

Delivering our Responsible Business Ambitions

Energy is at the heart of homes, businesses and communities and has huge potential to contribute to a more sustainable world.

We take our role as a global energy services and solutions company very seriously, and are committed to accelerate the positive impact we have in society and on the environment. That's why, in 2019, we introduced our 2030 Responsible Business Ambitions – a set of 15 global goals that help our customers run their world in ever more sustainable ways.

Our 2030 Ambitions support the United Nations Sustainable Development Goals and address some of the most challenging issues facing society, in areas where we can have the biggest impact. This includes tackling climate change, driving innovation to make our customers' lives easier, building a more skilled and inclusive workforce and making our communities stronger.

We have a long journey ahead of us, but, by working closely with our customers and expert partners, we will maximise our positive impact and help create a more sustainable world. In doing so, we will realise our strategy to satisfy the changing needs of our customers and enable the transition to a lower carbon future.

Our 2030 Ambitions are underpinned by our Responsible Business Foundations, which ensure our business operates with integrity.

 **Read more about our Responsible Business Ambitions at**
centrica.com/sustainability

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, together with an explanation of the relevant Group policies which relate to the below matters and an overall summary of the effectiveness of such policies. Specific examples of how these policies are implemented, any due diligence processes are conducted and outcomes can be found on the pages specified below.

Business Model (Pages 14 to 15)	Social matters (Pages 16 to 17, 19 to 26, 40, 49 and 53 to 54)
Anti-Bribery and Corruption (Pages 43 and 54)	Environment (Pages 16 to 17, 38, 46 to 47, 50 to 51 and 54)
Human rights (Pages 17, 39, 43 and 54)	Non-financial key performance indicators across Our 2030 Ambitions and Foundations (Pages 49 to 54 and 225 to 228)
Employees (Pages 16, 19, 38 to 39, 52 and 54)	

Our Code represents a high-level summary of our key policies and forms the foundation for how we do business. Our policy positions are embodied across our Responsible Business Ambitions and Foundations framework. Where specific policies are published externally, these are shared throughout.

 **Read more about Our Code at**
centrica.com/ourcode

 **Read more about our Group policies including the Diversity, Respect and Inclusion Policy, the Health, Safety, Environment and Security Policy and the Procurement and Corporate Responsibility Policy for Suppliers at**
centrica.com/policies

Our 2030 Responsible Business Ambitions

Helping you run your world in ever more sustainable ways

Our Ambition for Customers

Delivering for our customers




Our Ambition for Climate Change

Enabling the transition to a lower carbon future




Our Ambition for Colleagues

Building the workforce of the future






Our Ambition for Communities

Creating stronger communities




Our Ambition for Customers

Delivering for our customers

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



Key: Progress against Ambitions ▲ On track ▼ Behind

Deliver solutions to make our customers' lives easier

2030 Ambitions	2019 Progress (Year 1)
Help customers understand and manage their energy better	10 Innovations delivered ▲
Give customers peace of mind through tailored propositions and connected technologies	6 Innovations delivered ▲
Develop solutions to help our customers run their worlds	6 Innovations delivered ▲

During 2019, we delivered 22 innovations across our goal areas to transform the way we live, work and move. For example, we:

- introduced and sold 100,000 Hive Radiator Valves which helps customers manage the temperature in individual rooms to save energy and improve comfort; and
- developed innovative technologies through our £100 million Centrica Innovations fund which includes investment in Mixergy. Mixergy is a smart hot water system that only heats the amount of water required by adjusting to household routines while storing excess renewable energy from the grid, improving flexibility and reducing energy use from heat losses by up to 40% a year.

We additionally rolled out existing services and solutions that make our customers' lives easier and more sustainable. Around 1.8 million customers now use Hive connected home products that can be controlled with just a tap on the app – from smart thermostats, plugs, lights and cameras, to contact and motion sensors. Our leadership of the UK's smart meter roll-out was also maintained, with cumulative installs totalling over 7.7 million across homes and businesses, improving bill accuracy and energy management.

Satisfy our customers with excellent service

2030 Ambition	2019 Progress (Year 1)
Make it simpler for people to deal with us in ways that work for them	49% Customers using online account management ▲

Our customers want and deserve a better service. One of the ways we are doing this is through the transformation of our customers' digital experience. We are reorganising processes to create smoother journeys, transforming our IT stack to become more flexible and embedding machine-learning automation alongside improved apps. In UK Home, we have also introduced capabilities to book appointments and track engineer visits online, while upgrading diagnostics to boost first-time fix rates. Actions like these have increased the volume of customers managing their accounts online and improved customer satisfaction, as reflected in our aggregated NPS rising by 5.1 points to +15.1.

