emissions relating to direct tailpipe emissions of methane (CH4) and nitrous oxide (N2O)	The biodiesel used originates from UK cooking oil. Best practice for carbon accounting of biofuels is to include the Scope 1 and 3 emissions associated with it		Mineral diesel consumption x emission factor

Fleet				
Commercial	Fuel card data	Fuel volume (l) x emission factor	DEFRA Total Direct GHG emission factor relevant to fuel type	All Fleet activity is for business purposes
Company cars	Expenses data provided by external HR provider	Mileage (m) x emission factor	Vehicle-specific manufacturers tail-pipe emission factors (where this is not available an emission factor based on a Centrica UK average by vehicle type is used)	Mileage claims are accurate
	Fuel card data	Volume (l) x emission factor	DEFRA Total Direct GHG emission factor relevant to fuel type	47% of fuel use is private and therefore excluded (based on a March 2010 review and an expanded review in November 2011)
Biodiesel blends	Fleet	Biofuel consumption as a component of vehicle fuel consumption	Biodiesel consumption (litres) x Scope 1&3 emission factor	n/a

North American – Building and Vehicle Emissions				
Category	Source	Calculation	Emission factors	Assumptions
Buildings				
Electricity	Solely occupied sites: meter readings validated against bills	Consumption (kWh) x location specific emission factors	Emissions & Generation Resource Integrated Database eGRID Year 2007 Summary Tables Environment Canada Electricity Intensity Tables 2008 data	n/a
	Serviced offices: square footage and type	Square footage x consumption rate (by property type) x state/province emission factor	(as above) Consumption rates (by location and building type) from Energy Information Administration (EIA)	n/a
Gas	Solely occupied sites: meter readings validated against bills.	Consumption (m ³) x gas emission factor	United States Energy Information Administration (EIA)	n/a
	Serviced offices: square footage and type	Square footage x consumption rate (by property type) x gas emission factor	Consumption rates (by building type) from EIA	n/a
Fleet				
Commercial	Fuel card data	Fuel volume (l) x emission factor	GHG Protocol Tools (WRI), GHG emissions from transport or mobile sources 2011	All Fleet activity is for business purposes

Power Generation Emissions				
Category	Source	Calculation	Emission factors	Assumptions
Fuel Consumption for EU ETS sites				
EU ETS of gas fuelled power stations	Provided bi-annually Verified emissions data provided annually by an accredited third party	Sum of emission volumes in tonnes, across months, and across all reporting entities	Site specific dependent on analysis of calorific value of fuel used	Unverified emissions, are derived from gas consumption, and are indicative until verified emissions are available. Where carbon intensity is reported externally prior to the provision of verified emissions, the figures carry a caveat to that extent.
Nuclear Emissions	Power Business Development, Centrica Energy	Nuclear power stations have low, but not zero emissions, as a result of standby combustion plant. Centrica does not have sight of these emissions pre verification, and as such, for the purposes of the CI metric, assume a carbon intensity of 0.48g/kWh.	The 0.48g/kWh is an assumption based on the actual verified carbon intensity of the nuclear generation for 2012 Pro-rated for partially owned assets to reflect Centrica's equity	Unverified emissions, are derived from a prudent assumption, and are indicative until verified emissions are available.
Fuel Consumption for non-EU ETS sites				
Natural gas/diesel/fuel oil consumption	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Gas consumption meter readings (energy units) x gross emission factor (site specific if available, otherwise published) Diesel and Fuel oil (volume x published emission factor)	Vary depending on geography and year and published or site specific	In the case of diesel and fuel oil, reported volumes may be based on delivery volumes or consumption
Fugitive Emissions				
Methane from Gas turbines	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Start-up/Shut down: Gas volume x duration Unburnt during combustion: Gas volume x Emission factor	Methane (CH ₄) 100 year Global Warming Potential (GWP) IPCC's Second Assessment Report: 21	Assumes all natural gas is methane
Fugitive gas emissions	Provided in <i>ourEnvironment</i> bi-annually for the preceding	Calculation using gas composition, flow volume, size, design and age of facility (often calculation); or,	Methane (CH ₄) 100 year Global Warming Potential (GWP) IPCC's Second	Assumes all natural gas is methane

	6 months	calculated based on estimated gas escapes that result in exterior gas alarms being activated	Assessment Report: 21	
Category	Source	Calculation	Emission factors	Assumptions
Fugitive Emissions continued				
Fugitive Sulphur Hexafluoride (SF ₆)	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Top-up weight from SF ₆ maintenance records	SF ₆ 100 year Global Warming Potential (GWP) IPCC's Second Assessment Report: 23,900	That the quantity required for system top-up equals the volumes lost through leakage
Nitrous Oxide (N ₂ O) emissions from fossil fuel combustion	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	(Fuel volume x Environment Agency emission factors) x N ₂ O GWP	N ₂ O 100 year Global Warming Potential (GWP) IPCC's Second Assessment Report: 310	NA
HFCs & PFCs where relevant	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Top-up weight from maintenance records	HFC and PFC 100 year Global Warming Potential (GWP) IPCC's Second Assessment Report: various	That the quantity required for system top-up equals the volumes lost through leakage
R-22	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Calculated from top-up records	HCFC Global Warming Potential (GWP) IPCC's Fourth Assessment Report HCFC-R22: 1810	That the quantity required for system top-up equals the volumes lost through leakage

Gas Production and Storage Facilities				
Category	Source	Calculation	Emission factors	Assumptions
Fuel Consumption for EU ETS sites				
Verified EU ETS	Provided bi-annually by the business units Verified emissions data provided annually by an accredited third party	Sum of emission volumes in tonnes, across months, and across all reporting entities	Site specific dependent on analysis of calorific value of fuel used	Unverified emissions, are derived from gas consumption, and are indicative until verified emissions are available. Where carbon intensity is reported externally prior to the provision of verified emissions, the figures carry a caveat to that extent.
Fuel & Flaring (For Non EU ETS sites)				
Natural gas/diesel/Fuel oil consumption	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Gas consumption meter readings (energy units x gross emission factor (site specific if available, otherwise published) Diesel and Fuel oil (volume x published emission factor)	Vary depending on geography and year and published or site specific	In the case of diesel and fuel oil, reported volumes may be based on delivery volumes or consumption
Flaring	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Flow meters x emission factor; or calculation based on production	Site specific dependent on analysis of calorific value of fuel used	n/a
Venting and Fugitive Emissions				
Fugitive gas emissions	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Calculation using gas composition, flow volume, size, design and age of facility (often calculation	Methane (CH ₄) 100 year Global Warming Potential (GWP) IPCC's Second Assessment Report: 21	Assumes all natural gas is methane
Nitrous Oxide (N ₂ O) emissions from fossil fuel combustion	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	(Fuel volume x Environment Agency emission factors) xN ₂ O GWP	N ₂ O 100 year Global Warming Potential (GWP) IPCC's Fourth Assessment Report: 310	n/a

Category	Source	Calculation	Emission factors	Assumptions
Venting and Fugitive Emissions continued				
HFCs & PFCs where relevant	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Top-up weight from maintenance records	Various based on GWP sources from: 2012 Guidelines to DEFRA/DECC's GHG Conversion Factors	That the quantity required for system top-up equals the volumes lost through leakage
R-22	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Measurement of inventory levels	HCFC Global Warming Potential (GWP) IPCC's Fourth Assessment Report HCFC-22: 1810	That the quantity required for system top-up equals the volumes lost through leakage
Methane from Nitrogen Removal Units	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Flow meters [volume] x spot sampling (concentration)*x GWP	Methane (CH ₄) 100 year Global Warming Potential (GWP) IPCC's Second Assessment Report: 21	Assumes concentration does not vary between spot samples
Carbon Dioxide from Thermal Oxidisers	Provided in <i>ourEnvironment</i> bi-annually for the preceding 6 months	Flow meters x CO ₂ concentration (based on spot samples)	N/A	Assumes concentration does not vary between spot samples

Appendix A – Glossary of Terms

Term	Definition
Greenhouse Gas (GHG)	The six greenhouse gases (GHGs) listed in the Kyoto Protocol (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs and SF ₆).
Total carbon emissions	Gross Scope 1 and 2 GHG emissions based on stated organisational boundary.
Scope 1	A reporting organisation's direct GHG emissions.
Scope 2	A reporting organisation's emissions associated with the generation of electricity, heating/ cooling, or steam purchased for own consumption.
Carbon dioxide equivalent (CO₂e)	The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
tCO₂e	Metric tonnes of carbon dioxide equivalent (refer above)
Equity Share	Percentage of Centrica's ownership within an entity which reflects the extent of the financial risks and rewards of the entity we are entitled to.
Reporting Entity	The level that the equity share is applied. Ensuring that this is at the level appropriate to fairly and accurately reflect our investments.
Exclusive use of asset	In most cases 'Owned' is where we own or have exclusive use of an asset. However in the case of buildings and vehicles, the term 'owned' covers where we use all or part of them for the long term.
EU ETS	European Union Emission Trading Scheme
CO₂	Carbon Dioxide
CH₄	Methane
N₂O	Nitrous Oxide
SF₆	Sulphur Hexafluoride
HFCs	Hydrofluorocarbons
HCFC	Hydrochlorofluorocarbon
PFCS	Perfluorocarbons
Grey Fleet	Private cars used on business
CFC	Chlorofluorocarbon
CRC	Carbon Reduction Commitment

Appendix B – Material and Immaterial Emissions

Centrica reports all material GHG emissions from our wholly owned or partially owned reporting entities across the group. Immaterial emissions are reported when they are readily available, for example, where Centrica is also the operator of the asset.

