

---

**2007**

**Securing sustainable  
energy supplies.**

**Delivering innovative  
social programmes.**

**Demonstrating leadership  
on climate change.**

Centrica plc  
Corporate responsibility report 2007

---

# Contents

## **3 About this report**

## **4 CEO introduction**

## **5 Business overview**

- 7 More to do
- 8 Independent Assurance

## **9 Our approach**

- 11 Business case
- 12 Our strategy
- 13 Our policies

## **14 CR Governance**

- 16 CR Committee
- 18 Risk management process
- 20 Shaping the policy environment

## **21 Business principles**

- 23 Applying our business principles

## **26 Performance indicators**

- 27 Key Performance Indicators

## **29 Targets and commitments**

- 30 Climate change
- 34 Future energy supplies
- 36 Customers
- 39 Health and safety
- 41 Employees
- 44 Supply chain
- 46 Local impact

## **48 Key impact areas**

- 49 Climate change and the environment
- 62 Securing future energy supplies
- 69 Fuel poverty and vulnerable customers
- 75 Health and safety
- 80 Customer service
- 86 Employees
- 96 Local impact
- 102 Supply chain

## **106 Stakeholders**

- 108 Customers
- 110 Investors
- 112 Employees
- 114 Suppliers and business partners
- 116 Governments and regulators
- 118 Communities
- 120 NGOs

## About this report

This report covers our corporate responsibility (CR) performance from 1 January 2007 to 31 December 2007.



This report covers our corporate responsibility (CR) performance from 1 January 2007 to 31 December 2007. It updates our last CR report, which was published in May 2007. For the fifth consecutive year, our report is externally assured by Corporate Citizenship. Read our assurance statement on page 8.

The scope of the report covers our global operations. Our main operations are in the UK and North America and, as a result, the content of this report focuses on these activities. In future reports, as our international businesses continue to evolve and grow, we will report our activity and performance accordingly.

We use external guidelines and frameworks to inform our reporting where relevant.

Although we do not explicitly base our report on the Global Reporting Initiative (GRI) guidelines, we have included a GRI index to show which elements of the guidelines we cover and to enable comparison with other companies' reports. We have also indexed the report against our Group business principles and the principles of the United Nations Global Compact, to which we are a signatory.

We believe we have made good progress in 2007 but recognise the need for continual improvement. Feedback from our stakeholders will help us to do this. We encourage you to contact us with your views.

We will publish our next corporate responsibility report in May 2009.

---

# Chief Executive's introduction

## Introduction from Sam Laidlaw

Welcome to Centrica's Corporate Responsibility Report for 2007.

It describes how we are responding to key social and environmental challenges; taking advantage of opportunities to deliver sustainable commercial solutions; and highlights our current performance and future plans.

As a leading integrated energy company Centrica has an important role to play in driving the move towards the low-carbon economy, tackling fuel poverty and, ultimately, securing energy supplies for our millions of customers.

These complex and interconnected issues are central both to sustainable development and to the sustainability of our business. The alignment of financial and non-financial goals is an essential feature of our strategy.

To reflect this, in late 2007, I became a member of our Corporate Responsibility Committee. With strong leadership from the Committee, I believe we made significant progress on the key corporate responsibility issues affecting our business.

Rather than write a long introduction I caught up with Mary Francis, Senior Independent Director and Chairman of our Corporate Responsibility Committee, to discuss the year and review our progress.



A handwritten signature in black ink that reads "Sam Laidlaw". The signature is written in a cursive, slightly stylized font.

**Sam Laidlaw**  
Chief Executive

## Business overview

Centrica’s main operations are in the UK, North America and Europe. We have two types of business – downstream and upstream.

### Upstream

Our upstream business delivered 12% of our Group revenue, 49% of our operating profit\*, and employed 5% of our workforce in 2007. It:

- generates electricity and produces gas; and
- buys, stores and sells energy internationally.

### Upstream businesses include:

- Centrica Energy in the UK, Norway, Nigeria and Trinidad;
- Centrica Storage in the UK;
- Direct Energy in North America; and
- assets and trading operations in Europe.

### Downstream

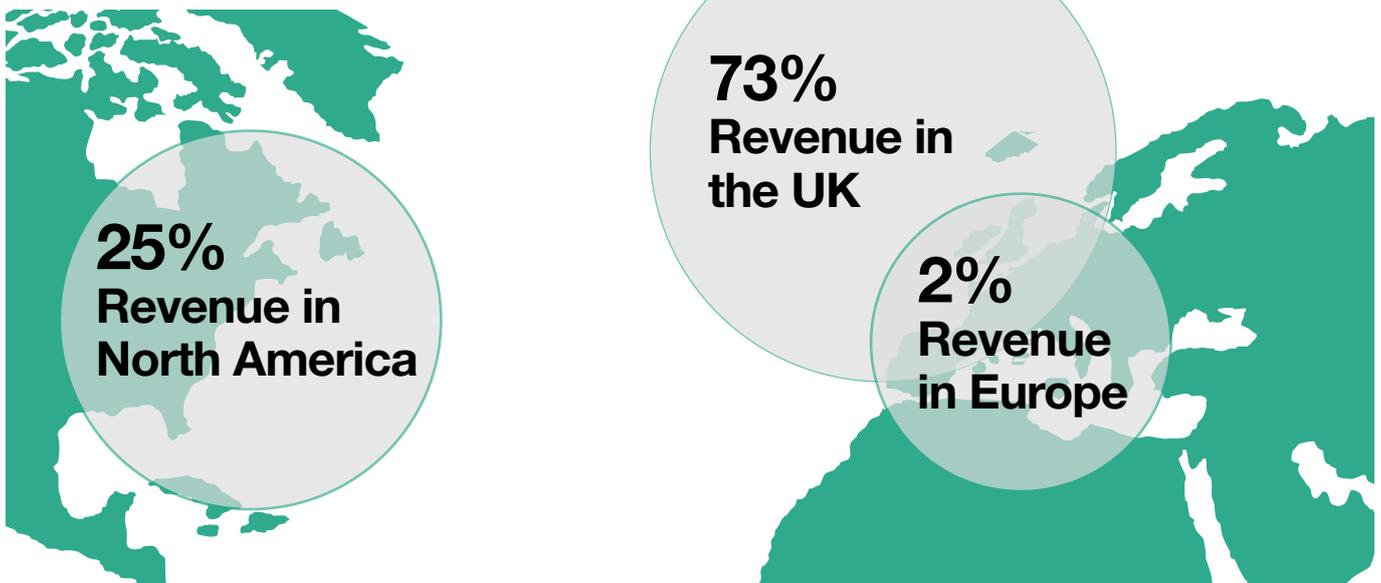
Our downstream business delivered 88% of our Group revenue, 51% of our operating profit\*, and employed 95% of our workforce in 2007. It:

- supplies energy to homes and to businesses; and
- provides home and energy services.

### Downstream businesses include:

- British Gas;
- Direct Energy in North America; and
- retail operations in Europe.

### Our markets and proportion of Group revenue



The map illustrates how much revenue each of the regions contributed to the Group's 2007 total. The UK, our home market, continues to contribute the majority. North American revenues are growing every year (in local currency) and we expect our operations here to become even more significant in the future.

Our businesses in Europe remain small but we expect to see growth once the markets they are in open fully to competition.

\* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements.

^ from continuing operations.

## Business overview

Centrica's main operations are in the UK, North America and Europe.

### Facts and figures

|                                    |         |
|------------------------------------|---------|
| Group revenue <sup>^</sup>         | £16.3bn |
| Operating profit <sup>^*</sup>     | £1,949m |
| Number of ordinary shareholders    | 787,160 |
| Adjusted basic earnings per share* | 30.6p   |
| Ordinary dividend per share        | 13.0p   |
| Number of operating countries      | 9       |
| Average number of employees        | 33,908  |

We secure and supply gas and electricity for millions of homes and businesses and offer a distinctive range of home energy solutions and low-carbon products and services.

All facts and figures taken from 2007 Annual Report and Accounts and cover the period for the 12 months ended 31 December 2007.

\* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements.

<sup>^</sup> from continuing operations.

### Experts in energy...

#### We source it

...by finding and producing new gas reserves across the world

#### We trade it

...in the UK, North America and Europe and sign contracts to secure gas for our customers

#### We generate it...

...through our highly- efficient gas-fired power stations and wind farms

#### We supply it

...to millions of residential and commercial customers in the UK, North America and Europe

#### We process it

...at our onshore gas terminals to make it safe for our customers to use

#### We service it

...through our energy services and installations businesses in the UK and North America

#### We store it

...at our Rough gas storage facility - the largest storage operation in the UK

#### We save it

...by offering innovative low-carbon products and services to our customers

### Our core retail brands



Read our corporate profile - [www.centrica.com/profile](http://www.centrica.com/profile)

---

## More to do

We made good progress on many of our CR priorities last year but there are a few areas that require further work. We want to be upfront about these areas and highlight how we plan to tackle them in the future.

### Targets and indicators

We have targets and indicators in place for many of our key impact areas but we want to strengthen these further to drive performance improvement. Our CR Committee will lead additional work in this area during 2008 and we plan to publish further targets and indicators in our next report.

### Customer service

We were pleased to report a significant improvement in British Gas' standards of customer service. However, against a backdrop of volatile wholesale energy prices and intense competition in the marketplace, we expect this to be an ongoing challenge throughout 2008.

### Health and safety

In 2007 our focus on accident prevention programmes effectively raised awareness of health and safety considerations but resulted in higher incidence rates in some of our businesses. In everything we do and at every level of the organisation we must continue to pursue improvements in health and safety performance to achieve our 4% year-on-year reduction target.

### Environmental management system

Reducing our operational footprint is an important strand of our climate change strategy. Extending our new environmental management system across all parts of the Group will help us to deliver this strategy. We intend to introduce the new system in British Gas in 2008 and Direct Energy in 2009.

### Biodiversity

While our Group Environment Policy describes our commitment to proactive biodiversity management we have not made as much progress as intended in implementing baseline assessment across our UK operations. We plan to do this in 2008 and will report the outcomes in our next CR report.

### Supply chain

We were pleased to publish a new Responsible Procurement and Supply Chain Management policy, approved by our Board and the Executive Team in 2007. Our challenge is now to extend this policy across our business units and monitor its implementation. Our CR Committee will focus on this in 2008.

Read our future targets and commitments on page 29.

---

## Independent assurance

Centrica has commissioned Corporate Citizenship to provide it with external assurance and commentary on its 2007 Corporate Responsibility Report, the online report is contained within the Responsibility section of Centrica.com denoted by a '2007 Reporting' badge on relevant pages.



Centrica's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of content and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility.

Corporate Citizenship is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world.

### Full assurance statement

You can download a PDF at [www.centrica.com/cr07/assurance](http://www.centrica.com/cr07/assurance)

### Corporate Citizenship

[www.corporate-citizenship.com](http://www.corporate-citizenship.com)  
28 May 2008

---

# Our approach

---

To deliver our business strategy successfully, we must identify and respond to the many social and environmental challenges of our operations.

---



---

## Modern society is placing an increasingly high value on sustaining the physical environment and nurturing people and communities.

For any organisation this shift in values raises issues of judgement between short-term gain and longer-term sustainability. To deliver our business strategy successfully, we must identify and respond to the many social and environmental challenges of our operations.

Our approach to corporate responsibility is straightforward yet integral to our strategic decision making and business performance.

- We communicate our position on key issues and, through our business principles, are clear about the standards we expect of ourselves and those we work with.
- We consult our employees, customers, investors and wider stakeholder groups to understand the main social and environmental matters affecting our business.
- This enables us to identify and prioritise the risks we face and opportunities we have, and to develop distinctive strategies, commitments and targets.
- We communicate our performance with openness and transparency, so that our stakeholders understand the progress we're making.

A successful approach can help us win business advantage and deliver value to our shareholders.

Read more about our business case for CR on page 11.



---

## Business case

Our business case is based on three ‘Rs’

**Return** - Creating sustainable value for our shareholders.

**Risk** - Identifying and managing risks and opportunities.

**Reputation** - Protecting and enhancing our reputation.

### Creating sustainable value

Our primary responsibility is to create maximum value for our shareholders. To meet our goals and deliver the sustainable returns our shareholders expect, a responsible approach must underpin our strategy. CR is often about making very challenging business decisions based on a complete understanding of the wider social and environmental context.

### Managing risk

The Combined Code on Corporate Governance requires companies listed in the UK to have processes in place to understand and manage the risks that could affect their business. Our risk management processes capture both the financial and non-financial risks affecting the business and our internal audit programme monitors the effectiveness of our controls.

### Identifying opportunities

Maintaining dialogue with our stakeholders on social and environmental matters, and being attuned to emerging changes in society and government, helps us identify commercial opportunities. For example, we launched British Gas New Energy to become the leading provider of low-carbon energy solutions in the UK.

### Protecting our reputation

Our research demonstrates the high value our CR activities create for our brand and reputation. Meeting our stakeholders’ high expectations is vital to building trust and loyalty in the marketplace. We understand the cost of getting it wrong and how this would harm our reputation.

### Engaging our employees

CR credentials are becoming an important factor when people select potential employers. Our employees have a vested interest in our approach and an important role to play in helping us to embed our principles and deliver our goals. This goes way beyond their participation in community activities and touches all aspects of their relationship with Centrica and in turn their relationship with our customers and other stakeholders.

### Managing costs

Understanding how our business affects the environment and society enables us to develop products, services and systems that improve efficiency.

---

## Our strategy

Our corporate responsibility (CR) strategy is developed as an integral part of our corporate and business unit strategies.

The Corporate Responsibility Committee oversees our overall CR strategy and our business units are responsible for its implementation.

### CR strategic priorities

- Lead the consumer market for low-carbon energy products and services
- Maintain our low-carbon position in power generation
- Reduce the environmental impact of our operations
- Play a leading role in tackling fuel poverty and supporting our more vulnerable customers
- Deliver industry-leading health and safety performance
- In addition to these key priorities, we have individual strategies for each of our key impact areas. Find out more about our key impact areas on page 48



---

## Our policies

Our policies build on our business principles, establishing a clear framework to help our employees and business partners understand the standards we expect.

- **Anti-Corruption**
- **Community and Local Impact**
- **Environment**
- **Gifts and Hospitality**
- **Health and Safety**
- **Human Rights**
- **Political Involvement**
- **Responsible Procurement and Supplier Management**

Read our policies - [www.centrica.com/policies](http://www.centrica.com/policies)

# CR Governance



---

## Good governance is essential to a company managed in the interests of its shareholders, customers, employees and wider stakeholders.

We seek to meet best practice standards in the way we run our business and in the products and services we provide. In many instances we seek external and independent certification of the standards we are achieving.

Our Corporate Responsibility Committee is chaired by our Senior Independent Director, Mary Francis CBE. The Committee oversees our CR strategy and activities on behalf of the Board.

The Committee's main role is to ensure that our day-to-day business operations respond to the opportunities, and avoid the risks, posed by CR issues.

Find out more about our risk management approach on page 18.



# CR Committee

## Overview

The Corporate Responsibility Committee (CRC) is authorised by the Board to:

- Review the effectiveness of the Group's processes and controls for identifying and managing CR risks and opportunities that could materially affect the Group's business performance and reputation
- Review and challenge the Group's performance on CR matters in line with the Group corporate responsibility strategy, policies and standards
- Maintain oversight of the Group's strategy and key policies on CR matters, noting any recommendations on these from the Executive Committee

- Identify future risks and opportunities through effective engagement with all relevant stakeholder groups
- Monitor the integrity and effectiveness of the non-financial statements of the Group and any other formal communications relating to the Group's CR performance

The CRC meets quarterly and is chaired by Mary Francis CBE, Centrica's Senior Independent Director

The Centrica Board reviews progress and performance of the CRC on a quarterly basis.



# CR Committee Performance 2007

I am pleased that both the Board and senior management team have given strong leadership to the Group's CR work during the year.

## Committee objectives

During 2007 the Committee's objectives were to:

- Increase the time devoted to CR matters by the Board and senior management
- Ensure that the Group has clear policies on managing its key environmental and social impact
- Monitor the implementation of our policies through clear targets and performance indicators

## New structure

In September 2007, I made recommendations to the Board with regard to the Committee's ongoing effectiveness. As a result, Andrew Mackenzie, Non-Executive Director, and Sam Laidlaw, Chief Executive, joined the Committee and we revised its terms of reference.

## Strategic review

In 2007 the Committee reviewed our strategy for managing key risks and opportunities, including climate change, supporting vulnerable customers, health and safety, and the way we operate in developing countries.

The Committee strengthened the Group's risk management and internal processes for CR, received regular reports on the views of external stakeholder groups and contributed to the development of CR communications and reporting. We also approved a new Responsible Procurement Policy to extend the Group's business principles into our supply chain activities.

## Board training

At Board meetings and, where appropriate, Executive Committee meetings, the Directors receive regular updates and presentations on changes and developments to the business, and to the legislative and regulatory environments. During 2007 the Board was briefed on a variety of issues including:

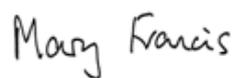
- Commodity risks and hedging strategy
- The risks and opportunities of upstream exploration activities
- Climate change strategy
- Improvements in customer service
- Health and safety – Baker Report review
- Changes introduced by the Companies Act 2006, including the codification of Directors' duties

## Looking ahead

In 2008 the Committee will:

- Review the CR strategies of each business unit and ensure that key impact areas are being effectively managed
- Oversee further work to improve the scope and quality of the Group's CR performance indicators
- Monitor the implementation of the Group business principles and Responsible Procurement Policy

In 2008 Direct Energy will establish a CR Committee to oversee our CR activities in our North American Operations.



**Mary Francis CBE**

Senior Independent Director and Chairman, Corporate Responsibility Committee

# Risk management process

Identifying and assessing risks and implementing effective mitigating controls is fundamental to achieving our strategic objectives.

Our governance structure is designed to assess and quantify all the risks affecting our businesses and to create a culture in which risk management is integrated within decision-making at all levels in the organisation.

### Our approach

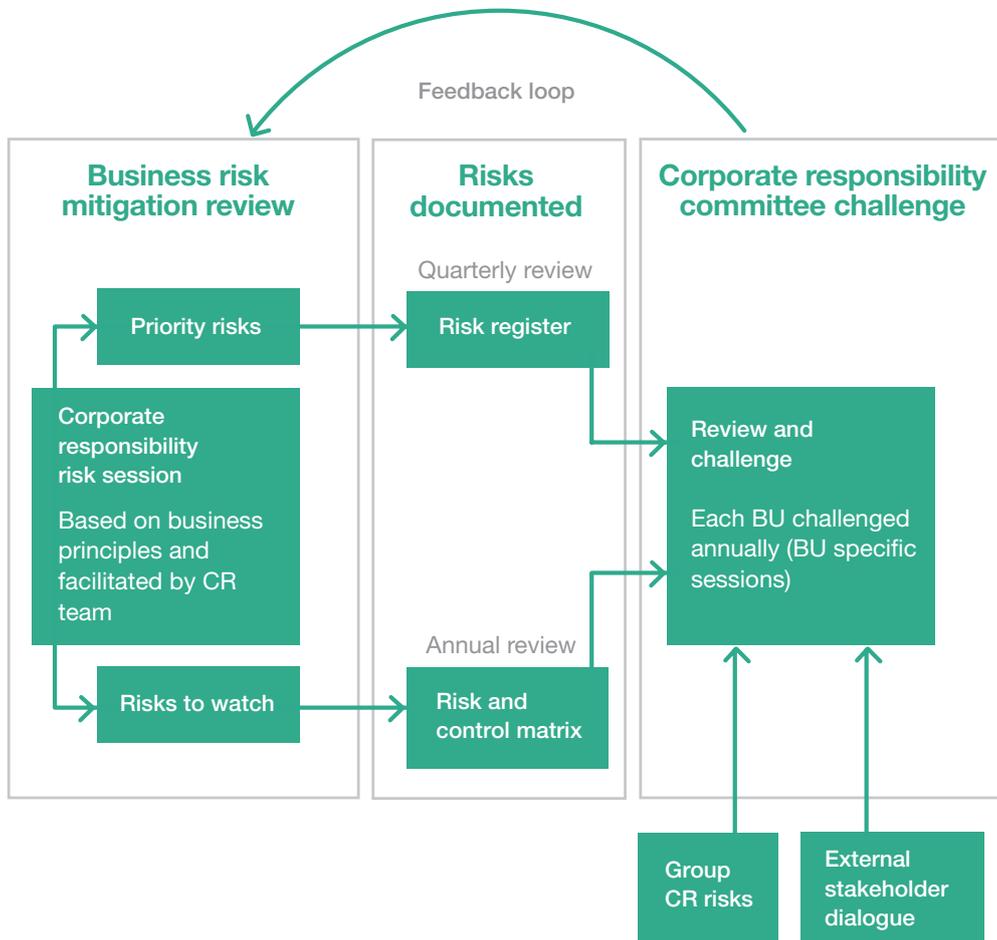
The Board, supported by the Executive Committee, sets Centrica’s strategic direction, which includes the level of risk the company is prepared to accept.

The Board has established objectives and policies for managing significant risks and opportunities to support the delivery of long-term sustainable returns for shareholders and to meet the requirements of the Turnbull

Guidance on the Internal Control, part of the Combined Code on Corporate Governance, and in relation to the revised Companies Act 2006.

Each business unit operates its own risk committee. These committees meet quarterly to review key risks, the adequacy of controls and the actions planned to mitigate those risks.

The risk management process is overseen by the Group Risk Management Committee, a sub-committee of the Executive, to monitor and challenge the consolidated risk profile for Centrica as a whole. The Audit Committee of Non-executive Directors reviews this profile quarterly along with the associated controls.



## Risk management process

### Identifying CR risks

The CRC is responsible for ensuring that CR risks (and opportunities) that could materially affect the Group's business performance are effectively identified and managed.

Material CR risks affecting the Group are currently recorded on our risk registers and managed through our Business Risk Management Committees, Group Risk Management Committee and Audit Committee process. Current examples include climate change, BGR customer service, outsourcing and health & safety.

CR risks that are not recorded on the Group's list of priority risks are managed via the process highlighted in the diagram below.

Business unit managing directors have responsibility for reporting to the CRC on CR risks and how they are being addressed. Potential CR risks are discussed, agreed and monitored annually through a risk and control matrix that is reviewed annually by the CRC. Views on potential risks from external stakeholders are also incorporated at CRC meetings.

### Non-financial risks

Each risk is assessed in financial and non-financial terms. Non-financial risks are grouped according to their impact on:

- Reputation
- Legal and regulatory
- Customers and employees
- Health, safety and security
- The environment

We manage our social and environmental risks in accordance with the disclosure guidelines on social responsibility developed by the Association of British Insurers.

The Corporate Responsibility Committee (CRC) is authorised by the Board to review the effectiveness of the Group's processes and controls for identifying and managing CR risks and opportunities that could materially affect the Group's business performance and reputation. The CRC sets objectives, performance targets and policies for managing key risks and opportunities, which are monitored by the Board.

### Internal audit

There is a strong link between our risk management and internal audit processes. Our annual internal audit programme assesses the effectiveness of management controls in relation to CR risks. Conclusions from the audit process feed back into the risk assessments. In addition, the Audit Committee receives quarterly updates on the key findings and actions from the internal audits.

---

## Helping shape the policy environment

**We are committed to playing a full and active role in the political process to support the creation of competitive energy markets that deliver consumer choice, support vulnerable customers, promote security of supply and facilitate the move towards a low-carbon society.**

### Competitive markets

In 2007 we continued to support the creation of a truly competitive European energy market. We welcomed the European Commission's proposals for the unbundling of electricity and gas transmission networks and will support their implementation. In addition, Direct Energy continued to advocate market change across North America to improve energy market competitiveness and consumer choice.

