

Satisfying the changing needs of our customers

Responsible Business
Update 2016

OUR FOCUS ON BEING A RESPONSIBLE BUSINESS MEANS:

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This approach not only helps us satisfy the changing needs of our customers, but enables us to realise our goals to become a trusted corporate citizen, an employer of choice and a 21st century energy provider.



EXPLORE MORE ABOUT HOW WE ARE BEING A RESPONSIBLE BUSINESS: CENTRICA.COM/RESPONSIBILITY

FOR A WIDER UPDATE ON OUR BUSINESS, READ OUR ANNUAL REPORT 2016: CENTRICA.COM/AR16

centrica

Prioritising safety

We have a responsibility to keep our people and customers safe which is why safety remains our top priority.

Customer safety

In 2016, we introduced improved working practices to reduce risk for customers.

35 customer incidents occurred

▼ **24%**



Employee safety

Regrettably, one of our contractor engineers was involved in a road accident that led to their death. Two significant process safety events also occurred and resulted in no serious injuries, up from one event in 2015. The events related to the uncontrolled release of gas. We have subsequently implemented more robust inspections, maintenance routines and operating procedures.

Total recordable injury frequency rate improved to 0.98 per 200,000 hours worked

▼ **11%**

Lost time injury frequency rate also improved to 0.30 per 200,000 hours worked

▼ **12%**



In 2017, our focus will continue on building safety capability across the business to keep our people and customers safe through leadership training and communication.

Operating ethically

We are committed to conducting our business in an ethical and compliant manner, ensuring we respect the rights and dignity of all people.

In pursuit of the highest operational standards, we have created a new Ethics & Compliance function and an Ethics & Compliance sub-committee of the Centrica Executive Committee, which is chaired by our Group Chief Executive. This will enable us to ensure ethics and compliance are managed in the right way across the business and embedded as a natural part of how we do business.

To support this, we are defining a new company-wide Code of Conduct that will provide a strong moral compass and bind us together in common pursuit of our strategy and purpose. Our Code will be launched in 2017, alongside a new set of supporting values.

We also uphold ethical, social and environmental standards in the products and services we buy.

In 2016, we assessed 73 suppliers on these issues, resulting in an average supplier sustainability risk score of 57 (low risk). This is better than the multi-industry average of 42 (medium risk)¹ and is an improvement on our 2015 score of 54 (low risk). If suppliers receive a medium or high risk rating, we work with them to improve performance.

Modern Slavery Act

As part of the UK's Modern Slavery Act, we have taken action to assess risks relating to forced labour in our business and supply chain. We take the issue very seriously and our commitment will be published in a Modern Slavery Act Statement in 2017.

¹ EcoVadis, 2016. A score near 100 is low risk.

Helping customers save time and money

We want to make our customers' lives easier by improving our service and giving them greater control over their energy, while keeping bills as low as possible.

PROVIDING EXCELLENT CUSTOMER SERVICE

We are focused on delivering an excellent service that makes our customers' lives easier. Over time, this will improve customer satisfaction and make our customers want to stay with us for longer.

Towards this in UK Home, we have:

- Committed £50 million to advance customer service during 2015–17.
- Improved call scripts and increased training days by 24% since 2013.
- Enhanced 'homemove' processes and conducted pro-active re-assessments of direct debit payments.

Despite these improvements, challenges in resourcing were experienced as a result of our business restructuring while collective switching put pressure on operational systems.

After tackling issues associated with the implementation of a new customer service system in UK Business, our bill accuracy, call waiting times and speed of resolution, now surpass prior performance. The £40 million upgrade, which combined more than 100 outdated legacy systems into one, was extremely complex. Following investigations by Ofgem into the impact of the transition to the new IT system on business customers, and into the roll-out of advanced meters for certain categories of business customers, we have agreed to pay £14 million in total in redress distributed across affected micro-business customers, the charity Money Advice Trust, which provides a business debt line service to help customers in need, and to fund energy efficiency advice and related activities through the Carbon Trust.

In North America Home, we provided additional training for call centre agents. We also introduced a new call-routing system which enables calls from customers to reach agents with the right expertise, enhancing the resolution of queries.

Meanwhile, in Ireland, customer service levels improved and complaints decreased.

BEING CLEAR AND COMPETITIVE ON PRICING

Energy bills can be a real worry for hard-pressed households. Despite 83% of the energy bill being made up of costs we cannot fully control, such as wholesale energy costs, distribution charges and social and environmental taxes, we are committed to keeping our prices competitive.

In addition to reducing energy prices (see right), British Gas committed to freeze its standard tariff for the entire winter 2016/17 period through to August 2017. In spite of increases in external costs, British Gas has consistently offered one of the cheapest standard energy deals available over the last year, made possible by significantly reducing our own costs. Our standard tariff continues to be cheaper than 95% of similar contracts in the market.

In 2016, Bord Gáis Energy also cut household gas and electricity costs by 2.5% and 5% respectively, making it the only supplier in the Republic of Ireland to have reduced prices three times since February 2015.

