



# Centrica

**'We aim to build positive relationships by developing a sustainable approach to doing business.'**  
Sir Roy Gardner, Chief Executive

# What matters to you...

Our first responsibility is to meet our customers' needs for essential services. Through our business activities, we are an integral part of local communities. We create wealth for employees, generate taxes to government, create jobs among suppliers and deliver a fair reward to investors who finance our business.



Centrica Energy manages our gas production and electricity generation capabilities, along with third party supply and transportation contracts.



British Gas is the market leader in delivering gas, electricity and telecoms to millions of homes across the UK. As well as energy and telecoms, we offer customers an increasing choice of complementary home services.



Centrica Business Services aims to be recognised as the most innovative and flexible provider of energy and other essential services to the UK business community.



The AA provides reassurance and services to motorists in the UK and Ireland. Our roadside assistance remains at the core of our activities and we are the UK's number one insurance intermediary. The AA is also a growing provider of personal loans and financial services.



One.Tel provides a fresh and innovative approach in providing a range of landline, mobile and internet services across the UK.



Luminus, our joint venture energy business in Belgium, and Luseo Energia, our business to business brand in Spain, provide us with a launch pad into the markets of continental Europe.



In Canada, Direct Energy Essential Home Services offers gas and electricity and a range of home services in Ontario. In Texas, we supply electricity under the Direct Energy, WTU Retail Energy and CPL Retail Energy brands to homes and businesses. We supply gas under the Energy America brand in Michigan, Ohio and Pennsylvania. Direct Energy Business Services provides comprehensive energy solutions to businesses throughout Canada and in Texas.

## Every day matters

Every day our businesses touch the lives of millions of people. Through our leading brands, we provide warmth, comfort and peace of mind. People know us through our brands, but behind those brands lies the skill, knowledge and expertise of thousands of employees.

[www.centrica.com/responsibility](http://www.centrica.com/responsibility)



£1,058m

2003 Operating Profit.



£17.9bn

2003 Group turnover.



## ...matters to us

“...by understanding our impact on society, the economy and the environment, we can build positive relationships that benefit our shareholders through the development of a sustainable approach to doing business.”

Corporate responsibility is often thought of as a new concept. In reality, companies have always had to address issues of social and environmental responsibility as a core part of doing business.

However, the recent external focus on corporate responsibility has provided an impetus for businesses of all sizes to challenge their existing practices and to focus on introducing increasingly rigorous processes into their work. We have embraced this challenge.

Our vision is given substance by core values and business principles, which are intended to inform every aspect of our organisation and define the way we work. This report describes how we put our values and principles into practice in terms of:

- supporting our employees in the workplace
- our pride in delivering good-quality products and services for our customers in the marketplace
- our responsibility in managing our impacts on the environment
- investing in our local communities

We have many millions of customers world-wide. Each of these relationships is built on trust and hence everything we do and every decision we make is based on our values. Our products are essential for our customers, their families

and friends and our relationships go beyond the provision of good quality products and services. For example the £150 million 'here to HELP' programme is providing a package of products, services and advice to make 500,000 homes warm, safe and comfortable. This programme aims to improve living conditions and the quality of life for families, older people and people with disabilities in some of Britain's most deprived communities. We also have a responsibility to help our customers be more environmentally responsible when using our products and services.

My management team and I are committed to ensuring that we manage the social, economic and environmental impacts of our businesses and report on our progress. We believe this approach will enable us to continue to evolve and develop our corporate responsibility strategy. We recognise that is key to continuing business success.

I hope you find this report interesting. I would welcome your feedback on any aspect of our policy and initiatives. You will find the appropriate contact details throughout this report.

**Sir Roy Gardner**  
Chief Executive



42,573

More than 42,573 employees across the business.



44m

More than 44 million customer relationships.



£6.6m

Contributed to community causes in 2003.

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# A business with values

Corporate responsibility is an important part of our culture, identity and business practice. At the heart of our approach is a clear articulation of our vision, strategy and values underpinned by our business principles.

**We aim to grow our earnings and cash flow within a prudent risk management framework.**

**During 2003, our share price outperformed the market by nearly 10%. Since our demerger in February 1997 to 31 December 2003 we have out-performed the FTSE100 Index by 221%.**

### Building a better business

Since Centrica was formed in 1997, the company has gone through a significant transformation. We were essentially a UK gas supplier in a monopoly market. Today we sell a wide range of products and services in the UK and overseas, competing strongly in highly competitive markets.

In 2003, we reported record group performance following a challenging year in which the performance of British Gas was impacted by an adverse combination of warm weather and high commodity costs. Group turnover was up 25% to £17,931 million and operating profit increased by 14% to £1,058 million. Our operating profit in North America more than doubled to £130 million and we reported strong growth in the core business of the AA, leading to a 27% increase in operating profit. Other major business

developments during the year included further investments in power generation, the Competition Commission clearance of our acquisition of the Rough gas storage facility and the sale of the Goldfish credit card and personal loan business.

### Principles in practice

Underpinning the transformation of our business has been a single vision: to be a leading supplier of essential services in our chosen markets.

This vision is supported by an integrated set of core values and business principles that define the way we work.

We aim to ensure that all Centrica employees are familiar with our values and principles, and can apply them consistently and rigorously. A copy of our business principles is available to every employee.

Our principles are designed to help every employee play a full part in protecting and enhancing our reputation in a manner that is consistent with our values. We have also produced more detailed business practice guides to help our employees make the values and principles a reality in their day-to-day conduct.

The full version of our principles can be found at [www.centrica.com/businessprinciples](http://www.centrica.com/businessprinciples)

## Our history



## Our CR achievements

# First

# 12%

Centrica was named 2003 Utility Company of the Year in the Utility Industry Achievement Awards.

Earnings up 12% in 2003.

“Centrica is committed to the highest ethical standards. To deliver against this commitment we have developed a set of principles that set out how we operate responsibly to create the kind of service our customers, suppliers, business partners and colleagues expect.”

Sir Roy Gardner, Chief Executive

## Vision, Strategy, Values

Our vision is to be a leading supplier of essential services in our chosen markets in order to provide maximum value to our shareholders.

**Our distinctive strategy** is to create value for shareholders through:

### Deepening our relationships with customers

Gaining and retaining valuable customers by understanding their needs and offering them tailored products and services through our strong brands.

### Managing risk in the energy markets

Identifying and implementing the right blend of owning production assets, negotiating long term contracts and daily buying activities.

### Sharing knowledge and best practice

Making Centrica greater than the sum of its parts both by implementing common processes and by sharing knowledge, best practice and learning across the company.

**Our values** are the core of our corporate philosophy:

### Passion for customers

This value is central to the way we work. We have an ethos of delivering outstanding customer service. We must be able to anticipate our customers' needs and correct any errors promptly. We must give value for money, and deliver efficient and effective products and services.

### Pride

Pride comes from the satisfaction of our customers and from delivering high quality products and services. We're proud of our staff and their achievements, and we recognise and reward success.

### Trust

Trust is at the heart of our relationships with customers. Trust means doing what we say and acting with integrity. We demonstrate trust by respecting and empowering our employees. Building trust will help us develop strong future relationships with our stakeholders.

### Challenge

We are constantly striving for continual improvement; we are never satisfied. We engage constructively with advocates and critics from within and outside the company. We do this to maintain our competitive edge and deliver consistently outstanding shareholder returns.

### Support

We support employees seeking to meet and own challenges. We foster teamworking and knowledge sharing and give our employees the tools and training they need to do their job well.



Centrica becomes the largest provider of indirect telecoms services in the UK following the acquisition of One.Tel plc

2002

British Gas Help the Aged partnership wins the Marketing Society Corporate Citizenship Award

Centrica acquires Glanford Brigg Power Station in Lincolnshire, its fourth power station

The first online Centrica corporate responsibility section is launched



2003

Centrica wins a Business in the Community Excellence Award for its Project-Led Recruitment initiative

Joint venture is formed to build an offshore wind farm



Centrica is included in the Dow Jones Sustainability World Index for the first time

The sale of Goldfish credit card and personal loans businesses to Lloyds TSB is completed

2004

Centrica launches an online and printed corporate responsibility report for 2003

# Responsibility in practice

Corporate responsibility means different things to different people. We believe it describes all the actions we take to deliver shareholder value in the long term. It is that fundamental.



“This is our first corporate responsibility report and an important milestone for Centrica. We were pleased with our progress in 2003 but recognise that there is much more to be done across a range of business impacts. We hope that this publication will form part of a process to enable us to achieve continually improving levels of performance in future years.”

**Grant Dawson**  
Group General Counsel  
and Company Secretary

## Managing corporate responsibility

We have established a Corporate Responsibility Committee (CRC) made up of senior executives from across Centrica to lead the development and application of our corporate responsibility strategy. The committee is chaired by the Group General Counsel and Company Secretary and includes the Group Director, Human Resources, the Chief Operating Officer for Centrica North America, the Group Marketing Director, the Group Corporate Affairs Director and the Head of Corporate Responsibility.

The committee meets quarterly and is a formal sub committee of the Centrica Executive Committee (CEC). Regular presentations are made to both the CEC and the Centrica board with further updates to the CEC as appropriate.

## Our thinking – into action

Our operating businesses have a critical role to play in the delivery of the group corporate responsibility strategy. Each business operates in a different trading environment and the issues they need to address depend on the location and nature of their main business activities. The operating businesses are responsible for integrating corporate responsibility into

their business strategies and are accountable to the CRC in reporting their performance.

Each business manages its business impact in different ways, often working closely with corporate functions, including human resources, procurement, health, safety and environment, marketing and community affairs.