[Read more about the digital transformation on Page 21](#)



“ We bought originally three and then another five...no longer do we have either hot or cold spots within the house as the heating is more even and we only heat rooms which we use at certain times of the day.”

Richard Southgate gave his new Hive Radiator Valves a 5-star rating on Trustpilot (18 December 2019)

Our Ambition for Climate Change

Enabling the transition to a lower carbon future

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



Key: Progress against Ambitions ▲ On track ▼ Behind

Help our customers reduce emissions in line with Paris goals⁽¹⁾

2030 Ambition	2019 Progress (Year 1)
Help our customers reduce emissions by 25%, by direct (3%) and indirect action	3.9% ⁽²⁾ Emission reduction ▲

Over 90% of our carbon emissions arise from our customers. So the greatest contribution we can make to tackle climate change is to help them use energy more sustainably. Through our services and solutions, we directly enabled customers to reduce emissions by an average of 3.9% in 2019. This is equivalent to 2.6mtCO₂e, which is an increase of 180% compared to 2018 and is equivalent to the annual emissions of around 900,000 UK homes.

For example, we:

- continued to grow the infrastructure for a low carbon transport system by installing over 17,200 electric vehicle (EV) charge points since 2013, and joined forces with Ford to deliver charging installations and energy tariffs at scale;
- signed one of the UK's largest combined green energy contracts supplying over 4,500 Catholic schools and churches; and
- partnered with Budweiser Canada to provide 100% certified renewable power to brew beer from zero carbon sources.

Read our Health, Safety, Environment and Security Policy at centrica.com/HSESpolicy

Enable a decarbonised energy system

2030 Ambition	2019 Progress (Year 1)
Deliver 7GW of flexible, distributed and low carbon technologies as well as provide system access and optimisation services	2.7GW[†] Flexible, distributed and low carbon technologies ▲

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. In line with plans during 2019, we delivered 2.7GW[†] of flexible, distributed and low carbon technology – enough capacity to directly charge around 400,000 electric vehicles simultaneously. This included signing an agreement with Tokyo Electric Power Company, to use our demand response platform to meet industrial demand more flexibly when the grid is under pressure, which avoids the need to turn on additional generation from fossil fuels. We also provided a route-to-market for renewables with 11GW under management. To further this, we have entered into a long-term Power Purchase Agreement for Intersect Power's Athos Solar I 250MW project, generating clean energy for around 70,000 homes in North America.



Reduce our own emissions in line with Paris goals⁽¹⁾

2030 Ambition	2019 Progress (Year 4)
Be net zero by 2050 and communicate our pathway to it by 2030	55,145[†] Internal carbon footprint (tCO ₂ e) ▲

Following the strategic transformation of our business, we now produce over 80% less carbon than we did a decade ago (see Strategy overleaf). During 2019, however, our total carbon emissions rose by 31% compared to 2018 due to increased generation from our upstream assets. Meanwhile, the internal carbon footprint of our property, fleet and travel declined by 39% against our 35% reduction target for 2015-25. The reduction of our 2019 footprint was achieved through low carbon fleet initiatives like installing GPS and 'right sizing' vehicles to smaller and more efficient models, delivering property efficiencies across lighting, heating and cooling systems, alongside savings arising from the restructuring of our business. To further reduce emissions, we joined EV100 which brings together forward-looking companies committed to accelerating the transition to EVs, and commits us to electrify our 12,500-strong fleet by 2030.

(1) Paris goals refer to the global agreement to keep temperature rise well below 2°C above pre-industrial levels, and pursue efforts to limit the increase to 1.5°C.

(2) Direct savings only. We intend to enhance our understanding and disclosure of indirect customer carbon savings relating to decarbonising the energy system and advocating for cleaner energy policies. Read how we are advocating for cleaner energy policies on page 17.

† Included in PwC's limited assurance engagement. See page 225 or centrica.com/assurance for more details.

Task Force on Climate-related Financial Disclosures

Climate change is the greatest challenge facing society, and the energy sector has a key role in tackling it. We are committed to reducing energy's impact on the climate, and support increased disclosure on how companies are responding to this important issue. Towards this, we became signatories of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020, and we are committed to progressively align with the recommendations, as well as continuously improve our disclosure.

