

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

About us

Centrica is a leading energy services and solutions company focused on helping customers live sustainably, simply and affordably. We've been providing energy for over 200 years and serve over 9m residential and business customers mainly in the UK and Ireland, through strong brands such as British Gas, Bord Gáis Energy and Centrica Business Solutions. Supported by around 24,000 colleagues including 7,500 engineers and technicians, we're focused on delivering our strategic growth areas of energy supply, services and solutions alongside energy trading and optimisation.

Following our 2015 strategic review, we've been re-positioning our business away from power generation and oil and gas production to focus on providing services and solutions for a more sustainable world. The majority of our power generation assets have been divested or decommissioned, gas storage has ceased and we've announced our intention to exit exploration and production as soon as market conditions allow having already placed these assets into a joint venture. Consequently, we'll be scored under the CDP Electric Utilities module.

Our impact on water

As worldwide sources of clean water become increasingly under threat, we remain committed to ensuring water is used both efficiently and responsibly not only in our business, but across our supply chain too.

As we continue to divest our more water intensive upstream activities (power stations and gas production) and focus on the low water intensity customer facing businesses, water is becoming an increasingly non-material risk for our business. For a company our size and within our sector, we consume a relatively small amount of water and do not operate water-intensive activities in water-stressed areas. Moreover, using the World Resources Institute definitions, the vast majority of water we withdraw is used, rather than consumed, as it is returned to the same water catchment area within the same cycle period while ensuring minimal changes to the water's characteristics.

Most of our water-related risks and opportunities lie within our Power Generation and Exploration and Production businesses, where cooling and produced water represent 98% of the total water we withdraw. Due to the nature of these withdrawals the risk and opportunities relating to water are not considered to have a substantial impact on our business, operations or revenue.

W-EU0.1a

(W-EU0.1a) Which activities in the electric utilities sector does your organization engage in?

Electricity generation

W-EU0.1b

(W-EU0.1b) For your electricity generation activities, provide details of your nameplate capacity and the generation for each technology.

| | Nameplate capacity (MW) | % of total nameplate capacity | Gross electricity generation (GWh) |
|---|-------------------------|-------------------------------|------------------------------------|
| Coal – hard | 0 | 0 | 0 |
| Lignite | 0 | 0 | 0 |
| Oil | 0 | 0 | 0 |
| Gas | 1262 | 41 | 2222 |
| Biomass | 0 | 0 | 0 |
| Waste (non-biomass) | 0 | 0 | 0 |
| Nuclear | 1784 | 59 | 9100 |
| Fossil-fuel plants fitted with carbon capture and storage | 0 | 0 | 0 |
| Geothermal | 0 | 0 | 0 |
| Hydropower | 0 | 0 | 0 |
| Wind | 0 | 0 | 0 |
| Solar | 0 | 0 | 0 |
| Marine | 0 | 0 | 0 |
| Other renewable | 0 | 0 | 0 |
| Other non-renewable | 0 | 0 | 0 |
| Total | 3046 | 100 | 11322 |

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

| | Start date | End date |
|----------------|----------------|------------------|
| Reporting year | January 1 2020 | December 31 2020 |

W0.3

(W0.3) Select the countries/areas for which you will be supplying data.

Canada
Denmark
France
Germany
Hungary
Ireland
Italy
Netherlands
Norway
United Kingdom of Great Britain and Northern Ireland
United States of America

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

GBP

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups in which an equity share is held

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

Yes

W0.6a

(W0.6a) Please report the exclusions.

| Exclusion | Please explain |
|--|--|
| We exclude assets that we have equity in but do not have operational control. This includes our 20% interest in Nuclear and the offshore assets (gas platforms) in which our joint venture, Spirit Energy, has equity in but does not operate. | Our ability to manage water is limited at assets where we do not have operational control. Additionally, there are practical challenges on obtaining detailed water information at non-operated sites. The consumed water from these assets is not likely to represent a material portion of our total consumed water as the majority of water used at those sites is used for cooling water purposes and is returned, not consumed. |

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

| | Direct use importance rating | Indirect use importance rating | Please explain |
|--|------------------------------|--------------------------------|--|
| Sufficient amounts of good quality freshwater available for use | Important | Important | Freshwater is important in our direct and indirect operations. Freshwater is primarily used in our direct operations for steam generation and cooling at power stations; for operational uses at our gas terminals; as well as for office water supply. Our primary indirect freshwater use relates to power generation at non-owned assets that we purchase power from for resale. Third party suppliers of gas and power represent the stakeholders in our value chain with the highest freshwater demand. Despite increasing volumes of renewables and market flexibility in where we source our gas and power, the continued requirement of good quality volumes of freshwater in our direct and indirect operations remains the same and thus, our importance rating remains 'important'. |
| Sufficient amounts of recycled, brackish and/or produced water available for use | Important | Important | Direct access to saline or brackish water is important in both direct and indirect operations. Saline or brackish water is primarily used for cooling water at our oil and gas production facilities and considerable volumes of sufficient quality are required for our direct operations. Recycled, produced and brackish water are important for our indirect operations, where we purchase energy from third parties for resale to our customers. Our third-party suppliers will be the primary users of these water sources in their power generation assets. As we continue to divest gas turbine power generation and gas production assets, our future water dependency will decline and eventually we will have no demand for this water resource in our direct operations. With reduction in direct energy supplies, we become more dependent on indirect power generation so availability of these water sources for indirect operations will remain important in future; however, this importance varies depending on technology employed and regional location, so we mitigate risk by diversification of our supply chain. |

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

| | % of sites/facilities/operations | Please explain |
|--|----------------------------------|---|
| Water withdrawals – total volumes | 100% | We measure and monitor water input volumes across all our sites which use or consume water and where we have operational control. Office and downstream asset's water withdrawals are reported quarterly but upstream assets are monitored more regularly. |
| Water withdrawals – volumes by source | 100% | Centrica measures and monitors water input volumes by source category at all our sites which use or consume water and have operational control. Office and downstream asset's water withdrawals are measured quarterly but upstream assets are monitored more regularly. |
| Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector] | <Not Applicable> | <Not Applicable> |
| Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector] | <Not Applicable> | <Not Applicable> |
| Water withdrawals quality | Less than 1% | At most of our power stations we measure water discharge quality in line with relevant specifications. If these were not to be met, then the withdrawal quality would be investigated. However, the majority of our sites are offices that are connected to the municipal supply. We do not measure the water quality at these, as the water provider ensures the quality is maintained at an acceptable level. |
| Water discharges – total volumes | 100% | We measure water discharge volumes from all of our sites which discharge water and we have operational control. Water discharges are either directly measured or calculated from water withdrawals. Low water consumption volumes are all calculated based upon water withdrawals. Office and downstream asset's water discharges are measured quarterly but upstream assets are monitored more regularly. |
| Water discharges – volumes by destination | 100% | Where we measure discharge volumes, we do so by destination. As such, discharge volumes are measured at all of our sites which discharge water and have operational control. Office and downstream asset's water discharges are measured quarterly but upstream assets are monitored more regularly. |
| Water discharges – volumes by treatment method | 100% | By recording our discharge volumes by destination and knowing the asset type, we know how our discharges are being treated. For example, offices are assumed to only discharge to the municipal water system, hence treated at municipal wastewater treatment plants. We measure discharges at all our sites where we have operational control. Office and downstream asset's water discharges are measured quarterly but upstream assets are monitored more regularly. |
| Water discharge quality – by standard effluent parameters | 1-25 | Centrica routinely measures the quality of our water discharge at power assets, oil and gas platforms and gas terminals, where we have a legal or contractual requirement to monitor and/or report pursuant to consented quality limits quarterly. It is important to note that this requirement covers the majority of our discharges by volume; however, it is not a regulatory requirement at more than 75% of our sites. |
| Water discharge quality – temperature | 1-25 | We routinely monitor the temperature of all the power stations' discharged water to ensure it does not fall outside of any prescribed limits. Temperature measurement is not relevant at more than 75% of our sites. Our large upstream asset's water discharge quality is monitored and reported quarterly. |
| Water consumption – total volume | 100% | We are able to calculate the total volume of water consumption across our business because we measure or accurately estimate our water consumption input from all our sites where we have operational control. Office and downstream assets are measured quarterly but upstream assets are monitored more regularly. Our consumption values are calculated as the volume we withdraw and utilise, but do not return to its original source, or return within a different cycle period after treatment or further use. |
| Water recycled/reused | Less than 1% | We recycle boiler blowdown water at our Whitegate power station. Our blowdown water is cooled and sent back to our raw water tank and recycled back through the water treatment system. This helps to reduce water import into the raw water tank. Volumes are calculated based upon the fill and empty rate of the blow down tank. |
| The provision of fully-functioning, safely managed WASH services to all workers | 100% | As part of our duty of care to our people and through our Health, Safety and Environment assurance activities, we ensure and verify that all employees have access to WASH services at their normal place of work. |

