

Corporate Responsibility – Terms of Reference

Membership and constitution

Membership	At least three members one of whom shall be an independent non-executive Director
Chairman	Appointed by the Board
Secretary	Head of Secretariat (or his/her nominee)
Quorum	Two members, at least one of whom must be an independent non-executive Director
Attendees	Director of Corporate Responsibility Strategy, Director of Corporate Responsibility and Digital Media
Frequency of meetings	Normally four times a year
Reporting procedure	Minutes to be circulated to CRC members, the CEC and the Board.

Purpose

The purpose of the CRC is to assist the Board in discharging its duties to promote the success of the company for the benefit of members as a whole and have regard to the matters, among other things, noted in Section 172 (1) (a-f) of the UK Companies Act 2006.

In particular, the CRC will seek to ensure that Centrica is effectively managing its impact on society, the environment and the wider economy. It will work with management across the Group to be alert to developments in external thinking and knowledge about social, environmental and ethical issues; and consider the emerging implications, opportunities and risks for the business. Risks and opportunities affecting Centrica's business performance are defined in accordance with the Guidelines on Responsible Investment Disclosure (2007) issued by the Association of British Insurers. These may include environmental, social and governance issues related, but not limited, to health, safety and security, environment, customers, employees, communities, suppliers, human rights and business ethics, referred to herein collectively as 'corporate responsibility' or 'CR'.

The CRC is not responsible for the oversight of core health and safety performance and controls across the Group which remains the responsibility of the Centrica Board and Executive. The CRC does have responsibility for challenging health and safety performance where it has the potential to have an impact beyond its direct business operations: for example the impact of the group's operations on the environment and the adequacy of disaster recovery plans in protecting communities and the environment.

Authority

The CRC is authorised by the Board to ensure that the Group approach to CR is aligned with, supports and informs Group Strategy to enable the long term success of the business. The CRC shall:

- endorse the Group's CR strategy, policies, processes and standards and assist in periodic reviews of them;
- oversee the effectiveness of management's implementation of the CR strategy; policies, processes and standards providing challenge where necessary;
- monitor performance against agreed KPIs and targets;
- review the framework for managing CR across the Group and its effectiveness;
- review the effectiveness of Centrica's communications about CR strategy and performance externally and internally.

In fulfilling this authority, the CRC is further authorised by the Board to:

- investigate or commission investigations into any activity within its terms of reference;
- seek any information that it requires from any employee of the Group and all employees are directed to co-operate with any request made by the CRC;
- be informed by the Group's established risk management and internal audit processes and utilise the outputs accordingly;
- secure the attendance at meetings of external individuals with relevant experience and expertise if it considers this necessary;
- seek feedback, insight and challenge from a broad range of external stakeholder groups on specific reputation issues.

Duties

Without limiting the scope of the authority set out above, the duties of the CRC shall be to:

- review and challenge the Group's performance on CR matters in line with the Group CR strategy, policies, processes and standards. Maintain oversight of the Group's strategy and key policies, noting any recommendations on these from the CEC:
 - ensure that the actions and behaviours of the Group comply with the Group Business Principles;
 - ensure that the Group is identifying and managing CR risks and identifying and delivering CR opportunities;
 - monitor Group performance through KPIs and targets, supported by appropriate internal and external audit processes;
 - ensure that the Group maintains dialogue on CR performance with all relevant stakeholder groups;

- receive reports from the Director of Corporate Responsibility and Digital Media of enquiries into activities of the Group that may be of interest or concern to the CRC.
- monitor the integrity and effectiveness of the Group's non-financial statements and any other formal communications relating to CR performance:
 - prepare an annual report on its activities for incorporation in the Group's annual report to shareholders;
 - approve the scope and content of key Group CR communications, with particular focus on the annual report and CR report;
 - ensure CR messages are effectively integrated within ongoing stakeholder communications across the Group;
 - ensure appropriate content assurance and verification; agree the appointment of suitably competent third party verifiers, their scope of work, methodology and fees;
 - consider reports by the external verifiers into the adequacy of the Group's CR management systems and, as appropriate, those of its business divisions.

Reporting

- The CRC shall provide quarterly reports to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.
- The CRC shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.
- The role and responsibilities of the CRC and the actions taken by the CRC to discharge those responsibilities shall be disclosed in the Group's annual report and accounts. The CR section of the annual report and accounts may report on the Group's health and safety standards and controls, but will make clear that this is a responsibility of the full Board and the executive, not the CRC.
- The Chairman of the CRC shall attend the AGM and shall answer questions, through the Chairman of the Board, on the CRC's activities and its responsibilities.
- The Secretary shall circulate the minutes of meetings of the CRC to all members of the CRC, the Board and the CEC.

Membership and training

- The Chairman and members of the CRC will be appointed by the Board.
- The CRC will adopt and maintain a programme of induction, training and development for its members. CRC members will participate in the activities arranged for them to keep abreast of current thinking and leading practices within the scope of the CRC's responsibilities.

**Approved by the Board
December 2011**