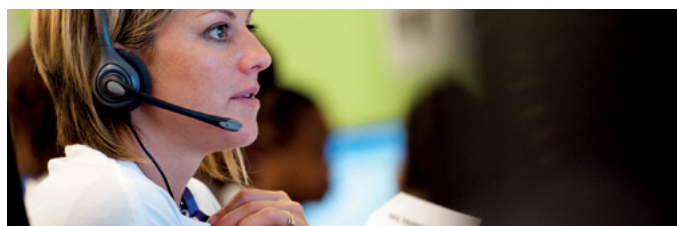


Corporate Responsibility

Performance Review 2013



Introduction

As the UK's largest energy supplier, we recognise the responsibility to help keep people's homes and businesses warm and well lit

03 Chief Executive's introduction

- 03 Working to make energy affordable
- 04 Helping to reduce carbon emissions
- 04 Securing energy supplies
- 05 Earning trust
- 05 Our approach to corporate responsibility
- 05 Graphic: CR Approach



Chief Executive's introduction



At the end of 2013, the UK was witness to the most heated political debate about energy since privatisation. Customers are struggling with their energy costs as household incomes remain under pressure and the UK recovers from the worst recession in decades. At the same time, higher wholesale commodity prices, transportation charges and environmental and social obligations are increasing the cost of energy. The debate has further eroded trust in the energy sector.

Energy prices are understandably a key concern, and we are working hard to keep energy affordable. Affordability, though, must be addressed alongside other pressing matters. Energy security is essential because the UK is no longer energy independent and needs to secure its energy supplies by competing on the global market. Climate change is a real threat and must be mitigated by staying on course to meet the

UK's carbon targets. The intense scrutiny faced by the energy sector hinges on the interaction of these issues. Balancing these priorities is at the heart of what we do and can impact our ability to earn the trust of our stakeholders.

Working to make energy affordable

We took steps in 2013 to limit the impact of rising costs on our customers. Higher consumption as a result of a cold winter in late 2012 and early 2013 allowed us to shield our customers from increases in wholesale energy costs but by October 2013, we unfortunately had to raise residential energy prices by an average of 9.2% to remain profitable. However, with changes the UK Government proposed to the Energy Company Obligation (ECO), we were able to be the first supplier to reduce prices for all customers by an average of 3.2%, effective from 1 January 2014. Including the £12 rebate relating to the Government's Warm Home Discount, the average customer bill reduced by £53, or 4.1%.

The need to increase prices was driven by factors largely external to the company



£60bn

We have entered into long-term contracts worth £60bn in commitments to supply gas and power to our customers



(see [page 9](#)). Our post-tax profit margin for British Gas Residential made up less than 5% of the bill last year – a level we feel is fair considering the commodity and weather risks we take. It is essential Centrica makes a reasonable profit enabling us to secure the gas and electricity supplies our customers need.

Installing insulation and other energy efficiency measures is an important part of our efforts to help customers manage energy costs. We installed more than 236,000 energy efficiency measures in 2013 to our customers' homes in the UK. A third of these installations were for the elderly, disabled or those on low incomes, and will help them save more than £950m in heating costs over the lifetime of those measures. Overall, we supported more than 1.8m* vulnerable households in the UK as well as helping customers in Texas through the bill assistance programme, Neighbor-to-Neighbor.

Helping to reduce carbon emissions

We are committed to supporting UK carbon reduction targets and believe energy efficiency is vital to cut emissions. Reducing our customers' energy consumption decreases carbon produced in homes and means burning fewer fossil fuels to generate electricity. Since 2010, the measures we have installed in UK homes and businesses have saved a total of over 9.8m tonnes of CO₂e, equivalent to taking more than 668,000 cars off the road.

However, only a fraction of savings available through greater energy efficiency has yet been realised. The UK needs to pursue cost-effective energy efficiency measures with greater urgency and zeal.

Putting people in control of their energy use can also help them manage consumption, leading to lower costs and carbon emissions. We are leading the rollout of smart meters, having installed nearly 1.3m in UK homes and business by the end of 2013. In a survey

of our customers with smart meters, nine out of 10 are now taking simple steps to reduce energy use in the home. We have also introduced new products and services such as remote heating control and time-of-use plans. For example, customers using our 'Free Power Saturdays' offering in North America can save approximately 16% on their energy bills on average, while easing strain on the grid and reducing emissions from peaking power plants.

With our focus on gas, nuclear and renewables, we have one of the lowest carbon intensities of the major UK energy generators. We completed our Lincs offshore windfarm in 2013 which is capable of producing enough energy for more than 200,000 homes. However, to enable us to make further long-term investments in large scale offshore wind and renewables, the UK needs political consensus and legal and regulatory certainty concerning the investment and return framework.

Securing energy supplies

Alongside affordability and decarbonisation, we continue our work to secure energy supplies. We focus on gas because we believe it delivers on all three priorities. Gas is transportable and remains widely available, enabling us to secure future supplies and bring them to the UK at affordable prices. Gas also has the lowest carbon intensity of fossil fuels, and because of its flexibility, plays an important backup role to renewable power in a low carbon future.

Centrica has continued to make good progress in accessing new markets and securing new sources of gas in 2013. Our total commitments to purchase gas and power for our customers is now more than £60bn. We have also taken a 25% non-operating stake in the Bowland shale exploration licence in Lancashire in the UK, which could be a valuable addition to the UK's future supply mix. We are confident that natural gas from shale can be extracted safely. We place a high

*Assured by Deloitte LLP for 2013 reporting.

priority on sensitively managing the potential local community and environmental impact whilst we explore such opportunities.

Earning trust

As the UK's largest energy supplier we recognise the responsibility we have to help keep people's homes and businesses warm and well lit. We must do this in a way that earns the trust of our customers and the wider stakeholder community. Despite our efforts, we, and the industry as a whole, have not been successful in doing this. Trust in the energy sector is at a low level, amplified by political positioning which has led the important debate about balancing affordability, climate change and energy security to be side-lined.

We want to earn the trust of our customers and other stakeholders and we know we must work even harder to achieve this through action, not words. That is why we introduced Tariff Check to help all our customers determine whether they are on the best deal, announced our plans to stop auto-renewal of contracts for business customers, and are committed to delivering best in class service levels. It is also why I welcome the competition assessment of the UK energy sector being conducted by Ofgem, the Office of Fair Trading and the Competition and

Markets Authority, and why British Gas has embraced Ofgem's Standards of Conduct and is making fundamental reforms such as setting up our independent Customer Fairness Committee (see [page 8](#)).

Our approach to corporate responsibility

I am convinced that the way we do business is critical to earning the trust we have lost. Our approach to corporate responsibility reinforces our focus on how we do business through four core themes which shape our organisational behaviour (see graphic). It supports our strategic priorities and gives our businesses as well as our people a clear framework for how to operate responsibly.

The four themes of our approach are treating customers fairly, safeguarding the environment, caring for our people and communities, and working with our partners.

In practice, this approach means providing products and services that customers think are fair and striving to treat them in a way that will gain their respect and trust. It ensures we work to extract gas or build energy infrastructure in a way that protects the local environment. It reinforces our drive to develop our people while treating their safety as paramount. It compels us to engage with communities around our operations to manage our impacts and

optimise our positive contribution. And finally, it emphasises our belief that while we have an important role to play, we need to work together with partners in industry, NGOs and other stakeholders to deliver effective solutions to energy challenges.

Centrica has performed strongly in taking a responsible approach during 2013, despite a challenging environment. We have more to do to gain the respect of our stakeholders and achieve the right balance between affordability, reducing carbon emissions and securing energy supplies. I am confident that by focusing on how we do business and through the continued hard work and dedication of our people, we can earn the trust we need to deliver our strategy and achieve our purpose to help people today and to secure energy for tomorrow.



Sam Laidlaw
Chief Executive



Treating customers fairly

Working to earn trust through transparency, engagement and to support vulnerable customers

07 At a glance

08 Feature: UK Standards of Conduct bring improved customer fairness

08 Being transparent in pricing and communications

08 Energy pricing

09 Graphic: Components of the 2013 bill and price rise

10 Feature: Using technology to better manage energy costs

10 Clear billing

10 Engage, listen and respond to our customers

11 Feature: British Gas Customer Board rates our progress on their priorities

12 Customer service

12 Customer satisfaction

12 Customer complaints

13 Case study: Ending auto-rollover contracts for business customers

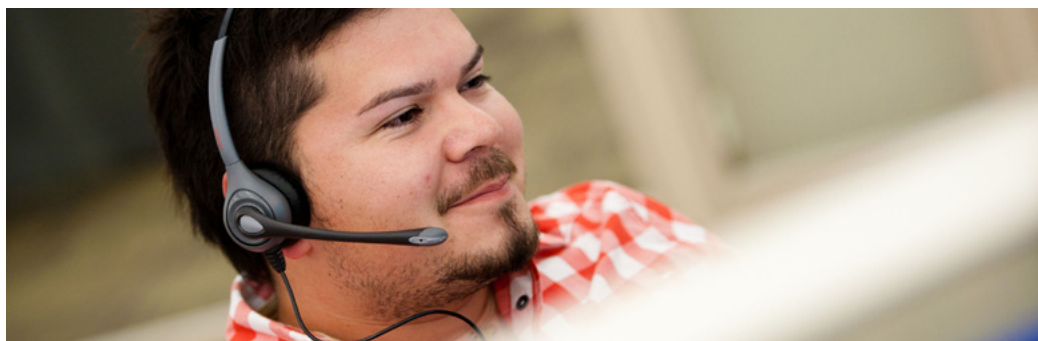
13 Caring for vulnerable customers

13 Tackling fuel poverty in the UK

14 Services and advice to support UK vulnerable households

15 Supporting vulnerable customers in North America

15 Case study: Providing support through the Neighbor-to-Neighbor programme



Treating customers fairly - At a glance

Overview

Putting customers first so they feel valued whenever they interact with Centrica is essential to growing our business.

We are evolving how we work to ensure we treat customers fairly and so we can earn their trust. We are making our communications and pricing more transparent and helping customers get the best deal with Tariff Check. We are improving how we engage with customers and continue to lead the industry for the number of vulnerable households supported.

* Assured by Deloitte LLP for 2013 reporting.

Performance highlights

British Gas Net Promoter Score	+15* Performance declined from +30; a similar drop in satisfaction was experienced by other energy companies following the price rise.
Direct Energy Net Promoter Score	+40* Satisfaction increased from +39 due to a continued focus on improving call centre customer service and residential pricing renewals.
UK vulnerable households helped	1.8m* Spent over £380m helping vulnerable customers through initiatives such as the Warm Home Discount.



Fuel poverty affects around 1 in 6 British Gas customers. Low incomes and poor energy efficiency mean too many are rationing energy whilst others run into debt. Centrica can help alleviate fuel poverty through insulation and heating schemes, while helping address the symptoms through debt and payment assistance.

Jenny Saunders OBE

Chief Executive,
National Energy
Action



Goals	Target date
Return to a NPS high performance range at British Gas	2014
Maintain Direct Energy's NPS high performance range	2014
Continue to support our vulnerable customers in the UK and North America	2014

**Feature**

UK Standards of Conduct bring improved customer fairness

Defining fairness is not always easy, but we are determined to get it right for our customers by having their interests at the heart of how we do business.

We are working with our customers, our people, our Customer Board and our new Customer Fairness Committee to help implement changes required by the Standards of Conduct (SOC). These are new rules introduced by Ofgem in August 2013, which support the Retail Market Review (RMR) proposals to make energy easier to understand and fairer for customers.

We believe these changes will raise standards and increase the level of trust in the energy industry, leading to increased competition driven by a stronger

commitment to customer service.

British Gas welcomes the SOC and has made many changes to how we do business ahead of them coming into force.

In 2013, we set up Conduct Committees across the business and a new Customer Fairness Committee made up of senior Centrica and British Gas leaders as well as external consumer representatives who bring independent challenge and insight, and will play a crucial role leading the industry in raising standards. They are assessing each part of the business to see where we can improve and will oversee significant new products and changes to terms and conditions.

A key focus of the Committee will be to ensure we put our customers in control of their energy use by helping them use less, get the right price and manage their energy account more easily.

During 2013, the Customer Fairness Committee recognised that Direct Debit payments were confusing for some customers and as a result, clearer communications are being developed to improve understanding. A cooling-off period will also be introduced for new business customers to give them time to change their mind.

In 2014, we will continue to challenge the way we work and explore how customer fairness can be better measured so that we can track our effectiveness.

These efforts will bring costs and challenges, but we believe the improvements will enable us to give customers the best possible experience, making our business stronger.

To find out more, see [British Gas' Treating Customers Fairly Statement](#).

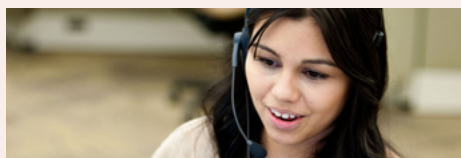
Being transparent in pricing and communications

Communicating fairly and transparently with our customers in every interaction is critical to earning trust, especially with complex issues such as pricing. In support of Ofgem's proposals in the UK under the RMR to make energy simpler, clearer and fairer for consumers, we are introducing far-reaching changes to improve the way we communicate with customers.

