

Delivering our Responsible Business Ambitions

Our Responsible Business Ambitions will help us realise our strategy to deliver for the changing needs of our customers and be a trusted corporate citizen, an employer of choice and a 21st century energy and services company, driving long-term shareholder value.

The world of energy is evolving, the social and environmental climate we operate in is under pressure and our customers' needs are changing every day. In this rapidly shifting landscape, energy remains at the centre of how we run our lives, and we are determined to use our capabilities to make a positive impact.

Using the UN Sustainable Development Goals as a guide, we have mapped the challenges facing society against our business capabilities, to better understand how we can make the greatest difference. Our biggest responsibilities are to innovate continuously in ways that make our customers' lives easier, to tackle climate change, to create a skilled and inclusive workforce that is capable of driving our business forward and to support our local communities.

That is why in 2019 we are launching our 2030 Responsible Business Ambitions – a set of 15 goals that contribute to a more sustainable world. We will focus on delivering for our customers, enabling all our customers to use energy more sustainably and building the workforce of the future – all of which will help us to create stronger communities.

Our Ambitions are underpinned by our Responsible Business Foundations which ensure we have strong underlying policies, processes and practices in place to get the basics right and act with integrity.

We are confident that this approach will maximise the positive impact we have in society and put us in the best position to succeed as a business now, through the energy transition and beyond.

The subsequent pages share the progress we have made across our focus areas during 2018 and we look forward to reporting in full against our new goals next year.



Non-financial reporting statement

In line with the Non-Financial Reporting Directive, we have set out where the relevant information we need to report against can be found:

- Business Model (pages 16 to 17)
- Anti-Bribery and Corruption (page 65)
- Whistleblowing (pages 65 and 85)
- Human rights (pages 65 and 111)
- Social matters (pages 58 to 59 and 64 to 65)
- Environmental protection (pages 54, 60 to 61 and 85 to 86)
- Employees (pages 53, 62 to 63, 78 and 85 to 86)

Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 41 to 51.



Explore more about our Responsible Business Ambitions at centrica.com/responsibility



View Our Code, policies and standards at centrica.com/ourcode



Read our full set of Key Performance Indicators on Pages 18 to 19

Our 2030 Responsible Business Ambitions

Helping you run your world in ever more sustainable ways

Our ambition for Customers

Delivering for our customers

Through the latest innovations and a commitment to service, we're making our customers' lives easier



Deliver solutions to make our customers' lives easier

- Help customers understand and manage their energy better*
- Give customers peace of mind through tailored propositions and connected technologies
- Develop solutions to help our customers run their worlds

Satisfy our customers with excellent service

- Make it simpler for people to deal with us in ways that work for them

Our ambition for Climate change

Enabling all our customers to use energy more sustainably

We're helping to shape a low carbon future by enabling our customers, the energy system and our business to use energy more sustainably



Help our customers reduce emissions in line with Paris goals

- Help our customers reduce emissions by 25%, by direct (3%) and indirect action*

Enable a decarbonised energy system

- Deliver 7GW of flexible, distributed and low carbon technologies as well as provide system access and optimisation services

Reduce our own emissions in line with Paris goals

- Demonstrate we are on track with Paris goals and develop a path to net zero by 2050

Our ambition for Colleagues

Building the workforce of the future

We're developing vital skills and a more inclusive workforce to ensure we deliver for our customers



Empower people with future skills

- Inspire and develop 100,000 people with essential STEM skills

Build a more inclusive workplace

- Attract and develop more women into STEM with 40% of STEM recruits to be female*
- Aspire for senior leadership to reflect the full diversity of our labour markets
- Help 1 million carers stay in or return to work via active promotion of carer-positive policies

Our ambition for Communities

Creating stronger communities

By offering our knowledge and expertise, we're empowering communities to take control of their energy and tackle pressing social issues

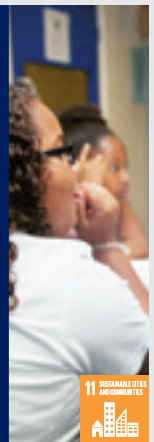


Apply new energy technologies to drive positive change

- Deliver £5 billion of value for communities through new and distributed energy technologies*
- Deliver £300 million in energy efficiency savings to public and essential services