Governance

The Board has oversight of climate-related issues. In 2019, the Safety, Health, Environment, Security and Ethics Committee reviewed our position on climate change, our performance against our 2030 Ambitions to tackle climate change (see previous page), and our analysis of asset resilience in a net zero 2050 scenario. Meanwhile, the Centrica Executive Committee's Health, Safety, Environment and Security (HSES) Sub-Committee, which is chaired by the Group Chief Executive and is responsible for setting objectives, targets and policies on climate change, met quarterly during 2019. The Sub-Committee developed, approved and assessed performance against our 2030 Ambitions while performing deep dives on topics such as low carbon products.



TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Became signatories of the Task Force on Climate-related Financial Disclosures in 2020



Rated 'A' for leadership in action and disclosure on climate change by CDP

Strategy

Our business is based on satisfying the changing needs of our customers and enabling the transition to a lower carbon future. We are moving away from fossil fuel production to focus on providing services and solutions that help our customers run their world in ever more sustainable ways, while setting an Ambition to become net zero by 2050. We have assessed the strategic risks and opportunities of decarbonisation, including a 1.5 degree scenario in the UK, and believe that we are well positioned to succeed in the energy transition. In 2020, we will continue to assess our strategy against the requirements of the low carbon transition while senior leaders will further engage stakeholders such as Climate Action 100+ to inform our strategy (see page 16).

Risk management

Climate change risks are managed through our Enterprise Risk Management process. Risk profiles are produced at a business level and reviewed quarterly at the Group Ethics, Risk, Assurance, Control and Compliance Committee. The HSES function additionally provides horizon scanning, testing and calibration. Meanwhile, longer-term risks are

assessed at the annual Board Planning Conference, which considers how the market environment, technology and policy are influenced by climate change.

We have identified and assessed near- and long-term climate-related risks and opportunities. These include trends in policy, technology and markets, such as the decarbonisation of heat, the electrification of transport and changing consumer behaviour. Physical aspects of climate change have also been considered – from the potential impact of extreme weather on our people and operations, to an increase in average temperatures on demand for services and solutions.

Metrics and targets

We were early adopters of best practice greenhouse gas emissions reporting and have a strong track record in setting and achieving climate-related targets. We monitor and report our global scope 1, 2 and 3 emissions (see table below) and have set 2030 Ambitions that are aligned to Paris goals. As part of our TCFD implementation roadmap, we will develop and implement a framework to track and disclose metrics that assess climate-related risks and opportunities on our business.

Our carbon emissions

	2019		2018	
Total carbon emissions	2,283,514tCO ₂ e [†]		1,737,122tCO ₂ e	
Scope 1 emissions	2,246,167tCO ₂ e [†]		1,698,388tCO ₂ e	
Scope 2 emissions	37,347tCO ₂ e [†]		38,734tCO ₂ e	
Scope 3 emissions	127,209,632tCO ₂ e		126,137,878tCO ₂ e	
Total carbon intensity by revenue	101tCO ₂ e/£m		74tCO ₂ e/£m ⁽¹⁾	
	UK & Offshore	Non-UK	UK & Offshore	Non-UK
Total energy use ⁽²⁾	3,130,631,079 KWh	6,964,542,291 KWh	1,642,646,626 KWh	5,635,480,865 KWh

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 225 or centrica.com/assurance for more details.

(1) Restated due to a change in accounting methodology.

(2) Total energy use of 10,095,173,370kWh has been included in PwC's limited assurance engagement.

Our Ambition for Colleagues

Building the workforce of the future

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



Key: Progress against Ambitions ▲ On track ▼ Behind

Empower people with future skills

2030 Ambition

Inspire and develop 100,000 people with essential STEM skills

2019 Progress (Year 1)

11,409⁽¹⁾
People ▲

We are developing essential STEM (Science, Technology, Engineering and Maths) skills, to deliver for our customers. In 2019, colleagues learnt new skills through our apprenticeships, Career Development Hub and specialist Learning Academies. From 2020, we want to reach more people with new and inspirational STEM learning content.

(1) May involve double counting if someone has undertaken more than one STEM activity.

