

# United Nations Global Compact

## Centrica's Communication on Progress 2018-19

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

**Iain Conn**  
Group Chief Executive

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

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

As a leading energy services and solutions company, we respect and uphold the fundamental human rights and freedoms of everyone who works for us, with us or lives in the communities where we operate.

We embrace internationally recognised standards on human rights across our business, including the UN's Guiding Principles on Business and Human Rights. This commitment is set out in Our Code which is our company-wide code of conduct and helps ensure we do the right thing. To ensure our people understand and embody Our Code, 96% of our people in 2018 completed training and certified that they would uphold it. All new employees additionally commit to support Our Code via clauses in their contracts and they additionally complete an e-learning module about the Code, so that they are aware of the high standards we expect from day one of their employment with us.

We only work with third parties who act with integrity and who operate in a way that is consistent with Our Code, which includes our commitment to human rights.

#### Find out more

- [Our Code](#)
- [Annual Report 2018](#)

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

We never knowingly cause or contribute to activities or relationships that violate human rights and we will address any abuses if they occur.

To avoid human rights abuses across our business, all employees are required to undertake the annual Our Code awareness training and declaration process, which includes a commitment to respect human rights. Where we work with potentially higher risk suppliers, we conduct additional due diligence to reduce risk in being complicit in human rights abuses. This involves using an independent sustainability supply chain expert to assess higher risk suppliers on their social, ethical and environmental performance. In 2018, we assessed a further 69 suppliers, which resulted in an average supplier sustainability score of 54 (low risk) and is better than the multi-industry average of 42 (medium risk). If suppliers receive a medium or high-risk rating, we will consider appropriate next steps which may involve working together to raise standards, or terminating our relationship and reporting the abuse if they continue to fall short of our expectations.

Should anyone have any concerns about how we do business, including any potential human rights abuses, we encourage issues to be raised via our Speak Up online and phone-based helpline. All concerns are treated confidentially and investigated, with remedial action taken where needed. Following communications that promoted Speak Up and the Our Code annual training in 2018, we saw a notable increase in the use of the helpline which can be demonstrated with 1.16 reports per 100 employees - just below the external benchmark of 1.4 per 100 employees. This increase demonstrates the effectiveness of the helpline and shows that we have a culture where employees feel able to speak up without fear of retaliation.

#### Find out more

- [Our Code](#)
- [Procurement Policy](#)
- [Annual Report 2018](#)

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

Working in partnership with trade unions is essential for achieving business objectives that benefit our people, customers and wider society. We therefore uphold the right for employees to be active members of recognised trade unions and in 2018, 49% of our people were unionised.

During 2018-19, we continued to engage trade unions in an open, transparent and collaborative way. We have regular and structured meetings with the unions on a local and national basis, across different areas of the business and spanning different levels of management including up to Chief Executive level. During the period, we consulted with Trade Union National Officials as well as Trade Union General Secretaries on a number of issues, such as large-scale organisational changes, the mitigation of redundancies and achieving a fair award agreement on pay negotiations. Engagement has enabled us to shape and implement outcomes in each of these areas.

To ensure that workers in our supply chain have these same rights, our Procurement and Corporate Responsibility Policy for Suppliers stipulates the right for workers to have freedom of association and participate in collective bargaining. For higher risk suppliers that undergo an ethical site inspection, we also include relevant questions that test the right to collective bargaining is in place.

#### Find out more

- [Our Code](#)
- [Data centre](#)
- [Procurement Policy](#)

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

Centrica supports the core conventions of the [International Labour Organisation \(ILO\)](#) which incorporates the Abolition of Forced Labour (Convention 105, 1957). We therefore take a zero-tolerance approach to modern slavery - spanning forced and compulsory labour as well as human trafficking. This position is underpinned by Our Code and is reflected in our Modern Slavery Act Statement. If we discover that we work with someone who is contravening our commitment to human rights or has done so in the past, we will consider appropriate next steps which may include terminating our relationship and reporting the abuse.

