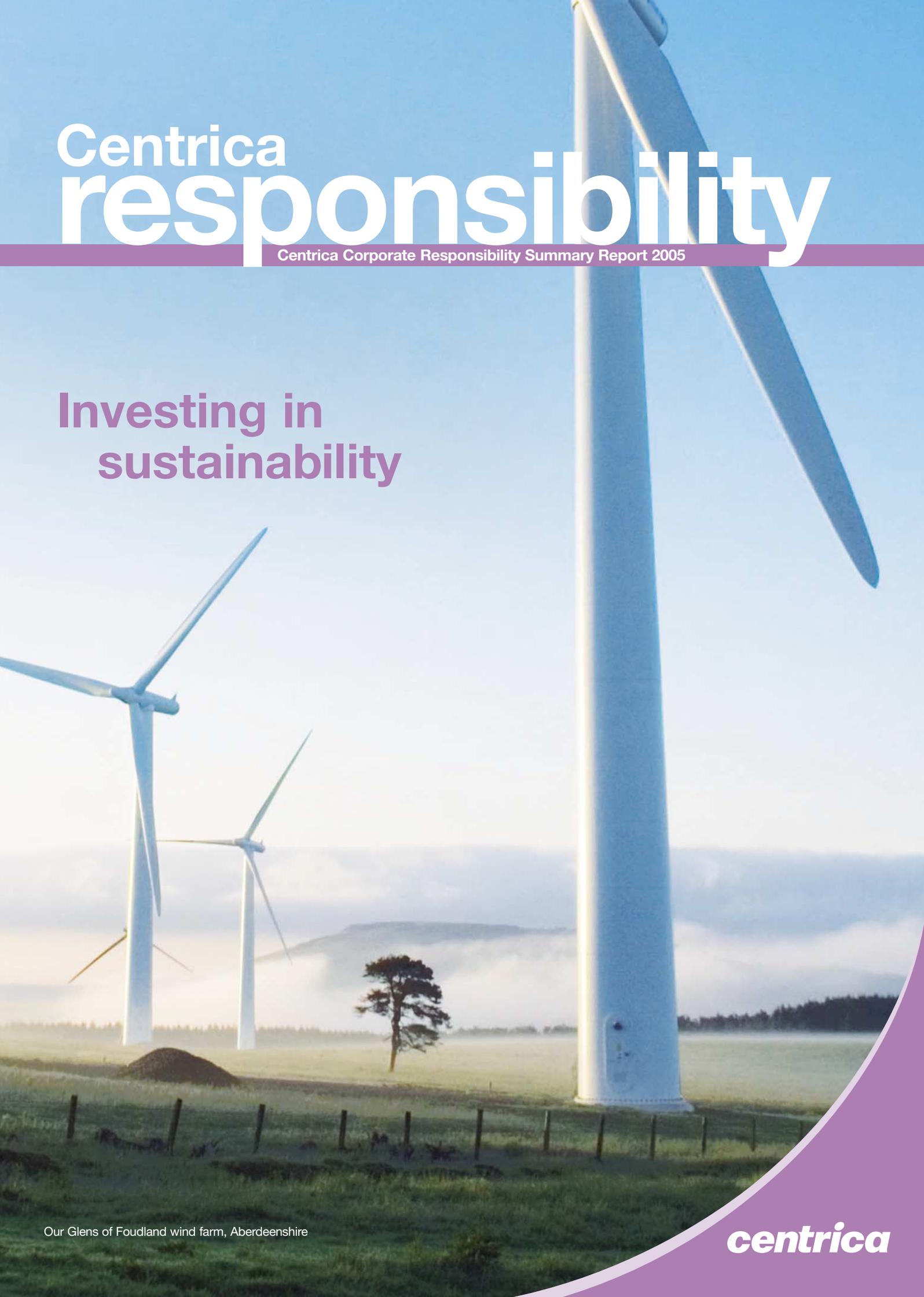


Centrica responsibility

Centrica Corporate Responsibility Summary Report 2005

Investing in sustainability



Our Glens of Foudland wind farm, Aberdeenshire

centrica

Our approach



Sir Roy Gardner, Chief Executive

Chief Executive's statement

Welcome to Centrica's Corporate Responsibility Summary Report 2005, which highlights our performance in areas where our activities had the most significant impact. You can read our full report at www.centrica.com/responsibility.

