CENTRICA PLC ANNUAL REPORT AND ACCOUNTS 2023

ENERGISING A GREENER, FAIRER FUTURE

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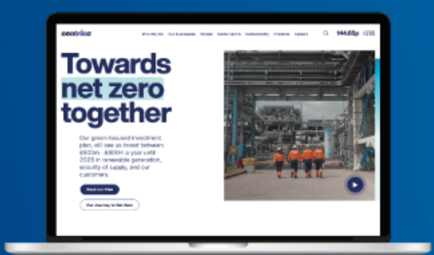

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Unless otherwise stated, all references to the Company shall mean Centrica plc (registered in England and Wales No. 3033654); and references to the Group shall mean Centrica plc and all of its subsidiary undertakings and equity-accounted associate/joint venture undertakings; and references to operating profit or loss, taxation, cash flow, earnings and earnings per share throughout the Strategic Report are adjusted figures, reconciled to their statutory equivalents in the Group Chief Financial Officer's Report on pages 18 to 21. See also notes 2, 4 and 10 to the Financial Statements on pages 134 to 135, 143 to 149 and 160 for further details of these adjusted performance measures. In addition see pages 244 to 248 for an explanation and reconciliation of other adjusted performance measures used within the document. This Annual Report and Accounts does not offer investment advice, and does contain forward-looking statements. The Disclaimer relating to this Annual Report and Accounts is included on page 253.

GROUP HIGHLIGHTS

We reported another strong financial result in 2023, against a backdrop of continued elevated commodity prices and volatility for much of the year. We've also been focused on improving colleague engagement and operational performance, resulting in improved customer outcomes as we look to underpin customer retention, growth and long-term profit sustainability.

GROUP OPERATIONAL METRICS

British Gas Services & Solutions – Services Engineer Net Promoter Score (NPS)(1)

Total recordable injury frequency rate (per 200,000 hours worked)

Colleague engagement(2)

Total greenhouse gas emissions (tCO_2e)(3)

GROUP FINANCIAL METRICS (YEAR ENDED 31 DECEMBER 2023)

£6,512m — 2022: £(240)m
Group statutory operating profit/(loss)

£2,752m — 2022: £3,308m(5)
Group adjusted operating profit

70.6p — 2022: (13.3)p
Group statutory basic EPS

33.4p — 2022: 34.9p(5)
Group adjusted basic EPS

£2,752m — 2022: £1,314m
Group statutory net cash flow from operating activities

£2,207m — 2022: £2,487m
Group free cash flow from continuing operations

£2,744m — 2022: £1,199m
Adjusted net cash

4.0p — 2022: 3.0p
Full year dividend per share

† Included in DNV Business Assurance Services UK Limited (DNV)'s independent limited assurance engagement. See page 249 or centrica.com/assurance for more.
(1) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following a gas engineer visit.
(2) Colleague engagement methodology has changed from percentage favourable to an average score out of 10, measuring how colleagues feel about the Company.
(3) Comprises scope 1 and 2 emissions as defined by the Greenhouse Gas Protocol.
(4) Restated due to availability of improved data.
(5) 2022 comparator as reported. Excluding disposed Spirit Energy Norway assets 2022, adjusted operating profit was £2,823m and adjusted EPS was 34.2p.

CENTRICA AT A GLANCE

We are unique amongst energy companies in the UK and Ireland, operating across the energy value chain through our distinct, but complementary businesses. Our Purpose is to energise a greener, fairer future as we journey towards net zero for our customers and Centrica.

OUR PURPOSE, CULTURE AND VALUES

Our Purpose is – 'energising a greener, fairer future'. Our culture and values remain firmly embedded in who we are and guide everything we do.

READ MORE ON PAGE 9

OUR STRATEGY AND BUSINESS MODEL

RETAIL
Focused on providing leading customer service and experience, helping customers to save money and decarbonise through innovative offerings.

OPTIMISATION
Supporting the responsible buying and selling of energy, managing risk across our business and accessing value from green generation in our trading business while continuing to build out the flexibility required for the future energy system.

INFRASTRUCTURE
Investing to build a low carbon, reliable energy system including power generating renewables, flexible peaking generation and energy storage through batteries and geological storage.

READ MORE ON PAGE 10

WHAT SETS CENTRICA APART AS AN INVESTMENT OPPORTUNITY?

Centrica is a uniquely integrated energy company operating primarily in the UK and Ireland. We aim to deliver long-term value for investors by driving and leading the energy transition through our distinct, but complementary businesses.

21,000
Colleagues worldwide

7,000
Engineers

7,200
Volunteering days

Top 50
Ranked in The Times Top 50 Employers for Gender Equality

13.0GW
Route to market for renewables under our management

OUR BUSINESS UNITS

RETAIL

British Gas

British Gas has been supplying energy to British homes and businesses for over 200 years.

In **British Gas Energy**, we are strengthening our operations to drive innovation, retention and better customer outcomes, to underpin long-term profit sustainability.

Bord Gáis Energy (1)

Energy supply, services and solutions for residential and business customers in the Republic of Ireland.

Bord Gáis Energy is creating value from its integrated model, investing in the future energy system to help underpin energy security and decarbonisation in Ireland.

British Gas

Our team of around 7,000 engineers provide customers with repairs, home improvements, maintenance and heating installations.

British Gas Services & Solutions has significantly improved operations in service and repair, whilst driving growth in on-demand and heating installs.

OPTIMISATION

centrica Energy

A global energy trading company which helps move energy from source to use, and managing energy procurement & risk.

Centrica Energy strengthened its portfolio in 2023, delivering a 3% increase in renewable assets under management to 13.0GW.

INFRASTRUCTURE

centrica Business Solutions (1)

Energy supply and low carbon solutions for businesses, building and operating a portfolio of flexible assets.

Centrica Business Solutions is focused on customer service and delivering improved margins in energy supply while building out its asset portfolio.

SPIRIT ENERGY

Oil and gas production from existing UK assets fuelling homes and business across the UK and Europe.

Spirit Energy was awarded a carbon storage licence for Morecambe Bay, which has the potential to be one of the UK's largest carbon storage hubs.

centrica Nuclear

A 20% interest in the UK's portfolio of existing nuclear power stations.

In **Centrica Nuclear**, we extended the lives of existing nuclear power stations in 2022 and are exploring further investment in Nuclear generation.

centrica energy storage+

The owner and operator of Rough, the UK's largest gas storage facility, helping manage seasonal demand and energy security.

Centrica Energy Storage+ has increased the capacity at Rough to 54bcf and continues to explore its role in the future of hydrogen.

(1) Included within Retail and Infrastructure. Read more on page 10.

OUR PEOPLE & PLANET PLAN

SUPPORTING COMMUNITIES, OUR PLANET AND EACH OTHER

Our People & Planet Plan aims to create a more inclusive and sustainable future – from being a net zero business by 2045 and helping our customers be net zero by 2050, to creating the diverse and inclusive team we need to get there and contributing to the communities we're all part of.

READ MORE ABOUT OUR PEOPLE & PLANET PLAN ON PAGE 41

READ MORE ABOUT OUR APPROACH AND OUR JOURNEY TO NET ZERO AT CENTRICA.COM/PEOPLEANDPLANET

CHAIR'S STATEMENT

Scott Wheway | Chair

Centrica occupies a unique place in the energy market. It is a place I am very proud that we occupy. We are a lynchpin of stability in a market that for the last few years has been in turmoil.

This instability in energy markets has largely been caused by global conflicts, and these conflicts look set to continue. Whilst we cannot control this, we are acutely aware of the impact that price fluctuations have on all our customers.

While other suppliers in the UK have collapsed due to the volatility and uncertainty in the market, we have not only stepped in to support their customers but actually improved our resilience and business model to ensure we can be there for all of our customers, old and new. You can read more about this in the 'Business Model' section on page 10.

It is this resilience that means we can add value across the entire energy value chain. We are integrated in a way that differentiates us from our competitors. This is important in itself; our business model is built on each part of Centrica supporting the others, but it has also been important for ensuring we can support those who are struggling most during the crisis. I am very pleased with what we have achieved in 2023.

OUR PERFORMANCE

When I became Chair of the Board in 2020 the business was in a very different position. Over the last few years, we have been going through a turnaround process and can now say the vast majority of that is complete. We can see the impact of the turnaround in the strong performance of the business.

I believe people have started to appreciate the quality of the Company we have here. We have a resilient balance sheet, good or improving returns across business units, and we have a clear plan for the future. We have shown that the way our business fits together really compounds the overall value of it.

A strong Centrica is vital for the customers who rely on us every day and is good for our shareholders. Our performance has allowed us to resume and grow our dividend, whilst remaining prudent, and we have also returned capital to shareholders through our share repurchases. These actions reflect the Board's confidence in the strength of Centrica and its ability to deliver.

OUR SUPPORT FOR CUSTOMERS

Our performance matters to our shareholders – including those thousands of private retail shareholders of whom many were the original 'Sids' who bought shares during the privatisation of British Gas in the 1980s. It also matters to our customers. It is only because we are in such a strong, resilient position that we can go above and beyond for our customers.

In 2023 we brought our total commitment to helping customers since the start of 2022 to £140 million, we hired 700 more UK-based colleagues to support customers over winter and into the future, and net promoter scores in our Retail businesses have been improving.

The way the price cap is structured means that if customers don't pay their bills, costs are added to the bills of all other customers. We will continue to strive to find the right balance between supporting those in difficulty whilst keeping bills as low as possible for all our customers.

This work shows leadership and it is something we can be proud of. Leadership also means responding responsibly when something goes wrong.

Early in 2023 it was brought to our attention that the supplier we worked with to install prepayment meters under warrant had, in some instances, not been showing our customers empathy and respect. This is a complex area, and the business took swift action to investigate and report publicly on the findings.

Our in-depth investigation highlighted some issues in the installation of prepayment meters. However, whilst these were not systemic, we take the view that even one failure, is one too many. Chris O'Shea and his team showed leadership and humility in investigating the issues and putting them right. Centrica takes pride in the fact that we do more to support customers that are in financial difficulties than anyone else in the markets we serve and we will always strive to do the right thing by our customers.

OUR CONTRIBUTION TO ENERGY SECURITY

Security of supply has climbed in importance over the last two years and is likely to remain important as long as global conflicts continue. Our performance has meant we could take a leading role in this area. I know the team at Centrica are hugely proud of the contribution we've made to energy security in the UK and Ireland.

Over 2023 we've expanded the capacity of the Rough storage field, improving the UK's gas storage levels. However, the capacity of the storage field at Rough is unlikely to be expanded further without the certainty of a regulatory model that would underpin a very significant investment for the future. Our colleagues in Centrica Energy have also played a pivotal role in securing Liquified Natural Gas (LNG) through multi-billion-dollar deals, including a new deal with Delfin Midstream in the US that will enhance energy security for the customers we serve.

OUR FUTURE

Alongside our Interim Results in July 2023, Chris and the Centrica Leadership Team presented our new, Green Focused Investment Strategy. We announced that Centrica intends to invest between £600m and £800m a year over the next five years primarily in security of supply and flexibility, renewable generation, and our customers. We also gave guidance on our expected range of annual operating profit in our Retail and Optimisation businesses and provided clarity on a new financial framework, including our progressive dividend policy.

Centrica's direction was already clear to our investors and our wider stakeholders, but the July update provided a clear overview of the approach Centrica will take in the future. I'm glad the update was received positively by the market.

I am excited to see what Centrica can accomplish in the coming years and I want to take this opportunity to assure our shareholders that your Board will be prudent custodians of your money.

OUR SUPPORT FOR NET ZERO

Our Green Focused Investment Strategy will also mean that Centrica is playing its part to underpin the energy transition.

We are unequivocal in our support for net zero. We believe it is an opportunity for the UK and Ireland and we will continue to feed into live discussions with our valuable experience of energy markets. Gas is likely to continue to be a transition fuel for some time, and your Board is acutely aware that we have a responsibility to ensure that energy is affordable for everyone through the transition.

Last year I said that to meet net zero a combination of technologies will be required, and that these technologies would create opportunities for companies with strong balance sheets, flexible business models and detailed knowledge of markets. This year, it is my belief that we have cemented our position as one of those companies.

We are one of the largest heat pump installers in the UK's emerging heat pump market, we are leading on hydrogen innovation across the UK and Ireland, and our strategy shows the scale of our ambitions in renewables. Our commitment is not merely words, it can be seen in our actions.

OUR COLLEAGUES

None of this would be possible without the fantastic work of our colleagues. It is a great source of pride for me that Centrica continues to grow and that we continue to show leadership in the areas people care about, such as our Carers Leave Policy.

Over the course of 2023 we have seen the engagement of our colleagues increase, no doubt due to the supportive culture that Chris and Centrica's Leadership Team have nurtured in the business. I was also very happy to see the continuation of our Shadow Board initiative. It is absolutely right that a representative group of our colleagues should have the opportunity to share their views on the management decisions that impact them.

Of course, we have also welcomed new employees to the business this year and I welcome all of them, not least the 700 permanent employees that were hired in time to support our customers over the winter. I am also delighted to welcome Russell O'Brien to Centrica on his appointment as Group Chief Financial Officer and Executive Director in March 2023, and Philippe Boisseau who was appointed to the Board as a Non-Executive Director in September 2023.

Towards the end of the year, we were also very pleased to announce the appointments of Jo Harlow and Sue Whalley as Non-Executive Directors. They bring an exciting mix of experience to our Board, and I know their contribution to the Remuneration Committee and Nominations Committee will be highly valued.

Thank you to all colleagues across Centrica for your contribution in 2023.

SUMMARY

This year Centrica has taken significant steps forward on performance, on delivering the things that people care about and on showing where our future lies. We are never satisfied and there is still work to do, but I hope our stakeholders across society can see a company that cares about what it does and makes a significant contribution to the UK's energy system.

I am confident that our capabilities, our resilience, and our determination will deliver great things in 2024, and I look forward to reporting on our progress next year.

Scott Wheway, Chair
14 February 2024

GROUP CHIEF EXECUTIVE'S STATEMENT

Chris O'Shea | Group Chief Executive

I am increasingly coming to the conclusion that the speed with which things seem to change is now simply indicative of the world we live in. The news cycle has shortened, the urgency with which things need to happen has increased, and the pace at which we are moving in our quest to make your Company the best is as fast as I've seen it in my five and a half years at Centrica.

Despite that pace of change, I stand by the statement I made in last year's report. I said:

" My belief is that climate change is the biggest single threat facing civilisation today, and net zero is the biggest single opportunity we have at Centrica. Climate change is real, it's here, and it's impacting lives across the planet. Transforming how we generate, store and use energy can make a huge difference to reducing the warming of our planet. Longer term, if the net zero transition is thoughtful and targeted, it can keep prices stable for customers and drive economic growth, especially for those companies and countries at the forefront of the transition."

As I write at the end of 2023, I am even more convinced that this is the case. Your Company is incredibly well placed to both drive forward, and benefit from, the energy transition. This will require a relentless focus on performance and continuous improvement, and disciplined but bold capital allocation to ensure we have a portfolio of investments across a mix of technologies. We have a lot to play for.

I believe we get more right than we get wrong, but the real test of character is how you respond when things go wrong. It's my view that we need to put things right when this happens, and we need to learn from our experience.

Sadly, we saw an example of getting it wrong early in 2023 when a report highlighted some of our contractors were not treating our customers with the respect they deserved when installing prepayment meters under warrant. We immediately apologised, we suspended the installation of prepayment meters under warrant, and we launched an investigation overseen by an independent third party. Whilst our investigation found no wide-ranging problems with our systems and processes, it did highlight some isolated instances that fell short of the high standards of behaviour that we expect when engaging with customers. As a result, we have brought all such activity 'in house' (as opposed to using contractors) and have spent the past year ensuring our policies, procedures and practices are updated and that our colleagues are fully trained in these areas. We also contributed to the development of new industry rules to protect vulnerable customers. At the time of writing, we have not yet restarted the installation of prepayment meters under warrant. However, we may choose to do so in the future, as, done properly, they are an effective tool both in helping customers manage their costs and in helping energy companies manage bad debts, which is even more important as people struggle with the cost of living. This is important because under the price cap, those who pay for their energy ultimately end up paying for those who choose not to pay, and we don't think that's right.

However, we are not sitting on our hands waiting for others to solve the problem of people who can't pay for their energy. We have taken decisive steps to support consumers who are facing hardship and we've done more than any other UK energy company. Since 2022, we have committed £140 million to support customers struggling with their energy bills in the UK and Ireland, which is on top of around £400 million of contributions we are required to make each year. It is a huge amount of money but our customers are at the heart of everything we do, and we must support them when they're in need. Unfortunately it cannot address all of the issues our customers face today because these are not limited to energy costs – people are struggling to pay their mortgage or rent, their council tax, their food costs, and so much more. This is a societal issue which requires a societal response.

We have been vocal in our calls for regulatory reform, both in terms of how energy companies are made more robust to avoid failures in the future, and in terms of how we can have a system which is fairer for consumers.

For consumers, we believe that the standing charge for gas and electricity where people pay a fixed fee to cover things like network costs (roughly £300 each year) should be eliminated. Those costs should be recovered through the unit rate for gas and electricity so that those who consume less pay less and those who consume more pay more. We also believe a social tariff should be introduced where those who are the most vulnerable pay less for energy. We believe that this, along with all policy costs, should be funded from general taxation but that is not something which has universal support.