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

| | Volume (megaliters/year) | Comparison with previous reporting year | Please explain |
|-------------------|--------------------------|---|--|
| Total withdrawals | 19857.52 | Lower | Our total water withdrawals have declined in 2020, with a 25% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. We expect total withdrawals to increase in 2021, returning to 2019 levels, as activity at our Spirit Energy oil and gas platforms returns to normal. We expect total withdrawals to continue to remain materially similar to our 2019 levels in future years. |
| Total discharges | 19726.27 | Lower | Our total water discharges have declined in 2020, with a 25% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. We expect total discharges to increase in 2021, returning to 2019 levels, as activity at our Spirit Energy oil and gas platforms returns to normal. We expect total withdrawals to continue to remain materially similar to our 2019 levels in future years. |
| Total consumption | 131.25 | Lower | Consumption is calculated using the above withdrawal and discharge values. This value has declined in 2020 with a 21% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms and the closure of our offices for the majority of 2020 due to COVID-19. We expect total consumption to increase in 2021, returning to 2019 levels, as activity at our Spirit Energy oil and gas platforms returns to normal and our offices reopen. We expect total withdrawals to continue to remain materially similar to our 2019 levels in future years. |

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

| | Withdrawals are from areas with water stress | % withdrawn from areas with water stress | Comparison with previous reporting year | Identification tool | Please explain |
|-------|--|--|---|---------------------|--|
| Row 1 | Yes | Less than 1% | About the same | WRI Aqueduct | The Electric Power baseline water stress overlay was applied using the WRI Aqueduct Water Risk Atlas tool which categorises land into 5 water risk areas (Low Risk, Low to Medium Risk, Medium to High Risk, High Risk and Extremely High Risk) to compare to our asset locations. Centrica maintains an updated list of all assets with the ability to plot spatially via address. Our most water-intensive sites were plotted on top of the WRI Risk Atlas to identify locations in areas of high-water stress. Peterborough and Glanford Brigg power stations, as well as Easington gas terminal are located in medium to high water-stressed areas; however, the total water withdrawals of these sites contribute less than 1% to Centrica's water withdrawals. This is the same as the previous year's submission where we had no material water intensive activities in water stressed areas. |

W1.2h

(W1.2h) Provide total water withdrawal data by source.

| | Relevance | Volume (megaliters/year) | Comparison with previous reporting year | Please explain |
|--|--------------|--------------------------|---|---|
| Fresh surface water, including rainwater, water from wetlands, rivers, and lakes | Relevant | 3.12 | Much lower | Fresh surface water is used as cooling water for our Glanford Brigg power station and includes direct monitoring of withdrawals from lakes and rivers. We consider volumes that have reduced more than 50% to be 'much lower' and this 76% decrease from last year is due to less abstraction as a result of reduced OCGT running at our Glanford Brigg power station and latterly its closure in September 2020. We expect fresh surface water withdrawal volumes to experience a decline in the next year due to the closure of our Glanford Brigg OCGT in September 2020. |
| Brackish surface water/Seawater | Relevant | 19347.11 | Lower | Brackish surface water/sea water is the saline estuary and dock water withdrawn for operational use and it includes the volume of 'open sea' water withdrawn, relating to cooling water for offshore platforms and rigs. Our brackish surface/seawater withdrawals have declined in 2020, with a 24% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. We expect brackish surface water/seawater withdrawal volumes to increase in 2021, returning to 2019 levels, as activity at our Spirit Energy oil and gas platforms returns to normal. We expect total withdrawals to continue to remain materially similar to our 2019 levels in future years. |
| Groundwater – renewable | Not relevant | <Not Applicable> | <Not Applicable> | None of Centrica's assets are permitted to extract groundwater or designed to do so, therefore, Centrica does not withdraw renewable groundwater across its operations. We do not expect to use non-renewable groundwater sources in coming years. |
| Groundwater – non-renewable | Not relevant | <Not Applicable> | <Not Applicable> | None of Centrica's assets are permitted to extract non-renewable groundwater or designed to do so, therefore, Centrica does not withdraw non-renewable groundwater across its operations. We do not expect to use non-renewable groundwater sources in coming years. |
| Produced/Entrained water | Relevant | 241.1 | Lower | Produced water is the formation of water withdrawn from natural gas for operational use. Our produced water withdrawals have declined in 2020, with a 47% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. We expect produced water withdrawal volumes to increase in 2021, returning to 2019 levels, as activity at our Spirit Energy oil and gas platforms returns to normal. We expect total withdrawals to continue to remain materially similar to our 2019 levels in future years. |
| Third party sources | Relevant | 266.19 | Lower | Municipal water supply is the volume of drinking-standard used by the facility, including all water billed by the supplier, whether used, spilt or leaked. Our municipal water supply from third party sources have declined in 2020, with a 45% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this decrease can be attributed to Kings Lynn Power Station completing its commissioning phase in February 2020 and the closure of our offices for the majority of 2020 due to COVID-19. We expect municipal water withdrawal volumes from third party sources to remain materially similar in the coming year following the sale of Direct Energy and its associated offices, balanced by the reopening of the UK offices. |

W1.2i

(W1.2i) Provide total water discharge data by destination.