During the year we structured our approach to focus on tackling climate change and environmental impact, supporting

vulnerable customers and ensuring robust health and safety standards. Our record in 2005 demonstrates good progress. Whatever happens in the energy market in 2006, Centrica will not be distracted from our goal of delivering a world-class performance in this field, as in every other.

Overview

Our approach to corporate responsibility (CR) is to engage with a wide range of stakeholders so that we can more effectively manage the social, ethical and environmental (SEE) impact of our business activities. We thereby seek to minimise risk, create sustainable value for our shareholders and contribute positively to wider economic development in the regions in which we operate.

In 2005 we revised our Group business principles in line with our renewed focus on energy and related services. We consulted with external and internal stakeholders to guide our approach. Our business principles underpin our values and set out our commitment to operate responsibly wherever we work in the world.

CR governance

The Centrica Board reviews our CR strategy and performance annually. It is kept informed of progress as well as new developments that may affect its duties.

Our Corporate Responsibility Committee (CRC) oversees our CR strategy and met four times in 2005. Chaired by the General Counsel and Company Secretary, the CRC is a subcommittee of the Executive Committee and is responsible for ensuring that social, environmental and ethical risks are managed in line with our business principles and that key stakeholders are consulted.

In 2006 the CRC will become a full committee of the Centrica Board, reporting quarterly. This reflects the importance placed on effective CR management to our strategy.

Stakeholder engagement

Structured engagement with all our stakeholders is fundamental to the way we do business and enables us to identify and tackle our key issues. We manage this process by building strong, two-way relationships with employees, customers, investors, regulators, suppliers, opinion-formers and communities.

In 2005 we consulted our stakeholders to find out their views on CR, their interpretation of Centrica's responsibilities and whether our activities and level of disclosure were fulfilling their expectations. The research identified environmental issues as the most important for stakeholders and indicated that, although we had highlighted our main areas of impact, more tailored communication was needed.

Measuring our approach



> www.centrica.com/cr05



We were selected in both the Dow Jones Sustainability World and European Indexes



FTSE4Good

We were included in the FTSE4Good UK, European and World indices



Our score in the BITC CR Index improved to 91% from 86% in 2004



Reducing our carbon footprint

As a major producer and supplier of energy, Centrica has a responsibility to take measures to tackle the impact of climate change. We seek to contribute to the creation of a sustainable, low-carbon future, while ensuring the security of energy supplies.

Renewable energy

During the year, we made good progress with our £750 million investment in wind farm developments. In May we generated the first electricity from our 26MW Glens of Foudland onshore wind farm in Aberdeenshire. Construction of our Barrow offshore wind farm, a joint venture with Danish energy group DONG, continued through 2005 and the wind farm is on track to begin commercial generation in the first half of 2006.

Energy Efficiency Commitment

In 2005 British Gas installed more than nine million energy efficiency measures, such as loft and cavity wall insulation and low energy light bulbs, with an equivalent carbon saving of 1.3 million tonnes, benefiting more than 1.1 million households.

We used innovative ways to engage our customers in energy efficiency in 2005. For example, we piloted a council tax rebate scheme in partnership with three district councils, offering rebates of up to £100 on cavity wall insulation.

Carbon-saving products

British Gas announced the trial of two exciting new products to help customers reduce their carbon footprint. In partnership with Windsave, we are piloting household wind turbines which could enable customers to generate their own free supply of electricity. We are also working with Ceres Power to develop the world's first, mass-market, fuel cell-powered household boiler, which has the potential to reduce household energy bills and cut CO₂ emissions.

Highlights

- ▶ **Generated first electricity from Glens of Foudland wind farm**
- ▶ **Traded 15% of carbon allowances in Europe**
- ▶ **Efforts to reduce greenhouse gas emissions, recognised by WWF-UK**
- ▶ **Office recycling rate increased by 60% on 2000 baseline**



> www.centrica.com/climatechange



Listening and responding

Our aim is to make life safe, warm and comfortable for all of our customers and particularly for people on low incomes, older people and those with a disability. At a time of rising energy costs, our leading edge programmes are delivering practical solutions to help vulnerable customers.

Fuel poverty

The British Gas 'here to HELP' programme is tackling fuel poverty through the installation of free energy-efficient products. To lessen the impact of price increases on vulnerable customers, British Gas also provided £6.7 million in winter fuel rebates in 2005.

