

United Nations Global Compact

Centrica's Communication on Progress 2020-21

"The United Nations Global Compact (UNGC) calls on businesses to uphold universally accepted principles on key issues to create a better world – from protecting human rights and the environment, to ending discrimination and corruption. As a signatory of the UNGC and as part of our commitment to being a responsible business, we pledge to support and advance these issues as well as communicate our progress annually."

Chris O'Shea
Group Chief Executive

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

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 United Nations Sustainable Development Goals (UN SDGs) and UN Guiding Principles on Business and Human Rights. Our commitment to human rights is principally set out in Our Code which is our company-wide code of conduct and helps ensure we do the right thing and act with integrity. To ensure our people understand and embody Our Code, 96% of our people completed annual training and certified that they will uphold it in 2020 which is up from 82% in 2019. All new employees additionally commit to support Our Code by completing an e-learning module and via dedicated clauses in their contracts which helps ensure they're aware of the high standards we expect from day one of their employment.

We only work with third parties who share our values and operate in a way that's consistent with Our Code.

Find out more

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

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'll 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 our commitment to respect human rights. Where we work with potentially higher risk suppliers, we conduct additional due diligence to avoid being complicit in human rights abuses. This includes using EcoVadis, an independent sustainability supply chain expert, to assess higher risk suppliers on their social, ethical and environmental performance. In 2020, a further 63 suppliers were assessed which resulted in an average supplier sustainability score of 54 (low risk). This is broadly similar to 2019 and is better than the multi-industry average of 45 (medium risk). If suppliers receive a high-risk rating, we'll consider appropriate next steps which may involve undertaking a site inspection and collaborating to raise standards.

Should anyone have any concerns about potential human rights abuses or how we do business more generally, we encourage them to raise their concerns via our anonymous Speak Up helpline. All concerns are treated confidentially and investigated, with remedial action taken wherever needed. In 2020, we had 1.43 reports per 100 employees which is largely in-line with the external benchmark of 1.40 per 100 employees. This demonstrates the effectiveness of the helpline and shows that we have a culture where colleagues feel able to speak up without fear of retaliation.

Find out more

- [Our Code](#)
- [Responsible Sourcing Policy](#)
- [Annual Report](#)

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 trade union members and in 2020, 60% of our workforce was unionised while nearly 90% had collective bargaining agreements.

During this period, we continued to engage various trade unions in an open, transparent and collaborative way. We held regular meetings and engaged in statutory and voluntary negotiations and consultations. Meetings occurred on a local and national basis across the business and included various levels of management up to and including our Group Chief Executive. We engaged union officials on issues such as proposed large-scale organisational changes, mitigation of redundancies and achieving fair award agreements in our pay negotiations.

As part of this, the modernisation of our terms and conditions (T&Cs) is critical to our long-term sustainability by enabling us to serve customers with the flexibility they expect, as well as creating a workplace that's fairer for everyone. While we made great progress with trade unions and the majority of colleagues accepted the new T&Cs which protected base pay and pensions, GMB union leaders felt the concessions did not go far enough and this regrettably resulted in industrial action. We engaged in further talks with GMB under the auspices of Acas and on the 21 February, we reached an agreement that could be put to GMB Shop Stewards to progress through their agreed internal processes. We'll now move forward and work together through Acas to collectively overcome any remaining challenges, with the aim of rebuilding trust and developing positive and productive working relationships for the future.

We also collaborated with unions as we navigated COVID-19 to develop assessments and operating protocols to mitigate risk, and worked together to agree necessary temporary changes to policies which included the carryover of holidays. Engagement has enabled us to shape and implement outcomes that have kept our people and customers safe.

To ensure that workers in our supply chain benefit from these same rights, our Responsible Sourcing Policy stipulates the right for workers to have freedom of association and participate in collective bargaining. For higher risk suppliers that undergo a site inspection, we also include relevant questions that test the right to collective bargaining is in place.

Find out more

- [Our Code](#)
- [Responsible Sourcing Policy](#)
- [Data centre](#)

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 which spans 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'll consider appropriate next steps which may include ending our relationship and reporting the abuse.