In North America, the situation is different as we operate in a mix of regulated and deregulated markets where Direct Energy does not always bill customers directly. Electricity prices are often more volatile than gas prices, with costs peaking during summer periods when air conditioning increases household consumption. The priority for Direct Energy is to provide consumers with more choice through a range of innovative products, different term lengths and price options to suit their needs.

Energy pricing

The factors that influence energy prices are complex, but we are committed to delivering an affordable supply of energy in a transparent way. Our ability to charge a fair price in a highly competitive market is a determining



factor in the success of our business. In the UK, we have also worked hard to simplify bills to make them easier to understand.

Around 85% of a British Gas customer's energy bill is made up of costs external to Centrica. We try to mitigate these factors wherever possible and were able to absorb some of the cost increases in 2013. However, we must ensure Centrica makes sufficient profit to secure essential energy supplies for the UK.

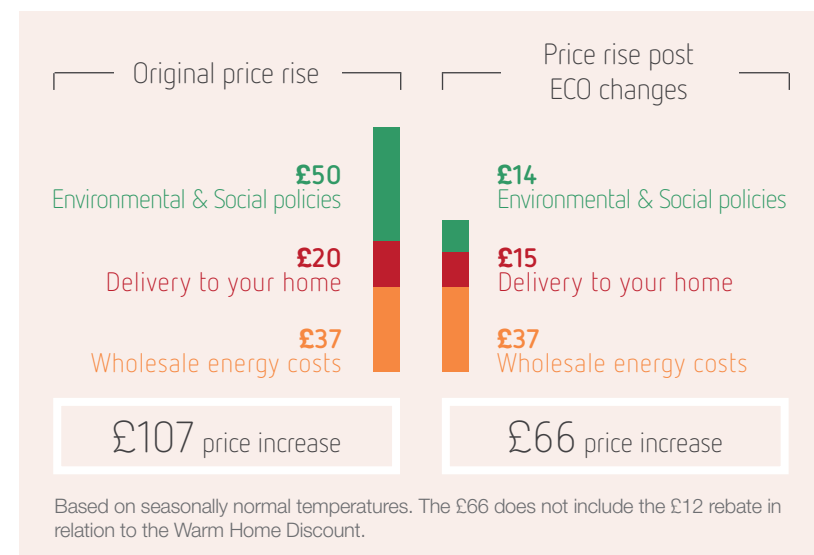
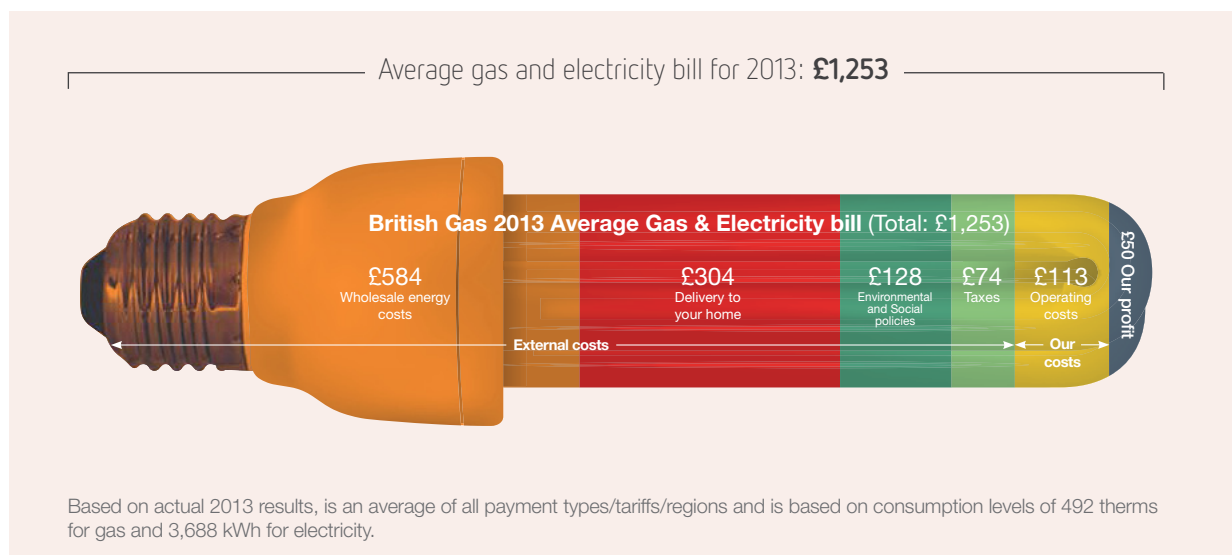
This means some costs must be passed onto customers. In October 2013, as a result of significant increases in wholesale gas prices, transportation and distribution costs alongside sharp rises in environmental costs, British Gas announced an average 9.2% increase in residential energy prices (see graphic below). Environmental costs were primarily due to the UK Government's Energy Company Obligation (ECO, see [page 19](#)). Shortly afterwards, the Government proposed changes to ECO, which

allowed us to reduce prices by an average of 3.2% from January 2014. Including the Government's £12 rebate in relation to the Warm Home Discount, the average customer bill reduced by £53, or 4.1%.

As we work to rebuild customer trust in the energy sector, we are helping customers understand what makes up the bill and why prices had to rise. We have expanded our light bulb graphic (see graphic below) to show where costs have changed.

Of the costs we directly control, we endeavor to minimise their impact on customers. We have helped reduce pressures on customers' bills through a cost reduction programme, of which £300m related to British Gas. Our profits are a very minor portion of the bill. British Gas' profit margin for residential customers was 4.5% after tax which we believe is competitive, reasonable and vital to the sustainability of our business given weather and commodity cost volatility.

Components of the 2013 bill and price rise



See our [CR update](#) for more information on Power-to-Go™



▶ Feature

Using technology to better manage energy costs

Smart technology plays a crucial role in giving customers greater control over their energy use and bills.

In North America, smart meters are already installed in some locations and there is strong demand for product innovations that reward customers for using energy at certain times. Direct Energy products, 'Free Power Saturdays' and 'Pick Your Free Day', can help customers save approximately 16% on their energy bills by doing energy-intensive household activities, like using the washing machine, on specific days when energy is free.

Pre-payment technology in North America is viewed positively by customers looking



to proactively manage their energy costs. Direct Energy's pre-paid product, Power-to-Go™ (see [CR update](#)), has helped reduce energy consumption by 11%, enabling potential savings of around US\$130 (£80) per customer.

British Gas also successfully trialed a time-of-use tariff in the UK (see [page 36](#)) and in 2014 plans to rollout similar products to customers with smart meters.

This builds on existing British Gas initiatives. [EnergySmart™](#) helps customers monitor their energy use online. [Hive Active Heating](#) additionally lets customers control their heating from their phone, tablet or laptop and by only heating their home when they need to, customers can save up to £150 on their energy bills. Our energy efficiency programmes further help customers save money while reducing their carbon emissions (see [page 19](#)).



We believe transparency of prices is only part of treating customers fairly. Passing on savings is essential and we were the first energy company to reduce prices for all our customers following changes to ECO. We are also supportive of making it quicker and easier to switch to a better deal and we are taking a leadership position in smart meters (see [page 21](#)) which has been received favourably by customers and will help us make switching easier. In addition to switching between suppliers, we are encouraging a growing number of customers to move between British Gas tariffs rather than externally, and we have removed cancellation fees for those changing to another of our tariffs.

Clear billing

British Gas has simplified its tariffs by introducing a fixed standing charge covering costs like the distribution of energy to homes and a single variable unit rate that are clearly shown on customers' bills. This followed the introduction of a single-tier pricing structure in 2012.

We are also campaigning for change in regulation to make gas bills simpler by calculating them according to the number of units used, rather than the current requirements which are difficult for customers to understand.

We want to give customers more control over their bills and help them get the best deal possible. In 2013, we were the first supplier in the UK to proactively contact our residential customers with a personalised Tariff Check to show whether they could save money by moving to a different British Gas tariff.

Engage, listen and respond to our customers

Understanding customer concerns enables us to improve the products and services we provide, helping meet their needs and making us a more successful business. We are increasing engagement with customers and updating systems to improve our customer service.

British Gas continues to engage customers through initiatives such as the British Gas Business (BGB) Engagement Panel, which is an online forum of over 350 customers who provide feedback on issues important to them such as cost control and billing. The British Gas Customer Board (see feature overleaf), also provides valuable input on key strategic and policy decisions.

Day-to-day communication channels are being improved to increase customer understanding and satisfaction, while

Feature

British Gas Customer Board rates our progress on their priorities

The British Gas Customer Board represents the interests of our customers and monitors our progress against five priority topics identified by customers in 2010.

Chaired by Ann Robinson, Head of Consumer Policy at uSwitch.com and sponsored by Ian Peters, Managing Director of British Gas Residential Energy, the Customer Board provides independent feedback and challenge to British Gas to ensure we put our customers first. In 2013, the Customer Board reviewed a range of activities from customer service, pricing and tariff structures to our climate change commitments. They have also been a crucial sounding board in developing our activities under the Standards of Conduct (SOC) and the principles behind treating customers fairly.

We surveyed the Customer Board on progress against the five point plan (see table). Overall, they thought British Gas had progressed well but said we could improve

further, especially on communicating more effectively about ‘the real’ British Gas and in leading Britain to a low carbon future.

“British Gas has not done enough to influence leading Britain to a low carbon future. It could have made the debate around a need for low carbon generation more strongly in the media.”

Victor Effiom






To maintain its impact, the Customer Board has recently updated its objectives to ensure priorities are aligned with those of our customers.

“British Gas has a positive story to tell, and should be clear about the value it provides in skills, jobs and training for thousands of employees.”

Des Morgan

We believe the Customer Board provides a valuable force for change at British Gas and its members do too. We look forward to continuing our work with the Customer Board, delivering progress against its new objectives.

Report Card from the Customer Board on the five point plan

Five point plan recommendations ⁽ⁱ⁾	Key changes introduced	Customer Board’s view of our performance
1. Revolutionise customer service 	<ul style="list-style-type: none"> - Call centre system improvements to enable better response times - Ended unsolicited doorstep selling - More apps to help self-serve - Embedding improvements under the SOC 	Major investments have enabled real progress but momentum needs to be maintained.
2. Simplify the bill 	<ul style="list-style-type: none"> - Clearer and simpler bills - Combined dual fuel bill is being rolled out 	Bills are now much easier to understand but British Gas must be more radical and go further.
3. Make pricing easier to follow 	<ul style="list-style-type: none"> - Fewer tariffs - Tariff Check to help people onto the best deal - Single tier pricing structure 	British Gas is working hard to make pricing easier to understand, in line with changes in regulation. However, tariffs could be further simplified.
4. Be open and proud - let people see the real British Gas 	<ul style="list-style-type: none"> - ‘Serving Britain’ campaign and regional communications launched 	Public engagement on key issues is welcome, but British Gas should communicate more on positive activities such as support for vulnerable customers.
5. Lead Britain to a low carbon future 	<ul style="list-style-type: none"> - Lincs wind farm fully operational - Leading on UK smart meter implementation 	Centrica has re-focused on energy security and its energy efficiency programmes but needs to do more to lead change for a low carbon future.

(i) Average scores from Customer Board members.

View our [data centre](#) for annualised complaints performance and British Gas' [website](#) for quarterly residential complaints



reducing pressure on call centres. We are making our communications clearer and tailoring them to suit different customers, whether they are tenants, landlords or home-owners.

At the same time, we are investing in digital technology to make information more accessible and communication with us easier. In 2013, around 22,800 UK customers interacted with us on customer service issues through social media while in North America, the acquisition of Bounce Energy means that Direct Energy customers can benefit from a wider range of products and more efficient customer service through a leading online platform.

In contrast to the growing range of digital channels, over 23,450 customers received hand-written postcards from our Direct Energy Customer Ambassadors, thanking them for their business and asking whether we can improve their experience.

Customer service

Delivering excellent service is an essential part of treating customers fairly. Customers are more likely to stay with us if we provide a positive experience. We are investing in our people and systems to ensure we deliver great service.

In the UK, British Gas is implementing IT system improvements in both residential and business divisions that will give customers a better service. Unfortunately, the system migration impacted our ability to respond to customers as quickly and efficiently as we would have liked. Accordingly, we brought in over 300 additional customer service advisors in 2013. Over the next three years, we will increase the number of advisors and provide 50% more training days with a focus on improving technical and behavioural skills.

In 2014, we are starting to see the benefit to customers of this additional investment

in service. We are also establishing a team of highly trained agents that will work with customer service teams and use their expert knowledge to reduce the number of repeat contacts and complaints.

In North America, Direct Energy faced similar challenges as efforts to integrate systems following acquisitions impacted our service. To improve customer satisfaction, over 600 Canada Home Services employees participated in Achieving Customer Excellence workshops which contributed to a four point increase in the Net Promoter Scores (NPS) for that part of the business compared to the same period in 2012.

Customer satisfaction

The quality of service we provide contributes directly to customer satisfaction. In the UK and North America we use NPS⁽ⁱⁱ⁾, which measure customers' willingness to recommend us.

In 2013, Direct Energy's NPS score increased slightly from +39 in 2012 to +40*, due to a continued focus on improving the service delivered by customer-facing agents and changes to renewal pricing for residential customers.

However, British Gas' NPS fell to +15*, down from +30 in 2012. The decline was primarily due to the price rise announced in October 2013, where an unusually high level of political and media commentary occurred around the event alongside some customer service challenges during the year.