### Reducing carbon emissions

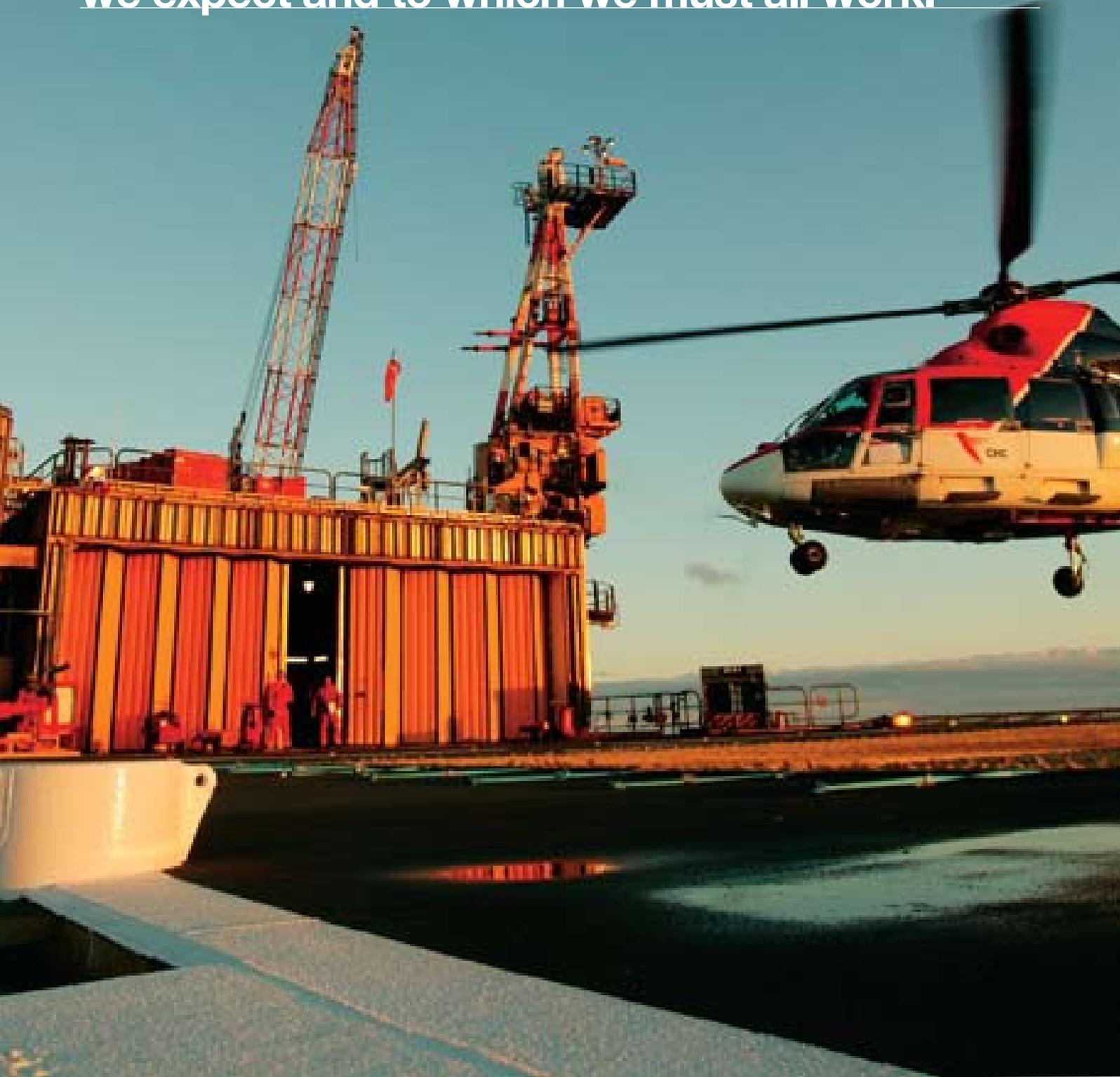
We played an active part in the debate on reducing carbon emissions, including the development of EU emissions reduction targets and phase three of the EU Emissions Trading Scheme (ETS). In North America, we continued to engage with federal, state and provincial policymakers as well as industry groups to inform thinking on carbon legislation. The price of carbon is a significant factor in our investment decisions and we believe that effective cap and trade systems such as the ETS will provide long-term visibility of carbon prices.

---

# Business principles

---

Our business principles set out the standards we expect and to which we must all work.



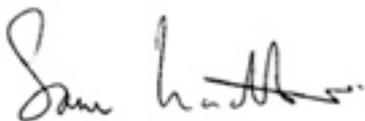
# Overview

## Introduction

Our continued success depends on our ability to establish and maintain positive relationships not only with our customers, colleagues and shareholders but also with our business partners, suppliers and the wider communities in which we work.

Our business principles set out our commitment to operate professionally, fairly and with integrity wherever we work in the world. Furthermore, they help us to protect and enhance our reputation by creating a clear framework to guide our behaviour and decision-making.

We expect the highest levels of ethical conduct and will support those who make decisions based on our business principles. Our employees, business partners and suppliers have a shared responsibility to make sure we reflect these principles in our behaviour. This guide explains the standards we expect and how to put our principles into practice in the many situations we encounter every day.



**Sam Laidlaw**  
Chief Executive



## Our business principles

- Demonstrating integrity in corporate conduct
- Ensuring openness and transparency
- Respecting human rights
- Enhancing customer experiences and business partnerships
- Valuing our people
- Focusing on health, safety and security
- Protecting the environment
- Investing in communities

Read our business principles - [www.centrica.com/businessprinciples](http://www.centrica.com/businessprinciples)

## Applying our business principles



### Who do our business principles apply to?

- All employees (staff, contract and temporary), officers and directors of Centrica in each of our business units worldwide
- All our majority-owned business dealings and transactions in all countries in which we or our subsidiaries and associates operate
- Where we have a minority interest, we will encourage our business partners to apply our principles

We will fully support those who make decisions based on our business principles and treat any infringement with the utmost seriousness, even if this would result in Centrica losing a business opportunity. Those who fail to respect our business principles could face disciplinary action and dismissal.

### How will we make sure that all our employees and business partners understand and apply our principles consistently throughout our business?

We will communicate our principles through internal communications channels supported by practical guidance and training.

We are committed to continual improvement through verifiable and systematic monitoring, reporting and reviewing of our performance in accordance with these principles. We will continue to implement an appropriate corporate responsibility strategy including indicators, target-setting, stakeholder engagement and an assurance programme open to independent audit where appropriate.

### How can employees raise concerns?

If an employee is concerned about any possible improper, unethical or illegal practice within the organisation, they have a responsibility to speak up. We have provided a confidential and independent 'Speak up' helpline.

# 2007 performance

## Our initiatives



### Communications campaign

In 2007 Sam Laidlaw led a programme to update and communicate our principles. This ongoing campaign is helping our employees, business partners and external audiences understand the standards we expect. We distributed more than 8,500 copies of a guide called 'Building a better business' and our managers were each required to complete an online learning programme. So far, around 50% of senior managers have undertaken this training.

### Employee training

We integrated our business principles into induction training for people joining the business at all levels. In addition, many of our learning and development programmes were redesigned to incorporate specific training on our principles.

### Responsible procurement

We introduced a new responsible procurement policy to extend our business principles into our supply chain activities. In 2008 we will work with our business partners and suppliers to increase their awareness of our policy and our expectations in relation to its implementation.

### Employees 'speaking up'

Since April 2007 when our new 'Speak Up' helpline was introduced, it has received 17 calls.

### Categorised breakdown of 'Speak Up' calls received

|                          |   |
|--------------------------|---|
| Breach of company policy | 3 |
| Bullying/victimisation   | 1 |
| Grievance with manager   | 4 |
| HR issue                 | 1 |
| Malpractice              | 2 |
| Diversity and inclusion  | 1 |
| Substance abuse          | 2 |
| Unfair dismissal         | 1 |
| Unprofessional behaviour | 2 |

We are pleased the new system is working effectively and enables us to address issues quickly and efficiently. We will continue to review the nature and outcomes of calls to the helpline, and use this information to improve internal processes.

# 2007 performance

## Previous commitments

| Business principles   | Progress |
|---|----------|
| Communicate our revised business principles across the Group        | ●        |
| Launch an innovate online learning programme for managers           | ●        |
| Integrate our principles into training activities for our employees | ●        |
| Formally extend our principles into our supply chain activities     | ●        |
| Monitor and respond to calls to our Speak Up helpline               | ●        |

● Achieved

● Partially achieved

● Not achieved

## Future commitments

- **Continue to deliver a range of communications activities to raise awareness of our principles**
- **Undertake internal research to measure awareness levels and assess the impact that our principles are having**
- **Host workshops for suppliers to discuss our new responsible procurement policy and seek their commitment to integrate it in their activities**

---

# Performance indicators

---



## Key Performance Indicators



| Climate change  | Unit                   | 2007 | 2006 | Δ%  |
|---|------------------------|------|------|-----|
| Carbon intensity of UK power generation*  | g CO <sub>2</sub> /kWh | 394  | 412  | (4) |
| UK household energy efficiency products provided <sup>1</sup>                             | million                | 17.3 | 13.5 | 28  |
| Lifetime carbon savings for UK household energy efficiency products provided <sup>2</sup> | million tonnes         | 1.2  | 1.0  | 20  |

\* Based on verified emissions data under the requirements of the EU Emissions Trading Scheme

Δ% Has been used to express 'percentage change'

1 UK Energy Efficiency Commitment

2 Source: www.nef.org.uk/greencompany/co2calculator.htm

| Social programmes for vulnerable customers                 | Unit | 2007    | 2006 | Δ% |
|--|------|---------|------|----|
| Customers on British Gas 'Essentials' social energy tariff |      | 340,000 | -    | -  |

| Health and safety                                 | Unit | 2007 | 2006           | Δ% |
|---|------|------|----------------|----|
| Lost-time injuries/1,000 employees                |      | 18.7 | 14.3           | 31 |
| Lost-time injuries/100,000 hours worked           |      | 1.03 | 0.80           | 29 |
| Total accidents/100,000 hours worked <sup>1</sup> |      | 5.7  | 3.9            | 46 |
| Total number of fatalities                        |      | 0    | 7 <sup>2</sup> | -  |

Δ% Has been used to express 'percentage change'

1 We stated total injuries/100,000 hours worked in our 2006 Annual Report

2 Morecambe Bay helicopter accident: four employees and three contractors

## Key Performance Indicators

| Health and safety                                 | Unit | 2007        | 2006           | Δ% |
|---|------|-------------|----------------|----|
| Lost-time injuries/1,000 employees                |      | <b>18.7</b> | 14.3           | 31 |
| Lost-time injuries/100,000 hours worked           |      | <b>1.03</b> | 0.80           | 29 |
| Total accidents/100,000 hours worked <sup>1</sup> |      | <b>5.7</b>  | 3.9            | 46 |
| Total number of fatalities                        |      | <b>0</b>    | 7 <sup>2</sup> | -  |

Δ% Has been used to express 'percentage change'

1 We stated total injuries/100,000 hours worked in our 2006 Annual Report

2 Morecambe Bay helicopter accident: four employees and three contractors

| Local impact                                 | Unit | 2007       | 2006 | Δ%   |
|--|------|------------|------|------|
| Total community contributions <sup>1 2</sup> | £m   | <b>5.2</b> | 7.4  | (30) |
| Voluntary social contributions <sup>3</sup>  | £m   | <b>25</b>  | -    | -    |
| Mandatory social contributions <sup>4</sup>  | £m   | <b>51</b>  | -    | -    |

Δ% Has been used to express 'percentage change'

1 Calculated using London Benchmarking Group methodology

2 Includes £1.1m donation to the British Gas Energy Trust, which supports vulnerable customers

3 Cost of voluntary programmes to support vulnerable customers in the UK

4 Cost of mandatory programmes to support vulnerable customers in the UK

| Employees  | Unit | 2007             | 2006      | Δ%  |
|--|------|------------------|-----------|-----|
| Employee engagement score                          |      | <b>3.96</b>      | 3.84      | 3   |
| Human capital ROI ratio <sup>1</sup>               |      | <b>2.5</b>       | 2.1       | 19  |
| Employees from ethnic minority groups <sup>2</sup> | %    | <b>15.2</b>      | 15.9      | (4) |
| Employee gender (female/male)                      | %    | <b>30.2/69.8</b> | 29.9/70.1 | -   |
| Employees with a disability                        | %    | <b>3.2</b>       | 2.7       | 19  |

Δ% Has been used to express 'percentage change'

1 PwC Saratoga: measurement of financial return for investment in employee remuneration benefits and training

2 2,007 employees in the UK have not disclosed their ethnic profile

---

# Targets and commitments

The image shows an industrial facility, likely a refinery or chemical plant, under a clear blue sky. In the foreground, a large, cylindrical metal coil is visible, with several orange caps or valves along its edge. The background is filled with a complex network of metal pipes, structural beams, and scaffolding, extending into the distance. The overall scene is brightly lit, suggesting a sunny day.

# Climate change

## Key targets

- Reduce power generation carbon intensity to **380g CO<sub>2</sub>/kWh** by 2012 and **350g CO<sub>2</sub>/kWh** by 2020\*.
- Deliver UK CERT carbon savings target of **16.1m tonnes CO<sub>2</sub>** in 2008.
- Achieve a **5% year-on-year reduction in UK office energy use.**

## Lead the consumer market

| Previous commitments   | Our initiatives  | Future commitments <sup>^</sup>  |
|--|--|--|
| Create a new business to lead our low-carbon strategy in the UK  | We launched British Gas New Energy to lead our low-carbon strategy in the UK   | Deliver a range of brand marketing activities to support our low-carbon positioning                            |
| Launch industry-leading tariffs in the UK                        | British Gas launched two industry-leading green tariffs – Future Energy and Zero Carbon                                  | Become the leading supplier of green energy to domestic customers in the UK directly and through partnerships  |
| Establish a climate change committee within Direct Energy        | We formed a centralised group to coordinate Direct Energy’s climate change activities                                    | Extend our range of low-carbon products and services in North American markets                                 |
| Make significant investment in low-carbon technologies in the UK | We announced a £20m investment, working with Ceres Power on the development of a domestic combined heat and power boiler | Develop capability to install low-carbon microgeneration for UK domestic, business and public sector customers |
| Continue to deliver our Energy Efficiency Commitment             | British Gas remained the largest provider of household energy efficiency products in the UK                              | Deliver UK CERT carbon savings target of 16.1m tonnes CO <sub>2</sub> in 2008                                  |

# Climate change

## Maintain our low-carbon position

| Previous commitments   | Our initiatives  | Future commitments <sup>^</sup>  |
|--|--|--|
| Establish carbon intensity targets for our UK upstream businesses  | The Centrica Executive Committee approved targets to reduce our UK power generation carbon intensity (394g CO <sub>2</sub> /kWh in 2007) | Reduce power generation carbon intensity to 380g CO <sub>2</sub> /kWh by 2012 and 350g CO <sub>2</sub> /kWh by 2020* |
| Undertake a feasibility study for the potential development of an Integrated Gasification Combined Cycle (IGCC) power station with carbon capture and storage capability | We continued our feasibility study at Eston Grange on Teesside   | Continue to assess the feasibility of a clean coal development at Teesside   |
| Complete acquisition of 50/50 share in Braes of Doune onshore wind farm  | We acquired a 50% share in Braes of Doune wind farm  | Invest £1.5bn in renewable energy assets over the next five years  |
| On schedule development of Lynn and Inner Dowsing wind farm  | We made good progress on our Lynn and Inner Dowsing development  | Generate first power from Lynn and Inner Dowsing wind farms  |
| Achieve planning consent for Lincs offshore wind farm in the UK  | We submitted a planning application for the construction of the Lincs offshore wind farm   | Achieve planning consent for Lincs wind farm development   |

# Climate change

## Reduce our operational footprint

| Previous commitments  | Our initiatives  | Future commitments^  |
|---|--|--|
| Reduce office energy use by 10% year-on-year                        | We achieved a 10% reduction in UK office energy use                                      | Achieve a 5% year-on-year reduction in office energy use   |
| Maintain office recycling rate of 62%                               | We narrowly missed our target, achieving 60%   | Finalise and make public Direct Energy's carbon footprint commitments  |
| Implement Pollution Prevention Control (PPC) improvement programmes | We maintained our PPC certification across our asset operations                          | Introduce a new cross-Group framework to improve the quality of environmental performance monitoring and reporting                           |
|   | Introduced new Group-wide environment policy and developed GEMS ready for implementation | Extend our environmental management system throughout British Gas and make progress with extending it across our operations in North America |

## Stakeholder perceptions

| Previous commitments  | Our initiatives  | Future commitments^  |
|---|--|--|
| Maintain constructive relationships with NGOs and other opinion formers | We launched a Green Streets campaign to highlight the positive impact simple energy efficiency products and behaviours can have<br><br>Read more about Green Streets at <a href="http://www.britishgas.co.uk/greenstreets">www.britishgas.co.uk/greenstreets</a> | Continue to deliver Green Streets programme and launch a national programme enabling schools to reduce their carbon footprint and take action to tackle climate change |
|   | We were recognised as a climate leader by the international Carbon Disclosure Project and by WWF as the leading green supplier in Britain  | Maintain constructive relationships with NGOs and other opinion formers  |

# Climate change

## Engaging employees

| Previous commitments   | Our initiatives  | Future commitments <sup>^</sup>                    |
|--|--|--|
| Continue to engage our employees in activities to help us reduce our environmental footprint | We introduced a 'Being Green' campaign to encourage employees to help reduce our operational footprint | Further develop 'Being Green' and engage employees |

## Public policy

| Previous commitments  | Our initiatives   | Future commitments <sup>^</sup>  |
|---|---|--|
| <p>Work with political and regulatory stakeholders to increase their understanding of our business and shape the policy environment in which we operate</p> <p>Read the governments and regulators overview on page 116</p> | <p>We played an active part in the debate on reducing carbon emissions</p> <p>Read about governments and regulators in 2007 on page 116</p> | <p>Encourage support for:</p> <ul style="list-style-type: none"> <li>• an EU cap and trade emissions trading scheme</li> <li>• a regulatory, policy and fiscal framework that will deliver a significant increase in renewable generation investment in the UK</li> <li>• a policy framework to encourage the deployment of non-renewable low-carbon investment</li> <li>• a policy framework to allow for a significant increase in installed capacity of microgeneration technologies</li> </ul> |
| <p>Continue to help shape the public policy environment in relation to climate change by playing an active part in consultations and debates</p>  |   |  |

<sup>^</sup> All targets and commitments relate to 2008 unless otherwise stated

\* Carbon intensity figures are based on the average annual emissions from all wholly-owned UK power generation assets and all other power generation assets from which Centrica is entitled to output under site-specific contracts in the UK

## Future energy supplies

### Key targets

- **Invest £1bn** each year in gas and power projects between 2007 and 2010

### Lead the consumer market

| Previous commitments  | Our initiatives  | Future commitments   |
|---|--|--|
| Increase gas portfolio through acquisitions and long-term contracts   | We bought Newfield UK Holdings Ltd, which has the potential to add around 300bcf of gas reserves; we also added 43bcf of gas reserves by acquiring Rockyview Energy Inc in Alberta | Plan to invest £1bn in gas and power projects each between 2007 and 2010                                       |
| Undertake seismic work for gas exploration project in Nigeria         | We began seismic activity on one of our Nigerian licence blocks  | Continue international dialogue to source gas supplies, including discussion with national oil companies       |
| Ensure construction of Langage power station is delivered to schedule | We continued construction on our 885MW gas-fired power station at Langage in Devon   | Complete construction of Langage power station – first power in 2009   |
| Acquire further gas exploration licences                              | We acquired interest in licences in Norway and Trinidad  | Progress exploration activities in the UK, Egypt, Trinidad and Nigeria and seek to acquire additional licences |
| Secure further liquefied natural gas (LNG) capacity in the UK         | From the winter of 2010/2011, we will have access to a further 2.4BCM of LNG import capacity at the Isle of Grain terminal   | Consider possible equity investments in new nuclear infrastructure   |

# Future energy supplies

## Renewables

| Previous commitments  | Our initiatives  | Future commitments   |
|---|--|--|
| Complete acquisition of 50/50 share in Braes of Doune onshore wind farm | In the UK we acquired a 50% share in Braes of Doune wind farm                            | Invest £1.5bn in renewable energy assets over the next five years; our UK generation capacity in the next few years is expected to reach more than 1.6GW |
| On schedule development of Lynn and Inner Dowsing wind farm             | We made good progress on our Lynn and Inner Dowsing development                          | Generate first power from Lynn and Inner Dowsing wind farms  |
| Achieve planning consent for Lincs offshore wind farm in the UK         | We submitted a planning application for the construction of the Lincs offshore wind farm | Achieve planning consent for Lincs wind farm development   |

## Storage

| Previous commitments   | Our initiatives   | Future commitments |
|--|---|--------------------|
| Return to full operational capacity following safety incident at the end of 2006 | The Rough field performed well, delivering injection and production availability of more than 98%   |                    |
| Undertake a robust health and safety review                                      | A review undertaken by the UK Health and Safety Executive into our systems to ensure asset integrity placed Rough in the top quartile of all North Sea installations surveyed |                    |

# Customers

## Key targets

- Improve net promoter scores in the UK and in North America.

## Fuel poverty and vulnerable customers

| Previous commitments  | Our initiatives  | Future commitments  |
|---|--|---|
| Continue to work with a range of external partners to identify and provide a range of support to vulnerable and fuel poor customers | Through a partnership with four key charities, here to HELP provided benefit assessments; we also partnered with Help the Aged to provide a better level of care for our elderly customers and continued the 'Help Yourselves' campaign with Save the Children | Continue to work with Ofgem, DBERR and other industry parties in clarifying the framework for energy suppliers' spend on fuel poverty and work with government to find effective data-sharing mechanisms for identifying vulnerable customers |
| Continue to deliver our Energy Efficiency Commitment, including a focus on 'priority' customers to address fuel poverty             | British Gas remained the largest provider of household energy efficiency products in the UK  | Committed £3.3m to the British Gas Energy Trust each year for the next four years   |
| Grow the number of vulnerable customers on our social tariff through appropriate targeting and reviewing our processes              | We launched 'Essentials', the largest social tariff on the energy market – 340,000 customers have already benefited  | Continue to deliver industry-leading initiatives such as the 'Essentials' tariff  |
| Help the most vulnerable of our elderly customers through the cold winter period with a support package and financial aid           | Our 'Winter Warmer' initiative offered sustainable support to 25,000 of the UK's most vulnerable elderly households  | Continue to partner with key charities to deliver initiatives on vulnerable customers   |

# Customers

## Customer service

| Previous commitments   | Our initiatives  | Future commitments   |
|--|--|--|
| Improve levels of customer service                                   | We invested £60m to help restore UK service standards; average time to answer calls reduced by 75% and our call transfer rate improved by 40%; complaints to Energywatch fell by 80% | Continue to reduce levels of complaints                    |
|  | British Gas recruited 800 new customer agents and delivered a programme to develop our people as Energy Experts.   | Continue to invest in training for our frontline employees |
| Introduce Net Promoter Score (NPS) methodology across all businesses | We extended NPS to all business units. British Gas scored 3.1% and Direct Energy scored 6.1%.  | Improve Net Promoter Scores in the UK and in North America |

## Low-carbon products and services

| Previous commitments   | Our initiatives   | Future commitments  |
|--|---|---|
| Create a new business to lead our low-carbon strategy in the UK  | We launched British Gas New Energy (BGNE) to lead our low-carbon strategy in the UK   | Deliver a range of brand marketing activities to support low-carbon positioning                               |
| Deliver our UK Energy Efficiency Commitment targets  | British Gas remained the largest provider of household energy efficiency products in the UK                                   | Deliver UK CERT carbon savings target of 16.1m tonnes CO <sub>2</sub> in 2011                                 |
| Launch a new service offering Energy Performance Certificates (EPCs) and train 500 assessors                         | Following legislative delays, we did not make as much progress as we had planned on offering EPCs to home sellers             | Prioritise the provision of EPCs in 2008  |
| Launch industry-leading tariffs in the UK  | British Gas launched two industry-leading green tariffs – Future Energy and Zero Carbon                                       | Become the leading supplier of green energy to domestic customers in the UK directly and through partnerships |
| Offer our free British Gas Energy Savers Report (ESR) to all UK households and aim to complete 2m by the end of 2007 | We extended our free Energy Savers Report to all UK households but we did no further direct marketing on this product in 2007 | Extend our Energy Savers Report to domestic and business customers  |

# Customers

## Customer diversity

| Previous commitments   | Our initiatives   | Future commitments   |
|--|---|--|
| Launch a new British Gas consumer website which is fully compliant with W3C accessibility guidelines             | We launched a new British Gas website and improved its accessibility but we plan to further improve the accessibility of our site                               |  |
| Continue to provide a range of alternative format communications to support customers with specific requirements | We continued to provide a language line service and access to bills and information in a range of alternative formats, including Braille, large print and audio | Continue to provide a range of alternative format communications to support customers with specific requirements |

## Customer safety

| Previous commitments  | Our initiatives   | Future commitments  |
|---|---|---|
| Raise awareness of safety issues including carbon monoxide CO poisoning | We distributed carbon monoxide CO guidance information to our 16m customers | Send CO information leaflets to all British Gas customers and distribute these to doctors' surgeries via the waiting room information service |

## Sales and marketing

| Previous commitments   | Our initiatives   | Future commitments  |
|--|---|---|
| Work with marketing trade bodies and customers to deliver high quality, transparent communications and reduce Advertising Standards Authority (ASA) complaints | We had two complaints upheld against us by the UK ASA. British Gas joined a cross-sector advertisers' working group to develop best practice on communicating 'green' messages to consumers | Continue to work with marketing bodies and maintain a low level of ASA complaints |

# Health and safety

## Key target

- Achieve a 4% reduction in time lost from injuries.