Build a more inclusive workplace

2030 Ambitions

2019 Progress (Year 1)

Attract and develop more women into STEM with 40% of STEM recruits to be female

17%
Female STEM recruits ▼

Aspire for senior leadership to reflect the full diversity of our labour markets

29% **10%**
Senior gender diversity ▼ Senior ethnic diversity ▲

Help one million carers stay in or return to work via active promotion of carer-positive policies

1,000
Carers supported ▲

Having a diverse workforce that reflects our communities is key to satisfying the changing needs of our customers. That's why we are passionate about creating an inclusive workplace where everyone feels motivated and able to reach their full potential.

Towards this in 2019, we:

- sought to encourage 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;
- rolled out unconscious bias training with interactive workshops completed by leadership and made further training available to all employees; and
- progressed our carer-positive culture by extending our world-class carers leave allowance to up to six weeks in total, advocated for the introduction of statutory carers' leave in the UK which is now part of the UK Government's legislative programme and hosted peer learning forums to share best practice.

Despite our efforts, progress against some Ambitions were impacted by business transformation so we hope to make greater progress next year. We received recognition for diversity and inclusion activities in 2019, including the Working Families' Best in Care and Eldercare Award while two of our leaders ranked in the OUTstanding LGBT+ Role Model Lists.

[Read our Diversity, Respect and Inclusion Policy at centrica.com/DRIpolicy](https://centrica.com/DRIpolicy)

Our diversity

	2019				Changes to gender senior executives and direct reports not made for 2018			
	Female		Male		Female		Male	
	Headcount	Percentage	Headcount	Percentage	Headcount	Percentage	Headcount	Percentage
Gender breakdown⁽²⁾								
Board of Directors	2	17	10	83	2	17	10	83
Senior executives and direct reports	12	35	22	65	12	32	25	68
Senior management	224	29	561	71	277	28	703	72
All employees	7,420	29	18,507	71	8,723	29	21,359	71

(2) Headcount as at 31 December differs from numbers referenced elsewhere in the Annual Report and Accounts 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. Gender of three employees is unknown. In January 2020, female representation on the Board increased to 23%.

	2019		2018	
	Headcount	Percentage	Headcount	Percentage
Ethnic minority breakdown⁽³⁾				
Board of Directors	3	25	0	0
Senior executives and direct reports	6	18	8	22
Senior management	81	10	86	9
All employees	3,126	12	3,683	12

(3) Based on 63% of employees in 2019 and 65% of employees in 2018 who voluntarily disclosed that they are from a Black, Asian, Mixed/Multiple or other ethnic group across the UK and North America, which constitutes the majority of our workforce.

Our Ambition for Communities

Creating stronger communities

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



Key: Progress against Ambitions ▲ On track ▼ Behind

Apply new energy technologies to drive positive change

2030 Ambitions	2019 Progress (Year 1)
Deliver £5bn of value for communities through new and distributed energy technologies	£27.6m Value for communities ▲
Deliver £300m in energy efficiency savings to public and essential services	£2.5m Savings for public and essential services ▲

Our services and solutions help communities increase their energy resilience, reduce their environmental impact and unlock financial savings that can be used to build a more productive and prosperous economy for all.

For example in 2019, we:

- enabled money from energy savings to be redirected towards patient care by cumulatively installing distributed energy solutions at 90 hospitals; and
- rolled-out technologies such as solar and battery storage in over 200 UK homes and businesses as part of the Cornwall Local Energy Market trial. The trial will 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.

[Read more about how we are saving energy and money to boost healthcare in Devon on Page 25](#)

[Read more about how distributed energy solutions are creating savings for communities at centrica.com/economicfuture](https://centrica.com/economicfuture)

Our research shows that if just 50% of the UK's Industry, Healthcare and Hospitality & Leisure sectors took up distributed energy solutions, the potential benefits would be:

£980m

Annual energy bill savings

260,000

Jobs supported

£18.5bn

Gross value added to the economy

11%⁽¹⁾

Annual carbon footprint reduction

“Sustainable healthcare will help our budgets stretch further and the savings, alongside the reduction in our carbon emissions, are invaluable.”

David Furnival

Group Director of Estates at Facilities, Manchester University NHS Foundation Trust (Centrica Business Solutions customer)

Collaborate across sectors to improve local communities

2030 Ambitions	2019 Progress (Year 1)
Encourage our people to share their skills by volunteering over 100,000 days	2,452 Volunteering days ▼
Deliver 2,500 skills development opportunities for young people not in education or employment	362 Young people ▲

We tackle issues our communities and business care passionately about. In 2019, over 360 young, unemployed people were given the opportunity to gain workplace skills through Movement to Work. This brings the overall number of young people helped through the scheme to 1,800 since 2014. Our volunteering days reduced by almost 50% compared to 2018, with participation impacted by the reorganisation of our business.

