

Modern Slavery Statement 2021

Taking a zero tolerance approach



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Introduction

Centrica is committed to conducting business responsibly and has zero tolerance for all forms of modern slavery across our operations and supply chains. We are signatories of the United Nations (UN) Global Compact and have processes and practices aligned to international standards like the UN Guiding Principles on Business and Human Rights, as well as the UN Sustainable Development Goals.

This is our sixth statement, published in accordance with the Modern Slavery Act 2015, setting out the steps we've taken during the financial year ending 31 December 2021, to identify and prevent modern slavery in our supply chain. We continued to assure that our robust controls operated effectively and developed our approach to ensure that, despite the disruption caused by COVID-19, we identified any risks and mitigated as appropriate.

“ At Centrica, we have zero tolerance for all forms of modern slavery and are committed to upholding the human rights of everyone who works for us or with us. Whilst we've found no evidence of forced or compulsory labour in our supply chains, we must remain vigilant and continue to do our best to ensure a more inclusive and sustainable future for all.”

Chris O'Shea,
Group Chief Executive



Our business and supply chain

We are an international energy services and solutions company focused on helping our customers live sustainably, simply and affordably. Through our trusted brands such as British Gas, Bord Gáis Energy and Centrica Business Solutions, we continue to focus on areas where we have distinctive capabilities – energy supply, services and solutions, energy trading and optimisation. We also have an upstream division which includes our stake in nuclear power generation alongside our remaining oil and gas Exploration & Production assets via our joint venture with Spirit Energy, which in line with our strategic direction announced in 2019, we continue to assess opportunities to exit.



Read more at [centrica.com](https://www.centrica.com)

19,783

Employees

3,000

Active suppliers

British Gas

Bord Gáis Energy

centrica storage

centrica
Business Solutions

centrica
Energy Trading

SPIRIT ENERGY



During 2021 we continued to consolidate our supply chain to further streamline our business whilst enhancing relationships with strategic suppliers. We reduced the number of active suppliers from 6,300 at the start of the year to approximately 3,000 at its close, representing a 91% decrease from 2016 when we had in the region of 35,000 active suppliers.

Our approach

Our policies

Our suite of internal and external policies set out our expectations and requirements. We monitor performance and take appropriate action where we believe suppliers, partners or colleagues do not meet our high standards.

The most relevant documents are:

Our Code – sets out our minimum expectations for all those we work with and applies to all Centrica employees, subsidiaries, affiliate companies, agency staff and consultants. It represents a high-level summary of key areas of our policies and standards, providing a framework to ensure we do the right thing; our commitments include respecting human rights and requiring everyone we work with to operate responsibly.

Our Values

Our policies are underpinned by Our Values, which guide us all and ensure we have the right culture to fulfil our purpose to help customers live sustainability, simply and affordably.

We stand for...



Responsible Sourcing Policy – covers suppliers that operate on behalf of Centrica and includes Our Supplier Charter which lists the terms that must be complied with; these include respecting, upholding and advancing the protection of human rights. Suppliers must not use any form of involuntary labour or child labour, must provide a safe workplace, and offer fair reward and recognition. Contractual arrangements ensure that our suppliers share our commitments to meeting these requirements; where they fail to comply with our terms, they will be required to take steps to remediate, or agreements may be terminated. In 2021, we enhanced this policy, making our expectations and priorities around people and planet clearer.

Resourcing Policy – applies to all our people, setting out our standards of recruitment. Commitments include conducting appropriate checks for permanent, temporary or contracting staff before they join Centrica to ensure they can legally work for us, and ensuring that we comply with the Agency Workers Regulations, which aim to protect low paid workers from exploitation.



Speak Up – our online and phone-based system for colleagues, suppliers and business partners to raise concerns confidentially in relation to improper, unethical or illegal practices. All concerns raised are reviewed by our Ethics & Compliance team who decide how the matter should be managed. We do not tolerate any form of retaliation against those who raise concerns in good faith.

How we reduce and manage risk

Due diligence processes

We undertake initial due diligence before deciding whether to contract with suppliers; this consists of a series of checks using ethical risk platforms that take account of risks including product type and country of origin risk and financial crime indicators.