## Employee safety

| Previous commitments   | Our initiatives  | Future commitments  |
|--|--|---|
| Act on lessons learned from the incidents at Rough, Morecambe Bay and the BP Texas Oil Refinery            | We conducted a detailed internal review of our management systems, including consideration of the Baker Report into 'BP's Texas Refinery Incident' | Implement comprehensive third-party verification of processes, improvement programmes and performance             |
| Implement 'Performance Plus' programme to drive health and safety performance improvement across the Group | We developed 'Performance Plus' to heighten our performance expectations and provide greater resilience in our risk management systems             | Enhance process safety performance reporting and implement revised KPIs   |
|  | We maintained our strategic engagement with the UK Health and Safety Executive (HSE) through our 'Working Together' agreement                      | Continue to seek proactive involvement of contractors and their HSE practitioners in enhancing safety performance |
| Implement a new Group-wide health and safety reporting package   | We delivered a campaign to improve incident reporting in our main UK downstream businesses   | Maintain strategic dialogue with HSE through Working Together   |
|  |  | Implement a global incident reporting analysis and tracking package   |

# Health and safety

## Employee health

| Previous commitments                                       | Our initiatives  | Future commitments   |
|--|--|--|
| Introduce further initiatives to reduce employee absence   | We introduced absence management training for line managers to help them deal effectively with absence situations and improve the success of the employees' return to work | Make a measurable contribution to the reduction of sickness absence and encourage prompt referral and effective rehabilitation   |
| Further develop and implement wellbeing at work programmes | We implemented a wellness programme to help our British Gas engineers get fit for the busy winter period   | Ensure consistent standards of occupational health (OH) service across contracted employees and develop key performance indicators to track the effectiveness of our OH services |
|  | We introduced triage physiotherapy, back and knee clinics and physical fitness programmes for engineers  | Continue to focus programme on key risks: musculo-skeletal and mental health   |
|  | We maintained our strategic engagement with the UK Health and Safety Executive (HSE) through our 'Working Together' agreement  | Deliver Safe and Fuel Efficient Driver initiative  |

## Carbon monoxide safety

| Previous commitments   | Our initiatives   | Future commitments  |
|--|---|---|
| Communicate carbon monoxide (CO) safety information to all British Gas customers | We distributed CO guidance information to our 16m customers | Send CO information leaflets to all British Gas customers and distribute these to doctors' surgeries via the waiting room information service |

# Employees

## Key target

- Achieve a score of at least 60% of employees who are committed to Centrica and by 2010 achieve the 'Best Employers Score' of at least 70%.

## Employee engagement

| Previous commitments  | Our initiatives   | Future commitments  |
|---|---|---|
| Improve the extent to which employees feel valued, involved and committed and respond to leadership | British Gas ran a Team Talk Live event which engaged more than 10,000 employees in the business's vision, values and objectives | In 2008 we will change how we measure employee engagement, and begin to measure the percentage of employees who are committed to Centrica; we aim to achieve a score of at least 60% and by 2010 achieve the 'Best Employers Score' of at least 70% |
|   | We introduced a 'Being Green' campaign to encourage employees to help reduce our operational footprint                          | Further develop 'Being Green' to motivate and engage employees  |

## Diversity and inclusion

| Previous commitments   | Our initiatives  | Future commitments   |
|--|--|--|
| Continue to work with external organisations to share best practice and identify performance improvement opportunities | We delivered an age awareness and training programme to enable employees to understand new legislation   | Continue to work with external organisations to share best practice and identify performance improvement opportunities |
| Increase the number of new female engineer recruits and those from an ethnic minority background                       | In the UK we were recognised as an 'exemplar employer' by Opportunity Now for our flexible working initiatives and diversity recruitment strategy for engineers, with female trainees now accounting for almost 13% of all those recruited in 2007 | Increase the number of new female engineer recruits and those from an ethnic minority background                       |

# Employees

## Work-life balance

| Previous commitments | Our initiatives  | Future commitments  |
|----------------------|--|---|
|                      | We reviewed our Group Maternity and Family Leave Policy, which led to enhanced maternity and paternity pay | We will review paternity pay and leave in light of legislative changes proposed for 2010 whereby fathers will be given the opportunity to take up to 26 weeks |
|                      |  | We will offer additional paternity leave for fathers to care for their child if certain conditions are met, including the mother returning to work            |

## Talent management

| Previous commitments   | Our initiatives  | Future commitments   |
|--|--|--|
| Use our Management Talent Review to identify and develop future leaders and promote cross-Group opportunities to share knowledge and expertise | We defined a new set of leadership behaviours to recruit and develop senior leaders and build a stronger culture in the business. We also introduced a new talent management approach to help us identify future leaders | We will extend our work on embedding leadership behaviours   |
| Continue to implement our Management Learning Programme and hot topics seminars  | We delivered our Management Learning Programme and 200 leaders attended hot topics seminars  | British Gas will focus on developing the capability of managers and Direct Energy will introduce an executive leadership programme |

## Reward

| Previous commitments  | Our initiatives   | Future commitments  |
|---|---|---|
| Ensure that our reward packages compare favourably in the market      | We continued to extend our flexible benefits package with almost 11,000 employees now benefiting from the scheme                                      | Ensure that our reward packages compare favourably in the market      |
| Undertake our annual equal pay review and maintain strong performance | We conducted a fifth comparative review of pay levels, which found that the gender pay gap in Centrica is much narrower than published national norms | Undertake our annual equal pay review and maintain strong performance |

# Employees

## Training

| Previous commitments   | Our initiatives  | Future commitments   |
|--|--|--|
| Deliver improvement programmes for British Gas Customer Service Advisors (CSAs) to ensure employees respond to customer enquiries efficiently and resolve issues at the first point of contact | British Gas introduced a new recruitment process for CSAs to increase the quality of recruits and reduce new starter attrition | Continue to invest in training for our frontline employees                       |
| Achieve 'Approved Training and Assessment Centre' status to train engineers on Energy Performance Certificates (EPCs) from June 2007   | Following legislative delays, we did not make as much progress as we had planned on EPC training                               | Continue to build our capability to offer EPCs                                   |
| Implement the Duke of Edinburgh's Award Programme as a core part of our apprenticeship training programme  | More than 300 apprentices participated in the scheme, collectively contributing around 3,000 hours                             | Continue to embed the Duke of Edinburgh Award in our engineer training programme |

## Graduate development

| Previous commitments | Our initiatives  | Future commitments   |
|----------------------|--|--|
|                      | We built relationships with university engineering departments and acted as a sponsor for the Headstart initiative | We will enhance our position with the Association of Graduate Recruiters       |
|                      |  | We will seek to partner with major graduate organisations to raise our profile |

## HR transformation

| Previous commitments   | Our initiatives   | Future commitments   |
|--|---|--|
| Continue with the HR Transformation Programme                        | We launched myHR to provide managers and employees with greater control over HR activities, such as talent and performance management | We will continue to develop intranet resources to support employees and managers |
| Improve employees' and managers' self-sufficiency and accountability | In Direct Energy, HR drove the deployment of a new organisational structure   | Direct Energy will embed the new HR Shared Services model into the organisation  |

# Supply chain

## Responsible procurement

| Previous commitments   | Our initiatives   | Future commitments   |
|--|---|--|
| Develop a new responsible procurement policy to articulate how we apply our business principles in our relationships with suppliers, contractors and business partners | We introduced the Group Responsible Procurement and Supplier Management Policy to extend our business principles into our supply chain activities | Communicate our Business Principles, Guide to Sound Business Practice and Responsible Procurement Policy to suppliers and business partners    |
|  | Download a PDF of our Responsible Procurement Policy at <a href="http://www.centrica.com/cr07/procurement">www.centrica.com/cr07/procurement</a>  | Continue to work with business units to ensure that our policy is integrated across all procurement activities                                 |
|  |   | Work with our business partners and suppliers to increase their awareness of our policy and our expectations in relation to its implementation |

## Risk mapping

| Previous commitments   | Our initiatives  | Future commitments  |
|--|--|---|
| Extend CR risk mapping to our international and UK upstream activities and work with Direct Energy to introduce a consistent approach in our North American activities | The introduction of our new policy enabled us to extend our approach across Centrica Energy and to our activities in North America | Evaluate the effectiveness of the risk assessments on our procurement activity and relationships with suppliers |

# Supply chain

## Supplier engagement

| Previous commitments  | Our initiatives  | Future commitments   |
|---|--|--|
| Build on our successful supply chain briefing session by providing practical guides to our procurement team on the likely CR impact areas in our procurement categories | We held a procurement conference dedicated to CR issues to raise awareness among procurement managers  | Deliver refresher training to procurement and supplier management teams on social and environment considerations and on the implementation of our new policy |
| Host responsible procurement workshops with strategic suppliers to communicate our policy and discuss best practice   | We held two workshops for our strategic suppliers to communicate our new policy and to create a platform to discuss best practice on supply chain responsibility | Hold further supplier forums for our upstream and North American operations  |
| Undertake a carbon footprint assessment of our top 20 suppliers in the UK and encourage them to work with us to deliver our environmental goals and targets             | We progressed our plan to undertake a carbon footprint assessment of our top 20 suppliers  | Introduce an online portal for suppliers and business partners to our Business Principles and key policies   |

## Monitoring our performance

| Previous commitments | Our initiatives  | Future commitments   |
|----------------------|--|--|
|                      | We initiated a project in partnership with Worcester Bosch to analyse the supply chain for boilers and parts | Develop performance indicators to track the implementation of our approach |
|                      |  | Identify key performance indicators for publication to external audiences  |

## Local impact

### Employee engagement

| Previous commitments  | Our initiatives   | Future commitments   |
|---|---|--|
| Continue our support for employees to make a difference in their local communities and encourage 8,000 employees to register for 'Get Involved' | Our people invested more than 18,000 hours in volunteering activities, which equates to more than £260,000 of in-kind support | Improve the systems available to employees to enable them to engage with their communities |

### Community partnerships

| Previous commitments  | Our initiatives  | Future commitments   |
|---|--|--|
| Continue to ensure vulnerable customers are identified, working with external partners to provide a range of solutions and services to help | British Gas launched the third phase of 'Help Yourselves' with Save the Children.  | Continue to work with public and voluntary sector partners to identify and support vulnerable customers and address fuel poverty             |
| Maintain and develop Direct Energy's relationships with community organisations who help us to tackle homelessness                          | Direct Energy completed its three-year partnership with 'Youthworks' and supported Habitat for Humanity's first EnergyStar® building project | Review Direct Energy's community investment policy and develop a new approach with greater focus on tackling key issues in a sustainable way |

# Local impact

## Community partnerships

| Previous commitments   | Our initiatives   | Future commitments  |
|--|---|---|
| <p>Maintain our performance, learn from feedback and measure our impact through internal and external surveys, benchmarks and sharing of experiences</p> | <p>We achieved a Platinum award from Business in the Community's CR index for a score of 96%</p>  | <p>Continue to achieve high performance for our community initiatives</p>   |
| <p>Review our engagement with local stakeholders, particularly focusing on Centrica Energy, its existing assets and new global operations</p>            | <p>We continued to involve a wide range of stakeholder groups in different stages of our proposals</p>  | <p>Review community investment activities and define future policy and approach for Centrica Energy, aligning with British Gas activities</p>                                 |
| <p>Continue to engage with communities local to our gas exploration blocks in Nigeria and report on the outcome of these dialogues</p>                   | <p>We signed a Memorandum of Understanding and established a Project Advisory Committee with broad representation from host communities to nominate community development projects</p>  | <p>Host an HIV/AIDS awareness initiative to increase awareness of the disease</p>   |
| <p>Launch a new and improved Think Energy website to include information on how to save energy and the environment</p>                                   | <p>We launched a Green Streets campaign to highlight the positive impact simple energy efficiency products and behaviours can have</p> <p>Read more about Green Streets at <a href="http://www.britishgas.co.uk/greenstreets">www.britishgas.co.uk/greenstreets</a></p> | <p>Continue to deliver Green Streets programme and launch a national programme enabling schools to reduce their carbon footprint and take action to tackle climate change</p> |

---

# Key impact areas

External stakeholder research and internal analysis continues to identify key impact areas as the most important for Centrica. The CR Committee has prioritised areas of leadership for Centrica that can help the Group be distinctive and deliver competitive advantage.

---

# Climate change and the environment

## Overview



### Our commitment

We are committed to contributing to the creation of a sustainable, low-carbon future, while ensuring the security of present and future energy supplies.

### Operating context

The ever-growing need to address climate change presents risks and opportunities for our business and our customers. Reducing carbon emissions while securing future energy supplies for our customers is a very significant challenge. But climate change science makes unequivocal the case for a low-carbon future and as a leading energy company we have an important role to play in making it happen.

### Our impact

We emit carbon dioxide (CO<sub>2</sub>) from a variety of direct and indirect sources. Our direct CO<sub>2</sub> emissions include those associated with the operation of our business such as power generation, heating and cooling our offices,

producing gas, business travel and waste generation. Our indirect CO<sub>2</sub> emissions are those that we do not produce, but are a result of the products and services we provide, such as the emissions associated with our customers using the gas we supply and the products and services we purchase to run our business.

The impact of our indirect emissions is far greater than the impact of our direct emissions, which is why we have an important role to play in helping our customers use energy efficiently and working with our business partners to minimise the impact of our supply chain activities.

### Our strategy

Our strategy is to lead the consumer market for low-carbon energy products and services; to maintain our low-carbon position in power generation; and to work with our employees and suppliers to reduce the environmental impact of our operations.

# Climate change and the environment

## 2007 performance – previous commitments

| <b>Lead the consumer market</b>   | <b>Progress</b> |
|---|-----------------|
| Create a new business to lead our low-carbon strategy in the UK                             | ●               |
| Establish a climate change committee within Direct Energy                                   | ●               |
| Launch industry-leading green tariffs in the UK   | ●               |
| Make significant investment in low-carbon technologies in the UK                            | ●               |
| <b>Maintain our low-carbon position</b>   | <b>Progress</b> |
| On schedule development of Lynn and Inner Dowsing wind farm                                 | ●               |
| Achieve planning consent for Lincs offshore wind farm in the UK                             | ●               |
| Establish carbon-intensity targets for UK upstream business                                 | ●               |
| <b>Reduce our operational footprint</b>   | <b>Progress</b> |
| Reduce office energy use by 10% year-on-year  | ●               |
| Maintain office recycling rate of 62%   | ●               |
| Implement Pollution Prevention Control (PPC) improvement programmes                         | ●               |
| Maintain certification and cascade GEMS across the whole of the business by the end of 2010 | ●               |

|   |                    |
|---|--------------------|
| ● | Achieved           |
| ● | Partially achieved |
| ● | Not achieved       |

# Climate change and the environment

## 2007 performance – our initiatives

### Lead the consumer market

#### Commercial opportunities

In 2007 we launched a new business unit – British Gas New Energy – to lead our low-carbon strategy in the UK. In North America we formed a centralised group to coordinate Direct Energy's climate change activities. On both sides of the Atlantic our increased focus on developing innovative low-carbon products and services for our customers is an important growth opportunity.

#### Industry-leading tariffs

British Gas launched two industry-leading green tariffs – 'Zero Carbon'<sup>^</sup> and 'Future Energy'. Direct Energy extended its carbon-neutral gas programme to Ontario, Alberta and Manitoba after a successful launch in British Columbia. It provides customers with the ability to reduce their carbon footprint by offsetting the greenhouse gases they produce in their homes with carbon credits that fund clean energy projects around the world.

<sup>^</sup> Zero Carbon is the name of the tariff. We offset the CO<sub>2</sub> emissions from the gas and electricity customers consume using carbon offsets certified by the United Nations.

#### Energy efficiency

British Gas remained the largest provider of household energy-efficiency products in the UK, providing 17.3m products in 2007. Our Green Streets campaign, which links 64 households in eight cities across the UK, aims to highlight the positive impact simple energy-efficiency products and behaviours can have. In Texas, Direct Energy is taking part in a demand response project which will improve energy efficiency and reduce grid demand at peak times.

In July 2007, Direct Energy launched the Canadian Environmental Equipment Manufacturers Association (CEEMA). CEEMA is a network of Canadian-based manufacturers and service providers dedicated to reducing energy consumption, energy costs and greenhouse gas emissions through its variety of technologically advanced, energy-efficient heating and cooling products. In North America, through Direct Energy's CEEMA relationship, we have helped deploy EnviroTower technology, a cooling tower system that improves energy and water efficiencies by 15% and 20%, respectively, while reducing greenhouse gas emissions by 15%.

Read more about our energy-efficiency programmes at [www.britishgas.co.uk/energy-efficiency](http://www.britishgas.co.uk/energy-efficiency)

Find out more about Green Streets at [www.britishgas.co.uk/greestreeets](http://www.britishgas.co.uk/greestreeets)

#### New technologies

In January 2008 we announced a £20m investment, working with Ceres Power on the development of a domestic combined heat and power boiler using ground-breaking fuel cell technology. We also introduced a scheme offering a council tax rebate of £500 to customers installing solar panels. Direct Energy also pledged its support to the Houston Technology Center.

### Maintain our low-carbon position

#### Lowest emissions

The carbon intensity of the power we generate for our British Gas customers is already significantly lower than the other five major UK suppliers. In 2007, 394 grams of carbon dioxide were emitted for every kilowatt hour (g CO<sub>2</sub>/kWh) of power we generated\*. To ensure we maintain this leadership position, we have set a target to reduce our UK power generation carbon intensity to 380g CO<sub>2</sub>/kWh by 2012 and aim to go even further by cutting our intensity to 350g CO<sub>2</sub>/kWh by 2020<sup>†</sup>.

This is a significant challenge, but we believe that our focus on relative, rather than absolute, targets will enable us to reduce CO<sub>2</sub> emissions and continue to provide secure energy supplies for our customers. Our strategy to invest in low-carbon generation such as high-efficiency gas-fired power stations and offshore wind farms will not only enable us to meet our own targets but enable Centrica to play a key role in meeting broader UK and European emissions reduction targets.

In North America, we own and operate a small fleet of power-generating facilities. In aggregate, these facilities emitted 366 gCO<sub>2</sub>/kWh in 2007. This is one of the lowest carbon intensities of a combustion-style power generation fleet in North America.

# Climate change and the environment

## 2007 performance – our initiatives

### Investing in renewables

We are currently delivering the world's largest offshore wind farm construction project at Lynn and Inner Dowsing. We made good progress with this development during the year and also acquired 50% ownership of the 72MW Braes of Doune onshore wind farm in Stirlingshire, Scotland. We submitted a planning application for the construction of the Lincs offshore wind farm and expect consent to be granted in 2008. Together with other wind farms in development, our UK generation capacity in the next few years is expected to reach more than 1.6GW.

Read more about our investment in renewables at [www.centricaenergy.com/renewables](http://www.centricaenergy.com/renewables)

Read more about our engagement with local communities on page 118.

In Texas, Direct Energy signed a seven-year deal to buy the output of AES Corporation's 170MW Buffalo Gap Wind Farm 3, bringing our total wind power offtake commitment in North America to 813MW.

Our investment is helping AES finance additional wind developments, providing additional liquidity in the Renewable Energy Certificate market while promoting the shift to a low-carbon future.

\* Based on verified emissions data under the requirements of the EU Emissions Trading Scheme.

† Carbon-intensity figures are based on the average annual emissions from all wholly owned UK power generation assets and all other power generation assets from which Centrica is entitled to output under site-specific contracts in the UK.

### Reduce our operational footprint

#### Energy management

Energy management programmes are central to the way we run our facilities. They enable us to optimise the heating and cooling of our offices, reduce our energy demand and cut costs. We achieved a 10% reduction in UK office energy use in 2007.

In North America, Direct Energy undertook a carbon footprint measurement initiative. The intention of this project was to allow us to identify areas where we can reduce our energy consumption and carbon footprint. This work will continue through 2008.

### Transport initiatives

We seek to improve the efficiency of our fleet by working closely with vehicle manufacturers, providing driver training for our people and by encouraging flexible working patterns, video and teleconferencing.

In the UK we launched a new company car policy in the UK to remove the most polluting vehicles, enabling all eligible employees to select from cars emitting less than 200g of CO<sub>2</sub> per km. Green parking spaces were also created for cars with emissions below 120g of CO<sub>2</sub> per km and for those car-sharing. We also extended our fuel efficiency driver coaching, which encourages safe and fuel-efficient driving skills.

### Waste management

We seek to use materials that limit the operational waste we generate. Where waste is unavoidable, we aim to minimise incineration or landfill by recycling and re-using where possible. We narrowly missed our target to maintain a 62% recycling rate in 2007, achieving 60%.

### Management system

We introduced a new Group-wide environment policy to provide clear direction for our programmes. In addition, we developed a Group Environmental Management System ready for implementation, commencing with British Gas in 2008.

You can download a PDF of our Group Environment Policy at [www.centrica.com/cr07/environment](http://www.centrica.com/cr07/environment)

### Engaging employees

We introduced our 'Being Green' campaign across the company to encourage employees to help reduce our operational footprint. The campaign is the focal point for our 'Green Teams' – employee volunteers who coordinate local activities to help us meet our environmental goals.

In North America, Direct Energy launched the Green Office Challenge to further engage our employees and promote environmentally responsible office behaviour. Using online tools we provide tips and an ideas exchange for our employees. The programme is supported by local Green Office Champions at our various office facilities.

# Climate change and the environment

## 2007 performance – our initiatives

### Public policy

We played an active part in the debate on reducing carbon emissions, including the development of EU emissions reduction targets and phase three of the EU Emissions Trading Scheme (ETS). In North America we continued to engage with federal, state and provincial policymakers as well as industry groups to inform thinking on carbon legislation. The price of carbon is a significant factor in our investment decisions and we believe that effective cap and trade systems such as the ETS will provide long-term viability.

### Stakeholder perceptions

We were recognised as a climate leader by the international Carbon Disclosure Project and by WWF as the leading green supplier in Britain. Our increased focus on climate change is delivering improved performance in socially responsible investment (SRI) research and there is a significant and growing interest among employees about our climate change strategy.

Read more about our SRI performance on page 110.



## 2007 performance – performance data

| Climate change  | Unit                   | 2007 | 2006 | Δ%  |
|---|------------------------|------|------|-----|
| Carbon intensity of UK power generation*  | g CO <sub>2</sub> /kWh | 394  | 412  | (4) |
| UK household energy efficiency products provided <sup>1</sup>                             | million                | 17.3 | 13.5 | 28  |
| Lifetime carbon savings for UK household energy efficiency products provided <sup>2</sup> | million tonnes         | 1.2  | 1    | 20  |

\* Based on verified emissions data under the requirements of the EU Emissions Trading Scheme.