Table C below, identifies what are considered the material and immaterial emission sources for different business activities.

Table C - Materiality by Business Activity

Business activity	Material emission sources	Immaterial emission sources
Production & power generation	Stationary combustion	
	Flaring	Fugitive emissions
	Venting	Vehicle & building emissions
	Imported electricity	
Fleet based business	Fleet fuel emissions	Building emissions
Office based business	Building electricity use	Fleet fuel emissions
	Building fuel use	

Internal carbon footprint (property, fleet and travel)

Target

Centrica has committed to reduce the annual carbon footprint of our core offices, company vehicles and travel by 20% by the end of 2015 (from 2007 base year).

Target structure

Centrica has not set an absolute reduction target to our entire (present and future) business due to our planned expansion. We are however committed to applying good practice in reducing the impacts of both our existing and future businesses. Accordingly, we have set ourselves an ambitious target in relation to our core business (existing in 2007) and are committed to applying the same good practice to our future businesses where practicable.

This target uses a 2007 base year.

Scope of target

Organisational boundary

Table C - Organisational boundaries of the target

	Emissions included in scope	Emissions excluded from scope
Existing business	<ul style="list-style-type: none"> All in-scope assets and activities associated with the businesses within Centrica plc as at 31 December 2007. Organic growth of the existing business which does not involve new assets Activities and assets associated with organic growth or new business that cannot be isolated in the financial accounts 	<ul style="list-style-type: none"> Emissions from new businesses⁷ acquired through merger or acquisition (including equity share) and joint ventures since 31 December 2007 Emissions from new assets⁸ since 31 December 2007 that can be isolated in the financial accounts Emissions from business divestments since 2007
Geography	<ul style="list-style-type: none"> Activity associated with Centrica's global businesses 	<ul style="list-style-type: none"> n/a

New businesses and new assets are excluded on the basis that the company is in growth mode thus allowing for consistency of scope and on-going comparability with our 2007 baseline business.

Furthermore, we aim to ensure new businesses have best technology applied from the outset (e.g. a low emission vehicle fleet), thus limiting the opportunity for further significant improvement during the target period.

Out of scope assets and activities will be accounted for separately. In only excluding future growth that can be isolated within the accounts, a conservative approach is taken and our on-going carbon footprint is over-estimated rather than under-estimated.

⁷ A new line of business that can be individually isolated through the financial accounts (typically through cost codes)

⁸ A new asset is an additional asset, whether additional vehicle or office, which does not replace an existing asset (irrespective of whether it's a result of new business or organic growth)

Operational boundary

Table D - Operational boundaries of the target

	Emissions included in scope	Emissions excluded from scope
Internal carbon footprint	<ul style="list-style-type: none"> Annual emissions associated with energy and fuel consumption from our occupation of offices, our commercial fleet, our company cars and our business travel (see below) 	<ul style="list-style-type: none"> Annual emissions from upstream (gas terminals, power stations, etc.) assets Annual emissions from assets and activities other than listed opposite
Offices	<ul style="list-style-type: none"> Office accommodation permanently occupied by Centrica personnel, including wholly occupied and partially occupied, owned and leased offices Emissions associated with the use of gas, biodiesel; biomass and electricity for servicing the office 	<ul style="list-style-type: none"> Offices on sites and for the express purpose of upstream generation and storage (gas terminals and power stations) Offices and other facilities owned or leased by Centrica but not occupied by Centrica employees Home-worker offices Use of ozone depleting substances (ODS) within office facilities⁹ Emissions from generating power for export under Short Term Operating Reserve (STOR) contracts¹⁰
Commercial fleet	<ul style="list-style-type: none"> Utility vehicles used by Centrica, including downstream service engineers and upstream site based vehicles Vehicles used by long-term contractors working under Centrica management control Shuttle buses¹¹ 	<ul style="list-style-type: none"> Non road legal vehicles, including heavy plant Franchisee commercial vehicles
Company cars	<ul style="list-style-type: none"> Emissions from cars owned, leased or hired by Centrica for use by Centrica employees for business purposes 	<ul style="list-style-type: none"> Emissions associated with personal mileage Emissions associated with privately-owned vehicles used for business purposes (which includes Direct Energy since company cars are not provided) Instances where fuel costs are claimed, as opposed to mileage¹²
Business travel	<ul style="list-style-type: none"> Air and rail travel undertaken by Centrica employees booked via corporate travel providers 	<ul style="list-style-type: none"> Air and rail travel undertaken by Centrica employees not booked via corporate travel providers (with the exception of North American flights in 2007 and 2008)¹³ International rail travel, e.g. Eurostar North America rail travel Taxis Buses

⁹ Emissions of ODS are not considered to have a material impact on the total footprint and therefore are not included

¹⁰ At a number of our UK sites, we have Short Term Operating Reserve (STOR) contracts with National Grid to provide self-generated power to the grid. While we capture the emissions associated with this power generation in our Total Carbon Emissions metric, they are outside of the scope of the Internal Carbon Footprint.

¹¹ Buses used to transport Centrica staff to and from Centrica offices and local public transport/amenity facilities

¹² Claiming fuel costs as opposed to mileage for business purposes is not in line with Centrica expenses policy and therefore is a rare occurrence and considered immaterial

¹³ A central booking system was not fully implemented until 2009 in North America, refer to Table F for further details

Period of target

2007 base year to 2015 target year. All data years are calendar years (January to December)

Rationale for target period

Selection of base year - the Greenhouse Gas (GHG) Protocol produced by the World Resources Institute and the World Business Council for Sustainable Development states; *'Companies should choose as a base year the earliest relevant point in time for which they have reliable data'*

2007 has been selected as a base year for Centrica as it is the earliest year for which we have reliable data.

2015 is the end year. This means that the emissions associated with the 12 months of 2015 will be compared to those of 2007 to determine the overall reduction.

Calculation methodology

Base year re-calculation

The 2007 base year emissions will not be re-calculated for mergers and acquisitions (outside scope), but in order to ensure we do not claim credit for simply down-sizing our business, the base year emissions will be reduced following divestment of any part of the existing business that was in existence during 2007.

This will entail the identification of the in-scope emissions associated with the assets and activities of the divested business and the removal of such, from the 2007 base year emissions.

We recognise that GHG accounting at the individual level can be difficult and that the separation of divested businesses is not always clear cut. Accordingly, in an effort to remain credible, a conservative approach will be taken designed to avoid positive bias in the data (i.e. overestimation of the base year footprint) and detailed records maintained for transparency.

Base year to end year comparison

The following methodology will be applied to ensure an accurate comparison between the 2007 base year and the 2015 end year.

- The property portfolio, as defined in the boundaries and scope, in existence in 2007 is documented along with the corresponding energy use and GHG emissions. This forms the core property of the 'existing businesses'.
- Should any site close or be vacated, we will cease to account for emissions from the point of vacancy. Historical emissions data will not be removed from the baseline and subsequent years unless the office was vacated due to a divestment. Where vacated sites are directly replaced by a new site(s), the new site will be included in scope from the point of occupation. The replaced site(s) will also stay in scope so that the data during Centrica's occupation is retained.
- The commercial and company car fleet portfolio, as defined in the scope, during 2007 is documented along with the corresponding fuel use and GHG emissions. This forms the core fleet of the 'existing businesses'.
- Business travel is accounted by cost centre. In this way, any travel associated with new, out of scope business can be identified and accounted for discretely.

Data quality

Where available we will take direct use/sources as defined in Table E. Estimations are made for serviced offices¹⁴ and fuel card user private mileage, see Table E.