Customer complaints

We want to get things right first time and we are continually improving our customer service and communications to help us achieve this. Serving more than 30m customers, we inevitably receive some complaints.

Despite customer service challenges in 2013, British Gas received 16% fewer complaints than

*Assured by Deloitte LLP for 2013 reporting. (ii) Feeds into the Long Term Incentive Scheme for Executives (see page 79 in our [Annual Report](#)).



Case study

Ending auto-rollover contracts for business customers

British Gas was the first UK supplier to announce an end auto-rollover contracts for business customers – a practice which meant some customers were not always on the best deal.

This gives customers more control over their contract renewal by having the option to change to another contract, and if they miss the deadline for switching, we will put them on a variable tariff that has 30 days' notice to leave.

While this change means we are likely to earn less profit in the short-term, it should improve trust and reduce complaints over the long-term. In a poll of our BGB Engagement Panel, 83% said the change made us more simple and transparent while 73% felt they trusted us more.

This builds on our commitment to support micro-business customers through the [Fair Billing Charter](#), and in 2013, we helped over 8,000 of them reduce their debt by almost £8m while maintaining their energy supply, through the BGB Small Business Advice Expertise Service (see [blog](#)).

in 2012 – 75% of complaints were resolved on the same or next working day and 95% within eight weeks. The number of complaints about British Gas accepted by the UK Ombudsman Services: Energy made up 10.7% of the residential industry total, compared with our energy market share of 31%.

Although British Gas was recognised as a best practice example for its complaints literature by consumer campaign group, Which?, we have more work to do as Consumer Futures ranked us third out of the 'big six' energy companies for complaints handling.

Direct Energy monitors its customer complaints through a number of external channels like Better Business Bureaus and local regulators in North America. In 2013, 3,936 complaints were received, up from 3,047 the previous year.

Caring for vulnerable customers

We remain steadfast in our commitment to support vulnerable customers, particularly as more and more people in the UK are struggling to pay their bills due to the tough economic climate and rising energy costs.

Tackling fuel poverty in the UK

The UK Government is developing a new fuel poverty strategy to support those

unable to pay for essential services such as powering and heating their homes. As part of this, a new definition of fuel poverty has been introduced by the Government based on the lowest incomes and higher than average energy bills. This definition reduces the number of households considered fuel poor in England to 2.6m, compared with 3.2m under the old definition, which included households that spent 10% or more of their annual income on fuel for adequate heating.

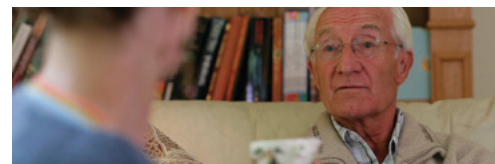
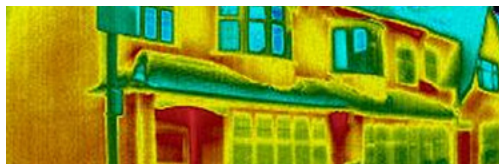
These changes aim to provide more targeted help for those in extreme fuel poverty, but could also reduce the number of households able to benefit from mandatory schemes like the Warm Home Discount (see [CR update](#)) and ECO (see [page 19](#)). At the same time, an estimated 2m of our customers could fall into debt as a result of changes to their benefit income from welfare reform.

Ofgem has also released a Consumer Vulnerability Strategy in 2013 which recognises that changing personal circumstances, as well as the energy market, can impact customer vulnerability. Because a broader range of people will be considered vulnerable, we need to identify and understand the different circumstances of our customers and provide more tailored support.

We provide a wide range of support, advice and specialised products for vulnerable customers



See our [CR update](#) for more information on the Warm Home Discount



As part of this, we are reviewing our own vulnerable customer strategy and definition of fuel poverty, and will prioritise support for our customers in ongoing work related to the Standards of Conduct (see [page 8](#)). By providing effective support for our customers, we can minimise the risk of bad debt on energy accounts. This benefits our business while supporting the Government to tackle poverty.

Services and advice to support UK vulnerable households

We provide a wide range of support, advice and specialised products for vulnerable customers. We work with the regulator and Government to develop and deliver support programmes as well as inputting into policy.

Around half of the vulnerable homes we helped in 2013 were supported through Government mandated programmes to address fuel poverty, such as ECO and the Warm Home Discount. We have the widest

eligibility criteria of the 'big six' for the Warm Home Discount to ensure we reach those who need help the most. For our 500,000 low income customers who received the discount of £135, we provided an additional £60 winter discount off their energy bills. These vulnerable customers will therefore have experienced lower bills this winter compared to 2013.

Overall in 2013, we continued to support more vulnerable customers than any other energy supplier in the UK. We contributed over £380m to more than 1.8m* vulnerable households. While the spend was higher, the number of customers helped was lower than 2012 due mainly to fewer households being supported through ECO as compared to previous schemes. The changes to ECO proposed at the end of 2013 will however increase eligibility of homeowners for 2014.

We invested £18m in 2013 to the British Gas Energy Trust, an independent charity

that provides advice and household grants to anyone in need of assistance, particularly those having difficulty paying domestic energy bills. £10m of this related to a donation agreed with Ofgem in response to the interpretation of regulations on the calculation of thermal energy in gas.

In 2013, the Trust provided 11,771 grants to people and funded 15 Energy Debt Advice Centres with services delivered alongside key partners like Citizens Advice and Shelter. To support a growing number of vulnerable people, we have committed to fund further centres and advisors in 2014 (see [CR update](#)).

British Gas is striving to enhance services for the vulnerable and protect them from rising energy prices. We are increasing training for our front-line customer service advisors so they can better identify and assist those in need. This is complimented by our partnership with National Energy Action who

In 2013, we continued to support more vulnerable customers than any other energy supplier in the UK

* Assured by Deloitte LLP for 2013 reporting.



we work alongside to develop training for those delivering energy and debt advice, as well as run events that encourage take-up of energy efficiency schemes like ECO to reduce bills. Through our partnership with Shelter, we are also working to improve the standard of 1m homes in the private rented sector (see [page 37](#)).

To support those in crisis situations, British Gas additionally provides food vouchers and is looking to introduce emergency credit on fuel cards.

Supporting vulnerable customers in North America

In North America, Direct Energy supports vulnerable customers with the greatest number needing help in the warmer summer months, when electricity prices often peak. Direct Energy supports vulnerable customers by offering options that enable them to pay bills over time and by working with customers and community organisations to deliver support through payment assistance programmes, such as Neighbor-to-Neighbor (see case study).

In Texas, the state's System Benefit Fund finances the Low Income Discount Assistance scheme that provides a minimum 10% discount on electricity bills to customers

at or below 125% of the Texas federal poverty level. This scheme will cease from 2016 so excess funds rather than a fee on customer bills are now being used to finance support for those in need.

In 2013, we continued to work with a network of more than 30 community organisations to deliver energy bill assistance to over 84,600 vulnerable customers using state and federal funding. The community organisations assess the level of need for individual customers against the Texas Center for Public Policy Priorities' definition of poverty, and transfer funding to Direct Energy so that customers' bills can be paid.

Direct Energy also works with charities and NGOs, through programmes like Reduce Your Use For Good. This helps them cut energy consumption and costs so more of their funds can be spent on furthering their cause (see [CR update](#)).

Case study

Providing support through the Neighbor-to-Neighbor programme

Customers in Texas that need help with their energy bills can receive annual grants up to US\$600 (£366) per household through the Neighbor-to-Neighbor bill assistance programme.

In addition to the US\$600,000 (£365,510) donation from Direct Energy, customers also donated US\$65,365 (£39,820) to the programme through their monthly

energy bill, helping us support over 5,000 households. Since the programme's inception in 2003, we have assisted more than 45,700 households.

The funds are distributed through a network of 32 community organisations who are best placed to reach those in need as they are already used by people requiring rent and mortgage assistance among other services. To support even more people, Direct Energy raises awareness about Neighbor-to-Neighbor at community outreach events.



Safeguarding the environment

Helping to protect the environment by reducing carbon emissions and carefully managing local environmental impacts

17 At a glance

18 Graphic: The Energy Challenge

19 Helping our customers reduce their carbon emissions

19 Driving change by supporting government initiatives

19 Saving emissions and energy costs by improving homes

21 Case study: Saving carbon through insulation and biomass district heating in Solihull

21 Using technology to reduce emissions from energy use

21 Reducing carbon emissions in our own operations

22 Energy generation

23 Office, fleet and business travel

24 Protecting biodiversity, air, land and water quality

25 Case study: Keeping tabs on basking sharks

25 Feature: Managing potential environmental impacts from natural gas from shale

26 Graphic: Natural gas from shale - the process



Safeguarding the environment - At a glance

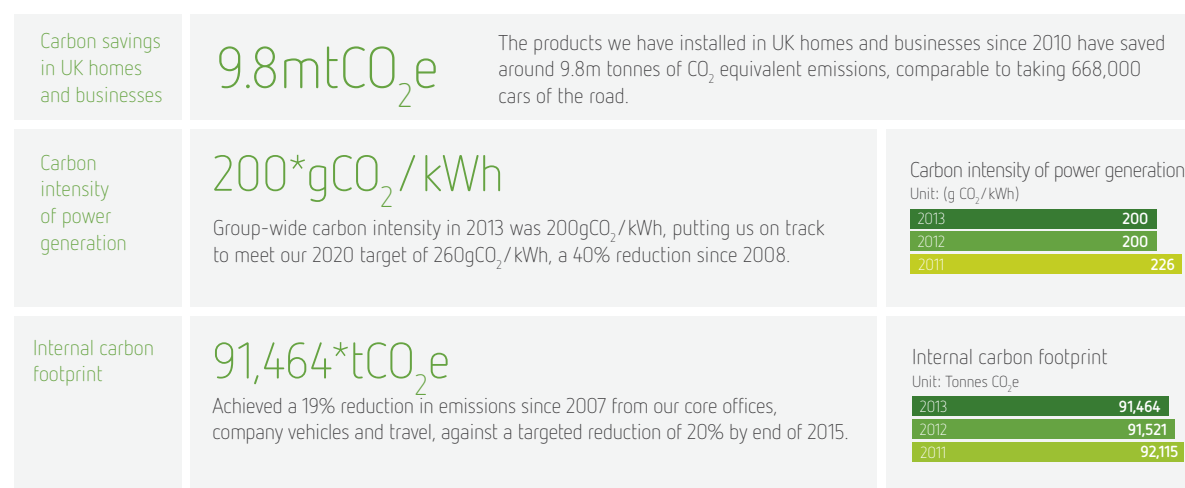
Overview

Managing environmental impacts associated with our business is integral to the way we operate.

The most significant contribution we can make is to help reduce customer energy use and carbon emissions from energy production. Helping customers use energy more efficiently not only cuts carbon, but saves them money, building loyalty and trust.

We are also working with communities to manage local environmental impacts from our operations.

Performance highlights



Goals	Target date
Sell more than 100,000 'Hive Active Heating' smart thermostats	2014
Reduce carbon footprint of our core offices, company vehicles and travel by 20% from 2007 baseline	2015
Reduce Group power generation carbon intensity to 260gCO ₂ /kWh	2020



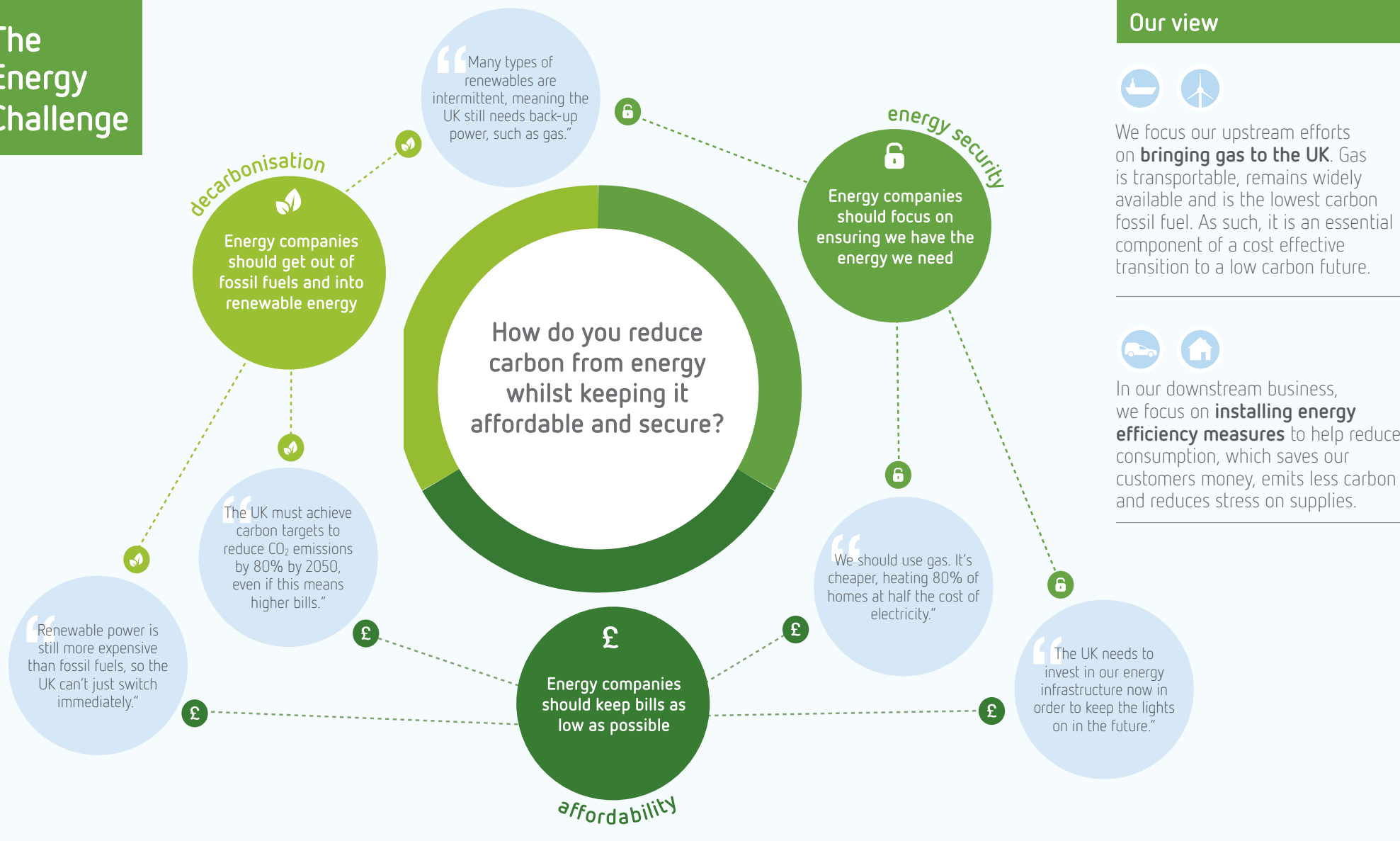
The innovative external wall insulation project with British Gas is helping to transform high rise living across Solihull. British Gas have made a significant investment in our area which is delivering warmer homes to more than 2,000 of our customers. This energy efficient scheme reduces the impact on climate change, while the external wall cladding enhances the appearance of the whole area.

