

United Nations Global Compact

Centrica's Communication on Progress 2021-22

"The United Nations Global Compact (UNGC) calls on businesses to uphold universally accepted principles on key issues to create a better world – from protecting human rights and the environment, to ending discrimination and corruption. As a signatory of the UNGC and as part of our commitment to being a responsible business, we pledge to support and advance these issues as well as communicate our progress annually."

Chris O'Shea
Group Chief Executive

[Visit the United Nations Global Compact website](#)

1. Businesses should support and respect the protection of internationally proclaimed human rights

We respect and uphold the fundamental human rights and freedoms of everyone who works for us, with us, or lives in the communities where we operate.

We embrace internationally recognised standards on human rights across our business, which includes the United Nations Sustainable Development Goals (UN SDGs) as well as the UN's Guiding Principles on Business and Human Rights. Our commitment to human rights is principally set out in Our Code which is our company-wide code of conduct and helps ensure we do the right thing and act with integrity. So that colleagues understand and embody Our Code, 98% of our people in 2021 completed training and certified that they would uphold it. This is up from 92% in 2020's annual declaration. All new employees additionally commit to support Our Code by completing an e-learning module and via dedicated clauses in their contracts, which ensures they're aware of the high standards we expect from day one.

We only work with third parties who share our values and operate in a way that's consistent with Our Code.

Find out more

- [Our Code](#)
- [Annual Report 2021](#)

2. Businesses should make sure that they are not complicit in human rights abuses

We never knowingly cause or contribute to activities or relationships that violate human rights, but we're fully committed to address any abuses if they occur. To avoid human rights issues across our business, all colleagues are required to undertake the annual Our Code awareness training and declaration process, which includes our commitment to respect human rights.

Where we work with potentially higher risk suppliers, we conduct additional due diligence to avoid being complicit in human rights abuses. This includes using an independent sustainability supply chain expert, to assess higher risk suppliers on their social, ethical and environmental credentials. In 2021, assessed suppliers were reviewed and resulted in an average supplier sustainability score of 68 (low risk) which is better than the multi-industry average of 51 (medium risk). If suppliers receive a high-risk rating, we'll consider appropriate next steps which may involve undertaking a site inspection and collaborating to raise standards. Should anyone have any concerns about potential human rights abuses or how we do business more generally, we encourage them to raise their concerns via our anonymous Speak Up helpline. All concerns are treated confidentially and investigated, with remedial action taken. In 2021, we had 1.3 reports per 100 employees which is largely in-line

with the external benchmark of 1.4 per 100 employees, and demonstrates the effectiveness of the helpline as well as illustrating that we have a culture where colleagues feel able to speak up without fear of retaliation.

Find out more

- [Our Code](#)
- [Procurement Policy](#)
- [Annual Report 2021](#)

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Working in partnership with trade unions is essential for achieving business objectives that benefit our people, customers and wider society. We therefore uphold the right for all colleagues to be active trade union members and in 2021, 41% of our people were unionised and 81% had collective bargaining agreements.

During this period, we continued to engage various trade unions in an open, transparent and collaborative way. We held regular meetings and engaged in statutory and voluntary consultations and negotiations. Meetings occurred on a local and national basis across the business and included various senior leaders up to the Group Chief Executive. To build on this, we additionally established the Centrica Joint Council in 2021, which is a strategic forum that meets bi-annually and brings together our Chief Executive, members of our senior leadership teams and National Energy Officers from recognised trade unions.

Engagement via these methods covered a range of matters across the business in 2021, including ways of working, proposed large-scale organisational and contractual changes, mitigation of redundancies and achieving fair award agreements in pay negotiations. Outcomes from consultations, meetings and engagement sessions are shared with colleagues in numerous ways, including via trade union representatives, National Energy Officers, townhalls hosted by leadership, alongside meetings with line managers and intranet sites.

To ensure that workers in our supply chain benefit from these same rights, our Responsible Sourcing Policy stipulates the right for workers to have freedom of association and participate in collective bargaining. For higher risk suppliers that undergo a site inspection, we also include relevant questions that test the right to collective bargaining is in place.