| | Relevance | Volume (megaliters/year) | Comparison with previous reporting year | Please explain |
|---------------------------------|--------------|--------------------------|---|---|
| Fresh surface water | Relevant | 18.91 | Much lower | Cooling water withdrawn from fresh surface water sources are monitored, then returned to fresh water sources at our Glanford Brigg power station. Our fresh surface water discharges have declined in 2020 with a 78% decrease in volume compared to 2019. We consider volumes that have reduced more than 50% to be 'much lower' and this decrease can be attributed to reduced OCGT running at our Glanford Brigg power station and its closure in September 2020. We expect fresh surface water discharge volumes to decrease in coming years due to the closure of our Glanford Brigg power station in 2020. |
| Brackish surface water/seawater | Relevant | 19629.38 | Lower | Brackish surface water/sea water is the direct cooling and produced water for operational use. Our brackish surface/seawater discharges have declined in 2020, with a 24% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. We expect brackish surface water/seawater discharge volumes to increase in 2021, returning to 2019 levels, as activity at our Spirit Energy oil and gas platforms returns to normal. We expect total discharges to continue to remain materially similar to our 2019 levels in future years. |
| Groundwater | Not relevant | <Not Applicable> | <Not Applicable> | None of Centrica's assets are permitted or designed to discharge to groundwater sources across its operations. We do not expect to use non-renewable groundwater sources in coming years. |
| Third-party destinations | Relevant | 77.98 | Much lower | Third party discharges include all operational wastewater discharged from sites to sewer irrespective of where it is generated and the method of transmission. Our discharges have declined in 2020 with a 65% decrease in volume compared to 2019. We consider volumes that have reduced more than 50% to be 'much lower' and this decrease can be attributed to Kings Lynn Power Station completing its commissioning phase in February 2020 and the closure of our offices for the majority of 2020 due to COVID-19. We expect municipal discharge volumes from third party sources to remain materially similar in the coming year following the sale of Direct Energy and its associated offices, balanced by the reopening of the UK offices as offices reopen. |

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

| | Relevance of treatment level to discharge | Volume (megaliters/year) | Comparison of treated volume with previous reporting year | % of your sites/facilities/operations this volume applies to | Please explain |
|--|---|--------------------------|---|--|--|
| Tertiary treatment | Not relevant | <Not Applicable> | <Not Applicable> | <Not Applicable> | Tertiary treatment is not relevant for Centrica. We treat wastewater streams to the highest level as determined by our permits and regulations and tertiary treatment is not a requirement at any of our sites where we discharge water. |
| Secondary treatment | Not relevant | <Not Applicable> | <Not Applicable> | <Not Applicable> | Secondary treatment is not relevant for Centrica. We treat wastewater streams to the highest level as determined by our permits and regulations and secondary treatment is not a requirement at any of our sites where we discharge water. |
| Primary treatment only | Relevant | 294.1 | Lower | 1-10 | Primary treatment is undertaken for our produced water streams from our oil and gas platforms and for our wastewater stream at our Whitegate Power Station. Produced water is treated to remove oil as per regulations for direct discharge to sea offshore. Wastewater at Whitegate undergoes primary treatment in-line with our site permit. Our primary treatment discharges have declined in 2020 with a 41% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. |
| Discharge to the natural environment without treatment | Relevant | 19378.99 | Lower | 1-10 | Our wastewater streams that are discharged to the natural environment without treatment include the cooling water at our oil and gas platforms and our freshwater discharge at our Glanford Brigg power station. These waste streams are monitored in line with our site permits but do not require additional treatment as standard before being discharged to the environment. Our discharges to the natural environment have declined in 2020, with a 24% decrease in volume compared to 2019. We consider volumes that have reduced within a range of 10-50% to be 'lower' and this can be attributed to extended shutdowns at our joint venture offshore oil and gas platforms. |
| Discharge to a third party without treatment | Relevant | 53.18 | Much lower | 91-99 | Our wastewater streams that are discharged to a third party without treatment includes all wastewater discharged from sites to sewer. This predominately occurs at our offices but also at our power stations where our permits allow us to discharge to sewer without treatment. The level of treatment applied by the third party at the municipal wastewater treatment facility is unknown. Our discharges to third party have declined in 2020 with a 72% decrease compared to 2019. We consider volumes that have reduced more than 50% to be 'much lower' and this decrease can be attributed to the closure of our offices for the majority of 2020 due to COVID-19. |
| Other | Not relevant | <Not Applicable> | <Not Applicable> | <Not Applicable> | All of our discharge streams are treated using the above categories. We have no additional treatment methods at any of our sites. |

W-EU1.3

(W-EU1.3) Do you calculate water intensity for your electricity generation activities?

Yes

W-EU1.3a

(W-EU1.3a) Provide the following intensity information associated with your electricity generation activities.

| Water intensity value (m3) | Numerator: water aspect | Denominator | Comparison with previous reporting year | Please explain |
|----------------------------|-------------------------|-------------|---|---|
| 0.05 | Total water withdrawals | MWh | Lower | In our power generation and distribution activities, total electricity available for sale experienced a 25% reduction. However, water withdrawals from our power generation and distribution assets reduced by 53%. This is mainly due to the closure of our Glanford Brigg power station and Kings Lynn power station completing its commissioning phase. Our water intensity for 2020 decreased by 38% compared to our 2019 value of 0.08. We consider volumes that have decreased in the range of 10-50% to be 'lower'. Our nuclear generated electricity has been excluded from the electricity available for sale figures as we are unable to attain water data for assets that we don't have operational control over, including our 20% stake in nuclear. Our strategic direction is to reduce our ownership of gas turbine power stations and maintain the number of reciprocating gas engines. The latter are air cooled and therefore reduce total water consumption and the water intensity of our power generation. Consequently, we expect a reduction in water intensity with improvements in efficiency of future power generation technology. However, we do not currently use the water intensity of our power generation as an internal metric because our primary focus is on the carbon intensity of power. |

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

1-25

% of total procurement spend

26-50

Rationale for this coverage

As a responsible company with a responsible procurement programme, we aim to embed sustainable business practices, including social, ethical and environmental standards across our supply chain. As part of this we focus our assessment on water risks in our supply chain for new and existing suppliers whose contracts are either due for renewal or review after two years. Suppliers are initially assessed using our internal supplier onboarding risk management process, part of this focuses on the overarching sustainability performance associated with their countries and product category they provide. Depending on the risk profile, they then engage in a supplier self-assessment questionnaire supported by EcoVadis. Suppliers are incentivised to report to adhere to our Corporate Responsibility Policy, which includes environmental impacts. We reserve the right to terminate their contracts where they fail to meet required standards.

Impact of the engagement and measures of success

Our assessment tools evaluate the resilience of their current sustainability framework; including water management, consumption rate and measures to reduce pollutants discharged into water. Where a supplier is deemed to have inadequate performance (medium/high risk rating), we work collaboratively with them to develop corrective action plans that improve and embed sustainable behaviours. The information provided forms a scorecard and a corrective action plan. We review the corrective actions and encourage the supplier to upload evidence to demonstrate continuous improvement. In 2020, we assessed 7.5% of our supply chain, which consists of 301 suppliers on their social, ethical and environmental standards. Average supplier sustainability was 54 (low risk), which remains above the multi-industry average of 45 (medium risk). This is a drop in our previous average score (59) in 2019, however, we assessed more suppliers. We consider this a measure of our success in growing our supply chain monitoring and encompassing more suppliers.

Comment

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

Onboarding & compliance

Details of engagement

Requirement to adhere to our code of conduct regarding water stewardship and management

% of suppliers by number

76-100

% of total procurement spend

76-100

Rationale for the coverage of your engagement

We want to use our purchasing power as a force for good which is why we strive to ensure that all of our supply chain is sustainable. As part of this, it's important to have a strong foundation so we focus on embedding Corporate Responsibility (CR) clauses in supplier contracts and ensuring that suppliers commit to uphold our CR Policy for Suppliers which includes environmental safeguards. This applies to all suppliers wherever they are based in the world or whatever our spend with them is, because it's a core part of our onboarding process.