Steve Boyd
Chief Executive,
Solihull
Community
Housing



* Assured by Deloitte LLP for 2013 reporting.

The Energy Challenge



Our view

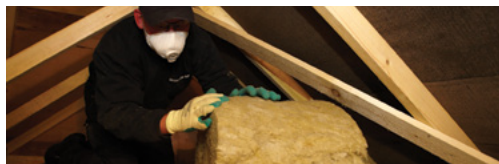


We focus our upstream efforts on **bringing gas to the UK**. Gas is transportable, remains widely available and is the lowest carbon fossil fuel. As such, it is an essential component of a cost effective transition to a low carbon future.



In our downstream business, we focus on **installing energy efficiency measures** to help reduce consumption, which saves our customers money, emits less carbon and reduces stress on supplies.

See our [blog](#) for details of our completed obligations under the CERT and CESP schemes



Helping our customers reduce their carbon emissions

Energy use in our customers' homes and businesses is the biggest single source of carbon emissions related to our business (see our [carbon map](#)).

Reducing our customers' energy consumption reduces carbon impacts while also helping to lower bills and decrease demand – as such it is an important part of the role we can play in balancing the multiple priorities of decarbonisation, affordability and energy security as described in the energy challenge graphic (see [page 18](#)).

Although we cannot control how customers use energy, we can help make their homes more energy efficient and give them the tools and technology to better understand and manage their energy use. As a major energy supplier, we also have an important role to play in driving change especially through the implementation of government initiatives.

Driving change by supporting government initiatives

We support Government programmes in the UK designed to increase the availability and uptake of products and services that drive improvements in energy efficiency.

In 2013, we began to deliver our commitments under the UK Government's Energy Company Obligation (ECO), which replaced the previous CERT and CESP energy efficiency schemes (see [blog](#) for details of our completed obligations under these schemes).

ECO requires energy suppliers to improve the insulation of properties and to install energy efficiency measures to reduce heating costs for vulnerable households. Our ECO commitments for 2013 totalled around £420m, some of which will be delivered in 2014. The measures we installed in 2013 will save 1.3m tonnes of CO₂ emissions over their lifetime and cut heating costs by more than £950m for vulnerable customers.

We are supportive of ECO and welcomed Government changes announced in December 2013 that allow for a wider range of energy efficiency measures and extend the period over which ECO will be implemented by two years to 2017. This will allow us to reach more homes in a more affordable way, and also enabled us to reduce average household gas and electricity prices (see [page 9](#)).

We continue to promote the UK Government's Green Deal, which encourages residential customers to invest in energy efficiency improvements by offering loans and cashback payments. British Gas was the first energy company to offer Green Deal finance to customers and has been a major enabler of customers' Green Deal cashback claims. In 2013, we carried out 20,000 Green Deal assessments, helped 12,000 households fund an energy efficiency measure through the Green Deal cashback scheme, and accepted nearly 600 Green Deal loan applications. While we continue

to support the goals of the Green Deal, we believe greater flexibility and less complexity would encourage greater uptake, which is currently low.

In addition to working with governments, we also partner with other organisations through the Customer Led Network Revolution to explore ways to drive changes in customer behaviour and energy use (see [page 36](#)).

Saving emissions and energy costs by improving homes

Our products and services - such as insulation, new boilers or solar panels - enable customers to reduce emissions and lower their energy costs. The products we have installed in UK homes since 2010 have saved around 9.8m tonnes of CO₂ equivalent emissions (see graph overleaf), which equates to taking 668,000 cars off the road.

The annual growth in carbon savings slowed in 2013 as a result of the transition from CERT and CESP to ECO. In 2013,

Emissions saved in the UK since 2010 due to the products we have installed



ECO focused on harder-to-treat homes where installations are more complex, so we expected year-on-year carbon savings growth to be lower. The proposed changes made to ECO at the end of 2013, which are expected to become legally binding in 2014, will broaden the range of measures to be installed, reaching more homes in a more affordable way.

In 2013, we installed more than 236,000 energy efficiency measures in the UK as part

of our government obligations, compared with 676,000 in 2012. These included solid wall, cavity wall and loft insulation, district heating, and boiler replacements and repairs, which together will achieve total lifetime carbon savings of 5.1m tonnes CO₂ emissions.

The delivery of low carbon products remains important to our business growth strategy, enabling us to offer better value and a greater range of services to customers, as well as

meet obligations set by the UK Government.

Enabling customers to generate energy from renewable sources also helps to reduce carbon emissions. In 2013, we completed 490 installations of solar panels at homes, schools and businesses. Although we completed fewer installations than in 2012, our greater emphasis on larger scale commercial projects means the total generating capacity of the solar panels we installed is higher (see table below).

We install renewable heating technologies, such as heat pumps and biomass boilers, for domestic and commercial customers, and for community projects. In 2013, we signed contracts for 4,200 district heating connections across the UK (most of which were biomass), which will have lifetime carbon savings of 267,000 tonnes. As well as reducing emissions and cutting bills, these projects provide communities, often in social housing, with reliable sources of heating (see case study overleaf).

Low carbon installations

	2013		2012	
	Installations (no.)	Generation capacity	Installations (no.)	Generation capacity
Solar PV panels⁽ⁱ⁾	490	7.4 MWp	682	6.2 MWp
Biomass boilers⁽ⁱⁱ⁾	127	23 MWth	144	14.6 MWth

⁽ⁱ⁾ MWp stands for megawatt peak and is the photovoltaic power under peak sunshine.

⁽ⁱⁱ⁾ MWth stands for megawatts peak of renewable heat thermal capacity.

**Case study**

Saving carbon through insulation and biomass district heating in Solihull

A British Gas contract with Solihull Community Housing will see us provide improvements by 2015 that will achieve total lifetime savings of over 130,000 tonnes of CO₂ emissions.

Delivered as part of our ECO commitments (see [page 19](#)), we will fit external solid wall insulation to 30 Solihull Council owned high-rise buildings, helping more than 1,600 homes stay warmer. We will also convert electric heating systems to biomass boilers that use renewable biomass fuels such as wood pellets from sustainable sources. Over 1,150 homes will benefit from this renewable heat.

British Gas will become the energy provider for the buildings, selling heat from the district systems to residents. This work complements the wider investment and regeneration programme happening in Solihull.



Our [blog](#) provides more information on our support for customers using renewable heating and solar technologies.

Using technology to reduce emissions from energy use

We are using innovative technology to empower our customers to take control of their energy use and costs. Smart meters, for example, allow customers to monitor and control energy use more effectively; prepayment plans in the US enable customers to proactively manage their energy consumption; and time-of-use products such as 'Free Power Saturdays' encourage customers to shift energy usage to periods of lower demand (see [page 10](#)).

British Gas has installed over 70% of smart meters in Britain – a total of 1.3m in UK homes and businesses since 2009. Of this, over 800,000 meters were installed for residential customers and we currently expect to have installed 1.3m residential smart meters by the end of 2014. Key to achieving wider uptake of smart meters is increasing awareness of their benefits. In 2013, we ran an advertising campaign to do just that, which resulted in a 7% increase in awareness in both British Gas and non-British Gas customers.

A survey in 2013 of British Gas smart meter customers showed that 9 out of 10 now take simple steps to reduce energy use in the home. More than half (54%) said they had saved money as a result. In North America, we participated in a study that shows on average prepayment customers reduce their electricity usage by up to 11%, helping to reduce their emissions.

Reducing carbon emissions in our own operations

Most of the carbon emissions we produce from our operations come from our power stations. The remainder is made up of emissions from our gas and oil activities and from energy use in our offices, fleet and business travel.

In 2013, our total carbon emissions have remained broadly flat, with 7,146,412* tonnes of CO₂ equivalent emitted, a 0.3% rise from 2012. Emissions from power generation are slightly down, offset by an increase in emissions from our hydrocarbon production and storage operations. See table overleaf for a breakdown of our total emissions.

* Assured by Deloitte LLP for 2013 reporting.

Energy generation

Carbon emissions from our power stations are dependant mainly on customer demand for energy, as well as the economics of different forms of power generation. We therefore focus on reducing the carbon intensity of our power generation, rather than our total carbon footprint, and helping customers reduce their energy use.

In 2013, the carbon intensity of the power we generate remained relatively low at 200*gCO₂/kWh, the same as 2012. This

in part reflects continued poor market conditions for our gas-fired power stations, which means they run less relative to other forms of generation such as nuclear and wind. We expect to see a recovery in demand for power from UK gas-fired power stations, which will cause our overall intensity to rise over the next few years, but we still expect to meet our long-term target of 260gCO₂/kWh by 2020, which will represent a 40% reduction from 2008.

As well as generating our own energy, we

also purchase energy from other power providers. When the sources of this energy are taken into account and using information provided annually as part of the UK Government's 'fuel mix disclosure', the carbon intensity of the power we sold in the UK in the 2012/13 financial year was 379gCO₂/kWh. This increase from 330gCO₂/kWh in 2011/12 is because other power generators used more coal to generate electricity. This makes us the second lowest among the 'big six' energy suppliers and well below the UK average of 470gCO₂/kWh.

Of the total power we sold in the UK during 2013 (including the power we generated as well as the power we purchased from the open market for resale), 10% was from renewable sources compared with the UK average of 11.3%. Direct Energy's renewable component was 14%, compared with a US average of 13%.

When considering the power generated globally through our investments, renewable energy accounted for 16.1% of the power we generated (including off-take contracts

Total carbon emissions

Scope	Summary	2013 (TCO ₂ e)	2012 (TCO ₂ e)
Total carbon emissions	Scope 1 and 2	7,146,412*	7,128,491
Scope 1	Emissions from our power stations, gas and oil assets, offices and fleet	7,031,658*	7,008,906
Scope 2	Emissions from power we import and use at our power stations, gas and oil assets and offices	114,753*	119,585

Low carbon power ⁽ⁱⁱⁱ⁾

	Amount generated (GWh)		Tonnes CO ₂ e avoided	
	2013	2012	2013	2012
Renewables	5,322	5,070	2,773,334	2,471,196 ^(iv)
Nuclear	12,035	11,915	5,355,704	5,475,449 ^(iv)
Total	17,358	16,985	8,129,038	7,946,646 ^(iv)

* Assured by Deloitte LLP for 2013 reporting. **(iii)** These figures include power generation from all wholly or partially owned assets and all other assets from which Centrica is entitled to output under site specific contracts. Excluded are any Purchasing Power Agreements that are not site-specific, i.e. contracts that could be settled from the open market. **(iv)** Figure restated from 2012 due to changes in emission factors and improved methodologies.

from long-term power purchase agreements) and nuclear energy made up 36.4% (through our 20% stake in EDF Nuclear Generation's UK nuclear power stations). Using these low carbon energy sources rather than fossil fuels helped avoid emitting more than 8mtCO₂e in 2013 (see table on previous page).

We have equity interests in five operational wind farms – one onshore and four offshore. Our Lincs offshore wind farm, five miles off the Lincolnshire coast, became fully operational in 2013 and is capable of producing enough energy for more than

200,000 homes. We are involved in further offshore wind farm projects in the Irish Sea Zone, with our current focus on our Celtic Array joint venture with DONG Energy near Anglesey. Work is underway to prepare a planning application for the Rhiannon wind farm, which could provide around 1.5m homes with electricity if built.