Find out more

- [Our Code](#)
- [Data centre](#)
- [Procurement Policy](#)
- [WDI 2021](#)

4. Businesses should uphold the elimination of all forms of forced and compulsory labour

Centrica supports the core conventions of the [International Labour Organisation \(ILO\)](#) which incorporates the Abolition of Forced Labour (Convention 105, 1957). We therefore take a zero-tolerance approach to modern slavery which spans forced and compulsory labour, as well as human trafficking. This position is underpinned by Our Code and is reflected in our Modern Slavery Statement.

If we discover that we work with anyone who is contravening our commitment to human rights or has done so in the past, we'll consider appropriate action which may involve ending our relationship and reporting the abuse. While we've found no instances of forced or compulsory labour in our supply chain, we recognise that risk exists. We have identified three main focus areas of our supply chain that are higher risk of forced and compulsory labour based on their associated jurisdictional and industry risk – smart technology products, garment manufacturers, and solar panels. To guard against risk in these areas and more, our

Responsible Sourcing Policy, requires all suppliers to have taken appropriate steps to ensure they've no instances of modern slavery in their operations or supply chain. Beyond the standard due diligence process, strategic suppliers identified as potentially higher risk, undergo further third-party assessment which spans slavery risk. If any suppliers are identified as higher risk through this process, we'll consider appropriate action which may involve conducting a site audit to better understand the risk or ending our relationship and reporting the abuse. During 2021, we were unable to conduct on-the-ground site audits due to COVID-19, so we deployed remote worker Surveys in higher risk countries like Bangladesh and Pakistan. Whilst no material issues were identified, insight enabled a supplier to subsequently provide training to help workers manage their personal finances better.

To further strengthen our ability to detect and reduce risk in our supply chain, we collaborate to build capabilities. In 2021, we delivered modern slavery and human trafficking training to Procurement Managers to grow understanding and detection of potential issues. Our Responsible Labour Practice Toolkit was also published to help suppliers better understand what our minimum standards are and what good practice looks like. We additionally continued to work with the likes of the Hope for Justice/Slave Free Alliance Utilities Modern Slavery Working Group, to drive forward collective action to share best practice and reduce risk. And we co-sponsored an initiative with Solar Energy UK, Solar Power Europe and other businesses, to improve transparency in the solar supply chain.

Within our direct workforce, we've various processes in place to guard against forced and compulsory labour. This includes HR processes to make sure colleagues have the right to work in the country, while contractual obligations with third parties ensure we're supplied with temporary labour from organisations that uphold the Modern Slavery Act in the UK.

Find out more

- [Our Code](#)
- [Procurement Policy](#)
- [Modern Slavery Statement 2021](#)
- [WDI 2021](#)

5. Business should uphold the effective abolition of child labour

As part of our continued focus on respecting human rights as set out in Our Code, we prohibit child labour across our operations and in our supply chain. We will also never knowingly use or work with anyone who uses child labour.

We embed this commitment via the annual Our Code training for employees as well as in online and face-to-face training for Procurement colleagues. We further ensure the rights of children are protected via responsible procurement clauses in supplier contracts alongside conditions set out in our Responsible Sourcing Policy. Moreover, any site visits undertaken by an independent third-party to assess suppliers identified as higher risk, will always review labour practices and ensure no child labour is being used. This is also examined via our remote worker surveys.

We've not uncovered any instances of child labour across our value chain.

Find out more

- [Our Code](#)
- [Procurement Policy](#)
- [WDI 2021](#)

6. Businesses should uphold the elimination of discrimination in respect of employment and occupation

Having an engaged and inclusive team where everyone feels motivated and able to reach their full potential, is key to delivering for our customers. That's why we've targets out to 2030, that'll build a more inclusive team where everyone can be themselves and succeed.

Towards this, we're accelerating greater representation across all levels of the company to reflect the full diversity of our communities by 2030 – this means all company and senior leaders to be 47% women, 14% ethnic diversity, 15% disability, 3% LGBTQ+ and 3% ex-service which will evolve in line with Census data (2022 milestones: 30% women, 13% ethnic diversity, 4% disability, 3% LGBTQ+ and 3% ex-service). Whilst positive progress has been made in specific areas during 2021, such as achieving gender parity at a Board and executive level as well as encouraging a significant increase in the number of women entering engineering following a targeted recruitment campaign to deliver our ambition of recruiting 3,500 engineering apprenticeships with 50% being women (2022 milestone: 1,000 apprentices), progress remained broadly flat against our goals.