## Effective risk management

Our risk governance structure is designed to assess and quantify all the risks to which our businesses are subject and to create a culture in which risk management is integrated with decision-making. A number of key processes are in place to identify and actively manage business risk. These form part of our commitment to meet the requirements of the Turnbull Guidance on Internal Control, as appended to the Combined Code on Corporate Governance.

## Engaging with the regulators

Centrica operates in a number of markets, including energy, telecommunications and financial services, that are extensively affected by changes in regulation and public policy. We, therefore, have structured dialogue with all those that contribute to the policy making process in these areas including

Government, regulators, Non-Governmental Organisations and think tanks to ensure that they are fully informed at all times.

We believe the best way to manage these relationships is to exchange information with openness and transparency.

## Measuring our performance

We have developed a range of corporate responsibility measures that are appropriate to the businesses we run and the countries in which we operate. Where possible, we participate in initiatives that provide external stakeholders with benchmarks of our performance. In particular, we participate in the:

## Dow Jones Sustainability Indexes

Centrica has been selected as an index component for both the Dow Jones Sustainability World and European Indexes (DJSI World and DJSI STOXX) in 2003. This means we are judged to be among the leading sustainability-driven companies world-wide.

# Top 10

# 2nd

# 48th

# £5.75m

The accessibility of our corporate website has been rated in the top 10 of FTSE100 companies by web usability consultants Nomensa.

Centrica was placed second in the Employers' Forum on Disability Global Benchmark in 2003.

Centrica was ranked 48th within the BITC 2003 Corporate Responsibility Index. 139 companies took part.

Cash support provided to community activities in 2003.

## BITC Corporate Responsibility Index

Business in the Community introduced their corporate responsibility index in 2002 when a total of 122 companies took part and Centrica was placed in the third quintile. 139 companies took part in 2003 and Centrica was ranked 48th (second quintile) within the overall index with an improved score of 87.19%.

In all of the main categories, we met or exceeded the average rating, and were pleased that our performance in the areas of corporate strategy and integration significantly improved on our 2002 performance. We accept there are still areas for improvement and would hope to make further progress in 2004 based on the planned activities around our key impact areas.

## FTSE4Good Indices

The FTSE4Good indices have been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies. Centrica has been included in selected indices since their inception by the FTSE Group in 2001.

## Reporting on our performance

In this summary report, we consider our performance under the following headings. We review details of policies and initiatives that illustrate our commitments. More detail is available on the web at [www.centrica.com/responsibility](http://www.centrica.com/responsibility)

### Workplace

How we support our employees within the working environment to help them balance the competing demands of work and life.

[Page 06](#)



### Marketplace

How we manage the impact our core products and services have on society including how we buy and sell goods and services.

[Page 12](#)



### Community

How we seek to achieve positive impact in local communities through our community investment programme.

[Page 18](#)



### Environment

Information about the major environmental impacts of our business and how we are working to reduce them.

[Page 22](#)



# Pride, trust, opportunity

Our ongoing success depends on the people we employ. The conduct of each and every employee is the basis on which we build effective relationships with customers, with each other, and with the communities in which we operate.

### Our workplace responsibilities... at a glance

- > **Attracting quality people**  
Seeking to attract and retain high-quality individuals through flexible reward packages.
- > **Employee development**  
Helping our people to develop and grow through effective strategies.
- > **Equal opportunities**  
Respecting and valuing the individual, ensuring there is equality of opportunity for all.
- > **Health and safety**  
Ensuring a 100% commitment to the health and safety of every employee and customer.
- > **Listening to employees**  
Valuing the views of employees and integrating their ideas into business planning.
- > **Keeping our people informed**  
Striving to ensure that all employees have the information they need about their role in their organisation, at all times.

Our workplace policies seek to create an environment that motivates and engages our employees and rewards performance, whilst also supporting equality of opportunity for all.

#### Strengthening relationships with employees

We want to be regarded as an employer of choice, developing initiatives that help attract, develop, retain and motivate the best people to work with us. In 2003, we launched a global people strategy which is designed to help us meet specific business needs. The strategy has been widely communicated across our businesses, and we believe that we now have a framework in place that will allow us to continue to invest in our employees.

We have also articulated Centrica's values (see page 3) and introduced a new guide to sound business practice. This guide sets out the standards of behaviour we expect from our employees.

The guide was circulated to all UK employees; North American employees will receive copies in 2004.

Our values and business principles are supported by policies that ensure the support we provide to our employees is both effective and relevant. Following a comprehensive review

process, a total of 36 new or revised policies were introduced in 2003. Our corporate responsibility strategy in the workplace seeks to bring alive our values and to realise our objective of becoming an employer of choice.

The priorities for action that we have set are:

- to embed the responsible behaviour embodied in our values;
- to be clear on our expectations of our employees and about what we offer in return;
- to ensure that the people we employ reflect the customers we serve;
- to attract the best people to work with us in achieving our business objectives;
- to ensure that our leaders understand and apply our values in everything they do;
- to develop our people in a structured way;
- to promote a safe and healthy working environment; and
- to consult and respond to the needs and interests of our employees.

#### Attracting high quality recruits

Centrica is a diverse group of businesses, with a demand for employees with wide ranging skills, technical expertise and experience.

This means that there are always a variety of different recruitment activities and innovative employment

initiatives underway at any one time. For example, a new graduate recruitment brand, MORE, was developed in 2003, (see case study opposite). Our website was extensively overhauled to enable applicants to apply online, and we developed on-campus support to help with recruitment activities. As a result of these initiatives, we recruited 48 UK graduates in 2003.

This was also the first full year of activity at the British Gas Engineering Academy (see case study opposite) and we continued to support various employment initiatives designed to recruit people from different backgrounds and groups in the community including people with disabilities, lone parents, long-term unemployed people and carers.

These included Ambition: Energy and the Centrica Employment Programme which was launched in 2003. This programme builds on the earlier success of our Project-Led Recruitment programme between 1998 and 2002 which saw more than 180 people employed by the group, of whom around 45% had a disability.

# 42,573

During 2003, we employed an average of 42,573 people. An increase of more than 4,500 on 2002.

# 70%

Around 70% of all our employees had an annual training and development review in 2003. We aim to increase the proportion of our employees who benefit from such a review on a rolling basis.

# 5,000

The creation of the British Gas Engineering Academy has helped us develop and re-focus our training facilities to handle the training requirements for an additional 5,000 recruits into our engineering workforce.

## What matters to you?

> **Let us know your views:**

✉ **responsibility@centrica.com**

🗉 **www.centrica.com/workplace**



### Partnership: the key to success at the academy

At the end of 2002 we established the British Gas Engineering Academy. The academy was set up to re-focus our training facilities and to meet the extra training requirements involved in recruiting an additional 5,000 new engineers into our workforce. In 2003 alone, the academy has trained over 500 Modern Apprentices and 1,000 adult recruits. The academy's strategy is not only to use our own training centres but also to engage in partnerships with further education colleges. This will enable us to handle our peak requirements for technical training within British Gas over the next few years. It will also allow us to learn from other training professionals. Three partnerships have been created so far with Stourbridge, Filton and Blackburn colleges.

For more information on the British Gas Engineering Academy visit [www.britishgasacademy.co.uk](http://www.britishgasacademy.co.uk)

### Graduates get MORE opportunities

Our new graduate development programme seeks to develop future senior managers by giving them a thorough understanding of the operational aspects of our businesses from the outset. Introduced in 2003, the programme is structured to provide a number of key placements, including time spent within our customer service operation, alongside on-the-job training and personal development opportunities. The two-year general management programme, the three-year finance programme and the one year IS programme include projects related to corporate responsibility within the personal development stream.

For more information on our graduate development programme visit [www.centrica.com/graduatesmore](http://www.centrica.com/graduatesmore)



## Workplace Pride, trust, opportunity

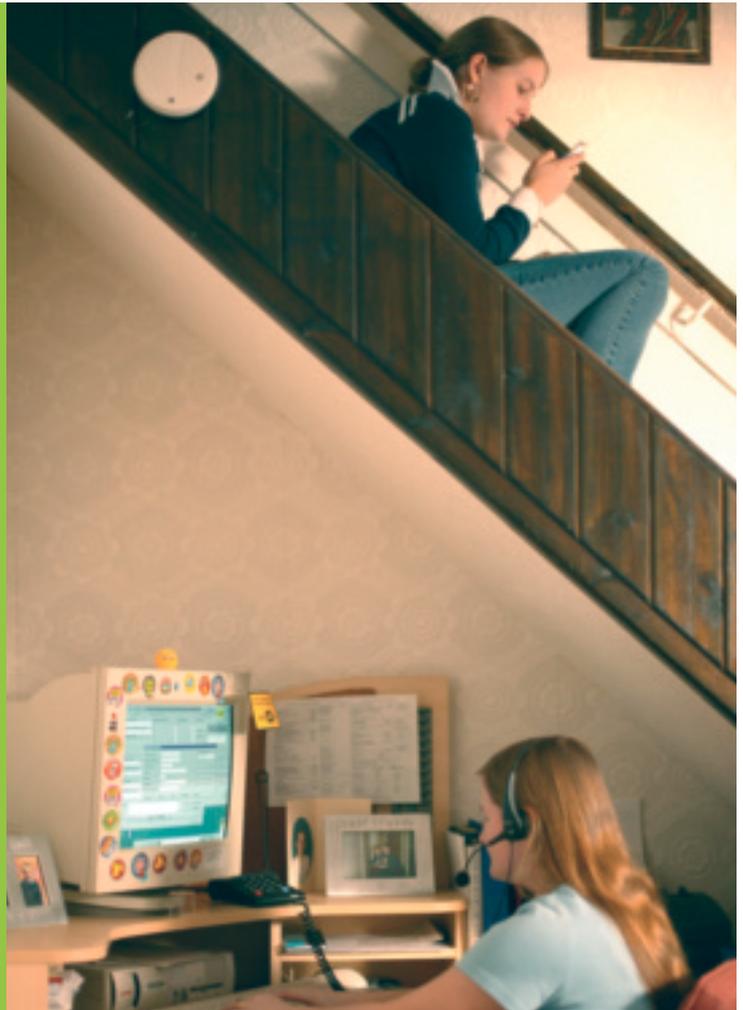
### Work-life balance with the AA

The AA employs around 1,000 people to handle emergency breakdown calls in centres across the country. However, working in a call centre does not suit everybody and following a successful pilot involving ten people in 1997, the AA now has the capacity for 150 people to work at home at any one time, with 140 employees working in this way in 2003.