Impact of the engagement and measures of success

We use our purchasing power to embed high social, ethical and environmental standards across our global supply chain. A key way we measure success is by ensuring that all of our suppliers a) sign-up to our CR clauses in contracts which encompasses environmental safeguards and b) comply with our Procurement and CR Policy for Suppliers which contains the commitment to protect the environment. In 2020, all suppliers committed to uphold high environmental standards. They either accepted our CR policy and clauses, or, we agreed that their policies equalled our own and further alignment was unnecessary. Through these actions, we set out clear expectations regarding water management and protecting the environment from the very outset of our relationship, which provides a sound foundation for doing business responsibly and helps reduce risk across our supply chain.

Comment

Type of engagement

Innovation & collaboration

Details of engagement

Encourage/incentivize innovation to reduce water impacts in products and services
Educate suppliers about water stewardship and collaboration

% of suppliers by number

1-25

% of total procurement spend

26-50

Rationale for the coverage of your engagement

To drive our responsible procurement practices forward and ensure they are best practice, we continue to be active members of the Responsible Sourcing Council (RSC). The RSC provides invaluable insight by bringing together different industries and stakeholders from across the world, to collaborate on enhancing supply chain transparency, driving strong supply chain risk management and embedding robust sustainability strategies. The RSC supports us with understanding how we can improve low performance supplier practice on the back of the EcoVadis assessment. Additionally, EcoVadis provide clear guidance on what steps the supplier could take to improve their performance and environmental resilience. The actions build on the existing company framework, ensuring tailored improvements that fit the company.

Impact of the engagement and measures of success

Beneficial outcomes of our engagements are: insights into benchmarking approaches and utilising KPI tracking to demonstrate year on year improvements, sharing best practices and peer community networking enables the upskilling of suppliers in their understanding of sustainable water management. We measure the success of this active engagement with our suppliers through EcoVadis scorecard data.

Comment

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Although we are primarily an energy management and services company, we have continued to engage in key strategic partnerships on water related issues through the provision of remote water leak detection sensors to customers. These detect flow anomalies based on the temperature of the water pipes. In 2018, South East Water became one of the first UK companies to trial Hive's smart home technology to detect leaks, increase consumer awareness of water consumption and help meet water waste reduction targets. South East Water provided Hive Leak Sensors to 556 of its customers and the trial continued throughout 2019 with all 556 customers extending their subscription to the service. Other water companies partnering with Hive smart home business include Northumbrian, Anglian and Portsmouth Water. We now have leak sensors installed in approximately 35,000 households through our partnerships with water companies, insurance providers and our own Homecare offering in British Gas. We consider our Hive services to be our most effective method of customer engagement for enabling improved management of their resource consumption.

We engage with the wider value chain and society based on collective action initiatives. To drive our responsible procurement practices forward we continue to be a member of the Responsible Sourcing Council (RSC), which provides us with invaluable insight by bringing together different industries and stakeholders from across the world. The collaborative approach of these sessions allows us to benchmark our activities with those of other organisations, export best practice and work out solutions together. During these sessions we cover workshops on a wide range of sustainable management topics including water.

The measure of success for this engagement is an increase in the number of our suppliers being assessed through EcoVadis, which helps drive continuous improvement in the supply chain and a greater level of collaboration.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W-EU3.1

(W-EU3.1) How does your organization identify and classify potential water pollutants associated with your business activities in the electric utilities sector that could have a detrimental impact on water ecosystems or human health?

Prior to the building of our electric utility assets and in order to obtain operational permits, a comprehensive Environmental Impact Assessment must be completed. This will identify potential water pollutants that could have a detrimental impact on water ecosystems or human health and mitigations of risk. These pollutants will be identified based on the materials used and activities to be undertaken on the proposed sites; these will differ across the value chain, dependent on the site activity. Thermal pollution, hydrocarbons, biocides and boiler chemicals are all examples of typical pollutants that need to be managed. These can adversely affect aquatic life at low concentration levels and impact humans at higher levels.

Facilities from which we discharge to receiving waters are highly regulated assets, subject to water-related permits, licenses or consents. These regulatory control mechanisms identify potential pollutants; set limits on discharge levels and specify monitoring and reporting requirements for us to meet. Water quality monitoring includes automatic monitoring and manually collected samples. The assets have water quality analysis capability and trained staff to undertake monitoring of a wide range of pollutants, where required.

We follow an established standard working to the permit requirements and government guidance. In addition, there is a stringent audit program in place, which looks at the permit requirements and scrutinises how these are being met. This is a requirement of BS EN ISO 14001 in terms of controls and checking.

Our key commodities and raw materials for electricity supply are gas and purchased electricity, both for our own consumption as well as for supply to our customers. As such, we limit our water risk assessment to high risk suppliers alongside other critical suppliers through our supply chain risk management process, including the EcoVadis online supplier self-assessment which spans social, ethical and environmental issues including water management and consumption. Water is recognised as one of a number of key considerations that may affect their ability to supply us, which we aim to mitigate by developing a diverse supply chain to ensure continuity of supply.

W-EU3.1a

(W-EU3.1a) Describe how your organization minimizes the adverse impacts of potential water pollutants associated with your activities in the electric utilities sector on water ecosystems or human health.

| Potential water pollutant | Description of water pollutant and potential impacts | Management procedures | Please explain |
|----------------------------|--|--|---|
| Hydrocarbons | Pollutants from our power generation assets have the potential to pollute local groundwater, adjacent water streams or other water bodies. Hydrocarbons could reach these water bodies via on-site spillages to ground outside of banded areas, discharges to streams or coastal waters via storm water drains. The inherent risk of impact from hydrocarbons is medium because it could impact a large area, sensitive ecosystem or require remedial clean-ups however with controls in place and high levels of regulatory scrutiny, we believe the mitigated risk is low. | Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages Community/stakeholder engagement Emergency preparedness | Assets ensure compliance through strict adherence to the requirements of the licence issued by the regulatory body. Where applicable, we strive to implement guidance documents issued by the regulator and also seek to follow industry best practice where applicable. We use number of events and water quality discharge as indicators of success. |
| Contaminated cooling water | Pollutants from our power generation OCGT assets have the potential to pollute local ground water, adjacent water streams or other water bodies. Contaminated cooling water could reach these water bodies via discharges to streams or coastal waters via stormwater drains. Impact is likely to be minor with regulatory standards and monitoring of water discharge in place. Glycol used in closed cooling water systems and Chlorine added to saline cooling water in open systems have the potential to be harmful to water ecosystems, if discharged at high concentration. Leakages on land could also be harmful to the environment. The inherent risk of impact from contaminated cooling water is medium because it could impact a large area, sensitive ecosystem or require remedial clean-ups. However, with controls in place and high levels of regulatory scrutiny, we believe the mitigated risk is low. | Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages Community/stakeholder engagement Emergency preparedness | Assets ensure compliance through strict adherence to the requirements of the licence issued by the regulatory body. Where applicable, we strive to implement guidance documents issued by the regulator and also seek to follow industry best practice where applicable. We use number of events and water quality discharge as indicators of success. Areas which contain glycol and storage areas are banded and located inside buildings at our power stations with closed system cooling water to prevent any chance of escape to the environment. This cooling water is not discharged into the water course as it's only used in closed systems. There is a comprehensive monitoring system which reports on the chlorine concentrations in all our saline cooling systems. This ensures that we stay within the permitted concentrations and do not pollute the watercourse. There is a robust maintenance schedule which prevents leaks from occurring, to both water bodies and land. There are also detection systems on the closed cooling systems which notify us of any water loss, this allows for immediate remedy. There are comprehensive emergency response procedures utilising spill kits and isolation valves where appropriate. |
| Thermal pollution | Potential to pollute local ground water, adjacent stream water or other water bodies with warmed cooling water from power stations, such as Whitegate. This would be likely to occur via the release of discharge of cooling water into local streams or coastal waters. The inherent risk of impact from thermal pollution is medium because it could impact a sensitive ecosystem, however with controls in place and high levels of regulatory scrutiny, we believe the mitigated risk is low. | Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages Community/stakeholder engagement Emergency preparedness | Assets ensure compliance through strict adherence to the requirements of the licence issued by the regulatory body. Where applicable, we strive to implement guidance documents issued by the regulator and also seek to follow industry best practice where applicable. Regular monitoring of water discharge across all our power stations provides metrics to measure significant differences in temperature of the discharge to the water body, any significant differences are recorded. |

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

Annually

How far into the future are risks considered?