For energy companies, we believe that they should be made to hold sufficient capital to ensure that if more companies go bust, their shareholders pick up the costs rather than the unacceptable situation in recent years where the costs were picked up by consumers. We have seen some progress on this, with Ofgem requiring energy companies to hold £115 of capital for each customer by March 2025. This is welcome but it is our view that this does not go far enough, nor fast enough. We believe that all companies should be required to hold in the region of three times this amount and that they should not be able to take on additional customers until they can demonstrate they are financially sound. As of now, a number of energy companies effectively have a free bet, using customer deposits to fund their businesses. If their bet comes good, their owners get all of the rewards; and if it doesn't, consumers bear all of the cost. This cannot be right, and we urge Ofgem to be more focused on establishing a fairer market for consumers and to ensure energy companies who are not yet financially resilient enough are forced to meet proper capital adequacy requirements.

2023 PROGRESS AND PERFORMANCE

We can support customers and credibly make the case for market reform only because we are a very resilient company. That resilience comes from our uniquely integrated business model and strong balance sheet.

We have a well-balanced portfolio with market-leading positions across the entire energy value chain. In our Retail business we are the largest supplier of energy to residential customers in the UK through British Gas Energy and the second largest in Ireland through Bord Gáis Energy, and we have a strong and growing B2B energy supply position. Our Infrastructure business brings electricity and gas to the market every single day. Then at the heart of these energy flows sits the Optimisation business, the glue that binds our group together.

As I look at our portfolio, I see a number of high performing businesses. But the real value-add that makes us unique at Centrica comes at the portfolio level as we integrate our businesses with each other. I believe this model means we are well-positioned to adapt to any future changes in the energy landscape.

You can see just how this integration works in practice in our performance and achievements over the last year. At a Group level, our performance in 2023 was very strong. Our Group adjusted operating profit was £2.8bn compared to £3.3bn at year end in 2022. Our adjusted basic EPS was 33.4p in 2023 compared to 34.9p in 2022, 4.1p in 2021, and 2.8p in 2020, and our free cash flow was £2.2bn. We ended the year with £2.7bn of net cash – just three years ago we had £2.8bn in net debt. In short, your Company has been transformed. There is still so much more that we can go for, but as Russell points out in his CFO report, there were some large one-off benefits in the 2023 results which we don't expect to repeat in future years.

RETAIL

British Gas Energy performed well in the year and benefitted in 2023 from the recovery of costs incurred in previous years under Ofgem's price cap adjustments. By the end of the year, we had migrated around two thirds of our customers on to our new software platform and we should complete the transfer in the next 12 months or so. This allows us to develop our new energy offering, which will help give our customers insight into the best time to use their energy, putting more power in their hands. Our PeakSave Sundays product already has half a million customers and we are learning every day how our customers vary their energy use depending on costs changing during the day.

Bord Gáis was quite a mixed picture in 2023. We continued to see pressure in the retail market in Ireland and had another year of making losses in that market, all of which were offset by profits made in our infrastructure (the Whitegate power station in Cork) and optimisation activities. We believe that the issues in the Irish retail market are temporary and we hope to see a return to normality in 2024.

It is very pleasing to see the continued recovery in *British Gas Services and Solutions* with the operational foundations of the business as strong as they've been for many years. Our customer service has improved materially and we're seeing the benefits in improved customer satisfaction and higher customer retention rates. This allows us to focus on increasing customer numbers whilst maintaining the improved operational delivery and getting into a positive cycle of growing the business. Our growth opportunities in this business are not only in our traditional contract market but in the 'on demand' market. There are 20 million households in the UK who pay tradespeople to fix things as and when they break down, a market we have not traditionally served. In 2023 we delivered 218,000 'on demand' jobs to 201,000 'on demand' customers (2022: 122,000 jobs to 114,000 customers) and we expect to continue to grow this area in 2024 and for many years to come.

OPTIMISATION

Centrica Energy had another strong performance and continues to ensure we make the most of all our business areas. This year we saw a range of corporate power deals with partners such as Deutsche Bahn and Vodafone, among others, and were delighted to improve energy security with our deal with Delfin Midstream to buy LNG.

INFRASTRUCTURE

We made good progress across our entire infrastructure business in 2023, building and advancing our portfolio of investment opportunities in clean electricity generation and storage whilst focusing on maximising the value of our existing assets. We were very pleased to see *Centrica Business Solutions* deliver a range of projects including Centrica's first major solar asset in the Codford solar farm earlier this year, and committing to a range of other projects for the future including a 65MW battery storage plant in Perthshire.

In *Spirit Energy* we extended the life of our Morecambe Bay gas field in the East Irish Sea into the 2030s and we were awarded a carbon storage licence allowing us to further our plans to invest around £1bn in developing one of the largest carbon storage facilities in the world. In *Centrica Energy Storage+* we doubled the capacity of our Rough storage facility, now providing half of the UK's entire gas storage capacity and we continued to advance our plans to invest up to £2bn to convert this to become the world's largest hydrogen storage facility which we believe is necessary to unlock the UK's decarbonisation.

WE MAKE IT – we produce gas at Spirit Energy, and we generate electricity through our green-focused investments and our nuclear stake.

WE STORE IT – we can store gas through Centrica Energy Storage+, and electricity through our battery projects in Centrica Business Solutions.

WE MOVE IT – Centrica Energy is one of Europe's largest wholesalers of gas and electricity.

WE SELL IT – millions of homes across the UK and Ireland are supplied with gas and electricity through British Gas and Bord Gáis.

WE MEND IT – we install, maintain, and fix, heating systems in millions of homes.

CENTRICA'S CONTRIBUTION TO SOCIETY IN 2023

It is because our business performs so strongly that we can contribute more to society than the jobs and essential services we provide to our 21,000 colleagues and our 10 million customers. Our profits have a purpose. We have continued to encourage colleagues to volunteer in their local communities with over 7,200 days donated to the communities we operate in throughout 2023.

We've also fundraised and donated £4m to charitable causes we all care about in our local communities; we've paid over £1bn in tax across all of the countries we operate in; and as I mentioned earlier, we've committed £140m to supporting customers since the start of the energy crisis.

This year we've signed major new partnerships with Team GB, ParalympicsGB, Scottish Rugby, and the Scottish Football Association, all of which will have significant and lasting impacts on grassroots sport across the UK and demonstrate how net zero can be an opportunity for clubhouses and sports facilities across the country.

WHAT DOES THE FUTURE HOLD FOR YOUR COMPANY?

I am particularly proud of my colleagues because in 2023, not only did we achieve all of the things we set out, but we also gave direction on Centrica's future. In July we outlined our new Green Focused Investment Strategy, which will see Centrica invest up to £4bn over the next five years in security of supply and flexibility, renewable generation, and our customers. We expect to invest across three pillars:

- **Customer solutions.** We will help customers better understand their energy usage and fully grasp their energy spending through innovation in smart metering and other flexibility tools and services that give customers the information to make better decisions about their energy costs.
- **Security of supply and flexibility.** You can already see our experience in batteries and other flexible assets – over the next five years we will accelerate this. You can expect to see more from Centrica on how this investment will support the roll out of more intermittent power generation such as wind and solar by balancing the grid when the wind doesn't blow, and the sun doesn't shine.
- **Green electricity generation.** We will look to increase our investment in clean energy with a focus on the areas we are strong in, looking at wind in Ireland, green hydrogen production and a continuation of our investment in solar, having opened our first solar farm during the year.

In addition to this investment programme, we will continue to progress our plans for hydrogen storage at Rough, carbon storage at Morecambe, and we will continue to evaluate the potential to bring further low carbon energy to our customers through investments in new nuclear generation. We have a rich set of investment opportunities, but we are also disciplined in our deployment of capital, and we will only invest where the returns are acceptable, the risks are manageable, and the balance sheet sustainable.

Notably, our business model and our investment plans are robust regardless of the pace at which net zero is delivered. I would argue that Centrica is well placed to provide stability, remain sustainable, and deliver value across all our stakeholder groups irrespective of changes to the pace of net zero.

WHEN WE MAKE AN INVESTMENT WE LOOK FOR *THREE* RETURNS ON THAT INVESTMENT

1. We deliver a return on the **Infrastructure** asset investment.
2. We deliver a return by trading that asset on markets through our **Optimisation** business.
3. This gives us the necessary capital base to deliver a return from our **Retail** business.

SUPPORTING OUR COLLEAGUES AND ENHANCING OUR CAPABILITIES

We have supported our colleagues on their own professional journeys in 2023 and I am pleased to see that our colleague engagement score improved to almost 7.7 by the end of the year, which is approaching top quartile performance for our sector. We will continue to provide training for growth, space for our employee-led networks to flourish, and opportunities to nurture wellbeing into 2024.

The next phase of our journey is focused on driving growth in all of our businesses. To this end we have refreshed our Purpose. Colleagues across Centrica will work to **energise a greener, fairer future** as we journey towards net zero for our customers and Centrica.

In addition, we're looking at how we can improve our capabilities in a number of areas. In Infrastructure, we have demonstrated that we have a team who knows how to deliver growth over a number of years. There is more to do in both our Retail and Infrastructure businesses and I am delighted that our new Chief Customer Officer will join on 1 May 2024 with a remit to drive relentless improvements in customer experience and help our retail businesses access the growth that we all know is there.

CONCLUSION

2023 has been a strong year for Centrica. We have not got everything right, but where we get things wrong, we put them right. Our business is on an incredibly strong footing, our future is laid out ahead of us and we are firmly on the path to continue the growth we've seen in recent years.

Going into 2024 I want to take this moment to thank all our customers, colleagues and shareholders for their support this year, and I want to take this opportunity to assure you that our progress will continue. We will continue to support our customers, we will continue to improve energy security, and we will continue to provide the sensible, expert-based input into the net zero discussion.

It is always invigorating and a privilege to be your Chief Executive. I look forward to seeing what we can achieve in the year ahead.

Chris O'Shea, Group Chief Executive
14 February 2024

OUR PURPOSE, CULTURE AND VALUES

At Centrica our Purpose is – ‘energising a greener, fairer future’ – because we believe in energy that works for colleagues, customers and communities, today and into the future. It’s why we exist. Our strategy is driven by our Purpose, and we live by our values. While we have evolved our strategy to help meet today’s challenges and prepare us for a net zero future, our values remain firmly embedded in who we are and guide everything we do.

OUR VALUES

CARE	COLLABORATION	COURAGE	AGILITY	DELIVERY
We care deeply about our impact on the planet, our customers and our colleagues. We want to make a difference to society and the safety and wellbeing of our team and customers is paramount	Together we win, we build winning relationships throughout our own organisation and with others to deliver on the scale challenges the industry faces	We step up and take responsibility. We recognise the importance of challenging the industry to make difficult decisions for our future and we stand by our beliefs	We are nimble, curious and innovative; we adapt to our markets rapidly and seek out opportunities to support the system and succeed	We do things right and deliver for all of our stakeholders
We are providing crucial help through the exceptional cost of living crisis by delivering material, targeted support to customers and communities during the energy crisis, including via the British Gas Energy Trust.	We collaborate closely across our businesses to understand how our Group is exposed and responding to the climate challenge. Our ability to draw insights effectively between our businesses through close collaboration is demonstrated by our strong performance in climate disclosures.	We’ve stepped up to support the UK's security of supply, reinstating the Rough field as gas storage. We recognise the long-term needs for the UK and will invest in long-term security and decarbonisation through hydrogen and carbon capture.	Our Optimisation businesses have rapidly responded to volatile energy markets, managing risk across our Group and proactively supporting our customers through access to scale long-term gas supply and LNG deals.	We value delivering great service and customer outcomes. We are rigorous, and do things the right way. We have been recognised by Ofgem as a well-run supplier, been protecting customer credit balances and invested an additional £25m in customer service through the energy crisis.

BUSINESS MODEL

Our strategy is driven by our Purpose of energising a greener, fairer future for colleagues, customers and communities.

In July 2023, we introduced our refreshed strategy, which is focused on creating value through the energy transition. Since 2020, Centrica has been on a journey to simplify and de-risk our business, strengthening our balance sheet and delivering material performance improvements along the way. While we remain focused on continuous improvement, we are also underpinning our future by delivering sustainable earnings from our core businesses, investing for longer-term value and growth, and delivering attractive shareholder returns.

OUR STRATEGIC FRAMEWORK

Centrica is a uniquely integrated energy company comprising a balanced portfolio of market leading businesses that complement, de-risk and add value to one another. Together, we are greater than the sum of our parts.

INFRASTRUCTURE

Investing to build a low carbon, reliable energy system including power generating renewables, flexible peaking generation and energy storage through batteries and geological storage.

Centrica Energy Storage+
(formerly Centrica Storage Limited) Storing and withdrawing gas to manage seasonal demand and energy security

Centrica Business Solutions(1)
Low carbon solutions for businesses, building and operating a portfolio of flexible assets

Bord Gáis(1)
Power generation, asset management and low carbon solutions for businesses, building and operating a portfolio of energy assets focused on decarbonisation

Centrica Nuclear
Minority stake in the UK's portfolio of operating nuclear power stations

Spirit Energy
Oil and gas production in existing UK assets

RETAIL

We remain relentlessly focused on providing a leading customer service and experience helping customers to save money and decarbonise through innovative offerings.

British Gas Energy
Energy supply for residential and small business customers in England, Scotland and Wales

British Gas Services & Solutions
Services & solutions for residential customers in England, Scotland, and Wales

Bord Gáis(1)
Energy supply, services and solutions for business and residential customers in the Republic of Ireland

Centrica Business Solutions(1)
Energy supply for large business customers in England, Scotland and Wales

OPTIMISATION

We are supporting the responsible buying and selling of energy, managing risk across our business and accessing value from green generation in our trading business while continuing to build out the flexibility required for the future energy system.

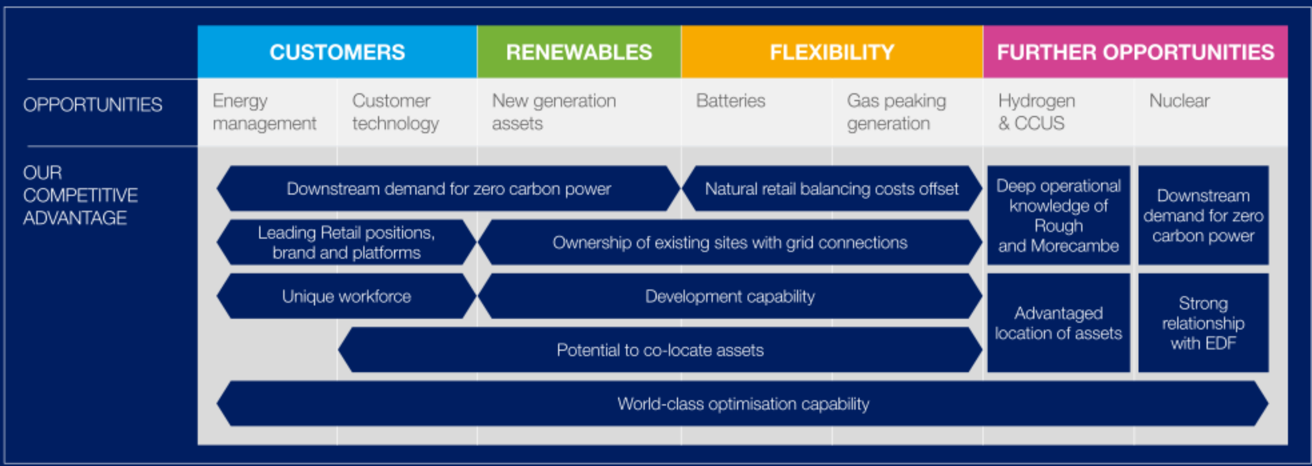
Centrica Energy
(formerly Centrica Energy Marketing & Trading) Trading and optimisation of energy globally, managing energy procurement and risk

(1) Note within the Group Chief Financial Officer's Report, Centrica Business Solutions is included within Optimisation, and Bord Gáis is included within Retail.

GREEN-FOCUSED GROWTH AND INVESTMENT STRATEGY

Our business model is well positioned to benefit from the energy transition, regardless of how fast it materialises. Our balance sheet strength, investment grade credit ratings and strong existing capabilities give us the building blocks to begin a material green-focused investment programme.

Achieving net zero will provide opportunities for us to grow and create value for our shareholders. It's good for the planet and for our Company. In line with the targets published in our Climate Transition Plan in 2021, more than 50% of our capital is expected to go into green taxonomy eligible projects, such as solar and batteries between 2024 and 2028. That's up from less than 5% in 2019.



We see a myriad of attractive investment opportunities across our value chain, which are aligned to our net zero ambitions. We expect to deliver average post-tax unlevered returns of at least 7-10% at the asset level with additional upside expected from being part of Centrica's portfolio. Our investment programme will also allow us to maintain balance in the portfolio as existing infrastructure assets naturally decline, helping underpin future sustainable profits that will enable further investments, future growth and a progressive dividend.

To give a flavour of the kinds of investments we anticipate:

Renewable generation: This could be in our own projects or ones where we invest with partners. We can add value to these projects through using our route-to-market capabilities in Centrica Energy and selling the zero carbon power to our Retail customer base.

Security of supply: We have existing capability and are already invested in battery storage and gas peaking generation, as well as owning a range of sites with valuable grid connections.

We know how to develop energy assets and can also look to co-locate complementary technologies.

Customers: We will invest in capabilities that will reinforce our leading market positions and unique workforce. We launched our own Smart Meter Asset company in 2023 and will consider further opportunities designed to unlock the adoption of 'big ticket' household energy technologies, such as financing or leasing heating systems to households.

Any large-scale investments, such as expanding gas storage capacity and converting to hydrogen storage at Rough or carbon capture utilisation and storage (CCUS) at Morecambe, would be additional to the options outlined above.

Our disciplined approach to capital allocation: In our Interim Results announcement in July 2023, we laid out our disciplined capital allocation framework, which comprises five key elements:

1

Sustainable earnings: We expect to deliver around £800m of operating profit from our Retail and Optimisation businesses by 2026, with material cash generation expected from our Infrastructure businesses over the medium-term.