While we have found no instances of forced or compulsory labour in our supply chain, we recognise that risks exist within our 14,000-strong supplier base. To guard against this risk, we focus on ensuring good due diligence across our supply chain and tackling potentially high-risk areas which include the manufacturing of technology products, solar panels and garments as well as facilities management services such as catering and cleaning. For example, our Procurement and Corporate Responsibility Policy for Suppliers, requires all suppliers to have taken the appropriate steps to ensure that there is no modern slavery in their operations or supply chain. We have additionally embedded modern slavery clauses in higher risk suppliers' contracts, and we assess our suppliers for slavery risk as part of the independent sustainability assessment. If suppliers are identified as higher risk, we will undertake an enhanced assessment which includes an on-the-ground ethical site inspection which is conducted by a specialist third-party. At the end of 2018, 14 supplier sites across China, Vietnam and Sri Lanka, underwent ethical site inspections whereby human rights practices as well as wider labour and health and safety practices, were reviewed in detail. As an additional precautionary step, we facilitated access to an anonymous helpline via our external auditing firm, in order to encourage factory workers to report any incidence of modern slavery if they did not feel comfortable to do so during the site visit.

We have worked with suppliers to develop corrective action plans that aim to raise standards across labour as well as health and safety practices. Over the past two years, we have been able to improve practices with 15 suppliers who underwent site inspections.

To further strengthen our ability to detect and reduce risk in our supply chain, we strengthened our internal training programmes and processes relevant to human rights. In 2018, we delivered enhanced modern slavery and human trafficking training to over 180 Procurement Managers and rolled-out an online supply chain risk learning module for all new Procurement starters. We additionally introduced a network of Responsible Procurement Champions to proactively cascade and embed the importance of sustainability with suppliers, alongside launching training on 'Every Visit Counts' which ensures Procurement Managers maximise opportunities to assess and improve practices as part of their ongoing site visits.

While we work hard to raise standards across our own supply chain, we also look to help other companies raise their supply chain standards and seek opportunities for collective positive action. For example, our membership of the Responsible Sourcing Council (RSC), enables us to gain insights and share best practices and in 2019, we hosted the first RSC meeting of the year to share our responsible procurement achievements so that others could learn from our experience, as well as collaborate with us to find solutions to some of our challenges.

Within our direct workforce, we have various processes in place to guard against forced and compulsory labour. This includes HR processes that ensure all of our people have a right to work in the country, while contractual obligations with third parties in the UK, provide us with temporary labour from organisations that uphold the Modern Slavery Act.

#### Find out more

- [Our Code](#)
- [Modern Slavery Statement 2018](#)
- [Procurement Policy](#)

## 5. Business should uphold the effective abolition of child labour

As part of our continued focus on respecting human rights as set out in Our Code, we prohibit child labour across our operations and in our supply chain. We will never knowingly use or work with anyone who uses child labour.

We embed this commitment via the annual Our Code training for employees as well as in online and face-to-face training for Procurement employees. We further ensure the rights of children are protected via responsible procurement clauses in supplier contracts alongside conditions set out in our Procurement and Corporate Responsibility Policy for Suppliers. Moreover, any ethical site visits undertaken by an independent third party, to assess suppliers that have been identified as higher risk, will always review labour practices which includes checks to ensure there are no instances of child labour.

#### Find out more

- [Our Code](#)
- [Procurement Policy](#)

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

As part of our Responsible Business Ambition to *Build the workforce of the future*, we are developing vital skills and a more inclusive workforce to ensure we deliver for our customers. This is because having a diverse workforce that reflects our communities, is key to satisfying the changing needs of our customers and enabling the low carbon future. We are passionate about creating a diverse and inclusive workplace where everyone can be themselves and build a successful and fulfilling career – whether that's inspiring more women into STEM (Science, Technology, Engineering and Maths), or supporting more carers to stay in work and progress their careers.