We know it'll take time to improve diversity in our business and sector. To advance action against our goals, we've put in place a D&I Plan to ensure we attract, promote and retain more diverse talent. This includes expanding our reverse mentoring scheme and rolling out diverse shortlists, introducing ground-breaking guidelines to improve support for those experiencing the menopause, domestic abuse or transitioning at work, and creating a Shadow Board of diverse colleagues to meet with leaders and drive colleague-centric decisions. This is on top of things like our market-leading carers leave policy which provides our working carers with up to six weeks paid leave a year when matched with annual leave.

In 2021 our gender pay gap was higher than we'd like at 30% median and was driven by more men working in higher paid roles like engineering compared to more women working in lower paid but essential roles like customer service and administration. Meanwhile, we voluntarily published our ethnicity pay gap for the second year running which was 11% median, and is due to similar factors as our gender pay gap. However, we believe we're on the right track to tackle our pay gaps, with our laser focus on achieving our goals and delivering our Plan to transform our business, sector and society over the long-term.

We continuously encourage colleagues to call-out unacceptable behaviour or discrimination to their line manager or via our independent 24/7 Speak Up helpline. We have also updated our Responsible Sourcing Policy as well as clauses in supplier contracts, to ensure diversity and inclusion are promoted and protected across our supply chain.

During 2021-22, our efforts were recognised by leading organisations including The Times Top 50 Employers for Women and the Financial Times Top 100 Diversity Leaders. We're also consistent leaders in the Workforce Disclosure Initiative (WDI), which is the leading disclosure on workforce matters and demonstrates our commitment to transparency, as well as the robust processes we have in place to safeguard and support workers.

Find out more

- [People & Planet Plan Update 2021](#)
- [Gender & Ethnicity Pay Statement 2021](#)
- [Annual Report 2021](#)
- [Data centre](#)
- [Diversity & Inclusion Policy](#)
- [WDI 2021](#)
- centrica.com/caring

7. Business should support a precautionary approach to environmental challenges

Climate change is one of the greatest challenges facing the world and the energy sector has a key role to play in tackling it.

With around 90% of our total carbon emissions coming from our customers, the biggest difference we can do to fight climate change, is to provide low carbon services and solutions that help our customers manage their energy more sustainably. That's why everything we do is focused on helping our customers live sustainably, simply and affordably, and why we're helping them journey to net zero by 2050 at the latest (2030 milestone: 28% reduction in carbon intensity of customers' energy use). We made good progress towards our net zero target in 2021 with the carbon intensity of our customers' energy use reducing by 18% compared to 2019 which is equivalent to the annual energy emissions of 1.6 million homes. Reductions were delivered through renewable and low carbon energy tariffs, alongside energy efficiency and optimisation solutions. Our Climate Transition Plan 2021 sets out how we intend to drive action forward with 2025 aspirations to double the number of Hive customers to 2.5 million, achieve annual installs of up to 100,000 electric vehicle charge points and 20,000 heat pumps, whilst remaining a leader in the supply of zero carbon electricity and investing up to £100 million in low carbon and transition assets each year.

At the same time, we're leading by example and cutting emissions across our business. This can be demonstrated by our business producing over 80% less carbon than we did a decade ago, following our strategic decision to move away from operating carbon intensive assets in favour of becoming a customer-facing business focused on providing low carbon services and solutions. And to build on this, we're working towards being a net zero business by 2045 (2034 milestone: 40% carbon emission reduction). Towards our net zero target, our total carbon emissions decreased by 82% from 2019. While we expect emissions to rise in 2022 as our Whitegate power station returns to full operation following outages in 2021, we remain on track against our milestone goal of achieving a 40% carbon reduction by the end of 2034. To progress to net zero, we've set out big ambitions in our Climate Transition Plan which includes building a zero-emission road fleet in the UK by 2025 and cutting our UK property emissions by a further 50% by 2030, whilst planning to exit remaining interests in oil and gas exploration and production and redirecting investment into assets that drive the transition forward by securing up to 800MW in assets like solar and battery storage by 2025.