2

Maintaining a strong balance sheet: We aim to maintain a Net Debt/EBITDA ratio of <1, which provides enough of a buffer to ride out any energy market volatility and provides flexibility to invest in the future and maintain and grow our shareholder distributions.

3

Progressive dividends: We maintain a progressive dividend policy and expect dividend cover from earnings to move to 2x coverage over time.

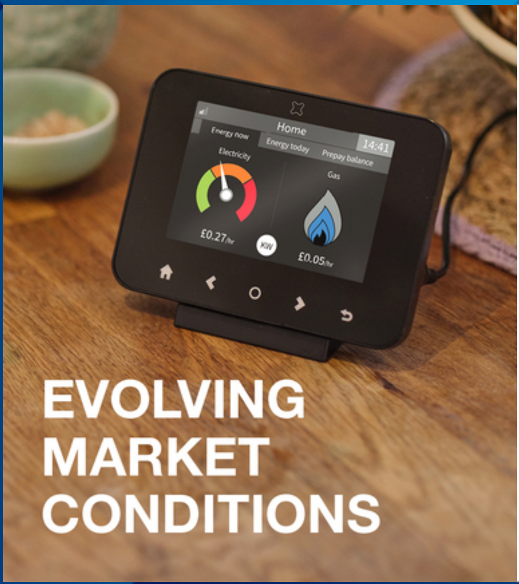
4

Investing for value: We aim to deploy £600-800m per year to 2028, focusing on assets that generate attractive returns, complement our existing capabilities, provide balance to the portfolio, and align to the needs of the energy transition.

5

Returning surplus capital: In July 2023, we increased our share buyback programme to £1bn since November 2022. Any future distributions will be reviewed against our revised capital framework and future outlooks.

MARKET TRENDS

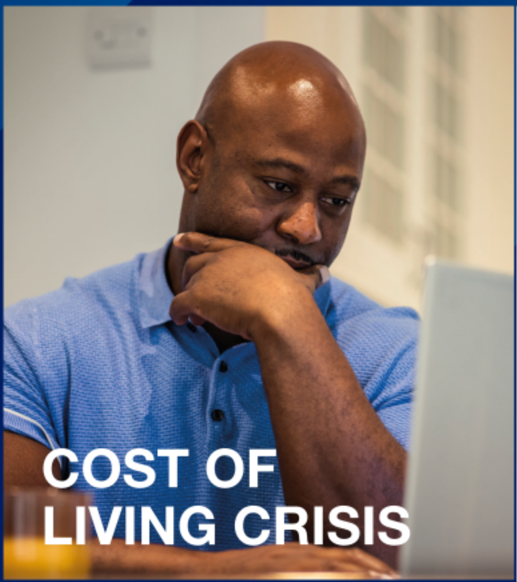


EVOLVING MARKET CONDITIONS

After a tumultuous year in UK energy markets, 2023 saw market volatility return to pre-energy crisis levels, although energy prices remained relatively high. Consumer energy bills were somewhat shielded through the Energy Price Guarantee during the first half of 2023. Macroeconomic conditions, including elevated inflation and interest rates, negatively affected asset returns and capital costs.

HOW WE'RE RESPONDING

- Our vertically integrated model has allowed us to capture value across our business, demonstrating the benefits of having a balanced and diversified portfolio
- The progress we have made in strengthening our balance sheet will allow us to continue to invest in a diversified asset portfolio despite the challenging investment environment
- Our strategy is designed to remain robust under all market conditions, and positions us for growth and value creation



COST OF LIVING CRISIS

Like last year, our customers, colleagues and businesses continue to feel the squeeze on their budgets from rising costs and a challenging macroeconomic environment

HOW WE'RE RESPONDING

- Since 2022, Centrica has committed £140m in energy bill support delivered directly and via key partners like the British Gas Energy Trust and Focus Ireland, to help them through the energy crisis
- We introduced innovative energy propositions including PeakSave Sundays, Hive SmartCharge and the Dimplex Quantum Storage Heater tariff that help customers access cheaper energy rates at particular times of the day
- In addition to our colleague energy allowance and broader benefits package, we launched the Centrica Colleague Support Foundation, an independent charitable trust that provides grant funding to colleagues in extreme financial difficulty

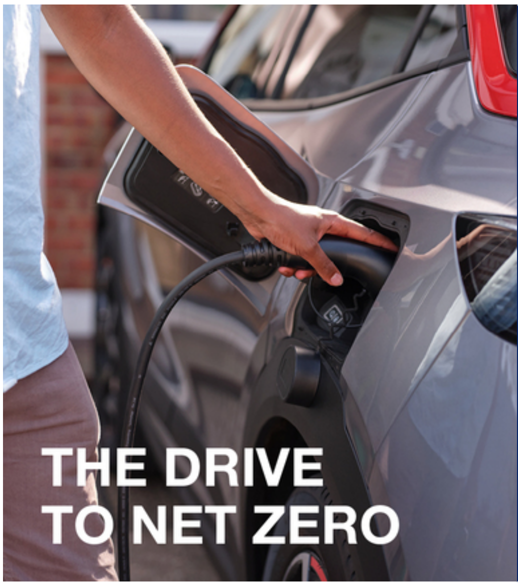
GREEN SHOOTS

High energy prices, increasing climate consciousness and supportive Government incentives continued to drive interest in green technologies for homes and businesses.

HOW WE'RE RESPONDING

- From Hive thermostats to EV chargers to heat pumps, we install, maintain and optimise a range of devices in customer homes that place them on their individual journeys to net zero
- We offer a Home Health Check for residential customers, which helps them better understand the energy fabric of their home and potential pathways to net zero
- Through Bord Gáis, we are working with the Irish Farmers' Association to install solar power systems on Irish farms, helping them to reduce their energy bills and making their operations greener

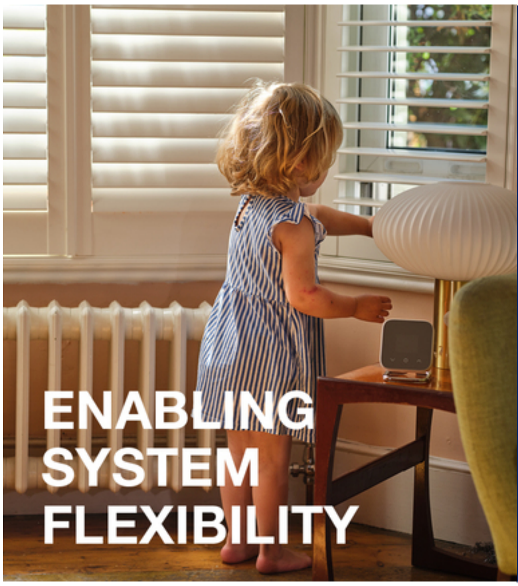
MACRO TRENDS



Climate change and the imperative to decarbonise remain central concerns for our customers and key stakeholders across society. The last several years have brought the impacts of climate change to our doorstep, as we've experienced hotter summers, extended droughts, unprecedented flooding and extreme weather with increasing frequency. As a UK and Ireland energy industry leader and a responsible business, our strategy remains focused on the drive to net zero.

HOW WE'RE RESPONDING

- We committed to an ambitious investment programme that aims for >50% of total capex invested in green taxonomy investments through 2028, thereby underpinning our transition to net zero
- We created a new business intended to be a one-stop green home services shop for residential customers
- We are working with partners to explore decarbonisation opportunities for our existing conventional power generation and molecule storage assets



Unlocking the full benefit of renewables will require more fast-acting generation and storage, flexible energy consumption, and intelligent systems working in the background to seamlessly manage the two. Centrica already plays a key role in this area by optimising energy flows to and from grid-side assets, as well as within the home. Through further investment and continued customer engagement, we will continue unlocking opportunities for flexible energy generation and utilisation to reduce cost and carbon.

HOW WE'RE RESPONDING

- We create additional value for renewable asset operators and investors through our advanced trading and optimisation business
- We help customers to reduce the cost and carbon footprint of their biggest household energy devices, like electric cars and home batteries, through British Gas and Hive's myriad of smart energy propositions
- We are investing in batteries and gas peakers to meet the near-term flexibility needs of the grid, and looking into other forms of energy storage that will meet the needs of the future energy system

Customers rightfully expect a lot from their home energy and services providers, which drives competition in the market and requires us to constantly innovate and improve. With recent advances in artificial intelligence and machine learning, we see an opportunity to further leverage the power of technology and data to create a step change in our service delivery and customer value proposition.

HOW WE'RE RESPONDING

- We appointed a Chief Data Analytics Officer, who will work across the business to identify and execute opportunities that harness the power of data to personalise our propositions and service delivery
- We are closely collaborating with leading technology companies to implement AI tools and systems across our business, helping our colleagues to do more and better for our customers
- We are in the midst of a digital transformation that will fundamentally change the way we work in the digital environment, providing material cost savings to the business and unlocking new capabilities needed for future propositions

OUR STAKEHOLDERS

Engaging our key stakeholders enables us to create stronger outcomes for people, planet and our business.

Energy is at the heart of how we all live, work and move. That's why we regularly engage key stakeholders to understand their interests and how they may be impacted by our actions, so that we can carefully consider their views and evolve our strategy accordingly. In doing so, we can better harness opportunities and reduce risk as we work to fulfil our Purpose of energising a greener, fairer future, whilst maximising the wider positive contribution we make in society. Engagement is often led by senior leaders who regularly update the Board. This arms the Board with the knowledge to make informed decisions that take into account the long-term consequences of its decisions from the perspective of a diverse range of stakeholders.

SECTION 172(1) COMPANIES ACT 2006 STATEMENT

The Directors consider that they've performed their duty as required under Section 172, by promoting the success of the Company for the benefit of our stakeholders through their decision making.

These pages set out our key stakeholders together with an example of how engagement was vital to navigating the energy crisis, which was one of the most significant issues faced by the Company and our stakeholders in 2023. Further detail on how the Board engaged and balanced the needs of different stakeholders during 2023, together with the principal decisions made as a result, are also disclosed.

OUR KEY STAKEHOLDERS

- COLLEAGUES
- GOVERNMENT AND REGULATORS
- CUSTOMERS
- SUPPLIERS
- INVESTORS
- COMMUNITIES AND NGOs

OUR KEY STAKEHOLDERS

COLLEAGUES

Importance – Our 21,000-strong team are the beating heart of our business. Through engagement, we can help create a culture where everyone can be themselves and thrive. In doing so, we can attract, promote and retain the diverse and talented team we need to succeed.

Main focuses – Health, safety and wellbeing, reward, development, inclusion, engagement and communication.

Engagement – Dialogue occurs through a range of channels including our colleague networks, Shadow Board, townhalls and structured engagement with trade unions. We also track sentiment and gather feedback through our engagement survey. We use these interactions to co-create a fairer, safer and more inclusive culture, underpinned by a competitive package of reward, training and policies, as well as our Diversity, Equity and Inclusion Action Plans.

READ MORE ON PAGES 38 to 40, 42 to 45 and 70

CUSTOMERS

Importance – Our long-term success is dependent on being able to attract and retain customers. The Directors therefore recognise the need to act on customer feedback, so that we can deliver on their expectations.

Main focuses – Customer service, energy prices and bill support, alongside affordable energy efficient and low carbon services and solutions.

Engagement – We predominantly engage through focus groups, surveys, proposition and usability testing. To meet feedback, we're investing in our customer service systems and customer-facing team, as well as our ability to deliver services and solutions that help customers save time, money and energy. At the same time, we provide dedicated channels to ensure support for those who need extra help with their energy bills.

READ MORE ON PAGES 6 to 7, 16 to 17 and 43-45

INVESTORS

Importance – Shareholders and debt holders from across the world provide funds that help us run and grow our business.

Main focuses – Financial and operational performance, shareholder returns and dividend, strategy and growth, alongside Environmental, Social and Governance (ESG) matters which includes our approach to net zero.

Engagement – Investors are predominantly engaged via post-financial result investor roadshows, the Annual General Meeting (AGM) and ad-hoc meetings. We additionally respond to information requests and assessments from ESG ratings agencies. Engagement enables us to consider and reflect the views of different investors when updating on our strategy, to ensure a sustainable return on investment.

READ MORE ON PAGES 17, 47 and 70

GOVERNMENTS AND REGULATORS

Importance – Policies set by governments and regulators can have a material impact on how we do business. Consequently, we work closely to help create a stable regulatory environment where policy is developed in the interests of consumers, whilst ensuring a sustainable and investable market.

Main focuses – Market design, customer service, skills, inclusion, net zero, energy security and energy prices.

Engagement – To exchange expertise, we participate in consultation processes, attend meetings and host technology teach-ins and site visits. This enables us to effectively inform policy development and reforms that deliver on key issues, such as ensuring the UK has a secure and affordable supply of energy and that progress is being made on the energy transition.

READ MORE ON PAGES 16, 29 and 47

SUPPLIERS

Importance – Our suppliers are vital to securing a reliable supply of services and solutions for customers. To reduce risk across our supply chain, the Directors fully support collaboration to ensure they uphold the same high standards of business conduct as us.

Main focuses – Payment practices together with social and environmental compliance on important issues like human rights.

Engagement – Suppliers are engaged through multiple methods such as tendering, onboarding surveys, site audits and remote worker surveys. These interactions help us uphold fair payment and enforcement of our Responsible Sourcing Policy, which sets out the standards we expect so that everyone operates in a way that benefits people and planet, including fulfilling obligations under anti-modern slavery laws.

READ MORE ON PAGES 45 and 50

COMMUNITIES AND NGOs

Importance – Local communities expect companies to champion issues that are important to them. By working in partnership with charities, non-governmental organisations (NGOs) and community groups, we create more inclusive and sustainable communities.

Main focuses – Tackling urgent social and environmental issues like fuel poverty and climate change.

Engagement – Through meetings and research, the Directors understand community issues and how the Company can make the greatest difference – from donating to the British Gas Energy Trust to provide expert advice and grants alongside energy efficiency measures that help reduce energy bills and emissions, to volunteering, fundraising and sponsoring local charities, schools, clubs and more.

READ MORE ON PAGES 16, 43 and 45

HELPING PEOPLE WITH THEIR ENERGY BILLS IN THE UK

Although 2023 saw lower wholesale energy prices than in 2022, the cost of energy remained high for consumers. Energy bills therefore remained a key concern for many.

In 2023, global supplies continued to be constricted and government support schemes introduced to help consumers at the start of the crisis, had concluded. We see it as our duty to help customers and communities through difficult times, so we maintained close relationships with stakeholders to explore what more we could do. This enabled the Board to take meaningful action.

We more than doubled our energy support fund to £140 million, making it the biggest voluntary support package provided by an energy company in the UK and Ireland. Of this, we have committed £134 million in the UK since 2022. This results in total donations of around £60 million to the British Gas Energy Trust, to predominantly create a dedicated cash support fund for customers and help communities. To further strengthen support at the heart of communities, £2 million was additionally provided to front-line charities like StepChange. The remaining funding, managed directly by British Gas, is helping residential and business customers with a particular focus on prepayment customers. To ensure support gets to those who need it most, we proactively reached out to customers and ran campaigns encouraging people to come forward. This included targeting older people who we found were reluctant to seek support and volunteering to provide energy advice at over 150 Post Office Pop-Ups at 100 locations.

Having worked so hard to help customers through the crisis, we were deeply saddened about the lack of empathy and respect shown by some contractors employed to install prepayment meters under warrant. We immediately paused installations and whilst our investigation resulted in no systemic issues being identified, we introduced improvements including bringing the installation of prepayment meters in-house. Like other energy suppliers, we will not restart installations until Ofgem have permitted it. The Directors alongside specialists in the Company, have worked constructively with the regulator to ensure customers are protected during this time, and provided related evidence at two Parliamentary Committees.

We also worked with parliamentarians to ensure they were up to date with the wider consumer support available during the energy crisis via information leaflets, meetings and drop-in sessions.

Additionally, we worked together on short and longer-term improvements for a more secure and sustainable energy market. We increased investment in renewable and low carbon energy, worked with US and Norwegian partners to secure gas supplies, and expanded gas storage capacity at our Rough facility whilst progressing our thinking on net zero optionality at the site. Although this will likely see our greenhouse gas emissions rise in the short-term, our action has been vital to future-proof the UK's energy security and reduce costs for consumers. Throughout, we've needed to balance the needs of different stakeholders and the transition to net zero, to ensure we help people today and avoid another energy crisis in the future.

READ MORE ON PAGE 43

SECTION 172(1) STATEMENT PRINCIPAL DECISION BY THE BOARD

PRINCIPAL DECISION BY THE BOARD

A refreshed strategy focused on creating value for all our stakeholders through the energy transition.

BOARD CONSIDERATIONS

With the turnaround of Centrica now materially complete and the balance sheet strengthened, the Board carefully considered the refreshed strategy developed by management and how that would impact our stakeholders.

The Board anchored its consideration of the strategy on the expected macro-economic environment over the next decade, noting the widespread view of market experts that a period of material acceleration in the energy transition is anticipated. In that context, the Board considered the future of retail energy and services, the future of optimisation and trading as well as Centrica's People & Planet Plan targets, including the Climate Transition Plan. This was overlaid against a detailed review of Centrica's long-term financial forecasts and the expected financial framework through to 2028. In particular, the Board noted both how some of Centrica's existing assets were approaching end of life but also how, with investment, many of them could play important roles in supporting energy security and the energy transition.

From that foundation, the Board assessed that the green-focused investment strategy was aligned to those key market trends, and therefore carefully reviewed the strategy from the perspectives of stakeholders.

Customers: the Board considered customer perspectives around the cost of the energy transition and the impact on pricing when the cost of living remains high. The Board noted how investment could benefit the customer experience, and the strategy could support customers in the transition to net zero.