Δ% Has been used to express 'percentage change'.

<sup>1</sup> UK Energy Efficiency Commitment.

<sup>2</sup> Source: [www.nef.org.uk/greencompany/co2calculator.htm](http://www.nef.org.uk/greencompany/co2calculator.htm)

# Climate change and the environment

## 2007 performance – performance data

### Greenhouse Gas Protocol

All reporting is based on calendar years. Data on scope 1, 2 and 3 emissions are calculated using the WRI GHG protocol and our interpretation of each scope is explained below. We have also recalculated our historical GHG emission based on this interpretation.

### Scope 1

Direct GHG emissions from sources owned or controlled by Centrica measured in metric tonnes of CO<sub>2</sub>

- Upstream power generation
- Upstream gas production and storage
- Fleet (including contractors) and company cars (business mileage)
- Refrigerant losses (offices)
- Gas consumed at Centrica buildings

| Mt CO <sub>2</sub> | 2007             | 2006             | 2005             | 2004             |
|--------------------|------------------|------------------|------------------|------------------|
| UK                 | 7,001,108        | 5,134,407        | 7,047,337        | 8,043,392        |
| North America      | 2,129,814        | 1,922,399        | -                | -                |
| Belgium            | 430,795          | 465,657          | -                | -                |
| <b>Total</b>       | <b>9,561,717</b> | <b>7,522,463</b> | <b>7,047,337</b> | <b>8,043,392</b> |

### Scope 2

Electricity indirect GHG emissions – accounts for the emissions from purchased electricity consumed by the company.

- Electricity consumed in our offices
- Electricity imported and consumed at power stations, gas storage and processing plant

Under scope 2 GHG emissions are measured and calculated using a number of methodologies including:

EU ETS data (combustion sources)

- Direct measurement from operational facilities e.g. nitrogen regeneration units, CO<sub>2</sub> incinerator
- Energy metering at facilities and office locations
- Measurement of operational parameters e.g. business flights, fleet and company car mileage
- Conversion of data to CO<sub>2</sub> e is made using recognised and published emission factors

| Mt CO <sub>2</sub> | 2007           | 2006          | 2005          | 2004          |
|--------------------|----------------|---------------|---------------|---------------|
| UK                 | 61,421         | 40,017        | 41,466        | 38,986        |
| North America      | 61,292         | 9,201         | -             | -             |
| <b>Total</b>       | <b>122,713</b> | <b>49,218</b> | <b>41,446</b> | <b>38,986</b> |

# Climate change and the environment

## 2007 performance – performance data

### Scope 3

Emissions as a consequence of Centrica's activities but released from sources not owned or controlled by Centrica.

- Air travel
- Rail travel

- Power purchased for supply to end users
- Outsourced services
- Data Centres
- Off-shored business activities

| Mt CO <sub>2</sub>                     | 2007              | 2006 | 2005 | 2004   |
|--|-------------------|------|------|--------|
| Employee business travel               | 7,706             | -    | -    | 38,986 |
| Use/disposal of products and services* | 28,292,469        | -    | -    | -      |
| <b>Total</b>                           | <b>28,300,175</b> | -    | -    | -      |

\* CO<sub>2</sub> associated with the sale of purchased electricity that is sold to an end user.

| Power generation                                    | Unit                       | 2007   | 2006   | 2005   | 2004   | 2003   |
|---|----------------------------|--------|--------|--------|--------|--------|
| Power generated                                     | GWh                        | 26,905 | 21,023 | 16,858 | 14,734 | 10,671 |
| Carbon intensity of UK power generation*            | grams CO <sub>2</sub> /kWh | 394    | 412    | 421    | -      | -      |
| Carbon intensity of North American power generation | grams CO <sub>2</sub> /kWh | 366    | -      | -      | -      | -      |

\* Based on verified emissions data under the requirements of the EU Emissions Trading Scheme

| Gas production and processing | Unit       | 2007  | 2006  | 2005  | 2004  | 2003  |
|-------------------------------|------------|-------|-------|-------|-------|-------|
| Gas production volumes        | mmth       | 4,564 | 4,226 | 5,370 | 6,276 | 6,251 |
| Fuel gas consumption          | MWh        | 3,322 | 2,990 | 3,103 | 4,092 | 4,490 |
| Diesel used                   | 000 litres | 1,408 | 1,882 | 1,331 | 971   | 1,615 |

# Climate change and the environment

## 2007 performance – performance data

| <b>Fuel mix</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Coal            | %           | <b>18</b>   | 15          | 14          | -           | -           |
| Natural Gas     | %           | <b>56</b>   | 58          | 62          | -           | -           |
| Nuclear         | %           | <b>20</b>   | 22          | 16          | -           | -           |
| Renewables      | %           | <b>4</b>    | 3           | 5           | -           | -           |
| Other           | %           | <b>2</b>    | 2           | 3           | -           | -           |

| <b>UK average fuel mix</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Coal                       | %           | <b>36</b>   | 35          | -           | -           | -           |
| Natural Gas                | %           | <b>39</b>   | 37          | -           | -           | -           |
| Nuclear                    | %           | <b>18</b>   | 21          | -           | -           | -           |
| Renewables                 | %           | <b>5</b>    | 4           | -           | -           | -           |
| Other                      | %           | <b>2</b>    | 3           | -           | -           | -           |

| <b>Direct Energy's estimated fuel mix</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Coal                                      | %           | <b>34</b>   | 29          | -           | -           | -           |
| Natural Gas                               | %           | <b>35</b>   | 40          | -           | -           | -           |
| Nuclear                                   | %           | <b>21</b>   | 1           | -           | -           | -           |
| Renewables                                | %           | <b>8</b>    | 20          | -           | -           | -           |
| Other                                     | %           | <b>2</b>    | 10          | -           | -           | -           |

# Climate change and the environment

## 2007 performance – performance data

| <b>Compliance</b>               | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Incidents                       |             | <b>12</b>   | 15          | 30          | 17          | 3           |
| Fines                           |             | <b>0</b>    | 0           | 0           | 0           | 0           |
| Non-compliances (including PPC) |             | <b>7</b>    | 3           | 6           | 14          | 17          |
| Complaints                      |             | <b>30</b>   | 13          | 54          | 38          | 2           |

| <b>Emissions to air</b>               | <b>Unit</b> | <b>2007</b>      | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---------------------------------------|-------------|------------------|-------------|-------------|-------------|-------------|
| <b>Total CO<sub>2</sub> emissions</b> |             |                  |             |             |             |             |
| Power generation*                     | tonnes      | <b>8,058,065</b> | 4,341,366   | 5,869,728   | 6,934,443   | 5,187,267   |
| Gas production*                       | tonnes      | <b>662,724</b>   | 628,718     | 981,181     | 783,995     | 864,550     |
| <b>Total SO<sub>2</sub> emissions</b> |             |                  |             |             |             |             |
| Power generation                      | tonnes      | <b>28</b>        | 24          | 50          | 19          | 21          |
| Gas production                        | tonnes      | <b>N/A</b>       | N/A         | N/A         | N/A         | N/A         |
| <b>Total NO<sub>x</sub> emissions</b> |             |                  |             |             |             |             |
| Power generation                      | tonnes      | <b>6,789</b>     | 4,613       | 6,669       | 7,411       | 5,593       |
| Gas production                        | tonnes      | <b>451</b>       | 447         | 390         | 357         | 555         |
| <b>Total Methane (CH<sub>4</sub>)</b> |             |                  |             |             |             |             |
| Power generation                      | tonnes      | <b>166</b>       | 138         | 153         | 167         | 171         |
| Gas production                        | tonnes      | <b>2,035</b>     | 1,633       | 2,483       | 442         | 2,631       |
| <b>Total Nitrous Oxide</b>            |             |                  |             |             |             |             |
| Power generation                      | tonnes      | <b>54</b>        | 38          | 47          | 61          | 57          |
| Gas production                        | tonnes      | <b>N/A</b>       | N/A         | N/A         | N/A         | N/A         |

# Climate change and the environment

## 2007 performance – performance data

| Verified CO <sub>2</sub> emissions (EU ETS) gas and power installations | Unit   | 2007             | 2006             | 2005             |
|---|--------|------------------|------------------|------------------|
| Barrow terminals  | tonnes | 215,693          | 292,484          | 373,474          |
| Morecambe CPC   | tonnes | 187,967          | 133,436          | 227,259          |
| <b>Total gas</b>  | tonnes | <b>403,660</b>   | <b>426,920</b>   | <b>600,733</b>   |
| Barry   | tonnes | 319,150          | 193,579          | 321,303          |
| Brigg   | tonnes | 368,177          | 237,008          | 279,723          |
| Killingholme  | tonnes | 770,197          | 556,119          | 1,295,903        |
| King's Lynn   | tonnes | 788,162          | 364,603          | 330,897          |
| Peterborough  | tonnes | 541,078          | 374,664          | 366,366          |
| Roosecote   | tonnes | 334,390          | 312,172          | 339,547          |
| Humber  | tonnes | 3,047,981        | 2,303,221        | 2,935,989        |
| <b>Total power</b>  | tonnes | <b>6,169,135</b> | <b>4,341,366</b> | <b>5,869,728</b> |
| <b>Total all</b>  | tonnes | <b>6,572,795</b> | <b>4,768,286</b> | <b>6,470,461</b> |

# Climate change and the environment

## 2007 performance – performance data

| <b>Verified CO<sub>2</sub> emissions (EU ETS)<br/>Centrica Storage Ltd installations</b> | <b>Unit</b> | <b>2007</b>   | <b>2006</b> | <b>2005</b> |
|--|-------------|---------------|-------------|-------------|
| Rough 47/3B  | tonnes      | <b>74,620</b> | 67,787      | 104,324     |
| Centrica Storage Ltd   | tonnes      | <b>87,852</b> | 74,339      | 99,655      |

| <b>Waste</b>   | <b>Unit</b> | <b>2007</b>  | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|--------------|-------------|-------------|-------------|-------------|
| <b>Total waste</b>                                   |             |              |             |             |             |             |
| Office and Operational                               | tonnes      | <b>4,445</b> | 5,839       | 6,320       | 7,712       | 7,491       |
| Hazardous  | tonnes      | <b>1,897</b> | 1,303       | 2,385       | 2,696       | 983         |
| <b>Total waste sent to landfill and incineration</b> |             |              |             |             |             |             |
| Office and Operational                               | tonnes      | <b>1,786</b> | 2,053       | 2,616       | 3,783       | 3,888       |
| Hazardous  | tonnes      | <b>692</b>   | 868         | 617         | 776         | 329         |
| <b>Total waste recycled</b>                          |             |              |             |             |             |             |
| Office and Operational                               | tonnes      | <b>2,659</b> | 3,786       | 3,704       | 3,929       | 3,603       |
| Hazardous  | tonnes      | <b>1,205</b> | 435         | 1,766       | 1,920       | 654         |
| Office and Operational                               | %           | <b>60</b>    | 65          | 59          | 51          | 48          |
| Hazardous  | %           | <b>64</b>    | 33          | 74          | 71          | 67          |

| <b>Energy consumption</b>                  | <b>Unit</b> | <b>2007</b>   | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|---------------|-------------|-------------|-------------|-------------|
| Total office energy consumption*           | MWh         | <b>98,885</b> | 119,995     | 123,299     | 119,955     | 123,086     |
| Electricity consumption*                   | MWh         | <b>71,691</b> | 93,063      | 96,388      | 90,666      | 89,716      |
| Gas consumption*                           | MWh         | <b>26,097</b> | 24,817      | 26,911      | 29,289      | 33,370      |
| CO <sub>2</sub> produced from gas consumed | tonnes      | <b>35,785</b> | 44,732      | 46,559      | 44,550      | 44,918      |

# Climate change and the environment

## 2007 performance – performance data

| <b>Business travel</b>   | <b>Unit</b>    | <b>2007</b>      | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|----------------|------------------|-------------|-------------|-------------|-------------|
| <b>Business flights</b>  |                |                  |             |             |             |             |
| Air travel*  | 000 miles      | <b>15,432</b>    | 18,744      | 10,393      | 9,070       | 7,741       |
| CO <sub>2</sub> produced*  | tonnes         | <b>2,729</b>     | 3,466       | 1,420       | 1,237       | 1,057       |
| <b>Rail journeys</b>   |                |                  |             |             |             |             |
| Rail journeys distance   | 000 miles      | <b>1,065</b>     | 2,294       | 1,166       | 1,127       | 446         |
| CO <sub>2</sub> produced*  | tonnes         | <b>152</b>       | 329         | 166         | 161         | 64          |
| <b>Operational vehicles</b>                                      |                |                  |             |             |             |             |
| Operational vehicles distance                                    | 000 miles      | <b>108,594</b>   | 109,253     | 100,017     | 191,877     | 191,097     |
| CO <sub>2</sub> produced*  | tonnes         | <b>26,334</b>    | 26,494      | 24,254      | 46,530      | 46,341      |
| <b>Company cars</b>  |                |                  |             |             |             |             |
| Company cars distance  | 000 km         | <b>48,149</b>    | 58,558      | 44,728      | 71,435      | 87,970      |
| CO <sub>2</sub> produced*  | tonnes         | <b>14,792</b>    | 17,990      | 13n741      | 21,946      | 27,026      |
| * denotes where Centrica North America data for 2007 is included |                |                  |             |             |             |             |
| <b>Water consumption</b>   |                |                  |             |             |             |             |
| Cooling water  | m <sup>3</sup> | <b>985,282</b>   | 716,558     | 771,739     | 833,644     | 723,540     |
| Domestic and process water                                       | m <sup>3</sup> | <b>1,624,146</b> | 1,572,600   | 1,586,929   | 1,814,529   | 1,513,711   |

# Climate change and the environment

## 2007 performance – future commitments

### Key targets

1. Reduce power generation carbon intensity<sup>^</sup> to 380g CO<sub>2</sub>/kWh by 2012 and to 350 CO<sub>2</sub>/kWh in 2008.
2. Deliver UK CERT carbon savings target of 16.1m tonnes CO<sub>2</sub> in 2008.
3. Achieve 5% year-on-year reduction in UK office energy use.

### Lead the consumer market

- Become the leading supplier of green energy to domestic customers in the UK directly and through partnerships.
- Develop capability to install low-carbon microgeneration for UK domestic, business and public sector customers.
- Extend our British Gas Energy Savers Report programme to domestic and business customers.
- Deliver UK CERT carbon savings target of 16.1m tonnes CO<sub>2</sub> by 2008.

### Maintain our low-carbon position

- Reduce power generation carbon intensity<sup>^</sup> to 380g CO<sub>2</sub>/kWh by 2012 and to 350 CO<sub>2</sub>/kWh by 2020.
- Invest £1.5bn in renewable energy assets over the next five years.
- Generate first power from Lynn and Inner Dowsing wind farms.
- Achieve planning consent for Lincs wind farm development.
- Continue to assess the feasibility of a clean coal development at Teesside.

### Reduce our operational footprint

- Finalise and make public our carbon footprint commitments in North America.
- Further develop 'Being Green' to motivate and engage employees.
- Achieve 5% year-on-year reduction in UK office energy use.

- Extend our environmental management system throughout British Gas.
- Make progress with extending our environmental management system across our operations in North America.
- Introduce a new cross-group framework to improve the quality of our environmental performance monitoring and reporting.

### Public policy

Encourage support for:

- An EU cap and trade emissions trading scheme – 100% auctioning for power generation and ever-tightening caps
- A regulatory, policy and fiscal framework that will deliver a significant increase in renewable generation investment in the UK
- A policy framework to encourage the deployment of non-renewable low-carbon investment including carbon capture and storage and nuclear generation
- A policy framework to allow for a significant increase in installed capacity of microgeneration technologies, both heat and power

### Stakeholder perceptions

- Continue to deliver Green Streets programme.
- Launch a national programme enabling schools to reduce their carbon footprint and take action to tackle climate change.
- Deliver a range of brand marketing activities to support low-carbon positioning.
- Maintain constructive relationships with NGOs and other opinion formers.

<sup>^</sup> Carbon-intensity figures are based on the average annual emissions from all wholly owned UK power generation assets and all other power generation assets from which Centrica is entitled to output under site-specific contracts in the UK.

# Securing future energy supplies

## Overview

### Our commitment

We are committed to securing sustainable and affordable energy for our customers over the long term.

### Operating context

Energy security is a geopolitical issue and is high on the public policy agenda. Growing demand – particularly in developing countries – and the need to reduce carbon emissions is influencing future energy choices. The link between oil and gas prices is significantly affecting energy prices and volatility in wholesale energy costs directly affects retail prices for consumers.

In the UK gas production is becoming more limited as UK North Sea reserves decline and the country is increasingly dependent on overseas imports of gas. It is estimated that by 2015 75% of UK gas will be imported. And a quarter of UK power generation will come offline by 2015 due to new environmental rules. This must be replaced.

The UK is also competing with North America and Europe for liquefied natural gas imports and is reliant on piped gas from European networks. Future gas supplies will come from countries such as Norway, Russia and the Middle East, and additional storage is required as producing fields deplete.

### Our impact

As a leading integrated energy company with significant energy supply businesses, energy sustainability is a fundamental strategic issue for Centrica. We have a key role to play in securing new energy supplies for the UK so that we can provide our customers with reliable and affordable energy. We strongly believe it is in the UK's interests not to become overly dependent on any one country to supply its gas in future.

### Our strategy

We want to produce more of the energy that we sell. In the UK we are able to supply around 25% of our gas requirements and around 67% of our peak electricity requirements from our own resources or major contracts we hold. The remainder has to be purchased in notoriously volatile wholesale markets.



Centrica has invested £12bn to underpin some of the long-term contracts that are bringing gas into the UK. We are planning to commit around £1bn a year for upstream investment. Our target is to be able to supply 50% of our gas needs, 35% of retail electricity load from production capacity we own, and 15% from new long-term contracts. To achieve this, we plan to invest billions of pounds in new gas and power assets, both in the UK and internationally, to secure supplies for our customers.

We believe that diversity brings security of supply. That is why we are exploring and developing gas reserves in Norway, Nigeria, Egypt, Trinidad and other fields on the UK continental shelf.

We are constructing a modern and efficient combined cycle gas turbine power station of 885MW at Langage in Devon and are working hard to meet the UK Government's target to generate 15% of electricity from renewable sources by 2015.

# Securing future energy supplies

## 2007 performance – previous commitments

| Gas and power  | Progress |
|--|----------|
| Increase gas portfolio through acquisitions and long-term contracts  | ●        |
| Undertake seismic work for gas exploration project in Nigeria  | ●        |
| Acquire further gas exploration licences   | ●        |
| Secure further LNG capacity in the UK  | ●        |
| Ensure construction of Langage power station is delivered to schedule  | ●        |
| Renewables   | Progress |
| Continue on-schedule construction of Lynn and Inner Dowsing offshore wind farm   | ●        |
| Complete acquisition of 50/50 share in Braes of Doune onshore wind farm  | ●        |
| Storage  | Progress |
| Return to full operational capacity following safety incident at the end of 2006   | ●        |
| Undertake a robust health and safety review  | ●        |
| Clean coal   | Progress |
| Undertake a feasibility study for the potential development of an Integrated Gasification Combined Cycle (IGCC) power station with carbon capture and storage capability | ●        |

- Achieved
- Partially achieved
- Not achieved

# Securing future energy supplies

## 2007 performance – our initiatives

We are in a new low-carbon but high-cost era. By investing in a diverse range of fuels and technologies we are working to deliver secure and low-carbon energy supplies for our customers. We are:

- Building new and efficient gas-fired power stations
- Developing low-carbon power generation through wind farms
- Underpinning investment in new infrastructure through long-term contracts
- Working with others to deliver solutions that meet economic and environmental goals

### Gas and power

#### Newfield acquisition

In October 2007 we bought Newfield UK Holdings Limited for £242m. This bought us a producing gas field, two development prospects and interests in six licences with the potential to add around 300 billion cubic feet (BCF) of gas reserves in the North Sea.

#### UK gas exploration

We invested £154m in developing our current portfolio of upstream assets, primarily on the development of the Maria field, which is currently being commissioned, and on the depressurisation of the Statfjord field to bring forward gas recovery.

#### International acquisitions

In North America we added a further 43BCF of gas reserves by acquiring Rockyview Energy Inc in Alberta, announced in November 2007 and completed in February 2008. We also acquired seven licence interests in Norway and in Trinidad to add to our existing acreage in the UK, Egypt and Nigeria. This brings our total licences to 19.

#### Operations in Nigeria

In November we signed a memorandum of understanding with Statoil and Consolidated Contractors Company to assess the feasibility of developing LNG projects with our joint Nigerian assets. We also began seismic activity on one of our Nigerian licence blocks.

#### Liquefied Natural Gas

From the winter of 2010/2011 we will have access to a further 2.4 billion cubic metres (BCM) of LNG import capacity at the Isle of Grain terminal in addition to the 3.4BCM we have available from October 2008.

Read more about LNG capacity at Isle of Grain on [www.centricaenergy.com](http://www.centricaenergy.com).

#### Langage power station

Construction continues on our 885MW power station at Langage in Devon, which will increase our UK generation capacity to over 5GW.

Find about more about the Langage power station project on [www.centricaenergy.com](http://www.centricaenergy.com).

### Renewables

#### UK

Demanding new EU renewables targets mean the UK must build 40GW of wind farms – 33GW offshore – by 2020 according to DBERR. We are playing a significant role in new wind farm developments and expect to invest up to £1.5bn in renewable assets over the next few years.

In July we acquired a 50% ownership in the 72MW Braes of Doune wind farm in Stirlingshire, Scotland. Construction work started on the 180MW Lynn and Inner Dowsing wind farms off the coast of Lincolnshire. Lynn and Inner Dowsing are currently the world's largest offshore wind construction project. We submitted a planning application for the construction of the Lincs offshore wind farm.

Find out more about our UK renewables projects on [www.centricaenergy.com/renewables](http://www.centricaenergy.com/renewables).

#### North America

In Texas, Direct Energy signed a seven-year deal to buy the output of AES Corporation's 170MW Buffalo Gap Wind Farm 3, bringing our total wind power offtake commitment in North America to 813MW.

# Securing future energy supplies

## 2007 performance – our initiatives



### Storage

Operationally the Rough field performed well, delivering injection and production availability of more than 98%. A review undertaken by the UK Health and Safety Executive into our systems to ensure asset integrity placed Rough in the top quartile of all North Sea installations surveyed.

Find out more about our Rough Storage Facility on [www.centrica-sl.co.uk](http://www.centrica-sl.co.uk).

### Clean coal

We continued our feasibility study at Eston Grange on Teesside for the potential development of an Integrated Gasification Combined Cycle (IGCC) power station with the ability to sequestrate carbon. However, the Government's decision to provide economic support for only a post-combustion technology station has made further material investment here less likely.