Teleworkers benefit from the greater flexibility to structure their work around other responsibilities as well as the elimination of travel time. The business also benefits as teleworkers are more productive in terms of the number of calls handled and length of call compared to the office-based employees. It is also easier to attract people to manage out of office hours calls, essential to operating a 24 hour service.

*"Being able to work from home means I can focus entirely on giving excellent customer service, without any of the distractions a call centre environment brings. My travelling time consists of a 20-second journey to work instead of a 30-minute journey. It fits in well with my domestic circumstances and this year I have been selected to represent the teleworking team at the award ceremony for call handler of the year, which makes me very proud."*

**Lisa Earp**  
Customer Service Advisor



**In partnership with the Employers' Forum on Disability, we produced a publication of best practice called 'Recruitment that Works'.**

This guide continues to highlight the key learning points from our experience, and gives step-by-step guidance for employers who want to recruit a diverse workforce and for agencies that help disadvantaged people into work, in particular people with disabilities.



INVESTOR IN PEOPLE

### Enhancing leadership and developing talent

Centrica recognises that the quality of leadership is a central factor in achieving our business objectives and in ensuring that the behaviour of all our employees truly reflects our values. This is a priority area for us.

In 2003 we identified the key behaviours required by leaders at all levels to enable Centrica to achieve its business goals. Following research amongst employees, we created a clear and concise set of behavioural competencies for leadership that are consistent with our culture and values. Based on these competencies, a new performance management system has been developed that provides greater clarity at all levels, from business and management agendas to

individual objectives. The new system seeks to create and maintain a high performance culture across the group with greater emphasis on helping to manage underperformance. From 2004 onwards, managers will use the behavioural competencies to identify their development needs and then receive feedback on how they are doing.

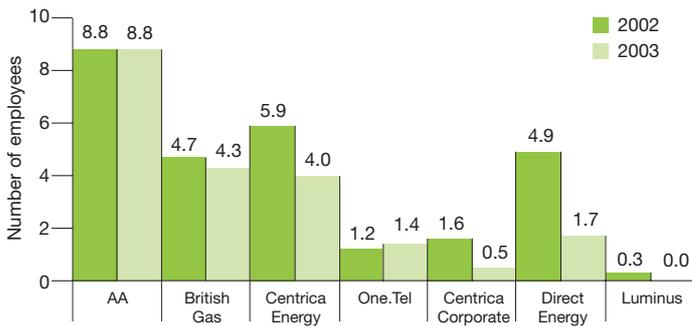
In June 2003, the Centrica Executive Committee agreed actions to develop talented managers across the business. The management talent review involves the top 1,000 managers and enables the organisation to succession plan for the most senior roles in the business. Succession plans were developed in 2003 and used in the movement of a number of people between brands and across functions.

We also launched a new career development and management portfolio to provide us with a clear understanding of the future leadership talent within the organisation.

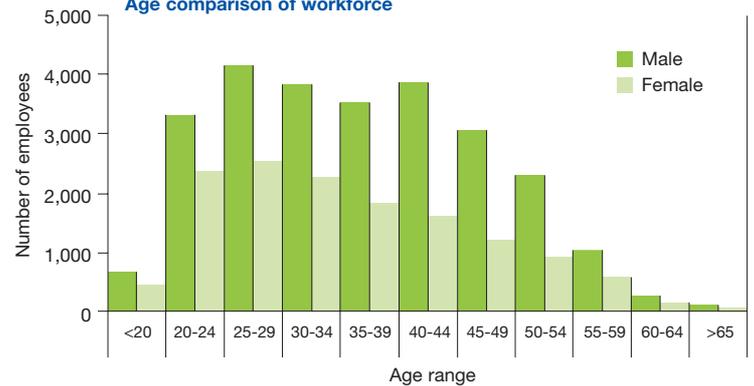
### Promoting diversity and equality

We are working with a number of partner organisations on diversity-related initiatives that enable us to share best practice, address key issues and continually improve our approach to diversity and equality. These include initiatives focused on disability, racial discrimination, age and work-life balance. We are also involved in a number of recruitment initiatives designed to attract people from a wide range of different backgrounds and groups in the community including people with disabilities,

**Total accidents per 100,000 hours worked (Jan - Dec 2003)**



**Age comparison of workforce**



lone parents, long-term unemployed people and carers.

More information on our approach is provided on our website at [www.centrica.com/diversity](http://www.centrica.com/diversity) and in the focus feature on **diversity** on page 11.

**Employee health and safety**

Our health, safety and environmental management system is based on internationally recognised good practice, and we take time to advise all employees that they have a duty to work safely, with consideration for themselves and others.

Visit [www.centrica.com/healthandsafety](http://www.centrica.com/healthandsafety) for further details of our HS&E management system.

Our health and safety targets and key performance indicators are monitored and reported regularly to the Centrica board. Detailed scrutiny of actual or potentially significant incidents identifies lessons to be learned and preventative action taken. The two key reactive indicators are fatalities and major injuries. We are pleased to report no fatal workplace accidents in 2003. Major injuries, usually as a result of slips, trips, falls and handling, have remained

at a low frequency despite the significant growth in our operational businesses. This has been due to our continuing programme of risk assessment, training, team briefings and auditing.

We also introduced a number of occupational health and safety initiatives in 2003 to highlight, manage and mitigate particular risks within our business. Examples in 2003 included managing occupational road risk, managing stress in the workplace (see case below), improving arrangements for employee rehabilitation and reinforcing our policy on the use of mobile phones.

**“I am determined to ensure that we improve our performance in all areas of the workplace. I will be monitoring our progress closely and will continue to report regularly to the management team and back to employees as well.”**

**Anne Minto OBE**  
Group Director  
Human Resources



**Understanding and managing stress**

The Health and Safety Executive estimates that up to 25% of employees in the UK are affected by stress related problems and is developing guidelines for the management of stress in the workplace. In June 2003, we launched our own group-wide programme entitled ‘Managing the Balance – Understanding and Managing Stress in the Workplace’.

This initiative followed a review of data which indicated that stress levels within Centrica reflected the UK-wide picture. Managers decided to address the more challenging aspects of the problem by establishing a programme which looked

initially at management styles, behaviours and structures. An employee module to address individual issues and behaviours was subsequently launched in early 2004. The introduction of the management module has been integrated with a new company policy on stress and clear guidelines for the recognition of stress in the workplace. The training offered to managers now includes an interactive e-learning package available on the intranet and one-day workshops which build on the e-learning. Feedback to date has been excellent and we will continue to monitor stress indicators to gauge impact throughout 2004 and beyond.

## 300

Between 2002 and 2005, British Gas has committed to employing 300 engineers as part of the UK-wide drive to deliver 4,500 jobs through Ambition: Energy.

## £750

We spent an average of £750 per employee on training in 2003, providing around three full days of training for each employee.

## 74%

Almost 74% of our employees responded to our annual employee engagement survey in 2003.

## 10,000

We expect that 10,000 employees will have access to our new Flex employee reward package by the end of 2004.

### Stakeholder engagement: listening to our employees

In the workplace, our most important stakeholders are the people we employ. It is essential that we communicate with our employees to make sure that our policies and initiatives are helping them to meet our high expectations and their own personal needs.

We encourage our employees to share their views and perceptions. Our annual employee engagement survey gives everyone within Centrica an opportunity to comment on how the business is being run. Since 1999, the survey has evolved from a simple measure of employee satisfaction to a sophisticated tool that provides invaluable input into our strategic decision making. More than 74% of our employees participated in the survey in 2003.



**In November 2003, it was announced that British Gas had achieved business-wide recognition to the Investors in People standard.**

This success underlines our commitment to the development of our people. British Gas is now the second largest business in the UK with such accreditation.

### Pay, performance and reward

We work hard to reward our employees fairly for their efforts. From the moment an employee joins Centrica, the way in which their performance is evaluated and recognised is made clear to them. All employees are encouraged to bring forward all queries as they arise.

We regularly review the remuneration packages we offer to ensure that they are competitive. We also use bonus schemes to encourage employees to surpass business and personal goals. In 2003, we introduced the new Centrica Flex employee reward package to support our employee retention strategy. Around 3,500 employees have access to the scheme at present, a figure we expect to increase to 10,000 by the end of 2004. We carry out a

regular analysis across our businesses to ensure that bonus schemes are applied consistently.

During 2003, Centrica conducted a review of the pay levels between men and women in accordance with our commitment made in the Kingsmill Report. The results showed that the gender pay gap in Centrica is much narrower than national norms and our current pay policies and practices contain no gender bias. This review will now be a regular report to our executive committee.

More information is available on our website at [www.centrica.com/reward](http://www.centrica.com/reward) including our specific policies relating to the minimum wage, company shares, pensions, reward strategy and executive pay.