By encouraging a greater number of women and people from diverse backgrounds into STEM, we can create a more diverse and inclusive workforce while plugging the growing shortage of skills in our sector. Towards this, we have set 2030 Ambitions to inspire and develop 100,000 people with essential STEM skills, as well as double our female STEM recruits to 40%. We are working to achieve these goals through a variety of activities which include creating inspirational campaigns with leading organisations like the Royal Academy of Engineering to encourage a greater number of young people into energy, developing skills through our Career Development Hub and Learning Academies, and building learning content to grow new capabilities across areas such as digital, data and engineering.

We are accelerating inclusion across all levels of the company and in particular, we have a 2030 Ambition for our senior leadership to reflect the full diversity of our labour markets. To do this, we have set diversity targets, leveraged high potential training programmes to support mid-career women and ethnic minorities into leadership roles, and embedded diversity considerations in succession plans alongside recruitment processes. To grow diversity across our wider workforce, we have a number of additional initiatives in place. For example, since 2014, we have provided opportunities to develop workplace skills to nearly 1,450 young people not in education, employment or training (NEETs) through Movement to Work. And to support age diversity, we have removed upper age limits for apprenticeships and enabled mature graduates to access our graduate programmes.

With an aging population and a rise in retirement age, we believe that supporting employees to better balance caring responsibilities alongside work, is essential. That's why one of our 2030 Ambitions is to help one million carers stay in or return to work. In 2019, we made changes to our carers policy which gives employees up to six weeks paid leave each year to help them carry out work alongside caring responsibilities. Additionally, we campaigned with our charity partner Carers UK and Business in the Community, for Government to introduce 5-10 days mandatory paid carers leave alongside hosting peer-learning forums to encourage leading businesses to expand the support they provide to employees with caring responsibilities. Our 1,000-strong Carers Network also provides a vital source of support for our people while helping us better understand how we can meet the needs of carers across our workforce.

In addition to our Ambition areas set out above, we also work to ensure everyday inclusion across wider diversity areas. For example, we have forward-thinking policies, processes and practices in place to support women, veterans, people with physical disabilities and mental health difficulties, alongside the Lesbian, Gay, Bi-Sexual and Transgender (LGBT+) community. We continued to seek feedback on how we can continuously improve inclusion by working with our employee-led networks across all of these areas during 2018-19, which was strengthened with the introduction of three new networks on Disability and Wellness as well as Ethnicity and Fertility. In 2019, we also signed up to The Valuable 500, to further demonstrate our commitment to champion disability inclusion.

We are committed to reward our people fairly which includes paying at least the Living Wage in the UK and upholding equal pay. We are additionally working hard to reduce our gender pay gap but recognise that it will take time for the positive impact of our diversity and inclusion action plan to transform our business, sector and society. Our gender pay gap is driven by more men working in higher-paid, traditionally male-dominated technical roles like engineering and in 2018, our median gender pay gap in the UK increased by 1% to 31%.

In 2019, we updated our Procurement and Corporate Responsibility Policy for Suppliers to ensure diversity and inclusion are promoted and protected across our supply chain. We additionally make sure that ethical site visits include specific checks on discrimination.

We are proud to have received external recognition for action and disclosure across our diversity and inclusion activities. This includes Business in the Community's (BITCs) Best for Carers and Eldercare Award, while two of our leaders were recognised in the OUTstanding LGBT+ Role Models lists for 2019. We also won the ICSA and the Equality and Human Rights Commission's Gender Pay Gap Reporting of the Year in 2018 and are consistent leaders for transparent disclosure on workforce and supply chain activities via the Workforce Disclosure Initiative (WDI).

#### Find out more

- [Responsible Business Ambitions Brochure 2018](#)
- [Gender Pay Statement 2018](#)
- [centrica.com/caring](http://centrica.com/caring)
- [Data centre](#)
- [Annual Report 2018](#)
- [Diversity & Inclusion Policy](#)
- [WDI](#)

## 7. Business should support a precautionary approach to environmental challenges

Climate change is the greatest challenge facing our society and the energy sector has a key role in tackling it. That is why we are enabling the transition to a low carbon future by helping our customers, the energy system and our business to use energy more sustainably.