Data collection and reporting frequency

Data is compiled on a quarterly basis, using an online software solution - *ourEnvironment*. The system is designed to receive the data by reporting entity and by indicator. The data providers (such as fleet department) submit and validate the data in the system and can attach supporting documents, as well as commentary. Where appropriate, the system automatically calculates the carbon dioxide equivalent (CO₂e) using referenced emission factors where required.

The internal footprint is internally reported to the Centrica Executive Committee (CEC) on a quarterly basis and reported externally on an annual basis through the Corporate Responsibility report.

Emission factors

Emission factors relevant to each year will be applied, recognising that a time-lag maybe present. The guidance provided on using the emission factors, in association with the emission factors themselves, will be applied unless specifically stated otherwise.

The 'Total GHG' direct emission factors are used. These include the global warming potential of carbon dioxide, methane and nitrous oxides. This total GHG approach is considered to be most reflective of the company's actual in-scope carbon footprint.

The emission factors used include Scope 1, 2 and 3, but exclude 'out of scope' emissions.

Refer to Tables E and F for the actual emission factor values used (correct as of November 2013).

¹⁴ Serviced offices – Centrica occupies space within a number of third party owned offices. Staff numbers can range from hundreds to less than five. In most cases we do not have access to energy use data and have little or no influence on the energy efficiency of the building or the actions of the other occupants. For completeness, we do include these offices within our emission data, but calculate the emissions in accordance with Tables E and F

Table E - UK and European emission factors

Category	Owner	Source	Calculation	Emission factors	Assumptions
Offices					
Electricity	Group Property	Solely occupied sites: meter readings validated against bills	Consumption (kWh) x emission factor	DEFRA's one year average factors ¹⁵	n/a
		Serviced offices: calculated using average Centrica power use per FTE	Average Centrica power use per FTE x FTE in office x emission factor	As above	There will be a lower rate of improvement in the serviced offices; therefore an average (2009) Centrica power use/FTE value is applied to all years
Gas	Group Property	Solely occupied sites: meter readings validated against bills.	Consumption (kWh) x emission factor	DEFRA's Gross Calorific Value	n/a
		Serviced offices: calculated using average Centrica gas use per FTE	Average Centrica gas use per FTE x FTE in office x emission factor	As above	There will be a lower rate of improvement in the serviced offices; therefore an average (2009) Centrica gas use/FTE value is applied to all years
Biodiesel blends	Group Property	Measurement of biodiesel consumption for on-site power generation	Biodiesel consumption (litres) x Scope 1&3 emission factor. Mineral diesel consumption x emission factor	DEFRA emission factor for the transport and processing (scope 3) of waste cooking oil plus the Scope 1 emissions relating to direct tailpipe emissions of methane (CH ₄) and nitrous oxide (N ₂ O) ¹⁶	The biodiesel used originates from UK cooking oil. Best practice for carbon accounting of biofuels is to include the Scope 1 and 3 emissions associated with it
Biofuel	Group Property	Quantity of biofuel (woodchips) purchase invoices	Biofuel (tonnes) x Scope 1 & 3 emission factors	As above	n/a
Fleet					

¹⁵ The 2013 DEFRA carbon reporting guidelines changed the emission factor methodology. From 2013 the emission factors are no longer retrospectively applied and the electricity emission factors are no longer based on the five year grid rolling average, but on the one year average.

¹⁶ Direct emissions of CO₂ are set to 0 for biofuels, as the same amount of CO₂ is absorbed in the growth of the feedstock from which the biofuel is produced.

Commercial	Group Fleet	Fuel card data	Fuel volume (l) x emission factor	DEFRA Total Direct GHG emission factor relevant to fuel type	All Fleet activity is for business purposes
Company cars	Group Fleet	Expenses data provided by external HR provider	Mileage (m) x emission factor	Vehicle-specific manufacturers tail-pipe emission factors (where this is not available an emission factor based on a Centrica average by vehicle type will be used)	Mileage claims are accurate
		Fuel card data	Volume (l) x emission factor	DEFRA Total Direct GHG emission factor relevant to fuel type	47% of fuel use is private and therefore excluded (based on a March 2010 review and an expanded review in November 2011)
Category	Owner	Source	Calculation	Emission factors	Assumptions
Travel					
Rail	Group Procurement	External corporate travel provider	Passenger miles x emission factor	DEFRA's 'National Rail' category	All rail journeys are categorised as 'National Rail'
Air travel	Group Procurement	External corporate travel provider	Flight km x emission factor ¹⁷ (Note: the 2013 DEFRA guidelines now incorporate the uplift factor in the emission factor)	Short Haul ($\leq 500\text{km}$) = DEFRA's Domestic flight emission factor Medium Haul ($>500\text{km} \leq 4000 \text{ km}$) = DEFRA Short Haul flight emission factor Long Haul ($> 4000\text{km}$) = DEFRA Long Haul flight emission factor	It is assumed that all flights are booked according to standard company policy that long haul and transatlantic journeys are business class, while other flights are economy class

¹⁷ Radiative Forcing considers the non-CO₂ climate change effects of aviation (e.g. water vapour). It is a complex and not well understood area, where research is on-going. The 2013 DEFRA publication provides the option of emission factors that include or exclude radiative forcing. Due to the uncertainty of the impacts and the crudeness of the multiplier instrument to account for them, Centrica has decided to continue to include the Uplift Factor but not include the impact of Radiative Forcing. This will ensure consistency with the approach taken in previous years and will mean we will not have to re-state our Internal Carbon Footprint target to account for this significant change in carbon reporting methodology.

Table F – Non-European emission factors

Category	Owner	Source	Calculation	Emission factors	Assumptions
Offices					
Electricity	Group Property	Solely occupied sites: meter readings validated against bills	Consumption (kWh) x location specific emission factors	Emissions & Generation Resource Integrated Database eGRID Year 2007 Summary Tables Environment Canada Electricity Intensity Tables 2008 data	n/a
		Serviced offices: square footage and type	Square footage x consumption rate (by property type) x state/province emission factor	(as above) Consumption rates (by location and building type) from Energy Information Administration (EIA)	
Gas	Group Property	Solely occupied sites: meter readings validated against bills.	Consumption (m ³) x gas emission factor	National Inventory Report 1990-2006, Environment Canada	n/a
		Serviced offices: square footage and type	Square footage x consumption rate (by property type) x gas emission factor	Consumption rates (by building type) from EIA	

Category	Owner	Source	Calculation	Emission factors	Assumptions
Fleet					
Commercial	Group Fleet	Fuel card data	Fuel volume (l) x emission factor	GHG Protocol Tools (WRI), GHG emissions from transport or mobile sources 2011	All Fleet activity is for business purposes
Travel					
Rail	N/A	N/A	N/A	N/A	Emissions associated with rail travel are considered immaterial due to low levels of use
Air travel	Group Procurement	External corporate travel provider	Flight km x emission factor	Short Haul ($\leq 500\text{km}$) = DEFRA's Domestic flight emission factor Medium Haul ($>500\text{km} \leq 4000 \text{ km}$) = DEFRA Short Haul flight emission factor Long Haul ($> 4000\text{km}$) = DEFRA Long Haul flight emission factor	It is assumed that all flights are booked according to standard company policy that long haul and transatlantic journeys are business class, while other flights are economy class Flight data for the Direct Energy Services business is not available at a granular enough level to be split between out-of-scope and in- scope parts of the business. Therefore the data is split evenly between the three relevant components; US Services (in-scope), Canadian Services (in-scope) and Clockwork (out-of-scope) In 2007 and 2008 not all North American flights were booked through the corporate travel provider. To account

					for the 'leakage' a 1.5 correction factor has been applied to the corporate travel provider data to more accurately reflect actual emissions. The factor was calculated by assessing the flight spend ratio between the corporate travel provider spend and the total flight spend
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Carbon intensity of power generation

Description

The carbon intensity (CI) of our generated power is one of the key non-financial KPIs in both Centrica's annual and corporate responsibility reports. Measured as the amount of carbon dioxide emitted per unit of power produced, it is often used by the company to demonstrate Centrica's environmental performance and contribution to the company's carbon reduction targets.

Previously we had a 2012 UK-only power generation carbon intensity target. On the successful achievement of this, the existing 2020 UK target was reviewed and the Centrica Executive Committee (CEC) approved the expansion of the target to include Centrica's global power generation. The 2020 target is calculated using a more robust and comparable approach, with CI based on equity share only and excluding site-specific power purchase agreements that had been previously included.

The CEC agreed to adopt the CI target of 260gCO₂/kWh for the global 2020 target. While the target is higher than the current (2012) Group CI of 199gCO₂/kWh, it is considered to be appropriate, as future UK market conditions are expected to improve, resulting in a recovery in gas power generation and a subsequent increase in the CI.