We continue to engage with the UK Government and regulators on securing a more affordable and stable energy future by improving UK energy policy and competition. We are also actively testing the role of Distributed Energy & Power (DE&P) in building smarter energy systems, which have the potential to save the UK £8 billion a year by 2030.⁴

Customer satisfaction

To measure customer satisfaction, we use net promoter scores (NPS).²

In UK & Ireland Home, NPS improved

▲ +4
(2015: -7)

In North America Home, NPS was

+32
(2015: n/a)

In UK & Ireland Business³, NPS increased

▲ -16
(2015: -19)

In North America Business, NPS improved

▲ +31
(2015: +20)

British Gas was one of only two major British suppliers to cut prices three times in two years on its standard tariff, leading to a

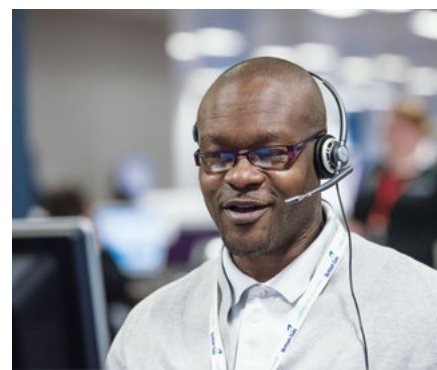
▼ 14%

cumulative reduction in household gas prices alongside energy bill savings for average dual fuel customers of

▼ £175

UK Home profit margin after tax has remained roughly the same over the last five years

~5%



2 Brand NPS has been implemented consistently in the UK, Ireland and North America from 2016. Prior period comparatives are presented where available.
3 Brand NPS for Business energy supply in Ireland is not currently reported. Reflecting this, the stated metric represents UK Business only.
4 National Infrastructure Commission, 2016.

Helping customers save time and money continued

Innovating to satisfy the changing needs of our customers

Our customers' needs are evolving. They want more than just affordable energy and choice. They also want control of their energy use and the ability to use less. Increasingly, they want to reduce their carbon footprint; and to access new on-demand services for their homes and businesses, which meet their changing needs.

We see the home as a focal point of technology-enabled services where a wide range of providers from different sectors are competing to integrate devices, service and data into a customer-oriented ecosystem.

Big data and technology advancements and innovation also have the potential to radically change the way that businesses interact with energy. They can use sophisticated, granular data to understand how to run their machines more efficiently, saving both money and energy.

This is why our focus on technology and innovation is so important. The rapid pace of change and growing digital disruption in the global energy sector are altering the way we work.

Investment in our Connected Home business 2015–20

£500m

Connected Home hubs installed

>527,000

Percentage of customers with smart thermostats who feel more in control over their heating

88%⁵

Smart meters delivered to homes and businesses in the UK

3.9m

Smart meters installed as a proportion of the UK's total number of installations

>70%⁶



Pauline London

"I hoped the smart meter would guide me on whether I was wasting money, which it has. To be honest, I didn't think it'd be as good as it is.

It is so easy to use. You literally press a button, and it comes to the day that you're on. Then you press next, and you'll get what you used the day before. Next for what you've used all week. Press it again and you'll get the monthly total. Everything's there so clear."

BUILDING TECHNICAL CAPABILITY TO ACHIEVE COMPETITIVE ADVANTAGE

We can only achieve competitive advantage by developing and delivering new technology-based products, offerings and solutions to residential and business customers at a competitive cost.

We have set up [Centrica Innovations](#), a new venture to ensure Centrica identifies opportunities and is aligned to new technology that will benefit our customers. We will invest up to £20 million a year over the next five years in start-ups – up to £100 million in total – giving us access to technology and entrepreneurial resources.

We will have people scanning key technology hubs around the world – in Seattle, Houston, London, Cambridge and Tel Aviv – putting us at the forefront of the latest innovations and integrating learnings within the Group.

Centrica Innovations will also support existing in-house ventures, such as Local Heroes, our digital on-demand services proposition. It will act as an incubator for external ventures which are not yet at a maturity level for investment and require different types of support, for example, business expertise, mentoring or product piloting.

Our existing Technology & Engineering (T&E) function, established in January 2016, further strengthens our capability in this area by acting as a catalyst for innovation. It brings together our technical specialists, scientists and engineers from across the business. It maintains operational excellence through risk and quality assurance and protects our Intellectual Property. T&E provides guidance, insight and support to the business units in planning the right strategies to manage potential future technological disruption.

⁵ UK Hive satisfaction survey based on feedback from around 3,600 customers, March – November 2016.

⁶ Department of Business, Energy and Industry Strategy, September 2016.

Helping customers save time and money continued

INVESTING IN INNOVATIVE CUSTOMER OFFERINGS

In the Internet of Things (IoT), everyday objects embedded with electronic sensors and software are connected to the internet. As customers take more control over their energy use, the demand for connected or smart devices will increase and provide opportunities to develop innovative customer solutions.

Digital business platforms

As one of the pioneers in the connected home market, Centrica continues to build a strong IoT proposition and capability.

- Honeycomb is our own IoT platform supporting over 527,000 hubs and over one million devices which communicate over one billion messages every week.
- We are a UK connected home partner for Amazon's Alexa Voice Services, which allows our Hive customers to control their heating, lighting and devices simply by speaking.
- My Energy Live will provide our customers with access to their energy use in real-time on smart phones and tablets via our app. We have started technical trials and customer pilots.

Remote diagnostics

- **Boiler IQ** was the UK's first connected boiler service that uses sensors to identify and diagnose faults remotely.
- We have further strengthened our capability through the acquisition of Flowgem which specialises in the remote detection of water leaks.