Once a contract is in place, we provide ongoing monitoring by producing a dynamic 'risk profile' for the supplier, by risk rating them using a country and sector risk segmentation tool that considers the product or service being offered together with any slavery risk. Our suppliers providing higher risk products, in higher risk sectors and/or operating in higher risk geographic markets are subject to enhanced regular risk assessments which evaluate their sustainability standards, including labour and workers' rights. Where necessary, suppliers will then be subject to additional scrutiny in the form of on-site visits from a third-party assessor reviewing human rights, labour, and health and safety practices.

During 2021, COVID-19 continued to impact our ability to physically visit supplier sites. In order to retain our visibility of practices and worker welfare, we worked with a partner supplier to deploy remote worker surveys to nearly 7,000 supply chain workers in the clothing manufacture, transport and electronic sectors. Themes in the surveys included labour rights, worker wellbeing and physical abuse or confinement. Having a direct dialogue with workers was valuable and, in one instance, highlighted that whilst workers were being paid correctly, some spent their wages before the end of the month and would benefit from training in how to better manage their finances; the supplier agreed to adopt the 'HERfinance' programme, which provides guidance on financial planning, budgeting and savings. In 2022, we will recommence our physical site inspections as well as continue to deploy the remote worker surveys.

6,974 Remote worker surveys deployed

In 2021, we added additional steps to enhance our due diligence, including the introduction of 'deep dive' risk assessments where we conduct in-depth desktop research and analysis and engage with industry working groups to assess the end-to-end lifecycle of certain commodity types and the labour used in order to assure all risks are identified and effectively mitigated. We also migrated onto a new ethical risk platform to enhance the engagement and assessment of multitier supply chains.

Throughout all Procurement-led sourcing activities we secure ongoing assurance through regular reviews as to suppliers' compliance with modern slavery guidance and safeguards. Risk assessments will be refreshed during 2022 relating to the few areas where sourcing is business-led.

Helpline

We maintained our anonymous third-party helpline provided by an independent audit firm through which workers can report any concerns



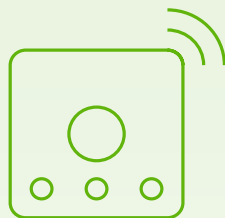
Areas of focus

We continued to monitor commodities, products and activities, particularly where they are linked to jurisdictions where the prevalence of modern slavery is higher, as indicated by the Global Slavery Index.

Examples would include:

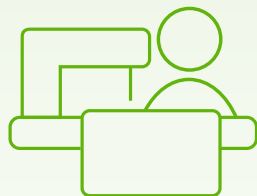
Smart technology products

The manufacture of branded goods such as our Hive home solutions



Garment manufacturers

The manufacture of our engineer uniforms



Solar panels

Specifically, the use of polysilicon, a key component in photovoltaic panels which has been associated with forced labour



Deep dive activities

As a result of our ongoing monitoring, we identified modern slavery risk within the manufacturing of solar photovoltaic panels through the use of polysilicon, originating from the Xinjiang region of China, and undertook a deep dive risk assessment. No evidence was found to associate any of the materials procured by Centrica with modern slavery. However, we fully recognise our ongoing responsibility to identify and mitigate risk arising from operating in this industry. We therefore co-sponsored an industry-wide initiative bringing together key stakeholders across Europe with the aim to drive transparency, material traceability and accountability.

We also completed a deep dive risk assessment relating to electric vehicle charging, assessing its end-to-end lifecycle and associated labour; no evidence of modern slavery was found in relation to this activity. Next year, we will expand this assessment to take account of associated technologies such as battery systems and cells.

Recruitment and fair pay

In the UK, our employees are subject to various HR processes to verify they have the right to work. Where we seek temporary labour in the UK, this is sourced via a managed service partner, which is subject to its own obligations under the Modern Slavery Act. Where we use external agencies to provide staff, we ensure they are bound by stringent contractual obligations requiring them to support our objectives. Outside of the UK, we comply with local rules and regulations to make sure that employees have the right to work in these countries and, where permissible by local laws, apply the same standards as in the UK. Where Centrica acquires a new business that has employees associated with it, our mergers and acquisitions integration practices ensure the employees employed by that business have the right to work in the host country.