Collaborate across sectors to improve local communities

- Encourage our people to share their skills by volunteering over 100,000 days
- Deliver 2,500 skills development opportunities for young people not in education or employment



Our Responsible Business Foundations

Our Ambitions are underpinned by strong foundations that ensure our business operates with integrity

* Flagship goal

Delivering for our customers

Through the latest innovations and a commitment to service, we are making our customers' lives easier

Deliver solutions to make our customers' lives easier

We aim to deliver innovative products and services that provide customers with peace of mind and save them time and money. Cumulatively, we have sold nearly three million Hive connected home products which give customers greater control with just a tap on the app – from smart thermostats, plugs, lights and cameras, to contact and motion sensors. This has led to 82% of customers saying Hive has given them a simpler way of controlling their home. In the UK, Hive products have been accredited by security experts and the police as effective tools for preventing crime.

In 2019, we took our first steps into connected care with the launch of Hive Link. Developed in partnership with Carers UK, Hive Link helps carers check that their loved ones are getting on with their day as usual if they cannot be there with them. It also provides reassurance to the loved one that someone is there if needed. This is made possible through Hive Link's ever-learning algorithm that continually interprets data captured through Hive sensors and plugs placed carefully around the home. These trigger an alert if there is an unusual change from normal patterns of behaviour, such as the front door being left open for longer than normal. This increased level of awareness gives carers peace of mind and helps them enjoy conversations with their loved ones that are less about checking up, and more about having a normal chat. Since launching, Hive Link has won an award for innovation in the Tech for a Better World category at the Consumer Electronics Show, the world's largest consumer technology event.

Our leadership of the UK's smart meter roll-out is helping homes and businesses to run more smoothly by providing accurate bills and insight into how much energy is being used and its costs in real-time. To date, we have installed nearly seven million smart meters.

Another way we are helping customers improve the way they manage their energy is with our Fixed Energy Plus offer for businesses in North America. The offer gives large energy consumers access to real-time usage and alerts them when there is a peak load on the grid, so that they can proactively lower their usage and be rewarded with lower capacity costs.

Distributed energy solutions are also making it possible for businesses to operate and optimise their energy like never before. In 2018, we expanded our offer from Centrica Business Solutions to the Republic of Ireland, Netherlands and Hungary, giving more customers the opportunity to improve performance, strengthen resilience and create opportunities for growth by using distributed energy technologies. To build resilience further, we are looking to offer enhanced cyber-security solutions based on capabilities acquired through our Centrica Innovations investment in Indegy, which detects anomalies using advanced machine learning and alerts businesses to unexpected behaviour or malicious activity.



£100m

Investment in our Centrica Innovations fund to accelerate new technologies and ideas that transform our customers' lives



Nav Dhinsa

@NaavKD You know you're old when you get excited by the new @HiveHomeUK thermostat that was fitted this morning!

Being able to control my heating and hot water on my phone is what was missing in my life.

23 Oct 2018



Kerry Thompson

@kerrymThompson If it wasn't for the amazing quality of @HiveHomeUK camera & detection we never would have known someone was in our house without permission! When travelling home from the airport... so thank you Hive 🙌❤️

19 Oct 2018

Satisfy our customers with excellent service

We are investing in digital capabilities that enhance our service and enable customers to get in touch with us when and how they want. This includes creating the next generation British Gas mobile app and web platform as well as deploying intelligent voice recognition and artificial intelligence in call centres to help us manage enquiries more efficiently. We have also upgraded our webchat which supported an increase in digital interactions from homes and businesses that totalled more than 2 million in the UK alone during 2018. Meanwhile, North America Business enhanced their web enrolment experience while the Hive app was strengthened with 'Live Chat' customer service capabilities. Steps like these will, over time, help to improve customer satisfaction and has already contributed to our aggregated Net Promoter Score rising by 0.06 points to +10.0†.

Technology helps to create a better world for people with disabilities. Increased use of webchat has made it easier for customers who struggle using a phone to contact us. We also supported the development of a smart meter accessible in-home display which improves access to energy insights for customers with visual impairments and is due to launch in 2019.