Calculation methodology

Target value

260gCO₂/kWh by 2020

Unit of measure

Grams of carbon dioxide per kilowatt hour (gCO₂/kWh)

Scope

Centrica has committed to carbon reporting based on average annual emissions from all wholly or partially owned power generation assets (Group wide and not inclusive of site specific PPA) – based on verified emissions data as defined by the European Union Emissions Trading Scheme (EU ETS) or the equivalent, in non-European countries.

Any power generation from a new asset, either wholly or partially owned will be included from the commencement of ownership. Previous emissions reporting will not be restated based on the new asset.

Any small emissions sources (back-up generators, etc.), which fall outside the definition of an installation, as defined by the EU ETS, are excluded.

Table A, below, details the emissions included within the scope of the target.

Table A – Scope of the carbon intensity targets

Included in scope

Power generation from wholly or partially owned assets, including our power stations, wind farms and nuclear interests. Where the asset is not wholly owned, the generation and emissions are pro-rated to reflect the equity share

Emissions covered by the EU ETS, or the equivalent in non-European countries

Out-of scope

Power generation from other power generation assets from which Centrica purchases power, whether site specific contracts or through the open market

Emissions that do not fall within EU ETS

This definition reflects our investment decisions and accommodates assets in part ownership.

Calculation methodology

Carbon intensity will be calculated as:

- Carbon Intensity (gCO₂/kWh) = Sum of EU ETS emissions (or equivalent) from all in-scope generation sites during subject period /sum of power available for sale from all in-scope generation sites during the subject period.

Power available for sale is that provided to the distribution network and is net of any transmission losses on the generation side. Losses associated with supplier distribution are not accounted for.

Data quality, collection and reporting frequency

Data quality

The EU ETS emissions data used to calculate the carbon intensity are subject to annual verification during March/April of the following year. Only these verified EU ETS figures can be used to calculate the official annual carbon intensity figure.

The North American emissions are not assured through an equivalent verification process and therefore their carbon intensity can be considered official on completion of Centrica's own assurance processes.

Data collection and reporting frequency

Carbon intensity figures are compiled quarterly based on the preceding three months data, for internal tracking of cumulative carbon intensity reported as Mean Annual Total (MAT). The carbon intensity figure for the previous calendar year is reported externally on an annual basis.

Emission calculations

In the compilation of carbon intensity figures, two general approaches are used:

- Unverified emissions calculations – calculated internally – each quarter - based on gas chromatography samples of actual gas consumed for all thermal generation assets; and
- Verified emissions calculations – evaluated annually using the finalised internal view of emissions for the calendar year and then verified by an accredited third party for compliance with the EU ETS.

Assumptions

Assumptions are included in Table B.

Table B – Calculations and assumptions

Category	Owner	Source	Calculation	Assumptions
Power from wholly and partially owned assets	Power Business, Centrica Energy Power Business, Direct Energy	Provided quarterly, for the preceding three months, by respective power business units	Sum of power available for sale, volumes in MWh, across months, and across all assets. Pro-rated for partially owned assets to reflect Centrica's equity	n/a
Gas Turbine Emissions	Power Business, Centrica Energy Power Business, Direct Energy	Provided quarterly for the preceding three months, by respective power business units Verified EU ETS emissions data provided annually by an accredited third party for European emissions.	Sum of emission volumes in tonnes, across months, and across all assets. Pro-rated for partially owned assets to reflect Centrica's equity	Emissions are derived from gas consumption EU ETS emissions are considered indicative until verified emissions are available
Nuclear Emissions	Power Business Development, Centrica Energy	Nuclear power stations have low, but not zero emissions, as a result of standby combustion plant. Centrica does not have sight of these emissions pre verification, and as such, for the purposes of the CI metric, assume a carbon intensity of 0.48g/kWh.	The 0.48g/kWh is an assumption based on the actual verified carbon intensity of the nuclear generation for the previous year Pro-rated for partially owned assets to reflect Centrica's equity	Unverified emissions, are derived from a prudent assumption, and are indicative until verified emissions are available.

Smart meter installations (residential and business customers)

Description

British Gas installs smart meters in UK homes and businesses as part of the national meter installation programme replacing standard electricity and gas meters in the UK with new smart metering devices. The installation of smart meters in homes and businesses are done through separate programmes. This metric measures the installations in both programmes to produce to a combined total figure of smart meters installed by British Gas.

Calculation methodology

Unit of Measure

The absolute volume of installed electricity or gas smart meters in residential properties and the absolute volume of installed smart and advanced metering devices in businesses.

Scope

The smart meter installation figure is a composite metric covering electricity and gas smart meter installations in residential properties in the UK, excluding Scottish Islands and Northern Ireland, and the installation of electricity advanced meters and gas dataloggers in UK businesses.

The cumulative total of the smart meters installed for residential and business customers since the start of the programme in 2009 until the end of 2013 was 1,297,656. Of this, only data since 1 July 2011, totalling 930,344 installations, has been subject to external assurance due to the availability of evidence for smart meters installed by third party Commercial Meter Operators.

Prior to October 2010, 182,683 meters were installed for residential customers by third party Commercial Meter Operators (CMO). This data was not externally assured as evidence was not available due to the historic nature of the data and the cessation of relationships with the CMO. From October 2010 to July 2011 the installation was transitioned in-house with all meters installed by British Gas from 1 July 2011. Data for installations by British Gas, totalling 682,680, has been subject to external assurance.

For business customers, all meters are installed by third party providers. Prior to July 2011, the data only included installations where customers had been directly referred by British Gas, thereby excluding customers who went to the third party for installation directly. Since 1 July 2011, data reporting processes have been amended to include installations for all business customers. Data prior to July 2011, totalling 184,629, has not been subject to external assurance. Data for installations from July 2011, totalling 247,664, has been subject to review by our external assurance providers.

	Pre July 2011 (not assured)	Post July 2011 (assured)	Total
British Gas Business	184,629	247,664	
British Gas Residential	182,683	682,680	
Total	367,312	930,344	1,297,656

For residential properties, the measure includes meters installed directly by British Gas and meters installed by CMO acting on behalf of British Gas. CMO ceased installations on behalf of British Gas in 2011 Table A outlines the reporting scope in more detail for the installation of smart meters in residential properties.

For business properties, the measure includes meters installed directly for sites supplied by British Gas, as well as those where the meter has been provided to a non-energy supply British Gas customer for purpose of Energy Analytic propositions and services that British Gas provides. Tables B and C outline in more detail the reporting scope for the installation of smart meters in business properties.

Table A – Reporting scope for smart meter installations in residential properties (BGR)

In Reporting Scope	Out of Scope
Smart Electricity Meter installed by British Gas Smart Meters (BGSM)	In Home Device (IHD) Installation / Exchange
Smart Gas Meter installed by BGSM	Newly acquired customers with smart device installed by another supplier.
Smart Electricity Meter installed by CMO	
Smart Gas Meter installed by CMO	
Smart Meters installed as new connections	
Smart Meters installed in place of existing Dumb Meter	
Smart Meters installed to replace faulty meters as a result of an emergency.	

Table B – British Gas Business (BGB) only - Reporting Scope (Electricity)

In Reporting Scope	Out of Reporting Scope
Smart meters installed as part of BGB programme to replace standard meters	Newly acquired customers with a smart device installed by another supplier.
Smart meters installed as new connections/upgrades	
Smart meters installed to replace faulty meters as a result of an emergency	
Smart meters installed where BGB providing smart services but are not the supplier	

Table C – BGB only - Reporting Scope (Gas)

In Reporting Scope	Out of Reporting Scope
Dataloggers installed as part of BGB programme to upgrade standard meters	Newly acquired customers with a smart device installed by another supplier
Dataloggers installed where BGB providing smart services but are not the supplier	
Dataloggers installed to replace faulty dataloggers as a result of an emergency.	

Calculation methodology

The total smart meter installation figure is a summation of the installations in residential and business properties. The calculations of both components are outlined below.

Residential

Total smart meters installed = Total gas smart meters installed + total electricity smart meters installed

Business

Total smart meters installed = Total volume of electricity advanced meters installed + total volume of gas dataloggers installed.

- **Electricity Advanced Meters**

Where British Gas (BG) is the energy supplier to the customer, the installation is identified and recorded at the point of receipt of industry dataflow (D0150) indicating a smart meter is on site. Where BG are not the energy supplier to the customer but have provided a Smart meter under separate Energy Services contracts, the installation is identified and recorded following confirmation from the meter installer via 3rd party weekly reports.

- **Gas Datalogger Meters**

All gas datalogger installations are identified and recorded following confirmation from the meter installer of the install via 3rd party weekly reports. This process is the same whether BGB are the meter supplier or not.