Data science and analytics

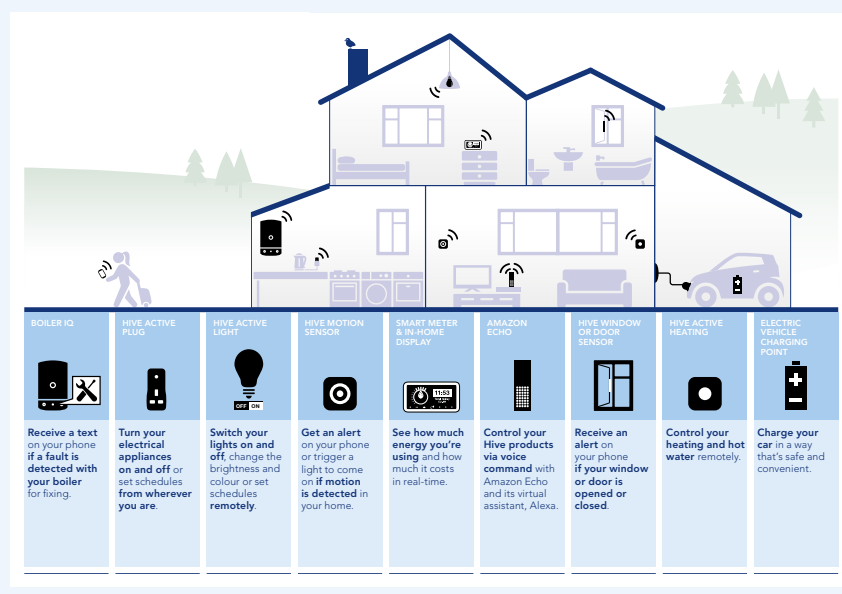
Data science and analytics, together with our internally created algorithms, enable over 3.6 million of our UK and North American customers to reduce energy consumption and control their home devices.

Data analytics identifies energy use by category, such as heating appliances or lighting.

- Using **Hive** data along with thermal modelling and machine learning we can provide our customers with heating failure alerts which give advance notice of boiler faults or possible breakdowns.
- **Io-Tahoe** is an intelligent data management system, created by our own data scientists, to solve the problem of linking our many legacy systems and so unlock valuable data insights. It is perfectly adapted to

EXPLORE OUR CONNECTED HOME

Click on the image below to view full size



the creation and management of data lakes, and enables rapid generation of customer insights and responses to solve day-to-day data challenges for businesses. Io-Tahoe is being launched externally in 2017.

Smart metering

- Time-of-use tariffs create dynamic and flexible time-based energy pricing for our smart customers. HomeEnergy FreeTime is one of the first time-of-use tariffs giving customers one free day of electricity use every weekend.
- We have improved payment channels for our smart prepayment customers. The introduction of interactive voice response, app vending, online top ups and phone payments now provide our smart prepayment customers with additional payment options.
- Our smart customers are able to switch from credit to prepayment methods without a physical meter exchange.

Digital services

As part of our focus on transforming the digital customer experience, we have launched Local Heroes, a technology platform for on-demand home services. Customers are able to book one-off home repairs online and benefit from services delivered by local traders and backed by a British Gas guarantee.

INNOVATING AND DEVELOPING FUTURE ENERGY SYSTEMS

Advanced machine learning algorithms analyse energy consumption data collected by **Panoramic Power's** wireless and self-powered sensors. This insight allows business-to-business customers to improve significantly their energy and operational efficiency.

The acquisition of Neas Energy was a valuable addition to our Energy Marketing & Trading (EM&T) business. Its renewable energy trading and Virtual Power Plant (VPP) platform allows commercial and industrial customers to connect and aggregate their energy loads and resources, and provides grid services in decentralised electricity markets.

In 2016, we signed a funding agreement to develop a pioneering **local energy market** in Cornwall. Once complete, participants will use the latest smart technologies to connect to a virtual marketplace allowing them to sell their flexible energy capacity both to the grid and the wholesale energy market.

Helping those in need

We are making a difference in society by supporting vulnerable people with their energy needs and helping local communities thrive.

HELPING PEOPLE WITH THEIR ENERGY BILLS

While we strive to keep bills as low as possible, we recognise some customers struggle to pay for energy. Identifying customers who need extra support is therefore key. That is why the vast majority of our call centre advisers receive vulnerability training which enables them to provide bill assistance, debt advice and energy efficiency support.

In 2016, we gave bill assistance payments of £140 each to more than 650,000 vulnerable customers as part of the mandatory Warm Home Discount scheme. Meanwhile in North America, nearly 3,700 customers received grants of up to \$600 (£450) through our voluntary Neighbor-to-Neighbor bill assistance programme in Texas.

We fund the British Gas Energy Trust, an independent charity, with mandatory and voluntary contributions. In 2016, the Trust helped nearly 22,600 people get back on their feet with invaluable debt advice and grants.

We are also improving the energy efficiency of homes through the Energy Company Obligation. This has enabled us to save an estimated £68 million on energy bills for vulnerable people since 2013.

Vulnerable customer households helped in the UK

2.1m

Amount spent supporting vulnerable people with their energy needs through mandatory and voluntary initiatives

£196m

£106 million invested in mandatory and voluntary contributions to the British Gas Energy Trust since 2004, helping over

195,000 people

British Gas Energy Trust



Watch our video

When someone passes away, it is not just the loss of life you have to deal with. Find out how Andrew took the first step to clear his household debts so he can better support his family.



Helping those in need continued

MAKING ENERGY MORE ACCESSIBLE

We decided to become a dementia-friendly organisation in 2016. As part of this, we encouraged employees to take part in the Dementia Friends programme, which is the biggest ever initiative to change the perception of dementia and will help improve our support for people living with the condition. By the end of 2016, over 5,000 employees had become Dementia Friends and we are on track to reach 10,000 Friends by May 2017. As a result of the programme, we have reviewed our Power of Attorney process, making it easier for customers and their loved ones to access and manage their energy.