1 to 3 years

Type of tools and methods used

Tools on the market

Other

Tools and methods used

WRI Aqueduct

Internal company methods

Comment

Risks are identified and mitigation strategies are developed across the business, from asset to enterprise level. Business unit and functional level risk registers are regularly reviewed by senior management. Each identified risk together with related controls, are periodically assessed and reported according to the Group Risk Management Policy, Standards and Guidelines; classified with defined scoring methodology and 'out-of-appetite' criteria. Our internal environmental specialists input to risk assessments and management at all levels via methods like quarterly risk reviews and peer review quality checks. Where appropriate, Environmental Impact Assessments (EIA) are used to evaluate potential water requirements of a proposed activity or asset, options for meeting those requirements, possible impacts and mitigations of risk.

Supply chain

Coverage

Partial

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

Every two years

How far into the future are risks considered?

1 to 3 years

Type of tools and methods used

Tools on the market

Databases

Tools and methods used

Other, please specify (EcoVadis Sustainable Supply Chain Tool)

Comment

Other stages of the value chain

Coverage

None

Risk assessment procedure

<Not Applicable>

Frequency of assessment

<Not Applicable>

How far into the future are risks considered?

<Not Applicable>

Type of tools and methods used

<Not Applicable>

Tools and methods used

<Not Applicable>

Comment

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?

| | Relevance & inclusion | Please explain |
|---|---------------------------|---|
| Water availability at a basin/catchment level | Relevant, always included | Local water availability will always be relevant across our facilities where water is required to sustain operations to ensure business continuity. Where surface or ground water is abstracted from the natural environment, this is factored into local EIAs and permits or license applications. We are not currently exposed to material risks associated with reduced local water availability, but we will continue to assess this as a potential risk to the business to allow for a suitable response should this change in the future. We used WRI Aqueduct Water Risk Atlas to assist in our assessment of water risks. |
| Water quality at a basin/catchment level | Relevant, always included | Local water quality is relevant across our facilities where water is required for operations to ensure water inputs meet operational specifications. Where surface or ground water is abstracted from the natural environment, this is factored into local EIAs and permits or license applications. We are not currently exposed to material risks associated with local water quality, but we will continue to assess this as a potential risk to the business at both withdrawal and discharge to allow for a suitable response should this change in the future. |
| Stakeholder conflicts concerning water resources at a basin/catchment level | Relevant, always included | Where appropriate, we will always consider stakeholder conflicts when assessing water resources and our requirements, at a local level. An example is the Bowland shale gas sites in the UK of which our joint venture had a 25% non-operating stake until mid-2020. All stakeholder concerns were assessed and dealt with through EIAs alongside the planning and permitting process. |
| Implications of water on your key commodities/raw materials | Relevant, always included | Our key commodities and raw materials are gas and power, both for our own consumption as well as for supply to our customers. As such, we limit our water risk assessment to high risk suppliers alongside other critical suppliers through our supply chain risk management process, including the EcoVadis online supplier self-assessment which spans social, ethical and environmental issues including water management and consumption. Water is recognised as one of a number of key considerations that may affect their ability to supply us, which we aim to mitigate by developing a diverse supply chain to ensure continuity of supply. |
| Water-related regulatory frameworks | Relevant, always included | Water regulatory frameworks at a local level are relevant at all of our facilities which require water. Our assessments using internal company knowledge, indicate that our operational facilities which require relatively large volumes of municipal water or which abstract from and discharge to freshwater, have the highest potential risk from current and future regulations and financial costs associated with water. We continually review the status at quarterly risk meetings. Out of our operations, Kings Lynn, Whitegate and Glanford Brigg power stations; and gas terminals require large volumes of municipal or freshwater. We have yet to change our operations materially as a consequence of these risk reviews. However, we are continuing to divest of our upstream assets including the sale of Kings Lynn and the closure of Glanford Brigg OCGT which will result in a reduced risk. |
| Status of ecosystems and habitats | Relevant, always included | It is vital that our hydrocarbon production and power facilities that abstract from and discharge to freshwater, consider the local ecosystems and habitats they interact with. The same applies to where we discharge into the marine environment. In our upstream operations, these considerations are included in EIA's where appropriate and within permitting requirements as well as being subject to ongoing assessments, reporting and monitoring as required. There are also examples in our downstream operations such as the surveys and management studies conducted by Hadlow College on a lake adjacent to our British Gas headquarters in Staines, UK. They addressed the flora and fauna of the surrounding site to improve the management and biodiversity of the water. |
| Access to fully-functioning, safely managed WASH services for all employees | Relevant, always included | As part of our duty of care to our employees and through our internal company knowledge across our Health, Safety and Environment assurance activities, Centrica ensures and verifies that all its employees have access to water, sanitation and hygiene (WASH) services at their normal place of work. At the strategic level, any new proposal or change in our external environment which may prevent us from fulfilling this commitment will be included in risk assessments. At the site level, risk assessments include welfare considerations for our people. |
| Other contextual issues, please specify | Relevant, always included | Climate change is a contextual issue that is considered in our risk assessments. Climate change will potentially have impacts on water availability; water demand; operational disruption from flooding; and asset damage from sea level rises. However, our scenario analysis assessment indicates that these are low risk to Centrica. |

W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?