## Securing future energy supplies

### 2007 performance – performance data

| <b>Centrica Energy</b>                                    | <b>Unit</b> | <b>2007</b>   | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---|-------------|---------------|-------------|-------------|-------------|-------------|
| Gas production volumes                                    | mmth        | <b>2,260</b>  | 1,916       | 3,057       | 3,038       | 3,886       |
| Power generated   | GWh         | <b>19,845</b> | 14,567      | 11,641      | 11,554      | 8,688       |
| Renewable power generated<br>(including offtake from JVs) | TWh         | <b>0.41</b>   | 0.23        | 0.04        | -           | -           |
| Renewable power purchased<br>under long-term contracts    | TWh         | <b>0.71</b>   | 0.31        | 0.13        | -           | -           |
| Renewable power installed<br>capacity                     | MW          | <b>107</b>    | 71          | 26          | -           | -           |
| Wind assets under<br>construction / consented             | MW          | <b>180</b>    | 216         | 225         | -           | -           |
| <b>Direct Energy</b>                                      | <b>Unit</b> | <b>2007</b>   | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
| Gas production volumes                                    | mmth        | <b>297</b>    | 304         | 308         | 334         | 362         |
| Power generated   | GWh         | <b>5,053</b>  | 4,450       | 3,212       | 1,176       | 0           |
| Total wind offtake commitment                             | MW          | <b>813</b>    | 643         | -           | -           | -           |

# Securing future energy supplies

## 2007 performance – performance data

| <b>Centrica UK fuel mix</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|-----------------------------|-------------|-------------|-------------|-------------|
| Coal                        | %           | <b>18</b>   | 15          | 14          |
| Natural gas                 | %           | <b>56</b>   | 58          | 62          |
| Nuclear                     | %           | <b>20</b>   | 22          | 16          |
| Renewables                  | %           | <b>4</b>    | 3           | 5           |
| Other                       | %           | <b>2</b>    | 2           | 3           |

| <b>Centrica UK average fuel mix</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Coal                                | %           | <b>36</b>   | 35          | -           |
| Natural gas                         | %           | <b>39</b>   | 37          | -           |
| Nuclear                             | %           | <b>18</b>   | 21          | -           |
| Renewables                          | %           | <b>5</b>    | 4           | -           |
| Other                               | %           | <b>2</b>    | 3           | -           |

| <b>Direct Energy's estimated fuel mix</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|---|-------------|-------------|-------------|-------------|
| Coal                                      | %           | <b>34</b>   | 29          | -           |
| Natural gas                               | %           | <b>35</b>   | 40          | -           |
| Nuclear                                   | %           | <b>21</b>   | 1           | -           |
| Renewables                                | %           | <b>8</b>    | 20          | -           |
| Other                                     | %           | <b>2</b>    | 10          | -           |

# Securing future energy supplies

## 2007 performance – future commitments



### Gas and power

- Plan to invest £1bn in gas and power projects each between 2007 and 2010.
- Continue international dialogue to source gas supplies, including discussion with national oil companies.
- Progress exploration activities in the UK, Egypt, Trinidad and Nigeria, and seek to acquire additional licences.
- Complete construction of Langage power station – first power in early 2009.
- Consider possible equity investments in new nuclear infrastructure.

### Renewables

- Work closely with the Government to ensure that an appropriate policy framework is developed to incentivise and support the delivery of new renewables infrastructure for the UK.
- Play a significant role in new wind farm developments and expect to invest up to £1.5bn in renewable assets over the next five years.
- Together with other wind farms in development, our UK generation capacity in the next few years is expected to reach more than 1.6GW.
- Deliver first power from our Lynn and Inner Dowsing wind farm.

# Fuel poverty and vulnerable customers

## Overview

### Our commitment

We are committed to making life safe, warm and comfortable for all our customers, alleviating fuel poverty and proactively supporting vulnerable customers.

### Operating context

High wholesale energy prices and increased environmental costs mean higher energy prices for us all. As a result, around 2.9m\* households in England are considered to be in fuel poverty, of which approximately 2.3m\* are vulnerable households. A household in fuel poverty has to spend at least 10% of its income on energy. The root cause of fuel poverty is a complex mix of household income, the cost of energy and quality of housing stock.

A vulnerable customer is defined as one that is unable to safeguard their personal welfare or the personal welfare of other members of the household, for reasons of age, health, disability or severe financial insecurity.

In North America, varying government regulations which offer support for vulnerable customers are delivered in a regionally specific manner. Similarly, the definition of a vulnerable customer varies regionally, which means that eligibility for programmes is different across our North American markets.

### Our impact

British Gas is the largest energy supplier in Britain. As such, a number of our customers are those experiencing fuel poverty and many are considered to be vulnerable. We seek to ensure that we identify these customers and work with other agencies to offer them sustainable help which addresses their energy price, income and the energy efficiency of their housing.

We need to be able to help those in debt who would like to pay but struggle, while pursuing those who can pay but choose not to. But it can be very challenging to identify vulnerable customers, and to distinguish between those who are genuinely disadvantaged in some way from those who can pay but choose not to.

### Our strategy

We take our commitment to alleviating fuel poverty and proactively caring for vulnerable customers seriously. That is why we have invested significantly more to help these customers than any other energy supplier.

### Fuel poverty

Our strategy in the UK is to maintain our leadership

position among UK suppliers and with the UK Government to achieve its fuel poverty targets by:

- Delivering industry-leading programmes that deliver measurable results
- Working with public and voluntary sector partners to identify those most at risk
- Using our expertise to contribute to public policies that address the root causes of fuel poverty and create a framework for coordinated action

We aim to build a cohesive strategy providing a range of helpful solutions that address the root causes of fuel poverty, including cheaper tariffs, free insulation and advice to help customers claim the financial support to which they are entitled.

### Debt and disconnection

Debt is a difficult situation to manage and we strive to be part of the solution for our customers, not part of the problem.

British Gas has not forcibly disconnected any occupied household's energy supply since 2003 and we have made a public commitment not to disconnect any customer who is identified as vulnerable. Given our debt position we regularly review our policy on disconnection. Our ExtraCare process helps us proactively identify signs of vulnerability and flag this in our systems. This is considered as part of our debt and disconnection processes.

### North America

Direct Energy also maintains a number of programmes that enable us to manage the energy challenges faced by our vulnerable customers in North America. We partner with local initiatives, raise funds and run a community fund-matching programme to support and administer funds to our vulnerable customers. We have developed regionally specific programmes to provide assistance.

In all our markets, if a customer is having difficulty paying his or her bill we offer payment plans and, where available, direct the customer to government and non-governmental assistance agencies that provide financial assistance. In some regions, we maintain strategic partnerships with these non-governmental agencies to facilitate assistance for our vulnerable customers.

In many markets in our North American operations, we do not have the billing relationship or ability to disconnect supply.

# Fuel poverty and vulnerable customers

## 2007 performance – previous commitments



### Vulnerable customers

### Progress

|   |   |
|---|---|
| To continue to work with a range of external partners to identify and provide a range of support to vulnerable and fuel-poor customers  | ● |
| To continue to deliver our Energy Efficiency Commitment, including a focus on 'priority' customers to address fuel poverty, through initiatives such as our Essentials social energy tariff | ● |
| To grow the number of vulnerable customers on our social tariff through appropriate targeting and reviewing our processes   | ● |
| To help the most vulnerable of our elderly customers through the cold winter period with support packages and financial aid   | ● |

- Achieved
- Partially achieved
- Not achieved

# Fuel poverty and vulnerable customers

## 2007 performance – our initiatives

### Supporting vulnerable customers

Although UK retail energy prices were lower in 2007 than in the previous 12 months, fuel poverty figures have increased. It is our priority to identify and support those households that need help the most with a tailored range of services including energy efficiency, debt alleviation, payment plans, priority service, financial assistance and support from partner organisations.

### Industry-leading programmes

#### 'Essentials' social tariff

In March 2007 British Gas received widespread recognition from government and industry groups following the launch of 'Essentials', the UK's largest social tariff on the energy market. This £32m-a-year commitment guarantees that up to 750,000 eligible vulnerable customers can receive our lowest offline direct debit rates – 340,000 customers have already benefited.

#### British Gas Energy Trust

We are investing £13.2m in a further four-year commitment to the British Gas Energy Trust, an independent charity that helps customers who have the greatest difficulty paying their household bills. Over 12,000 awards totalling more than £5m have been made (70% to British Gas customers).

#### British Gas 'Winter Warmer'

Our new 'Winter Warmer' initiative offered sustainable support to 25,000 of the UK's most vulnerable elderly households for winter 2007/2008 including free loft and cavity insulation and a winter credit of up to £90 for eligible customers.

### Working in partnership

#### British Gas 'here to HELP'

'Here to HELP' is our flagship fuel-poverty programme that aims to tackle the root causes of household poverty by improving living conditions and quality of life. Through a partnership with four key charities – Help the Aged, Scope, RNIB and Save the Children – 'here to HELP' provides benefit assessments to ascertain whether individuals are receiving all the government benefits to which they are entitled. Since the programme started in 2002 it has helped identify more than £14.4m in unclaimed benefits.

#### Help the Aged

We partner with Help the Aged to provide a better level of care for our elderly customers. In 2007 we sent over

75,000 'Warmer Home' packs with room thermometers, advice on staying warm and simple forms for recipients to ensure they are claiming all the benefits to which they are entitled. Annually, £4.5bn worth of benefits goes unclaimed by the elderly and we are working with Help the Aged to highlight this issue. We also fund 27 face-to-face benefits advice services in disadvantaged areas across Britain.

#### Save the Children

British Gas' 'Help Yourself' campaign with Save the Children aims to improve standards of living for the poorest 10% of children and to help them escape the cycle of poverty. We ask young people to identify the issues that most affect them in their communities and how, if they had the necessary funding, they would fix them. Through the partnership we have tackled anti-social behaviour, bullying, health issues, teenage pregnancy and sexual exploitation. Since 2002 the partnership has empowered over 8,700 of the more deprived young people in the UK to make positive, sustainable changes to their local communities, enabling them to improve their skills and self-esteem.

#### Scottish Government Central Heating and Warm Deal Programmes

British Gas acts as the managing agent to deliver two government-funded programmes in Scotland which aim to provide approximately 12,000 central heating systems and 9,000 insulation measures to fuel-poor and vulnerable people each year. Under the Central Heating Programme, those aged 60-79 in receipt of pension credit or those 80 years and over are eligible for heating and insulation measures, safety devices and energy advice. Under the Warm Deal programme, those people in receipt of certain qualifying benefits are eligible for insulation measures and energy advice.

#### Direct Energy 'Neighbor-to-Neighbor'

In our Texas market, we have established a community-based assistance programme that serves 32 agencies across Texas. Direct Energy has contributed over C\$500,000 (£225,000) by matching funds raised through our customers. These funds, exceeding C\$1m (£500,000) support 32 local agencies in the Houston and Dallas areas, providing assistance to our vulnerable customers.

#### 'Fresh Start' Programme

In 2007 we also funded 'Fresh Start', where monies were used as part of an energy debt forgiveness programme for vulnerable customers in select United States markets. It

---

# Fuel poverty and vulnerable customers

## 2007 performance – our initiatives

was developed to improve success of the Percentage Income Payment Plan, which allowed vulnerable customers to accumulate agreed debt but did not offer options for repayment at the end of the term.

### Debt and disconnection

Debt is a difficult situation to manage and we strive to be part of the solution not the problem for our customers. The British Gas Energy Trust helps customers overcome utility-related debt problems – not just those in relation to our services. We strive to assist those who cannot pay, while working with those who will not pay. Disconnection is always a last resort and we maintain our policy not to disconnect vulnerable customers.

### Helping shape public policy

In 2007 and the early part of 2008 we continued to work closely with the UK Government to advise on the creation of an effective policy framework to tackle fuel poverty and support vulnerable customers.

### Budget 2008

Chief Executive Sam Laidlaw played a key role in discussions with HM Treasury and Department of Business Enterprise and Regulatory Reform (DBERR) in reaching the voluntary agreement among all energy suppliers to increase collective spending on fuel poverty to £150m by 2011, which was announced by the Government in early 2008.

### Other activity

Centrica engages with a wide range of stakeholders in a variety of ways to contribute to the creation of an effective fuel poverty policy framework. In 2007 this included hosting a series of dinners for key parliamentarians and peers with fuel poverty charity National Energy Action (NEA) to discuss fuel poverty policy.

We implemented targeted contact programmes with regulators, government ministers, parliamentarians and senior officials to contribute our expertise and experience to the debate around fuel poverty during the passage of the Energy Bill and we also fully cooperated with the DBERR Select Committee's inquiry into the UK's energy market.

# Fuel poverty and vulnerable customers

## 2007 performance – performance data

| <b>British Gas social programmes</b>                       | <b>Unit</b> | <b>2007</b>    | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|--|-------------|----------------|-------------|-------------|-------------|
| Customers on British Gas 'Essentials' social energy tariff |             | <b>340,000</b> | -           | -           | -           |
| Customers on Winter Warmer initiative                      |             | <b>25,000</b>  | -           | -           | -           |
| Customers on ExtraCare                                     |             | <b>260,000</b> | -           | -           | -           |
| Cumulative value of unclaimed benefits identified          | £m          | <b>14.4</b>    | -           | -           | -           |

There is capacity for up to 750,000 vulnerable customers on the 'Essentials' tariff but identifying the most deserving can be very challenging. 'Winter Warmer' is a bespoke support package for our most vulnerable elderly

customers that includes a winter credit of up to £90 and free loft and cavity wall insulation. ExtraCare is the process we have adopted to help us proactively identify signs of vulnerability among our customers.

| <b>Help the Aged Partnership</b> | <b>Unit</b> | <b>2007</b>    | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|----------------------------------|-------------|----------------|-------------|-------------|-------------|
| Advice packs distributed         |             | <b>75,728</b>  | 50,000      | -           | -           |
| Thermometers distributed         |             | <b>146,838</b> | 185,000     | -           | -           |

Annually, £4.5bn worth of benefits go unclaimed by the elderly. We are working with Help the Aged to highlight this issue and help older people claim the benefits to which they are entitled. Under the Benefits Advice Programme

(BAP), a national programme in partnership with Help the Aged which funds benefits advice for older people, 36,423 people received advice in 2007 and there were 9,380 home visits.

| <b>British Gas Energy Trust</b> | <b>Unit</b> | <b>2007</b>  | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|---------------------------------|-------------|--------------|-------------|-------------|-------------|
| Number of grants awarded        |             | <b>6,439</b> | 4,000       | 1,716       | 39          |
| Value of grants awarded         | £m          | <b>3.1</b>   | 1.5         | 0.6         | 0.02        |

The British Gas Energy Trust is an independent fund which aims to make a long-term difference to people's lives by freeing them from the maze of debt and giving them a chance to make a fresh start. Launched at the end of 2004, the Trust has made over 12,000 awards totalling more than £5m, with 70% of these going to

British Gas customers. The Trust provides individual energy payments to help with debt clearance of British Gas bills, further assisted payments to help clear other bills and organisational grants in areas of multiple deprivation for projects such as debt advice centres.

# Fuel poverty and vulnerable customers

## 2007 performance - future commitments

### Industry-leading initiatives

- We will continue to deliver our industry-leading initiatives such as the 'Essentials' tariff.
- We have committed £3.3m to the British Gas Energy Trust each year for the next four years.
- We will investigate expanding the 'Neighbor-to-Neighbor' programme in our North American operations.

### Working in partnership

- We will continue to partner with key charities to deliver initiatives on fuel poverty and vulnerable customers.

### Helping shape public policy

- We are fully committed to working with Ofgem, DBERR and other industry parties in clarifying the framework for energy suppliers' spend on fuel poverty. We expect to draw on our experience as market leader in this field and will work with Ofgem, DBERR and other energy suppliers in considering the best way to meet our commitment.
- We welcome the commitment the UK Government has made to explore options for data-sharing, including if necessary through legislation. Better access to UK Government data and some form of data-sharing mechanism will be absolutely crucial for us going forward to ensure that we can target the support we offer in the most effective way. We will work closely with the UK Government to take this forward.

While the current Ofgem review is underway, and until we know what framework is in place, it is difficult for us to make further concrete commitments on our fuel poverty and vulnerable customer initiatives. We will aim to report more fully in our 2008 CR Report.



# Health and safety

## Overview



### Our commitment

We are committed to the health, safety and wellbeing of our employees in the workplace, our contractors, customers and the communities in which we live and work.

You can download a PDF of our Group Health and Safety Policy at [www.centrica.com/cr07/health](http://www.centrica.com/cr07/health)

### Operating context

Sourcing hydrocarbons and generating power can be hazardous. Increasingly, our strategy will focus on sourcing energy in locations across the world, which involves many new challenges including health and safety considerations. Maintaining gas and electrical appliances and using energy in homes and business also involves health and safety risks.

### Our impact

One of our top business priorities is to secure future energy supplies. Securing gas supplies from global sources can increase personal security risks and the protection of our employees, contractors and assets will require constant vigilance. Health and safety considerations are also very important in our energy services operations: from safe driving to secure offices and the safety of installations and appliances in customers' homes.

### Our strategy

Our evolving 'Performance Plus' strategy combines strong leadership, an interactive health and safety culture and robust systems to support the delivery of sustained performance improvement.

#### Employee safety

We have a robust safety management system and governance framework for personal and process safety. This includes risk assessment, annual improvement plans, targets, KPIs, performance review, emergency response plans, training, competency development, human factors, audit and verification. Proactive accident prevention programmes are integral to our business process and we strive for continual performance improvement.

#### Occupational health

Our occupational health (OH) programme aims to promote wellness among our employees and prevent ill health arising from work activities. This includes ensuring a good fit between the person and the job and recommending any suitable adjustments.

Wellness is a broader concept than merely good health and is linked to productivity. We offer practical support and training for employees and managers to raise awareness of work-related health issues and encourage personal responsibility for all aspects of health both at work and more widely.

# Health and safety

## 2007 performance – previous commitments

### Customers

Safety advisers and service engineers from British Gas provide face-to-face safety advice to help ensure that our products are used in compliance with the highest safety standards. In North America, Direct Energy is committed to an eight-point pledge to ensure that work is carried out in a way that ensures both customers' and employees' safety.

British Gas is the leading carbon monoxide (CO) incident investigator in the UK. Our CO investigation team is the most experienced in the UK. We work with the charity CO Awareness, providing expert advice and distributing CO detectors to households across the country.

British Gas also works closely with the All-Party Parliamentary Gas Safety Group and with CORGI to ensure a consistent approach to gas safety.

In the UK our central heating systems are certified to the British Standards Institute 'Kitemark' scheme and we offer safety checks for landlords to help improve the quality of gas equipment in rented accommodation. We also offer gas fire control adaptors free of charge for customers with a disability.

| Learning from incidents  | Progress                              |
|--|---------------------------------------|
| Act on lessons learned from the incidents at Rough, Morecambe Bay and the BP Texas Oil Refinery            | <span style="color: green;">●</span>  |
| Performance Plus   | Progress                              |
| Implement 'Performance Plus' programme to drive health and safety performance improvement across the Group | <span style="color: orange;">●</span> |
| Occupational health  | Progress                              |
| Introduce further initiatives to reduce employee absence   | <span style="color: green;">●</span>  |
| Further develop and implement wellbeing at work programmes   | <span style="color: green;">●</span>  |
| Carbon monoxide safety   | Progress                              |
| Communicate carbon monoxide safety information to all British Gas customers                                | <span style="color: green;">●</span>  |
| Reporting  | Progress                              |
| Implement a new Group-wide health and safety reporting package   | <span style="color: orange;">●</span> |

- Achieved
- Partially achieved
- Not achieved

# Health and safety

## 2007 performance – our initiatives

### Employee safety

In 2007 we conducted a detailed internal review of our management systems. This included consideration of the Baker Report into 'BP's Texas Refinery Incident' and a strong focus on process safety.

We identified opportunities to reinforce our approach and implemented an action plan with oversight from the Centrica Executive Committee. A progress report on those actions was presented to the Board at its meeting in December 2007.

Although our proactive improvement programmes helped our business units to achieve their performance targets overall, the Group experienced an increase in accident incidence rates. This increase can be linked to a concerted campaign over the past 12-18 months to improve incident reporting in our main UK downstream businesses.

We have developed a programme called 'Performance Plus' to heighten our performance expectations and provide greater resilience in our risk management systems through proactive leadership, behavioural change and continual challenge and review at all levels.

We maintained our strategic engagement with the UK Health and Safety Executive (HSE) through our 'Working Together' agreement. Two of our UK power stations received the RoSPA President's Award.

### Occupational health

Our key focus is on improving employee absence management by implementing programmes and processes that support prompt referral, bespoke treatment and return to work programmes, and making advice and support readily available for employees to help them self-manage their condition.

We introduced absence management training for line managers to help them deal effectively with absence situations and improve the success of an employee's return to work. As part of our focus on preventative action we introduced triage physiotherapy, back and knee clinics, physical fitness programmes for engineers and a range of wellness activities. We implemented a wellness programme to help our British Gas engineers get fit for the busy winter period.

We were chosen as one of the first business champions for the UK Government's 'Driving for Better Business' Programme.

Our programmes are delivering results:

- British Gas Services employee absence due to injury reduced by 11%
- British Gas Residential employee absence due to injury reduced by 55%
- British Gas Business employee absence due to injury reduced by 15%
- Direct Energy employee absence due to injury reduced by 20%

### Customer safety

Managing the risk of carbon monoxide (CO) poisoning from gas installations is given a high priority by our business. To ensure the integrity of the work our engineers undertake on gas installations we take steps to ensure the availability of relevant technical information, robust competency standards and comprehensive audit arrangements.

The British Gas CO investigation team is the most experienced in the UK and since 1996 has undertaken more than 3,000 investigations for the majority of gas suppliers.

In 2007 we launched a campaign offering discounted audible carbon monoxide alarms to students after a British Gas survey identified a lack of attention to safety in their homes. We recently completed a CO safety information mailing to every British Gas customer.

## Health and safety

### 2007 performance – performance data

| Employee safety                         | Unit | 2007        | 2006 | 2005 | 2004 |
|---|------|-------------|------|------|------|
| Lost-time injuries/1,000 employees      |      | <b>18.7</b> | 14.3 | 13.2 | 21.5 |
| Lost-time injuries/100,000 hours worked |      | <b>1.03</b> | 0.80 | 0.73 | 1.10 |
| Total accidents/100,000 hours worked*   |      | <b>5.7</b>  | 3.9  | 3.0  | 5.1  |
| Major injuries                          |      | <b>10</b>   | 15   | 17   | 10   |
| Total number of fatalities              |      | <b>0</b>    | 7**  | 1    | 1    |

\* We stated total injuries/100,000 hours worked in our 2006 Annual Report.

\*\* Morecambe Bay helicopters accident: four employees and three contractors.

Although our business units generally achieved their 2007 KPIs and performance targets, the Group experienced a small increase in its total and lost-time injury incidence rates.

This is linked to a concerted campaign over the last 12-18 months to improve incident reporting in our UK downstream businesses. For example, the number of days lost due to injuries reduced by 37% through a combination of reduced severity, better engagement and improved

| Customer safety*   | Unit | 2007      | 2006 | 2005 | 2004 |
|--|------|-----------|------|------|------|
| Carbon monoxide incidents<br>(British Gas supplied)        |      | <b>20</b> | 19   | 18   | 25   |
| Carbon monoxide incidents<br>(British Gas service history) |      | <b>5</b>  | 4    | 4    | 5    |
| Total carbon monoxide incidents                            |      | <b>29</b> | 29   | 35   | 37   |

\* UK only

# Health and safety

## 2007 performance – future commitments

### Key indicator

- Target a 4% minimum year-on-year reduction in time lost from injuries and the delivery of upper quartile performance standards.

### Employee safety

- Implement comprehensive third party verification of processes, improvement programmes and performance.
- Enhance process safety performance reporting and implement revised KPIs.
- Implement a global incident reporting, analysis and tracking package.
- Continue to seek proactive involvement of contractors and their health and safety practitioners in enhancing safety performance.
- Maintain strategic dialogue with HSE through 'Working Together'.

### Employee health

- Continue to focus programme on key risks: musculo-skeletal and mental health.
- Make a measurable contribution to the reduction of sickness absence.
- Encourage prompt referral and effective rehabilitation/return-to-work programmes.
- Ensure consistent standards of occupational health service across contracted employees.
- Deliver 'Safe and Fuel-Efficient Driver' initiative.
- Develop key performance indicators to track the effectiveness of our occupational health services.