While we've found no instances of forced or compulsory labour in our supply chain, we recognise that risks do exist. We have identified five areas of our supply chain that warrant specific focus for forced and compulsory labour based on their associated jurisdictional and industry risk which includes technology, electric vehicle and solar products, as well as garment manufacturers and facilities management services. To guard against risk, our Responsible Sourcing Policy, requires all suppliers to have taken appropriate steps to ensure they've no instances of modern slavery in their operations or supply chain. Beyond the standard due diligence process, strategic suppliers identified as potentially higher risk undergo further assessment which spans slavery risk via the EcoVadis platform. If any suppliers are identified as higher risk through this process, we will consider appropriate action which may involve having a third-party specialist undertake a site inspection to gain a greater understanding of the risk. By the end of 2020, five site visits/revisits had been completed in China, Bangladesh, Pakistan and Cambodia, whereby human rights practices as well as wider labour and health and safety practices were reviewed which resulted in five action plans to continuously raise standards. This was down from nine site visits/revisits in 2019 as COVID-19 meant that on-the-ground audits were no longer possible to do safely. To ensure we maintain appropriate oversight during COVID-19, we have targeted questionnaires to our highest risk suppliers and will roll-out remote worker surveys in 2021.

To further strengthen our ability to detect and reduce risk in our supply chain, we also collaborate to build capabilities. In 2020, we delivered enhanced modern slavery and human trafficking training to Procurement Managers to grow understanding and detection of potential issues. Our Responsible Labour Practice Toolkit was also strengthened to help suppliers better understand what our minimum standards are and what good practice looks like. We additionally joined the Hope for Justice/Slave Free Alliance Utilities Modern Slavery Working Group, to drive forward collective action to share best practice and reduce risk.

Within our direct workforce, we have various processes in place to guard against forced and compulsory labour. This includes HR processes to make sure colleagues have the right to work in the country, while contractual obligations with third parties ensure we're supplied with temporary labour from organisations that uphold the Modern Slavery Act in the UK.

Find out more

- [Our Code](#)
- [Responsible Sourcing Policy](#)
- [Modern Slavery Statement](#)

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 also 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 colleagues. We further ensure the rights of children are protected via responsible procurement clauses in supplier contracts alongside conditions set out in our Responsible Sourcing Policy (formerly our Procurement and Corporate Responsibility Policy for Suppliers). Moreover, any site visits undertaken by an independent third-party to assess suppliers that have been identified as higher risk, will always review labour practices and ensure no child labour is being used.

Find out more

- [Our Code](#)
- [Responsible Sourcing Policy](#)

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

Having an engaged and inclusive team where everyone feels motivated and able to reach their full potential, is key to delivering for our customers. That's why we introduced targets out to 2030 that will build a more inclusive company where everyone can be themselves and succeed.

Towards this, we're accelerating greater representation across all levels of the company to reflect the full diversity of the communities we serve by 2030 – this means all company and senior leaders to reflect 47% female, 14% ethnic minority, 15% disability, 3% LGBTQ+ and 3% ex-service, which will evolve in line with census data. We're behind on our goal to achieve gender parity by 2030 and recognise that it'll be tough to achieve given our engineering and wider workforce is traditionally male-oriented, but we feel that aiming high is the right approach to deliver the change we all need and want.

To support this, we're making access to opportunities fairer and creating a culture that promotes and values difference. This includes expanding our reverse mentoring scheme and unconscious bias training, as well as creating a Shadow Board of diverse colleagues to ensure continuous improvement and feedback at the highest level amongst other activities. In 2020, we also evolved policy positions on key issues to ensure greater support for individuals in the workplace. This included introducing a policy to support colleagues transitioning at work as well as ensuring access to our carers leave policy which provides up to six weeks paid leave a year when matched with annual leave. And following our campaign with our charity partner Carers UK, for the UK Government to introduce statutory carers leave, this now forms part of the legislative programme.

By 2030, we also want to recruit 3,500 apprentices and provide career-development opportunities for underrepresented groups. Since 2014, we've provided opportunities to generate workplace skills for 1,800 young people not in education, employment or training and supported 500 schools to learn about energy and the environment via TechWeCan. We'll build on this by continuing to expand opportunities through partnership as well as recruiting 1,000 apprentices over the next two years with the ambition for 50% to be women.