Colleagues: The Board considered employee perspectives around developing the skills needed to deliver our net zero plans. Our colleagues are essential in implementing our strategy, and the Board recognises the importance of investing in their skills and in our organisational culture. The capabilities and passion of our colleagues is central to achieving our strategy.

Investors: The Board considered investor perspectives on Centrica's financial sustainability and how the refreshed strategy seeks to underpin Centrica's financial health and earnings potential. Following the announcement of the strategy, investor feedback was presented to the Board. Investors commented that following the investor presentation, Centrica's strategy was better understood, they had more clarity on Centrica's view of sustainable earnings, and on investment plans and returns.

OUTCOMES

After carefully evaluating the relevant stakeholder perspectives, the Board concluded that the refreshed strategy will successfully deliver for all our stakeholder groups while helping improve the UK's energy security in our core markets and supporting the transition to net zero.

The green-focused growth and investment strategy ensures our customers, colleagues and our communities are at the forefront of the energy transition. It has the potential to bring customers greener energy and at an affordable price, while helping insulate the UK from energy shocks in the future. We are also investing to build a better customer experience, with our strong operational foundations already beginning to drive better levels of customer satisfaction. Additionally, we remain well positioned to help our customers with the changing retail energy trends, rewarding customers for flexing their energy use through PeakSave, helping customers understand and control their energy use through energy insights and optimising customers' energy consumption through Smart Charge.

Our strategy will support Centrica's aim of connecting more closely with customers and provide a number of opportunities for colleagues. In 2023, we hired an additional 700 UK based front line colleagues to support customers, and the skills required for the net zero transition will create opportunities for colleagues far into the future.

Having simplified our portfolio and improved operational performance, our refreshed strategy is aligned to delivering sustainable profitability from our portfolio, and we expect to deliver around £800 million of adjusted operating profit on average each year over the medium term from our Retail and Optimisation activities. Additionally, our Infrastructure assets in Spirit Energy, Nuclear and Centrica Energy Storage+ will continue to play a vital role in the UK's energy security. Recent life extensions in Spirit Energy and Nuclear and a capacity increase to our Rough gas storage facility mean we expect our existing Infrastructure businesses to continue to contribute material medium-term cash flows.

We will also pursue new opportunities to create value from wider market trends, with investment expected to build to £600-£800 million per year until at least 2028. As part of this, we will invest in flexible and renewable power assets, replacing our existing declining infrastructure, as well as investing in an in-house smart meter asset provider business, supporting the roll-out of innovative tariffs and allowing a more direct relationship with customers. Over time, the residential heating technology mix is expected to transition away from gas boilers towards newer technology such as heat pumps. We are uniquely placed to support this transition with the UK's largest energy services workforce. Overall, across 2023 to 2028, at least 50% of our capital expenditure is expected to go into green taxonomy eligible projects, compared to only 5% in 2019. This will help us meet our targets to achieve net zero by 2045, and help our customers reach net zero by 2050.

Longer term, and subject to the appropriate regulatory frameworks being in place, we also retain net-zero aligned optionality for potential hydrogen and carbon capture investments, through our Rough and Spirit Energy assets, and continue to consider potential investment in nuclear new-build projects.

We will do this while maintaining strong liquidity, balance sheet strength and capital discipline, with the appropriate medium-term leverage for the Group assessed as being up to 1x Net Debt to EBITDA. This provides us with enough headroom to manage volatility in the energy system and to continue to invest for the future. In addition, we remain focused on delivering compelling shareholder returns, including for over 440,000 retail shareholders, with a progressive dividend policy, and an expectation that dividend cover will move to around 2x over the coming years supported by the sustainable earnings of the Retail and Optimisation businesses, whilst returning surplus capital to shareholders where appropriate.

READ MORE ON PAGE 68

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Russell O'Brien | Group Chief Financial Officer

Our 2023 financial performance was strong as we start to deliver against our refreshed strategy. The benefits of our balanced portfolio were demonstrated with robust earnings, free cash flow and a very healthy closing balance sheet position.

RELENTLESS FOCUS ON VALUE CREATION

1. Sustainable earnings
2. Maintaining a strong balance sheet
3. Progressive dividends
4. Investing for value
5. Returning surplus capital

READ MORE ON PAGE 11

FINANCIAL OVERVIEW

The Group's adjusted operating profit was £2.8bn (2022: £3.3bn), with lower Infrastructure and Optimisation results partially offset by a higher Retail contribution. Reflecting this, along with both a lower net finance charge and taxation on business performance, Group adjusted earnings attributable to shareholders were £1.9bn (2022: £2.1bn) and Group adjusted EPS was 33.4p (2022: 34.9p).

From a statutory perspective, operating profit was £6.5bn (2022: £0.2bn loss). This includes a large certain re-measurement gain during the year of £4.4bn (2022: £3.4bn loss) predominantly due to unwinds of 2022 out-of-the-money positions and release of the onerous energy supply contract provision. In addition an exceptional loss of £0.6bn (2022: £0.2bn) was recognised driven predominantly by impairments to both our Nuclear investment and Rough gas storage asset reflecting changes in commodity prices and spreads. Statutory profit attributable to shareholders was £3.9bn (2022: £0.8bn loss) and statutory EPS was 70.6p (2022: 13.3p loss).

None of the items reported in the middle column of the Income Statement are considered to reflect the underlying performance of the business.

The Group's total Free Cash Flow (FCF) reduced to £2.2bn (2022: £2.5bn), with the impact of lower operating profit and the timing of tax payments partially offset by a net working capital inflow of £0.2bn (2022: £0.7bn outflow).

From a statutory perspective, net cash flow from operating and investing activities was £2.9bn (2022: £0.7bn). This was higher than the FCF noted above largely because of the exclusions from that measure of movements in variation margin and collateral, which support our commodity hedging activity and Centrica Energy optimisation activity and generated an inflow of £0.6bn (2022: £1.2bn outflow).

The Group's net assets increased to £4.2bn (2022: £1.3bn) with the impact of the increase in statutory profit partially offset by the impact of £1.1bn from items reported in other comprehensive income or directly in equity, including impacts of the share buyback programme, net actuarial losses on defined benefit pension schemes and dividends paid to both shareholders and non-controlling interests.

REVENUE

Total Group statutory revenue increased by 11% to £26.5bn (2022: £23.7bn). Total Group revenue included in business performance, which includes revenue arising on contracts in scope of IFRS9, decreased by 1% to £33.4bn (2022: £33.6bn).

Gross segment revenue, which includes revenue generated from the sale of products and services between segments, decreased by 5% to £35.3bn (2022: £37.2bn). This was driven largely by the impact of lower commodity prices and volatility on revenue in Centrica Energy, partially offset by the impact of commodity prices on retail tariffs in British Gas Energy, Bord Gáis Energy and Centrica Business Solutions.

A table reconciling the different revenue measures is included in note 4(b) of the accounts.

OPERATING PROFIT/(LOSS)

YEAR ENDED 31 DECEMBER (£M)	2023	2022
Retail	**799**	94
British Gas Services & Solutions	47	(9)
British Gas Energy	751	72
Residential energy supply	*726*	*23*
Business energy supply	*25*	*49*
Bord Gáis Energy	1	31
Optimisation	**878**	1,444
Centrica Business Solutions	104	44
Centrica Energy (formerly Energy Marketing & Trading)	774	1,400
Infrastructure (excl. disposed Spirit Energy assets)	**1,083**	1,308
Spirit Energy (retained)	*235*	*245*
Centrica Energy Storage+	*312*	*339*
Nuclear	*536*	*724*
Colleague profit share	**(8)**	(23)
Operating profit from business performance excl. disposed Spirit Energy assets	**2,752**	2,823
Spirit Energy disposed assets	-	485
Operating profit from business performance (Adjusted operating profit)	**2,752**	3,308
Exceptional items and certain re-measurements	3,760	(3,548)
Group operating profit/(loss) (Statutory operating profit)	**6,512**	(240)

Adjusted operating profit decreased by £556m, or by £71m when excluding the impact of the disposal of Spirit Energy's Norwegian assets in 2022, to £2,752m (2022: £3,308m or £2,823m excluding the disposed Spirit Energy assets).

More detail on specific business unit adjusted operating profit performance is provided in the Business Review on pages 23 to 25.

Statutory operating profit was £6,512m (2022: £240m loss), with the difference between the two measures of profit relating to a net gain on exceptional items and certain re-measurements of £3,760m (2022: £3,548m loss).

Certain re-measurements

The Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IFRS 9.

The Group shows the fair value movements on these commodity derivative trades separately as certain re-measurements, as they do not reflect the underlying performance of the business because they are economically related to our infrastructure assets, capacity/off-take contracts or downstream demand, which are typically not fair valued.

The operating profit in the statutory results includes a net pre-tax profit of £4,405m (2022: £3,393m loss) relating to re-measurements. This was largely made up of the components outlined below:

- A net gain of £3,573m on the re-measurement of derivative energy contracts. This predominantly reflects the unwind of 2022 out-of-the-money energy supply contract hedge purchases, while there was also an unwind of our infrastructure businesses and Centrica Energy out-of-the-money positions from December 2022. The net positive impact of these two factors was £3,529m. In addition, we saw a net unrealised mark-to-market gain of £44m from our wider portfolio as we were in a net sell position at certain points in the year as commodity prices fell.
- A net gain of £833m from the onerous energy supply contract provision utilisation and reversal. At the 2022 year-end, an onerous provision was held on the balance sheet relating to our non-domestic customers on longer-term fixed contracts agreed at levels below the forward commodity prices in December 2022. This was because, although the Group is predominantly hedged and so does not expect to make a true economic loss on these contracts, the hedges are generally market trades which are reflected as derivatives and are marked-to-market through the middle column as certain re-measurements. At 2022 year-end, the unrealised hedges were still in-the-money and this led to retaining an onerous contract provision. However, following the fall in commodity prices seen in 2023, the supply hedges were out-of-the-money at the end of the year and as a result, the remaining energy supply onerous provision has been fully unwound.

Further details can be found in note 7(a).

Exceptional items

An exceptional pre-tax charge of £645m was recognised within the statutory Group operating profit (2022: £155m), made up of:

- A £549m impairment of the nuclear investment, as a result of lower forecast commodity prices, partially offset by the positive effect of life extensions at Heysham 1 and Hartlepool.
- An £82m impairment of the Rough gas storage asset as a result of a reduction in both forecast gas prices and forecast summer/winter gas price spreads.
- A £14m impairment in Centrica Business Solutions predominantly related to a battery storage asset and a gas engine, also as a result of the lower forecast commodity prices.

Further details on exceptional items, including on impairment accounting policy, process and sensitivities, can be found in notes 7(b) and 7(c).

GROUP EARNINGS AND DIVIDEND

		2023			2022		
YEAR ENDED 31 DECEMBER (£M)	Notes	**Business performance**	**Exceptional items and certain re-measurements**	**Results for the year**	Business performance	Exceptional items and certain re-measurements	Results for the year
Group operating profit/(loss)	4(c)	**2,752**	**3,760**	**6,512**	3,308	(3,548)	(240)
Net finance cost	8	**(39)**	**—**	**(39)**	(143)	—	(143)
Taxation	9	**(838)**	**(1,595)**	**(2,433)**	(1,046)	793	(253)
Profit/(loss) from operations		**1,875**	**2,165**	**4,040**	2,119	(2,755)	(636)
Less: Profit attributable to non-controlling interests		**(16)**	**(95)**	**(111)**	(69)	(77)	(146)
Adjusted earnings/(loss) attributable to shareholders		**1,859**	**2,070**	**3,929**	2,050	(2,832)	(782)
Adjusted earnings attributable to shareholders excluding disposed Spirit Energy assets		1,859			2,005		

Finance costs

Net finance costs decreased to £39m (2022: £143m), largely due to increased interest income on cash balances reflecting higher UK interest rates, partially offset by increased interest costs on floating debt.

Taxation

Business performance taxation on profit decreased to £838m (2022: £1,046m). After taking account of tax on joint ventures and associates, the adjusted tax charge was £912m (2022: £1,077m).

The resultant adjusted effective tax rate for the Group was 33% (2022: 34%), with the profit mix moving slightly away from highly taxed E&P activities. The adjusted effective tax rate calculation is shown below:

YEAR ENDED 31 DECEMBER (£M)	**2023**	2022
Adjusted operating profit before impacts of taxation	**2,752**	3,308
Add: JV/associate taxation included in adjusted operating profit	**74**	31
Net finance cost	**(39)**	(143)
Adjusted profit before taxation	**2,787**	3,196
Taxation on adjusted operating profit	**(838)**	(1,046)
Share of JV/associate taxation	**(74)**	(31)
Adjusted tax charge	**(912)**	(1,077)
Adjusted effective tax rate	**33%**	34%

A charge totalling £326m related to the Electricity Generator Levy is included in the Group's cost of sales and in our share of the results of joint venture and associates operating profits. The Levy is not an income tax and is not deductible for corporation tax purposes. If this had been treated as a tax, the Group's adjusted effective tax rate would have been 40%.

Re-measurements and exceptional items generated a taxation charge of £1,595m (2022: £793m credit).

See note 1(b), 3(b), 7(a), 7(b) and 9 for more details.

Group earnings

Reflecting the adjusted operating profit, net finance cost and adjusted taxation as described above, profit for the year from business performance after taxation was £1,875m (2022: £2,119m). After adjusting for non-controlling interests relating to Spirit Energy, adjusted earnings were £1,859m (2022: £2,050m, or £2,005m after excluding the disposed Spirit Energy assets).

Adjusted basic EPS was 33.4p (2022: 34.9p, or 34.2p after excluding the disposed Spirit Energy assets), which also includes the impact of a lower weighted average number of shares than in 2022 reflecting the ongoing share repurchase programme.

After including exceptional items and certain re-measurements, including those attributable to non-controlling interests, the statutory profit attributable to shareholders for the period was £3,929m (2022: £782m loss).

The Group reported a statutory basic EPS of 70.6p (2022: 13.3p loss).

Dividend

In addition to the interim dividend of 1.33p per share, the proposed final dividend is 2.67p per share, giving a total full year dividend of 4.0p per share (2022: 3.0p per share).

GROUP CASH FLOW, NET CASH AND BALANCE SHEET

Group cash flow

Free cash flow (FCF) is the Group's primary measure of cash flow as management believe it provides relevant information to show the cash generation of the business after taking account of the need to maintain its capital asset base. FCF is reconciled to statutory net cash flow from operating and investing activities in the table below.

See explanatory note 4(f) for more details.

YEAR ENDED 31 DECEMBER (£M)	2023	2022
Statutory cash flow from operating activities	**2,752**	1,314
Statutory cash flow from investing activities	**115**	(566)
Statutory cash flow from operating and investing activities	**2,867**	748
Add back/(deduct):		
Sale and purchase of securities	**12**	398
Interest received	**(267)**	(46)
Movements in collateral and margin cash	**(585)**	1,173
Defined benefit pension deficit payments	**180**	214
Free cash flow	**2,207**	2,487

FCF was £2,207m (2022: £2,487m), as reconciled to statutory cash flow measures in the table above.

Net cash flow from operating activities increased to £2,752m (2022: £1,314m), with the impact of lower adjusted EBITDA more than offset by collateral and margin cash inflows and positive working capital movements.

Adjusted EBITDA decreased to £3,085m (2022: £3,993m), reflecting the movements in adjusted operating profit as described on page 19. The collateral and margin cash inflow was £585m (2022: £1,173m outflow), as wholesale commodity prices reduced from their elevated levels last year.

The net inflow of working capital was £244m (2022: £656m outflow). This included an inflow of £579m in Centrica Energy, as profit on 2022 derivative positions cash settled in 2023, which was partially offset by an outflow of £505m in British Gas Energy reflecting the settlement of high December 2022 commodity costs in January 2023 and the timing of customer and Government support and regulatory scheme cash flows.

Net cash inflow from investing activities was £115m (2022: £566m outflow). Within this, interest received increased to £267m (2022: £46m) reflecting the higher interest rate environment, while dividends from our Nuclear associate increased to £220m (2022: £60m). Capital expenditure (including small acquisitions) increased to £415m (2022: £377m or £258m excluding Spirit Norway) as we build momentum in our green-focused growth and investment strategy. Of the 2022 investing activities outflow, £400m related to a loan to the pension schemes in October 2022 to help them manage through volatile market conditions.

Net cash outflow from financing activities increased to £1,414m (2022: £917m). This includes a reduced distribution of £17m (2022: £273m) to Spirit Energy's minority partner, with the outflows in both years related to the disposal of Spirit Energy's Norway assets. It also includes materially increased cash distributions to shareholders, with £613m (2022: £43m) relating to the Group's share buyback programme and £186m (2022: £59m) related to ordinary dividend payments.

Group adjusted net cash

The above resulted in a £1,453m increase in cash and cash equivalents over the year. Gross debt reduced by £162m, reflecting the repayment of a bond upon its maturity in October 2023 which was partially offset by new lease arrangements during the year. When also including the impact of foreign exchange adjustments on cash, the Group's adjusted net cash position at the end of December 2023 was £2,744m, compared to £1,199m on 31 December 2022.

Further details on the Group's sources of finance and net debt are included in note 24.

Balance sheet

Net assets increased to £4,233m (2022: £1,280m), predominantly driven by the statutory profit. This was partially offset by the impact of items reported in other comprehensive income or directly in equity, including a £500m reduction from the share buyback programme, £288m net actuarial losses on defined benefit pension schemes and £203m of dividends paid to both shareholders and non-controlling interests.