| | Relevance & inclusion | Please explain |
|--|---------------------------|--|
| Customers | Relevant, always included | Customers are factored into our organisation's water risk assessment to ensure continuity of both gas and power supply. Any material risks to water availability which could impact operational output have the potential to negatively impact our security of supply for customers. We engage with our customers primarily by phone, email or letter. |
| Employees | Relevant, always included | Employees are included in the organisation's water risk assessment in order to assess the risk of not meeting our duty of care by providing suitable WASH facilities. The availability of water is a key component of upholding this commitment. If this was to change, for example if the water supply was disrupted at an office, employees would be informed through automated text messages and by phone. Employees would be moved to one of our work area recovery sites or told to work from home until the issue was resolved. |
| Investors | Relevant, always included | Investors are factored into Centrica's water risk assessment because any disruption to planned operations or change in future risk exposure, has the potential to negatively impact on revenue and profitability alongside shareholder perception towards the company. Any relevant updates would be shared with investors through public announcements, investor meetings and reports or capital market days. |
| Local communities | Relevant, always included | Where a facility uses or consumes significant volumes of fresh water, other stakeholders such as local communities and special interest groups will, if applicable, be engaged to discuss issues through local town hall meetings, via letters or by phone. |
| NGOs | Relevant, always included | NGO positions on our activities, especially where a facility extracts or discharges significant volumes of freshwater, are materially important to us and where applicable, we will engage directly with the NGO community and factor their views and insights into our risk assessments. With the strategic move away from upstream assets there has not been a need to engage with NGOs in recent years; however, we organised and held a roundtable in 2015 with a group of environmental NGOs to discuss the environmental issues relating to shale gas development, including water use. NGO engagement on water does not currently apply to our low risk sites like offices. |
| Other water users at a basin/catchment level | Relevant, always included | Where a facility extracts or discharges significant volumes of freshwater, other water users will be factored into our risk assessment where appropriate. This does not currently apply to low risk sites such as our offices. |
| Regulators | Relevant, always included | We operate highly regulated assets, many of which are subject to water-related permits, licenses or consents. The relevant regulator is always factored into our risk assessments as their evaluation of our operational performance is important to the continuity of our business. Regular inspections are carried out by Environmental Regulators such as the UK Environment Agency for onshore facilities including Easington and Barrow Gas Terminal and the UK Department of Business, Energy and Industrial Strategy (BEIS) for our offshore oil & gas platforms. Further evidence of this is demonstrated by the Environmental Protection Agency (EPA), Ireland, who carry out annual inspections on our Whitegate power station in Cork. Routine reports are submitted to regulators. In the UK the Environment Agency/ local authority require six monthly data on discharges to sewer as well as annual volumes on gross and net water usage. BEIS require monthly data on oil concentrations in produced water. In Ireland, the EPA requires detailed Annual Environmental Reports from licenced assets including water related data. As part of the Annual Environmental Report, we submit data on water usage and water quality. Additionally, a regular dialogue exists for routine operations and planned projects with regulatory bodies, which are consulted and informed on an ad-hoc basis through meetings and other correspondence as required to ensure compliance. |
| River basin management authorities | Relevant, always included | Where a facility extracts or discharges significant volumes of freshwater, river basin management authorities and their plans will be factored into our risk assessments where applicable. River basin management authorities have made site visits to some of our assets to ensure there is minimal impact to local habitats. |
| Statutory special interest groups at a local level | Relevant, always included | Where a facility extracts or discharges significant volumes of freshwater, other stakeholders such as local communities and special interest groups will also be engaged where applicable. This does not apply to our office locations. |
| Suppliers | Relevant, always included | Suppliers are initially assessed on the country they operate in and the product category they provide to Centrica using an internal supplier onboarding risk management process. Those identified as potentially high risk are requested to complete our enhanced risk assessment on their social and environmental performance which includes a component on water impacts managed by supply chain sustainability experts, EcoVadis. Based on a supplier's answers in the environmental section and where water is identified as a potentially weak area, training and advice modules from EcoVadis are offered to encourage improvement. An overall supply chain risk profile is subsequently developed and maintained through this process, which is factored into our risk management process. Assessments are repeated every two years for existing suppliers. |
| Water utilities at a local level | Relevant, always included | Where a facility extracts or discharges significant volumes of freshwater, the water utilities or suppliers are factored into the water risk assessment as any disruption to their operations could negatively impact their ability to meet our water demand. For example, when works need to be carried out by the water utilities company, Centrica Storage Limited will be informed through phone calls or in person, to ensure any discharges to sewer from the terminal are timed accordingly. This occurs on an ad-hoc basis, as required by the service provider Yorkshire Water. Power stations are also in contact with utilities companies as required to discuss industrial water requirements. |
| Other stakeholder, please specify | Not relevant, included | We consider other stakeholders if they are considered as relevant to our projects on a case-by-case basis, but currently there are no more additional to those reported here. |

W3.3d

(W3.3d) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

Risks are identified and mitigation strategies are developed across the business, from asset to enterprise level. Business unit and functional level risk registers are regularly reviewed by senior management. Each identified risk together with related controls, are assessed and reported according to the Group Risk Management Policy, Standards and Guidelines; classified with defined scoring methodology and 'out-of-appetite' criteria.

Our internal environmental specialists input into risk assessments and management at all levels via methods like quarterly risk reviews and peer review quality checks. Where appropriate, Environmental Impact Assessments (EIA) are used to evaluate potential water requirements of a proposed activity or asset, options for meeting those requirements, possible impacts and mitigations of risk. The risk assessment process informs the internal decision-making process by identifying out-of-appetite risks which require additional controls to be implemented to bring them back into appetite and ensure sufficient controls are in place. We generally use EIAs for high hazard, high impact facilities like gas terminals. At Barrow and Easington gas terminals, flood risk assessments are required as part of the Control of Major Accident Hazards (COMAH) compliance regulations to ensure we have effective processes in place to manage water risks.

We used the Electric Power overlay within the WRI Aqueduct Water Risk Atlas tool to compare to our asset locations. Centrica maintains a list of all assets used to monitor water risk at our most water-intensive sites. This is repeated annually.

Suppliers are initially assessed using our internal supplier onboarding risk management process, part of this focusses on the overarching sustainability performance associated with their countries and product category they provide. We then use a self-assessment tool for suppliers, provided by independent sustainability specialist, EcoVadis, to assess water-related risks against sector appropriate criteria every 2 years. Suppliers identified as medium/high risk are required to implement corrective action plans and demonstrate they have corrected risk areas that were highlighted through the assessment. This evaluates the resilience of their current sustainability framework; including water management, consumption rate and measures to reduce pollutants discharged into water.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

No

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

Centrica defines a substantive impact as one that will affect the everyday operations of the company in a material way, financially or strategically and applies to both our direct operations and supply chain. Individual risks across our direct operations and our supply chain are ranked by assessing potential financial and non-financial impacts alongside the likelihood of materialisation. In 2020, a 1-6 impact and 1-8 likelihood scale was used, with the overall rating (1-48) calculated by multiplying the impact and likelihood. Financial impacts are relative to operating profit targets while non-financial impacts include a range of issues such as health, safety and environment, brand and reputation, and legal and regulatory. The relative score from the 6x8 evaluation will determine if a risk is substantive. Tolerance thresholds and bands are used to determine response, controls and review frequency. These tolerance thresholds and distribution of these risks determine whether a risk is deemed as substantive in relation to others. An example of a substantive risk assessed is the primary loss of containment at our CSL facilities which, without the necessary mitigation processes we have implemented, has the potential to have a substantive impact on our operations.

The risk rating methodology and Group Risk Universe have subsequently been updated; however, the risk tools above were the ones predominantly used in 2020.

At least quarterly, Business Units and Group Functions review the internal and external environment for new and emerging risks or changes to existing risks which incorporate water-related risks that could impact the delivery of our strategy. At this point a substantive change to our business from a water-related risk is evaluated through a comparison of previous and new risk registers. Risks are reported to a Risk, Assurance and Control Committee (RACC) or equivalent management meeting to evaluate, challenge and advise on material risks; as well as consider the adequacy of mitigating controls.

The most material risks including High Impact/Low Likelihood risks are reported to the Group Ethics, Risk, Assurance, Control and Compliance Committee (GERACC), to ensure it has a clear understanding of our risk profile and the effectiveness of controls which are informed by assurance activity. The GERACC is chaired by the Chief Executive, with membership comprising of the Centrica Executive Committee (CEC). The Audit Committee then receives a risk update which includes a CEC approved assessment of our principal risks and the adequacy of associated controls.