£6m

Contributions we have enabled over the course of our flagship charity partnerships with Carers UK, Focus Ireland and the Children's Miracle Network Hospitals in North America

(1) Carbon and economic values are calculated using different scenarios. See centrica.com/economicfuture for more information.

Our Responsible Business Ambitions

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

Customers

We care about our customers and want to be there for them. We spent £164 million in mandatory and voluntary contributions to help people with their energy bills. This included nearly 619,000 customers through the UK's Warm Home Discount scheme and over 2,400 customers via North America's Neighbor-to-Neighbor bill assistance programme. The British Gas Energy Trust supported an additional 24,200 customers and non-customers with energy and debt advice. We are also upskilling our call centre advisers to avoid the need for transferring calls, which contributed to our aggregated complaints per 100,000 customers falling by 1% to 3,429.

Environment

Our environmental impact is monitored and managed closely. Following a reduction of more than 40% across our water and waste consumption in 2018, our water consumption dropped a further 11% to 516,836m³ while our waste decreased 9% to 27,596 tonnes. We do not undertake water-intensive activities in water-stressed zones.

Colleagues

We want our people to feel safe, engaged and rewarded. While there were no significant (Tier 1) process safety events in 2019, we had two Tier 2 process safety events. The events related to a 439kg release of gas into the atmosphere following a partial valve opening at a Spirit Energy platform, while a small fire occurred at a customer's site when a combined heat and power (CHP) engine failed. Meanwhile, our total recordable injury frequency rate increased by 4% to 1.06 per 200,000 hours worked. We strive for an incident-free workplace and aim to continuously improve performance with targeted safety interventions alongside improved controls and monitoring. Alongside physical safety, we also focus on mental health. Mental health support was progressed in 2019 with the introduction of the 'Unmind' Wellbeing app, leadership training and support via our 150-strong network of Mental Health First Aiders. The reorganisation of our business contributed to our employee engagement score declining by 12% to 43% favourable. We recognise our people have been through significant change and we want to improve their experience by connecting them with our purpose and enabling them to perform at their best.

We reward our people fairly. This includes paying at least the Living Wage in the UK and upholding equal pay. We are working to reduce our gender pay gap but recognise that it will take time for the positive impact of our diversity and inclusion action plan (see page 52) to transform our business, sector and society. Our gender pay gap is driven by more men working in higher-paid, traditionally male-dominated technical roles such as engineering and, in 2019, our median gender pay gap reduced by 1% to 30% which remains above the national average.

Communities


Our Code and Our Values help us 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 includes our commitment to uphold and protect human rights. We take action to ensure our people and suppliers are safeguarded from abuses which includes undertaking human rights training and conducting on-the-ground ethical site inspections (see page 17) as part of our work to uphold the UK's Modern Slavery Act. Clear guidance is additionally provided on avoiding bribery and corruption by condemning payments we feel to be improper and taking extra care when offering or receiving gifts and hospitality. To reduce risk, training is provided to colleagues in higher risk roles while our Financial Crime team undertakes due diligence and monitors action to reduce threats including across supplier selection, contract renewals and our gifts and hospitality register. During 2019, we provided refresher training to help employees with their ongoing understanding of Our Code. Due to the significant transformation of our business, completion rates of training dropped from 96% to 82% so we will focus on improving this in 2020. If anyone suspects Our Code is being violated, we provide a confidential Speak Up helpline to raise concerns (see page 56).

We want our presence to be a force for good in our communities. In 2019, we invested £167 million in mandatory, voluntary and charitable contributions (see page 53). We also assessed a further 52 suppliers on their social, ethical and environmental standards which resulted in a sustainability score of 59 (low risk). This is better than the multi-industry average of 45 (medium risk). If suppliers receive a medium or high-risk rating, we consider appropriate action which may involve collaboration to raise standards and conducting an on-the-ground ethical site inspection or terminating our relationship.

 **Read more about Our Code and policies at**
centrica.com/ourcode

 **Read more in our Gender Pay Statement at**
centrica.com/genderpay

 **Read more about our Procurement and Corporate Responsibility Policy for Suppliers at**
centrica.com/supplierpolicy

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

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:

Justine Campbell
Group General Counsel
& Company Secretary
12 February 2020