Pension deficit

The Group's IAS 19 net pension deficit was £117m at the year-end, compared with a £40m surplus at 31 December 2022, with the impact of pension deficit contributions during the year being more than offset by a decrease in high quality corporate bond yields used to discount the pension liabilities, a lower than expected return on scheme assets and an actuarial adjustment due to inflation experience. The technical provisions deficit is based on more conservative assumptions and is used to determine the agreed level of cash contributions into the schemes. In September 2022, we reached agreement with the pension trustees on a March 2021 technical provisions deficit of £944m, with annual deficit contributions remaining unchanged at £175m until 2026. On a roll-forward basis using the same methodology, consequent assumptions and contributions paid, the technical provision deficit would be around £900m at 31 December 2023.

Further details on post-retirement benefits are included in note 22.

Acquisitions, disposals and disposal groups classified as held for sale

During the period deferred consideration of £55m was received in respect of the Spirit Norway disposal in 2022 and £17m was distributed to SWM Bayerische E&P Beteiligungsgesellschaft mbH.

Further details on assets purchased, acquisitions and disposals are included in notes 4(e) and 12.

EVENTS AFTER THE BALANCE SHEET DATE

Details of events after the balance sheet date are described in note 26.

RISKS AND CAPITAL MANAGEMENT

The nature of the Group's principal risks and uncertainties are broadly unchanged from those set out in its 2022 Annual Report, although the Group's top three Principal Risks are now credit and liquidity risk, market risk (including the outage risk of financial loss due to impact of lost asset production) and weather risk. In our assessment, overall credit and liquidity risk has increased due to a notable increase in customer debt driven by cost of living challenges, high levels of fuel poverty and relatively high inflation impacting our customers' ability to pay for their energy supply. Market and weather risks have reduced given lower volatility in commodity markets and a fall in global wholesale energy prices from their 2022 peaks. In addition, political, legal and regulatory risks have heightened due to continued financial pressures facing many consumers and an impending UK general election.

The Group has actively responded to these risks. Further support measures and processes have been developed to help customers repay their debt, a Risk Capital Steering methodology has been developed to bolster our current robust monitoring and to improve our ability to react to changes in our financial risks, while we have successfully refinanced multi-year credit facilities to fortify our liquidity capacity. We also remain engaged with regulators and political parties and will continue to monitor and assess the impact of any changes in government policy in our markets.

Details of how the Group has managed financial risks such as liquidity and credit risk are set out in note S3. Details of the Group's capital management processes are provided under sources of finance in note 24.

ACCOUNTING POLICIES

The Group's accounting policies and specific accounting measures, including changes of accounting presentation and selected key sources of estimation uncertainty, are explained in notes 1, 2 and 3.

Russell O'Brien, Group Chief Financial Officer
14 February 2024

OUR VIEW ON TAXATION

The Group takes its obligations to pay and collect the correct amount of tax very seriously.

Responsibility for tax governance and strategy lies with the Group Chief Financial Officer, overseen by the Board and the Audit and Risk Committee.

OUR APPROACH

Wherever we do business in the world, we take great care to ensure we fully comply with all our obligations to pay or collect taxes and to meet local reporting requirements.

We are committed to providing disclosures and information necessary to assist understanding beyond that required by law and regulation.

We do not tolerate tax evasion or fraud by our employees or other parties associated with Centrica. If we become aware of any such wrongdoing, we take appropriate action.

Our cross-border pricing reflects the underlying commercial reality of our business.

We ensure that income and costs, including costs of financing operations, are appropriately recognised on a fair and sustainable basis across all countries where the Group has a business presence. We understand that this is not an exact science and we engage openly with tax authorities to explain our approach.

In the UK we maintain a transparent and constructive relationship with His Majesty's Revenue & Customs (HMRC). This includes regular, open dialogue on issues of significance to HMRC and Centrica. Our relationship with fiscal authorities in other countries where we do business is conducted on the same principles.

We carefully manage the tax risks and costs inherent in every commercial transaction, in the same way as any other cost.

We do not enter into artificial arrangements in order to avoid taxation nor to defeat the stated purpose of tax legislation.

We seek to actively engage in consultation with governments on tax policy where we believe we are in a position as a Group to provide valuable commercial insight.

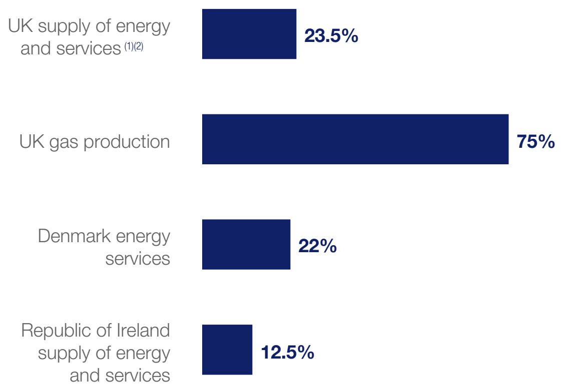
THE GROUP'S TAX CHARGE, TAXES PAID AND THE UK TAX CHARGE

The Group's businesses are subject to corporate income tax rates as set out in the statutory tax rates on profits table.

The overall tax charge is dependent on the mix of profits and the tax rate to which those profits are subject.

STATUTORY TAX RATES ON PROFITS

Group activities



(1) From 1 January 2023, revenues from our Nuclear and solar business (included in energy supply and services) are subject to Electricity Generator Levy (EGL) at 45% on wholesale revenues sold at an average price in excess of £75/MWh, exceeding an annual threshold of £10 million. The EGL is accounted for as an expense and is included in cost of sales.

(2) With effect from 1 April 2023 the statutory rate applicable to UK supply of energy and services increased from 19% to 25%. The average corporation tax rate for the year is 23.5%.

TAX CHARGE COMPARED TO CASH TAX PAID

	2023 Current tax charge/(credit)	2023 Cash tax paid/ (received)
UK (including Petroleum Revenue Tax)	572	687
Denmark	96	121
Singapore	—	25
Republic of Ireland	2	(29)
Rest of world	—	(1)
	670	**803**
Electricity generator levy	285	285
Total tax paid		**1,088**

Corporation tax is paid in instalments, generally based on estimates; one-off items and fluctuations in mark to market positions may cause divergence between the charge for the year and the tax paid.

FURTHER INFORMATION ON THE TAX CHARGE IS SET OUT IN NOTE 9 OF THE ANNUAL REPORT AND ACCOUNTS.

OUR GROUP TAX STRATEGY, A MORE DETAILED EXPLANATION OF THE WAY THE GROUP'S TAX LIABILITY IS CALCULATED AND THE TIMING OF CASH PAYMENTS, IS PROVIDED ON OUR WEBSITE AT CENTRICA.COM/RESPONSIBLETAX

BUSINESS REVIEW

BUSINESS UNIT OPERATIONAL, COMMERCIAL AND FINANCIAL PERFORMANCE

We expect to deliver around £800m of sustainable adjusted operating profit on average each year from Retail and Optimisation by 2026, with additional growth potential. We also expect to deliver material medium-term cash flows from Infrastructure.

Of the £800m per year, we expect UK residential energy supply to make £150m-£250m, British Gas Services & Solutions to continue to recover to £100m-£200m, Centrica Energy to make £250m-£350m, and UK business energy supply and Bord Gáis Energy to deliver combined adjusted operating profit of £100m-£200m.

In any given year the actual results by business are likely to fluctuate, so these ranges should be seen as an average over time. However, one of the key benefits of our balanced portfolio is that our businesses de-risk each other and this reinforces our confidence in the delivery of these overall profit projections.

RETAIL

In Retail, we have ramped up investment in our operations and customer service. This has resulted in improved performance metrics, with lower complaints and improving NPS scores across our businesses. Total Retail adjusted operating profit increased to £799m (2022: £94m), largely due to the material recovery of costs incurred in prior periods through the regulatory price cap mechanism in British Gas Energy.

British Gas Services & Solutions

YEAR ENDED 31 DECEMBER	2023	2022	Change
Services & Solutions customers ('000) (closing)(1)	**2,950**	3,193	(8%)
On-demand jobs ('000)(2)	**218**	122	79%
Boiler installs ('000)	**95**	99	(4%)
Services complaints per customer (%)(3)	**6.0%**	7.0%	(14%)
Services Engineer NPS(4)	**71**	64	7pt
Adjusted operating profit/(loss) (£m)	**47**	(9)	nm

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.

(1) Services & Solutions customers are defined as single households having a contract or an on-demand job with British Gas Services & Solutions.
(2) On-demand jobs are defined as Services & Repair one-off on-demand repairs, home improvements and maintenance.
(3) Total complaints, measured as any expression of dissatisfaction where we identify material distress, inconvenience or financial loss, as a percentage of average customers over the year.
(4) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following a gas engineer visit.

In British Gas Services & Solutions we have significantly improved our operations, as we look to stabilise our core activity of contract service and repair, whilst driving growth in on-demand and heating installs.

Operational metrics continued to improve over the year, including a halving of job reschedule rates, to 3%. This improved operational performance underpinned improved customer satisfaction, which was reflected in lower complaints and higher engineer NPS. Customer numbers were broadly stable in the second half of 2023, having fallen by 6% in the first half, which had reflected a high inflation backdrop and cost of living pressures, and the final roll-off of 'free product' customers from the portfolio. Reflecting this, revenue per customer increased from £286 to £310.

Our improved operational performance and increased engineer capacity means we can now better target the significant opportunity that exists in the on-demand and heating installation markets. Reflecting this, on-demand customers increased to 201,000 and on-demand jobs increased to 218,000, up 75% and 79% on 2022 respectively. We also grew our market share and margins in boiler installations in a declining market, underpinned by more innovative commercial offerings.

Adjusted operating profit was £47m (2022: £9m loss), with improved productivity allowing better margin capture in the core contract service and repair and installation businesses, and lower pension costs. These positive impacts were partially offset by the impacts of lower average customer numbers and ongoing inflationary cost pressures.

British Gas Energy

YEAR ENDED 31 DECEMBER	2023	2022	Change
Residential energy customers ('000) (closing)(1)	**7,529**	7,516	0%
Small business customer sites ('000) (closing)	**552**	480	15%
Energy complaints per customer (%)(2)	**13.3%**	14.4%	(8%)
Energy Touchpoint NPS(3)	**17**	13	4pt
Cost per residential energy customer (excl. bad debt) (£)	**91**	83	10%
Adjusted operating profit (£m)	**751**	72	943%

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.

(1) Residential energy customers are defined as single households buying energy from British Gas.
(2) Total complaints, measured as an expression of dissatisfaction in line with submissions made to Ofgem, as a percentage of average customers over the year.
(3) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas Energy following contact.

In British Gas Energy, we continue to invest in strengthening our operational foundations to drive innovation, retention and better customer outcomes in order to underpin long-term profit sustainability.

The number of residential customers remained broadly flat over the year, as price competition remained low in the market and suppliers competed more on service and brand. The number of small business customers increased by 15% in the year.

In line with our strategy we have invested further in customer service, including the hiring of 700 additional contact centre colleagues. Reflecting this, we saw lower complaints and a higher NPS, and improving these metrics further will remain a focus. The NPS is higher for customers who are on our new platform, and we continue to make good progress on customer migration. A further 2m customers were migrated in the second half of 2023, taking the total to over 5m and we aim for our customers migration to the new platform to be substantially complete by 2025.

Reflecting our investment in customer service and migration, our annualised cost per residential energy customer (excluding bad debt) increased by £8, including a £4 increase from dual running IT costs. When combined, the impact from incremental investment in service and from total dual running IT costs was around £100m in 2023.

Adjusted operating profit increased to £751m (2022: £72m) following a strong first half result which included an industry-wide one-off recovery of around £500m of prior period costs. These were largely related to unexpected standard variable tariff demand and the phasing of commodity costs and associated revenues; a supplier's costs may not perfectly match the revenues received under the price cap in a given period. We also delivered effective risk management and optimisation during the year, while higher commodity costs naturally drove higher unit margins.

These positive impacts were partially offset by a number of other factors predominantly related to a weak economy and the cost of living crisis. The bad debt charge increased to £541m (2022: £297m), including impacts from pausing field debt collection activity, with an increase in both residential (up £158m) and small business (up £86m). We also saw an underlying reduction in consumption per customer, with customer bills remaining elevated compared to historic levels alongside the reduction of wider government support for both residential and small business customers. In addition, 2023 profit was impacted by the increase in cost per customer reflecting our investment in customer service and system migration, and our voluntary commitment of a further £84m to support customers struggling to pay their bills.

Bord Gáis Energy

YEAR ENDED 31 DECEMBER	2023	2022	Change
Customers ('000) (closing)	**503**	526	(4%)
Complaints per customer (%)(1)	**1.7%**	2.2%	(23%)
Journey NPS (2)	**18**	19	(1pt)
Adjusted operating profit (£m)	**1**	31	(97%)

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.
(1) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
(2) Weighted NPS for the main customer interaction channels.

In Bord Gáis Energy we are focused on creating value from our integrated energy model, while investing in the future energy system to help underpin energy security and decarbonisation in Ireland.

Against a backdrop of challenging conditions in the retail energy supply business, customer numbers declined by 4% as the business reduced its focus on customer acquisition. We continued to invest in customer service, resulting in lower complaints per customer compared with 2022 and a 5pt improvement in NPS over the second half of the year, following a reduction in the first half. In line with our commitment to support our customers, we donated an incremental £3m to our energy support fund to help vulnerable customers struggling with bills, doubling the total to £6m over the past two years.

We continued with the construction of our two, hydrogen ready, 100MW flexible natural gas peaking plants in Athlone and Dublin, with our investment expected to total around €300m. We expect these plants to be commissioned by around the middle of 2025.

Adjusted operating profit reduced to £1m (2022: £31m), reflecting pricing pressure in energy supply as we absorbed higher energy costs, particularly in the first half of 2023. This was partially offset by continued strong performance from our Whitegate power station and wholesale optimisation activities. The second half of the year saw the beginnings of more sustainable energy supply performance, with continued easing in commodity prices affording us the opportunity to pass on price reductions to customers.

OPTIMISATION

In Optimisation, we continue to develop and leverage our physical positions and world class capabilities. Total Optimisation adjusted operating profit remained elevated at £878m (2022: £1,444m), although was lower compared to 2022 against a backdrop of lower absolute prices and volatility in commodity markets.

Centrica Energy

YEAR ENDED 31 DECEMBER	2023	2022	Change
Renewable capacity under management (GW)(1)	**13.0**	12.6	3%
Adjusted operating profit (£m)	**774**	1,400	(45%)

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.
(1) Including assets that have signed contracts but are not yet operational.

In Centrica Energy (previously Energy Marketing & Trading), our world class asset-backed trading and logistics business, we are looking to build on our diverse portfolio of physical contracted positions, while continuing to leverage our differentiated risk management and optimisation capabilities to add further value across the Group.

Centrica Energy had another strong year in 2023, against the backdrop of much lower market volatility than experienced in 2022. We continue to build out our portfolio of physical contractual positions, delivering a 3% increase in renewable assets under management in Renewable Energy Trading and Optimisation (RETO) to 13.0GW. Total renewable and flexible assets increased to 16.3GW (2022: 15.8GW).

We also added to our global LNG portfolio. In July 2023 we signed a 15-year Sale and Purchase agreement with Delfin to take 1 million tonnes of LNG, free on board, from their floating facility in the Gulf of Mexico. Volumes are expected to commence towards the end of this decade.

Adjusted operating profit remained elevated at £774m (2022: £1,400m). Lower levels of market volatility impacted our gas and power trading business. However, we saw the benefit of our diverse portfolio, with increased profit in both the LNG and RETO businesses reflecting our ability to capture some longer-term value from the volatile environment seen in 2022. Included within the total operating profit was a £35m loss from the Sole Pit legacy gas contract (2022: £19m profit), with further losses from the contract at current forward prices expected to be around £30m in total until 2025, when the contract ends.

Centrica Business Solutions (CBS)

YEAR ENDED 31 DECEMBER	2023	2022	Change
Energy supply total gas and electricity volume (TWh)	**20.7**	22.3	(7%)
Energy supply complaints per customer (%)(1)	**12.2%**	9.1%	34%
Energy supply Touchpoint NPS(2)	**32**	31	1pt
Services order intake (£m)	**225**	212	6%
Net investment (£m)	**114**	19	500%
Adjusted operating profit (£m)	**104**	44	136%

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December unless otherwise stated.
(1) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
(2) Measured independently, through individual questionnaires and the customer's willingness to recommend.

In Centrica Business Solutions we continue to focus on strengthening our customer service foundations and delivering improved margins and sales performance in energy supply to larger businesses, while building a portfolio of flexible, green-focused assets.

We continued with our planned shift in focus away from supplying energy to the lower margin large-scale Commercial and Industrial sector, and total volumes fell by 7% as a result. However, within this, volumes supplied to medium sized enterprises grew 14% to 11.6TWh (2022: 10.2TWh), with consistent organic growth alongside the customer book acquisition of Avantigas ON Limited in H2 2022.

We continue to focus on delivering high levels of customer service, although complaints per customer increased against a backdrop of customer concern from high energy bills and complexity relating to government support schemes. Despite this, customer service delivery remained strong, with Touchpoint NPS increasing by 1pt year-on-year.

Having announced our green-focused investment strategy in July 2023, we have made incremental early stage progress in developing our asset pipeline. Net investment in CBS was £114m in 2023 (2022: £19m) as we continued with a range of solar, battery and gas-peaking investments, and we now have around 550MW of assets in detailed planning or delivery in the UK and Continental Europe. We also commenced commercial operations on the 18MW Codford solar farm in the first half of 2023 and acquired the operational 13MW Roundponds solar farm in the second half, taking total operational capacity in CBS to 132MW.