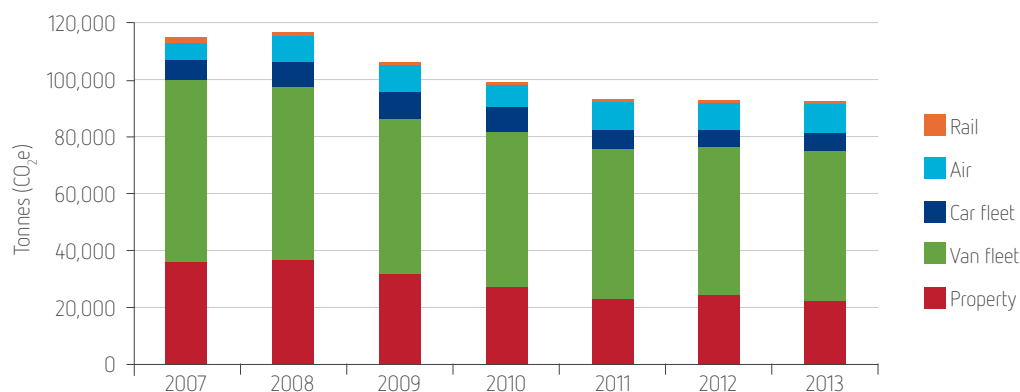
We were disappointed that our Race Bank offshore wind farm project was not selected by the UK Government to receive a transitional feed in tariff. In December 2013, we took the decision to sell our interest in the project

to DONG Energy, who will now take the construction phase of the project forward.

Stable regulatory frameworks are needed to encourage long-term investment in renewable energy infrastructure and such investments must also be balanced with our obligation to provide customers with a reliable and affordable energy supply. Because wind power is intermittent, gas-fired power stations - which can be turned on and off quickly - will remain an important part of the fuel mix even as more wind power comes online.

We are working to reduce emissions associated with our offices, fleet and business travel of our core businesses. We remain on track to achieve our 20% reduction target

2007-2013 internal carbon footprint by activity



* Assured by Deloitte LLP for 2013 reporting.

Office, fleet and business travel

We are working to reduce the emissions associated with our offices, fleet and business travel of our core businesses. We have the most ability to control these emissions compared to those from our energy generation and customers' energy use. In 2013, these emissions were 91,464*tCO₂e, having remained at a similar level to 2012. This took the total reduction from 2007 to 19% (see chart). We remain on track to achieve our 20% reduction target by the end of 2015 from a 2007 baseline.

Reductions in this area are being brought about by investing in energy efficiency measures in our property portfolio, introducing more fuel-efficient vehicles to our fleet, and

encouraging employees to adopt alternatives to business travel, such as videoconferencing. In 2013, for example, we cut emissions from our major UK properties by 8.6% compared with 2012, mainly by improving building management system controls and installing solar panels. Conversely, we experienced an increase in our van fleet emissions and those related to air travel due to an increase in business activity.

We intend to reduce the emissions from our van fleet by using lower emitting vehicles. By January 2014 we had expanded our electric vehicle trial to include 26 operational vans and our ambition is to have 1,300 electric vans in our UK fleet by 2015 depending on the availability of suitable models.



Protecting biodiversity, air, land and water quality

Managing the local environmental impacts of our operations is critical to the business. As well as protecting biodiversity, air, land and water quality, this helps us maintain our licence to operate, improves efficiency and enhances our relationships with local communities.

We have systems in place at site level to assess and manage local impacts, and we are committed to achieving independent certification to the ISO 14001 standard for environmental management in all our operations. In 2013, our operations in Trinidad and Tobago achieved certification to ISO 14001 and globally, more than 90% of our operations measured by carbon emissions are now certified.

A key area of focus is on effectively managing and mitigating potential impacts from our oil and gas operations, wind farms and power

stations, on the local environment and in particular, biodiversity. We have procedures in place at all installations to limit the risk of spills or discharges, and any accidental release is always investigated to ensure that lessons are learned.

In 2013, there were 57 minor non-compliances with environmental regulations, including 23 related to a single issue that caused repeated breaches of permitted limits on oil in produced water from a storage platform. We have taken action to prevent further breaches, including modifications to equipment. We also agreed to pay a fine of TT\$10,000 (£950) for an administrative breach as a result of our failure to submit a Marine Mammals and Turtles Protection Plan with sufficient notice prior to conducting a seismic survey in Trinidad and Tobago. No environmental damage was recorded.

Environmental impact assessments are integral to any proposed new infrastructure

projects and are essential to secure planning permission and investment, including formal consultation required by regulations. Consulting with communities (see [page 31](#)) and NGOs helps us gain a better understanding of how new projects might affect local ecosystems (see our case study on basking sharks overleaf).

Highlights of our environmental impact assessment and management from 2013 include a review of biodiversity impacts across the business and working with our partner, Cuadrilla Resources, to develop best practices relating to the management of environmental impacts of natural gas production from shale (see feature on the next page).

We have systems in place at site level to assess and manage local impacts, and we are committed to achieving independent certification to the ISO 14001 standard for environmental management in all our operations



▶ Case study

Keeping tabs on basking sharks

Centrica Energy and DONG Energy have formed a joint venture, Celtic Array, to develop proposals to build wind farms in the Irish Sea Zone. Together we have been supporting efforts to study the potential impacts of the project on biodiversity.

One aspect of this support has been to provide £10,000 to part-fund research conducted by the Manx Wildlife Trust into basking sharks that live in the waters around the Isle of Man.

The Trust is cataloguing and identifying the sharks by photographing their dorsal fins, noting their gender and size, and taking a DNA swab to be analysed by scientists. Results from the survey will not only help conservationists develop strategies to preserve this endangered fish; they will also allow us to make more informed decisions about where the proposed wind farm should be sited.

We have provided £10,000, with our partners to part-fund research conducted by the Manx Wildlife Trust into basking sharks



Underwater basking shark – © Frazer Hemming-Allen

▶ Feature

Managing potential environmental impacts from natural gas from shale

During 2013, we acquired a 25% stake in the Bowland shale exploration licence operated by Cuadrilla Resources in Lancashire in the UK.

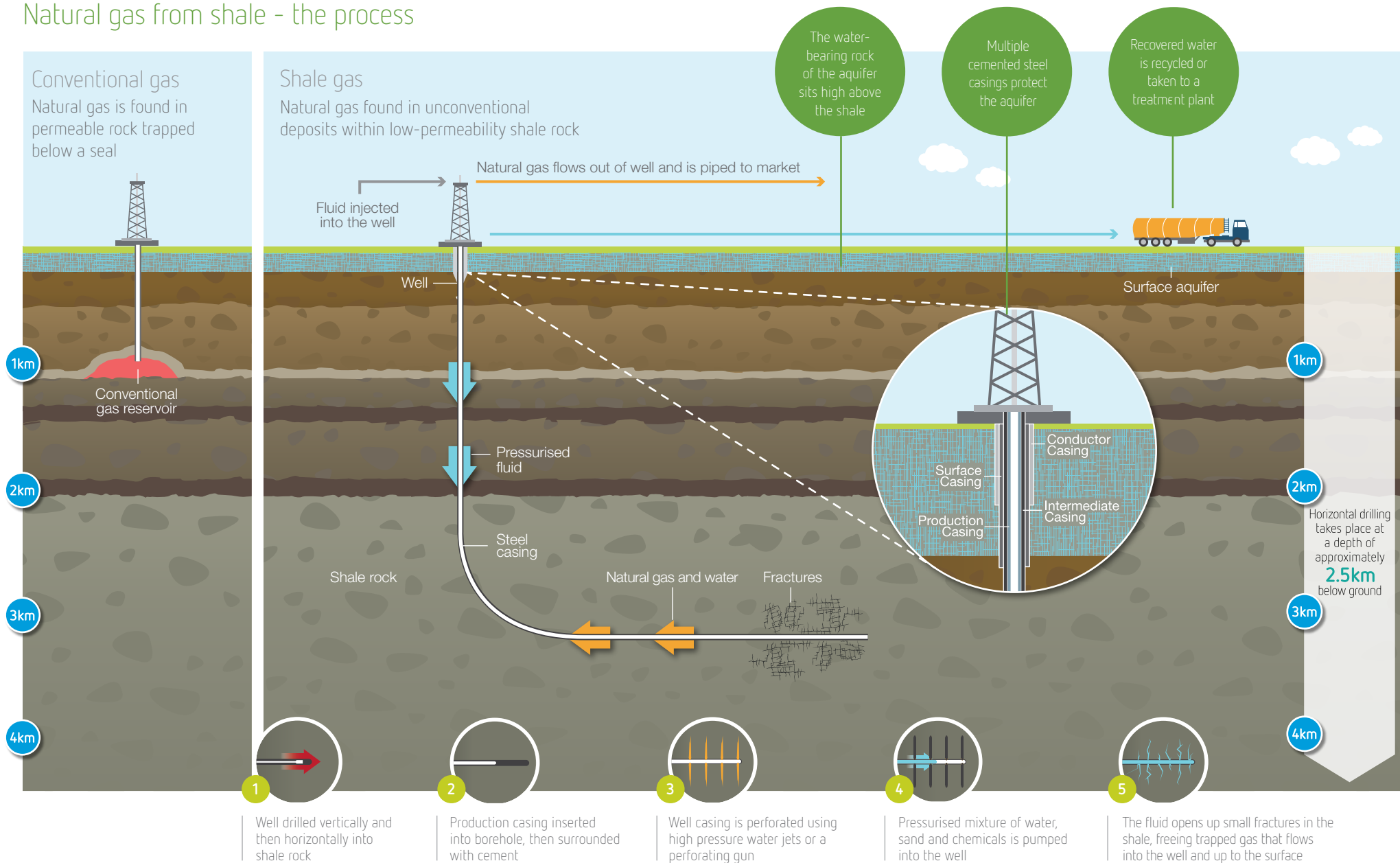
Horizontal drilling and hydraulic fracturing – the techniques used to extract natural gas from shale – are well established and have been used by energy companies for many years. Research by the Royal Society and the Royal Academy of Engineering has shown that risks such as water contamination are very low given the depth of the wells, provided they are designed, constructed and maintained properly, and that seismic activity is likely to be of a smaller magnitude than that caused by coal mining or that occurs naturally. The graphic on the extraction process for natural gas from shale on the next page, outlines the typical distances between aquifers and shale rock as well as some of the operational measures that can be taken to protect the environment. This includes

multiple well casings and recycling returned water.

We have a strong track record in safe and transparent project development for oil and gas production. We are working closely with our partner, Cuadrilla Resources, to apply the same rigorous approach to managing potential impacts of the Bowland exploration project. We have developed Group Operating Principles for onshore gas exploration and extraction, which are being applied to the Bowland project. The Principles provide a framework for protecting air, water, the local environment and communities whenever fracturing techniques are used to produce gas or oil from shale and other tight rock formations.

We are confident that shale gas can be extracted safely, and we will work closely with our partners to engage local communities about our plans and respond to their concerns. We believe that because of the pressing need to secure new sources of gas - the lowest carbon fossil fuel - the development of natural gas from shale could be an important way for the UK to reduce reliance on imported gas (see [page 36](#)).

Natural gas from shale - the process



Caring for our people & communities

Creating a great place to work for our employees and building strong relationships with local communities

28 At a glance

29 Creating a great place to work

29 Employee engagement

29 Training and development

30 Continuously focusing on safety across our assets and operations

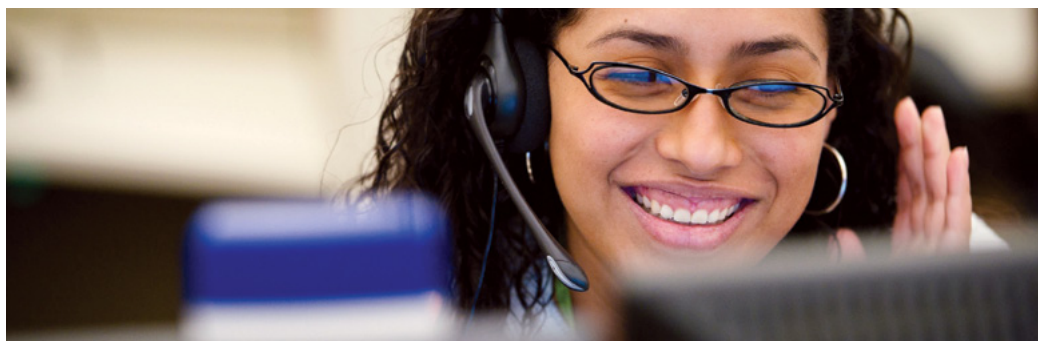
30 Case study: Live Safe: Speaking up on safety

31 Engaging and supporting our local communities

31 Community engagement

32 Community investment

32 Case study: Ignite: £10m over 10 years for social enterprises



People & Communities - At a glance

Overview

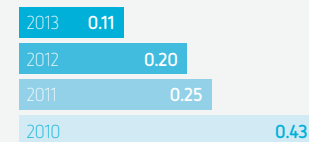
The relationships we establish with our employees and the communities in which we operate are central to our ability to perform effectively.

Creating a great place to work with a continued focus on safety enables us to attract and retain people who are committed to caring for our customers and making our business a success. Engaging and earning the trust of local communities can help us have a positive impact and enables Centrica to become the operator of choice.