### Real commitment from our executives

A key factor in the success of our workplace initiatives has been the top-level commitment of key members of the Centrica Executive Committee. Examples of direct involvement include:

#### Sir Roy Gardner

- President of Carers UK
- Chair of Ambition Energy
- Chair of the Government's Modern Apprenticeship Task Force

#### Anne Minto OBE

- Chairman Engineering Development Trust (Year in Industry)
- Vice President, Chair of the Board of Institute of Employment Studies
- Member of the National Employers Advisory Board – The Reserve Forces

# Focus on diversity

Our business case for diversity is built on two fundamental principles. The first is a recognition that valuing and embracing diversity is simply the right thing to do. The second is a commercial recognition that valuing and embracing diversity makes good business sense.

In 2003, we brought together our employee and customer strategies in a single document 'Managing the value of diversity'. This sets out our aim to be a truly inclusive organisation, both in the workplace where we are working to build an employee profile that is representative of our customer base, and in the marketplace, where we strive to meet the essential needs of an increasingly diverse range of customers.

## Diversity and our workforce

We support a wide range of diversity-related recruitment programmes and employee communications campaigns are also carried out each year to raise awareness of diversity in a business context. In 2003, a customer diversity intranet site was established to provide guidance to all employees on this important issue.

We worked in collaboration with Disability Matters, Business in the Community and Race for Opportunity to develop a training package on diversity issues for new employees. In addition, we produced an in-depth training package on disability which looks at topics ranging from disability legislation through to the provision of products and services. Facilities teams also received disability awareness training and we commissioned expert disability consultants

to review access at our sites and to create a disability 'tool kit' for all facilities employees.

To mark the European Year of Disabled People in 2003, we developed a number of new initiatives as part of our wider diversity programme. For example, the AA held roadshows at nine of our customer service offices providing guidance on customers with disabilities to over 3,000 customer facing employees. The AA also produced a booklet entitled 'Serving Disabled Customers' which was issued to all 12,000 of our customer facing employees.

## Diversity and service provision

We have reviewed the requirements of hearing and speech impaired customers in collaboration with the Royal National Institute for Deaf People (RNID). Our policy now ensures that text phones are installed throughout the business and that contracts are established with services such as RNID Text Direct. On average in 2003, we received around 120 text phone calls each month.

We also provide a telephone translation service for customers whose first language is not English. The service covers over 100 languages and is used, on average, by over 200 customers each month.

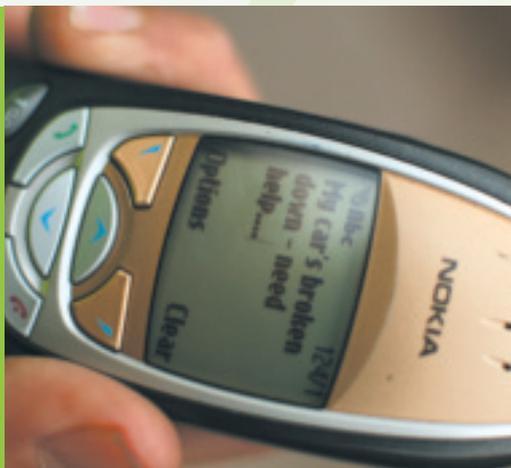


"We operate in an increasingly diverse community, not just of work colleagues, but of customers and suppliers. Recognising and valuing diversity will help us to deliver truly world class services that are accessible to everyone. It makes good business sense."

**Anne Minto OBE**  
Group Director  
Human Resources

## Groundbreaking use of SMS text messaging

After listening to the needs of customers with disabilities, the AA has developed a text messaging service which enables its hearing and speech impaired members to communicate effectively with the AA using their mobile phone. This service has received numerous external accolades from UK disability groups and around 20 texts are received each month.



# 17,000

We send out more than 17,000 bills, statements, letters and marketing communications each month to customers in alternative formats such as Braille, large print and audio tape.

# Passion, service, support

Passion for customers is the cornerstone of our values. Being responsible in the way we behave towards customers and in our relationships with suppliers is central to how we strive to achieve our company vision and how we define our values.

### Our marketplace responsibilities... at a glance

#### > Customer satisfaction

We monitor customer satisfaction and measure our performance to drive service improvements.

#### > Excellent customer service

We address particular needs to ensure that all our customers receive the best possible service.

#### > Valuing diversity

A commitment to fairness and equality is at the heart of our service ethic.

#### > Helping to alleviate fuel poverty

British Gas continues to play a leading role in achieving the Government's challenging fuel poverty targets.

#### > Stewardship programmes

Our stewardship programmes aim to help our customers use our products and services safely.

#### > Supplier relationships

We expect our suppliers to have similar values and high standards to our own in how they manage their environmental and social impacts.

Our responsibility begins with advertising and selling, extends through customer service and satisfaction and covers the safe use of our products. It also means upholding customer privacy, respecting customers with specific needs, and sharing our business principles with our suppliers.

#### Improving our relationships with customers

We are committed to continually improving our standards of customer service. As such, we recognise the importance of listening to a wide range of stakeholders, and working in partnership with them, to meet our corporate responsibilities. These include not-for-profit agencies, our industry peers and government regulators. But, most importantly, we maintain dialogue with various

consumer representative organisations to understand the key marketplace issues for our customers and potential customers and to learn new ways of serving their needs. Customer satisfaction is measured on an annual basis, while monthly performance indicators of service delivery are reported to senior managers throughout the group in order to track key aspects of our performance.

#### Attracting new customers

We use a variety of channels to sell our products and services. We are committed to ensuring that the same standards of responsibility apply regardless of the sales channel. As founder members of the Association of Energy Suppliers (AES) we are pressing for industry-wide solutions to the issues

thrown up by energy sales in the de-regulated market.

A particular focus for us is face to face selling through our direct sales agents. We have reviewed our own recruitment and training procedures and worked with industry, regulator and consumer bodies to agree the recently launched 'AES Code of Practice for Face to Face Selling' which is designed to ensure everyone in the industry applies a range of checks and measures to their direct sales activities.

We are committed to ensuring that our advertising is honest and legal. We implement a rigorous approval process operating within the wider regulatory framework. Representatives from relevant areas of the business review and challenge all prospective

#### Technology boosts AA customer service

The AA continues to develop technology to improve customer service. All patrols are now equipped with specialised all weather portable computer systems with fault diagnostic capability, which will enhance patrols' ability to fix faults at the roadside. Called VixEN, the laptop computer also provides AA patrols with GPRS communications functionality which enables more efficient deployment and better management of call to arrive times. In November 2003, VixEN was recognised by the automotive industry when it won the 2003 Autocar Idea of the Year Award.



# 1st

The AA won the annual **JD Power & Associates UK Road Assistance Study Award** for customer satisfaction for the second successive year and for the fourth time in the six years it has been awarded.

# 44m

Centrica has more than 44 million customer relationships in the UK, North America and Western Europe.

# No.1

Centrica business services maintained its position as the number one supplier of energy to the commercial sector in Britain in 2003.

## What matters to you?

> **Let us know your views:**

✉ **responsibility@centrica.com**

🖱 **www.centrica.com/marketplace**



### ‘Doing the right thing’

During 2003, British Gas launched a significant culture change programme entitled ‘Doing the Right Thing’ designed to enhance customer service performance and to embed new ways of working to derive maximum benefits from the investment in business transformation. The initiative has been embraced by employees across British Gas. It has also formed the creative focus of

the updated British Gas branding and become the strapline of a highly successful marketing campaign. Following our online billing television advertisement, our website, **www.house.co.uk** saw an increase in unique visitors from 140,000 to 203,000 per week. Almost 130,000 have signed up to online e-bills since the launch of paperless billing in May 2003.



“As a leading supplier of essential services, we have a responsibility to meet the diverse needs of all our customers. Our responsibilities extend across the entire customer experience from how we attract new customers through to how we enhance customer relationships.”

**Simon Waugh**  
Director of Marketing

advertising. We adhere to the Committee of Advertising Practice (CAP) Code, a self-regulatory body that creates, revises and enforces the code.

Our advertising methods are researched extensively with consumers to establish whether they convey a positive image of the company. Our customer communications are written in language appropriate and accessible for the target audience. During 2003, two complaints about our advertising were upheld by the Advertising Standards

Authority. We were disappointed that our internal procedures did not work on these occasions and will make every effort to improve our performance in 2004.

**Reinforcing our management processes**  
Centrica businesses seek to achieve best practice standards both for management systems and for the services we offer to customers. Where appropriate, we link these to external standards, as they help our managers, employees and customers to know what level of performance to expect.

The following standards are in place currently across the AA and British Gas:

**The AA**  
The AA has adopted a risk based approach to managing its businesses, identifying potential risks, implementing management systems (ISO 9001:2000) to reduce those risks to an acceptable level and monitoring performance against targets and measures. Road Services are also certified to PAS-43 which is for the safe working of vehicle breakdown and recovery operators.

**British Gas**  
British Gas is certified company wide to ISO 9001:2000 by British Standards Institute and is one of a select number of UK companies to achieve this status. In addition, our Print Management Centre is also certified to OHSAS 18001. All these are brought together in a common approach to Business Management Systems across the company.

# 3,500

The AA has the largest dedicated patrol force in the UK, with approximately 3,500 patrols.

# 18m

As the key player in the campaign to reduce carbon monoxide (CO) poisoning, British Gas delivered 18 million CO leaflets to energy customers in 2003.

# 750,000

There are more than 750,000 customers on the British Gas Home Energy Care Register, and 250,000 customers with disabilities advise us of their individual service needs.

# 9.93m

On One.Tel's busiest day in 2003, our customers spent approximately 9.93 million minutes on the phone.

**Safe use of all our products and services is a top priority. Through employee training, customer contact and targeted communication, we raise awareness on safety issues relating to our core businesses.**

Specific examples come from the AA in promoting safer motoring and the work done by British Gas on the safe use of services and campaigning to raise awareness of the risks of carbon monoxide.