As a signatory to the Task Force on Climate-related Financial Disclosure, we've also assessed the strategic risks and opportunities of decarbonisation. We have tested the implications of various plausible pathways relating to global warming of 1.5°C to 4°C over the short, medium and long-term, using scenarios like the National Grid Future Energy Scenarios and our in-house scenario analysis model. And based on our modelling, we believe we're well positioned to offset potential adverse impacts with an overall net financial benefit for the Group, as we continue to evolve in line with the needs of the energy transition and deliver on our purpose of helping our customers live sustainably, simply and affordably.

In light of these actions and more, we've long been recognised as a global leader for action and disclosure on climate change and water security by CDP, an international NGO reporting to investors representing around a third of the world's invested capital.

Find out more

- [People & Planet Plan Update 2021](#)
- [Climate Transition Plan 2021](#)
- [Annual Report 2021](#)
- [Data centre](#)
- [CDP Climate Change Response 2021](#)
- [CDP Water Response 2021](#)
- [HSES Policy](#)

8. Business should undertake initiatives to promote greater environmental responsibility

We're promoting greater environmental responsibility by helping homes, businesses and communities manage their energy more sustainably. Our services and solutions play a key role in helping customers reduce their emissions and since 2015, this has helped save annual carbon emissions equivalent to over 3 million homes. This has been made possible through a range of offerings including our Hive family of products which can reduce energy use by giving customers more convenient control over their energy with just a tap on the app. We've also launched a 'Green Future' renewable energy tariff which is one of the greenest tariffs on the market for green gas and renewable electricity. And our distributed energy solutions are empowering large-scale organisations to take control of their energy so that they can reduce their carbon footprint, unlock financial savings and become more resilient. For example, we've installed solar panels and Combined Heat and Power units (CHPs) at over 100 hospitals which has generated financial savings that can be redirected towards patient care, while also providing the NHS estate with 100% renewable energy.

We actively engage governments and regulators to promote positive policy development that will support the transition to net zero. In the UK for example, we've previously openly advocated in support of binding 2050 net zero legislation, bringing forward the ban on internal combustion engine vehicles, and introducing the Future Homes Standard, whilst more recently we've advocated for shifting policy costs from electricity bills to general taxation in order to incentivise low carbon electric heating in a more affordable way for consumers. Engagement is also focused on ensuring a 'just transition' so that the energy transition is fair and affordable for all by influencing a progressive approach to decarbonisation that incentivises progress, whilst ensuring robust safeguards.

And for over a decade our impact fund, Energy for Tomorrow, has provided grants and expert advice to community initiatives that deliver affordable and sustainable energy solutions. With money generated from solar panels we installed at nearly 270 schools, the fund has £600,000 to spend annually with grants of up to £100,000 available to help communities up and down the UK transition to net zero. To date, the impact fund has helped more than 20 community initiatives - from the Cold Homes Energy Efficiency Survey Experts (C.H.E.E.S.E) who provide thermal imaging surveys that reduce energy loss from homes at low cost, to Flutter Shutter's innovative thermal plantation shutter which is designed primarily to help social housing homes save energy and stay warmer. The fund is now focused on regional campaigns to enhance impact and having successfully run our first regional campaign in Scotland during COP26, we launched a campaign in the North East, Yorkshire and Humber at the start of 2022 and have plans to run our next one in Wales.

We also understand the wider role we can play in promoting greater environmental responsibility across our supply chain. That's why we work collaboratively with partners to raise and maintain high environmental standards in this area. This includes partnering with organisations like the Responsible Sourcing Council to embed best practice, co-sponsoring an initiative with Solar Energy UK, Solar Power Europe and other businesses to improve transparency in the solar supply chain, as well as enhancing sustainability clauses in supplier contracts and growing a deeper understanding over the carbon emissions associated with our services and solutions.

Find out more

- [People & Planet Plan Update 2021](#)
- [Climate Transition Plan 2021](#)
- [Annual Report 2021](#)
- [Data centre](#)
- [CDP Climate Change Response 2021](#)
- [CDP Water Response 2021](#)
- [HSES Policy](#)
- [Procurement Policy](#)

9. Business should encourage the development and diffusion of environmentally friendly technologies

We believe decarbonisation of energy will increasingly be driven by decentralisation, digitisation and increased customer control in how energy is generated, managed and consumed. This changing energy landscape coupled with our business capabilities, means Centrica is well-placed to play a leading role in the development and diffusion of technology that's needed to transition to net zero.