† Included in PwC's limited assurance engagement.
See page 238 or centrica.com/assurance for more details.




 [Read more in the Business Review on Pages 20 to 24](#)



Our Responsible Business Foundations

In addition to our ambition areas, we want to ensure that we care for our customers whenever they need a helping hand. In 2018, we trained our call centre advisers in how to serve our customers better and we continued to roll-out complaints programmes such as Right First Time, to ensure we resolve issues more quickly. Moreover, improvements such as our online automated claims system in Home Warranty of America, has helped claims progress more smoothly which has reduced complaints and cut calls per claim by 25%. With this focus, our aggregated complaints per 100,000 customers fell by 8% to 3,453. In 2018, we helped around 826,000 vulnerable customer households. This included 629,500 customers via the UK's Warm Home Discount scheme and nearly 2,700 customers through North America's Neighbor-to-Neighbor bill assistance programme. An additional 29,000 customers and non-customers were supported with energy and debt advice through the British Gas Energy Trust.

 [Read more about how we are Here for you when you need us most on Pages 30 to 31](#)

“I provide assistance to our most vulnerable customers. I'm here to listen, no matter what the situation and I strive to find the individual journey of support that is needed for each customer, every time.”

Rachael Steel
UK Home Debt Customer Care Agent

Enabling all our customers to use energy more sustainably

We are helping to shape a low carbon future by enabling our customers, the energy system and our business to use energy more sustainably

Help our customers reduce emissions

With over 90% of our carbon emissions arising from customer consumption, the greatest contribution we can make in tackling climate change is to provide them with more sustainable ways to manage their energy. Since 2008, our products and services have enabled customers to save nearly 35mtCO₂e which is equivalent to the annual emissions of around 11 million UK homes.

In 2018 for example, we:

- sold over 300,000 Hive smart thermostats that help customers manage their heating and hot water better, the benefit of which was recognised by the US Environmental Protection Agency which awarded the product an Energy Star rating for enabling customers to protect the environment and save money;
- became the first major UK energy supplier to achieve accreditation by the Carbon Trust for our renewable tariff for business customers; and
- acquired Vista Solar, a leading Californian solar engineering, procurement and construction company to strengthen our ability to deliver solar as part of our distributed energy offer.

Enable a decarbonised energy system

We are helping create a cleaner energy system by pioneering end-to-end solutions that enhance grid flexibility, support renewables and reduce reliance on fossil fuels.

Towards this in 2018, we:

- continued to grow the infrastructure for a low carbon transport system, having installed around 17,000 electric vehicle charge points since 2013 and invested in start-up, Driivz, to develop end-to-end solutions for charging (see page 29);
- invested in the development of a Linear Generator that offers more affordable, flexible and clean onsite generation via Californian start-up, EtaGen;
- strengthened the route-to-market for renewables by balancing and trading power production via wind farm agreements across Europe including 235MW in Sweden and 315MW in Italy; and
- progressed our £180 million investment in flexible generation and storage facilities by completing construction at one of the largest battery storage facilities in Europe as well as at two new fast response power plants.

“Centrica Business Solutions has helped us reduce energy costs and become more energy efficient. Implementing these energy saving solutions has not only allowed us to reduce our carbon emissions, it has also helped us define a long-term energy management strategy.”

Paul Wilkinson
Senior Projects Manager, Durham County Council



Powering sustainability across key sectors

11%

Potential annual carbon footprint saving if just 50% of the UK's Industry, Healthcare and Hospitality & Leisure sectors took up distributed energy technologies



Read our report in full at centrica.com/poweringsustainability



Read more about being A trusted energy partner for business customers on Pages 32 to 33


Reduce our own emissions

We now produce over 80% less carbon than we did a decade ago. This is the result of our strategic decision to move away from being a traditional utility that operates generation assets, to become a customer-facing energy supply and services company. This transformation is reflected in our 2018 total carbon emissions which decreased by 58% while the carbon intensity of our Central Power Generation also declined by 58% to 53gCO₂/kWh.