With over 90% of our carbon emissions arising from customer consumption, the biggest difference we can make to tackling climate change is to enable our customers to use energy more sustainably. To accelerate our progress in this area, we have set a 2030 Responsible Business Ambition to help our customers reduce their emissions by 25% which is in line with Paris goals. This involves directly contributing a 3% customer carbon reduction through our services and solutions which is equivalent to the annual emissions of around 2.5 million UK homes, while the rest of the savings will be delivered via indirect action such as enabling a cleaner energy system and advocating for policies that help achieve national and international climate objectives.

We have also set a 2030 Ambition to enable a decarbonised energy system by delivering 7GW of flexible, distributed and low carbon technologies, while providing system access and optimisation services. This will be achieved through activities such as installing and managing technologies and services like battery storage, solar, Combined Heat and Power (CHP), demand-side response, peaking plants and providing a route-to-market alongside Power Purchase Agreements for renewables.

We are leading by example and driving down our own emissions across our business. Our Ambition is to reduce the internal carbon footprint of our property, fleet and travel by 35% by 2025, to demonstrate we are on track with Paris goals by 2030 and to publish our pathway to be net zero by 2050. We already produce over 80% less carbon than we did a decade ago as a result of our strategic decision to move away from being a traditional utility, operating generation and production assets, to become a customer-facing energy services and solutions company focused on enabling the low carbon transition.

We have long been recognised as a global leader for disclosure and action on climate change and water security by CDP, an international NGO reporting to investors representing around a third of the world's invested capital.

### Find out more

- [Responsible Business Ambitions Brochure 2018](#)
- [Annual Report 2018](#)
- [Data centre](#)
- [CDP Climate Change Response 2018](#)
- [CDP Water Response 2018](#)
- [HSES Policy](#)

## 8. Business should undertake initiatives to promote greater environmental responsibility

We are promoting greater environmental responsibility by helping homes, businesses and communities to use energy more sustainably.

Our services and solutions play a key role in reducing emissions from our customers and by 2030, we want to help them reduce their emissions by 25%. Since 2008, we have already helped our customers reduce emissions by nearly 35mtCO<sub>2</sub>e which is equivalent to the annual emissions of around 11 million UK homes. Towards this, we have sold over three million Connected Home products that can be controlled conveniently with just a tap on the app from anywhere at any time – from Hive smart thermostats and valves to plugs and lights. The real benefit of increased control can be demonstrated with our Hive smart thermostat and valves which enable customers to never have to heat an empty room or home. Moreover, we have installed around seven million smart meters in homes and businesses across the UK, empowering customers to make more informed choices about their energy use through increased visibility over how much energy is being used and its cost in real-time.

Our distributed energy solutions are also empowering communities to take control of their energy so that they can reduce their carbon footprint, unlock financial savings and become more resilient. This can be demonstrated with our pioneering £19 million Local Energy Market trial in Cornwall, which has provided over 200 homes and businesses with technologies like solar and battery storage, to test how flexible demand, generation and storage can support the grid during peak times, stimulate the growth of renewables and reduce energy bills.

We actively engage governments, regulators and legislators, to promote positive policy development that will support a net zero society and ensure that the energy system functions in the interests of customers over the immediate and longer term. For example, we have engaged the UK Government and the Committee on Climate Change, to seek solutions to the challenge of decarbonising heat in homes across the UK in a cost-effective way. This involved us sharing insight into our trial of new Home Energy Management Solutions, the role hybrid heat pumps could play and the increasing opportunity of green gas.

We understand the wider role we can play in promoting greater environmental responsibility across our supply chain. As part of this, we work collaboratively with partners to raise and maintain high environmental standards in our supply chain through sustainability clauses in supplier contracts and via assessment, to identify and tackle risks.

#### Find out more

- [Responsible Business Ambitions Brochure 2018](#)
- [Annual Report 2018](#)
- [Data centre](#)
- [CDP Climate Change Response 2018](#)
- [CDP Water Response 2018](#)
- [HSES Policy](#)
- [Procurement Policy](#)

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

We believe decarbonisation of the energy system will increasingly be driven by decentralisation, digitisation and increased customer control in how energy is generated, managed and consumed. This changing energy landscape, coupled with our business capabilities, means Centrica is ideally placed to play a leading role in the development and diffusion of technology to enable the transition to a low carbon future.