### Internal campaigns

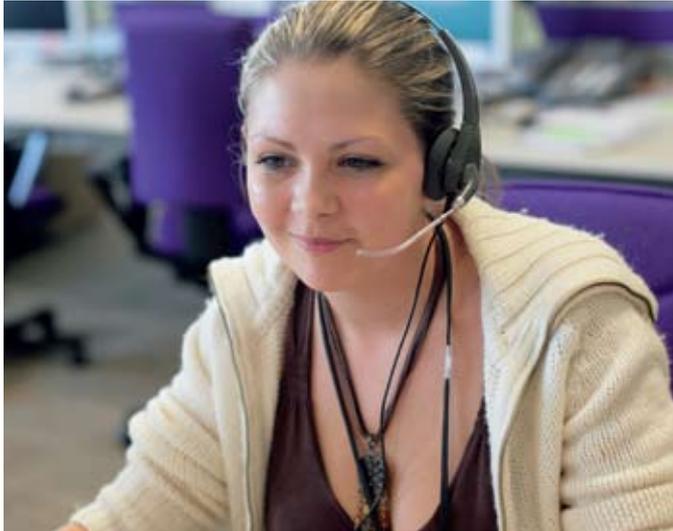
- Introduce 'From Home to Home Safely' initiative for British Gas engineers.
- Relaunch the 'Slips, Trips and Falls' campaign to raise awareness of hazards and relevant precautions.

### Customer safety

- Ensure the supply, installation and maintenance of safe and reliable gas installations and appliances.
- Implement comprehensive arrangements in customers' premises to prevent incidents and accidents involving carbon monoxide (CO), asbestos, fire, slips, trips and falls.
- Send CO information leaflets to all British Gas customers and distribute these to doctors' surgeries via the waiting room information service.

# Customer service

## Overview



### Our commitment

Our priority is to provide the best value in the marketplace by delivering good-quality customer service and being competitive on price.

### Operating context

Like any service-based industry, energy retailing involves dealing with millions of customers every year. With so many interactions and despite the best efforts of suppliers to achieve high standards, complaints and issues arise. These are closely monitored by industry regulators and consumer organisations, and suppliers are held to account for poor performance.

Energy suppliers are judged by consumers and other stakeholders on their ability to deliver good-quality customer service. It is one of the main drivers of customer satisfaction and loyalty.

In recent years customer service in our core UK residential market has been variable and often below the levels we would expect. But it's improving and it's a top priority for us to make sure this positive trend continues.

### Our impact

As a multinational energy company, providing essential services to millions of customers every day, understanding their evolving needs is very important. In so doing we must recognise the diversity and specific requirements of our customer base. We must protect the privacy of their data

and make sure that our sales and marketing activities are accurate and credible. We must educate and encourage our customers use our products and services safely and efficiently to support the move towards a low-carbon future.

### Our strategy

Our goal is to provide our customers with the best value in the marketplace by:

- providing affordable and reliable energy
- offering innovative low-carbon products and services
- treating our customers with respect and keeping our promises
- improving the training for our frontline employees
- linking employees' pay to a balanced scorecard of measures in which customer service is the key component
- offering preferential access to our expert engineers and technicians
- delivering a range of services to support our more vulnerable customers

# Customer service

## 2007 performance – previous commitments

| Customer experience and satisfaction   | Progress |
|--|----------|
| Improve levels of customer service   | ●        |
| Introduce Net Promoter Score methodology across all businesses   | ●        |
| Low-carbon propositions  | Progress |
| Establish British Gas New Energy to lead our low-carbon strategy   | ●        |
| Introduce industry-leading green tariffs for our customers   | ●        |
| Launch a new service offering Energy Performance Certificates and train 500 assessors  | ●        |
| Offer our free British Gas Energy Savers Report to all UK households and aim to complete 2m by the end of 2007   | ●        |
| Deliver our UK Energy Efficiency Commitment targets  | ●        |
| Customer safety  | Progress |
| Raise awareness of safety issues including carbon monoxide poisoning in collaboration with industry bodies   | ●        |
| Sales and marketing  | Progress |
| Work with marketing trade bodies and customers to deliver high-quality, transparent communications and reduce Advertising Standards Authority complaints | ●        |
| Customer diversity   | Progress |
| Launch a new British Gas consumer website which is fully compliant with W3C accessibility guidelines   | ●        |
| Continue to provide a range of alternative format communications to support customers with specific requirements   | ●        |

|   |                    |
|---|--------------------|
| ● | Achieved           |
| ● | Partially achieved |
| ● | Not achieved       |

# Customer service

## 2007 performance – our initiatives

### Measuring customer satisfaction

We measure customer satisfaction using a methodology called Net Promoter Score (NPS) – a measure of customer advocacy. It shows the percentage of customers who would recommend us, minus the percentage who would not.

NPS was extended to all business units during 2007. British Gas scored 3.1% and Direct Energy scored 6.1%. These scores are combined figures for the residential, business and services division within each brand.

Each month, customer service performance is reported to senior managers. This reporting process enables us to track the performance of our own service delivery and that of our suppliers. We also measure our customer service through the number of complaints to consumer organisations such as Energywatch, the independent UK gas and electricity consumer watchdog.

### Improving customer experience in British Gas

British Gas' quality of service in 2007 remained lower than the standards we expect. We invested £60m to help restore service standards during the year, benefited from the recruitment of 800 new customer service agents and made an extensive commitment to training. All our customers have now been successfully migrated onto our SAP billing platform, the largest in the world – part of a £430m transformation. As a result, during the year:

- Between April 2007 and December 2007 complaints to Energywatch fell by 80%
- Average time to answer calls was reduced by 75%
- Our call transfer rate improved by 40%

We delivered a programme to develop our people as 'Energy Experts', able to provide extensive free advice to customers on issues such as energy efficiency. We also launched a new website to improve self-service.

[www.britishgas.co.uk](http://www.britishgas.co.uk)

### Pricing and payment

2007 was a year that saw dramatic volatility in the UK wholesale gas and power markets. Market prices fell very sharply at the beginning of 2007 and then rose equally sharply in the final few months.

The consequences of this were particularly marked within British Gas Residential, which made strong margins in the first half after wholesale prices fell. In March 2007 British Gas was the first UK supplier to announce a reduction in its retail prices when wholesale energy costs began to fall and we reduced prices again in April. We cut gas prices by 20% and electricity prices by 17% overall during 2007.

In the second half of 2007 a steep rise in wholesale energy prices reduced British Gas' margins and led to a retail price increase in January 2008. We protected 340,000 of our most vulnerable customers from this increase until 1 March 2008.

Read more about our support for vulnerable customers on page 69.

We also introduced an innovative payment method for Pay As You Go customers, allowing them to charge cards over the telephone. This helps those customers who cannot reach the shops during opening hours or due to mobility issues.

### Low-carbon propositions

We launched British Gas New Energy to lead our low-carbon strategy in the UK and respond to consumer demand for energy-efficient products and services. We launched two industry-leading green tariffs – Future Energy and Zero Carbon<sup>^</sup> – and extended our free Energy Savers Report to all UK households.

<sup>^</sup> Zero Carbon is the name of the tariff. We offset CO<sub>2</sub> emissions from the gas and electricity customers consume using carbon offset certified by the United Nations.

British Gas remained the largest provider of household energy-efficiency products in the UK, providing more than 17m products in 2007. This enabled us to meet our challenging targets under the UK Government's Energy Efficiency Commitment (EEC) programme. Of the six largest suppliers in the UK, British Gas delivered a third of the overall EEC target.

Following legislative delays, we did not make as much progress as we had planned on offering Energy Performance Certificates to home sellers. We will continue to monitor this in 2008.

# Customer service

## 2007 performance – our initiatives



### Customer safety

British Gas continued to maintain a low frequency of carbon monoxide (CO) incidents in relation to our work on gas appliances and installations in 2007. We continue to be the leading investigator of CO incidents in the UK and lobby the government to increase incentives to replace old central heating boilers. Our awareness campaigns generated UK-wide media coverage of the issue and we distributed CO guidance information to our 16m British Gas customers in 2007.

### Customer diversity

For our customers whose first language is not English, the British Gas language line service provides support, and engineers and sales people use prompt cards to help us communicate effectively with customers on the doorstep.

Our engineers have instant access on their laptops to specialised customer care information. This includes guidance on how to work in a house if the customer has a guide dog and how to communicate clearly with someone who lip-reads. We also provide advice on working sensitively in a home where the customer has a disability.

In 2007, British Gas Business was awarded the Plain English Campaign's Crystal Mark for its supply contract terms.

### Marketing and sales

British Gas sales complaints were down by half during 2007. We remain committed to respecting high standards of sales conduct. In the UK we work in accordance with the Energysure Code of Practice for Face-to-Face Selling. We ensure that intensive training for new starters ensures our sales people leave customers in no doubt when they have entered into an agreement.

In 2007, British Gas had two complaints upheld against us by the UK Advertising Standards Authority (three in 2006). You can read the adjudications on [www.asa.org.uk](http://www.asa.org.uk):

- ASA Adjudications July 2007
- ASA Adjudications August 2007

We continued to work closely with marketing trade bodies and customers to ensure we deliver high-quality, transparent communications. For example, British Gas joined other companies on an ISBA (The Voice of British Advertisers) working group to develop best practice on communicating 'green' messages to consumers. The guidance developed by the Group will improve the credibility of claims and help eliminate 'greenwashing'.

# Customer service

## 2007 performance – performance data

| Customer satisfaction            | Unit | 2007 | 2006 | 2005 | 2004 |
|----------------------------------|------|------|------|------|------|
| British Gas Net Promoter Score   | %    | 3.1  | -    | -    | -    |
| Direct Energy Net Promoter Score | %    | 6.1  | -    | -    | -    |

Net Promoter Score (NPS) is a measure of customer advocacy. It shows the percentage of customers who would recommend us, minus the percentage who would not. The British Gas and Direct Energy NPS are combined figures for the residential, business and services divisions.

| Customer experience                                  | Unit | 2007   | 2006   | 2005 | 2004 |
|--|------|--------|--------|------|------|
| Customer complaints to Energywatch about British Gas |      | 30,297 | 31,703 | -    | -    |

By the end of 2007, complaints to Energywatch had fallen by 80% from a peak in May. High numbers of complaints earlier in the year occurred as we transferred our customers to a new billing platform.

| Customer safety  | Unit | 2007 | 2006 | 2005 | 2004 |
|--|------|------|------|------|------|
| Carbon monoxide incidents with British Gas service history |      | 5    | 4    | 3    | 5    |

| Marketing and sales   | Unit | 2007 | 2006 | 2005 | 2004 |
|---|------|------|------|------|------|
| British Gas sales complaints  |      | 238  | 468  | -    | -    |
| Advertising Standards Authority complaints upheld against British Gas |      | 2    | 3    | 7    | 1    |

| Customer diversity            | Unit | 2007   | 2006   | 2005 | 2004 |
|-------------------------------|------|--------|--------|------|------|
| Alternative format bills sent |      | 55,630 | 63,000 | -    | -    |

Our printed documents are available in a range of formats including large print, Braille and audio. Documents requested in alternative formats ranged from gas and electricity bills and statements to marketing inserts and terms and conditions.

---

## Customer service

### 2007 performance – future commitments

- Improve Net Promoter Scores in the UK and in North America.
- Continue to reduce levels of complaints.
- Continue to invest in training for our frontline employees.



# Employees

## Overview

### Our commitment

We are committed to ensuring that Centrica attracts the best talent and offers an environment in which all our employees can flourish.

### Operating context

The impact of changing demographics and social and technological change makes good diversity management and the creation of an inclusive organisation an important part of sustainable business success. In an increasingly competitive market, we need to provide the training opportunities and the flexibility to attract the most talented and committed individuals.

### Our impact

We employ approximately 34,000 people around the world, including almost 29,000 in the UK. The success of our business depends on the capabilities and dedication of our people.

The calibre and conduct of our employees is central to our relationships with customers, shareholders, suppliers and the communities in which we operate. Whatever their role, our people are using their experience and expertise to make an impact on one of the biggest challenges facing the world today: securing our energy supply, now and in the future.

### Our strategy

Our Centrica People Plan provides a framework to improve employee retention, productivity, motivation and morale, as well as increasing diversity and talent. We also promote activity across the Group that enables us to understand, reflect and serve the breadth of diversity in the communities in which we operate.

### Talent management

Our talent management strategy focuses on the development of our people at all levels. It also focuses on attracting new talent and providing organisation, team and individual capability that will help deliver our business strategy.

### Diversity and inclusion

We work with a number of partner organisations on diversity initiatives, enabling us to share best practice and tackle key issues.

### Reward

Our Remuneration Committee of independent non-executive directors makes recommendations to the Board on the policy and framework for executive remuneration. It also determines the remuneration packages for each of the members of the executive team.

Read our latest Remuneration Report at [www.centrica.com/ar07](http://www.centrica.com/ar07)

We regularly review our remuneration packages to ensure they remain competitive and fair to support our goal of employing committed and engaged employees. Our induction process explains to new employees the way their performance is evaluated and recognised. We use incentive schemes to encourage employees to surpass business and personal goals.

Our benefits package is made up of core benefits and a flexible spending account (FlexSA). FlexSA enables eligible employees to express a preference in the composition of their benefits package. They can 'spend' their flexible spending account on a range of benefits including additional holiday, retail vouchers and private medical cover. We also encourage our employees to own Centrica shares through share schemes so they can share in the growth of the company.

### Pensions

Centrica operates various pension arrangements, which are managed by independent trustees who act in the best interests of all members. Most of our employees are members of one of our five pension schemes.

### Outsourcing

Outsourcing of support functions has been a growing trend in global business in recent years. It can deliver significant benefits through lower labour costs, as well as maintaining high levels of productivity. We must reduce our costs to remain successful in a competitive and volatile energy market and have outsourced a range of activities in recent years including the British Gas back-office support functions.

# Employees

## 2007 performance – previous commitments

| Talent management  | Progress |
|--|----------|
| Use our Management Talent Review to identify and develop future leaders  | ●        |
| Promote cross-Group opportunities to share knowledge and expertise   | ●        |
| Continue to implement our Management Learning Programme and hot topics seminars  | ●        |
| Employee engagement  | Progress |
| Improve the extent to which employees feel valued, involved and committed and respond to leadership                    | ●        |
| Diversity and inclusion  | Progress |
| Continue to work with external organisations to share best practice and identify performance improvement opportunities | ●        |
| Increase the number of new female engineer recruits and those from an ethnic minority background                       | ●        |
| Reward   | Progress |
| Ensure that our reward packages compare favourably in the market   | ●        |
| Undertake our annual equal pay review and maintain strong performance  | ●        |

● Achieved  
● Partially achieved  
● Not achieved

# Employees

## 2007 performance – previous commitments

| Talent management   | Progress                             |
|---|--------------------------------------|
| Deliver improvement programmes for British Gas Customer Service Advisors to ensure employees respond to customer enquiries efficiently and resolve issues at the first point of contact | <span style="color: green;">●</span> |
| Achieve 'Approved Training and Assessment Centre' status to train engineers on Energy Performance Certificates from June 2007   | <span style="color: red;">●</span>   |
| Implement the Duke of Edinburgh Award Programme as a core part of our apprenticeship training programme   | <span style="color: green;">●</span> |
| HR transformation   | Progress                             |
| Continue with the HR Transformation Programme   | <span style="color: green;">●</span> |
| Improve employees' and managers' self-sufficiency and accountability  | <span style="color: green;">●</span> |

- Achieved
- Partially achieved
- Not achieved

# Employees

## Our initiatives

### Talent management

During the year we defined a new set of leadership behaviours to recruit and develop senior leaders and build a stronger culture in the business. We also introduced a new talent management approach to help us identify future leaders.

An integral part of this is our Group-wide General Management Programme, which aims to build our senior management capability and develop successors for key roles.

We created a new Management Learning Programme offering a series of skills-based workshops for managers and leaders at all levels across our UK businesses. Two hundred senior leaders attended 'Hot Topic' sessions in 2007, with respected external speakers.

### Employee engagement

In 2007 more than 84% of employees responded and our overall engagement score increased by 3% compared with the previous year, demonstrating a high level of commitment from our people. British Gas Business and British Gas Services were named in the top 50 of the Financial Times' Best Workplaces UK 2007 Index.

In addition, the British Gas Residential Team Talk Live event provided an opportunity to talk to more than 10,000 employees about the business's vision, values and objectives. British Gas Services introduced 'Customer Journey Training' to help employees deliver high-quality customer service.

Read more about our dialogue with employees on page 112.

### Graduate development

We expanded our graduate programme, adding a geosciences development route to open up an exciting talent pipeline for the future. We doubled the number of students on our Summer Placement Programme and two thirds have received employment offers to join our Graduate Development Programme.



We have strengthened our position as a recruiter by building relationships with university engineering departments and acting as a sponsor for the Headstart initiative, which targets pre-university students and helps to develop their interest in a career in engineering and technology.

Read more about our Graduate Development Programme on [www.centricagraduates.com](http://www.centricagraduates.com)

### Diversity and inclusion

Canada's Association for the Fifty Plus recognised Direct Energy for the opportunities we have created for older employees. In addition, we received the Alfred P Sloan Award for business excellence in workplace flexibility for our programmes in Texas.

In the UK we were recognised as an 'exemplar employer' by Opportunity Now for our flexible working initiatives and our diversity recruitment strategy for engineers, with female trainees now accounting for almost 13% of all those recruited in 2007.

Following the introduction of the Employment Equality (Age) Regulations 2006, we delivered an awareness and training programme to enable employees to understand the new legislation, for which we won an award from the Employers' Forum on Age (EFA). We also sponsored the EFA Retirement Conference in April 2007.

# Employees

## Our initiatives

We pledged our support to the Local Employment Partnerships scheme, which aims to help 250,000 disadvantaged people in the UK get back into work. In North America, Direct Energy provided outreach programmes for employees identifying themselves as minorities and disabled.

### Reward

We continued to extend our flexible benefits package, FlexSA, with almost 11,000 employees now benefiting from the scheme. We were the first organisation to enable UK employees to make a direct contribution to fighting climate change via their flexible benefits allowance, which offers a personal carbon offset in partnership with Pure, the Clean Planet Trust.

We conducted a fifth comparative review of the levels of pay for male and female employees. The results of the review highlight that the gender pay gap in Centrica is much narrower than published national norms.

In North America, Direct Energy introduced our Off-Cycle Pay Policy to provide managers with further accountability and guidance in relation to employees' salaries and the market.

### Recruitment and training

We continued to provide a wide range of programmes during the year, with a particular focus on maintaining improvements in customer service across our businesses.

British Gas introduced a new recruitment process for customer service advisors, relaunching its British Gas Jobs website to become the main recruitment portal and using a more robust assessment of behaviours to increase the quality of recruits and reduce new starter attrition.

We invested £24m to continue our industry-leading training for British Gas engineers. Our British Gas Training Academy achieved 'grade one' performance in an Ofsted inspection. We also aligned our apprentice scheme to the Duke of Edinburgh Gold Award, providing greater personal development and life skills for our trainees. More than 300 apprentices participated in the scheme, collectively contributing around 3,000 hours.

A further 12 technical apprentices were recruited for the four-year apprenticeship scheme run jointly by Centrica Energy and Centrica Storage Limited, the third cohort since the scheme was introduced in 2003.

### Work-life balance

We reviewed the Group Maternity and Family Leave Policy, which led to:

- Enhanced maternity and paternity pay
- Adoption pay brought into line with maternity pay
- Optional 'keeping in touch' days for women on maternity leave

We also took part in a Flexible Working Research Project with Cranfield University in conjunction with the charity Working Families. We worked with Carers UK to develop awareness and information materials for employees who are carers, highlighting new legislation.

### Employee relations

Direct Energy successfully negotiated a new collective agreement with the union CEP 975, at the same time as we were bringing on 13 new union contracts through our acquisition of MABE in Canada Home Services.

In the UK the British Gas Electrical Servicing Division pay deal was rejected twice, leading to the trade union balloting its members for action before strikes. We worked hard to resolve this and a third pay deal was agreed.

Read more about our engagement with trade unions on page 122.

### HR transformation

We launched myHR an online 'self-service' platform to provide managers and employees with greater control over HR activities, such as talent and performance management. In Direct Energy, HR drove the deployment of a new organisational structure, making sure employees were engaged and retained. This included creating Centres of Excellence to align to the new mode of operation for HR and the business.

# Employees

## 2007 performance – performance data

We continued to monitor a range of indicators to support our human capital management during the year.

| Human capital ROI                    | Unit | 2007 | 2006             | 2005 | 2004 |
|--------------------------------------|------|------|------------------|------|------|
| Human capital ROI ratio <sup>1</sup> |      | 2.5  | 2.1 <sup>2</sup> | 2.1  | 1.9  |

1 PwC Saratoga measurement of financial return for investment in employee remuneration, benefits and training.

2 We have restated this figure due to an error in our 2006 report.

Our Human Capital Return on investment Ratio (HC ROI) for 2007 was 2.5, showing an increase on the previous year.

This increase in HC ROI reflects the 40% increase in operating profit of the business over the course of the year.

| Number of employees | Unit | 2007   | 2006   | 2005   | 2004   |
|---------------------|------|--------|--------|--------|--------|
| Total               |      | 33,908 | 33,718 | 35,410 | 43,414 |
| UK                  |      | 28,829 | 28,489 | 29,948 | 39,832 |
| North America       |      | 4,839  | 5,032  | 5,261  | 3,187  |
| Rest of World       |      | 240    | 197    | 201    | 75     |

In line with our continuing focus on reducing operating costs, and in particular people-related costs, there has been a reduction in the number of full-time equivalent employees in the business during 2007.

With the continuing focus on cost and our review of internal organisation, we expect further overall headcount reductions in 2008.

| Employee engagement       | Unit | 2007 | 2006 | 2005 | 2004 |
|---------------------------|------|------|------|------|------|
| Employee engagement score |      | 3.96 | 3.84 | 3.78 | 3.73 |

Our annual engagement survey measures the attitudes and opinions of our employees on a five-point scale. In 2007, our overall engagement score increased by 3% which, during a very challenging period for the business, demonstrates the commitment of our people.

Our score of 3.96 compares favourably with other FTSE100 companies and represents a high level of engagement.

Read more about our employee engagement survey on page 113.

# Employees

## 2007 performance – performance data

| Employee remuneration   | Unit | 2007          | 2006   | 2005   | 2004   |
|-------------------------|------|---------------|--------|--------|--------|
| Average employee salary | £    | <b>23,693</b> | 22,965 | 22,364 | 22,752 |

In 2007, our average employee salary was £23,693 compared with £22,965 in 2006, an increase of 3.2%. All Centrica employees are paid in excess of the national minimum wage.

| Employee turnover  | Unit | 2007         | 2006  | 2005 | 2004 |
|--------------------|------|--------------|-------|------|------|
| Redundancies       |      | <b>1,381</b> | 1,300 | -    | -    |
| Employee retention | %    | <b>84.1</b>  | 81.5  | 87.0 | 88.0 |
| Employee attrition | %    | <b>15.9</b>  | 18.5  | 13.0 | 12.0 |

The culmination of a number of restructuring and offshoring programmes resulted in 1,369 redundancies in 2007, a similar level to 2006. There was a reduction in employee turnover during 2007 as anticipated due to our

People Plan which placed an emphasis on harnessing business expertise, skills and talent. This work will continue in 2008.

| Employee safety                                   | Unit | 2007        | 2006           | 2005 | 2004 |
|---|------|-------------|----------------|------|------|
| Lost-time injuries/1,000 employees                |      | <b>18.7</b> | 14.3           | 13.2 | 21.5 |
| Lost-time injuries/100,000 hours worked           |      | <b>1.03</b> | 0.80           | 0.73 | 1.10 |
| Total accidents/100,000 hours worked <sup>1</sup> |      | <b>5.7</b>  | 3.9            | 3.0  | 5.1  |
| Major injuries                                    |      | <b>10</b>   | 15             | 17   | 10   |
| Total number of fatalities                        |      | <b>0</b>    | 7 <sup>2</sup> | 1    | 1    |

<sup>1</sup> We stated total injuries/100,00 hours worked in our 2006 Annual Report.

<sup>2</sup> Morecambe Bay helicopter accident: four employees and three contractors.

Although overall injuries increased in 2007, the number of days lost due to injuries reduced by 37% through a combination of reduced severity, better engagement and improved absence management.

The seven fatalities in 2006 were due to the Morecambe Bay helicopter accident where four employees and three contractors died.