Our internal carbon footprint reduced by 10% during 2018. This brings our overall reduction to 26% which means we have met our 20% carbon reduction target for 2015-25 early. The decline was achieved through planned low carbon fleet and property initiatives, alongside reductions arising from the restructuring of our business. We have extended our target to reduce emissions by 35% by 2025.

Our Responsible Business Foundations

In addition to cutting our carbon emissions, we also work hard to monitor, manage and reduce our wider environmental impact in areas such as water use and waste. While we do not undertake water-intensive activities or operate in water-stressed zones, we constantly seek to minimise our use of this vital resource. Our total water use and waste generated decreased significantly in 2018, reflecting our strategic shift away from operating large-scale energy assets.


 [Read more about our wider environmental performance at centrica.com/datacentre](http://centrica.com/datacentre)

Our total carbon emissions

Total carbon emissions

2018  1,737,122tCO₂e†
2017  4,103,348tCO₂e

Scope 1

2018  1,698,388tCO₂e†
2017  4,044,754tCO₂e

Scope 2

2018  38,734tCO₂e†
2017  58,594tCO₂e

Total carbon intensity (by revenue)

2018  58tCO₂e/£m
2017  146tCO₂e/£m

We report on an equity basis with practices drawn from WRI/WBCSD Greenhouse Gas Protocol, IPIECA'S Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions and Defra's Environmental Reporting Guidelines.


† Included in PwC's limited assurance engagement. See page 238 or centrica.com/assurance for more details.



Task Force for Climate-related Financial Disclosures (TCFD)

We are committed to transparent reporting and continuously improving our external disclosures, including further alignment with the recommendations of the TCFD. Our strategy is based on a world which is moving towards a lower carbon future and our governance structure ensures Board oversight of climate-related matters. We have already assessed our strategy against the risks and opportunities of decarbonisation scenarios in the UK and believe we are well placed to succeed in the energy transition. We intend to further strengthen the positive impact we can have on making energy more sustainable by expanding our assessment of decarbonisation scenarios, setting targets agreed by the Board and through deeper integration in our business processes.

 [Explore more about our TCFD journey at centrica.com/TCFD](http://centrica.com/TCFD)

 [Read more about engagement with Investors & shareholders on Page 54](#)

We are a world leader for disclosure and action on tackling climate change



Building the workforce of the future

We are developing vital skills and a more inclusive workforce to ensure we deliver for our customers



Empower people with future skills

We are building the workforce of the future by developing essential skills that enable our people to thrive and plug the growing shortage of STEM (Science, Technology, Engineering and Maths) skills in our sector. In the first six months since we launched our Career Development Hub and specialist Learning Academies in 2018, we have seen over 13,000 of our people enhance their capabilities. A diverse talent pipeline is also being built through the expansion of our world-class engineering apprenticeships into new areas such as leadership, management and digital. In addition, we grew the skills of 500 young people on our graduate and work experience programmes.

Build a more inclusive workplace

Having a vibrant and diverse workforce that reflects the world around us is key to understanding and satisfying the changing needs of our customers. That is why we are passionate about creating an inclusive place to work where everyone can be themselves and build a successful and fulfilling career. This will enable us to attract, develop and retain our talented workforce.

In 2018, we:

- inspired the next generation of young girls to explore a career in STEM by working with the Royal Academy of Engineering to showcase strong female role models that demonstrate how exciting a career in energy can be;
- strengthened recruitment processes to attract more diverse candidates – from challenging recruiters to draw up gender-balanced shortlists to undergoing unconscious bias training; and
- progressed our carer-positive culture by continuing to offer a generous paid leave allowance to carry out carer responsibilities while also providing a vital source of support via our 1,000-strong Carers Network in the UK and launching a new disability and caregiver employee network in North America.

We received recognition for our diversity and inclusion efforts in 2018. This included Business in the Community's Best Employers for Race Award and our Group Chief Executive being ranked as a Top 30 Ally Executive in the Financial Times' OUTstanding 50 Ally Executives 2018 List.

Our diversity

Our business and sector traditionally lacks diversity. But we are confident that the action we are taking to improve inclusion will, over time, help ensure our workforce reflects our labour markets.