In 2017, we will roll-out a video relay service that will enable British Sign Language users to communicate with us like never before.

CREATING IMPACT IN COMMUNITIES

Through Ignite, the UK's first corporate impact investment fund focused on energy, we are investing in entrepreneurs with innovative energy ideas that make a difference in society. So far, we have committed £8 million to a range of causes from alleviating fuel poverty using free solar electricity, to delivering energy education programmes for young people while at the same time, generating a sustainable biofuel.

During 2016, British Gas continued its partnership with Shelter to raise standards in the private rented sector where over a third of homes fail to meet the UK Government's Decent Homes Standard. Building on successful campaign wins that secured improvements for an estimated four million people through better electrical and carbon monoxide safety as well as protection from retaliatory evictions, we supported Shelter's development of the Living Home Standard. The Standard defines what everybody needs from a home to live comfortably and we hope it will help deliver better homes for Britain by driving up living standards.

Dementia Friends

By 2025, there will be over 1 million people in the UK living with dementia⁷ – some will be our customers, our people and our loved ones. To ensure this growing number of people live well for longer, it is vital that society becomes dementia-friendly.

The Dementia Friends programme is making this a reality. Our people are using their company-supported volunteering days to become Dementia Friends Champions.

The Friends deliver information sessions across our business and in local communities, to increase understanding of the condition and the support we can provide (see left – Making energy more accessible).

Following the success of the programme, Centrica has been asked by the Prime Minister's Dementia Challenge Group, to chair a group tasked with writing best practice guidance for utilities to become dementia-friendly.



Ignite impact investment fund

Through Ignite, we have already committed

£8m

alongside

27,600

hours of employee expertise in start-ups which has helped

41,700

people since 2013

View our video

When you do something that has never been done before, it can be difficult to get the idea off the ground. Hear from our investees and our people, to see how we are helping create energy to change society.

Ignite was cited by the UK Government as a blueprint for how business can generate value in society.



IGNITE WILL BECOME PART OF THE NEW CENTRICA INNOVATIONS UNIT. SEE PAGE 3 FOR MORE INFORMATION

7 Alzheimer's Society, Dementia UK Update, 2014.

Being a responsible employer

Creating a great place to work is essential for attracting and retaining the highly motivated and skilled workforce that can deliver for our customers.

ENGAGING OUR PEOPLE

Having an engaged workforce where our people feel motivated to fulfil their potential and deliver for our customers is essential to our business success. To understand how engaged our people feel, we seek feedback on what we are doing well and where we can improve.

In 2016, employee engagement fell to 4.31 out of 6. This coincided with a significant restructuring of our business and involved around 3,000 redundancies which created uncertainty and impacted morale. We remain committed to creating a great place to work and we will endeavour to improve engagement in 2017.

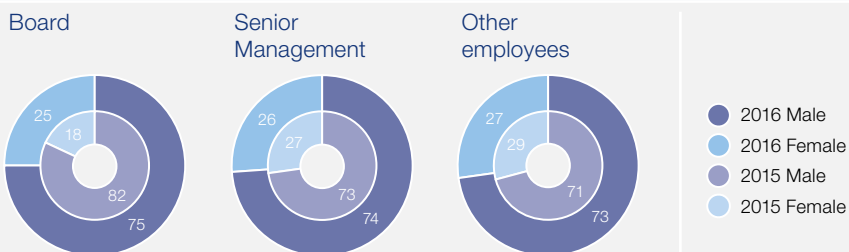
DIVERSIFYING OUR WORKFORCE

Our employment policies and practices reflect a culture where decisions are based on individual ability and potential in relation to the business' needs. We are committed to promoting equal opportunities and diversity as part of creating an inclusive working environment that attracts, develops and retains the best people. Individuals are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, reward, training and development and promotion and career development. By delivering on our commitment to diversity and inclusion we are able to:

- attract a diverse range of talent which we believe is the 'fuel' for the company of the future;
- create an inclusive environment so that everyone can bring their 'whole self' to work, to be themselves, have their voice heard and contribute to innovation and ideas; and
- ensure people receive career opportunities based on merit so that we have the right people in the right jobs.

At senior management level, 26% are female, and 27% of employees excluding the Board and senior management are female. Centrica has a range of initiatives in place including coaching and mentoring of diverse talent and our participation in the 30% Club's cross-company, cross-sector mentoring scheme for mid-career women who will benefit from mentoring at their current stage of career.

Our employee breakdown by gender %



Employees from ethnic minorities

24%⁸

Employees who work part-time

3%

Iain Conn was ranked as one of the Top 30 Ally Executives in the Financial Times' 2016 OUTstanding Leading LGBT+ & Ally Executives and LGBT+ Future Leaders Lists.

Two of our global businesses are taking part in a pilot focused on increasing diversity and gender parity. The leadership teams have set themselves internal goals to achieve these measures by challenging internal and external recruiters to present line managers with a more diverse candidate list at all stages of the recruitment process. In addition they will also be taking part in a reverse mentoring programme which will see the leadership team members being mentored by more junior and diverse talent from across the business.

Our employee networks, which include Women, Carers, Parents and Lesbian, Gay, Bi-Sexual & Transgender (LGBT) continue to grow, giving us that sense of energy that comes from having a broader group of people contributing to ideas and issues across our organisation.