Adjusted operating profit increased to £104m (2022: £44m). Energy supply profit increased driven by strong risk management and commodity procurement performance, supported by the increase in volumes supplied to medium-sized enterprise customers. This was partially offset by an increased loss in Services and Assets, reflecting the impact of lower market price volatility on our flexible assets, and restructuring actions taken in our services business to improve profitability in the coming years.

INFRASTRUCTURE

Our Infrastructure businesses consist of our ownership in the Spirit Energy gas production business, the UK's nuclear fleet, and Centrica Energy Storage+, the operator of the UK's largest gas storage facility, Rough. These businesses all saw asset lives extended in 2023 and will continue to play an important role for UK energy security. Total Upstream adjusted operating profit fell to £1,083m (2022: £1,793m or £1,308m excluding disposed Spirit assets).

Upstream

YEAR ENDED 31 DECEMBER	2023	2022	Change
Spirit Energy retained total production volumes (mmboe)	**14.8**	17.5	(15%)
Nuclear power generated (GWh)	**7,456**	8,719	(14%)
Adjusted operating profit (£m)	**1,083**	1,793	(40%)

All 2023 metrics and 2022 comparators are for the 12 months ended 31 December.

Total volumes from the retained Spirit Energy assets were down 15%, with lower production across the portfolio in line with expected natural decline rates. In May 2023, Spirit Energy was awarded a carbon storage licence for the Morecambe Hub, and its potential to be one of the UK's largest carbon storage hubs provides us with long-term net zero optionality.

Centrica Energy Storage+ (CES+) delivered good operational reliability from the Rough asset following its return to gas storage operations in the second half of 2022, and from the Easington gas processing plant which CES+ also owns. An increase in capacity at Rough to 54bcf was announced in June 2023, with third party exemption granted until at least 2030. We continue to develop plans to enable us to increase capacity at the asset, and ultimately convert to a hydrogen storage facility, with any material investment subject to an appropriate regulatory support mechanism.

Centrica's share of Nuclear generation volumes was 14% lower than 2022, reflecting the Hinkley Point B closure in August 2022 and higher scheduled outages. During 2023, the expected closure dates for Heysham 1 and Hartlepool were extended by two years to March 2026, with a plus or minus one year window either side of this date. Additionally, in January 2024, an ambition was announced to further extend the lives of Heysham 1, Hartlepool, Heysham 2 and Torness, subject to inspections and regulatory approvals.

Adjusted operating profit from the retained Spirit Energy business was £235m (2022: £245m), with the impact of lower production volumes largely offset by a higher average achieved gas price, underpinned by our rateable hedging strategy. Centrica Energy Storage+ adjusted operating profit was £312m (2022: £339m), with strong performance in the first half of 2023 driven by high seasonal gas price spreads in winter 2022/23 and further optimisation from market price volatility, followed by a second half which saw lower seasonal spreads for winter 2023/24 and reduced optimisation opportunities due to lower levels of volatility. Nuclear adjusted operating profit was £536m (2022: £724m), with higher achieved prices and lower balancing charges more than offset by the combined impacts of lower generation volumes and a £326m impact of the Electricity Generator Levy, of which £285m is recorded in cost of sales and £41m within the share of profit after tax from associates.

Details of our forward hedging positions for 2024 and 2025 are outlined below:

	2024		2025	
	Volume hedged	**Average hedged price**	Volume hedged	Average hedged price
Spirit Energy	**443mmth**	**174p/th**	197mmth	139p/th
Nuclear	**5.4TWh**	**£153/MWh**	1.7TWh	£110/MWh

KEY PERFORMANCE INDICATORS

Our Key Performance Indicators (KPIs) help the Board and executive management team assess performance against our refreshed strategy laid out in July 2023.

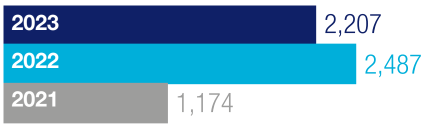
(i) See notes 2, 4 and 10 to the Financial Statements for definition and reconciliation of these measures.

(ii) Net zero goal measures scope 1 (direct) and 2 (indirect) GHG emissions based on operator boundary. Comprises emissions from all operated assets and activities including the shipping of Liquified Natural Gas alongside the retained Spirit Energy assets in the UK and the Netherlands. Non-operated nuclear emissions are excluded. Target is normalised to reflect acquisitions and divestments in line with changes in Group structure against a 2019 base year of 2,132,680mtCO_2e. It's also aligned to the Paris Agreement and based on science to limit global warming, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century. 2022 restated due to availability of improved data.

READ MORE ABOUT OUR STRATEGY REFRESH ON PAGES 10 TO 11

READ MORE ABOUT OUR FINANCIAL PERFORMANCE ON PAGES 18 TO 21

Group free cash flow from continuing operations (£m)(i)



Free cash flow from continuing operations is the Group's primary measure of cash flow. It reflects the cash generation of the business after taking into account the need to continue to invest.

Free cash flow decreased by 11% reflecting the reduction in Group adjusted operating profit and an increase in taxes paid, largely related to 2022 profits. These impacts were partially offset by working capital inflows compared with outflows in 2022, with inflows in Centrica Energy as 2022 profits converted to cash more than offsetting outflows in British Gas Energy, largely related to the impact of falling commodity prices.

Group adjusted operating profit from continuing operations (£m)(i)

Group adjusted operating profit from continuing operations is one of our fundamental financial measures,

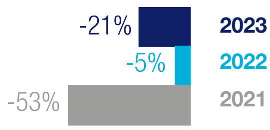
Group adjusted operating profit fell 17% predominantly reflecting decreased profit in Upstream (part of our Infrastructure business), reflecting the sale of the Spirit Energy Norway assets and the introduction of the Electricity Generator Levy and in Centrica Energy reflecting lower energy price volatility. This was partially offset by increased profit in British Gas Energy, including the recovery of costs incurred in prior periods through the default tariff cap.

Group adjusted basic earnings per share from continuing operations (EPS)(i)

EPS is a standard measure of corporate profitability. Adjusted EPS is used to measure the Group's underlying performance against its strategic financial framework.

Group adjusted basic EPS was down 4%, reflecting the decreased operating profit, partially offset by reduced finance costs with higher interest rates resulting in increased interest income on cash held and a lower effective tax rate due to the profit mix moving away from highly taxed gas production activities, as well as a reduction in the number of shares as a result of the share buyback programme.

Total greenhouse gas (GHG) emissions – 40% reduction by 2034 and net zero by 2045 (base year 2019)(ii)



Getting to net zero is vital for our planet, which is why we have a green-focused investment strategy. Towards this, we cut our emissions by 21% from our 2019 base year, building on the 5% reduction achieved the previous year. Further gains were mainly driven by emission reductions from our Whitegate power station as well as our gas production operations. Overall, we've made positive progress against our long-term goal to be a net zero business by 2045 (see page 44).

British Gas Services & Solutions – Services Engineer Net Promoter Score (NPS)[i]

Providing a great service is fundamental to our ability to attract and retain customers. With our focus on productivity and improved operational performance, we were able to provide a better service for customers. This led to our NPS rising by seven points.

Total customers (m)[ii]

Our business exists to serve customers, who drive our growth. Following year-on-year gains, overall customer numbers remained stable with 0% change. This broadly reflects the challenging inflationary backdrop and cost of living pressures.

(i) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following a gas engineer visit. For wider business unit NPS, see pages 23 to 25.

(ii) Includes British Gas Energy, British Gas Services & Solutions and Bord Gáis Energy households, as well as business customer sites in British Gas Energy and Centrica Business Solutions. 2022 restated due to availability of improved data. For business unit customer numbers, see pages 23 to 25.

(iii) Colleague engagement methodology has changed from percentage favourable to an average score out of 10, measuring how colleagues feel about the Company. We are unable to provide a 2021 comparison due to the change in methodology.

READ MORE ABOUT OUR NON-FINANCIAL PERFORMANCE ON PAGES 41 TO 55 AND 249 TO 251

Total recordable injury frequency rate (TRIFR)

Keeping colleagues and customers safe is essential to running our business responsibly. We therefore maintain a strong safety culture through preventative initiatives including manual handling, safe driving and winter readiness training. As a result, our TRIFR per 200,000 hours reduced by 25%. Incidents mainly related to slips, trips and musculoskeletal injuries.

Colleague engagement[iii]

Having an engaged and motivated team is key to our success because colleagues are the beating heart of our business. Through our continued focus on creating a more inclusive and supportive place to work whilst connecting colleagues with our purpose and strategy, colleague engagement improved by 0.3 points to 7.7, which is approaching top quartile performance for our sector.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

We manage risks to support our Group strategy.

RISK MANAGEMENT

In the following pages, we set out an overview of Centrica's risk management framework. Our Principal Risks and the Group's risk appetite is expressed in relation to our four categories of risk: Strategic, Operational, Financial and Compliance.

RISK MANAGEMENT AND INTERNAL CONTROL

Centrica's Group Enterprise Risk and Internal Controls Framework remains a core element of the Group's Governance Model which is set out below. The most significant Principal Risks to the Group are set out on pages 30 to 34, in order of magnitude to the Group.

RISK APPETITE

The Board is ultimately responsible for aligning the risk appetite of the Group with our long-term strategic objectives, taking into account the emerging and Principal Risks. Risk appetites for the categories of Strategic, Operational, Financial and Compliance risks are in place and the key risks within Centrica's Risk Universe have been mapped into these categories.

Due to the industry and the nature of some of the markets in which the Group operates, we have high to moderate risk appetites for our strategic and operational risks. However, we have a minimal risk appetite for operational safety risk and we continue to strive for an incident-free workplace. For financial risks we adopt a conservative approach to manage our liquidity position and balance sheet strength. However, due to the higher risks inherent in managing the commodity and weather variables within our energy supply businesses, we accept a higher appetite for those elements of financial market risk. We are committed to operating our businesses in compliance with relevant laws and regulations.

Risks are identified and assessed at a Business Unit (BU) level to determine impact and likelihood, with an appropriate risk response subsequently evaluated and implemented. The different risk responses are:

- Terminate: cease the activity that creates the risk;
- Transfer: pass the risk to another party;
- Tolerate: accept a level of risk;
- Treat: act to reduce the likelihood or impact of risk.

During BU and Group risk reviews, the net residual risk scores are compared to the Group risk appetite to review the adequacy of existing mitigating actions/controls, with further action taken to control and monitor risks as required.

RISK FRAMEWORK

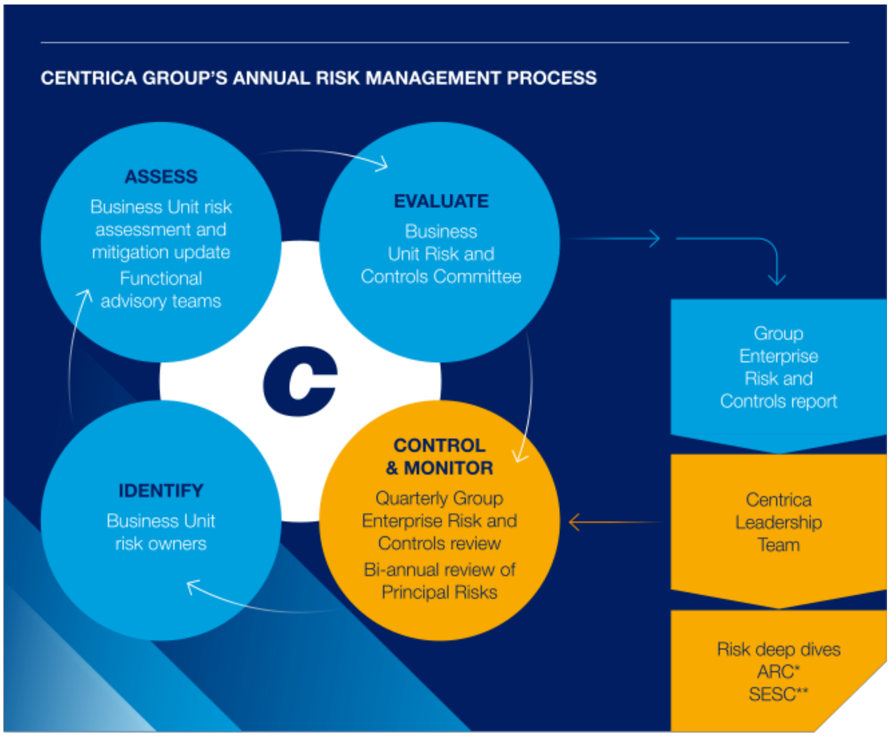
Day-to-day ownership of risk sits with business management under the regular scrutiny of the Centrica Leadership Team (CLT) to whom the Board has delegated principal responsibility for risk oversight. The Group Principal Risks are those which could potentially impact delivery of our strategic objectives over the medium to long term, where medium term is up to three years, as determined through our strategic planning process. The annual risk management process is summarised in the diagram below.

QUARTERLY BUSINESS UNIT RISK REVIEWS

- Each BU is responsible for identifying and assessing its significant risks with support from functional subject matter experts. Current and emerging risks and issues are reviewed quarterly by the BU leadership teams;
- The finalised risk reporting and assessment of each BU's control environment is then discussed at a Group Risk and Controls Review for each BU. The meetings are chaired by the Group Chief Financial Officer;
- At these quarterly reviews, recent assurance reports and findings from internal audits and other assurance reviews are discussed. Actions from previous audits and assurance reviews are tracked to ensure close out in line with agreed timescales.

EXECUTIVE AND BOARD COMMITTEE REVIEWS

- Bi-annually the Group Principal Risks are presented to the CLT for review and challenge.
- These include the aggregate risk assessments from the BU 'bottom-up' process and any Group-level risk assessments.



* Audit and Risk Committee (ARC).
** Safety, Environment and Sustainability Committee (SESC).

- The Group Principal Risk profile, as reviewed by the CLT, is presented to the Audit and Risk Committee (ARC) for review;
- Internal Audit presents four times a year to the ARC on any material findings as a result of independent assurance work;
- Risk deep dives are undertaken by the ARC and Safety, Environment and Sustainability Committee (SESC) to review high priority risks, ad-hoc topics and emerging matters.

In our assessment of viability, we consider the potential impact of 'severe but plausible' risks and note linkages to the Group Principal Risks as described on pages 35 to 37. The annual viability assessment has been presented to and approved by the ARC.

BOARD

- The Board receives adequate information to review risk as part of its strategy review process and during the year conducted a robust assessment of the Company's emerging and Principal Risks;
- At the year-end the Board reviewed and approved the Principal Risk and Uncertainties disclosure;
- We evaluate our System of Risk Management and Control annually, which is supported by a certification of controls and adherence to Group policies by senior management.

CHANGES IN RISK CLIMATE

BUs and Functions review their risks and report key changes as part of their Business Performance and Risk Reviews. Major emerging risks and issues are escalated immediately. During 2023 no new material risks were identified but a number of Group-level areas of risk were closely monitored, and actions taken to mitigate their impact on the Group.

Inflation and cost of living

The cost of living crisis continued in 2023, with food, fuel and energy prices remaining high. In October 2023 the fall in the energy price cap enabled by falls in wholesale energy prices helped to reduce the Consumer Price Inflation rate to 4.7%, compared to a high of 11.1% in October 2022. In November 2023, Ofgem announced that from 1 January 2024 the energy price cap will be set at an annual level of £1,928 (previously £1,834, a 5% rise) for a dual fuel household paying by direct debit based on typical consumption. This may result in further pressure on household bills.

The Energy Bills Support Scheme and the Energy Bills Relief Scheme, both of which were introduced by the Government in 2022 have concluded. The Government has committed to the Energy Price Guarantee (EPG) remaining in place until the end of March 2024 should energy prices increase above £3,000 per year. The Ofgem price cap is lower than the EPG. Government support is focused on aligning costs for comparable prepayment meter (PPM) and direct debit customers, ensuring that PPM users no longer pay a premium for their energy. For eligible non-domestic customers, the Energy Bills Discount scheme is in place until March 2024.

The impact of the Government support schemes is considered in the bad debt provision (see note 17), which is also factored into the Going Concern review.

Energy market

Global wholesale energy prices have reduced since their peaks in 2022, however European gas and power prices remain above historical averages. While the war in Ukraine continues, alternative sources of gas to replace the Nord Stream 1 pipeline have been secured across Europe, largely through Liquified Natural Gas (LNG) shipped from outside the European continent. The Gaza conflict has the potential to increase market volatility if wider Middle Eastern states are caught up in the conflict.

The gas storage capacity for Rough has been increased from 30 to 54 bn cubic feet of gas, and Ofgem (the UK regulator) has agreed to extend the exemption to negotiated third-party access until April 2030. The strategic goal for Rough is to act as one of the world's largest natural gas and hydrogen storage facilities and to play a key part of energy security infrastructure within Great Britain and the wider European market.

Centrica has concluded a 15-year LNG off-take agreement with Delfin Midstream. The additional 1m tonnes per annum of LNG will provide another key foundation to ensuring energy security whilst providing Centrica with increased optimisation capacity from 2029.

A Risk Capital Steering methodology has been developed to bolster our existing robust monitoring and to improve our ability to react to changes in our Financial risks.

Government and regulatory intervention

In the November 2023 Autumn Statement, the Government announced it will legislate for a new investment exemption for the Electricity Generator Levy (EGL). The EGL is a temporary 45% levy on receipts from the production of nuclear and renewable electricity sold at an average price in excess of £75/MWh applicable from 1 January 2023 to 31 March 2028. We are reviewing the Government's technical note on the new investment exemption and developing our approach on how to implement.

Other announcements impacting the Energy sector include £1,000 off electricity bills for a decade for those living near energy infrastructure such as pylons or onshore turbines; committing the Electricity System Operator to work with Government to produce a new Strategic Spatial Energy Plan; introducing competition into onshore electricity networks in 2024 to benefit consumers and confirmation from the Chancellor that full expensing for certain capital expenditure will be made permanent for businesses, and will not expire in 2026.