Our gender breakdown

	2018 ⁽¹⁾				2017			
	Female		Male		Female		Male	
	Headcount	Percentage	Headcount	Percentage	Headcount	Percentage	Headcount	Percentage
Board of Directors	2	17	10	83	3	25	9	75
Senior management	277	28	703	72	278	28	719	72
All employees	8,723	29	21,359	71	9,246	29	22,349	71

(1) Gender of three employees is unknown.

Our ethnic minority breakdown

Our breakdown is based on employees who have voluntarily declared that they are from a Black, Asian, Mixed/Multiple ethnic or other ethnic group.

	2018 ⁽¹⁾		2017 ⁽²⁾	
	Headcount	Percentage	Headcount	Percentage
Board of Directors	0	0	0	0
Senior management	86	9	77	9
All employees	3,683	12	3,916	12

(1) Of this, 65% of employees disclosed their ethnicity.

(2) Of this, 62% of employees disclosed their ethnicity.

Headcount as at 31 December 2018 differs from numbers referenced elsewhere in the Annual Report and Accounts 2018 due to different methodologies. To accurately reflect the full diversity of our workforce, we use overall headcount numbers rather than a headcount based on their full-time equivalent.



Read more about improving diversity in Nominations Committee on Page 88

Our Responsible Business Foundations

While we focus on building the workforce of the future, it's essential that we provide an environment where our people feel safe, engaged and rewarded. As part of this, we aspire to create an environment where an incident-free workplace is possible. In 2018, our process safety incident frequency rate (Tier 1 and 2) per 200,000 hours worked improved by 57% to 0.06%†. However, we experienced one† significant process safety event (Tier 1) compared to zero in 2017. This involved an uncontrolled release of gas but resulted in no injuries. Alongside the robust initiatives we have in place to continuously improve physical health, we also strengthened our capabilities to support mental wellbeing in 2018. This can be demonstrated with the creation of our 300-strong network of Mental Health First Aiders.

Having an engaged workforce is crucial. Following feedback from our employee engagement survey in 2017, we implemented initiatives to address issues raised which has contributed to our engagement score improving by 3% to 55%† favourable.

We have robust processes in place to uphold equal pay and reward our people fairly which includes paying at least the Living Wage in the UK and reducing our gender pay gap. Rather than our gender pay gap being due to unequal pay, it is driven by more men working in higher-paid, traditionally male-dominated technical roles such as engineering. While we are actively taking steps to close our gender pay gap through our inclusion activities (see left), we recognise that progress will occur over the long term, with annual performance likely to fluctuate due to changes in the composition of our workforce and business performance. In 2018, our mean gender pay gap increased by 3% to 15% while our median gender pay gap rose by 1% to 31%.

† Included in PwC's limited assurance engagement. See page 238 or centrica.com/assurance for more details.

 [Read more in Performance Measures on Page 240](#)

 [Read more about Workforce engagement on Page 78](#)

 [Explore our Gender Pay Statement at centrica.com/genderpay](http://centrica.com/genderpay)

“I’ve got a PhD in thermostats and usability and that’s led me to a fantastic career. I’ve seen women leading teams, women leading projects and now I’m doing it myself and hopefully for the other young girls in the team, I’m a bit of a role model.”

Nicola Combe
Global Product Lead, Centrica Hive



Gender Pay Gap Reporting of the Year

Our transparent disclosure and commitment to reduce the gender pay gap was recognised at the 2018 ICSA Awards which celebrates excellence in governance and annual reporting

57%

Improvement in process safety incident frequency rate (Tier 1 and 2)

300

Number of employee Mental Health First Aiders

Creating stronger communities

By offering our knowledge and expertise, we are empowering communities to take control of their energy and tackle pressing social issues

Apply new energy technologies to drive positive change

We are building future energy systems that give communities the power to take control of their energy. This increases their energy resilience, reduces their environmental impact and unlocks financial savings that can be used to build a more productive and prosperous economy that benefits everyone.