Data Quality

For residential installations, a record of the installation is recorded in SAP, via H1 Handheld terminal. Any connectivity issues leading to potentially inaccurate data in SAP is amended by the Site Support team in SAP and within an externally maintained database to ensure accurate reporting.

For business installations, figures for electricity are only recognised through receipt of formal industry dataflow D0150 that indicate to the rest of the industry that a smart meter is present on site. Where British Gas is not the supplier or a gas datalogger has been installed, it is confirmed through agent reports. The overall installation figures are reconciled in December with our strategic install partners through these routes. Successful installs are also monitored through tracking and receipt of polled reads from those meters, customer NPS surveys and tracking of customer complaints.

Data collection

Detailed outlines of the collection for residential installations can be found in Table D and for business installations in Table E.

Table D – data collection for residential installations

Source	Provider	Fuel	Frequency	Purpose	Assumptions
SAP	British Gas	Gas/Elec	Daily	Data for British Gas field operation	All Smart Meters identified by Service Order Description (i.e. type of job booked)
Tracker Database	British Gas	Gas/Elec	Daily	Additional data for operations not updated successfully in SAP. These are retrospectively captured within SAP. Approximately 4% of operations.	Data is manually edited by Site Support team. All Smart Meters identified by Service Order Description (i.e. type of job booked)

Table E – data collection for business installations

Source	Provider	Fuel	Frequency	Purpose	Assumptions
Industry DataFlows (D0149/D0150)	Meter Operator	Elec	Weekly	Industry confirmation of smart meter installation where British Gas is the supplier	All Smart Meters identified through Meter Type defined as RCAMR, NCAMR or RCAMY. Only sites where British Gas is the supplier
Agent Weekly Report	Meter Installer	Elec	Weekly	Confirmation of all installs completed on behalf of British Gas	Meter Installer confirmation of smart installation for British Gas led installations including sites where British Gas is not the supplier. Does not include details for non-led installations such as faulty meters.
Agent Weekly Report	Meter Installer	Gas	Weekly	Confirmation of all installs completed on behalf of British Gas	Meter installer confirmation of advanced metering device (datalogger) for British Gas led installations, including sites where British Gas is not the supplier.
Polled Reads	Data Collector	Elec	Monthly	Successful polled (P) meter read via D0010 dataflow provides confirmation of successful smart installation and communications set-up.	Applicable Data Collector must be appointed before P reads can be delivered to British Gas.

Employee engagement

Description

Employee Engagement is defined as ‘an emotional state driven by individuals’ perception of different components within an organisation, which in turn has a measurable impact on business performance.’ It is generally measured annually, by an external provider (Centrica currently uses ETSpIc) via a survey delivered either online or via paper copy to all employees. In some instances it is also appropriate to include some contractors and third party employees – in these cases a revised questionnaire is issued.

Calculation methodology

The employee engagement score takes the mean of six questions which represent the Feel and Do element of the ETS model. The final engagement score is calculated by taking the average of the means of each of the six engagement questions.

Employees are asked to respond to six specific questions:

FEEL:

- I feel passionate about the job I’m doing
- I am proud to work for (Brand Name)
- I feel a strong sense of commitment for (Brand Name)

DO:

- I am motivated by my business area to do the best job I can
- I tell others outside this company the great things about working here
- I intend to be working at (Brand Name) in one year’s time

The questions are answered using a 6 point scale:

- Strongly Disagree
- Disagree
- Slightly Disagree
- Slightly Agree
- Agree
- Strongly Agree

Scope

All direct Centrica employees are invited to complete the Centrica Employee Engagement survey and where agreed with the relevant brand, third party contractors (on and offshore) are also included.

The administration of the survey is agreed annually and is generally administered annually unless otherwise agreed by the Centrica Executive Committee (CEC). The survey generally runs for three weeks.

Timeframe

In 2013, the survey ran at slightly different times and to slightly different durations to accommodate the needs of each Brand.

Centrica Storage, Centrica Energy, and BG Business ran the survey for five weeks to accommodate the shift pattern of their employees (three weeks on, two weeks off).

Brand	Survey Open	Survey Closed
Centrica Storage	27 Aug	27 Sept (online) 30 Sep (paper)
Centrica Energy	27 Aug	27 Sept (online) 30 Sept (paper)
Direct Energy	9Sept	27 Sept (online) 30 Sep (paper)
Centrica Corporate Centre	9 Sept	27 Sept
British Gas	9 Sept	27 Sept (online)

Exclusions

The overall Centrica engagement index excludes contractors, 3rd party and agency staff. However where contractor and third party staff provide a significant contribution to business operations some of the Centrica businesses do include agency and third party staff. Results are presented as including or excluding contractors and third party staff as appropriate.

Languages and Geography

The survey was administered primarily in English with a small number being printed in French Canadian (29), Vietnamese (39) and Spanish (37). Translation of which was a joint approach between ETS - who conducted the initial translation, and a representative from the appropriate business area, who reviewed and signed off the translations.

The primary countries of distribution are:

United Kingdom
Norway
The Netherlands
Trinidad and Tobago
America
Canada

Data quality, collection and reporting frequency

Data Quality

Employee data for all Centrica employees, including the organisational hierarchy is initially extracted from the Centrica SAP database. This data is then checked, verified and updated manually by teams placed within in each brand to ensure accuracy.

The survey is administered primarily on-line, however where employees do not have online access, paper copies of the survey are also printed and either locally distributed or posted directly to home addresses. ETS invite employees to take part, either via an e-mail invitation or by a paper copy of the survey delivered either to the local office or to home addresses.

Collection

Responses are captured directly by ETS, either via the online survey, or posted, freepost directly back to ETS.

Reporting Frequency

Reports are developed annually for the CEC and leadership teams. Detailed reports, down to individual manager level, are cascaded throughout each business. Each manager who receives 5 or more responses against their team code receives their own tailored manager report.

Retention

Description

The retention rate is the complementary ratio to the unplanned or regrettable attrition rate and is the proportion of the workforce that remains with the business in a given reporting period. There would be some level of correlation between retention rates and Employee Engagement scores, in that a fully engaged workforce is more likely to stay in the business.

Calculation methodology

Unit of measure

The number of employees who stay with the business in a given reporting period expressed as a percentage of the average headcount in the period.

Scope

In this calculation 'Leavers' only includes unplanned leavers (i.e. employee initiated and not within the control of Centrica) as this is the part of attrition that the business has no control over.

- Unplanned leavers includes:
 - Resignation (Personal/Career Progression)
 - Death In Service
- Planned Leavers are subtracted from the average headcount before calculation and are not included. They are:
 - Retirement (Normal, early, late & ill health)
 - Redundancy (Voluntary & Compulsory)
 - Mutual Consent
 - Career break (e.g. Sabbatical)
 - Business Divestment
- Dismissals are also subtracted from the average headcount before calculation. They are:
 - Capability
 - Misconduct

Retention is measured and reported for the UK & North American Business Units.

Headcount is the total number of individuals undertaking an activity, irrespective of whether they work full or part time. It includes:

- Employed staff – Individuals paid through Centrica's payroll on either a full time or part time basis. This also includes fixed term contract staff (FTC) that are paid through Centrica's payroll and have received pay for a service.

Head count data is collected for all the Business Units in the UK and NA as follows:

- Corporate Centre
- British Gas Residential
- British Gas Services
- British Gas Business
- British Gas New Energy
- Centrica Energy
- Centrica Storage
- Direct Energy – data is available at BU level but it is summarised at DE level for reporting purposes

For the calculation a mean average headcount is calculated for each business unit, Centrica UK, DE and then Group (UK+DE) over a twelve consecutive month range.

The retention rate is the complementary ratio to the attrition rate, which is the number of unplanned leavers in a given reporting period expressed as a percentage of the average headcount (minus planned

leavers and dismissals) in the period. Therefore, the retention rate can be determined as being 100% minus the attrition rate (e.g. if the attrition rate is 9%, the retention rate is 91%).

Exclusions

Headcount excludes:

- Agency & Contractor staff
- Consultants
- Third Party and Outsourced staff
- RoW (Netherlands, Norway, and Trinidad) headcount data is excluded from the calculation at this time due to inaccessibility and missing data. Their omission is immaterial as their combined headcount figure currently contributes to less than 1% of the overall group total.

Calculation

Taking into account the above, the final retention figure is calculated as follows:

$$\frac{(\text{Group Average Headcount} - \text{Total Unplanned Leavers})}{\text{Group Average Headcount}}$$

Data quality, collection and reporting frequency

Data quality

Quality is reliant on the accuracy and timeliness of the data being input into the systems. This is more critical in certain parts of the business which are reliant on up to date resource planning tools to man at optimum resource levels (e.g. Engineers and Call Centres).