We recognise that building a truly inclusive workplace will take time. In 2020 for example, our gender pay gap rose by 5% to 35% median and is driven by more men working in higher paid technical roles like engineering. Meanwhile, we voluntarily published our ethnicity pay gap which was 14% median and driven by similar factors to our gender pay gap. Our pay gaps are higher than we'd like and while it's obviously disappointing to see our gender pay gap grow this year, it reinforces the scale of the challenge and the need to transform our business, sector and society over the long-term as we grow a more diverse talent pipeline.

We continuously encourage colleagues to call-out unacceptable behaviour or discrimination to their line manager or via our independent Speak Up helpline.

We have also updated our Responsible Sourcing Policy as well as clauses in supplier contracts, to ensure diversity and inclusion are promoted and protected across our supply chain.

During 2019-20, our efforts were recognised by leading indexes including The Times Top 50 Employers for Women and the Financial Times Top 100 Diversity Leaders, as well as the Ethnicity and LGBT+ Role Models lists. We're also consistent leaders in the Workforce Disclosure Initiative (WDI), which is the leading disclosure on workforce matters and demonstrates our commitment to transparency and the robust processes we have in place to safeguard and support workers.

Find out more

- [People & Planet Plan Update 2020](#)
- [Gender and Ethnicity Pay Statement](#)
- centrica.com/caring
- [Annual Report](#)
- [Data centre](#)
- [Diversity & Inclusion Policy](#)
- [WDI](#)
- [Responsible Sourcing Policy](#)

7. Business should support a precautionary approach to environmental challenges

Climate change is one of the greatest challenges facing the world and the energy sector has a key role to play in tackling it.

With around 90% of our total carbon emissions coming from our customers, the biggest difference we can make to fight climate change is to provide services and solutions that help them manage energy more sustainably. To further accelerate progress, we set a new target to help customers be net zero by 2050. We made good progress towards this in 2020 with the carbon intensity of our customers' energy use reducing by 18% compared to 2019 – equivalent to the annual energy emissions of 1.7 million UK households. This reduction was delivered through energy efficiency and optimisation solutions, alongside renewable and low carbon energy tariffs.

We're also leading by example and cutting emissions from our business activities. We already produce over 80% less carbon than we did a decade ago following our strategic decision to move away from operating centralised power generation and oil and gas production, towards becoming a customer-facing business focused on providing services and solution that help our customers live sustainably, simply and affordably. Towards our new target to be net zero by 2045, our total carbon emissions in 2020 decreased by 18% from 2019, with savings largely linked to less upstream generation and production as a result of COVID-19 and outages. As part of this, our internal carbon footprint of our property, fleet and travel declined by 30% which brings our overall reduction to 58% against our 35% reduction target for 2015-25, and we'll now retire this measure to focus on our new net zero goal. We've additionally brought forward our target to electrify our 12,000-strong British Gas fleet by 2025 and introduced plans to never purchase another combustion engine vehicle.

As a signatory to the Task Force on Climate-related Financial Disclosure, we've also assessed the strategic risks and opportunities of decarbonisation and made good progress on scenario analysis using the National Grid Future Energy Scenarios in addition to our own in-house model. For example, we've assessed various scenarios including 1.5°C, that explores alternative technology pathways such as electrification and hydrogen, together with the financial risks and opportunities these pose to our main businesses. Based on modelling so far, we believe we're well positioned to offset potential adverse impacts by adapting our technical capabilities and engaging customers to harness opportunities as we transition to net zero.

In light of these efforts and more, we have long been recognised as a global leader for action and disclosure 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

- [People & Planet Plan Update 2020](#)
- [Annual Report](#)
- [Data centre](#)
- [CDP Climate Change Response](#)
- [CDP Water Response](#)
- [HSES Policy](#)

8. Business should undertake initiatives to promote greater environmental responsibility

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

Our services and solutions play a key role in helping customers reduce their emissions. Since 2015, our services and solutions have helped save annual emissions equivalent to over 3 million homes and by 2050, we want to help our customers be net zero. This is possible through a range of offerings including our Hive family of products which can reduce energy use by giving customers more convenient control over their energy with just a tap on the app. For example, customers using our Hive smart thermostats and valves, never have to heat an empty room or home again as they can adjust the settings from anywhere at any time. We've also launched a 'Green Future' renewable energy tariff which is one of the greenest tariffs on the market for green gas and renewable electricity.