Performance highlights



Unit: Per 100,000 hours worked



Goals	Target date
Strive towards top quartile employee engagement performance	2014
Grow a best practice safety culture and at least maintain and if possible further improve our LTIFR performance	2014
Increase annual volunteering in Direct Energy to 14,000 hours	2014
Expand volunteering in British Gas to one in three employees	2018



Centrica has worked hard in the local community to help ensure the Lincolnshire coast remains a vibrant place. The District Council and Centrica have worked together to extend East Lindsey's culture programme. Often, multinational organisations are distant from affected communities, but this isn't the case with Centrica. We look forward to continuing our work - and strong relationship - with Centrica in respect of their offshore operations around our coastline.

Cllr. Doreen Stephenson

Leader, East Lindsey District Council



*Assured by Deloitte LLP for 2013 reporting.

Creating a great place to work

We aim to create a rewarding, fulfilling and inclusive place to work. We want our people to be engaged in our business strategy, motivated to help us achieve success and have clear opportunities to develop their skills and careers. This will help us attract and retain people with the talent and expertise needed to maintain a successful and sustainable business.

Employee engagement

Achieving a high level of employee engagement is a priority. How employees think and feel impacts our performance because engaged employees are likely to be more productive and stay with us for longer as they understand and feel more committed to the business. We use a Group-wide employee survey to measure engagement and receive feedback on how we can improve. In 2013, our overall engagement score improved across the business to 4.81^{*(f)} out of 6, up from 4.72 in 2012, which places us above average compared with other high performing companies. More than 30,000 employees and contractors participated in the survey - a 77% response rate, up six percentage points from 2012.

In particular, Direct Energy significantly advanced its scores during a period of continued organisational change. This was achieved through strong engagement from senior leaders and ensuring our people felt valued and understood the company's strategic vision during a challenging year.

Overall, feedback from the survey showed high satisfaction in several key areas including safety and employee relationships with direct line managers. Scores were less strong in areas such as development and career progression as well as reward and recognition. We have analysed feedback from the survey and are putting in place plans to improve our performance.

A key engagement focus in 2013 was developing a common purpose across Centrica. Our people told us through the 2012 engagement survey that they struggled to feel a strong sense of collective purpose within the organisation, which was partly a result of the business restructure being carried out at the time. In 2013, we consulted employees through a range of focus groups, workshops and our new internal social network, Talk Centrica, to help us articulate a common purpose. We decided on: 'to help people today and secure energy for tomorrow' and in 2014, we will bring this purpose to life across the Group.

Training and development

Providing our people with learning and development opportunities enables them to bring new skills and capabilities to their roles. This helps our employees reach their full potential and allows us to remain competitive in a rapidly changing market.

Raising customer satisfaction levels across our downstream businesses is important. We are increasing the amount of training our customer service agents receive to ensure the best possible service is delivered (see [page 12](#)).

To secure our talent pipeline, we invest in learning opportunities for people currently in our business as well as those looking to start their careers. As the UK's largest trainer and employer of gas engineers, British Gas invested £17.7m in 2013 to deliver around 69,000 training days to 12,000 engineers, including more than 1,970 training days at the British Gas Green Skills Centre in Tredegar, Wales. We also helped nurture the next generation of highly skilled engineers with over 1,200 apprenticeships across the business. This included over 30 power generation and upstream apprentices at Centrica Energy as well as 358 new apprentices joining British Gas (see [blog](#)).

British Gas invested
£17.7m in 2013 to deliver
around 69,000 training
days to 12,000 engineers



* Assured by Deloitte LLP for 2013 reporting. (f) Feeds into the Long Term Incentive Scheme for Executives (see page 79 in our [Annual Report](#)).

To help tackle youth unemployment, we provide opportunities across our company for young people not in education, employment or training (NEETs). In 2013, we announced the creation of work placements to train young people and equip them with valuable 'green' skills through our Transform programme, developed in partnership with Accenture and Global Action Plan. We also pledged our support to 'Step Up 2 Serve' which seeks to get businesses more involved in providing opportunities for young people.

We are committed to developing future leaders to support our continued business success. In North America, for example, Direct Energy launched Leader of the People, a programme to generate new skills and improve business awareness in current and emerging leaders. Cultural leadership training was also delivered through the Leaders Journey programme. In total, 389 employees took part in these programmes and in 2014, Direct Energy aims to extend its leadership opportunities. Additionally, Centrica Energy continues to embed the 'CE Way of Management' into line manager objectives to strengthen leadership and provide better guidance for developing their people.

Continuously focusing on safety across our assets and operations

Supplying gas and electricity is inherently hazardous so the safety of our people, customers and local communities remains a constant priority. In our upstream operations, we focus on process safety to prevent major incidents and in our downstream business, we prioritise the safety of our customers and road safety, to limit accidents for engineers who travel to thousands of customer homes every day.

In 2013, we continued to embed a strong safety culture with improved risk management processes, a common reporting framework, and further training to empower our people to take responsibility for safety (see case study).

Our efforts to maintain a safety-first culture are reflected in our 2013 performance. The downward trend in our lost time injury frequency rate for employees and contractors continued, falling by 45% from 2012 to 0.11^{*(ii)} per 100,000 hours worked. Our total recordable injury frequency rate also fell by 46% to 0.76* per 100,000 hours worked. There were no significant process safety events* or fatalities*.

▶ Case study

Live Safe: Speaking up on safety

Centrica Energy's Live Safe campaign, launched in 2011, encourages our people to proactively take responsibility for their own safety and the safety of those around them.

The programme seeks to encourage employees to point out safety concerns – giving them confidence and knowledge to speak up if they see unsafe behaviour. It is also about embedding safety as an integral part of everyone's thinking, rather than something done sporadically or with the aid of a checklist.

Through 'Don't Walk By' interactive workshops, continuing awareness campaigns and briefings, employees

are encouraged to:

- Be passionate about safety and have safe habits both inside and outside the workplace
- Correct colleagues' behaviour in a caring and enquiring way
- Report when things go wrong, no matter how minor, so that improvements can be made to prevent similar occurrences

In 2013, nearly 1,000 employees benefitted from more than 3,400 hours of Live Safe and Generation Safe (see [CR update](#)) training. The number of near misses – incidents which could have caused harm – reported in our power division rose by 70% from 2012 due to increased awareness and greater willingness to speak up, while the number of injuries halved.



* Assured by Deloitte LLP for 2013 reporting. (ii) Feeds into the Long Term Incentive Scheme for Executives (see page 79 in our [Annual Report](#)).



In our upstream business, process safety training was delivered to more than 270 employees across our main operations in the UK, Netherlands and Norway. Centrica Energy hosted training at a specialist RAF facility in the UK, where major process safety scenarios such as explosions are played out by actors to show what can happen when things go wrong and how potential hazards can be prevented (see [CR update](#)).

In our downstream business, we continued to raise awareness of road safety, primarily through driver safety training (see [CR update](#)). In 2013, more than 4,800 employees took part in driver safety training programmes across British Gas and Direct Energy. With more than 342 million km driven by our engineers during this period, our rigorous approach to driver safety has contributed to low severity road incidents declining by 2% to 4.9* per million km driven, and the total number of high severity incidents falling from six to one*, compared with 2012.

We are also working with others in our industry to develop a best practice approach to safety. For example, Centrica Energy involved business partners in its Generation Safe programme to achieve a zero-harm environment at our power generation operations. In 2013, we introduced an independent supplier assessment on safety for British Gas franchisees and the requirement for them to have professional safety support.

We aim to support the long-term health and wellbeing of our employees to improve productivity, reduce absenteeism and make Centrica a better place to work. Our Group health and wellbeing strategy focuses on promoting healthy lifestyle choices through tailored local programmes established by each business (see [blog](#)). For example, in 2013 British Gas launched musculoskeletal workshops, an online toolkit and an advice helpline, which contributed to a 60% reduction in occupational health referrals compared with 2012. Despite the new

programmes, employee absence increased slightly to 7.5* days per full time equivalent employee compared with 2012.

Engaging and supporting our local communities

We want to be the operator of choice for communities. We are dependent on local communities to provide our workforce, host our infrastructure and support our licence to operate. Operating responsibly by minimising negative impacts, particularly from oil and gas production and power generation, is therefore a business imperative. Community consultation helps us achieve this by improving understanding and mitigation of adverse impacts while making sure communities benefit from our presence. We also aim to strengthen local economies and improve living standards by investing our resources and expertise.

Community engagement

We engage with communities near our operations as part of our day-to-day activities. Centrica Energy project managers and issue specialists engage with key stakeholders to ensure each project fully assesses, understands and has plans in place to manage potential impacts, which form an essential part of the approval process throughout a project's lifecycle. In Canada, we continued to develop strong relations with First Nations communities by supporting local programmes and assisting those affected by severe flooding in 2013.

We also conduct formal community consultations. With joint venture partner DONG Energy, we sought views during 2013 about our proposed Rhiannon offshore wind farm through five public information days on the island of Anglesey, as well as monthly drop-in sessions.

These consultations and engagements help earn the trust and support of local communities, enabling us to deliver projects more effectively.

* Assured by Deloitte LLP for 2013 reporting.

Visit our [data centre](#) to see our community contributions and [website](#) for our approach to people and communities



Community investment

We invest in our local communities to tackle some of society's biggest social and environmental issues. We contribute to charities through donations, volunteering and employee fundraising. We also support our vulnerable customers with a mixture of company programmes and government schemes.

Our total community contributions increased by 27% in 2013 to £392.4m*, while volunteering hours rose by 12% to nearly 48,700* hours. The majority of our spend (£380.8m) went to vulnerable customers in the UK through mandatory obligations. Charitable contributions also increased to £11.2m from £9.4m and went to a range of issues (see [blog](#)).

In recognition of the valuable contribution our people make to local communities and skills they can gain through volunteering, Direct Energy aims to increase their annual volunteering to 14,000 hours by the end of 2014 while British Gas intends to have one in three employees volunteering by 2018.

Our community investment is focused on three areas:

- **Vulnerability and social inclusion:** combatting fuel poverty (see [page 13](#)) and improving 1m UK homes through British

Gas' partnership with housing charity, Shelter (see [page 37](#))

- **Skills development:** growing social enterprises with the Social Business Trust which has invested in eight social enterprises and created over 2,500 jobs, as well as Ignite (see case study).
- **Low carbon:** teaching children about sustainability through Generation Green and installing energy efficiency measures as part of the UK Government's ECO scheme (see [page 19](#)).

£11.2m
Charitable contributions
increased to £11.2m from
£9.4m and went to a range
of issues

* Assured by Deloitte LLP for 2013 reporting.

Case study

Ignite: £10m over 10 years for social enterprises

We are helping energy entrepreneurs play a vital role in building a better society through Ignite, the UK's first impact investment fund with a focus on energy, created by Centrica.



Ignite offers £10m of funds recycled over 10 years to energy-related social enterprises to help develop and grow their products and services. There will also be opportunities for our people to support the social enterprises while developing their own skills.

One of the first Ignite beneficiaries with an investment of £500,000 was Midlands Together CIC, which provides opportunities for ex-offenders to learn new skills and gain employment by refurbishing and improving the energy

efficiency of empty homes. Properties are then sold to fund getting more people into work. Our people also provide mentoring and assistance procuring materials for renovation.

Profits from Ignite's investments will be reinvested to grow more social enterprises and at the end of the 10 year term, any surplus will be distributed to charity.



Working with our partners

Partnering with others to tackle social and environmental challenges

34 At a glance

35 Embedding responsible business practices in our supply chain

35 Feature: Assessing risks in our supply chain

36 Maintaining energy security for our customers

36 Case study: Collaborating to revolutionise energy use in the UK

37 Listening to and collaborating with our stakeholders

37 Case study: Partnering to create better homes for Britain

38 How we engage with key stakeholders



Working with our partners - At a glance

Overview

Collaborating with partners - suppliers, joint venture partners and other stakeholders - can help us tackle social and environmental issues more effectively.

By working together, we can pool our skills and expertise to better manage risks, improve energy security, and positively contribute to communities.

Dialogue with our stakeholders helps us build trust and their feedback enables us to learn and informs the way we do business.

Performance highlights

Supply chain risk	<h3>Low risk rating (score of 49)</h3> <p>Average risk rating of more than 70 of our strategic suppliers for social, ethical and environmental issues was low risk (score of 49), compared to a multi-industry average of medium risk (score of 41), where 100 equates to lowest risk.</p>	<p>Centrica's average</p> <p>low risk 49/100</p> <p>Multi-industry average</p> <p>medium risk 41/100</p>
Smart grids	<h3>10%</h3> <p>Customer Led Network Revolution (CLNR) time-of-use trial is seeing customers using 3% less energy overall and energy demand at peak times being cut by 10%.</p>	
Shelter partnership	<h3>£200,000</h3> <p>Delivered advice to landlords, funded debt and energy advisors at Shelter's advice centres and raised nearly £200,000 towards 2017 employee fundraising target.</p>	

Goals	Target date
Expand EcoVadis assessment programme to cover more suppliers from across the business	2014
Ensure corrective action plans for low scoring suppliers are implemented	2014
Help 1m UK households in the private rented sector through partnership with Shelter	2017
Raise £1m through employee fundraising through partnership with Shelter	2017



Durham and Newcastle universities are working in a unique partnership with British Gas and other partners to investigate how smart meters, low carbon technologies and time-of-use tariffs can improve the resilience of our electricity network. We find that customers can be really engaged with these 'smart' solutions and the benefits they can offer.