Debt

We continued to support the work of the British Gas Energy Trust – an independent fund established with an initial £10 million from British Gas. In addition to making grants to indebted individuals, the Trust provides funding to voluntary sector organisations and registered charities. Funding assists in the prevention and relief of poverty, with particular emphasis on fuel debt.

Home Energy Care

British Gas Home Energy Care provides essential services for some of our most vulnerable customers. They include annual safety checks and the provision of specially designed appliance controls and adaptors for older people, people with disabilities and those who are chronically sick. More than 38,500 customers joined the scheme during 2005, bringing the total number of customers receiving our support to 584,000.

Highlights

- ▶ British Gas provided £6.7 million of winter fuel rebates
- ▶ Direct Energy invested \$1.5 million to help thousands of indebted customers
- ▶ British Gas issued 250,000 alternative format communications
- ▶ British Gas' 'here to HELP' programme reached 470,000 homes



> www.centrica.com/vulnerablecustomers

Health and Safety

The health and safety of our employees, customers and others who could be affected by our activities is a top priority for us.

Safety

In 2005 we delivered continual improvement in health and safety performance across almost all of our businesses, particularly in the reduction of workplace injuries. This performance is built on proactive accident prevention and the positive engagement of our workforce. During the year we experienced the death at work of a UK service engineer. An inquest is now underway to establish the causes of this death.

Incident at Rough gas storage facility

An incident on 16 February 2006 resulted in an explosion and fire at our Rough gas storage platform, causing the facilities to be evacuated and shut down. Injuries were

sustained by several employees. All safety and emergency systems worked as designed to contain and control the fire. A detailed investigation by the Health and Safety Executive (HSE) is ongoing.

Carbon Monoxide safety

British Gas leads the way in raising awareness about the risk of carbon monoxide (CO) poisoning and our campaigns in 2005 targeted students' landlords and homeowners. We work with the HSE to develop policy on CO incidents and, in conjunction with City & Guilds, have designed and developed a national CO incident investigation training programme and qualification.

The number of CO incidents in 2005 showed a year-on-year reduction.

Occupational health

Our approach is to take action through practical support and training and by raising awareness to help prevent work-related health issues. In 2005 we established a backcare programme for employees with a history of back problems and those with physically demanding roles. We also put in place a manager's toolkit on mental health issues – an increasing cause of sickness absence for employees.

Highlights

- ▶ **Lost time injuries/1,000 employees down 39%**
- ▶ **Lost time injuries/100,000 hours worked down 36%**
- ▶ **Total injuries/100,000 hours worked down 39%**
- ▶ **CO incidents with British Gas service history down 40%**



> www.centrica.com/healthandsafety

Employees



Valuing our people

The calibre and the conduct of our people are central to building winning relationships with our customers, shareholders, suppliers and the communities we serve.

Engagement

Our annual engagement survey measures the attitudes and opinions of our employees on a range of company issues. In 2005 our overall engagement score increased by 1.3% which, during a very challenging period for the business, demonstrates the commitment of our people.

Diversity

We continued to implement our diversity and inclusion strategy with each business unit delivering tailored action plans. Awareness training continued for employees across the Group through an online learning package. Another main

programme has been improving cultural awareness, particularly to support our growing international operations. Direct Energy received an award from the Canadian Association of Retired Persons for being the best employer for Canadians aged 50 plus.

Development

1,200 senior managers took part in our leadership development programme during the year and more than 1,000 trainees went through the British Gas Engineering Academy. The Academy won

an award from Women into Science and Engineering for its efforts to attract women into the workforce.

Reward

We continued to extend our flexible benefits package with 7,712 employees now benefiting from the scheme. Our annual pay audit showed that the gender pay gap in Centrica is much narrower than published national norms. We also introduced a tax efficient Home Computing Scheme and childcare vouchers for all employees.



> www.centrica.com/employees

Highlights

- ▶ Overall employee engagement score increased by 1.3%
- ▶ Graduate development programme won a Personnel Today Award
- ▶ More than 1,000 trainees went through our British Gas Engineering Academy
- ▶ Employees from ethnic minority backgrounds increased to 17.2%

Communities

Every day our activities touch the lives of millions of people. We provide warmth, comfort and peace of mind to our customers across the world.