### **Promoting the safe use of our products**

The success of our brands means that we have many millions of customer relationships worldwide. This presents us with a unique opportunity to encourage our customers, and through them their family and friends, to use our products and services more safely and efficiently.

Our stewardship programmes help our customers to make informed decisions about the use of our products and services in a way that reduces their environmental impact and makes a positive contribution to society. Examples include British Gas promoting energy efficiency at home and in business, our carbon monoxide awareness

campaigning and investigation, and the AA's commitment to safer travel on the roads.

### **Promoting safer motoring**

The AA is committed to promoting safer motoring and offers advice for drivers on all aspects of driving. Concern for road safety was enshrined in the first rules of the AA and we have since extended them to include environmental concerns.

The AA established the AA Motoring Trust in 2002 to carry on its role in championing the interests and safety of Britain's road users. At the heart of the new charity's work is research and information on road safety, particularly to protect our

children. The charity's current work includes assessing the environmental impacts of travel. Further information on The AA Motoring Trust can be found at: [www.aatrust.com](http://www.aatrust.com)

### **Valuing and embracing diversity**

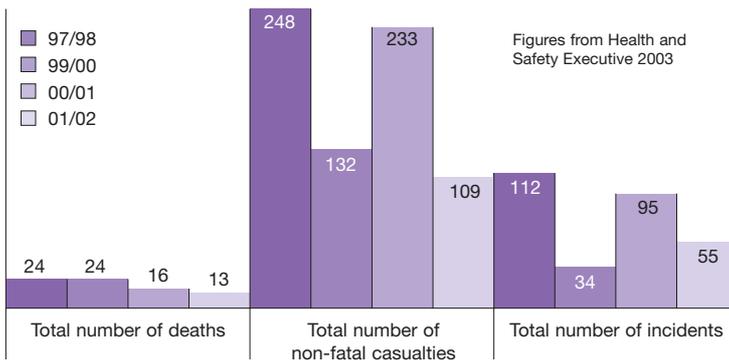
In 2003, we introduced a new diversity strategy that includes both employees and customers. We appointed a new diversity director, and established an action group that is chaired by the managing director of Centrica Energy. The group is driving an integrated approach that will build on the excellent practices we have already developed and ensure they are consistent through all areas of our business. We commission annual

### **Money and budgeting advice for customers**

Working with the Employers' Forum on Disability and Mencap, British Gas produced 'Paying Your Bills'. This booklet was developed with the help of a cross section of people with a learning disability. It is a guide to help manage household bills and covers issues including how to find the easiest method of payment, how to get support if problems arise and tips on saving energy and money. The booklet is equally valuable to those moving into their first home or for those whose first language is not English.



### Carbon monoxide (CO) incidents 1997-2002



1st

£2bn

British Gas was placed top in the **J.D. Power & Associates Gas Supplier Domestic Customer Satisfaction Study** for 2003.

We spend £2 billion on goods and services annually to support business operations.



### Carbon monoxide awareness

Centrica is the leading carbon monoxide incident investigator and campaigner in the UK. Carbon monoxide (CO) is a highly poisonous gas, which can be produced by burning any fossil fuels such as gas, oil, coal and wood, without sufficient air. Since 1997 more than 75 people have died and hundreds more are injured as the result of CO poisoning. The most common causes are appliances that have been poorly installed, or not regularly serviced or where there is inadequate ventilation. British Gas campaigns to raise awareness of both the dangers and the safety measures that can save lives.

As a key industry player in carbon monoxide campaigns we have delivered:

- 18 million CO information leaflets to all British Gas energy customers
- 1.4 million leaflets to health centres and Citizens Advice Bureaux
- specially designed student CO awareness leaflets to universities and colleges across Britain
- a CO section on our website at [www.house.co.uk/safety](http://www.house.co.uk/safety)
- a TV advertisement to raise awareness
- over 280 articles on CO in press, on radio and television
- local press competitions, giving away over 2000 CO detectors
- support to the current Health and Safety Executive Fundamental Review of Gas Safety
- support to all Gas Safety Fundamental Review Groups
- support to Understanding Energy, a CO video for schools.

market research from independent research organisations to establish the service needs and perceptions of our disabled customers, older customers and customers from ethnic minority backgrounds.

We also invite our customers to tell us about any requirements or disabilities

that could affect the way we serve them. We record these details so we can take them into account when we contact or visit them. Service registers are now established in all our major brands.

Centrica participated in the 2003 Employers' Forum on Disability Global Inclusion Benchmark that monitors the

inclusion of disability in a company's social reporting process. Having been placed sixth in 2002, our performance improved during 2003 when we achieved second position in the survey. We were pleased that the accessibility of our corporate website was rated seventh of all FTSE 100 companies by web usability consultants Nomensa.

For full details of progress in this area during 2003 see the focus feature on **diversity** on page 11.

20,000

Direct Energy completed an average of 20,000 service calls each week during autumn and winter 2003 – an average of about 3,000 calls every day.

37%

Our Condensing Boilers & Heating Controls scheme offers customers the opportunity to reduce fuel costs by up to 37%, to use energy more efficiently and reduce CO<sub>2</sub> emissions.

'here to HELP' progress as at 31 December 2003	
Activity	Status
Zones signed up	517
Households included	262,380
Zones completed	41
Household assessments completed	51,952
Charity referrals (of which 90% are completely new clients for the charities)	10,230
Completed benefit checks	3,171
Total unclaimed benefits identified	£1,826,537
Potential average benefit gain per qualifying household (pa)	£1,619

**In the UK, we continue to play a leading role in helping to achieve the Government's challenging fuel poverty and climate change targets and also champion the efficient use of energy in households throughout Britain.**

We engage with voluntary groups, charities and public sector partners on a wide range of energy efficiency initiatives and the effectiveness of these partnerships is a key factor in our success.

**Promoting energy efficiency**

Since April 2000 the British Gas energy efficiency programme has been helping consumers to reduce their energy consumption and fuel bills, whilst creating warmer homes and fighting fuel poverty. (See the focus feature on **fuel poverty** on page 17.)

Centrica Business Services (under the British Gas brand) is a major supplier of gas and electricity to industrial and commercial customers. Climate Change Levy (CCL), which was first applied on 1st April 2001, is a tax on the use of energy for business purposes. The purpose of the levy is to encourage more efficient use of energy and contribute to the Government's targets under the Kyoto Protocol for

reducing greenhouse emissions. British Gas contacted all its business customers with details of the new Climate Change Levy and its implications before its introduction in April 2001.

By promoting product benefits and energy savings, 34% of all boilers sold by British Gas during 2003 were condensing boilers. This figure has increased to more than 40% since September 2003.

**Managing our supply chain**

We seek to procure the most cost effective solutions for our businesses and we take great care in choosing our suppliers.

In addition to offering high quality goods and services, we expect all our suppliers

to be guided by a similar set of values to our own. We seek to establish effective, two-way relationships with key suppliers that involve information exchange and joint exploration of new opportunities.

We have agreed to support the DTI inspired Better Payment Practice Code.

Compliance with the code will only happen if we follow the correct internal purchasing/ payment processes that are designed to protect both our suppliers and ourselves.

For more information on the Better Payment Practice Code, visit the website at [www.payontime.co.uk](http://www.payontime.co.uk)

**Stakeholder engagement: Working with our suppliers**

Approximately 400 contracts per annum are awarded through the Centrica procurement team. This team consists of category managers who are experts in their particular areas of spend, plus a small team of dedicated strategic supplier relationship managers who aim to maximise the value, effectiveness and efficiency of our top 20 strategic supplier relationships. This more structured and coordinated approach has resulted in stronger group-wide contract management for some suppliers and in a greater focus on process improvement with others. As a result, some suppliers are now providing consultancy, advice and training

within their fields of expertise. This support benefited the group by more than £2.3 million in 2003.

Similarly One.Tel has been able to benefit significantly from its relationships with key telecoms suppliers to the group such as Vodafone, Energis and Cable & Wireless. Focused and structured account management from these suppliers, including dedicated executive sponsorship at board level, for example from Vodafone's CEO UK, provides One.Tel with the right level of influence when escalating issues or making high impact decisions.



# Focus on fuel poverty

In the UK, we play a leading role in challenging fuel poverty by working to meet the needs of customers on low incomes and by helping customers during periods of personal financial difficulty.

Our energy efficiency programmes include 'Warm-a-Life' and 'here to HELP'. 'Warm-a-Life' is a national initiative offering free energy efficiency measures, fuel discounts and help with identifying social security benefits. Since it was introduced in 2000, about 50,000 customers have been assisted. Through the British Gas 'here to HELP' programme we provide funding to local authorities and housing associations to upgrade boilers and to improve insulation. In 2003, this initiative helped people in more than 40,000 households to reduce their fuel bills.

## Help with debt management

We believe our debt management policies strike the right balance between helping customers who would like to pay but can't, whilst applying commercial good practice to

customers who could pay but choose not to. British Gas uses disconnection as a last resort and most disconnections are the result of refusal rather than inability to pay.

There are a series of safeguards, including a comprehensive communications process, as we seek to make contact with the customer. Education and advice are the first steps in trying to prevent debt, and ultimately disconnection. We ask all our customers to let us know early if they have problems paying – and we promote alternate payment plans and cheaper payment options. We also issue a range of advice leaflets including codes of practice for paying bills, dealing with prepayment meters and our commitment to older, disabled or chronically sick customers.



"In the 21st century, it is incredible that there are people dying due to cold related illnesses and missing out on the basic necessities of life. Through a range of initiatives, British Gas is bringing together private, public and voluntary sector partners to help combat household poverty and make a difference to the quality of life for many families and individuals."