For the majority of 2020, the Board, through the Safety, Health, Environment, Security and Ethics Committee (SHESEC) and the Health, Safety and Environment (HSE) sub-committee of the CEC were responsible for identifying and prioritising risks and opportunities. During 2020 and following a company-wide review of governance, the HSE Committee was brought back into the executive committee, which was renamed the Centrica Leadership Team (CLT). Additionally, the SHESEC was replaced by the Safety, Environment and Sustainability Committee (SESC) with more focussed accountabilities.

Also, latterly, the GERACC was replaced by Executive and Committee reviews, with quarterly Risk & Controls meetings held with the Group CFO and BU Managing Directors. As part of this review, a simplified Enterprise Risk Framework was rolled out, to ensure a focus on matters of most significance to the business. The updated Group Risk Universe contains 36 Key Risks, with a revised 5x5 Risk Matrix and clearly articulated Risk Assessment Criteria to improve the clarity of risk judgements.

W4.2b

(W4.2b) Why does your organization not consider itself exposed to water risks in its direct operations with the potential to have a substantive financial or strategic impact?

| | Primary reason | Please explain |
|-------|--|--|
| Row 1 | Risks exist, but no substantive impact anticipated | Centrica is not currently exposed to substantive water-related risks. This is primarily because we do not operate water-intensive activities in high water-stressed areas, assessed using the WRI Aqueduct Water Risk Atlas tool. When applying the Electric Power filter, three assets, Easington Gas terminal and our Peterborough and Glanford Brigg power stations, were classified as Medium to High Risk. We do not consider the water-related risks posed by these assets as substantive due to their water demand accounting for less than 1% of our total water withdrawals. The most significant risk we are exposed to is the availability of water for cooling requirements at our upstream assets, for which the supply of large volumes of water is important. 98% of cooling water is abstracted from estuaries or the open seas, which are sources associated with low risks regarding quantity and quality. Moreover, 99% of water we withdraw is used rather than consumed, as it is returned to the same water catchment area within the same cycle period, further reducing the risks of supply interruption. This can be demonstrated by our climate change adaptation assessments undertaken for our UK power assets, which rate flooding and water availability risks as low, although this and other risks are reviewed at quarterly risk meetings with input from environmental managers. Another inherent risk relates to the cost of water to our business. However, this is currently immaterial when compared with other commodity costs such as gas, but nevertheless we review the risk annually. Looking ahead, we do not foresee material tightening of relevant regulations and our risk profile is falling as we reduce our involvement in large-scale power generation and oil & gas operations. |

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

| | Primary reason | Please explain |
|-------|--|---|
| Row 1 | Risks exist, but no substantive impact anticipated | Gas and power sales are the most important components in our supply chain, both of which are reliant to varying degrees on the availability of water for their operations. As such, an inherent risk of water-related supply interruption exists. This risk is however not substantive as we purposely procure power from multiple generators in the open market, while gas is purchased from various sources including international supply contracts. This flexibility reduces our exposure to water-related risks. Water related risks also exist in the supply chains of other services and products we procure. Identification of high-risk suppliers occur through our comprehensive supply chain risk management programme including the use of EcoVadis and, to date, no suppliers have been found to have substantive water-related risks. High risk and tier 0 suppliers are asked to complete an EcoVadis assessment every two years or when a contract is renewed, which enables us to re-evaluate risk and, where necessary, implement measures to reduce that risk. |

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

No

W4.3b

(W4.3b) Why does your organization not consider itself to have water-related opportunities?

| | Primary reason | Please explain |
|-------|--|--|
| Row 1 | Opportunities exist, but none with potential to have a substantive financial or strategic impact on business | Centrica defines substantive opportunities as one that provides a material basis for the corporation to grow or become more efficient. Water is not material to the growth or cost saving opportunities for the business. We assess water opportunities using our annual water spend and its associated financial impact level in our risk matrix. With minimal water expenditure, our water spend has a severity level 2 impact rating. This means the cost of water is not currently significant enough to present substantive saving opportunities. We have yet to identify major commercial, competitive or other opportunities related to water. While our approach to water-related biodiversity and habitat protection provides local engagement opportunities, these are not substantive as they do not provide a material basis for the corporation to grow or become more efficient. As detailed in W1.4c, we have started to engage with our customer base on water related issues through the provision of remote water leak detection sensors, however the associated commercial opportunity is not yet deemed financially substantive. We hold an annual Board Planning Conference during which opportunities are examined including any related to water in new markets, potential investments and technologies. Due diligence to assess commercial viability, market landscapes and future regulation is then conducted before strategies are presented to the Centrica Executive Committee, who met for review once in 2020 and were then superseded by the CLT who meet monthly. Opportunities to reduce office water consumption have been found and implemented across Centrica offices, for example, waterless urinals have been installed across 18 of our offices, as well as infrared toilet cubicles and Dyson taps which automate water use. However, as water is not a material consideration at Centrica, this opportunity did not have a substantive financial or strategic impact on the business, nor do any other opportunities. |

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

| | Scope | Content | Please explain |
|-------|--------------|--|---|
| Row 1 | Company-wide | Reference to international standards and widely-recognized water initiatives Commitments beyond regulatory compliance | Our Group HSES policy includes a key commitment to protect the environment and the efficient use and effective management of resources such as water. We do not include performance standards for direct operations as this level of detail is contained within Business Unit standards and procedures. |

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

| Position of individual | Please explain |
|-------------------------------|--|
| Chief Executive Officer (CEO) | The Chief Executive has board responsibility of water-related issues as they are responsible for the Group HSES Policy, which embodies our highest-level water-related commitments. In 2020, the Chief Executive also attended the quarterly Safety, Health, Environment, Security and Ethics Committee of the Board (SHESEC) and latterly, the Safety, Environment and Sustainability Committee (SESC) which replaced the SHESEC in 2020. Both Committees discussed environmental matters, including water-related issues as required. The CEO was also the Chair of the Centrica Executive HSES Sub-Committee that existed for the majority of 2020. The CEO then chaired the Centrica Leadership Team (CLT) meetings when they superseded the HSE Committee. The HSE Committee and latterly the CLT, table operational environmental performance in more detail on at least a quarterly basis. Major water-related incidents are reported within 24 hours to the Chief Executive. |

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

| | Frequency that water-related issues are a scheduled agenda item | Governance mechanisms into which water-related issues are integrated | Please explain |
|-------|---|---|--|
| Row 1 | Scheduled - some meetings | Monitoring implementation and performance Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy | For the majority of 2020, the Safety, Health, Environment, Security and Ethics Committee of the Board (SHESEC) had oversight of environmental matters including water until it was replaced by the Safety, Environment and Sustainability Committee (SESC) with the same responsibilities. The SHESEC sat quarterly and the new SESC meets 3-4 times annually. The committee's duties include reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems in respect of, amongst other things, environmental matters including water. Each meeting will have a standing agenda item, on significant HSE incidents which will include water related issues as appropriate. A deeper review of environmental performance, which may include water related performance matters, is undertaken annually as presented by the Group Head of Environment. Performance data is captured through our global reporting tool 'MyHSES' and approved by the relevant business unit leadership team. |

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Chief Executive Officer (CEO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