Data collection

Data is collected on a monthly basis for all the BUs and reported in the Centrica People Metric reports.

Reporting frequency

The number of employees leaving the business is reported on a monthly basis at Group, BU and cost centre level. The retention percentage is then calculated from that.

Absence

Description

Employee sickness absence relates to the number of days lost to sickness absence in a given reporting period.

Calculation methodology

Unit of measure

The MAT sickness per FTE is calculated by adding the monthly sickness per FTE for twelve consecutive months. The sickness per FTE rate is calculated by dividing the total absence days by the full time equivalent for the same month.

Scope

Absence is measured and reported for the UK and North American Business Units. Absence data is not available for the European entities and Trinidad. Given that these employees represent less than 1% of the 2013 headcount, these are not considered to be material from a Group absence perspective. Contractors are not included in absence calculations.

Data is collected for all the Business Units in the UK and North America as follows:

- Corporate Centre
- British Gas Residential
- British Gas Services
- British Gas Business
- British Gas New Energy
- Centrica Energy
- Centrica Storage
- Direct Energy – data is available at BU level but it is summarised at DE level for absence reporting purposes

Data Calculation

For each business the total number of absence days in the month is divided by the business' FTE for that month. For the Corporate Responsibility Report, the MAT sickness/FTE figure covers the period from January 2013 to December 2013. The total figure is calculated by adding together the monthly rates for this period.

Data quality, collection and reporting frequency

Data quality

Quality is reliant on the accuracy and timeliness of the data being input into the systems. This is more critical in certain parts of the business which are reliant on up-to-date resource planning tools to deliver at optimum resource levels (e.g. Engineers and Call Centres).

Data collection

Data is collected on a monthly basis for all the BUs and reported in the Centrica People Metric reports.

In July 2011 a new absence reporting system was introduced in the British Gas BUs, known as "Absence Manager". The operational system allows employees to contact a 24/7 telephone line where they can provide details of their absence from work and estimated return to work date, which is communicated to their line manager via email and text message. When the employee is fit to return to work they call the helpline again to confirm their return date and the manager is informed of this via email and text message. The system provides real time information on levels of employee absence.

This key reporting tool now covers 93% of the UK employee population and a business decision has not yet been made to roll out the system to the remaining 7% to Centrica Energy, Centrica Storage and Corporate Centre.

As Direct Energy uses a different version of SAP to the UK there is currently no plan to introduce this system in North America and this decision sits with the HR Director for Direct Energy.

Irrespective of whether Absence Manager has been launched in a Business Unit, all managers in Centrica are responsible for completing a notification form of absence and sending it to Centrica People Services so that the SAP system is updated, including payroll.

Reporting frequency

Absence data is reported by line managers on a daily basis to a central team, where the data is then uploaded onto the HR system. Data is then reported monthly at Group, BU and cost centre level.

Lost time injury frequency rate (LTIFR)

Description

Lost time injury frequency rate (LTIFR) is an industry standard measure for tracking personal safety performance for serious injuries.

A lost time injury is defined as an incident arising out of Centrica's operations which leads to an injury where the employee or contractor is not available to work for one day or more, excluding the day that the injury occurred.

Calculation methodology

Unit of measure

$$\text{LTIFR} = \frac{\text{Number of lost time injuries} \times 100,000}{\text{Hours worked}}$$

Scope

All Centrica businesses carrying out upstream activities, (ie British Gas (BG), Centrica Energy (CE), Centrica Storage Limited (CSL) and Direct Energy (DE)) are included for the scope of reporting as defined below for the period January to December 2013. This includes acquisitions of Venture Source and Energetix made in 2012 which began data reporting on 1st January 2013 and the 2013 acquisitions as follows:

2013 Centrica Acquisitions (only operated require metrics reporting)					
Business Unit	Centrica Business	Acquired Business Name	Operated or non-operated?	"Day One" Date	Date HSE Metrics Reporting Started
Downstream	DE	Bounce	Non-Operated	12-Jul	N/A
Upstream	CE	Suncor	Operated	26-Sep	26-Sep
Downstream	DE	AWHR	Operated	01-Oct	01-Oct
Downstream	DE	Hess Energy Marketing	Operated	01-Nov	01-Nov

For the purpose of injury reporting, all directly controlled activities are included. This includes all activities undertaken by third parties where:

- work activities are undertaken under a Centrica business brand
- work performance is under the direct control of a Centrica businesses line management
- Centrica owns or has the controlling interest in the premises/asset where the third party is working

From 1 January 2013 work hours and injuries associated with franchisee operations are no longer included in the reported data. Injury data, investigation details and corrective actions continue to be recorded from franchisees' for the purposes of sharing learnings across the franchisee community.

Note: for the purposes of 2013 reporting the business restructuring into two international businesses, International Upstream and International Downstream, has not affected the way data is collected or reported in 2013. From 1st January 2014 the former DE business in Canada, DE Upstream Gas, will be reported through CE E&P (formerly CE Upstream).

Data quality, collection and reporting frequency

The source recording system used by Corporate Centre (CC), British Gas (BG), Centrica Storage (CSL), Centrica Energy Power (CEP), Centrica Energy Millstream (CE Millstream) and Centrica Energy Upstream (CEU) is myHSE. In Direct Energy, the source recording system is Analytix.

The required data is then transferred to an Excel template for the purpose of reporting to Centrica Group. A nominated person from each business extracts the relevant data from the source recording system to complete the reporting template.

Where actual worked hours are available these are used to calculate LTIFR, if actual work hours are not maintained, for example salaried personnel, the following calculation is used to estimate work hours across the group:

monthly average FTE (equivalent full time employees) x 8 hours x number of working days in the month (excluding weekends and national holidays)

Note: for off-shore workers a 24 hour working day should be used for the days off-shore.

It may generally be assumed that actual work hours are available for industrial personnel; hours for office based personnel are generally estimated (including agency workers). Contractor hours are provided by the contractor as agreed in the contract.

Any other work hour estimations must be submitted to Group HSES for approval before 1 December of the preceding recording year by the business HSE Director, no approvals were requested or made in 2013.

Reporting frequency

Data is reported monthly to Group HSE from by each business unit on the Group HSES provided spreadsheet. All data is verified by the business unit HSES Director, or nominated deputy, prior to submission to Group HSES. Group HSES conduct necessary assurance on the submitted data and consolidated business unit data in to a single performance report for the Centrica Executive Committee monthly.

Total recordable injury rate (TRIR)

Description

Total recordable injury frequency rate (TRIFR) is an industry standard measure for tracking personal safety performance for serious injuries.

Recordable injuries include all work related injuries apart from first aid. This includes fatalities, lost time, restricted duty and medical treatment (Note: all needle stick and sharps injuries are recordable). Only first aid injuries described as below are excluded:

- a) Using a non-prescription medication at nonprescription strength (for medications available in both prescription and non-prescription form, a recommendation by a physician or other licensed health care professional to use a non-prescription medication at prescription strength is considered medical treatment for recordkeeping purposes);
- b) Administering tetanus immunizations (other immunizations, such as Hepatitis B vaccine or rabies vaccine, are considered medical treatment)
- c) Cleaning, flushing or soaking wounds on the surface of the skin
- d) Using wound coverings such as bandages, Band-Aids™, gauze pads, etc.; or using butterfly bandages or Steri-Strips™ (other wound closing devices such as sutures, staples, etc., are considered medical treatment)
- e) Using hot or cold therapy
- f) Using any non-rigid means of support, such as elastic bandages, wraps, non-rigid back belts, etc. (devices with rigid stays or other systems designed to immobilize parts of the body are considered medical treatment for recordkeeping purposes)
- g) Using temporary immobilization devices while transporting an accident victim (e.g., splints, slings, neck collars, back boards, etc.)
- h) Drilling of a fingernail or toenail to relieve pressure, or draining fluid from a blister
- i) Using eye patches
- j) Removing foreign bodies from the eye using only irrigation or a cotton swab
- k) Removing splinters or foreign material from areas other than the eye by irrigation, tweezers, cotton swabs or other simple means
- l) Using finger guards
- m) Using massages (physical therapy or chiropractic treatment are considered medical treatment for recordkeeping purposes)
- n) Drinking fluids for relief of heat stress.