**Mark Clare**  
Managing Director  
British Gas



## 'here to HELP' improves quality of life

The £150 million 'here to HELP' programme aims to improve living conditions in some of Britain's most deprived communities. Created by British Gas in partnership with seven UK charities – Help the Aged, Save the Children, Scope, RNIB, Gingerbread, National Debtline and Family Welfare Association – the programme is now operating in more than 515 communities and has helped over 260,000 households.

Tina Cartwright – a 34 year old single mother from Stoke-on-Trent – and her two children have benefited from free energy efficient draught proofing, loft insulation and energy efficient light bulbs. They also received a £5 discount on their energy bill and free membership to Gingerbread which has provided support and advice, plus day trips for the children and a family holiday to Butlins.



The 'here to HELP' programme was awarded a BIG TICK in the Business in the Community Awards for Excellence 2003.

# Support, action, impact

Playing an active role in our local communities is an essential part of being a good corporate citizen. We understand that our success in the marketplace can only be sustained if we accept and play an active role in the community.

### Our community priorities... at a glance

#### > Customer focus

We aim to harness the power of our business to help tackle social problems relating to areas where we have expertise.

#### > Education, skills and employability

We have a responsibility to help people, both young and old, take advantage of the opportunities that life presents. We look for opportunities that are closely linked to our business to help people widen their horizons.

#### > Employee involvement

Our employees make direct contributions in a range of ways including volunteering, payroll giving and through a charity employee lottery.

#### > Sustainable enterprise

Our family of businesses is linked by shared values. By extending this principle through our community support, we aim to encourage sustainable enterprise that continues to make a positive contribution to building a healthy civil society.

Through our actions, we look to manage and improve our social impact. We work in partnership on projects that meet both the needs of society and fit with our key business objectives as a provider of essential products and services.

#### Ensuring access to the essentials

In line with our overall strategy, we have developed an umbrella theme for the Centrica community investment programme: 'ensuring access to the essentials'. The purpose of this theme is to help our stakeholders, both inside and outside the organisation, to understand the kinds of social and community programmes we get involved in.

We believe that this clarity will help us to build the business

case for community investment and, in turn, bring the sustained commitment that we know community partners value. Through long-term partnerships, we can develop relationships and activities that achieve impacts within our identified priority areas as well as delivering value for the business.

It is our responsibility to develop and manage community investment activities which embody our core values. We are constantly looking for new ways to put our skills and resources to good use for community and business benefit. By focusing on specific issues that relate to our core business activities, we believe we can add value and expertise to help deliver solutions that make life better for people.

#### Tackling the issues that concern us

We are involved with a range of projects and partners tackling issues that are of concern to us and to society. These primarily target in four areas: customer focus; education, skills and employability; sustainable enterprise; and employee involvement.

We have developed a range of community initiatives focused on our customers and their needs. Examples of these projects include a major partnership with Help the Aged, which aims to address a range of issues faced by older people including fuel poverty, isolation and safety.

To date, there have been more than 1.7 million beneficiaries of this programme.



#### REECH gives communities a helping hand

Realising Energy Efficient Communities and Homes (REECH) is a partnership between British Gas and National Energy Action. Launched in 2002, it aims to help members of minority communities overcome barriers, such as language difficulties, that can prevent them from heating and insulating their homes affordably.

REECH provides training and support for community advice workers and volunteers to enable their communities to access energy efficiency advice, information and grants. Delegates who attend training sessions can access the British Gas Warm-a-Life programme and receive low energy light bulbs for their communities. Over 60 community groups have already registered.

£6.6m

In 2003, we contributed £6.6 million to community causes through a combination of both cash and in-kind support.

43%

Some 43% of our community investment is customer-focused and targeted at social problems in the areas where we have expertise.

£25m

In the past five years, we have provided a range of charities and community organisations with almost £25 million of support.

What matters to you?

> Let us know your views:

✉ [responsibility@centrica.com](mailto:responsibility@centrica.com)

🌐 [www.centrica.com/community](http://www.centrica.com/community)



### AA Trust focuses on children and road safety

The AA Motoring Trust was publicly launched in February 2003. As a registered charity, the trust is wholly independent and undertakes a wide range of activities and research related to motoring and road safety issues. As the AA's parent company, Centrica will donate at least £1 million each year over the next five years to support the work of the AA Trust.

A key focus in 2003 was child safety. Some 5,000 children under the age of 16 die or are seriously injured on Britain's roads each year – and nearly 1,000 of these are killed or seriously injured in cars. In February 2003, the trust launched 'The facts about road accidents and children' with a foreword by the UK Prime Minister, and in June published 'The effectiveness of child restraints' which gave ratings to child car seats in crash tests (part of a European-wide programme). In February 2004, the trust launched its research 'Loose in the car' on the risks of not using, or in making mistakes in using, a child safety seat. More information on all these initiatives is available at [www.AAtrust.com](http://www.AAtrust.com)

Other initiatives linked to our brands include the AA Accessible Hotel of the Year Award, which aims to highlight the importance of ensuring equal access for disabled people and the AA Disabled Travellers' Guide, which gives information and ideas to help make getting about easier at home and abroad.

In terms of initiatives linked to education, skills and employability, we provide a range of resources for students, parents and teachers, and our highly

successful employment programmes promote greater diversity in the recruitment market. Key initiatives in this area include the education programme Think Energy (see case study on page 21) and our close involvement with Carers UK through a range of carers in employment initiatives.

Our flagship project under the sustainable enterprise theme is the Sustainable Funding Project. Working with the National Council for Voluntary Organisations, the project helps voluntary and

community organisations become more financially sustainable.

#### Measuring impact in the community

The contribution we make to the community reflects our standing as one of the UK's largest energy providers. In 2003 we contributed a total of £6.6 million to community causes.

We are committed to professional measurement of our contributions and the impact they have. We carefully manage and

measure our contributions through membership of the London Benchmarking Group (LBG). The LBG system helps us to capture exactly what cash, time and in-kind contributions we make and what impacts they are making.



# Community Support, action, impact

## £1.2m

Since our UK 'Charity of the Year' initiative, launched in 2001, our employees have raised more than £1.2 million for our chosen charities.

## 3,000

More than 3,000 (7%) Centrica employees now give to a range of charities via the payroll, generating an annual contribution of more than £300,000.

### Focus of contribution in 2003



- Charitable gifts – 4%
- Community investment – 69%
- Commercial initiatives – 21%
- Management costs – 6%

Centrica's community spend is focused on a number of priority areas, linked to issues relevant to our business.

**Our approach to community investment is based on systematic management, clearly identified objectives and ongoing evaluation of impacts.**

We discuss and agree with our charity partners how we will measure the benefits of each project. As well as quantitative outputs, we look at longer-term impacts and ongoing sustainability. We also set measures of business benefit for each project.

### Helping employees to get involved

We encourage employee involvement through many of our community programmes. Each year, we run a fundraising partnership with our UK Charity of the Year. Many of our employees also make direct contributions in a range of other ways including volunteering (see case study opposite).

We gather employee opinions so that we can understand their expectations and help them make the best of the volunteering activities that are open to them. According to a MORI survey we commissioned, nearly three-quarters (73%) of our employees are interested in participating in community projects with our support. This is slightly ahead of levels among employees in the UK as a whole.



### Volunteering in North America

Volunteering in the community benefits charities through the skills and experiences our volunteers bring and the funds raised; benefits our employees through the skills they develop and benefits the business through increased retention and motivation.

In North America, Direct Energy, through the Direct in the Community programme, combines charitable giving with activities designed to encourage our employees to volunteer in their communities and support causes they value. Employees who do volunteer more than ten hours per month are eligible to apply for a corporate donation of up to \$500 for the registered charity they support.



### Employees support the Charity of the Year

Our UK 'Charity of the Year' initiative is at the heart of our community investment programme. Fundraising takes place throughout the UK and the chosen charity, selected by employees, also receives corporate funding. In 2003, the charity of the year was the Meningitis Trust and we successfully raised more than £500,000 via the 'Every Second Counts' partnership against a target of £250,000. Our current charity of the year is Cancer Research UK and this partnership, which runs until August 2004, aims to raise more than £400,000. We are also working with Cancer Research UK to raise awareness of cancer prevention amongst employees and customers.

# Focus on energy awareness

With more than 44 million customer relationships worldwide, we have a unique responsibility to help our customers, and their family and friends, to be more environmentally responsible through the efficient use of our products and services.

As one of the UK's largest energy providers, the main social issue for British Gas is ensuring sustainable access to energy. We enable millions of customers to heat their homes and issues such as efficient use of energy provide an important focus in both our community and environmental programmes.

## Increasing awareness of energy efficiency

We invest in a range of products and awareness programmes designed to promote energy efficiency. We provide information and advice to help our customers make informed decisions about the way they use energy in their homes – and in the workplace.

For example, British Gas has been working in partnership with National Energy Action (NEA) since 1984. Our funding has enabled NEA to implement a range of projects encouraging the efficient use of energy and delivering tangible benefits to low-income families.

Recent examples include the REECH initiative (see case study, page 18) launched in November 2002, and a project involving

British Gas call centre employees launched in October 2003. This latter project aims to raise awareness of the British Gas energy efficiency advice line and to encourage our employees to transfer customers through to this team for energy efficiency advice. NEA has helped to develop energy efficiency training for call centre employee induction sessions.

## Working with all our stakeholders

Our energy awareness initiatives are not limited to the people or groups of people who use our services. For example, the British Gas Think Energy education programme is one of the biggest school-based initiatives of its kind (see below). In 2003, Think Energy received a Business in the Community Award for Excellence in the Education and Lifelong Learning category.