Prof. Harriet Bulkeley
Durham University



Visit our [data centre](#) to see our supply chain metrics and [website](#) for our approach to working with our partners



Embedding responsible business practices in our supply chain

We spend billions of pounds each year sourcing products and services ranging from central heating products, insulation and metering services in our downstream business to heavy equipment and offshore oil and gas management services for our upstream operations.

Managing risk in our supply chain is important to secure reliable supply of these products and services, and to protect our reputation. Our [Corporate Responsibility Policy for Suppliers](#) sets out the minimum standards we expect, and covers issues such as managing safety risks and environmental impacts, preventing bribery and corruption, as well as respecting human rights.

In 2013, we launched a supplier assessment programme to help us identify and manage social and environmental risks in our supply chain. The programme uses a system, established by independent supply chain sustainability experts EcoVadis, to assess suppliers through an online questionnaire (see feature). The system provides us with an analysis of the risks we face in our supply

chain and the tools to work with our suppliers to improve performance. We integrate these assessments with other reviews of suppliers on financial stability and security of supply to inform our wider business risk registers.

Over 70 strategic suppliers, which are most critical to our business, were assessed in 2013. Of those assessed, one supplier was deemed high risk and just over a quarter received a medium risk rating. As a result they are developing and implementing corrective action plans. Nearly two thirds were categorised as low risk, with seven identified as high performers. The average risk rating of our assessed suppliers is 49 out of 100 on the EcoVadis rating scale, which corresponds to the low risk category and is better than a multi-industry average of 41 (medium risk).

We aim to build strong relationships with our suppliers to work with them to raise standards and ensure reliability of supply. In 2013, we held a supplier forum in the UK to share best practices on responsible procurement and another in North America for Direct Energy Residential to share our vision, challenges and expectations with our strategic suppliers. We also surveyed 85 representatives from key suppliers to gain feedback on their relationships with us and what we can do better.

Feature

Assessing risks in our supply chain

In 2013, we introduced a supplier assessment system to manage risk, following a pilot we conducted the year before. Over 70 suppliers completed a self-assessment questionnaire using the EcoVadis tool, providing us with better insight across key areas of risk: environment, labour practices and human rights, fair business practices, and sustainable procurement. EcoVadis assesses the completed questionnaires and accompanying documentary evidence provided by suppliers to verify the information.

This system reduces the burden on suppliers by enabling them to share assessment results with other clients rather than completing individual questionnaires. The platform helps us understand the level of risk associated with different suppliers and identify where improvements need to be made. Corrective action plans are required for suppliers who receive a medium or

high risk rating. The plans consist of a prioritised list of improvements that can be monitored through the platform. Suppliers will then be reassessed in 12 months to evaluate the changes they have made.

In 2014, the EcoVadis assessment will be rolled out to further suppliers according to the risk associated with the kinds of services they provide and the country in which they operate.



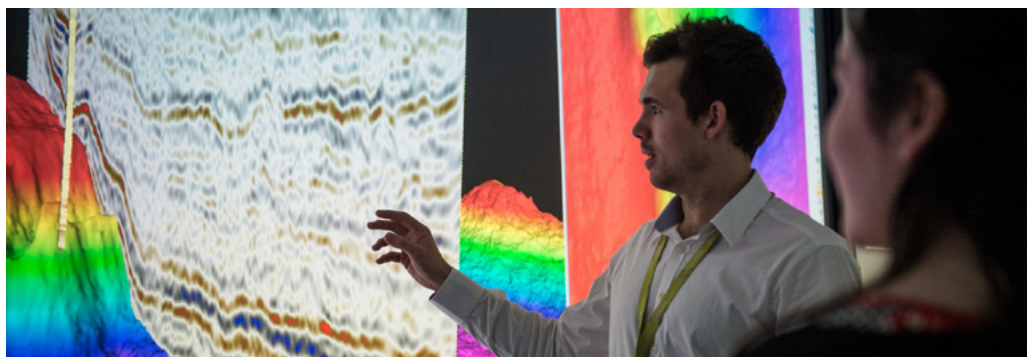
Maintaining energy security for our customers

Ensuring customers have the energy they need to power and heat their homes is a fundamental part of our responsibility to them and essential to the success of our business. In the UK, which is increasingly reliant on imported gas supplies, we are joining forces with partners to explore new energy sources and trial innovative solutions to energy security challenges.

In 2013, we entered into £14bn of long-term gas contracts providing supply from Qatar and North America. We also announced a partnership with Cuadrilla Resources to explore onshore gas supplies in Lancashire, England, having acquired a 25% non-

operating share in the Bowland shale exploration licence. With eight out of 10 UK homes reliant on gas for heating, we believe the development of natural gas from shale could play an important role in securing affordable energy for the UK. Experts predict that natural gas from shale has the potential to reduce the amount of gas the UK needs to import from 76% to 37% by 2030. Managing potential environmental impacts is a key focus of our partnership with Cuadrilla Resources (see [page 25](#)).

We are also working with partners through the Customer Led Network Revolution – the UK's largest smart grid trial. This pilot seeks new ways to improve energy security and reduce carbon emissions by reducing demand on the grid (see case study).



Case study

Collaborating to revolutionise energy use in the UK

In 2013, British Gas continued to work with Northern Powergrid, Durham Energy Institute and other partners as part of the Customer Led Network Revolution (CLNR), which is part-funded through Ofgem's Low Carbon Network Fund. Through the project, over 12,000 customers in the Northeast and Yorkshire trialled different combinations of technology, pricing structures and rewards to find the most effective way to reduce overall demand on the grid.

Our latest trial offered more than 600 customers cheaper energy bills for saving their energy-intensive household activities to times when demand on the grid is lower, particularly the weekend. These time-of-use products have already proved a popular and effective way for our customers in the US to reduce their energy bills (see [page 10](#)).

The blend of skills and expertise of the partners involved in the programme has been central to its success: Northern Powergrid provided essential infrastructure and access as the 'host' distribution

network operator; the Durham Energy Institute provided the academic rigour behind the trial design, analysed the results, and carried out post-trial evaluation with participants; and British Gas used its significant customer relationship and marketing capabilities and technology expertise to design a customer-friendly programme and deliver effective communications that recruited participants to complete the trial and gather the necessary data.

Early results from the time-of-use trial have been very positive, with participating customers using 3% less energy overall and demand for energy cut by 10% at peak times, reducing the burden on the power grid.

In a survey of around half of the participants, 94% said they found it possible to shift their energy use and 95% would choose a multi-rate tariff over a standard tariff if it was available after the trial. The insight we have gained has made an important contribution to our plans for British Gas to make time-of-use tariffs available to more of our smart meter customers during 2014.

Listening to and collaborating with our stakeholders

Listening to the people and organisations that affect or are affected by our business is important to help us understand and respond to their concerns, develop strong relationships and build trust.

We engage with a wide range of stakeholders through formal advisory groups, cross-industry forums and regular interactions with millions of customers. Our Corporate Responsibility Advisory Group, which provides valuable insights and input into our CR approach and specific issues, met three times in 2013 and discussed issues including Centrica's interest in natural gas from shale, the UK Retail Market Review, smart grids and smart energy. Their feedback is shared with our Board's Corporate Responsibility Committee, enabling stakeholders to influence the decisions made by our senior executives. We also engage with

stakeholders such as investors, regulators and NGOs directly through stakeholder workshops and one-to-one meetings.

We use a Group-wide employee survey to receive feedback from all employees on how we can create a positive and high performing environment (see [page 29](#)). We also gather formal feedback on our operations and customer service from customers through the British Gas Customer Board (see [page 11](#)) and the British Gas Business Engagement Panel of over 350 enterprise and corporate customers.

Where there is a shared objective or issue, we may also seek to collaborate with stakeholders more deeply, especially where we can bring together complementary skills and expertise. For example, our strategic partnership with Shelter (see case study) enables us to reach some of the most vulnerable households more effectively while improving insulation and gas and electrical safety in privately rented UK homes.



Case study

Partnering to create better homes for Britain

Nine million people in England rent their homes. But many tenants face poor conditions with over a third of privately rented households failing to meet the Government's Decent Homes Standard. Some renters find it particularly difficult to challenge their landlord to fix their home without risking eviction.



We are partnering with Shelter over five years to improve 1m homes in the private rented sector across the UK by 2017. Together, we aim to improve gas and electric safety, make homes more energy efficient by tackling poor insulation, provide advice for tenants and landlords, and advocate for higher standards across the sector. By combining our expertise, capabilities and influence, we can tackle this complex issue more effectively and

have a far greater impact.

The initial focus is jointly campaigning with Shelter to raise standards in the private rented sector. We have already launched [landlord advice videos](#) while resources for tenants will be launched in 2014. Through the British Gas Energy Trust, we have funded six Shelter advisors, who provide face-to-face debt and energy efficiency advice to people struggling to pay their energy bills, including grant applications to the Trust to get them back on track and remain energy debt free.

British Gas' employees are also getting involved by supporting Shelter through volunteering and fundraising. We aim to raise £1m through employee fundraising by 2017 - nearly £200,000 has been raised so far. We also ran customer-facing fundraising campaigns where British Gas donated 50p for every customer who switched to Direct Debit, raising £60,000 in 2013.

British Gas won 'Company of the Year' at the 2013 Business Charity Awards, in which Shelter featured as one of our three community partnerships.

How we engage with key stakeholders

Stakeholder group	How we engage	Stakeholder priority issues	Our response
Customers	<ul style="list-style-type: none"> - Direct feedback through daily interactions with customers via call centres, websites and social media - Formal customer panels through our Customer Board and Business Engagement Panel - Focus groups, workshops and interviews - Surveys and online forums 	<ul style="list-style-type: none"> - Energy prices and affordability - Profitability - Improve customer service - Transparency of tariffs and bills 	<p>While we had to increase UK residential energy prices to ensure profitability and Centrica's ability to continue to secure energy supplies, we were the first energy company to reduce prices following changes proposed to ECO in December 2013 (see page 9).</p> <p>British Gas invested in IT systems that will give customers a better service in the long-term and enhanced our mobile apps to give customers better access to their accounts (see CR update).</p> <p>In the UK, we now offer four distinct tariffs all with a fixed standing charge and single unit rate that are clearly shown on customers' bills (see page 10).</p>
Government	<ul style="list-style-type: none"> - Consultation responses - Direct engagements with government and regulator representatives - Engagement with politicians 	<ul style="list-style-type: none"> - Electricity Market Reform - Securing gas supplies for the UK - Competitive retail markets - Affordability - Energy efficiency in homes and businesses 	<p>We engaged closely with Government and parliamentarians in the UK on key policies relating to our upstream business such as boosting the UK power sector, onshore and offshore gas production and securing gas supplies from overseas. Downstream, we highlighted the benefits of competitive markets, demonstrated the makeup of customers' bills and how best to deliver energy efficiency to consumers in the UK.</p> <p>Across our North American markets, we encouraged regulators and legislators to expand competitive markets and support smart meter deployment. In Texas, we continued to advocate for the benefits of demand response and time-of-use products as a solution to resource adequacy challenges in the state.</p>
Investors including SRIs	<ul style="list-style-type: none"> - Direct engagements - Investor seminars - Multi-stakeholder workshops - Performance and strategy briefings 	<ul style="list-style-type: none"> - Financial performance - Risk of price controls and political intervention in the UK energy market - Public concern around energy prices - Environmental risks and community relations for upstream operations 	<p>As part of our ongoing shareholder engagement and financial reporting, we brief investors about our engagement with government and regulators on key issues. In the UK these include price control, which we believe is not the answer in a competitive market, changes to environmental and social policies together with their impact on bills, market reform and competition.</p> <p>We also held a round table for investors on natural gas from shale including how we and our partners manage any potential social and environmental impacts.</p> <p>See our 2013 Annual Report and Accounts.</p>
Employees	<ul style="list-style-type: none"> - One-on-one discussions with line managers - Training, focus groups and workshops - In house social media platforms - 2013 Group-wide employee survey 	<ul style="list-style-type: none"> - Development and career progression - Taking action from the employee survey - Reward and recognition 	<p>Our overall engagement score improved to 4.81 out of 6. We are putting in place plans that respond to employee feedback and will further help us improve our performance.</p> <p>British Gas invested £17.7m to deliver around 69,000 training days to engineers and in Direct Energy 389 employees took part in programmes to develop current and emerging leaders.</p> <p>Further details available from page 29.</p>