We fully support the Government's intention to introduce measures in the future to require companies to report on the gender pay gap, as we believe that transparent reporting drives positive intervention within organisations.

Board diversity

Centrica recognises the benefits of diversity in all its forms, at Board level and throughout the Group. As at 31 December 2016, 25% of the Board were women, this is an increase compared to 31 December 2015 where females represented 18% of the Board. Centrica supports the updated recommendations of the Davies review and is continuing to increase the skills, experience and knowledge of a diverse pipeline of talent. Just as importantly, we have also sought to promote a diverse blend of skills, backgrounds and nationalities on the Board.

⁸ 58% of employees disclosed data.

Being a responsible employer continued

SECURING A TALENT PIPELINE

We are building new opportunities to attract and retain diverse talent that will support the growth of our business, enabling us to deliver a better service for customers and plug the shortage of skills in our sector.

In 2016, we:

- Invested £35 million in training 8,000 British Gas engineers and over 1,220 apprentices.
- Trained 130 technicians through Direct Energy partnerships with local schools.
- Developed workplace skills for 190 people on our global graduate programmes.

In 2017, we intend to expand our UK apprenticeship intake, with a particular focus on customer service.

We are inspiring future generations to pursue science, technology, engineering and maths (STEM) careers. Through our British Gas Generation Green education programme, over 460,000 young people have learnt to think more innovatively about energy since 2010. Similarly, Direct Energy will launch its own school programme in 2017, using Panoramic Power's wireless sensors that show how energy could be used more sustainably.

We also reward our people with fair remuneration which includes paying at least the Living Wage to employees in the UK.

GENERATING SKILLS THROUGH VOLUNTEERING

We provide our 36,500 employees with up to two days paid leave to volunteer each year, which not only makes a valuable difference in local communities, but provides an exciting opportunity to learn new skills.

In 2017, we will continue to raise awareness about our volunteering programmes and we plan to extend our volunteering portal across the business to boost involvement.

Movement to Work

Through Movement to Work, we are helping young, unemployed people secure workplace skills. Since 2014, we have provided 700 training placements, with 60% of those taking part going on to secure permanent employment or further training. We will provide 300 additional places by the end of 2017.

AIMEE HEARN

Customer Service Adviser, Cardiff

As part of Movement to Work, 23-year old Aimee completed an eight-week placement with British Gas as a Customer Service Apprentice.

Before this, Aimee was unemployed for six months. She went to university to study dental technology, but the course was not the right one for her. She found a job at a local hairdresser's which finished due to lack of work.

She said: "I would visit my local job centre and being turned down for interviews made life hard. I struggled with my self-confidence."

"One day, my adviser suggested the Movement to Work programme. I was really pleased when I got accepted! It was a great mix of customer calls, out with engineers and time in the classroom as well."



Aimee now has a permanent Customer Service Adviser role with British Gas.

She continued: "I feel like a completely different person now. For the first time, I have a wage, and I can do the things I like."

"It's great that British Gas is willing to help young people like me. I would tell anyone to apply for the programme!"

Total volunteering hours

▲ **53,513**

(2015: 52,588)

Reducing carbon emissions

With around 90% of our carbon emissions arising from customer consumption of energy, the greatest role we can play in tackling climate change is to empower our customers to cut their carbon while reducing emissions across our own business.

HELPING HOMES CUT CARBON

We are helping customers reduce their energy consumption and carbon emissions through innovative and energy efficient products that give customers greater control and choice (see pages 3 and 4).

In the UK, we calculate that we have enabled customers to save nearly 27mtCO₂e from products installed since 2008 – equivalent to the average annual emissions of seven million UK homes.⁹

In North America, we focused on reducing carbon emissions through renewable solar generation. While 2016 was a challenging year for the solar market, we completed residential installations that generated 21MWp, up slightly from 18MWp in 2015.

GIVING LARGE-SCALE USERS CONTROL

Our global DE&P business is revolutionising our relationship with businesses and other large-scale energy users, giving them the power to operate and optimise their energy. We do this by bringing together flexible and local renewable generation, storage and energy efficiency measures alongside smart building management systems. This not only lowers carbon emissions and cuts bills, but reduces pressure on the electricity network.

To develop these capabilities further, in 2016 we invested:

- £19 million¹⁰ with partners in a pioneering local energy market trial in Cornwall that will explore the role of distributed energy across more than 150 homes and businesses over three years. We will test how participants interact with the latest technology and develop a virtual market place that provides a platform to buy and sell energy to the grid and wholesale energy market.

Our carbon emissions		
	2016	2015
Total carbon emissions	5,119,709tCO₂e	4,392,965tCO ₂ e ¹²
Scope 1	5,032,493tCO₂e	4,282,138tCO ₂ e ¹²
Scope 2	87,216tCO₂e	110,827tCO ₂ e ¹²
Total carbon intensity by revenue	189tCO₂e/£m	157tCO ₂ e/£m

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

- £149 million to acquire ENER-G Cogen, a supplier of combined heat and power (CHP) solutions that allow customers to reduce costs and carbon emissions by generating heat and power on site.
- £210 million to acquire Neas Energy, providing trading optimisation for customers with decentralised assets, including wind farms and CHP plants.

