

Our response to the Modern Slavery Act

Centrica plc Modern Slavery Act
Statement for the year ending
31 December 2016

This statement, relating to the financial year ending 31 December 2016, is made pursuant to section 54(1) of the Modern Slavery Act 2015 (the 'Act') and outlines the steps we have taken as an organisation to assess our operations and supply chains and mitigate any risk of slavery and human trafficking.

Centrica plc and its subsidiaries ('Centrica' or the 'Group') are committed to conducting business ethically and responsibly and fully support the aims of the Act and associated standards such as the UN Guiding Principles on Business and Human Rights. We are committed to tackling slavery and human trafficking wherever we can.

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Our Organisation

We are an energy and services company. Everything we do is focused on satisfying the changing needs of our customers. To achieve our strategy, in February 2017 we announced the reorganisation of our customer-facing businesses into two global divisions: Centrica Consumer and Centrica Business.

CUSTOMER-FACING BUSINESSES

Our Centrica consumer strategy is designed around five areas: energy supply; services; peace of mind; home energy management; and home automation.

All are intended to support the needs of residential consumers. We provide gas and electricity, install heating and aircon, provide repair and maintenance services, undertake remote diagnostics and enable consumers to control their own appliances via innovative products such as the Hive range.

Our Centrica business strategy is designed around five areas: energy supply; wholesale energy; energy insight; energy optimisation; and energy solutions.

All are intended to support the needs of the business customer. We provide gas and electricity, trade commodities, undertake preventative maintenance, optimise assets and provide flexible multi-technology solutions.

Our customer-facing businesses are supported by the common operating functions of Customer Operations and Field Operations. These functions are where we touch the customer and are fundamental to our success.



Energy Supply & Services



Connected Home



Distributed Energy & Power



Energy Marketing & Trading

ASSET BUSINESSES

Our Exploration & Production business targets gas and oil production, focusing on the UK, Netherlands and Norway. Through our Central Power Generation asset we own five UK gas-fired power stations and hold a 20% interest in eight UK nuclear power stations. Through Centrica Storage, we operate the UK's largest gas storage facility, Rough.



Exploration & Production



Central Power Generation



Centrica Storage

GROUP FUNCTIONS

To ensure our organisational model remains efficient and scalable, all businesses are supported by a number of Group Functions that are responsible for setting boundaries and standards which support the businesses in driving commercial performance, effectively manage risk and ensure a strong system of internal control. The primary Group Functions are IT, Finance, HR, Health & Safety, Procurement, Legal, Regulatory, Ethics & Compliance, Secretariat and Corporate Affairs.

We have a

Zero tolerance

policy for slavery and human trafficking

We work with around

35,000
suppliers

We source goods and services from over

21 countries

Employees worldwide

36,500

Engineers and technicians employed

12,000

Customer relationships worldwide

28m

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Our Approach

Centrica has a zero tolerance approach to slavery and human trafficking, which is underpinned by the following internal and external policies that are available to every individual and entity working for the Group:

Business Principles

Our Business Principles underpin everything we do, demanding ethical behaviour that is compliant with all laws and regulations of the countries in which we operate.

Procurement and Corporate Responsibility Policy for Suppliers

Covering third parties that operate for or on behalf of Centrica and sets out our requirements that suppliers will respect human rights, will not use child labour or forced labour in any form and does not or has not contributed directly or indirectly to human rights abuses.

Group Human Rights Policy

Our Human Rights Policy applies to all individuals working for Centrica and extends to all majority-owned business dealings and transactions in which the organisation and its subsidiaries are involved.

Speak Up Policy

Centrica is committed to dealing with concerns about the company in an open and responsible manner, empowering those that raise concerns and protecting them from retaliation; employees are encouraged to report via our confidential Speak Up helpline and online reporting tool.

TRAINING

People are Centrica's most valuable asset and we recognise that appropriate modern slavery and human trafficking training will increase awareness as well as mitigate risk within the business and supply chains. In addition to the policies outlined above, we are intending to deliver enhanced modern slavery training for delivery during 2017. This will initially be directed at higher-risk personnel though the target audience is expected to broaden as our compliance programme matures.