<sup>^</sup> We stated total injuries/100,000 hours worked in our 2006 report.

# Employees

## 2007 performance – performance data

| Diversity and inclusion               | Unit | 2007      | 2006      | 2005  | 2004  |
|---------------------------------------|------|-----------|-----------|-------|-------|
| Employees from ethnic minority groups | %    | 15.2      | 15.9      | 17.2  | 16.6  |
| Average age range of employees        |      | 25-34     | 25-34     | 25-34 | 25-34 |
| Employees with a disability           | %    | 3.2       | 2.7       | 2.5   | 2.4   |
| Female / male employees               | %    | 30.2/69.8 | 29.9/70.1 | 31/69 | 33/67 |
| Female senior managers†               | %    | 30        | 28        | 27    | -     |
| Male part-time†                       | %    | 5         | -         | -     | -     |
| Female part-time†                     | %    | 27        | -         | -     | -     |

† UK only.

There is a mixed picture of diversity trends within Centrica; the proportion of employees from ethnic backgrounds fell slightly.

The average age range of employees remained level with a slight increase in the proportion of female to male employees; the number of female senior managers and the proportion of employees with a disability.

| Employee share schemes participation       | Unit | 2007 | 2006 | 2005 | 2004 |
|--|------|------|------|------|------|
| Centrica Sharesave                         | %    | 42   | 42   | 41   | 34   |
| Centrica Share Incentive Plan              | %    | 20   | 21   | 17   | 14   |
| Direct Energy Employee Share Purchase Plan | %    | 23   | 20   | 34   | 25   |

We encourage our employees to own Centrica shares so they can share in the growth of the company. Our three schemes are Sharesave and Share Incentive Plan in the UK and Share Purchase Plan in North America.

The total number of employees participating in our schemes increased during the year. Read more about our employee benefits schemes on page 90.

# Employees

## 2007 performance – performance data

| <b>Employee tenure</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Less than one year     | %           | <b>16.3</b> | -           | -           | -           |
| 1 to 2 years           | %           | <b>19.1</b> | -           | -           | -           |
| 2 to 5 years           | %           | <b>25.9</b> | -           | -           | -           |
| 5 to 10 years          | %           | <b>17.2</b> | -           | -           | -           |
| 10 to 20 years         | %           | <b>9.2</b>  | -           | -           | -           |
| More than 20 years     | %           | <b>12.3</b> | -           | -           | -           |

Fewer than half our employees have between 1 to 5 years' service

| <b>Employee trade union membership</b> | <b>Unit</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Centrica North America                 | %           | <b>16</b>   | -           | -           | -           |
| Centrica UK                            | %           | <b>52</b>   | -           | -           | -           |

# Employees

## 2007 Performance – future commitments



### Employee engagement

- In 2008 we will change how we measure employee engagement, and begin to measure the percentage of employees who are committed to Centrica.
- Based on this measure, 54% of Centrica people were strongly committed in 2007. 54% is equal to the global average and significantly above the UK average of 39% and the European average of 48%.
- By 2008 we aim to achieve a score of at least 60% and by 2010 achieve the 'Best Employers Score' of at least 70%.
- Within the overall score, both our British Gas Business and Centrica Energia business divisions achieved 2007 scores of more than 60%.

### Work-life balance

- We will review paternity pay and leave in light of legislative changes proposed for 2010 whereby fathers will be given the opportunity to take up to 26 weeks.
- We will offer Additional Paternity Leave for fathers to care for their child if certain conditions are met, including the mother returning to work.

### Leadership

- We will extend our work on embedding leadership behaviours.
- British Gas will focus on developing the capability of managers.
- Direct Energy will introduce an executive leadership programme.

### Graduate development

- We will enhance our position with the Association of Graduate Recruiters.
- We will seek to partner with major graduate organisations to raise our profile.

### HR transformation

- We will continue to develop intranet resources to support employees and managers.
- Direct Energy will embed the new HR Shared Services model into the organisation.

# Local impact

## Overview

### Our commitment

We are committed to working with the communities in which we operate to understand and manage the impact of our operations.

You can download a PDF of our community and local impact policy at [www.centrica.com/community](http://www.centrica.com/community)

### Operating context

Exploring for gas and producing electricity are activities that affect local communities. As gas reserves in established markets continue to deplete, sourcing new supplies increasingly involves working in developing countries.

Securing future energy supplies also involves building new power stations, wind farms and storage facilities. Every new development has a local impact and requires sustained engagement with local stakeholders.

### Our impact

As a leading international company, we contribute to the global economy and to the local and national economies in the countries where we operate. Our brands are recognised in the marketplace and there is significant interest in our activities.

We produce and supply energy for millions of customers in the UK, North America and Europe and are increasingly looking to secure gas supplies outside our core markets in countries such as Nigeria, Trinidad and Egypt.

We have a direct impact on local communities through our gas and power assets, our offices and call centres and through the 10m visits our engineers make to our customers' homes in the UK and North America every year.

We employ almost 34,000 people in a range of jobs, from engineers to call centre advisors, geophysicists to training experts. To recruit and retain talented and motivated individuals we must invest time and money to promote skills development and support local economies.

### Our strategy

Making a positive local impact can enhance our reputation and reinforce our credibility with stakeholders. We believe that working in partnership with communities over a sustained period of time is the most effective way to achieve real results and lasting change.

Our approach is to engage with our neighbours, community leaders, non-governmental organisations and charities to understand the implications of our activities and changes in industry and wider society. We liaise with local communities to understand our impact, whatever the activity: constructing a new wind farm, exploring for gas in Nigeria, or running a power station, gas field or call centre.

This approach is guided by our community investment and local impact policy. Where possible, we support initiatives that relate closely to our business activities. We also enable our employees to have a positive impact on communities through a range of volunteering and fundraising activities.

### Human rights

We support all aspects of human rights consistent with the Universal Declaration of Human Rights (UDHR). These form the basis of our respect for the communities in which we operate, our belief in equality and diversity and our emphasis on health and safety.

You can download a PDF of our human rights policy at [www.centrica.com/cr07/humanrights](http://www.centrica.com/cr07/humanrights)

# Local impact

## 2007 Performance – previous commitments

| Centrica Energy   | Progress |
|---|----------|
| Review our engagement with local stakeholders, particularly focusing on Centrica Energy, its existing assets and new global operations                              | ●        |
| Continue to engage with communities local to our gas exploration blocks in Nigeria, operating responsibly to minimise any negative impact and contribute positively | ●        |
| Employee involvement  | Progress |
| To continue our support for employees to make a difference in their local communities and encourage 8,000 employees to register for 'Get Involved'                  | ●        |
| Education programmes  | Progress |
| Launch a new and improved British Gas Think Energy website, which will include information on how to save energy and the environment                                | ●        |
| Vulnerable customers  | Progress |
| To continue to ensure vulnerable customers are identified, working with external partners to provide a range of solutions and services                              | ●        |
| Direct Energy   | Progress |
| To maintain and develop relationships with community organisations who help us to tackle homelessness, and enable our employees to volunteer and fundraise          | ●        |
| External benchmarking   | Progress |
| To maintain our performance, learn from feedback and measure our impact through internal and external surveys, benchmarks and sharing of experiences                | ●        |

- Achieved
- Partially achieved
- Not achieved

# Local impact

## 2007 Performance – our initiatives

### Supporting vulnerable customers

It is our priority to identify and proactively support vulnerable households with a tailored range of services including energy efficiency, debt alleviation, priority service, financial assistance and support from partner organisations. Find out more about our work to help vulnerable customers and improve conditions for those experiencing fuel poverty on page 69.

#### British Gas Energy Trust

We are investing more than £13m in a further four-year commitment to the British Gas Energy Trust, an independent charity that helps customers who have the greatest difficulty paying their household bills. Over 12,000 awards totalling more than £5m have been made (70% to British Gas customers).

### Working in partnership

#### British Gas 'here to HELP'

Since the programme started in 2002 it has helped identify more than £14.4m in unclaimed benefits.

#### Help the Aged

We partner with Help the Aged to provide a better level of care for our elderly customers. During our 2007 partnership we sent over 60,000 requested 'Warmer Home' packs with room thermometers, advice on staying warm and simple forms for recipients to help ensure they are claiming all the benefits to which they are entitled.

#### Save the Children

British Gas' 'Help Yourselves' campaign with Save the Children aims to improve standards of living for the poorest 10% of children and to help them escape the cycle of poverty. We ask young people to identify the issues that most affect them in their communities and how, if they had the necessary funding, they would fix them. Through the partnership we have tackled anti-social behaviour, bullying, health issues, teenage pregnancy and sexual exploitation. Since 2002 the partnership has empowered over 8,700 of the most deprived young people in UK to make positive, sustainable changes to their local communities, enabling them to improve their skills and self-esteem.

### Local Employment Partnerships (LEPs)

We pledged our ongoing support to Local Employment Partnerships to help disadvantaged people get back into work. The scheme aims to help 250,000 people into jobs by 2010. Building on our success of recruiting good people for the engineering academies and engineering apprenticeships, we believe we have much to contribute to help people gain skills and employment.

### Direct Energy

In Canada, Direct Energy was national sponsor to Raising the Roof, a charity combating homelessness. Direct Energy also successfully concluded its role as lead partner in the three-year Raising the Roof project Youthworks initiative. With our contribution of C\$500,000 (£254,582) to this initiative, Raising the Roof was able to gather frontline information from homeless and at-risk youths that will help some of the 65,000 homeless young people in Canada.

In Canada, Direct Energy supported Habitat for Humanity's first EnergyStar® building project with a C\$250,000 (£127,290) donation of cash and products including high-efficiency furnaces. By the project's completion in mid-2008, Habitat for Homes will have built 19 EnergyStar® homes for low-income families. More than 130 Direct Energy employees volunteered to build the homes.

### Community investment in India

Education and renewable energy are important elements for sustainable growth in India. We contributed to development around Pune by providing funds to build a local school and by trialling a solar energy source for homes not connected to the Indian National Grid.

### Renewables developments

Throughout 2007, we continued to involve a wide range of stakeholder groups in different stages of our proposals, collecting and sharing environmental data, holding public exhibitions and exploring other ways of raising awareness of renewable energy.

In January 2007 we submitted our Lincs wind farm proposal for consent, backed by a detailed Environmental Statement. We produced a non-technical summary and held exhibitions in Skegness, Sutton Bridge, King's Lynn and Hunstanton.

## Local impact

### 2007 Performance – our initiatives



#### Operations in Nigeria

As we explore for gas in Nigeria as part of our efforts to secure future energy supplies, we use a structured framework of engagement. Community development guides our work with communities. We have a steering group of local stakeholders and company representatives that advise our community engagement. Through Project Advisory Committees, community representatives can input and coordinate development proposals.

We work with local NGOs, who provide us with analysis of local communities and provide advice on projects. As part of our commitment to address key community issues we are hosting an HIV/AIDS awareness programme in May 2008.

#### Employee involvement

##### Get Involved

We continued to encourage our employees to engage in their communities through the Centrica Get Involved programme. More than 5,000 employees are active in Get Involved either through payroll-giving schemes, the employee lottery or matched funding for their volunteering and fundraising efforts. In 2007 Centrica employees contributed almost £260,000 by volunteering for 18,000 hours.

##### Duke of Edinburgh Award

We introduced participation in the Duke of Edinburgh Award as a mandatory element for all the trainee engineers in our British Gas Service's Engineering Academies. The programme enables trainees to engage in the community while developing their problem-solving, communication and presentation skills. Apprentices have contributed more than 3,000 hours to local communities, which is equivalent to one full-time employee working as a volunteer for 90 weeks or 453 working days!

# Local impact

## 2007 Performance – performance data

| Community investments                       | Unit | 2007 | 2006 | 2005 | 2004 |
|---|------|------|------|------|------|
| Total community contribution <sup>1 2</sup> | £m   | 5.2  | 7.4  | 8.2  | 7.4  |
| Voluntary social contributions <sup>3</sup> | £m   | 25   | -    | -    | -    |
| Mandatory social contributions <sup>4</sup> | £m   | 51   | -    | -    | -    |

1 Calculated using London Benchmarking Group methodology

2 Includes £1.1m donation to the British Gas Energy Trust, which supports vulnerable customers

3 Cost of voluntary programmes to support vulnerable customers in the UK

4 Cost of mandatory programmes to support vulnerable customers in the UK

| London Benchmarking Group analysis | Unit | 2007    | 2006    | 2005    | 2004    |
|------------------------------------|------|---------|---------|---------|---------|
| Charitable gifts                   | £    | 500,000 | 603,000 | 781,000 | 681,000 |
| Community investment               | £m   | 1.6     | 1.7     | 2.5     | 3.9     |
| Commercial initiatives             | £m   | 2.4     | 4.3     | 4.3     | 2.3     |
| Management costs                   | £    | 679,000 | 867,000 | 535,000 | 535,000 |

The new investment parameters reflect the significant amounts of contributions we make to the community that fall outside the LBG rules or are part of the Government's required donations such as the Energy Efficiency Commitments.

| Benchmarking community performance | Unit | 2007 | 2006 | 2005 | 2004 |
|------------------------------------|------|------|------|------|------|
| CR Index community score           | %    | 99   | 100  | 100  | 100  |

While our score in the community section dropped one percentage point, our overall company performance rose from 94% to 96% making Centrica a Platinum performing company.

| Employees              | Unit  | 2007   | 2006   | 2005   | 2004   |
|------------------------|-------|--------|--------|--------|--------|
| Employees volunteering | Hours | 18,000 | 13,000 | 15,000 | 13,000 |

We continued to provide up to two days off in work time to encourage employees to volunteer in their communities. Volunteering activities undertaken by British Gas engineer

trainees as part of the Duke of Edinburgh Awards Programme contributed to the increase in time volunteered.

# Local impact

## 2007 Performance – future commitments



### Centrica Energy

- Review community investment activities and define future policy and approach, aligning with British Gas activities.

### Employee involvement

- Improve the systems available to employees to enable them to engage with their communities.

### Education programmes

- Launch national programme enabling schools to reduce their carbon footprint and take action to tackle climate change.

### Vulnerable customers

- Continue to work with public and voluntary sector partners to identify and support vulnerable customers and address fuel poverty.

### Direct Energy

- Review community investment policy and develop a new approach with greater focus on tackling key issues in a sustainable way.

### External benchmarking

- Continue to benchmark our performance through recognised external indices and through research with employees and external stakeholders.

---

# Supply chain

## Overview

### Our commitment

We are committed to working with our suppliers and business partners to integrate our business principles into our supply chain activities.

### Operating context

For any large organisation, procuring goods and services is a complex global activity. To remain competitive companies are adopting new procurement strategies such as increasing outsourcing and sourcing from emerging markets. Energy companies in particular must focus their efforts increasingly on developing countries and less stable economies to find new sources of energy.

Companies are regularly held to account by consumers, NGOs and investors for failing to manage the social and environmental impact of their supply chains. As a result, there is a growing need for companies to focus on both their own operations and the activities of their suppliers and business partners.

### Our impact

Every year we spend billions of pounds purchasing goods and services to support the delivery of our business activities: including gas and electricity, outsourced services, central heating boilers, electrical parts and metering. In the course of this activity we are responsible for delivering value to our investors and customers, while observing responsible purchasing practices, which align with our business principles.

### Our strategy

We expect our suppliers and business partners to understand and uphold our business principles. Our Group Responsible Procurement and Supplier Management Policy explains the conduct we expect of ourselves and our business partners, the operating standards and how we integrate these standards into our procurement and supplier management activities.

We assess our supply chain activities to identify and prioritise risks, and check that business partners have in place processes to manage the social and environmental impact of their operations.

If underperformance is identified we seek to work with business partners that commit to a mutually agreed remediation plan. Our supplier management programme enables us to monitor performance in our supply chains through regular meetings with business partners.

We recognise the benefits of working with our suppliers and business partners to share knowledge and expertise that will help both organisations develop good social, ethical and environmental policies and processes.

# Supply chain

## 2007 performance – previous commitments

| New responsible procurement policy  | Progress |
|---|----------|
| Develop a new responsible procurement policy to articulate how we apply our business principles in our relationships with suppliers, contractors and business partners  | ●        |
| Extend risk mapping   | Progress |
| Extend CR risk mapping to our international and UK upstream activities and work with Direct Energy to introduce a consistent approach to our North American activities  | ●        |
| Strategic supplier workshop   | Progress |
| Host responsible procurement workshops with strategic suppliers to communicate our policy and discuss best practice   | ●        |
| Guidance for procurement teams  | Progress |
| Build on our successful supply chain briefing session by providing practical guides to our procurement team on the likely CR impact areas in our procurement categories | ●        |
| Carbon footprint assessment   | Progress |
| Undertake a carbon footprint assessment of our top 20 suppliers in the UK and encourage them to work with us to deliver our environmental goals and targets             | ●        |

- Achieved
- Partially achieved
- Not achieved

# Supply chain

## 2007 performance – our initiatives

### New responsible procurement policy

In 2007 we introduced the Group Responsible Procurement and Supplier Management Policy to extend our business principles into our supply chain activities. Our CR Committee led the policy development which involved review and approval by the Board and Executive Directors and consultation with key suppliers and business partners.

The policy contains six key elements:

- Ensuring integrity in our business transactions
- Dealing openly and fairly
- Respecting human rights
- Focusing on health, safety and security
- Tackling climate change and environmental impact
- Responding to feedback

We continued to work with our procurement teams to increase understanding of key CR issues. A procurement conference dedicated to CR issues helped raise awareness among procurement managers. With our new policy now in place, more structured training for procurement teams is something we will revisit in 2008.

### Supplier workshops

We held two workshops with our strategic suppliers to communicate our new policy and to create a platform to discuss and share best practice on supply chain responsibility. Those involved included Vodafone, Royal Mail, GE and Cognizant, and all suppliers responded positively to our approach and openly shared information about their policies. We intend to hold future events to maintain this dialogue.

### Green supply chain event

We hosted an event for suppliers and our procurement teams to highlight environmental considerations in supply chains. Gearóid Lane, managing director of British Gas New Energy, outlined our low-carbon strategy and our key suppliers highlighted new low-carbon technologies and innovations that will help us meet our goals.

We did not progress our plan to undertake a carbon footprint assessment of our top 20 suppliers.

### In-depth analysis

We initiated a project in partnership with Worcester Bosch to analyse the supply chain for boilers and parts that we purchase from them. Together we are taking a detailed look down the supply chain to ensure that social and environmental matters are effectively managed. We will report the results of this project in our 2008 CR Report.

### Extending risk mapping

The introduction of our new policy enabled us to extend our approach across Centrica Energy and to our activities in North America. There is more work to do to create a consistent approach across the Group and this will continue to be a key area of focus moving forwards.

### North America

A comprehensive Contractor Management Standard was introduced to address the risks posed by third-party contractors. As a result, contractor selection and orientation processes are now more robust, temporary custody transfer processes are adhered to and site/contractor inspections are more frequent.

We have not yet defined appropriate performance indicators in relation to supply chain responsibility. Following the publication of our Responsible Procurement and Supplier Managements Policy in 2007 we are currently developing processes to track and report on its implementation. We will provide an update in our 2008 CR Report.

## Supply chain

### 2007 performance – future commitments



#### Communicating our approach

- Communicate our Business Principles, Guide to Sound Business Practice and Responsible Procurement Policy to suppliers and business partners.
- Work with our business partners and suppliers to increase their awareness of our policy and our expectations in relation to its implementation.
- Introduce an online portal for suppliers and business partners to communicate our Business Principles and key policies.

#### CR refresher training for procurement teams

- Deliver refresher training to procurement and supplier management teams on social and environmental considerations and on the implementation of our new policy.

#### Monitoring our performance

- Develop performance indicators to track the implementation of our approach.
- Identify key performance indicators for publication to external audiences.
- Evaluate the effectiveness of the risk assessments on our procurement activity and relationships with suppliers.

#### Extend our policy across the Group

- Continue to work with business units to ensure that our policy is integrated across all procurement activities.
- Hold further supplier forums for our upstream and North American operations.

---

# Stakeholders

---



Structured engagement with all relevant stakeholders is fundamental to the way we do business. It helps to build trust, demonstrate transparency and to identify risks and opportunities.

### Investors

Addressing our social and environmental impact helps us to manage risk, protect our reputation and deliver strong returns for our shareholders.



### Dialogue with stakeholders

It is essential that we are alert to evolving trends and opinions – among employees, customers, policymakers, investors and wider stakeholders – so that we can fully understand our impact on society and the environment and contribute our expertise and experience to public debate.

# Customers

## Overview

**Our priority is to provide the best value in the marketplace by delivering good-quality customer service and being competitive on price.**

As a multinational energy company providing essential services to millions of customers every day, understanding their evolving needs is very important. Being responsible and responsive in how we manage relationships with our customers is central to our business strategy.

### Consumer research

We use a combination of focus groups, interviews and larger-scale surveys to gain insight into customers' perceptions, identify the needs of specific groups and tailor our products and services accordingly.

### Direct feedback

Our customer service advisers and engineers talk to thousands of customers every day. We encourage them to capture feedback on concerns and opinions that will help us to improve our service. We also encourage customers to give direct feedback via our websites and call centres, and we are focused on resolving complaints quickly and efficiently.

### Measuring satisfaction

Customer satisfaction is a key element of performance appraisal for executive directors and senior managers. We closely track our performance by asking customers to rate the quality of our service.

Here are some examples of our dialogue with customers in 2007.

### Customer satisfaction

We have a major programme of customer satisfaction research to ensure we deliver the best possible service to our customers.

#### British Gas Services

We write to more than 500,000 customers each year to ask their opinion of our service. In 2007 key concerns included setting and keeping appointments and multiple visits required to complete jobs. Our improvements included engineers calling ahead to let customers know their likely arrival time, initiatives to reduce the number of repeat visits and trialling two-hour appointment slots (instead of am/pm).



#### British Gas Residential

We interview more than 12,000 customers each year to identify where we need to improve our service. Key issues for customers in 2007 were the speed through to getting someone who could deal with their query and our ability to resolve their issue first time. In response we have introduced initiatives to reduce the average speed to answer. We have significantly reduced email response times and established reduction of repeat contacts as a priority.

#### British Gas Business

Each month, our in-house British Gas Business team talk to 2,300 customers to find out the likelihood that they would recommend us as a supplier and why.

#### Direct Energy

Direct Energy conducted 'moment of truth' research with 55,000 residential and business customers to determine the level of customer satisfaction with the way we interact with them. Our customers identified a number of key issues including unacceptable waiting times to speak with a customer service representative and difficult navigation with our interactive voice response programme. In response we have significantly reduced call waiting times by adding approximately 400 remote customer service representatives and we have simplified our interactive voice response programme.

---

# Customers

## 2007 performance

### Responding to customer needs

#### British Gas Residential

We conducted in-depth interviews to understand how customers handle the various bill enclosures they receive and how they would prefer to receive information from us. This is being used to improve the format and content of future account enclosures.

#### British Gas Services

We developed 'Love Your Customer' sessions for employees to appreciate customers' thoughts, views and feelings through a variety of channels including verbatims, visits with engineers, listening in to customer calls and reviewing complaint reports. We used feedback from engineers and customer service advisors across the country to put together a set of Customer Commitments, representing what we pledge to our customers.

#### British Gas Business

We held landlord forums to establish a two-way dialogue with customers and identify critical needs. We also ran a quarterly survey to track performance of billing, metering, getting through and service.

#### Direct Energy

We surveyed 10,000 consumers to measure perceptions, expectations and perceptions of Direct Energy and its competitors. This helped us measure brand awareness and consumers' opinions about competition and emerging products. We also used customer focus groups and surveys to gauge consumer reaction to our entry into the British Columbia market. This successfully shaped our 'go to market' strategy.

### Green issues

Our dialogue with customers on climate change and environmental issues has increased significantly in recent years across all of our markets.

British Gas worked in partnership with *The Guardian* online to publish a series of consumer advice columns on energy efficiency and low-carbon products. We used blogs to have conversations with consumers and promote awareness, understanding and debate. Topics included: Energy Saving Week, insulating and green labelling.