REDUCING OUR CARBON FOOTPRINT

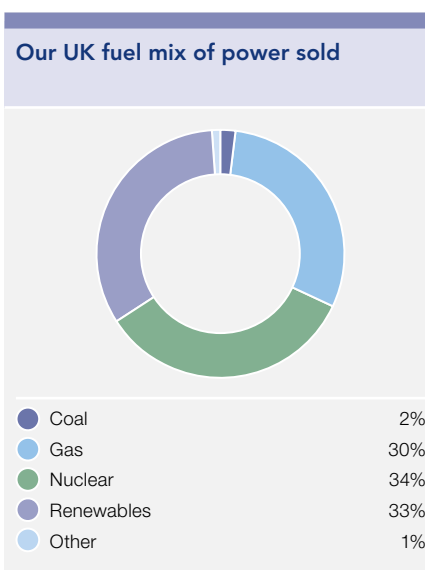
We emit 63% less carbon for every pound of revenue raised compared to 2010, primarily due to a reduction in our gas fired power generation.

In 2015/16, the power we sold to customers had the lowest carbon intensity among major UK electricity suppliers at 137gCO₂/kWh; well below the UK average of 290gCO₂/kWh.¹¹

We are making good progress against our Central Power Generation (CPG) carbon intensity target of 200gCO₂/kWh by 2020. While our CPG carbon intensity increased 17% to 137gCO₂/kWh, the rise was due to power generation volumes recovering following outages in 2015 and was the main factor for the increase in our total carbon emissions.

We also remain on target to secure a 20% reduction in our core internal carbon footprint by 2025, having achieved an 8% reduction compared to 2015.

We are recognised as leaders in addressing climate change by CDP, an international non-governmental organisation (NGO) reporting to investors representing around a third of the world's capital, who gave us an 'A' grade for action and disclosure.¹³



⁹ Ofgem 2015 household annual usage and 2016 Defra greenhouse gas emission conversion factors.

¹⁰ Includes a £13 million grant from the European Regional Development Fund.

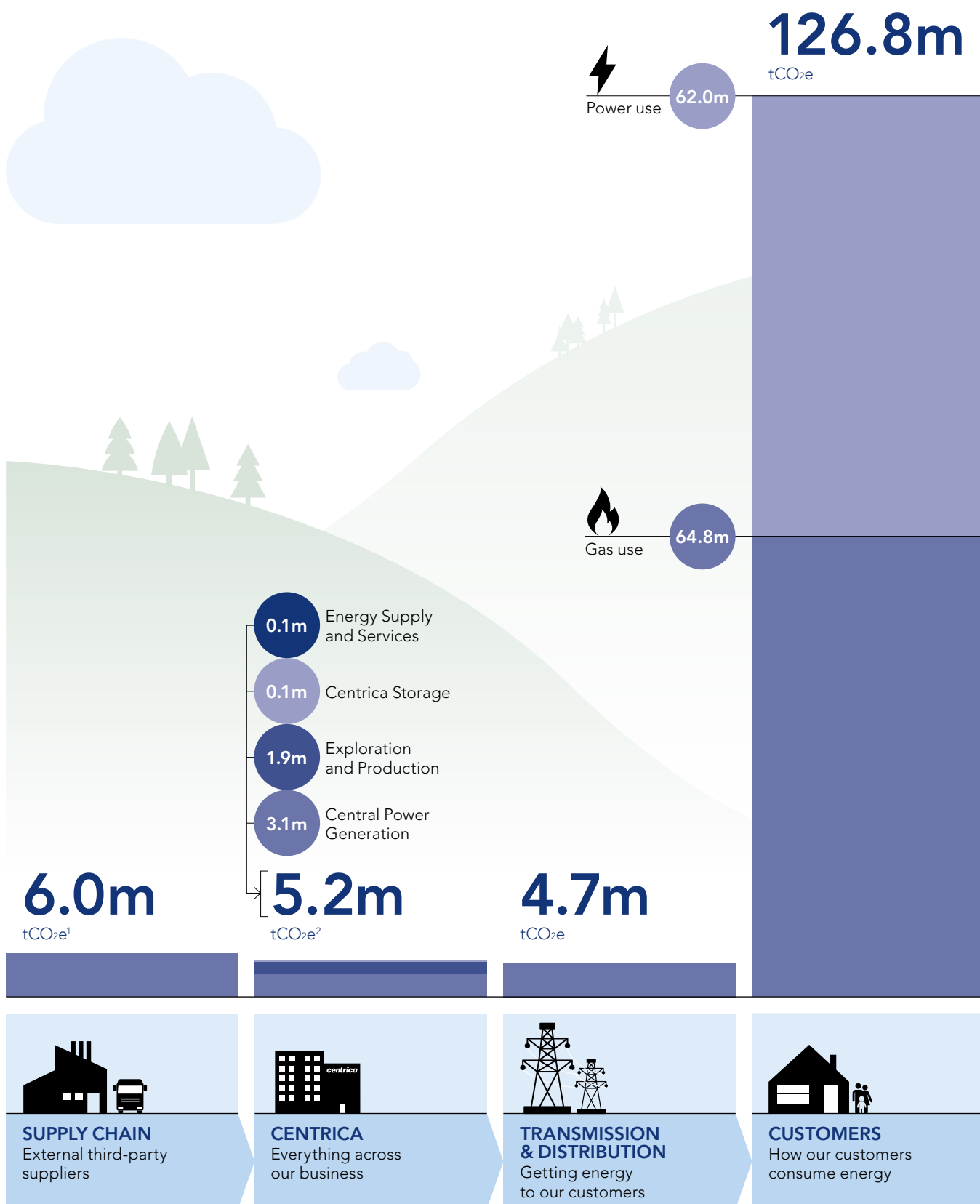
¹¹ Electricityinfo.org, 2015/16.