The Government will commit £4.5bn to strategic investment in UK manufacturing over the next five years and this includes a £2bn investment in the zero-emissions vehicle sector. A further £960m will be made available for new green industry growth, focusing on Carbon Capture Utilisation, Electricity Networks, Hydrogen, Nuclear and Offshore Wind.

Additionally in November 2023, the Government and Ofgem jointly published a Connections Action Plan, setting out a series of reforms to the process for connecting generation projects to the transmission network, with substantial progress expected in 2025 at the latest.

We will review the measures announced in the Autumn Statement and the Connections Action plan and the potential risks and opportunities they present to the Group.

Environmental, Social and Governance (ESG) management and reporting requirements are being developed at the UK, EU and international level. We continue to sustain our focus on ESG matters and on meeting our corresponding reporting obligations.

We await the outcome of a General Election in 2024 and are in close contact with the main political parties to understand their policies on overall governance of the energy industry, taxation, storage and net zero (including transport infrastructure for hydrogen) and will monitor to assess the impact of any change in Government.

The Financial Reporting Council published an updated UK Corporate Governance Code in January 2024. We are already working to improve our Governance, control frameworks and assurance policies and will ensure this work aligns with the latest requirements.

Technology

We continue to invest in our Finance systems to improve our controls, reduce duplication and manual intervention, and the risk of errors or omissions. We are strategically replacing or integrating our Trading and SAP ERP systems.

In British Gas Energy, 5m customers have been migrated to our new energy platform. This is strategically critical to reduce our cost to serve and deliver a quality service to energy customers at a competitive price.

Deployment of the Simplified Integrated Planning and Dispatch system (SIPD) and Supply Chain Transformation in our Services business is also key to transforming our service to customers, allowing us to better meet customer demand through streamlined processes, increased efficiency and improved responsiveness to customer needs.

This has not led to any changes in Principal Risks, but transformation risk will be monitored within the BUs and functions as these technology changes are delivered and embedded.

PRINCIPAL RISKS

The following Principal Risks were adopted by the Board in 2023 and reflect the position of the Group at the point of signing the accounts. The risks are presented in order of highest to lowest magnitude to the Group based on net residual risk, after mitigations. The Risk Climate is the expected change in the risk landscape from the previous year's risk review, based on the environment and controls in place.

CREDIT AND LIQUIDITY RISK

Overview

Risk Category — Financial

Risk of financial loss due to counterparty/customer/third party default or a credit event limiting the availability of financial facilities or unsecured credit lines

- Hedging commodity price risk in the markets exposes Centrica to (i) credit risk, which is the risk of a loss if a counterparty fails to perform on its obligations or (ii) liquidity risk when trades on exchange or with margining agreements result in collateral postings
- Trending directional price moves can lead to a build-up of mark to market positions which is a key component of credit and liquidity risk
- Volatile commodity markets can also increase cash and working capital requirements for both ourselves and our counterparties (with the latter increasing the risk that one of our counterparties fails to perform and consequently increases the risk of contagion)
- Further information is included in the S3: Financial risk management section within the Supplementary Information to the Financial Statements
- Cost of living, higher levels of fuel poverty, and relatively high inflation are impacting customers' ability to pay for their energy supply, which means overall customer bad debt has notably increased. This has been further impacted by Ofgem's moratorium on the installation of prepayment meters (PPMs) under warrant (in place from February 2023 to January 2024). BG Energy are considering the timescales and permissions required in order to restart this activity

Mitigations

- Financial risks reviewed regularly in dedicated Risk Committee forums
- Credit risk teams actively manage and reduce credit exposures, taking account of liquidity considerations
- Credit mitigation instruments negotiated, as needed, including guarantees, and letters of credit and/or tenor and volume restrictions imposed to avoid exposures building
- Centrica Energy and Group Treasury work closely to monitor liquidity requirements under normal and stressed market conditions
- Capital Reporting is distributed to CLT members monthly and bi-annually to the Board, who agree a risk capital buffer to underpin Centrica's strategy
- Access to diversified sources of committed and uncommitted liquidity
- Monitoring of forecast versus actual customer debt position, and review of the bad debt provision
- Increased bad debt risk from the restrictions on fitting prepayment meters under warrant is partly mitigated through additional support processes to help customers to repay their debt

Developments

- Market prices persist at levels higher than historical averages, albeit lower than 2022 record highs
- Credit exposures have significantly reduced from 2022 levels and stand within the Group Credit Risk limits
- The higher interest rate environment has adversely affected some smaller sized, highly leveraged counterparties. These exposures are being actively monitored through the various credit review forums
- In 2023, the multi-year committed credit facilities which are provided by Centrica's relationship banks were successfully refinanced
- Sources of liquidity have been increased and diversified over the year in response to the volatile energy markets witnessed in 2022
- In British Gas Energy the planned implementation of an end-to-end debt management system in H1 2024 will help to manage and respond to energy customer debt

RISK CLIMATE **DETERIORATED**

MARKET RISK

Overview

Risk Category — Financial

Risk of financial loss due to trends and volatilities in commodity prices

- Commodity exposure arises within the trading businesses, which provide a route to market for Centrica's upstream/infrastructure and power generation operations, sourcing of electricity and gas for the Group's energy supply businesses and proprietary trading activities. We also have commodity exposures driven by our LNG portfolio, and in particular the Cheniere contract
- Material movements in commodity prices can impact in-year P&L through revenue on sale of asset production, and impact on the long-term valuation of asset portfolios
- Hedging commodity price risk in the markets exposes Centrica to supply shock, an unexpected event that changes the supply of a commodity, resulting in a sudden change in price
- Changes in our customer demand requirements can result in a commodity exposure as we balance our established hedges at market prices

Mitigations

- Review of hedging policies in bi-annual Group Risk Hedging Policy Committee
- The monthly Downstream Energy Margin Meeting is a forum for all relevant parties to review demand forecasting performance, hedge positions, risk and P&L, with actions recorded and tracked to completion
- Hedging decisions and risk are agenda items at the monthly Finance Performance Reviews across the Group
- Financial risks reviewed regularly in dedicated Risk Committee forums, financial risk reporting is monitored against limits on a daily basis in Centrica Energy

Developments

- Prices and volatilities have reduced but remain elevated versus historical averages
- Optimisations to the Route to Market process ensure that hedging decisions are made and executed efficiently
- The financial impact of outage risk associated with the output of upstream/infrastructure assets remains high due to the higher price environment and the ageing asset infrastructure

RISK CLIMATE **IMPROVED**

WEATHER RISK

Overview

Risk Category — Financial

The impact on present or future profitability resulting from volume impacts as a result of deviation to normal weather

- Downstream is exposed to revenue loss in warm weather which may be compounded by selling hedges at a loss
- When commodity prices are higher than the energy price cap allowance and the risk exposure is primarily to cold weather, additional volumes may be required for downstream customers at a cost higher than can be recharged

Mitigations

- Dynamic hedging strategy approved by the Group Chief Executive, to reduce the exposure to high price and cold weather risk
- Options to mitigate weather risk in British Gas Energy, to narrow the range of gross margin outcomes, are reviewed ahead of winter seasons with decision rights held by the Group Chief Executive
- The monthly Downstream Energy Margin Meeting is a forum for all relevant parties to review weather impact and hedging proposals and performance, with actions recorded and tracked to completion
- Regular reviews ensure there is adequate access to liquidity in stressed cold weather scenarios

Developments

- Higher European gas storage levels have helped to mitigate the risk of winter supply shocks
- The risk is skewed to warm weather affecting revenue generation by the downstream business together with potential losses from selling back hedges

RISK CLIMATE **STABLE**

POLITICAL, LEGAL, REGULATORY OR ETHICAL INTERVENTION/COMPLIANCE

Overview

Risk Category — Compliance/Strategic

The risk of political or regulatory intervention and changes, failure to comply with laws and regulations, or greater regulatory scrutiny detecting unknown areas of non-compliance

- The level of regulatory scrutiny particularly in relation to the retail energy supply and insurance businesses in the UK remains significant; driven by a heightened political focus on the cost of living challenges for many consumers against the backdrop of an impending election
- Increased focus on ESG interventions and the impact on investor confidence in our responses
- Material or sustained non-compliance with legal or regulatory obligations could lead to financial penalties, reputational damage, customer churn and/or legal and/or regulatory action
- Any material real or perceived failure to follow Our Code would undermine trust in our business

Mitigations

- Continuous engagement with policy makers and consumer groups to help form future regulatory requirements
- Dedicated Corporate Affairs and Regulatory teams which examine upcoming political and regulatory changes and their impact, with reporting to the Centrica Leadership Team on an ongoing basis
- Understanding the expectations of stakeholders through reputational surveys and the review of media sentiment
- Continuous dialogue with Ofgem and the FCA to influence the regulatory environment
- The Board sets the tone from the top through Our Code and leadership behaviours
- Regulatory compliance monitoring activities performed by dedicated teams to drive Group-wide consistency and quality
- The Energy Compliance team has built capability in Energy Assurance to support the business with meeting complex regulatory requirements
- Control frameworks in place to deliver customer experience in line with requirements over sales compliance, billing, retentions, customer correspondence and complaints handling. These are regularly reviewed by relevant leadership teams through KPIs
- The Financial Crime team monitors threats throughout the business and adequacy of response to the threat of bribery and corruption
- Our Code employee annual training represents our commitment to doing the right thing and acting with integrity. The training includes new mandatory topics such as Consumer Duty and a refresher on all topic areas covered by our code of conduct
- A global 'Speak Up' helpline exists to provide a consistent Group-wide approach to reporting unethical behaviour

Developments

- Keeping pace with the volume, speed of implementation and complexity of political and regulatory change impacting the Group has proved challenging
- Ofgem will run a broad Compliance programme in 2024, including customer service complaints, direct debits and prepayment meter installation obligations
- New licence obligations introduced regarding installation of prepayment meters for reasons of debt. Ofgem is overseeing the process for a controlled 'restart'
- Power granted to the Electricity System Operator to remove unviable projects from the grid connections queues
- We continue to advocate for a revised policy framework for Smart meters with Ofgem and Government
- Ofgem's non-domestic market review is concluding, focused on improving transparency. Broker conduct remains a concern, with Ofgem seeking powers to regulate this sector directly
- Centrica Energy is impacted by a number of regulatory changes to MiFID (Markets in Financial Instruments Directive), Remit (EU Regulation on Wholesale Energy Market Integrity and Transparency) and EMIR (European Market Infrastructure Regulation)
- Centrica Energy investing in a Compliance Transformation Programme to respond to regulatory risks and improve Governance and controls frameworks

RISK CLIMATE **DETERIORATED**

CLIMATE CHANGE

Overview

Risk Category — Strategic

Risk of market, regulatory and policy changes driven by climate change affecting the ability of the Group to execute its strategy

- Increased pressure from Government, investors and customers to commit to meaningful carbon reduction targets
- Execution of the Group's strategy to realise opportunities from the energy transition
- Timing and execution of British Gas pivot to decarbonised heating, power and transport products and services
- ESG management and reporting requirements are being developed at the UK, EU and international level and many have defined timelines in which Centrica, or its subsidiary businesses, will be legally obligated
- Increased focus on 'greenwashing' and greater rigour on how organisations market low carbon products and propositions

Mitigations

- Monitoring of progress against People and Planet targets including net zero targets for our business and our customers
- Centrica's Climate Transition Plan which outlines our approach to move to a low carbon future, published in 2021, will be updated in 2024 and subject to a non-binding vote at the 2025 AGM
- Progress against our Climate Transition Plan has been incorporated into executive remuneration
- The SESC, which is chaired by an independent Non-Executive Director, typically reviews climate change information and the Climate Transition Dashboard three times a year. The SESC additionally maintains oversight over material climate-related matters
- We have achieved full compliance in our 2023 Task Force on Climate-related Financial Disclosures (TCFD) reporting, reflected in pages 47 to 55
- New Business and Net Zero lines of business and Centrica Business Solutions develop innovative and competitive products and propositions to gain a significant footprint in the growing low carbon market
- Green Claims Principles have been developed and implemented to manage 'greenwashing' risk across the Group

Developments

- Continued geopolitical focus on COP28 and on how corporations respond to climate change
- The Government has extended the deadlines for both the phase-out of gas boilers and the ban on petrol/diesel vehicles to 2035 and increased the grant for Heat Pump installations by £2.5k to £7.5k
- The European Corporate Social Responsibility Directive (CSRD) aims to create a sustainable economy for the EU. The CSRD requirements are broader in scope, complexity and granularity of reporting on ESG matters and require assurance activity

In July 2023 the Group announced a new Investment Plan, to invest between £600m–£800m a year until 2028 in renewable generation, security and flexibility of supply, and our customers. Our investment strategy will channel capital investment to realise investment opportunities from moving to a low carbon future. Examples of low carbon energy projects include:

- Solar farm at Codford and battery storage development at Brigg
- Hydrogen initiatives include a partnership with HiiROC, testing injection at Brigg
- Centrica Energy Storage+ is investing to support potential repurposing of the Rough asset for production and hydrogen storage
- Spirit Energy is exploring the feasibility of converting the Morecambe gas terminal to a Carbon Capture Storage asset and has been awarded a carbon storage licence in 2023
- British Gas has published a second net zero homes index to understand public sentiment and to develop relevant products and solutions

RISK CLIMATE **STABLE**

CUSTOMER

Overview

Risk Category — Operational/Strategic

Failure to deliver satisfactory customer service leading to complaints or loss of customers

- Cost of living, higher levels of fuel poverty and relatively high inflation are impacting customers' ability to pay for their energy supply, overall customer bad debt has notably increased. This has been further impacted by Ofgem's moratorium on the installation of PPMs under warrant (in place from February 2023 to January 2024). British Gas Energy are considering the timescales and permissions to restart this activity
- Increased call volumes driven by Ofgem Price Cap changes and the Government's EBRS and EBSS schemes concluding
- British Gas Services & Solutions peak services demand exceeding engineer capacity
- Bord Gáis Energy continue to operate in a highly competitive landscape with expected political and customer pressure to reduce prices further in Q1 2024

Mitigations

- Customer facing business units focusing on complaints reduction, root cause analysis and understanding customer pain points
- Customer Conduct Boards provide oversight to minimise customer detriment, complaints and regulatory action
- British Gas Services & Solutions continues to build delivery capacity measures through optimised planning and forecasting methodologies, and winter resilience activity incorporating lessons learnt from 2022
- Continued deployment of SIPD
- British Gas Energy's ongoing recruitment of frontline colleagues to maintain adequate attrition and recruitment levels with the aim of increasing the level of onshore Customer Service teams; and the introduction of 'blended' working patterns and multi-skilling

Developments

- The energy crisis and customer affordability challenges, continue to drive unprecedented levels of customer contact
- British Gas Energy and Bord Gáis Energy has more than doubled its energy support package in 2023 compared to 2022, which now totals £140m since the start of the energy crisis, and includes dedicated support for customers with PPMs in the UK (see page 6 and 16 for more)

British Gas Energy:

- PeakSave, the National Grid's discount scheme to manage peak demand has been extended to Winter 2023/2024. The scheme rewards customers for using less electricity at peak times

British Gas Services & Solutions:

- Consumer Duty Embedding Program established to ensure ongoing product value for our customers
- Improvement activities focused on enhancing customer service include data analytics to enable us to respond to our customers more effectively

Bord Gáis:

- Domestic energy customers will receive further assistance from the Government, a new €450 electricity credit payment to be paid in three instalments from December 2023. The 9% VAT rate on electricity and gas will be extended for 12 months

RISK CLIMATE **STABLE**

PEOPLE

Overview

Risk Category — Operational

Risk of failure to attract, develop, engage and retain key talent

Risk of deterioration to the health and wellbeing of colleagues

- Failure to attract and retain key capabilities and safeguard the health and wellbeing of the workforce across the business could have a detrimental impact on our ability to meet our strategic objectives
- The cost of living crisis and inflation impact on colleague mental health and wellbeing
- Labour market shortages for key skills impacting retention in some BUs and locations

Mitigations

- Quarterly Performance Conversations in place as part of the Terms and Conditions governance framework
- Monitoring of key metrics including the Quarterly Employee Engagement index, absence and attrition rates. Proactive implementation of actions to support colleagues
- Tailored strategies in place to address localised retention and recruitment issues
- Succession planning continues locally with assessments of critical roles and people, rolling up to a conversation with the CLT and with the Board
- Diversity, Equity and Inclusion Action Plans by BU and Function to increase diversity of representation at senior levels, improve equity of opportunity and promote continuous behaviours
- Continuous focus on our values and culture aligned to our Purpose
- The Shadow Board provides a forum to engage with the CLT to influence decisions, positively disrupt assumptions, and challenge executives' thinking to support colleague-centred decision-making
- Open access to colleague-led employee networks, including working parents, fertility and carers networks, to build communities within Centrica

Developments

- Organisational change taking place to ensure our continued success and to help achieve growth through our net zero strategy. We will continue to monitor the impact on our colleagues via wellbeing and engagement data sources
- Externally, the Trade Union environment remains active across all sectors. There are numerous high-profile disputes relating to pay and the increased cost of living
- Internally, we are in negotiation for a full pay review to be implemented in March 2024. Discussions are ongoing; the outcome of this negotiation is currently unknown
- Following the introduction of FlexFirst during lockdown, we have committed to adopting a hybrid working approach
- A Centrica-wide working group continues to support colleagues with the cost of living crisis including the introduction of lifestyle savings
- Colleague Support Foundation successfully launched with charity status and is supporting colleagues that need financial help and have exhausted other means
- As part of our ongoing commitment to Diversity, Equity and Inclusion, we have launched Courageous Conversations about Race training to provide colleagues with the foundation to start their journey in helping us become an anti-racist organisation