In early 2003, we launched 'Natural Capital', a campaign that aims to increase levels of employee awareness of environmental issues and encourage direct action through behavioural change.



“Over and above the impact of our day-to-day operations, we aim to be a good corporate citizen. To achieve this, it is essential that we play an active role in local communities, and address issues of wider social concern that are relevant to our business.”

**Charles Naylor**  
Director of Corporate Affairs



## Energy education is an award winner

British Gas Think Energy is a free energy education programme for 7-18 year olds. Since its launch in 2000, Think Energy has reached 49% of UK schools, some 2.6 million pupils, more than 22,000 teachers and 3.4 million parents in the UK.

The programme combines a mixture of classroom learning and home study. The resources concentrate on energy and the importance of energy efficiency, encouraging behavioural change to reduce fuel consumption and carbon dioxide emissions. Research shows that some 50% of pupils exposed to the resources claim to have made energy efficiency improvements in the home. Please visit [www.think-energy.com](http://www.think-energy.com)

# Responsible, caring, committed

Centrica recognises that it has a dual environmental responsibility. Our primary responsibility is for the direct impacts of our activities on the environment. Our secondary responsibility is to help our customers make informed decisions about the use of our products and services.

## Our environment responsibilities... at a glance

Our environmental policy gives us a framework to manage our business in an environmentally responsible manner. Within that framework, we specifically seek to:

- > Integrate environmental considerations into our decision making on operational issues including new projects and potential acquisitions.
- > Quantify and seek to reduce the environmental impacts of our activities on an ongoing basis through continuous improvement.
- > Comply with all applicable environmental legislation, regulations and other codes of practice.
- > Encourage suppliers and contractors to pursue responsible environmental practices.
- > Review and improve policies and practices in line with developments in understanding and knowledge.
- > Improve the choice and efficient use of energy, water and other resources, focusing particularly on reducing greenhouse gas emissions.

Understanding and managing our environmental impacts is key to continuing business success, and we include an appreciation of environmental issues within our decision-making processes.

### Managing our major impacts

Gas and power provision are a major part of our business. Our main environmental impact areas are those related to this industry: climate change, air pollution and waste.

In recent years, our portfolio of gas and power assets has changed significantly. We have acquired six gas-fired power stations and the Rough offshore gas storage facility. These acquisitions have influenced our major environmental impacts. In particular, environmental emissions have grown significantly with the integration and reporting of emissions from the six power stations. Visit [www.centrica.com/environment](http://www.centrica.com/environment) to review

performance data for all our major assets.

We manage these risks by investing in technology for hazard prevention and minimisation. We are introducing environmental management systems (EMS) that meet the requirements of ISO 14001 across all of our UK businesses by 2005. The major elements of EMS are already in place for the AA, British Gas and for our power generation and gas production activities.

We are also ensuring that the businesses with greater environmental impact have external certification of their systems to ISO 14001. These businesses include our gas fired power stations, our production facility in Morecambe, our AA Service Centres, AA patrols, British Gas print centres and the Rough storage facility. We have so far achieved certification for 13 of the 15 selected businesses.



“Many companies say that they take their environmental responsibilities seriously, but unlike many, Centrica can make a real lasting difference. Our strategy will enable us to protect our customers by providing a cleaner and more sustainable fuel mix.”

**Jake Ulrich**  
Managing Director  
Centrica Energy

Managing the major impacts		Lowest impact	Medium impact	Highest impact				
	Air pollution	Biodiversity	Climate change	Contaminated land	Ozone depletion	Hazardous chemicals	Waste	Water
Centrica total	Medium	Lowest	Highest	Lowest	Lowest	Lowest	Medium	Lowest
British Gas	Medium	Lowest	Highest	Lowest	Lowest	Lowest	Medium	Lowest
Europe	Medium	Lowest	Highest	Lowest	Lowest	Lowest	Medium	Lowest
Gas production	Medium	Lowest	Highest	Lowest	Lowest	Lowest	Medium	Lowest
North America	Medium	Lowest	Highest	Lowest	Lowest	Lowest	Medium	Lowest
Power Generation	Medium	Lowest	Highest	Lowest	Lowest	Lowest	Medium	Lowest
Telecommunications	Lowest	Lowest	Lowest	Lowest	Lowest	Lowest	Lowest	Lowest
The AA	Lowest	Lowest	Highest	Medium	Lowest	Lowest	Medium	Lowest

# 10%

At peak production, some 10% of the UK gas supply is obtained from our Morecambe gas fields and the gas processing terminal at Barrow-in-Furness.

# 1,000MW

We aim to have the capacity to generate 1,000MW of electricity from renewable sources within the next five years - enough energy to power 350,000 homes.

# 191m

In delivering our UK services British Gas engineers and AA patrols travelled 191 million miles in 2003.

## What matters to you?

> **Let us know your views:**

✉ [responsibility@centrica.com](mailto:responsibility@centrica.com)

🔍 [www.centrica.com/environment](http://www.centrica.com/environment)

### Reporting on our new assets

Our six power stations are all combined cycle gas turbines, which burn clean natural gas to generate electricity. They provide total generation capacity of 2,174 MW, approximately 25% of the peak day domestic and commercial electricity customer demand from our electricity customers. All six sites operate to high environmental standards and four have been certified to the environmental standard (ISO 14001) for several years. Pollution control is a vitally important part of these environmental standards. We are committed to reporting on the environmental performance of new businesses in the UK within 18 months of acquisition. Details on the performance of Barry and Roosecote power stations will be reported in 2004. Current environmental performance data can be reviewed online at [www.centrica.com/responsibility](http://www.centrica.com/responsibility)



### Our investment in renewable energy

Centrica Energy will be investing more than £500 million, alongside joint venture partners, to build renewable assets during the period to 2010.

We have entered a joint venture with DONG and Statkraft to build a 90MW offshore wind farm at Barrow and have acquired the Inner Dowsing and Lynn offshore wind farm developments in The Wash, with a combined generation potential of 180MW.

In partnership with AMEC, we have also won a lease to develop two further sites. This will bring our total potential generation capacity to 1000MW within the next five years.

These announcements will account for about half of British Gas' renewable obligation and roughly 5% of its overall electricity supply requirements. 1,000MW is enough energy to power 350,000 homes, equivalent to the city of Birmingham. Taken as a whole, this investment makes Centrica one of the largest investors in offshore wind farms in Europe.



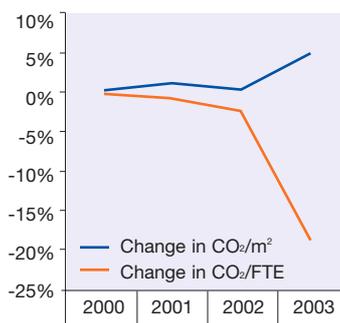
13%

Fuel use per mile (mpg) of our fleet improved by 13%

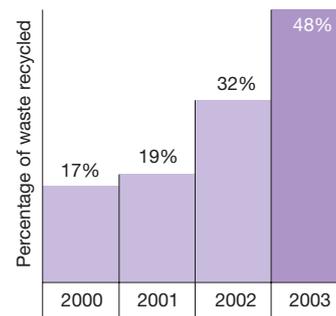
61%

Total waste recycled by Centrica in 2003

Our buildings: emissions performance



Office recycling 2000-2003



We aim to provide comprehensive reports about our environmental impacts and how we are working to reduce them.

We recognise that we still have some way to go, but we have already put a number of practical and innovative plans in place to ensure we make good progress in 2004.

**Buildings and vehicle-related impacts**

As a large business with more than 40,000 employees, our buildings consume considerable amounts of energy and create significant amounts of waste (see case study below). In 2003, all the electricity for our offices came from renewable sources, and hence were on a climate change levy exempt tariff.

We remain committed to reducing building energy use per employee and ensuring that our buildings meet, and where possible exceed, current energy efficiency standards.

In 2003, our energy efficiency programme continued across the estate and delivered 2,454 tonnes of carbon dioxide (CO<sub>2</sub>) savings. In 2004 the programme will deliver increased levels of remote

monitoring which will ensure the buildings are not only run more efficiently but will be more comfortable places to work.

In 2003, our total vehicle fleet covered over 191 million miles and used 29 million litres of fuel to deliver roadside service and install, maintain and repair central heating, white goods and other products in the home. We prioritise fuel efficiency in new vehicles, and we implement travel and fuel reduction policies. We also run a fleet management programme, to reduce the amount of travel by employees, and in turn reduce impact on the environment.

**Our commitment to renewable energy**

In order to address the threat of climate change the UK has agreed to cut its greenhouse gas emissions by 12.5%.

A key part of the Government's strategy is being achieved by placing a 'renewables obligation' on all electricity suppliers to source a set proportion of the electricity they supply from qualifying renewable generation plant. This started at 3% in the year to March 2003 and will reach 15.4% by 2015. Centrica intends to meet the renewables obligation for its main British Gas energy supply business through a 'balanced portfolio' approach. This means obtaining electricity from a variety of sources: some from investment in generating capacity (see case study on page 23), some through bilateral contracts with independent generators, some through market purchases, and some through paying the Government's 'buyout' charge intended to promote green generation.

**Centrica and waste recycling**

Our businesses generate a wide range of waste. Office waste includes paper, cardboard and cans from our offices and call centres. Operational waste covers batteries, tyres, oil and used parts from our operations such as the service centres, our offshore activities and from the field engineers and patrols.