We also ensure that workers are rewarded fairly. This includes paying at least the Living Wage in the UK and upholding equal pay, as well as striving to investigate and reduce any ethnicity and gender pay gaps. We monitor and publish our performance at centrica.com/paygap.

Training and awareness

Our people play a key role in mitigating risk within our business and supply chains, and we recognise that appropriate and targeted training is essential. In 2021, we ran our mandatory annual Our Code training, which is accompanied by a self-certification, and reminds our people of our obligations and expectations, including respecting human rights.

We continued to provide enhanced modern slavery and human rights training to Procurement colleagues and promoted awareness by publishing supplementary communications in support of key dates, such as Anti-Slavery Day.

Collaboration with partners

In 2021, we continued our partnership with the Responsible Sourcing Council and the Institute of Business Ethics to facilitate increased collaborative working with other organisations and improve responsible business practice. We also attended further Hope for Justice/Slave Free Alliance Utilities Modern Slavery Working Group meetings, seeking to drive forward collective action to reduce the risk of modern slavery. These were in addition to our initiative with Solar Energy UK, Solar Power Europe and other businesses to improve transparency in the solar supply chain (see deep dive activities on page 8).

We created a supplier portal on our website centrica.com, enabling existing and prospective suppliers to access information about our supplier strategy, associated policies and our People & Planet Plan, along with supporting resources such as our Responsible Labour Practice toolkit.

98% Colleagues who completed
Our Code training in 2021

How we monitor progress

Our governance

Our Modern Slavery Steering Group, comprised of representatives from Procurement, Ethics and Compliance, Responsible Business, Legal, HR, Internal Audit and appropriate commercial teams, continued to convene to review and oversee progression of the modern slavery strategy, and set the approach for compliance across the business. The programme is overseen by Centrica's Safety, Environment and Sustainability Committee, comprised of independent non-executive directors, with updates provided to the Centrica Board.

Tracking our progress

We measure the success and performance of responsible sourcing activities by tracking key performance indicators (KPIs) such as the average sustainability risk rating of assessed suppliers. A similar set of KPIs relating to our modern slavery programme continue to evolve and are set out opposite.

Our performance during 2021

178 (100%)

Sourcing events for new and existing suppliers, of which modern slavery formed an input to due diligence

98%

Colleagues completing the annual Our Code training

7 Supplier sites engaged for remote work surveys



6,974

Supply chain workers to whom remote work surveys were deployed



1 Issues identified (and remedial actions agreed) through remote worker surveys

Next steps

In 2022, we aim to further strengthen our approach to managing modern slavery risk through the following activities:

Undertaking a deep dive risk assessment of our battery energy storage systems, focusing on the key components such as cells and inverter manufacture

Recommencing physical inspections of our supplier sites that are in higher risk jurisdictions and/or higher risk sectors

Deploying our remote survey programme more widely across our suppliers

Continuing to support the development of a traceability framework through the Solar Power Europe and Solar Energy UK initiative

Conducting a sustainability assessment refresh across strategic suppliers

Refreshing risk assessments for higher risk territories and market sectors

This statement was approved by the Safety, Environment and Sustainability Committee of the Board on 21 February 2022 and by the Centrica plc Board of Directors on 22 February 2022.

For and on behalf of Centrica plc and its subsidiaries.

Signed by **Chris O'Shea**, Group Chief Executive, on 22 February 2022.



Centrica plc

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No. 3033654

centrica.com/peopleandplanet

This statement covers the following subsidiary companies:

British Gas New Trading Ltd, British Gas New Heating Ltd, British Gas Social Housing Ltd, British Gas Insurance Ltd, British Gas Services Ltd, Dyno-Rod Ltd, Centrica Hive Ltd, Centrica Energy Ltd, Centrica Energy Marketing Ltd, British Gas Energy Procurement Ltd, Centrica LNG Company Ltd, Centrica LNG UK Ltd, Neas Energy Ltd, Centrica Business Solutions UK Ltd, Centrica Offshore UK Ltd, Centrica Storage Ltd, Centrica Services Ltd and Pioneer Shipping Ltd

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