The British Gas Corporate Responsibility Tracker monitors consumer perceptions of us and other companies. We also engaged MORI to conduct research into consumer priorities. Our year-on-year performance improved and remains ahead of the other major UK energy suppliers. Recycling and environment continued to be the key things consumers believe companies should contribute to or support.

We also engaged widely in the development of our British Gas Green Streets and Generation Green Initiatives.

In North America, Direct Energy has recognised, through dialogue with customers and market research, that our customers are looking for products and services that empower them to take action to combat climate change. That is why we launched, and continue to seek opportunities to launch, products and services like our carbon-neutral gas plan and green power products.

# Investors

## Overview

**Addressing our social and environmental impact helps us to manage risk, protect our reputation and deliver strong returns for our shareholders.**

We believe there is an intrinsic link between corporate responsibility and strong financial performance. Both mainstream and socially responsible investors are increasingly taking into account companies' social and environmental performance, and their ability to manage non-financial risks.

### Socially responsible investors (SRI)

We participate in a range of benchmarking initiatives by the SRI community. We are included in the Dow Jones Sustainability Index, FTSE4Good indices and are recognised as a leader by the Carbon Disclosure Project. We also achieved platinum performance in the 2007 Business in the Community CR Index.

### Investor roadshow

Our annual CR investor roadshow enables us to explain our strategy, performance and future plans, and to answer questions from analysts on the social and environmental impact of our operations.

### One-to-one dialogue

Our social and environmental performance is discussed at briefings with mainstream investment analysts and we regularly have individual discussions with analysts to communicate and seek feedback on our strategy and respond to questions.

## 2007 performance

### Socially responsible investors

We hosted our fourth annual roadshow for investment analysts to give them the opportunity to understand our strategy, performance and targets.

Presentations from senior management covered governance, customer service, supporting vulnerable customers, climate change, investing in renewables, new technology and our low-carbon strategy.



### Institutional investors

During the year, our investor relations team held one-to-one meetings and briefing sessions with institutional investors. Corporate responsibility issues were a feature of all these types of engagement.

### Results and reporting

Corporate responsibility is now a key feature within all our results announcements and in our company reporting.

As a result of changes to the Companies Act, we have encouraged shareholders to view our 2007 Annual Report and Annual Review online at [www.centrica.com/reports2007](http://www.centrica.com/reports2007).

Around 80,000 of the company's 800,000 shareholders received the 28-page Annual Review, while fewer than 5,000 requested the full Annual Report. The online move helped us cut costs and reduce the impact of the report on the environment.

Our online CR report was ranked third best in Europe by internet consultancy Jungle Rating.

# Investors

## 2007 performance

### External benchmarking and recognition



**ACCA Awards**

Our online CR report was commended by the Association of Chartered and Certified Accountants in 2007. [www.accaglobal.com](http://www.accaglobal.com)



**Carbon Disclosure Project**

We were recognised in the Carbon Disclosure Project Climate Leadership Disclosure Index in 2007 [www.carbondisclosureproject.com](http://www.carbondisclosureproject.com)



**Dow Jones Sustainability Index**

We were DJSI sector leader in 2007. Our performance was recognised as Gold Class. [www.dowjones.com](http://www.dowjones.com)



**FTSE4Good**

We have been included in all FTSE4Good indices since 2001. [www.ftse.com](http://www.ftse.com)



**BITC CR Index**

In 2007 we achieved a platinum score of 96% (94% in 2006). [www.bitc.org.uk](http://www.bitc.org.uk)



**Innovest / WWF**

Centrica ranked first in an assessment of UK energy suppliers' action on climate change. [www.wwf.org.uk](http://www.wwf.org.uk)



**Global 100**

Centrica was again named as one of the world's most sustainable companies in 2007. [www.global100.org](http://www.global100.org)



**Oekom Research**

Oekom Research has classified Centrica's investment status as 'Prime'.

Read more about the rating [www.oekom-research.com/#methodik](http://www.oekom-research.com/#methodik)

---

# Employees

## Overview



**We are committed to ensuring that we attract and retain the best talent and create an environment in which all our employees can flourish.**

A motivated, committed and productive workforce that delivers the levels of service our customers expect is vital to our long-term business success. Communicating effectively with our people and encouraging them to share their opinions, concerns and ideas is central to the way we operate.

### Open communications

We encourage all our employees to be involved in decision making through team meetings, briefing sessions, events and suggestion schemes. Our intranet, blogs, audio, video and magazines help us to reach people across the company and help them to stay in touch with our strategy and performance.

### Measuring perceptions

Our annual employee survey measures engagement, attitudes, opinions and commitment levels for every team. The results are widely communicated and help us to create action plans linked to personal objectives.

### Management on the move

We insist that our senior managers regularly visit different areas of the business to experience our frontline operations, listen to our employees' feedback and recommend action that will help us improve our performance.

---

# Employees

## 2007 performance

### Employee engagement

In 2007 we ran an interim survey among employees designed as a temperature check, which received an 84% response rate. Average engagement increased from 3.84 to 3.96 out of a maximum of five. The survey included three 'commitment' questions, 20 'engagement' questions and six additional questions.

### Business principles

We relaunched our Business Principles among employees. The awareness campaign included a mandatory online learning programme for managers, a booklet called 'Building a Better Business: a guide to sound business practice' and a board game for use in group training, as well as intranet articles and leaflet distribution across the business. Business principles training was also undertaken by the Centrica Board.

### Green issues

We conducted a survey among employees which concluded that Centrica should take the lead in helping employees to tackle climate change.

In response we developed and launched a 'Being Green' campaign among all employees, equipping managers and leaders with videos and other materials to engage their staff in our green priorities. We also developed a 'green' area of the intranet, integrating internal communications with our external messages, and we engaged the senior leadership community on green issues at their annual conference.

Our green teams arranged events during the year at local sites, covering issues such as recycling, energy-saving and car-sharing. In December 2007 we held workshops for our existing green team leaders to give us their opinions and suggestions for improvement.

### Dialogue with senior leaders

British Gas Residential ran a series of roadshows called Team Talk Live to engage all employees in British Gas' new vision and values. British Gas Services involved 9,000 employees in face-to-face discussions with senior leaders to talk about strategy, business direction and the progress we are making. British Gas Business' weekly themed roundtable sessions enabled employees to engage in dialogue with senior leaders on key business issues.

### Volunteering and fundraising

We developed a network of volunteers across Centrica's UK sites called Get Involved Champions and in North America we maintained our Direct Energy Direct in the Community programme network. These volunteers coordinate volunteering and fundraising activities at their local sites and these networks provide a two-way communication channel between the champions and the central CR team for information exchange. The ultimate aim of the networks is to improve our community investment activities, enhance employee engagement, encourage employees to volunteer and to improve awareness of the opportunities available.

# Suppliers and business partners

## Overview

We work with our suppliers and business partners to ensure they manage their operations in line with our business principles.

Every year we spend billions of pounds purchasing goods and services such as gas and electricity, IT services, central heating boilers, appliances and electrical parts. We recognise the benefits of working with our suppliers and business partners to share knowledge and expertise to help deliver good social and environmental performance.

### Responsible procurement policy

- Supports our business principles
- Describes our expectations
- Provides a consistent standard
- Helps us identify and prioritise risks
- Communicated to suppliers and partners

### Selecting new suppliers and partners

- Agree selection criteria
- Include relevant CR criteria
- Assess performance and procedures
- Shortlist preferred suppliers and partners
- Award the contract



### Monitor performance

- Ongoing management process
- Face-to-face meetings and site visits
- Review in line with agreed measures
- Aim to improve performance
- Identify and manage issues

### Agree targets and commitments

- Agree performance criteria
- Include relevant CR criteria
- Finalise contract



# Suppliers and business partners

## 2007 performance



We continued to maintain dialogue with suppliers and business partners on a range of CR issues during the year.

### New responsible procurement policy

In 2007 we introduced a new responsible procurement policy to extend our business principles into our supply chain activities. Our CR Committee led the policy development, which involved review and approval by the Board and Executive Directors, and consultation with key suppliers and business partners.

### Supplier workshops

We held two workshops with our strategic suppliers to communicate our new policy and to create a platform to discuss and share best practice on supply chain responsibility. Those involved included Vodafone, Royal Mail, GE and Cognizant, and all suppliers responded positively to our approach and openly shared information about their policies. We intend to hold future events to maintain this dialogue.

### Green supply chain event

We hosted an event for suppliers and our procurement teams to highlight environmental considerations in supply chains. Gearóid Lane, managing director of British Gas New Energy, outlined our low-carbon strategy and our key suppliers highlighted new low-carbon technologies and innovations that will help us meet our goals.

### In-depth analysis

We initiated a project in partnership with Worcester Bosch to analyse the supply chain for boilers and parts that we purchase from them. Together we are taking a detailed look at the backward supply to ensure that social and environmental matters are effectively managed. We will report the results of this project in our 2008 CR Report.

### Ongoing supplier management

During the year, we held one-to-one account management meetings with suppliers, which included discussions on social, ethical and environmental issues.

# Governments and regulators

## Overview



**We work with political and regulatory stakeholders to increase their understanding of our business and to shape the policy environment in which we operate.**

We operate in highly regulated markets around the world, where policy decisions can fundamentally affect our commercial operations. As a leading integrated energy company, policymakers are particularly keen to understand our perspectives on securing energy supplies, carbon emissions reduction strategies, competitive pricing and protecting vulnerable customers.

### Key political stakeholders

Our key political stakeholders include the UK Government, EU Commission, UK and EU politicians and their advisers, Scottish, Welsh and London Assembly members, civil servants and trade associations. In North America we engage with regulators on federal, national, state and provincial levels, as well as a wide variety of other public officials and stakeholders, through four dedicated Government and Regulatory Affairs teams: Canada East, Canada West, US North and US South.

### Engagement

We respond to formal consultations by government, opposition parties, select committees and others and often join forces with other organisations to raise awareness of key issues. We arrange for officials to visit our sites to gain first-hand experience of our business. We also work closely with the UK Foreign and Commonwealth Office to support our international gas exploration and procurement activities.

### Memberships

We are a member of many organisations actively involved in shaping the policy environment in our markets. For example, we sit on the Corporate Leaders Group on Climate Change (CLG), which exists to provide business support for significant carbon reduction targets, and actively engage in political communication programmes coordinated by the CLG.

# Governments and regulators

## 2007 performance

We are committed to playing a full and active role in the political process to support the creation of competitive energy markets that deliver consumer choice, support vulnerable customers, promote security of supply and facilitate the move towards a low-carbon society.

### Competitive markets

In 2007 we continued to support the creation of a truly competitive European energy market. We welcomed the European Commission's proposals for the unbundling of electricity and gas transmission networks and will support their implementation. In addition, Direct Energy continued to advocate market change across North America to improve energy market competitiveness and consumer choice.

### Reducing carbon emissions

We played an active part in the debate on reducing carbon emissions, including the development of EU emissions reduction targets and phase three of the EU Emissions Trading Scheme (ETS). In North America we continued to engage with federal, state and provincial policymakers, as well as industry groups, to inform thinking on carbon legislation. The price of carbon is a significant factor in our investment decisions and our ability to realise absolute carbon reductions, and we believe that effective cap and trade systems such as the ETS will provide long-term visibility.

### Working with regulators

We held regular discussions with UK energy regulator Ofgem and North American regulators across all markets and consulted with them specifically about the development of green products and green plans moving forward, market deregulation and the benefits of competition. Our regular discussions covered a range of areas relating to energy supply including debt and disconnection; changes in consumer representation; and complaint handling standards, as well as fuel poverty.

### MP research

We conducted a survey among UK MPs to assess their perceptions of Centrica and of key issues facing the energy industry. The survey concluded that there was a marked increase among the number of MPs who cite Centrica and British Gas as the most favourable UK energy supplier. However, there was some scepticism among the respondents towards the energy sector as a whole.

### Consultation responses

We submitted responses to a number of Government consultations on energy matters.

Our responses on the following subjects can be downloaded as PDFs from our website at: [www.centrica.com/cr07/responses](http://www.centrica.com/cr07/responses)

- Smart metering
- Security of supply
- Competition
- Carbon monoxide
- Other responses

### Health & safety

We maintained our strategic engagement with the Health and Safety Executive (HSE) through our 'Working Together' agreement. We continued to improve communications and understanding between our organisations on issues such as wind turbines, asbestos management, Liquefied Natural Gas (LNG) and land use planning.

### North America

In Canada we had regular interactions in British Columbia, Alberta, Manitoba and Ontario with government policy officials, elected representatives including cabinet ministers, regulators, consumer representatives and various industry stakeholders. These interactions included:

- Working with British Columbia government policy officials to establish market rules for the opening of the retail natural gas market to competition
- Lobbying on door-to-door sales practices
- Participating in a review of the status of natural gas competition in Manitoba

---

# Communities

## Overview



**We actively consult with local communities to understand and manage the social, economic and environmental impact of our operations.**

Our goal is to contribute positively to the development of the communities in which we operate. To achieve this we work with community organisations, local groups and individuals to assess our impact and develop partnerships that benefit both the communities and our business.

### Project-based dialogue

Developing energy assets requires close liaison with local stakeholders, particularly before planning approval is granted and through the construction stages, but also during the following years of operation. Our approach is to deliver a proactive and responsive programme of meetings with individual groups so that we can listen and respond to their concerns. We hold face-to-face meetings and public exhibitions to keep people informed.

### Community partnerships

We establish partnerships with local community organisations, schools and colleges to support projects that have environmental and educational goals in line with our community investment policy. We talk to local groups and individuals, responding to their ideas and requests as appropriate.

### Vulnerable customers

Identifying and providing appropriate support to vulnerable customers is a challenging priority for us. Our customer service advisors and engineers are in contact with thousands of customers in local communities each day. This helps us to identify vulnerable customers, understand their specific needs and provide support.

### Education and advice

Our presence in local communities gives us the opportunity to educate local schoolchildren and residents on energy efficiency, renewable energy and climate change. Visitor centres at our power stations enable us to bring members of the community on site to see how we operate and how the station contributes to their own community, the industry and our customers.

### Local employer

We work with a range of community organisations, schools and colleges for training, career support and advice. Creating employment opportunities and investing in skills development helps us to contribute positively to communities. We also encourage our employees to get involved in their local communities and increase their contribution to society.

# Communities

## 2007 performance

**We continued to engage with communities around all our offices, assets and project development sites. To support this we launched a new website for Centrica Energy [www.centricaenergy.com](http://www.centricaenergy.com), which provides information on operations and how we are working with local communities. Examples of our activities during the year include:**

### Power station development

We held meetings in Language, Devon, with community members, local campaign groups and local MPs to discuss matters of mutual concern and to make sure that all parties are satisfied as to our progress on the construction of a new highly efficient gas-fired power station. We publicise events through local media and provide information at Local Liaison Committee meetings. We also provide a freephone number for local residents.

During the year our power stations across Britain and North America arranged visits by schoolchildren and community groups to give them a greater understanding of energy issues.

### Gas exploration in Nigeria

We are exploring for gas in Nigeria as part of our strategy to secure future energy supplies. Searching for and extracting gas can have a considerable impact on local communities and developing positive relationships with communities is vital to our success in Nigeria.

We believe that through structured and ongoing engagement with local communities, and utilising NGO partnerships, we can deliver sustainable benefit to our neighbours in Nigeria.

We continued to engage with local communities proactively through partnerships and capacity-building to ensure constructive and beneficial impact. A structured framework of engagement and community development guides our work with communities. To support this, we developed and signed a Memorandum of Understanding in collaboration with local stakeholders in 2007.

Our steering group of local stakeholders and company representatives advises our community engagement. Through Project Advisory Committees, community representatives can input and coordinate development proposals for community investment programmes.

We work locally with NGOs to provide us with analysis of local needs and the sustainability and achievability of projects. As part of our commitment to operate in Nigeria we are also hosting an HIV/AIDS awareness initiative in May 2008.

### Renewables development – Lincolnshire

One of our key responsibilities as a leading developer of renewables assets is to involve our stakeholders in the process and work with them to raise awareness of our plans and address their concerns.

At the planning stage we clearly define our programme of engagement and environmental activities not only to ensure stakeholder interests are taken into consideration but also to capture local and specific scientific experience.

Throughout 2007 we continued to involve a wide range of stakeholder groups in different stages of our proposals, collecting and sharing environmental data, holding public exhibitions and exploring other ways of raising awareness in a much broader way in the community.

In January 2007 we submitted our proposal for consent to develop Lincs offshore wind farm, backed by a detailed Environmental Statement. We produced and made available a non-technical summary. We publicised exhibitions via the local media and these were held in Skegness, Sutton Bridge, King's Lynn and Hunstanton.

# NGOs and consumer organisations

## Overview

**We work with NGOs, charities and consumer organisations to inform and communicate our position on a range of social and environmental matters.**

### Partnerships

We work on a variety of social and environmental issues with key partners. For example, our dialogue with Help the Aged, National Energy Action and Save the Children was influential in the development of the British Gas Essentials Tariff – the largest social energy tariff in the UK. Direct Energy is working with WWF-Canada to influence policymakers to update energy efficiency standards across Canada.

### Consumer issues

We work closely with consumer organisations in our key markets such as Energywatch, the UK consumer watchdog, to ensure we adopt best practice and respond effectively to consumer concerns. We also belong to a number of consumer associations, including the Direct Marketing Association in the United States and

the Canadian Marketing Association in Canada. These memberships ensure we help the industry meet or exceed standards set in our markets.

### Presentations and research

We invite representatives from charities and NGOs to make presentations about their work to us and look at ways that we might form new partnerships.

In addition, selected NGOs carry out research work on our behalf and the results are incorporated into our strategy. For example, we have been working with Green Alliance and a number of individual environmental NGOs and charities – including the WWF and Forum for the Future – to shape our climate change strategy and to discuss policy and regulatory issues.

### Memberships

We are involved in a wide variety of membership organisations. For a full list, please download the following PDF: [www.centrica.com/cr07/membership](http://www.centrica.com/cr07/membership)

## 2007 performance

### Green issues

We continued to engage widely with NGOs to discuss environmental policy and green issues during 2007. In Canada, Direct Energy partnered with WWF-Canada in 'The Good Life' campaign, which is designed to help Canadians understand and manage their environmental footprint. In the UK we participated in the meeting of the Green Alliance and held individual discussions with organisations including WWF and Greenpeace. We also continued to be a member of the Corporate Leaders Group on Climate Change.

### Consumer organisations

We held regular discussions with UK consumer watchdog energywatch on issues such as social policy and customer service. We also consulted with the Royal Engineering Academy, National Consumer Council and the Climate Group on consumer issues. In North America, through our memberships and on a one-to-one basis, we met with consumer organisations to discuss sales practice and industry standards.

### Fuel poverty

British Gas continued to be represented on the Fuel Poverty Advisory Group (FPAG), which exists primarily to report on the delivery of the Government's Fuel Poverty Strategy in England. We also worked in partnership with a number of charities to deliver our fuel poverty initiatives and further our understanding of the issue. For example, we worked with National Energy Action to host a series of dinners with politicians and civil servants to discuss measures to address fuel poverty.

### Homelessness

Direct Energy continued and expanded our relationships with organisations across North America in support of action on homelessness. We maintained our partnership with Raising the Roof and helped launch the Youthworks initiative, which works with local organisations to help find ways to break the cycle of homelessness among youths and to support them to build a better future. Through Raising the Roof and our other partnerships we continue to work to influence policy and to address the causes of homelessness.

# Media

## Overview

**We engage with the media to ensure that the public perception of us is as closely aligned to reality as possible.**

A business like ours is under increasing public scrutiny. We carefully monitor the media to understand public opinion on issues that matter to us. We communicate through a variety of media channels, including broadcast media, newspapers and magazines and the internet.

### Campaigns

We use media campaigns and communications to reach out to our customers on product safety issues. For example, raising awareness of carbon monoxide safety and highlighting homelessness and fuel poverty issues. We also promote energy-saving measures through media partnerships.

### Transparency

We work hard to ensure that our communications with customers are open and credible, and that the right procedures are in place to deal with any concerns.

We work closely with, and commit to follow, the code of conduct of the main trade associations, which include:

- Ofgem
- Ofcom
- Advertising Standards Authority (ASA)
- Committee of Advertising Practice (CAP)
- Broadcast Advertising Clearance Centre (BACC)
- Radio Advertising Clearance Centre (RACC)
- ISBA
- Direct Marketing Association (DMA)
- Association of Productivity and Quality Control (APQC).

This helps us to ensure that all our communications, from advertising to telesales, are conducted in accordance with relevant industry standards. In addition, we help to shape industry best practice through our representation at board level within ISBA and the Marketing Society.

**The media play an important role in informing debate. It is therefore vital that we engage with journalists to ensure that they have access to credible and accurate information and that they fully understand all the issues involved in the energy industry.**

### Technology

In March 2008 we ran a technology day for journalists to allow them to see all the different low-carbon and microgeneration technologies that we are developing. Topics covered included the market, environmental factors at home, which technologies will dominate and what the opportunities are. The aim of the day was to:

- Develop better links with key environment and technology writers
- Explain the environmental context of British Gas investments for its customers
- Explain what being green means to British Gas
- Demonstrate progress made by BGNE one year from conception
- Demonstrate our investment and innovation in low-carbon technologies

### Briefings and visits

We made our senior executives, including Chief Executive Sam Laidlaw and Managing Director of British Gas Phil Bentley, available for briefings with the BBC, City editors and newspapers.

We organised trips for key journalists to our many assets, including Morecambe offshore gas platform, our new power station at Langage and our renewables developments. The aim of these was to help the media to understand how energy supply works during winter months.

We also continued to conduct a vast number of one-to-one briefings with key journalists in the UK, Europe and North America.

# Trade unions

## Overview



We work closely with trade unions to manage changes and to avoid disputes. We recognise collective relationships with trade unions that help us support our business goals.

Around 50% of employees are covered by collective agreements with unions that cover recognition, membership and procedural and substantive items such as pay.

### Relationships

In both North America and the UK, working relationships are positive with the trade unions and there is a good record of change without disputes.

Our trade union relationships fall into three main categories:

- British Gas engineers (Gmb)
- British Gas office and field debt staff (Unison and Gmb)
- Centrica Energy power stations (Amicus and Prospect).

In North America our trade union relationships fall into two categories:

- Direct Energy technicians (CEP, USWA, CAW, IBEW, VA, CCQ)
- Direct Energy Home Services clerical staff (CEP)

We communicate through sharing information, consultation and negotiation, which occurs at national and local meetings. For employees not represented by a union, we put in place consultation arrangements as the situation requires, e.g. for change programmes and redundancies.

We continued to work closely with various trade unions in 2007.

### North America

Direct Energy successfully negotiated a new collective agreement with the union CEP, at the same time as we were bringing on 13 new union contracts through our acquisition of MABE in Canada Home Services. Five members of the Canada Home Services team, representing a cross-section of the business, negotiated over three months, reaching the two-year agreement in May 2007. The new contract provides the business with greater flexibility to run its operations more efficiently. Canada Home Services continues to work closely with each union's management team to address issues as they arise to ensure the effective operation of the business.

Direct Energy also completed negotiations with the four unions representing its appliance technicians, reaching agreements of two or three years. The unions involved were Canadian Auto Workers, United Steelworkers, International Brotherhood of Electrical Workers, and Communications, Energy and Paperworkers. The negotiations were completed without labour disruption.

### United Kingdom

In the UK, the British Gas Electrical Servicing Division (ESD) pay deal was twice rejected, leading to the trade union balloting its members for action before strikes. The business worked hard to resolve this and a third pay deal was accepted. ESD also achieved a two-year pay deal from the negotiations which it had sought afterwards.

**Feedback**

Please direct any comments or queries about our approach to corporate responsibility to [responsibility@centrica.com](mailto:responsibility@centrica.com)

For our full corporate responsibility report, visit: [www.centrica.com/cr07](http://www.centrica.com/cr07)

**Centrica plc**

Company registered in England and Wales no 3033654

Registered office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

Tel: 01753 494000 Fax: 01753 494001

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