

Group responsible procurement and supplier management policy

1. Introduction

Every year we spend billions of pounds purchasing goods and services to support the delivery of our business activities; including on gas and electricity, outsourced services, central heating boilers, electrical parts and metering. In the course of this activity, we are responsible for delivering value to our investors and customers, while observing responsible purchasing practices, which align with our Group Business Principles.

2. Purpose

The purpose of this policy is to set out the responsibilities of Centrica's corporate functions and business units to observe and uphold our Group Business Principles throughout our procurement and supplier management activities.

3. Scope

This policy applies to all procurement and supplier management activity involving our suppliers, contractors and joint venture partners (referred to collectively as 'business partners'). It covers business dealings by Centrica plc and its majority owned subsidiaries, including transactions in all countries in which we operate. Where we have a minority interest, we will strongly encourage the adoption of this policy.

4. Policy

Our Group Business Principles set out our commitment to operate responsibly wherever we work in the world and to engage with our stakeholders to manage the social, environmental and ethical impact of our activities in the different markets in which we operate.

Our fourth principle, 'enhancing customer experiences and business partnerships', states that we will disseminate our principles to our business partners and will seek to promote their application throughout our supply chain.

The Policy builds on this principle to explain the conduct we expect of ourselves and our business partners. It confirms our commitment to monitor performance and take appropriate action if we believe our standards are not being observed.

Key policy elements

- **Ensuring integrity in our business transactions**
We will not engage in bribery or any form of unethical inducement or facilitation payments, and will not tolerate any such behaviour from our business partners.
- **Dealing openly and fairly**
We will be open, transparent and fair in our communications and dealings with business partners and other stakeholders affected by our supply chain activities. We will take reasonable steps to ensure that we fulfil the payment terms and other conditions agreed with our business partners.
- **Respecting human rights**
Our support for the UN Global Compact, UN Declaration of Human Rights and the ILO Core Conventions underlines our respect for human rights. We expect our business partners to operate in accordance with these standards.
- **Focusing on health, safety and security**
We expect our business partners to share our commitment to place the health, safety and security of employees and others who could be affected by their activities at the heart of their operations by implementing robust policies and procedures.

- **Tackling climate change and environmental impact**

As a leading integrated energy company we have a responsibility to take a leadership role in tackling climate change and reducing our carbon footprint. We consider the complete environmental impact of our purchasing decisions and seek to reduce this where possible. We expect our business partners to actively manage their own impact and help us, where possible, to meet our environmental goals.

- **Responding to feedback**

We will be responsive to any concerns about our supply chain raised by stakeholders or by our business partners through our procurement and supplier management process.

5. Implementing our policy

- We will assess our supply chain activities to identify and prioritise material risks including intrinsic country risks, inherent product risks, levels of subcontracting and brand association.
- We will take appropriate steps to check that business partners have in place, where relevant, processes to manage the social, environmental and ethical impact of their operations, and mechanisms to demonstrate their effectiveness.
- We will assess the effectiveness of the policies and processes adopted by new and existing business partners in relation to social, ethical and environmental matters.
- If underperformance is identified we will seek to work with business partners that commit to a mutually agreed remediation plan. Such plans will become part of our ongoing relationship with suppliers.
- If an appropriate remediation plan cannot be mutually agreed, we may – as a last resort – terminate a contract with an existing business partner that fails to uphold our business principles.
- We will regularly monitor performance in our supply chains against a clear set of indicators and targets.

6. Responsibilities

Nick Luff, Board Member and Group Finance Director, is responsible for the implementation of this policy. The Managing Director of each business unit will establish appropriate responsibilities and procedures within their operations taking into account the materiality of risks and levels of spend. If any instance of non-compliance with this policy is identified, remedial steps can be initiated as per the policy.

7. Training and communications

We will communicate this policy to existing, new and potential business partners as this is rolled out. We will also work with our partners to communicate our approach, implement this policy and exchange good practice.

We will communicate this policy and relevant guidance to employees across the Group, particularly those responsible for procurement and supplier management activities. Managers, employees and agents will receive relevant advice on how to implement this policy in the scope of their employment with the Group.

8. Raising concerns and seeking guidance

Employees are encouraged to raise concerns about any instance of malpractice at the earliest possible stage through our confidential 'speak up' helpline. Please refer to the Group Speak Up Policy for further information.

9. Reporting and review

Group Procurement will be responsible for monitoring the implementation of this policy. They will review the suitability, adequacy and effectiveness of the policy, report at least annually on the policy to the Corporate Responsibility Committee, and make recommendations for improvements as appropriate. Consideration will be given to disclosing matters relating to this policy and its implementation in the Annual

Report to shareholders, consistent with the approach taken to reporting on internal controls generally. Periodic reviews of Group Procurement's reporting will be carried out by Internal Audit as appropriate as part of the normal internal audit programme.