GOVERNANCE

A Steering Group was formed to develop a modern slavery strategy and ensure Centrica's compliance with the Act. The Steering Group is comprised of representatives from relevant Group Functions and it sets the Group standards for modern slavery compliance by our colleagues across the business and, where relevant, in the Group Functions. The Steering Group is also responsible for providing updates to executive management as well as the Board.

RISK ASSESSMENTS

During 2016 we began a risk assessment initiative focusing on our operations; this review is ongoing. Throughout 2017 we will continue to assess Centrica's activities in order to deepen and enhance our views of what modern slavery risk Centrica is exposed to.

The Steering Group is responsible for the creation and oversight of suitable response and escalation plans for both the supply chain and operations, ensuring that in the event of an identified or suspected modern slavery incident Centrica responds in an appropriate and effective manner with a clear governance structure and longer-term strategy. During 2017 we intend to run a 'business continuity resilience day' where our response to a hypothetical modern slavery incident within the supply chain will be tested, evaluated and modified as necessary.

OUR OPERATIONS

Centrica's operations are considered, by virtue of their nature and jurisdiction, to be lower risk than the supply chain, which has been supported by business-wide risk assessments conducted during the second half of 2016. In the UK our people are subject to various HR processes to ensure a right to work in the UK. Where we use external agencies to provide staff, these agencies are subject to the same procurement due diligence process as any other supplier, and where we seek temporary labour, this is sourced via a managed service partner that is subject to their own obligations under the Act. We will report further on our global practices in next year's statement.



READ MORE ONLINE AT
CENTRICA.COM/ABOUT-US/GOVERNANCE/POLICIES-CODES-STANDARDS

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Our Areas of Focus

We anticipate the following areas may warrant specific focus based on jurisdictional and industry risk:

Technology products and the Internet of Things

We manufacture a number of branded and unbranded products, including Hive Active Heating and home technology, via suppliers located in jurisdictions that are considered to be higher risk according to the Global Slavery Index (GSI) 2016.

Garment manufacturers

Our engineer uniforms are manufactured in jurisdictions that may be considered higher risk based on GSI 2016 data.

Facilities services

Our catering, cleaning and security services across the business are sourced via agencies; however, we predominantly partner with large organisations that are subject to their own modern slavery obligations.

Solar panels

Some parts of our business install solar panels which are manufactured by suppliers in potentially higher risk jurisdictions.

SUPPLIER DUE DILIGENCE

The Centrica supply chain operates across a variety of industries and jurisdictions. Centrica works with over 35,000 suppliers, the majority of activity is centralised and managed by Group Procurement. Given the size and complexity of the supply chain, a three year action plan has been designed to enable the thorough investigation of potential risk areas.

New procurement managed suppliers to Centrica are risk rated using a third party country and sector risk segmentation tool that considers the product or service being offered and any slavery risk. Suppliers that are identified as high risk are subject to in-depth evaluation as to their corporate responsibility standards, including labour and workers' rights. Whilst all our contracts demand compliance with UK legislation, where a supplier is considered potentially higher risk, contracts have been amended to include specific modern slavery provisions.

Throughout 2016 existing suppliers were subject to a preliminary risk assessment process encompassing product and jurisdictional risk. By the end of 2016 the majority of the 35,000 suppliers used by Centrica had been reviewed and allocated risk ratings accordingly; visits by independent site inspection providers to those areas deemed high risk will commence during 2017 and continue throughout 2018. Various factors will be reviewed as part of these audits including labour practices, health and safety practices and compliance with local and international legislative requirements.

In 2017 we also intend to start exploring opportunities to work more collaboratively with our suppliers and industry counterparts in order to facilitate the sharing of compliance best practice and relevant intelligence.

KEY PERFORMANCE INDICATORS

We continually measure the success and performance of our organisation by tracking key performance indicators such as employee engagement and the average corporate responsibility risk ratings of assessed suppliers. A similar set of key performance indicators will be developed and applied in order to measure the effectiveness of our compliance with the Modern Slavery Act. These will arise out of the work we intend to undertake throughout 2017 but anticipated KPIs would include:

- Statistics relating to modern slavery and human rights training;
- Percentage of higher risk suppliers audited; and
- Volume of investigations and remedial actions undertaken in respect of audit findings.

This statement was approved by the Safety, Health, Environment, Security and Ethics Committee of the Board on 8 May 2017.

For and on behalf of Centrica plc

Iain Conn
Group Chief Executive