¹² Restated due to availability of improved data.

¹³ Awarded in 2016, based on 2015 data.

Reducing carbon emissions continued

Explore our carbon emissions



Non-financial key performance indicators

Selected non-financial key performance measures have been assured by Deloitte LLP using the International Standard on Assurance Engagements ISAE 3000 (Revised). View Deloitte's 2016 assurance statement and Basis of Reporting at centrica.com/assurance.

For further performance, explore over 100 metrics in our data centre at centrica.com/datacentre.



Safety					
Metric	Unit	2016 target	2016	2015	What's next
Lost time injury frequency rate	Per 200,000 hours worked	Measure only	0.30 ¹ (high performance zone) ²	0.34 ³ (high performance zone) ²	Continue to learn from safety incidents and evolve leadership behaviours to secure a stronger safety culture, delivering our goal of an incident free workplace
Total recordable injury frequency rate	Per 200,000 hours worked	Measure only	0.98 ¹	1.10 ³	
Significant process safety event	Number	0	2 ¹ (high performance zone) ²	1 ³ (high performance zone) ²	Continue to implement our three-year improvement plan (2016–18), focused on strengthening leadership and capability alongside enhancing asset management and assurance processes
Road safety incident frequency rate ⁴	Per one million kilometres driven ⁵	Measure only	0.76	0.58	Reduce road safety incidents through proactive driver safety programmes
Fatalities	Number	Measure only	1 ⁶	0 ³	Maintain safety as our highest priority

1 Assured by Deloitte LLP for the 2016 Annual Report. See centrica.com/assurance to view Deloitte's assurance statement and Basis of Reporting.

2 Zone rating relates to long-term incentives for Executive Director remuneration.

3 Assured by Deloitte LLP for the 2015 Annual Report. See centrica.com/responsibilitydownloads to view Deloitte's assurance statement and Basis of Reporting.

4 Metric introduced to align with best practice reporting used by the UK Government's Department for Transport. The metric replaces our previously disclosed low severity incident rate and the number of high severity incidents.

5 Where actual distance travelled is not available, distance is calculated using fuel consumption and business expense claims data.

6 A contractor engineer was involved in a road accident that resulted in their death.

Ethics					
Metric	Unit	2016 target	2016	2015	What's next
Average sustainability risk rating of assessed suppliers	Risk score out of 100 ¹	Measure only	57 (low risk)	54 (low risk)	Continue to assess sustainability risks among our strategic and higher risk suppliers

1 A score near 100 is low risk. High risk companies have limited engagements or tangible actions on sustainability, medium risk companies have a structured sustainability approach with policies and action on major issues while low risk companies have strong sustainability credentials embedded across their business.

Non-financial key performance indicators continued

Customers					
Metric	Unit	2016 target	2016	2015	What's next
Home net promoter score (NPS)¹ UK & Ireland North America	Number	Measure only	+4 ² +32 ³	-7 n/a	Continue to deliver new products and services that satisfy the changing needs of our customers while delivering a great customer service
Business NPS¹ UK & Ireland ⁴ North America	Number	Measure only	-16 ² +31 ³	-19 +20	
Vulnerable households helped by British Gas initiatives	Number (million)	Measure only	2.1	1.9 ⁵	Work to ensure customers in vulnerable circumstances receive the help they need to stay warm, safe and debt-free
Smart meter installations (UK Home and UK Business)	Number (cumulative since 2009)	Measure only	3,851,990 ⁶	2,509,398 ^{6,7}	Maintain industry leadership in smart meter installations to ensure delivery of the mandated roll-out by 2020

- 1 Brand NPS has been implemented consistently in the UK, Ireland and North America from 2016. Prior period comparatives are presented where available.
- 2 The UK component of the metric has been assured by Deloitte LLP for the 2016 Annual Report.
- 3 Assured by Deloitte LLP for the 2016 Annual Report.
- 4 Brand NPS for Business energy supply in Ireland is not currently reported. Reflecting this, the stated metric represents UK Business only.
- 5 Assured by Deloitte LLP for the 2015 Annual Report.
- 6 Constitutes around 70% of all smart meters installed in the UK based on Department of Business, Energy and Industry Strategy (formerly known as the Department of Energy & Climate Change) quarterly statistics, September 2015 and 2016.
- 7 Only data representing 2,142,086 smart meter installations has been assured by Deloitte LLP for the 2015 Annual Report due to the historical nature of the data.

Communities					
Metric	Unit	2016 target	2016	2015	What's next
Total community contributions	£ million	Measure only	201.4 ¹	228.1 ²	Make a meaningful difference in the communities where we live and work
Total employee volunteering hours ³	Number of hours	Measure only	53,513	52,588	

- 1 Comprising of £188.2 million in mandatory and £7.4 million in voluntary contributions which largely support vulnerable customers, £5.0 million in charitable donations calculated using the London Benchmarking Group (LBG) methodology alongside £0.8 million in leverage which encompasses employee fundraising.
- 2 Comprising of £214.1 million in mandatory and £8.0 million in voluntary contributions which largely support vulnerable customers, £4.7 million in charitable donations calculated using the LBG methodology alongside £1.4 million in leverage which encompasses employee fundraising. Cumulative value of the breakdown is higher than actual total due to rounding.
- 3 Includes volunteering during and outside business hours when enabled by Centrica.