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. We've installed solutions like solar panels and Combined Heat and Power units (CHPs) at over 100 hospitals to generate savings that can be redirected towards patient care, while also providing the NHS estate with 100% renewable energy.

We actively engage governments and regulators to promote positive policy development that will support the transition to net zero – from publicly calling for the UK to accelerate the shift to a low carbon transport system by bringing forward the ban on all new combustion engine vehicles being sold, to continuing to grow grid flexibility so that we can deliver net zero at the lowest cost for customers, as well as exploring the role heat pumps can play in decarbonising heat in homes in an affordable way.

We understand the wider role we can play in promoting greater environmental responsibility across our supply chain. That's why we work collaboratively with partners to raise and maintain high environmental standards in our supply chain through assessment and via enhanced sustainability clauses in supplier contracts.

Find out more

- [People & Planet Plan Update 2020](#)
- [Annual Report](#)
- [Data centre](#)
- [Responsible Sourcing Policy](#)
- [CDP Climate Change Response](#)
- [CDP Water Response](#)
- [HSES Policy](#)

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

We believe decarbonisation of energy 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 well-placed to play a leading role in the development and diffusion of technology that's needed to transition to net zero.

We have invested over a billion pounds in establishing market-leading smart home and distributed energy solutions to help our customers manage their energy more sustainably. This has contributed to helping customers save annual emissions equivalent to 3 million homes since 2015. Through awareness campaigns and thought-leadership publications, we're encouraging more customers to take-up sustainable services and solutions. This can be demonstrated by our Powering Britain Report series, 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 £1 billion on annual energy bills and generate cumulative savings of 137mtCO₂e by 2030 - equivalent to the annual emissions of 43 million homes.

Collaboration is vital to the development and diffusion of sustainable technologies to transform the way we live, work and move. Towards this in 2020, we concluded the £17 million Cornwall Local Energy Market trial which involved over 200 homes and businesses generating, trading and storing renewable energy over three-years, and now provides a blueprint for a smarter, flexible grid that supports more renewables coming on line while avoiding expensive network upgrades. We also partnered to build the world's first net zero industrial cluster in the UK by 2040 with carbon capture and storage technology, as well as launching a three-year trial to test the role hybrid heat pumps could play in cutting emissions from household heating in an affordable way.

Meanwhile, we continue to be a leader in developing the UK's low carbon transport system by installing nearly 17,700 electric vehicle (EV) charge points since 2013. We've also joined forces with leading car manufacturers like Ford and Volkswagen to increase the drive for EVs and deliver installations and tariffs at scale.

Find out more

- [People & Planet Plan Update 2020](#)
- [Annual Report](#)
- [Data centre](#)
- [Responsible Sourcing Policy](#)
- [CDP Climate Change Response](#)
- [CDP Water Response](#)
- [HSES Policy](#)
- [Powering Britain research](#)

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

We have a zero-tolerance approach to all forms of corruption. We act with integrity and adhere to the laws and regulations of the countries where we operate, which includes the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977.

Our policies and standards set consistently high standards to ensure compliance with the law. Policy positions are proactively shared with colleagues through various initiatives such as mandatory online training and an annual declaration to uphold Our Code which incorporates our commitment on anti-bribery and corruption. Where colleagues work in higher risk roles, they are required to undertake additional anti-bribery and corruption training.

Across our policies and standards, we provide clear guidance on the responsible exchange of gifts and hospitality as well as maintain records on an internal register to increase transparency and reduce risk of corrupt practices. We also avoid conflicts of interest and prohibit any improper payments, including facilitation payments, regardless of value or the jurisdictions in which we operate. We monitor our corruption risks on an ongoing basis and take appropriate steps to mitigate them such as designing and implementing specific procedures where we may look to undertake new activities.

Our business partners and suppliers are expected to share our values and we extend our zero-tolerance approach on bribery and corruption to them. To support this, we have robust processes including conducting due diligence for all new business ventures and via supplier assessments, embedding appropriate clauses in supplier contracts, and setting out key requirements in our Anti-Bribery and Corruption Policy for Suppliers.

Find out more

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