We've invested over a billion pounds in establishing market-leading smart home and distributed energy solutions to help our customers manage their energy more sustainably. This has contributed to helping customers save annual emissions equivalent to over 3 million homes since 2015. And in 2021 we announced the sale of Spirit Energy's Norwegian exploration and production assets and our ambitions to increase investment in low carbon and transition assets where we plan to invest up to £100 million each year by 2025, in assets like solar and battery storage, to build towards the green Centrica of tomorrow.

Through awareness campaigns and thought-leadership publications, we're also encouraging more customers to take-up sustainable services and solutions. This can be demonstrated by our Powering Britain Report series, which aims to inspire large-scale energy users to adopt distributed energy solutions by showing how these technologies can deliver significant cost and carbon savings. We found for example, that if just 50% of the UK's Industry, Healthcare and Hospitality & Leisure sectors took up distributed energy technologies, they could save around £1 billion on annual energy bills and generate cumulative savings of 137mtCO₂e by 2030 - equivalent to the annual emissions of 43 million homes.

Collaboration is vital to the development and diffusion of sustainable technologies to transform the way we live, work and move. Over the last couple of years for instance, we've been involvement in cross-sector collaborations to realise the potential of hydrogen and carbon capture and storage by partnering to build the world's first industrial cluster. Our Energy for Tomorrow impact fund also invested in the Cornwall local energy market trial which concluded in 2020 and now provides a blueprint for a smarter, more flexible energy system that can enable more renewables to come online. The trial was the largest of its kind in the UK, and saw over 200 homes and business generating, storing and trading 310MWh of renewable electricity which saved nearly 10,000tCO₂e. In its quest to help communities transition to net zero, Energy for Tomorrow has helped over 20 initiatives with expert advice and funds to develop and diffuse initiatives that have a positive impact on the environment, including five new projects in 2021. In 2022, we additionally announced our involvement in a first-of-a-kind trial to create the first 'hydrogen village' which will enable us to gain vital learning to increase adoption across the UK.

Meanwhile, we continue to be a leader in developing the UK's low carbon transport system by installing over 20,000 electric vehicle (EV) charge points since 2013. We've also joined forces with leading car manufacturers like Ford and Volkswagen to increase the drive for EVs and deliver installations and tariffs at scale.

Find out more

- [People & Planet Plan Update 2021](#)
- [Climate Transition Plan 2021](#)
- [Annual Report 2021](#)
- [Data centre](#)
- [Powering Britain research](#)
- [CDP Climate Change Response 2021](#)
- [CDP Water Response 2021](#)
- [HSES Policy](#)
- [Procurement Policy](#)

10. Businesses should work against all forms of corruption including extortion and bribery

We have a zero-tolerance approach to all forms of corruption. We act with integrity and adhere to the laws and regulations of the countries where we operate, which includes the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977.

Our policies and standards set consistently high standards to ensure compliance with the law. Policy positions are proactively shared with colleagues through various initiatives such as mandatory online training and an annual declaration to uphold Our Code which incorporates our commitment on anti-bribery and corruption. Where colleagues work in higher risk roles, they are required to undertake additional anti-bribery and corruption training. Across our policies and standards, we provide clear guidance on the responsible exchange of gifts and hospitality as well as maintain records on an internal register to increase transparency and reduce risk of corrupt practices. We also avoid conflicts of interest and prohibit any improper payments, including facilitation payments, regardless of value or the jurisdictions in which we operate. We monitor our corruption risks on an ongoing basis and take appropriate steps to mitigate them such as designing and implementing specific procedures where we may look to undertake new activities.

Our business partners and suppliers are expected to share our values, and we therefore extend our zero tolerance approach on bribery and corruption to them. To support this, we have robust processes including conducting due diligence for all new business ventures and via supplier assessments, embedding appropriate clauses in supplier contracts, and setting out key requirements in our Anti-Bribery and Corruption Policy for Suppliers.

Find out more

- [Our Code](#)
- [Annual Report 2021](#)
- [Anti-Bribery and Corruption Policy for Suppliers](#)