The Chief Executive has responsibility for the Group HSES Policy and has overall responsibility for water-related performance. The Chief Executive Officer chaired the HSE Committee that existed for the majority of 2020. The CEO then chaired the Centrica Leadership Team (CLT) meetings when they superseded the HSE Committee. The HSE Committee and latterly the CLT, table operational environmental performance in more detail on at least a quarterly basis. Major water-related incidents are reported within 24 hours to the Chief Executive.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

| | Provide incentives for management of water-related issues | Comment |
|-------|--|---------|
| Row 1 | No, and we do not plan to introduce them in the next two years | |

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

No

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

| | Are water-related issues integrated? | Long-term time horizon (years) | Please explain |
|---|---|--------------------------------|---|
| Long-term business objectives | No, water-related issues were reviewed but not considered as strategically relevant/significant | 16-20 | In 2015 our Board undertook a major strategic review resulting in a fundamental transformation of Centrica with new long-term business objectives; moving the company from a centralised asset-based business towards a customer focussed energy services and supply model. This strategy is based on a world moving towards a low carbon future. We are investing over £1 bn in establishing market-leading business units such as Centrica Business Solutions (CBS) and Hive in British Gas which we believe will play a significant role in de-carbonising the energy sector. Our Responsible Business Ambitions included our long-term commitments on climate change aligned with Paris including performance goals out to 2030 to help our customers reduce their carbon emissions, to enable the energy system to de-carbonise and to reduce our own emissions to Net Zero by 2050. Water related issues were considered only insofar as they impact upon our target markets, products and services we aim to offer and capital investment we intend to make. Our Responsible Business Ambitions have subsequently been retired and superseded by our People & Planet goals aimed at helping customers live more sustainably. As we transform Centrica, our exposure to water related issues such as access to freshwater is significantly reducing particularly as we reduce our ownership of water intensive assets so investigating beyond 20 years would be irrelevant to our objectives. |
| Strategy for achieving long-term objectives | No, water-related issues were reviewed but not considered as strategically relevant/significant | 16-20 | The Board and the Executive have dedicated meetings each year to review and develop strategy. In line with our business objectives externalities are assessed including market, competitive, technology, regulatory and policy aspects primarily related to energy markets. Water related issues are only considered insofar that they influence energy markets. An example is when we review the individual aspects of energy markets within member EU states. Those with a significant and/or increasing hydroelectric sector are likely to have less attractive markets for low-carbon energy solutions compared with a member state with a largely fossil-fuel based system. Conversely, there may be opportunities for our route to market services for hydroelectric power generators. This will all be assessed through our long-term strategic business planning, however beyond 20 years, the degree of uncertainty undermines the quality of the assessment. To date, no strategically significant water related issues have been identified within our target markets. |
| Financial planning | No, water-related issues were reviewed but not considered as strategically relevant/significant | 16-20 | Our financial planning and capital allocation are not significantly influenced by water related issues over the long term so investigating beyond 20 years would be irrelevant to our objectives. Water commodity costs are not significant for our business and reducing further as we transform. We have invested £1bn into growth businesses which are not associated with significant water risks or impacts. |

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

0

Anticipated forward trend for CAPEX (+/- % change)

0

Water-related OPEX (+/- % change)

-13

Anticipated forward trend for OPEX (+/- % change)

0

Please explain

OPEX Our OPEX includes the cost associated with water abstraction, discharge permits and also from withdrawal and discharge costs associated with municipal water supplies. Our OPEX has decreased this year, largely due to the closure of our offices for the majority of 2020 due to COVID-19. Total OPEX is anticipated to remain largely flat this year following the sale of Direct Energy and its associated offices, balanced by the reopening of the UK offices and our municipal water supply increases. CAPEX This year's water-related CAPEX has remained at 0 as we haven't had any specific water-related project expenditure. Total CAPEX is anticipated to remain at 0 as we do not have any water-specific projects in this year's capital plan.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

| | Use of climate-related scenario analysis | Comment |
|-------|--|--|
| Row 1 | Yes | We have completed a detailed analysis of our primary business, located in the UK, against several scenarios including 2 and 1.5 degrees, using a number of third-party reference scenarios including National Grid's Future Energy Scenarios. This analysis has provided valuable insights into the range of risks and impacts associated with the energy transition on Centrica's core businesses whilst also highlighting the significant opportunities and potential growth areas that Centrica is already engaged in through its new strategy. |

W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

No

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, and we do not anticipate doing so within the next two years

Please explain

We do not have an internal price on water as it does not pose a material strategic or financial risk and we do not operate in any water constrained areas and our discharges are well regulated in the jurisdictions in which we work.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

| | Levels for targets and/or goals | Monitoring at corporate level | Approach to setting and monitoring targets and/or goals |
|-------|--|--|--|
| Row 1 | Company-wide targets and goals Business level specific targets and/or goals Site/facility specific targets and/or goals | Targets are monitored at the corporate level Goals are monitored at the corporate level | We have a company-wide goal of compliance with all legal and regulatory requirements. This is detailed in our global HSE policy, global HSE Standard and as a part of our company code. For example, our more water intensive assets are generally subject to site-specific limits on the quality of discharge and quantity of abstraction. In these cases, our goal is to ensure ongoing compliance with those limits rather than setting absolute reduction targets. We set these goals pursuant to our policy commitment to prevent pollution, and a strategic priority to be compliant. We track performance against this goal at a frequency agreed with the regulator and report progress to senior management bi-monthly. We also set quantitative targets to reduce our water use across our main office portfolio in the UK. We monitor usage, track performance and the progress is reviewed by the relevant function and business managers. |

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Water consumption

Level

Business activity

Primary motivation

Water stewardship

Description of target

Our target was to reduce our UK office water use in 2020 by 6% compared to 2019.

Quantitative metric

% reduction in total water consumption

Baseline year

2019

Start year

2019

Target year

2020

% of target achieved

100

Please explain

We surpassed this target having achieved a 69.1% reduction in our office water usage, largely due to the closure of our offices for the majority of 2020 because of COVID-19. This target is reviewed year on year to reflect operational plans and remain appropriate and ambitious.

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Other, please specify (Full compliance with our prescribed limits on water management)

Level

Company-wide

Motivation

Other, please specify (Company-wide strategic priority on compliance)

Description of goal

Where we have site-specific limits on the quality of discharge and quantity of abstraction, our goal is to ensure ongoing compliance with those limits. We set this goal pursuant to our policy commitment to prevent pollution, and a strategic priority to be compliant. We track performance against this goal at a frequency agreed with the regulator and report progress to senior management bimonthly. Performance is reported externally as an annual calendar year total.

Baseline year

2019

Start year

2019

End year

2020

Progress

In 2020, no significant incidents arose that resulted in legal action. However, there were 9 reportable incidents that were water-related, involving minor leaks or spills of hydrocarbons to the sea. This is an 83% reduction in comparison to the previous year, explainable by Spirit Energy improving their oil and water compliance through technological developments and enhanced performance management. We measure success against the quantity of events and observations reported. HSE events from Centrica operated assets are captured in a global online reporting tool. The event details include a description of the event, as well as the type, severity, location and date of the event. This enables us to have a corporate overview of the events that occur.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

No, we do not currently verify any other water information reported in our CDP disclosure

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

| | Job title | Corresponding job category |
|-------|-------------------------|-------------------------------|
| Row 1 | Chief Executive Officer | Chief Executive Officer (CEO) |

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

No

[Submit your response](#)

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

| | I am submitting to | Public or Non-Public Submission |
|-----------------------------|--------------------|---------------------------------|
| I am submitting my response | Investors | Public |

Please confirm below

I have read and accept the applicable Terms