Calculation methodology

Unit of measure

$$\text{TRIFR} = \frac{\text{Number of recordable injuries} \times 100,000}{\text{Hours worked}}$$

Scope

All Centrica businesses (ie British Gas (BG), Centrica Energy (CE), Centrica Storage Limited (CSL) and Direct Energy (DE) Upstream Gas) are included for the scope of reporting as defined below for the period January to December 2013. This includes acquisitions of Venture Source and Energetix made in 2012 which began data reporting on 1st January 2013 and the 2013 acquisitions as follows:

2013 Centrica Acquisitions (only operated require metrics reporting)					
Business Unit	Centrica Business	Acquired Business Name	Operated or non-operated?	"Day One" Date	Date HSE Metrics Reporting Started
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Upstream	CE	Suncor	Operated	26-Sep	26-Sep
Downstream	DE	AWHR	Operated	01-Oct	01-Oct
Downstream	DE	Hess Energy Marketing	Operated	01-Nov	01-Nov

For the purpose of injury reporting, all directly controlled activities are included. This includes all activities undertaken by third parties where:

- work activities are undertaken under a Centrica business brand
- work performance is under the direct control of a Centrica businesses line management
- Centrica owns or has the controlling interest in the premises/asset where the third party is working

From 1 January 2013 work hours and injuries associated with franchisee operations are no longer included in the reported data. Injury data, investigation details and corrective actions continue to be recorded from franchisees' for the purposes of sharing learnings across the franchisee community.

Note: for the purposes of 2013 reporting the business restructuring into two international businesses, International Upstream and International Downstream, has not affected the way data is collected or reported in 2013. From 1st January 2014 the former DE business in Canada, DE Upstream Gas, will be reported through CE E&P (formerly CE Upstream).

Data quality, collection and reporting frequency

The source recording system used by Corporate Centre (CC), British Gas (BG), Centrica Storage (CSL), Centrica Energy Power (CEP), Centrica Energy Millstream (CE Millstream) and Centrica Energy Upstream (CEU) is myHSE. In Direct Energy, the source recording system is Analytix.

The required data is then transferred to an Excel template for the purpose of reporting to Centrica Group. A nominated person from each business extracts the relevant data from the source recording system to complete the reporting template.

Where actual worked hours are available these are used to calculate LTIFR, if actual work hours are not maintained, for example salaried personnel, the following calculation is used to estimate work hours across the group:

monthly average FTE (equivalent full time employees) x 8 hours x number of working days in the month (excluding weekends and national holidays)

Note: for off-shore workers a 24 hour working day should be used for the days off-shore.

It may generally be assumed that actual work hours are available for industrial personnel; hours for office based personnel are generally estimated (including agency workers). Contractor hours are provided by the contractor as agreed in the contract.

Any other work hour estimations must be submitted to Group HSES for approval before 1 December of the preceding recording year by the business HSE Director, no approvals were requested or made in 2013.

Reporting frequency

Data is reported monthly to Group HSE from by each business unit on the Group HSES provided spreadsheet. All data is verified by the business unit HSES Director, or nominated deputy, prior to submission to Group HSES. Group HSES conduct necessary assurance on the submitted data and consolidated business unit data in to a single performance report for the Centrica Executive Committee monthly.

Significant process safety event

Description

Process safety is defined by the International Association of Oil & Gas Producers as (OGP): “a disciplined framework for managing the integrity of operating systems and processes that handle hazardous substances. It relies on good design principles, engineering, operating and maintenance practices.”

At Centrica the effectiveness of our process safety programmes are tracked through both lagging and leading indicators. These lagging and leading indicators are defined from recommended best practices published by OGP (Process Safety – Recommended Practice on Key Performance Indicators, Report No. 456 November 2011) and the American Petroleum Institute’s (API) (Process Safety Performance Indicators for the Refining and Petrochemical Industries, RP 754) and adapted for applicability to Centrica’s activities.

Process safety events form a hierarchy of severity from proactive or leading indicators, defined as Tier 4 & 5 indicators, to actual process safety events with increasing severity from Tier 3 to Tier 1, referred to as lagging indicators. Metrics relating to significant process safety events (Tier 1) are publically reported.

Calculation methodology

Tier 1 Event Definition

A Tier 1 process safety is defined as follows:

“An uncontrolled release of flammable gas, steam or hot water under pressure causing a major injury or fatality; or the uncontrolled release of an environmentally hazardous substance causing significant impairment of sensitive receivers.”

Scope

The following Centrica business: Centrica Energy (CE), Centrica Storage Limited (CSL) and Direct Energy (DE), reported process safety metrics related to their drilling, completions, processing, generation, storage and supply of energy activities for the period January to December 2013.

Tier 1 process safety events are reported for all directly controlled activities, this includes all activities undertaken by third parties where:

- work activities are undertaken under a Centrica business brand
- work performance is under the direct control of a Centrica businesses line management
- Centrica owns or has the controlling interest in the premises/asset where the third party is working

Data quality, collection and reporting frequency

The source recording system used by Corporate Centre (CC), British Gas (BG), Centrica Storage (CSL), Centrica Energy Power (CEP), Centrica Energy Millstream (CE Millstream) and Centrica Energy Upstream (CEU) is myHSE. In Direct Energy, the source recording system is Analytix.

The required data is then transferred to an Excel template for the purpose of reporting to Centrica Group. A nominated person from each business extracts the relevant data from the source recording system to complete the reporting template.

Reporting frequency

Data is reported monthly to Group HSE from by each business unit on the Group HSES provided spreadsheet. All data is verified by the business unit HSES Director, or nominated deputy, prior to submission to Group HSES. Group HSES conduct necessary assurance on the submitted data and consolidated business unit data in to a single performance report for the Centrica Executive Committee monthly.

Road safety incidents – number of high severity incidents and low severity rate

Description

The road safety metric measures the number of driving-related incidents. Data is evaluated in terms of levels of severity from level 1 to 5. Incidents of high severity are actual levels 4 and 5, and low severity actual levels 1 to 3 (see below).

Calculation methodology

The key performance indicators tracked are number of high severity incidents and the low incident severity rate. The unit of measure for high severity incidents is the number of incidents and the unit of measure for low severity incident rate is:

$$\text{Road incident rate} = \frac{\text{Number of road safety incidents} \times 1,000,000}{\text{Km driven}}$$

Level Descriptors for Road Traffic Events

Vehicle Severity Level	Actual severity	Potential Severity
Level 5 Major / Fundamental	<ul style="list-style-type: none"> • There is an employee or 3rd party fatality. • Permanent disabling injury to a member of public. 	<ul style="list-style-type: none"> • Head on collision >40mph • Centrica vehicle or 3rd party vehicle rollover • Loss of vehicle control at speed >40mph • Motorcyclist involved at a speed >30mph • Pedestrian or cyclist involved at speed > 20mph
Level 4 Significant	<ul style="list-style-type: none"> • Employee permanent disabling injury/illness. • Member of public injury that requires hospitalisation. 	<ul style="list-style-type: none"> • Head on collision >30mph • Loss of vehicle control at speed >30 mph • Motorcyclist involved at speeds >20mph • Pedestrian or cyclist involved at speeds < 20mph
Level 3 Important	<ul style="list-style-type: none"> • Lost Time injury to an employee. • Minor injury to a member of public. 	<ul style="list-style-type: none"> • Head on collision >20mph • Hit from behind at speed >20mph • Loss of vehicle control at speed <30mph
Level 2 Minor	<ul style="list-style-type: none"> • Injury to an employee that requires Medical Treatment or First Aid. 	<ul style="list-style-type: none"> • Low speed incident <20mph
Level 1 Near Miss	<ul style="list-style-type: none"> • No injury • All Vehicle damage 	<ul style="list-style-type: none"> • N/A

Scope

All Centrica businesses (ie British Gas (BG), Centrica Energy (CE), Centrica Storage Limited (CSL) and Direct Energy (DE) Upstream Gas) are included for the scope of reporting as defined below for the period January to December 2013. This includes acquisitions of Venture Source and Energetix made in 2012 which began data reporting on 1st January 2013 and the 2013 acquisitions as follows:

2013 Centrica Acquisitions (only operated require metrics reporting)					
Business Unit	Centrica Business	Acquired Business Name	Operated or non-operated?	"Day One" Date	Date HSE Metrics Reporting Started
Downstream	DE	Bounce	Non-Operated	12-Jul	N/A
Upstream	CE	Suncor	Operated	26-Sep	26-Sep
Downstream	DE	AWHR	Operated	01-Oct	01-Oct
Downstream	DE	Hess Energy Marketing	Operated	01-Nov	01-Nov

All road traffic events occurring while driving on company business are reported by employees, agency workers and contractors regardless of whether the vehicle is company owned, rented/leased or privately owned. Franchisee events are recorded but not included in the reported metrics.