Towards this in 2018, we:

- continued to test how flexible demand, generation and storage can support the grid during peak times, help stimulate the growth of renewables and create opportunities to reduce energy bills as part of the UK's Cornwall Local Energy Market;
- joined forces with machine learning start-up, Verv, on the next phase of a community energy trial in Hackney that aims to explore how peer-to-peer trading using blockchain technology can reduce customer bills in the UK;
- rolled out blockchain technology at North America's first customisable energy market for businesses in Texas, allowing them to better manage their energy demand;
- supported Bridgeport Microgrid in Connecticut, North America, to provide flexible but dependable clean power in times of natural disaster or when the main electrical grid fails; and
- helped create public sector savings with distributed energy technologies at St George's Hospital in Tooting, UK, which officially opened in 2018 following a major overhaul of its energy centre and is projected to save them £1 million each year.

“By saving £1 million annually for the next 15 years, the contract will go a long way to help us maximise the resources we can put into patient care. It also massively cuts our carbon emissions and improves our overall sustainability.”

Kevin Howell

Director of Estates & Facilities,
St George's University Hospitals NHS Foundation Trust

If just 50% of the Industry, Healthcare and Hospitality & Leisure sectors took up distributed energy solutions, the potential economic benefits to the UK would be:

£18.5bn

Gross value added to the economy

1.5%

Boost to economic output

£980m

Annual energy bill savings across the three sectors



Read our report in full at
centrica.com/economicfuture



Collaborate across sectors to improve local communities

We are tackling issues that our communities and business care passionately about. Through the Movement to Work scheme, we gave over 350 young, unemployed people the opportunity to gain workplace skills in 2018. Nearly 1,450 people have benefited from the scheme over the last five years and we have committed to provide a further 350 places in 2019. Volunteering is also a great way for our people to share their skills with communities as well as develop new ones. During 2018, our people volunteered over 39,100 hours which was 32% lower than 2017, and was partly due to a transition in how our people log their volunteering hours.

Our flagship partnerships

We are supporting our communities through volunteering and fundraising with partners.

4.2m

Lives of children and their families improved through support of local hospitals in North America



(2014–Ongoing)

5,200

Families in Ireland experiencing homelessness were supported

**FOCUS
Ireland**

(2015–Ongoing)

£1m

Employee fundraising target established to help make life better for carers



(2018–2021)

In addition, we relaunched our Speak Up helpline which allows for the confidential reporting of potential violations of laws, regulations and company policies, to help ensure we are a well run and successful business.

We want to share our success with our communities and in 2018, we invested £149 million in mandatory, voluntary and charitable contributions. This includes our support for vulnerable customers (see page 59) as well as our flagship charity partnerships (see left). An additional £215 million was provided to governments in taxes which provide vital funds for public services.

We also help our communities to flourish by supporting around 30,000 suppliers and by using our purchasing power as a force for good. In 2018, we assessed a further 69 suppliers on their social, ethical and environmental standards, resulting in a sustainability score of 54 (low risk). This is better than the multi-industry average of 42 (medium risk). If suppliers receive a medium or high-risk rating, we consider appropriate next steps which may involve working together to raise standards, conducting an on-the-ground ethical site inspection to better understand their business, or terminating our relationship and reporting the abuse if they continue to fall short of our expectations.



Explore more about **Our Values and Our Code** at centrica.com/ourcode



Read more about our **Modern Slavery Statement** at centrica.com/modernslavery



Read more about **Our View on Taxation** on Page 40

Our Responsible Business Foundations

Alongside our ambition to create stronger communities, we also aim to protect and enhance the communities where we operate as part of our commitment to being a trusted corporate citizen.

Our Code and Our Values ensure that we operate in a way that is beneficial to society by setting out the high standards and behaviours we expect from everyone who works for us or with us. For example, Our Code helps to guard against bribery and corruption by providing clear guidance that includes condemning payments we feel to be improper and taking extra care when offering or receiving gifts and hospitality. It also sets out our commitment to respect and uphold human rights. This can be further demonstrated through our response to the UK's Modern Slavery Act, where we have put in place a detailed action plan to monitor and reduce the risk of forced or compulsory labour in our business and supply chain through initiatives such as training and on-the-ground ethical site inspections. It is important that our people embrace the spirit of Our Code and in 2018, 96% of our people completed training and certified that they would uphold it.

The Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf by:

Grant Dawson
Group General Counsel
& Company Secretary
20 February 2019