Non-financial key performance indicators continued

Our people					
Metric	Unit	2016 target	2016	2015	What's next
Employee engagement	Mean score out of 6	Strive towards top quartile performance, measured against an independent high performance benchmark	4.31 ¹ (low performance zone) ²	4.84 ³ (median performance zone) ⁴	Take action to improve engagement and strive towards top quartile performance, measured against an independent high performance benchmark
Diversity – female and male	Percentage	Measure only	29 female 71 male	29 female 71 male	Continue to improve gender balance in our talent pipeline, including leadership roles and wider recruitment
Retention	Percentage	Measure only	81.4	90.6 ³	Improve retention levels following the restructuring of our business through effective management and monitoring
Absence	Days per full time employee	Measure only	11.6	8.1 ³	Focus on driving down absence through good management practices, including proactive intervention and preventative action

1 Assured by Deloitte LLP for the 2016 Annual Report.

2 The survey coincided with a significant restructuring of our business and around 3,000 redundancies which inevitably created uncertainty and impacted morale. Zone rating relates to long-term incentives for Executive Director remuneration. Performance against the metric's independent high performance benchmark was in the lower quartile.

3 Assured by Deloitte LLP for the 2015 Annual Report.

4 Zone rating relates to long-term incentives for Executive Director remuneration. Performance against the metric's independent high performance benchmark was in the upper quartile; below top quartile performance.



Non-financial key performance indicators continued

Carbon emissions					
Metric	Unit	2016 target	2016	2015	What's next
Total carbon emissions ¹	tCO ₂ e	Measure only	5,119,709 ²	4,392,965 ³	Continue to adopt best practice in monitoring and reporting our global carbon, while analysing the impact of our strategy
Scope 1 emissions	tCO ₂ e	Measure only	5,032,493 ²	4,282,138 ³	Remain committed to taking proactive steps to reduce our carbon emissions through innovation, technology and cultural change
Scope 2 emissions	tCO ₂ e	Measure only	87,216 ²	110,827 ³	Maintain the reduction of emissions associated with our use of electricity, particularly as part of our internal carbon footprint target
Total carbon intensity by revenue	tCO ₂ e/£	Measure only	189	157	Continue to analyse developing trends as we deliver on our strategic plans
Internal carbon footprint (core property, fleet and travel)	tCO ₂ e	Reduce our core internal carbon footprint by 20% by end of 2025 (baseline: 2015)	91,399 (8% reduction against new target)	100,096 ³ (27% reduction against outgoing target) ⁴	Remain on track to reduce our core internal carbon footprint by 20% by end of 2025
Carbon intensity of centralised power generation	gCO ₂ /kWh	Reduce our centralised power generation carbon intensity by 55% to 200 by end of 2020 (baseline: 2008)	137 ²	117	Maintain momentum towards achieving a centralised power generation carbon intensity of 200 by end of 2020
Total customer carbon savings from measures installed by British Gas	tCO ₂ e (cumulative since 2008)	Measure only	26,786,285 ²	22,611,078 ⁵	Continue to provide innovative and energy efficient products through mandatory and voluntary initiatives Extend the metric globally and incorporate our newly acquired businesses

1 Comprises of Scope 1 and Scope 2 emissions as defined by the Greenhouse Gas Protocol.

2 Assured by Deloitte LLP for the 2016 Annual Report.

3 Restated due to availability of improved data. Values previously reported were assured by Deloitte LLP for the 2015 Annual Report – Total carbon emissions: 4,393,016tCO₂e, Scope 1 emissions: 4,272,477tCO₂e, Scope 2 emissions: 120,539tCO₂e and Internal carbon footprint: 79,096tCO₂e.

4 Target: 20% reduction by 2015 (baseline: 2007).

5 Restated following improvements in calculation methodology.



Performance highlights

Prioritising safety

▲ **2**

significant process safety events, up from 1 in 2015



▼ **11%**

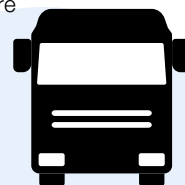
improvement in our total recordable injury frequency rate to 0.98 per 200,000 hours worked



Operating ethically

57 (low risk)

is our average supplier sustainability risk score out of 100; better than the multi-industry average of 42 (medium risk)



Helping customers save time and money

£50m

committed to improve UK Home customer service between 2015–17



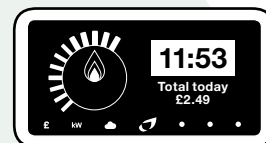
>527,000

Connected Home hubs installed, enabling use of Hive's family of products – from smart thermostats, plugs and lights to window, door and motion sensors



3.9m

smart meters delivered in the UK since 2009 – over 70% of the total number of installations made in the country



Helping those in need

2.1m

vulnerable customer households helped in the UK and nearly 3,700 supported in North America



Being a responsible employer



£35m

spent in training 8,000 British Gas engineers and over 1,220 apprentices

Reducing carbon emissions

27mtCO₂e

is calculated to have been saved from products installed for our UK customers through mandatory and voluntary initiatives since 2008 – equivalent to the average annual emissions of 7m UK homes



£8m

committed to innovative energy entrepreneurs since 2013, helping 41,700 people through Ignite, Centrica's impact investment fund



▼ **4.31**

engagement score out of 6, down from 4.84 in 2015 which was largely due to the significant restructuring of our business



137gCO₂/kWh

is the carbon intensity of all power sold to our UK customers during 2015/16, 53% lower than the UK average



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