Note: for the purposes of 2013 reporting the business restructuring into two international businesses, International Upstream and International Downstream, has not affected the way data is collected or reported in 2013. From 1st January 2014 the former DE business in Canada, DE Upstream Gas, will be reported through CE E&P (formerly CE Upstream).

Only business related distance is used for calculation of the incident rate. For the small number of fuel card holders in the UK (less than 2% of overall distance travelled within UK) who can purchase fuel for personal and business use, an estimate of personal distance travelled is made to exclude this from the data (47% is assumed personal from Fleet data). For Business Unit performance, the distance travelled is allocated to businesses based on headcount where aligned cost centres are not available.

Data quality, collection and reporting frequency

Data collection

Data is reported through incident reporting systems in each business. The source recording system used by Corporate Centre, British Gas, Centrica Storage, Centrica Energy Power, CE Millstream and Centrica Energy Upstream (CEU) is myHSE. In Direct Energy the source recording system is Analytix.

The required data is then transferred to a template for the purpose of reporting to Group. A nominated person from each business extracts the relevant data from the source reporting system to complete the reporting template.

Distance travelled data is reported to Group HSE on a quarterly basis. British Gas Fleet provides data for the UK commercial fleet and company car fleet. Direct Energy Fleet provides data for North America.

Reporting frequency

Data is reported monthly to Group HSE from by each business unit on the Group HSES provided spreadsheet. All data is verified by the business unit HSES Director, or nominated deputy, prior to submission to Group HSES. Group HSES conduct necessary assurance on the submitted data and consolidated business unit data in to a single performance report for the Centrica Executive Committee monthly.

Fatalities

Description

Metric measures any work related fatalities associated with our activities.

Calculation methodology

Unit of measure

Number of people

Scope

All Centrica businesses carrying out activities, (ie British Gas (BG), Centrica Energy (CE), Centrica Storage Limited (CSL) and Direct Energy (DE)) are included for the scope of reporting as defined below for the period January to December 2013. This includes acquisitions of Venture Source and Energetix made in 2012 which began data reporting on 1st January 2013 and the 2013 acquisitions as follows:

2013 Centrica Acquisitions (only operated require metrics reporting)					
Business Unit	Centrica Business	Acquired Business Name	Operated or non-operated?	"Day One" Date	Date HSE Metrics Reporting Started
Downstream	DE	Bounce	Non-Operated	12-Jul	N/A
Upstream	CE	Suncor	Operated	26-Sep	26-Sep
Downstream	DE	AWHR	Operated	01-Oct	01-Oct
Downstream	DE	Hess Energy Marketing	Operated	01-Nov	01-Nov

For the purpose of injury reporting, all directly controlled activities are included. This includes all activities undertaken by third parties where:

- work activities are undertaken under a Centrica business brand
- work performance is under the direct control of a Centrica businesses line management
- Centrica owns or has the controlling interest in the premises/asset where the third party is working

Note: for the purposes of 2013 reporting the business restructuring into two international businesses, International Upstream and International Downstream, has not affected the way data is collected or reported in 2013. From 1st January 2014 the former DE business in Canada, DE Upstream Gas, will be reported through CE E&P (formerly CE Upstream).

Fatalities of members of the public resulting from our activities are also reported, but these are not included in the total fatalities figure.

Data quality, collection and reporting frequency

Data collection

Data is collected from each business upon occurrence.

Reporting frequency

Our reporting standard requires any fatality to be reported to the Chief Executive immediately (as soon as possible following the incident).

Community investment contributions

Description

We undertake a range of activities that can have a positive impact on the communities in which we live and work. We measure our contributions to better understand the impact we have. We use two key performance indicators to calculate the contributions we make:

- **Total community contributions**
- **Total employee volunteering hours**

Reporting methodology

Units of measure

Community contributions are measured in British sterling.
Employee volunteering is measured in hours.

Scope

Both measures encompass contributions made across the whole of Centrica, including British Gas, Centrica Energy, Centrica Storage, Direct Energy and Corporate Centre. Data is reported by calendar year: 1 January – 31 December 2013.

Total community contributions

The total community contributions metric comprises charitable spend, mandatory contributions and voluntary contributions.

- **Charitable spend** – Contributions made to charitable organisations based on the independent London Benchmarking Group (LBG) methodology¹⁸ as set out in the Table A.
- **Mandatory contributions** – Payments made as required by government or regulators. British Gas make significant investments to vulnerable customers which are mandated through Government social and environmental schemes (e.g. Warm Home Discount and the Energy Company Obligation). Centrica Energy and Centrica Storage are required to invest in local community trusts as part of their licence to operate.
- **Voluntary contributions** - Payments made for our customers which are not mandated by government or regulators. Investments made to only customers are not considered charitable within LBG methodology. E.g. Contributions by Direct Energy to the Neighbor-to-Neighbor bill assistance programme.

¹⁸ More information on LBG is available on their [website](#) and within the [Guidance Manual](#).
Basis of Reporting
2013 reporting

Table A – Charitable breakdown

Charitable components	Definition	Primary examples
Cash	Money donated in support of community organisations or projects	<ul style="list-style-type: none"> • Direct donations • Donations made to match employee fundraising (match funding)
Value of volunteering time	Cost to the business for time employees and contractor volunteer during paid working hours	<ul style="list-style-type: none"> • Volunteering • Secondments to community organisations
In-kind	Non-cash donations to the community	<ul style="list-style-type: none"> • Product donations like solar panels • Use of company premises
Management costs	Cost to the business of running key community investment programmes	<ul style="list-style-type: none"> • Salaries • Cost of developing core programme communications

Other types of financial contributions, such as employee fundraising and payroll giving are not included in our community contributions. This is because while community organisations benefit as a direct result of the businesses' community activities, there has been no direct cost to the business. However, we do collect and internally monitor this information because it forms an important source of support for our charity partners. Outside work hour time contributions are not included in scope because there is no cost to the business for the time spent volunteering.

Charitable, voluntary and mandatory figures are also reported separately within our online [data centre](#) to provide greater clarity on the breakdown of our overall total community contributions.

Table B – Total employee volunteering hours

Time Contribution	Description	In scope	Out of scope
During work time	Volunteering by employees and contractors during work hours	<ul style="list-style-type: none"> • All volunteering where no annual leave was taken • Time taken to fundraise for business-supported community initiatives 	<ul style="list-style-type: none"> • Volunteering conducted during annual leave • Fundraising for personal activities
Outside work time	Volunteering by employees and contractors outside work hours which have been enabled or supported by the business	<ul style="list-style-type: none"> • Volunteering outside of working hours on company-sponsored initiatives (e.g. Duke of Edinburgh) 	<ul style="list-style-type: none"> • Personal volunteering done in the evenings, on weekends or during annual leave

Calculation methodology

The total community contribution metric is a summation of its constituent parts. Donations from across the Group are inputted according to the respective country's currency such as Canada (CAD), United States (USD), Norway (NOK) and Europe (EUR). Based on annual average currency values entered within the 'ourCommunity' community investment data collection tool (see data quality for more information on the 'ourCommunity' system), an automatic conversion to the reporting currency is produced.

Total community contributions = Charitable spend (charitable donations + cost of volunteering time + in-kind donations + management costs) + Mandatory contributions + Voluntary contributions

The total volunteering hours metric is calculated by multiplying the cost of the employee's time by the number of hours volunteered. Average hourly rates for employee levels (e.g. engineer, assistant, senior manager, etc) are used to generate the cost of the employee's time.

In-kind donations are calculated at the cost to the business for providing products or services, rather than using external market rates.

Data quality, collection and reporting frequency

Data Quality

We have an online, external database that enables the collection of data in a simple and consistent way across the business. This system, 'ourCommunity', improves both scope and accuracy of our community data.

The ourCommunity system is structured around the LBG methodology alongside other collected forms of investment such as outside work hour volunteering, mandatory and voluntary contributions as well as leverage. Auto-calculations for employee costs and currency conversions are built into the system on an annual basis so that accurate community investment values can be produced.

To ensure data quality, a number of validation phases take place before the data is finalised for reporting. Once all data has been validated online by the business unit owners, a further review of exported data takes place centrally by the Group Corporate Responsibility team in Corporate Centre. The central team confirms queries with the businesses and calculates totals from the raw data provided by the ourCommunity system.

Guidance on LBG methodology is sought on non-standard contributions to guard against incorrect inclusions of charitable spend.

Data collection

A network of contributors located throughout the business make data entries into the online 'ourCommunity' tool. Data collection is monitored and checked by the business unit owners as well as at a Group level.

Contributors can input data throughout the year in real-time. Formal half-yearly and year-end data collection and reporting is undertaken.

Reporting frequency

Data is reported to the Group Corporate Responsibility team on a half-yearly and year-end basis ahead of company reporting.