We also aim to play an active role in local communities, tackling issues of wider social concern and encouraging and enabling our employees to get involved. In 2005 Centrica contributed £8.2 million, through a combination of cash, time and in-kind support.

Working in partnership

British Gas continued to tackle fuel poverty, working with six major charities, housing associations and local authorities through its 'here to HELP' programme. During the year we were able to connect more than 8,000 people to additional support from our charity partners and identified over £2.6 million of unclaimed benefits. Our long-term partnership with Help the Aged continued to address issues for older people: fuel

poverty, unclaimed benefits and excess winter deaths. Our 'Cold Can Kill' campaign provided practical advice to 120,000 older people across Britain. Direct Energy worked with the Canadian homelessness charity, Raising the Roof, to combat youth homelessness.

Involving employees

We encourage and enable our employees to get involved. Our 'Helping Children Shine' partnership with NCH in the UK raised more than £350,000. Through employee fundraising and company support we generated more than £200,000 to support victims of the Asian tsunami.

Direct Energy employees supported the relief efforts for hurricanes Katrina and Rita, raising more than \$100,000. We encourage and support employees who want to volunteer in their local community. In 2005 our people invested more than 15,000 hours in volunteering activities with a range of charities and community organisations. This in-kind support equates to around £420,000.

Highlights

- ▶ Total community contribution increased by 11% to £8.2m
- ▶ UK employees raised more than £350,000 for NCH
- ▶ Direct Energy employees raised more than \$100,000 for hurricane relief
- ▶ Employees volunteered more than 15,000 hours

Community investment 2001-2005



> www.centrica.com/communities



Playing an active role

Corporate responsibility performance indicators

	2005	2004	Δ%
Climate change			
Customer energy efficiency measures subsidised (million)	9.0	6.1	48
Lifetime carbon savings for measures subsidised (million tonnes)*	1.3	1.0	30
Health and safety			
Lost time injuries/1,000 employees	13.2	21.5	39
Lost time injuries/100,000 hours worked	0.7	1.1	36
Total injuries/100,000 hours worked	3.1	5.1	39
Vulnerable customers - 'here to HELP'			
Homes signed up	116,823	78,019	n/a
Homes completed (measures installed)	28,212	48,232	n/a
Value of unclaimed benefits identified (£m)	2.6	3.8	n/a
Average benefit gain per household (£)	1,542	1,197	n/a
Employees			
Human capital return on investment	2.1	1.9	11
Employee engagement score	3.78	3.73	1.3
Employees from ethnic minority groups (%)	17.2	16.6	4
Female/male employees (%)	30.9/69.1	33.2/66.8	n/a
Employees with a disability (%)	2.5	2.4	4
Communities			
Total community contribution (£m)	8.2	7.4	11

* Source: <http://nef.org.uk/energyadvice/co2calculator.htm>

Δ% has been used to express 'percentage change'

Future commitments

Our online CR Report provides a detailed account of our commitments for 2006. Some key activities include:

- ▶ Managing our corporate responsibility activities through the newly established CR Committee and reporting quarterly performance to the Centrica Board
- ▶ Communicating our revised business principles to all our stakeholders, particularly to employees
- ▶ Running another programme of stakeholder engagement to track progress against feedback received in 2005
- ▶ Continuing to deliver our Energy Efficiency Commitment, with a focus on 'priority' customers
- ▶ Producing 'green' electricity from Barrow offshore wind farm during the first half of 2006
- ▶ Continuing to develop health, safety and security management, and employee relations processes in our international operations
- ▶ Developing further 'green' product offerings to meet our customers' needs
- ▶ Introducing a website portal to enable more employees to get involved in volunteering and other community involvement activities

Assurance

Our 2005 CR Report has been assured by The Corporate Citizenship Company (TCCC). It believes this report marks a clear step forward on previous years. By highlighting the three areas where our impact is most significant - climate change, vulnerable customers and health and safety - TCCC thinks Centrica has tackled critical issues head on. Read the complete statement at

www.centrica.com/crassurance



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Contact us

We welcome your feedback on our approach to managing the impact of our business activities. Tell us what you think at www.centrica.com/crfeedback

If you would like this CR Report in a different format, such as large print, Braille, audio or digital (text CD or floppy disk), you can request these in the following ways:

Telephone 0191 438 6063

Text phone 0191 438 1122