Our office waste recycling programme ensures that paper, cardboard, cans and drinking cups are recycled in most of our office buildings. Toner cartridges are collected and recycled. Where they exist, we try to recycle via local schemes that donate any profits to charity. The group also has

innovative programmes in areas such as the recycling of furniture, uniforms, mobile phones and packaging. Through the work of the site services people and environmental champions a recycling rate of 48% was achieved by the end of 2003. In an office environment this recycling rate is higher than we are aware of for any other office-based FTSE100 company and means that the waste per employee has fallen by more than 40%.

Our target for reducing waste sent for final disposal by 15% per employee, has been greatly exceeded.



## Natural Capital

In early 2003 an environmental communication campaign called 'Natural Capital' was launched. This campaign aims to increase levels of employee:

**Awareness** – of the environment as a business issue for Centrica, along with our environmental policies and programmes.

**Action** – towards key environmental performance targets and savings, by targeting behavioral change in employees.

**Advocacy** – of Centrica as a company that takes its environmental responsibilities seriously.

Natural Capital challenges employees to think about four environmental concepts: boosting efficiency, driving innovation, earning trust and enhancing quality of life. There have been roadshows in our offices, displays at AA patrol conferences and a photo competition to engage Centrica Energy. By setting up quizzes, competitions, green teams and a pledge scheme Natural Capital has helped employees focus on their environment.

To date more than 3,500 pledges have been made to turn-off PC screens at night, recycle rubbish, use trains, buses or bikes and to save energy at home. The campaign has helped employees to understand how environmental issues are relevant in the workplace and in doing so has developed so much goodwill and enthusiasm.



### Benchmarking against our peers

Following a thorough search for the most suitable external environmental benchmarking tool, we selected the annual Business in the Environment Index of Corporate Engagement because it gives the most balanced view across our peer group. In the 2003 Survey (published March 2004) our ranking, out of 177 FTSE companies, was 52nd and within our peer group of 12 companies, we ranked eighth. Our combined weighted score was 89.83% – an improvement of more than 10% on the previous year.

We were awarded full marks in the areas of clear board support and policy, the setting of objectives and targets, and product stewardship.

The 2003 index highlighted our continued commitment to performance measurement,

and improvements in our auditing processes and our environmental management systems on the previous year. We achieved an above index- and sector-average performance in the core impact areas of energy, transport and solid waste.

Looking forward, Business in the Environment noted that our enhanced environmental management systems, and comprehensive target setting, lead them to expect further improvements in our performance in next year's index.

Environmental issues also play a key part in socially responsible investments surveys we take part in, including FTSE4Good indices and the Dow Jones Sustainability World and European Indexes.

### Employee involvement

Our employees play a vital role in helping us to reduce the environmental impacts of our operations. We rely on our employees to work in ways that reduce their impact, and to influence our customers and suppliers to use our products and services in a more environmentally sensitive way.

For the last two years, our employee engagement survey has measured what our employees think about our commitment to the environment. In 2003, more than 60% of employees across the group felt that we cared about environmental issues. Communicating our environmental performance, and engaging employees is important for our brands and environmental improvement programme.

In 2003 the Natural Capital communications campaign (see case study above) was launched which delivered significant improvements in both the spot employee surveys and the main results, the former by 11% and latter by 14%.

# Next steps on the journey

We are constantly refining our approach to corporate responsibility. In each of the four areas of workplace, marketplace, community and environment, we will be seeking to improve performance in 2004.

**We will seek more systematic engagement with our stakeholders, building on current relationships but formalising the engagement into corporate decision-making, and ensuring the process and results of the consultation are more transparent.**

We will also aim to improve the communication of our objectives and targets across all material responsibility issues. This will help us to ensure we turn our policy commitments into real action.

We will update our website on a regular basis to include new information.



## Workplace

Our plans for making further progress in the workplace include:

- Developing our career development and talent management programmes to include:
  - introducing a more robust management talent review process, resulting in more internal promotions/appointments and
  - developing performance management systems to ensure identification of superior performance and tackle under-performance.
- Embedding our leadership competencies in to all day to day business transactions;
- Improving employee engagement scores, building on the new criteria and measurement launched in 2003;
- Monitoring progress in diversity including external measurement of progress; and
- Developing further our employee support policies, particularly around flexible working.



## Marketplace

To help us develop our marketplace relationships, we will be looking at:

- Increasing our focus on key customer service performance issues. We will look to provide better non-financial indicator data around issues such as appointments missed, response time to central heating failures/car breakdowns, meter problems, billing queries;
- Capturing and communicating more detailed information on how we manage corporate responsibility issues across our supply chain;
- Promoting our relationships with industry bodies to illustrate stakeholder engagement; and
- Capturing and communicating data on how we develop appropriate advertising campaigns – and monitor complaints upheld per annum.



## Community

In the community we will seek to improve levels of in-kind support as part of overall programme. And we will work with the businesses to encourage greater employee engagement as part of our employer of choice strategy. Specific initiatives will include:

- Implementing the British Gas volunteering initiative as a blueprint for wider company involvement;
- Improving communication and business support for employee support schemes, such as the matched funding programme, employee lottery and payroll giving schemes; and
- Researching how community investment builds personal motivation and employee skills development.



### Environment

With respect to the environment, we will focus progress in three areas:

- Delivering against the targets set out in our Environmental Improvement Programme and which include:
  - 15% reduction in office energy use;
  - 50% office waste recycling rate;
  - 15% waste reduction (through paper reduction); and
  - 13% improvement in fuel efficiency.
- Deliver EMS across all businesses and ensure that high risk businesses achieve accreditation to ISO14001; and
- Providing continued input to our power generation strategy in both North America and the UK to ensure the environmental risks are quantified, the impacts understood and that these are communicated to key stakeholders.

## Reporting in 2004

We accept that the quality of our current reporting requires significant improvement and aim to further develop our reporting procedures across all areas of corporate responsibility. Some of our plans include:

- Improving our level of workplace reporting, particularly around performance and issues such as retention, succession planning and flexible working;
- Ensuring more robust reporting of health and safety data;
- Broadening our marketplace reporting performance across all brands;
- Participating in the London Benchmarking Group and reporting publicly on our performance;
- Improving our measurement and reporting of community programmes – moving from inputs, to outputs and impacts – with improvements to be measured through the 2004 verification statement;
- Participating in the 2004 Probus BNW Corporate Community Involvement Index to monitor perceived quality of the overall programme against other blue chip companies;
- Eliminating environmental data gaps and report agreed criteria from North America;
- Providing an updated report on the results of our employee environmental awareness campaign; and
- Improving the quality of data we report in relation to our supply chain.

# Assurance statement

The Corporate Citizenship Company acts as a specialist adviser to corporations that seek to improve their economic, social and environmental performance. Centrica has commissioned us to provide an external assurance statement and commentary on the complete corporate responsibility website from which the contents of this printed summary have been drawn. Our full statement is available on-line at [www.centrica.com/assurance](http://www.centrica.com/assurance)

As there are no statutory guidelines for social reporting, we have formed our judgements based on emerging best practice among other companies, the principles underlying voluntary reporting and assurance standards, the views of main stakeholders and our own professional experience. In our opinion the corporate responsibility website provides a fair account of Centrica's progress in addressing material aspects of its social, environmental and economic performance.

Our full assurance statement and commentary commends Centrica's presentation of developments in its corporate responsibility policies and practices. In particular we highlight the systems in place to manage and implement these policies, especially the recent adoption of a statement of Centrica's values and business principles. We also praise the fact that responsibility issues in mainstream business practices are addressed, on topics such as customer satisfaction, employee attitudes, some diversity concerns, and the environmental impact of products and services.

The presentation of this information adds to Centrica's longstanding community engagement programme, where notable strengths are a focus on strategic business issues and evaluation of results achieved, not simply amounts contributed. We have conducted a separate assurance process on Centrica's correct use of the London Benchmarking Group (LBG) assessment model.

Our full assurance statement and commentary also identifies areas where we believe Centrica has room to improve. These include improving performance measurement against stated business principles, setting clear targets for managers to achieve and understanding better the implications of the company's commitment to sustainability especially for the energy and motoring services businesses. In these and other areas, we believe Centrica should more systematically gather and assess the views of its various stakeholders, take due account of them in decision-making and report the results in future.

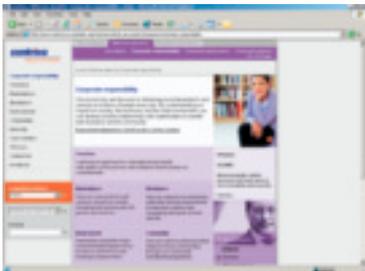


The Corporate Citizenship Company  
[www.corporate-citizenship.co.uk](http://www.corporate-citizenship.co.uk)  
London 12 February 2004

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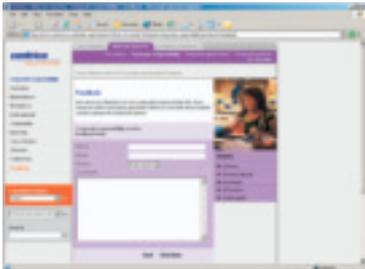
# Further information

Our commitment towards corporate responsibility is detailed fully on our corporate website, [www.centrica.com/responsibility](http://www.centrica.com/responsibility)



 [www.centrica.com/responsibility](http://www.centrica.com/responsibility)

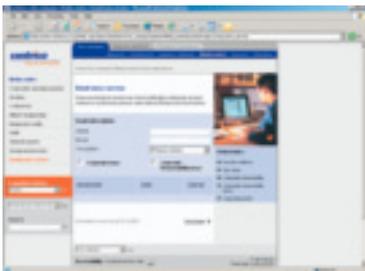
For more details of our commitment to corporate responsibility reporting, please visit our website.



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We value your feedback. If you visit our corporate responsibility website, we invite you to tell us your thoughts.

 [responsibility@centrica.com](mailto:responsibility@centrica.com)



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