Stakeholder group	How we engage	Stakeholder priority issues	Our response
NGOs	<ul style="list-style-type: none"> - Direct engagements including during planning consultations - Strategic partnerships - Stakeholder workshops - External panel, CR Advisory Group, set up in 2011 	<ul style="list-style-type: none"> - Transition to low carbon and renewable energy - Support customers to reduce energy consumption - Fuel poverty and vulnerability - Fair and transparent pricing 	<p>Our Lincs offshore wind farm became fully operational. Because wind power is intermittent, gas-fired power stations - which can be turned on and off quickly - will remain an important part of the fuel mix (see page 23).</p> <p>The products we installed in UK homes since 2010 equates to taking 668,000 cars off the road. We have installed 1.3m smart meters in the UK since 2009, which give customers greater awareness and control over their energy usage (see page 19).</p> <p>We continued to support more vulnerable customers than any other energy supplier in the UK. In North America we donated US\$600,000 (£365,510) through the Neighbor-to-Neighbor bill assistance programme (see page 15).</p>
Suppliers	<ul style="list-style-type: none"> - One-on-one discussions, account reviews and site visits - CR supplier assessments - Supplier forums and collaborative initiatives - 'Voice of the Supplier' survey 	<ul style="list-style-type: none"> - Supplier relationship management - Increased collaboration and innovation with suppliers - Supplier incentives for high CR performance 	<p>We sought the views of our strategic suppliers through our 'Voice of the Supplier' survey. We are responding to their feedback directly and agreeing action plans on key improvement areas.</p> <p>We held two supplier forums to share our vision and challenges as well as best practices on responsible procurement (see page 35).</p>
Communities	<ul style="list-style-type: none"> - Regular and ad hoc meetings with charities and local community partners - Public consultations - Employee volunteering 	<ul style="list-style-type: none"> - Minimising local impact of our operations - Community investment - Skills and employment 	<p>Group Operating Principles have been developed for onshore gas exploration and extraction, which provide a framework for protecting local communities and the environment where we or our partners operate.</p> <p>In 2013, we contributed £392.4m to local communities, charities and customers to tackle social and environmental issues. Of this, over £380m went to supporting 1.8m vulnerable households in the UK through mandatory programmes. We also provided over 1,200 apprenticeships across the business.</p>
Trade unions	<p>Formal consultation, national quarterly meetings and regular local meetings</p> <p>Informal regular and ad-hoc meetings</p> <p>Informing local representatives about matters that affect their members</p>	<p>Annual pay negotiations and collective bargaining</p> <p>Call centre working conditions</p>	<p>We have engaged with trade unions on collective pay agreements: In North America we filed for conciliation with UNIFOR following reluctance from the union to enter dialogue; a strong partnership approach with trade unions in the UK enabled both pay negotiations and a number of restructures to be delivered successfully.</p> <p>British Gas became the first employer to sign up to the UNISON Contact Centre Charter which establishes a set of standards for the working environment for contact centre employees.</p>

Managing corporate responsibility

Understanding and managing our social and environmental impacts is essential to our long-term business success

41 Managing corporate responsibility

41 Governance

41 Management

41 Assurance

41 Materiality

41 Graphic: Materiality matrix

41 Risk management

42 Key performance indicators



Managing corporate responsibility

Understanding and managing our social and environmental impacts is integral to our long-term business success. Engaging with stakeholders and assessing risks and opportunities helps us identify our most important corporate responsibility (CR) issues across the business. Our management and governance structures support effective implementation and oversight of our CR commitments across the company, and we use independent, external assurance to review our key metrics.

Governance

The Corporate Responsibility Committee – a sub-committee of the Board – reviews strategic and long-term issues, oversees our CR Approach and monitors progress against key performance indicators and targets. For information on the Committee’s membership and a summary of topics covered, see page 61 of the Corporate Governance Report in the [2013 Annual Report](#).

Management

CR is managed at different levels across Centrica. The Group CR team sets and coordinates the CR Approach, company policies and procedures as well as reporting

performance. Each business unit CR team manages their respective operational programmes while ensuring alignment to the Group. Heads of CR from across the business coordinate their activities through a CR Working Group.

We engage with many stakeholders in a range of ways and manage our relationships with them at a Group and business unit level. For more information on our stakeholder engagement during 2013, see [page 38](#).

Assurance

Third party assurance of our data strengthens its credibility and builds trust among our stakeholders. It also helps improve our data collection processes so that we can be confident we are effectively addressing our key impacts. Deloitte LLP used the International Standard on Assurance Engagements (ISAE) 3000 to provide limited assurance on 18 non-financial key performance indicators in 2013. Assured metrics are indicated with an asterisk (*) on [page 42](#) and throughout this report. Deloitte’s assurance statement is available at www.centrica.com/CRassurance.

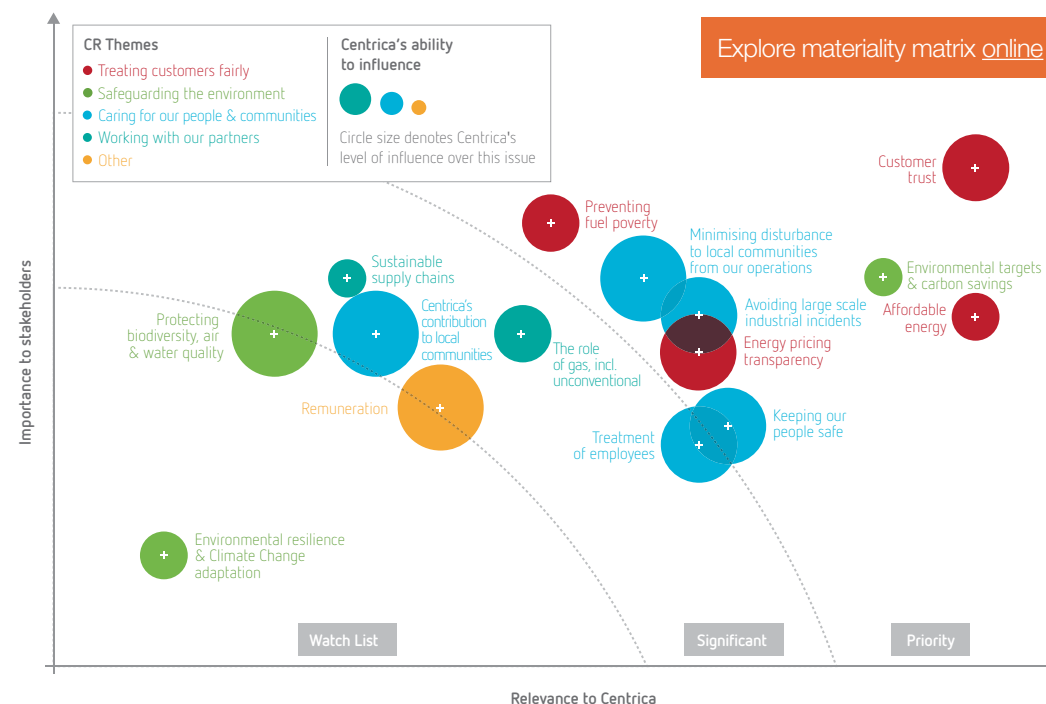
Materiality

A materiality process helps us identify issues we should prioritise by assessing the relevance to Centrica, our ability to

influence that issue, alongside the level of stakeholder concern. In 2013, this process highlighted 15 issues categorised as either watch list, significant or priority as described in the graph below. The size of the circle denotes Centrica’s level of influence. This report provides an overview of our approach and performance on our priority and most significant issues. Additional information is provided on our [website](#).

Risk management

Identifying and understanding our most significant risks and developing strategies to mitigate them, is essential to managing our business responsibly. We ensure that social and environmental risks are effectively controlled by including them within our business risk management procedures. Details of key risks are included in the [Risks and Uncertainties summary](#) in our 2013 Annual Report and Accounts.



Key performance indicators

See our [data centre](#) for our full set of metrics across our key issues

Treating customers fairly

Metric	Unit	2013 target	2013 performance	2012 performance	What's next
British Gas Net Promoter Score (NPS)	Number	Achieve high performance range	+15* (low performance range)	+30** (high performance range)	Return to the high performance range
Direct Energy Net Promoter Score (NPS)	Number	Achieve high performance range	+40* (high performance range)	+39** (high performance range)	Remain within the high performance range
Vulnerable households helped by British Gas initiatives	Number	Measure only	1.8 million*	2.1 million**	Continue to support our most vulnerable customers through the British Gas Energy Trust and obligations such as the Warm Home Discount

Safeguarding the environment

Metric	Unit	2013 target	2013 performance	2012 performance	What's next
Total carbon emissions ⁽ⁱ⁾	Tonnes CO ₂ equivalent	Measure only	7,146,412*	7,128,491 ⁽ⁱⁱ⁾	Continue to adopt best practice in monitoring and reporting our global carbon emissions and analyse the impacts of our strategic plans
Scope 1 emissions	Tonnes CO ₂ equivalent	Measure only	7,031,658*	7,008,906	Continue to take proactive steps to reduce our carbon emissions through innovation, technology and cultural change
Scope 2 emissions	Tonnes CO ₂ equivalent	Measure only	114,753*	119,585	Continue to reduce emissions associated with our use of electricity, particularly as part of our internal carbon footprint target
Total carbon intensity by revenue	Tonnes CO ₂ equivalent/£m	Measure only	269	298	Embed the reporting of this new metric and start to analyse developing trends as we deliver on our strategic priorities
Internal carbon footprint (property, fleet and travel)	Tonnes CO ₂ equivalent	Reduce the carbon footprint of our core offices, company vehicles and travel by 20% by end of 2015	91,464*	91,521 ⁽ⁱⁱⁱ⁾	Continue to work to our 2015 target By the end of 2013 we had achieved a 19% reduction from 2007 base year
Carbon intensity of power generation	gCO ₂ /kWh	Reduce our power generation carbon intensity to 260 by end of 2020	200*	200 ^(iv)	Reduce our Group power generation carbon intensity to 260 by end of 2020
Smart meter installations (residential and business customers)	Number of meters installed (cumulative since 2009)	Measure only	1,297,656 ^(v)	882,983 ^(vi)	Continue to be the UK leader in smart meter installations

* Assured by Deloitte LLP for 2013 reporting. See [centrica.com/CRassurance](#) to view Deloitte's 2013 assurance statement and the 2013 Basis of Reporting. ** Assured by Deloitte LLP for 2012 reporting. **(i)** Comprises Scope 1 and Scope 2 emissions as defined by the Greenhouse Gas Protocol. **(ii)** Re-stated following subsequent validation carried out on the data. **(iii)** Re-stated due to change in emission factors and improved data. **(iv)** Re-stated due to new scope (equity only) for carbon intensity target. **(v)** Only data representing 930,344 smart meter installations was assured by Deloitte due to the historical nature of the data. **(vi)** Re-stated following subsequent accounting for manually inputted data.

Key performance indicators

Caring for our people and communities

Metric	Unit	2013 target	2013 performance	2012 performance	What's next
Employees					
Employee engagement	Mean score out of 6	Implement action plans driven out of the 2012 engagement survey	4.81* (upper performance range) ^(vii)	4.72** (upper performance range) ^(vii)	To continue to strive towards top quartile performance, measured against an independent high performance benchmark range
Diversity – female and male	Percentage	Continue to promote diversity in leadership roles and recruitment	29 female 71 male	28 female 72 male	Continue to promote diversity in leadership roles and recruitment
Retention	Percentage	Measure only	90.9*	88.3 ^(viii)	Encourage and maintain healthy retention levels
Absence	Days per full time employee	Measure only	7.5*	7.0 ^(ix)	Focus on driving down absence in British Gas
Safety					
Lost time injury frequency rate (LTIFR)	Per 100,000 hours worked	Achieve a high performance range	0.11*	0.20**	Continue to grow a best practice safety culture and at least maintain and if possible further improve our LTIFR performance.
Total recordable injury rate (TRIR)	Per 100,000 hours worked	Measure only	0.76*	1.42	
Significant process safety event	Number	0	0*	0**	Continue to improve process safety awareness and performance metrics
Road safety incidents rate – low severity	Per 1 million km driven	Measure only	4.9*	5.0	
Road safety – number of high severity incidents	Number	Measure only	1*	6	We aim to continue the reduction in road safety incidents through proactive driver safety programmes
Fatalities	Number	Measure only	0*	0	
Community					
Total community contributions ^(x)	£ million	Measure only	392.4 ^{*(xi)}	309.2 ^(ix)	Continue to seek ways we can make a positive contribution to the communities in which we work
Total employee volunteering hours ^(xii)	Number of hours	Measure only	48,697*	43,488 ^(ix)	

Working with our partners

Metric	Unit	2013 target	2013 performance	2012 performance	What's next
Average CR risk rating of assessed suppliers	Risk score	Measure only	49	49	Continue to assess the CR risks among our strategic and high risk suppliers

* Assured by Deloitte LLP for 2013 reporting. See centrica.com/CRassurance to view Deloitte's 2013 assurance statement and the 2013 Basis of Reporting. ** Assured by Deloitte LLP for 2012 reporting. **(vii)** Based on an independent benchmark range. This differs from the rating used in the Annual Report where performance corresponds to the Long Term Incentive Scheme for Executives. **(viii)** Re-stated due to a change in calculation methodology. **(ix)** Re-stated due to subsequent review of historical data. **(x)** Includes charitable donations calculated through the London Benchmarking Group methodology, combined with the cost of voluntary and mandatory programmes to support vulnerable customers in the UK. **(xi)** Comprising £380.8 million in mandatory and more than £365,000 in voluntary contributions for vulnerable customers, and £11.2 million in charitable contributions. **(xii)** Includes volunteering time during business working hours as well as outside of working hours when enabled by the business.



Find out more about our reporting and performance
www.centrica.com/CRreportinghub



Join the energy debate through our social media platform
www.centrica.com/views



Tell us what you think about our CR Approach and reporting
responsibility@centrica.com #CentricaCR