We've committed £100 million investment in our Centrica Innovations fund which was established to develop innovative technologies and ideas that transform the way our customers live, work and move. Over the last two years, the fund has made more than 10 investments, making it one of the most active corporate venture capital players in the energy industry. During 2018 for example, we invested in EtaGen, to develop a Linear Generator that offers more affordable, flexible and clean onsite generation. We also invested in Driivz to develop end-to-end solutions for charging electric vehicles, which will help us provide new offers for customers with EVs that better connect home, work and on-the-road charging. And in 2019, further investment went to Mixergy, enabling us to offer customers a smart hot water system that adjusts to household routines so that it only heats the amount of hot water required while storing excess renewable energy from the grid, providing additional flexibility and reducing energy use by up to 40% a year.

We have invested over a billion pounds in establishing market-leading connected home and distributed energy solutions to help our customers manage their energy more sustainably. This has contributed towards us helping our customers save 35mtCO<sub>2</sub>e since 2008, which is equivalent to the annual emissions of around 11 million UK homes. Through awareness campaigns and thought-leadership publications, we are encouraging more customers to take-up sustainable services and solutions. This can be demonstrated by our our Powering Sustainability Report, which encourages large-scale energy users to adopt distributed energy solutions by showing how these technologies can deliver significant cost and carbon savings. We found that if just 50% of the UK's Industry, Healthcare and Hospitality & Leisure sectors took up distributed energy technologies, they could save around a billion on annual energy bills and generate cumulative savings of 137mtCO<sub>2</sub>e by 2030 - equivalent to the annual emissions of 43 million homes<sup>1</sup>.

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<sup>1</sup> Economic and carbon values are calculated using different scenarios. Find out more [here](#).

An additional £180 million has been invested in flexible generation and storage facilities to help decarbonise the energy system which ensures that we can respond more efficiently to peaks in demand. Meanwhile, time-of-use tariffs like *Reduce Your Use Rewards* in North America, incentivises customers to lower their usage during a peak event, thereby reducing the need to turn on additional power from the grid to meet demand. Customers are rewarded for their action by saving 5% on their energy bill.

**Find out more**

- [Responsible Business Ambitions Brochure 2018](#)
- [Annual Report 2018](#)
- [Data centre](#)
- [CDP Climate Change Response 2018](#)
- [CDP Water Response 2018](#)
- [HSES Policy](#)
- [Powering Sustainability Report 2018](#)

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

We are committed to working with integrity and adhering to the laws and regulations of all the countries in which we operate, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977.

We do not condone any payments we feel to be improper, with the sole exception of where there is fear of personal harm, and we are cautious when exchanging gifts and hospitality with third parties. We have various Standards and Guidance documents in place to guide employees to comply with the law, and we require them to undertake online training and an annual declaration to uphold Our Code. We additionally maintain internal registers of gifts and hospitality, with a view to increase transparency and reduce the risk on corrupt practices.

Where our people operate in higher risk roles, they are required to attend anti-bribery and corruption classroom training sessions. We monitor our bribery risks on an ongoing basis and take appropriate steps to mitigate them, including designing and implementing specific procedures where a business unit looks to undertake new activities.

We also require our business partners and suppliers to share our commitment to guard against bribery and corruption. To support this, we have a number of robust processes in place, such as due diligence and appropriate clauses embedded in supplier contracts. We also set out our requirements in our Anti-Bribery and Corruption Policy for Suppliers. Further anti-bribery and corruption practices are analysed as part of our sustainability assessment for suppliers while bribery and corruption risks are reviewed as standard for of all new business ventures and acquisitions.

**Find out more**

- [Our Code](#)
- [Annual Report 2018](#)
- [Anti-Bribery and Corruption Policy for Suppliers](#)