RISK CLIMATE **STABLE**

SAFETY

Overview

Risk Category — Operational

Risk of occupational, transportation, customer/third-party fatality or injury due to safety hazards

- Our operations have the potential to result in personal harm
- Significant Health, Safety and Environment (HSE) events could have regulatory, financial and reputational repercussions that would adversely affect some or all our brands and businesses

Mitigations

- Regular review of HSE risks to ensure they are reduced to as low as reasonably practicable
- Continued investment in training and competency to ensure maintenance of safe operating practices
- HSE Management Systems are established to include policies, standards and procedures to protect employees, third parties and our environment
- Assurance over our HSE processes and controls provided by our in-house HSE teams supported by external subject matter experts, where needed
- Leadership to drive improvements in HSE maturity and continuous improvement in key metrics
- Our approach to customer visits is continually reviewed to ensure that employees are operating in line with Government guidelines and/or industry best practices and that the health and safety of employees and customers is maintained

Developments

Management is enhancing existing HSE frameworks to respond to changing risks as the Group strategy evolves to include the following activities:

- The continued operation of Rough as a storage facility and potential repurposing for hydrogen production and storage
- The expansion of the services businesses
- Development of new peaking plants in the UK & Ireland
- Construction of a battery storage project at Brigg
- Ongoing trial with HiiROC (a Green Technology company) to inject hydrogen into a gas peaking plant at Brigg

RISK CLIMATE **STABLE**

CYBER

Overview

Risk Category — Operational/Compliance

Risk of failure to prevent impacts from denial of service, cyber espionage and the related theft/disclosure of confidential/customer data leading to reputational, regulatory and financial impacts

A cyber-attack could present to Centrica as follows:

- Confidentiality: leakage of customer or company confidential data by threat actor, third party, staff or system error, either maliciously or by accident
- Integrity: inaccuracy of Centrica's data due to malicious or accidental alteration by internal or external parties, or malicious actors
- Availability: loss of assets, including data, due to a cyber compromise

Due to the diversity of Centrica's technology, the Group could suffer any or all of the above which could lead to:

- Regulatory compliance impact or fines, including but not limited to, General Data Protection Regulations (GDPR), Smart Metering obligations (Ofgem), Security of Network & Information Systems Regulations 2018 and enhanced NIS II

Mitigations

- Ongoing threat intelligence gathering, collaboration and information sharing with industry peers and National Cyber Security Centre
- The Cyber Security Change Programme builds security capabilities and improvements in controls that increase the difficulty of targeting Centrica and being able to exploit weaknesses without detection
- The Ransomware Programme has delivered improvements to enhance Centrica's ability to co-ordinate and recover from a ransomware attack
- Enhanced cyber controls dedicated to protecting operational technology (control systems used to manage domestic, commercial and industrial processes) have been implemented
- Training and awareness campaigns delivered to all employees in 2023 and focused training has been developed for key groups to raise awareness and highlight responsibilities in protecting data
- Cyber-attack simulations to identify and remediate control gaps

Developments

The current geopolitical situation and advancements in technology have increased the complexity of the external threat landscape. This can be attributed to several factors:

- Political instability in certain regions of the Middle East
- In Ukraine there have been several high-profile cyber-attacks on energy infrastructure
- The rapid pace of technological development has made it easier for cyber criminals to launch sophisticated attacks on all sectors including energy and utilities
- Artificial Intelligence (AI) poses a new threat to cyber security. The risk of misuse of AI to create complex attacks is expected to increase rapidly with AI tools becoming cheaper and more accessible
- The targeting of supply chains as a mechanism to attack firms by exploiting the trust between known suppliers
- The volume, sophistication and frequency of ransomware attacks has evolved, with the most catastrophic bringing down IT systems within very short timeframes, and in some circumstances leading to publication of exfiltrated data
- The increased connectivity of operational technology presents an opportunity for attackers that if exploited could cause major harm and disruption to industrial processes including processes in the energy sector

Our business strategy to expand to low carbon markets and help our customers toward net zero may increase our regulatory obligations in maintaining our cyber security posture, requiring enhanced Governance and external regulator oversight

RISK CLIMATE **DETERIORATED**

OPERATIONAL ASSET INTEGRITY

Overview

Risk Category — Operational

Risk that impaired structural or asset integrity, resulting from any of a failure in design, failure in appropriate maintenance and inspection, operating outside of design conditions and/or human error, leads to a major accident (such as loss of containment of flammable/hazardous materials or structural collapse) that could result in multiple fatalities and/or major damage to the environment

- Failure to invest in the inspection, maintenance and development of our assets could result in significant safety issues, such as personal or environmental harm, or asset underperformance through unplanned outages
- Failure to capture adequate return on our nuclear investment due to operational issues or early station closures suppressing earnings and cash flows

Mitigations

- The Group Annual Plan includes contingencies to cover events such as unexpected outages from assets
- Group-wide minimum operational and safety standards are applied to all assets, whether operated or non-operated, and adherence against them is monitored and reported
- Maintenance activity and improvement programmes are conducted across the asset base to optimise effectiveness and maximise production levels
- We use our presence on the Board of EDF Energy Nuclear Generation Group Limited to monitor the performance of the nuclear fleet
- Continued investment in training to ensure maintenance of safe operating practices
- HSE Management Systems are established to include policies, standards and procedures to protect employees, third parties and our environment
- Continuous engagement with regulatory agencies such as the Environment Agency, North Sea Transition Authority and UK Health and Safety Executive
- Assurance over our HSE processes and controls provided by our in-house HSE teams supported by external subject matter experts, where needed

Developments

- The Whitegate Plant operated with strong availability and reliability in 2023. As the plant ages and we move to more flexible generation, plant reliability and safety risks will need to be carefully managed as the impact of any outages can be significant. A close focus on long-term asset integrity is required through proactive management, maintenance and investment
- Rough gas storage facility reopened in October 2022, with increased levels of inspection and ongoing maintenance. The Group Insurance team continues to discuss the cost and benefits of business interruption cover with relevant BUs
- The HSE Function works with the business to ensure effective HSE resources and competency operate consistently and effectively across the business
- Spirit Energy continues to focus on safely delivering production from existing assets; meeting and de-risking decommissioning obligations and pursuing strategic energy transition opportunities from existing assets
- The Nuclear fleet has performed well in 2023 with strong reliability metrics, although outage downside risks are binary and potentially significant. In March 2023, a two-year lifetime extension was announced in respect of Heysham 1/ Hartlepool. Our nuclear business has also announced an ambition to further extend the lives of the four generating Advanced Gas-cooled Reactor stations (Heysham 1&2, Hartlepool, Torness), subject to inspections and regulatory approvals. There is a strategic intention to extend our Pressurised Water Reactor station Sizewell by 20 years to 2055. The nuclear business continues to monitor performance and station lifetimes very carefully

RISK CLIMATE **STABLE**

ASSESSMENT OF VIABILITY

REQUIREMENT

In accordance with provision 31 of the UK Corporate Governance Code the Directors have assessed the prospects and viability of the Group considering the business model (as set out in the Strategic Report on pages 2 to 3), current position in the context of liquidity and credit metrics of the Group, and Principal Risks.

ASSESSMENT OF PROSPECTS

The assessment considers the current position of the Group, the Group's strategy, longer-term market trends and customer needs, and the Group's Principal Risks as well as forecast cash generation against long-term obligations to repay debt and fund the defined benefit pension schemes.

Our business model is designed to allow us to focus on meeting the changing energy supply, services and solutions needs of our customers, helping them transition to a lower carbon future while positioning ourselves to deliver returns for shareholders and meet our broader obligations to society over the long term.

Key factors in assessing the long-term prospects of the Group include the following:

1. The Group's competitive position today

Centrica has strong brands with large customer bases as the number one supplier in many of the markets in which it operates. In its core markets: British Gas Energy and British Gas Services & Solution are the largest residential energy supplier and home services provider in the UK; Bord Gáis Energy is the second largest residential energy supplier in Ireland; and the Centrica Energy business is a leading route to market services provider across Europe. Centrica also has the largest heating engineer workforce in the country who are highly trusted by our customers and well positioned to continue to support new fuels and technologies.

In assessing our prospects beyond the strategic planning period, the Board considers how these strengths position the Company to grow long term shareholder value.

2. Market trends affecting future prospects

- Commodity price volatility and its impact on the UK energy supply market;
- Cost of living crisis and its impact on our customers;
- Increasing progress and Government support for net zero, corporates committing to clear net zero targets;
- Competition remains intense with margins under pressure within our retail business, and we expect that may remain the case as the market emerges from the current crisis;
- Falling costs for battery, solar and wind, electric vehicles deployment accelerates, growing need for flexibility;
- Increasing LNG demand; and
- Role of data analytics, artificial intelligence, and automation increasingly important.

We continuously monitor emerging trends to proactively identify potential risks and strategically shape our investment approach where we could leverage a competitive advantage.

3. Customer needs

- Hassle-free, empathetic, personalised, and safe service. Offering solutions, not just products;
- Responsible options (including green tariffs) and expert guidance to help them achieve their net zero goals;
- Trusted and credible counterparty; and
- Lower costs and greater efficiency.

We put customers needs at the centre of everything we do and this is the core part of our strategy, as set out in the People and Planet and Strategic Report sections of this Annual Report and Accounts on pages 41 and 10 respectively.

4. The Group's strategic objectives

The Group's strategic purpose is to energise a greener, fairer future – because we believe in energy that works for colleagues, customers and communities, today and tomorrow, as set out on page 2 of this Annual Report and Accounts. This supports the assessment of the Group's prospects.

5. The Principal Risks facing the Group, as set are out on pages 28 to 34

The risks we consider to be of greatest significance in assessing our prospects include:

- Political or regulatory intervention, including increased focus on ESG interventions and responding to climate change;
- External risks associated with weather, commodity price movements and the cost of living crisis;
- Risk of financial loss due to counterparty default or a credit event limiting the availability of financial facilities or unsecured credit lines;
- Compromised asset production and health and safety impacts of process loss of containment; and
- Operational risks associated with the effectiveness of our internal control environment in relation to cyber risk, data protection and customer conduct.

Climate change is one of the most important drivers guiding Centrica's prospects today and is a core part of our Purpose as reflected by the actions we have taken, which include:

- We've outlined our plans for how we intend to decarbonise power, heat and transport through our Climate Transition Plan;
- We will continue to build out our green supply and solutions offerings for customers;
- We're training the next generation of apprentices to deliver low carbon technologies like heat pumps and electric vehicle chargers while exploring the future of hydrogen; and
- We're committed to capital investment of £600–800m per year until 2028, of which we are aiming for at least 50% into green taxonomy eligible projects as set out on pages 47 to 56.

Good progress has been made on managing the prospects of the Group during 2023. We continue to simplify our management structure and increase the proportion of our colleagues who interact directly with customers, enabling us to put customers at the heart of everything we do. In addition, our balance sheet is now much stronger than in previous years, with an improved adjusted net cash position as at 31 December 2023.

The Board has confidence in the long-term prospects of the business. The Board believes that the strategic steps taken in 2023 aligned with the Group's revised strategy as outlined in the July 2023 strategy update will set the Group up to be successful and generate sustainable profits in the long term while investing in renewable generation, security of supply and our customers.

ASSESSMENT OF VIABILITY

The assessment is based on the Group Annual Plan for 2024 and the longer-term strategic forecasts which are approved annually by the Board. The Board continues to believe that a three-year time horizon is the appropriate timeframe to assess viability and is also consistent with the Group's planning cycle and the period of reasonable visibility in the energy markets. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including, commodity prices, trading performance, margin cash requirements, weather, and asset performance.

Important context to the Viability Assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of liquidity which support the Group's planned financial commitments. During 2023, Centrica successfully refinanced the core credit facilities with strong support from the relationship bank group. As at 31 December 2023, the Group had total committed credit facilities of £5.3bn, of which £0.2bn expire in 2024, £1.0bn expire in late 2026 and £4.1bn expire in 2028. Of the £5.3bn of committed credit facilities, a total of £3.8bn remained undrawn as at 31 December 2023.

While commodity prices have shown a notable decrease in volatility throughout 2023, and the Group anticipates a relatively stable trend in 2024, 2025, and 2026, it is crucial to acknowledge that in a setting characterised by erratic commodity prices, the Group's portfolio presents greater potential for value capture and outperformance. However, it comes with a considerably broader range of risk outcomes.

In such an environment, the pressure on liquidity intensifies, making it imperative for entities to focus on ensuring access to a reliable and diverse portfolio of financial resources.

In addition, the cost of living crisis continues. Although inflation has started to fall in 2023 it could remain elevated due to underlying pressures. As a result, the Group is exposed to elevated levels of bad debt as customers struggle to pay their bills.

To reflect the current volatility of risk factors, the Company has used judgement to determine severe but plausible scenarios and has modelled three versions of the Viability Assessment to give a high, base and low-price scenario. These scenarios reflect a range of reasonably possible increases or decreases in commodity prices due to market conditions. The price curves used for the high and low scenario are summarised right:

LOW PRICE ENVIRONMENT	2024	2025	2026
NBP (p/th)	69	68	68
Baseload Power (£/Mwh)	54	56	52

HIGH PRICE ENVIRONMENT	2024	2025	2026
NBP (p/th)	319	210	162
Baseload Power (£/Mwh)	245	189	134

Viability was initially assessed based on August 2023 prices. We have continued to monitor these price changes to ensure that our base, high and low curves remain appropriate and specifically whether our base assumptions remain within the high to low range. As a result of this exercise, the high and base price scenarios were not adjusted (as the base scenario remained within the high to low range).

Commodity prices for NBP have fallen sharply in January 2024 and consequently we have also completed a separate assessment based on an updated low curve to confirm that the Group remains viable in the event that both NBP and baseload power fell further.

REVISED LOW PRICE ENVIRONMENT	2024	2025	2026
NBP (p/th)	46	50	52
Baseload Power (£/Mwh)	47	44	44

The four scenarios share the same risks but, where relevant, the risks were flexed to reflect the Group's exposure in each scenario. We have modelled groups of risks within 'clusters'. It is not plausible that all risks would occur at the same time, and therefore each of the clusters is considered as a plausible combination of risks. The table below details the risk clustering and linkage to Principal Risks. Each of the clusters includes common risks throughout in addition to the risks associated with the cluster. The risks relating to commodity price, margin cash, bad debt, credit risk, cyber risk and letters of credit were selected as constant events in all four clusters.

RISK CLUSTER	RISK DESCRIPTION	LINKS TO PRINCIPAL RISKS	RISK >5% OF OPENING HEADROOM?*
Common risks	Commodity price impacts on earnings of asset-based businesses	o Financial Markets – Market Risk	No
	Increased margin cash requirements arising from adverse market conditions	o Financial Markets – Credit & Liquidity Risk o Financial Markets – Market Risk	Yes
	Higher bad debt due to cost of living crisis	o Financial Markets – Market Risk o Financial Markets – Credit & Liquidity Risk	Yes
	Cyber-attack – risk of failure to prevent denial of service	o Cyber	No
	Credit Risk: risk of financial loss due to counterparty default	o Financial Markets – Credit & Liquidity Risk	No
	Removal of 25% of drawn uncommitted Letters of Credit	o Financial Markets – Credit & Liquidity Risk	No
Cluster 1: Industrial & Regulatory	Regulatory risks in relation to loss of sensitive data	o Political, Legal, Regulatory or Ethical Intervention/ Compliance	No
	Operational impact of sustained employee industrial action	o People o Customer	No
Cluster 2: Asset Performance	Significant disruption to the asset-based businesses leading to loss of production and earnings	o Operational Asset Integrity o Safety	No
Cluster 3: Adverse Retail Market	Significant adverse weather event and commodity price volatility	o Financial Markets – Weather Risk	Yes
Cluster 4: Trading Business Under-performance	Underperformance of trading business	o Financial Markets – Market Risk	Yes
See note below**	Increased collateral requirements arising from a single-notch credit rating downgrade	o Financial Markets – Credit & Liquidity Risk	Yes

* Headroom is calculated as undrawn committed facilities plus total liquid resources.
** A credit rating downgrade risk has only been applied to scenarios where the stressed credit metrics indicate Centrica would be at significant risk of downgrade by the credit agencies.

Group-wide assumptions include:·

- No material acquisitions or disposals of Group business areas; and
- An updated investments profile in line with the July 2023 strategy update;
- Centrica have a long-standing relationship bank group and successfully refinanced the committed credit facilities in 2023. As such, the Directors are confident in the ability of Centrica to refinance appropriate credit facilities; and
- Access to Commercial Paper and Debt Capital Markets as sources of liquidity.

LIQUIDITY REQUIREMENTS

Centrica has established enhanced processes to manage and monitor liquidity requirements across the entire organisation with a focus on trading entities and possible increased cash margin requirements. These processes include:

- Monitoring reasonably possible scenarios for increased liquidity requirements because of changes in commodity prices and market conditions; and
- Ensuring Centrica maintains ample headroom to address reasonably anticipated liquidity needs throughout the Viability Assessment period. This entails ensuring flexibility in accessing debt capital markets and a range of additional resources as needed, including committed credit facilities, uncommitted letters of credit, commercial paper, and various other short-term funding options.

Centrica has also established enhanced governance measures to review liquidity forecasts under various scenarios and implement mitigating actions where appropriate.

Centrica uses sophisticated modelling and analysis of the volatile market conditions over the last two years, and market forward data to determine severe but plausible scenarios of the liquidity requirements of the whole Group. These include high and low-price scenarios which are reflected in the Viability Assessment. While these scenarios include assessing to stressed market conditions that may arise in the future, they will not necessarily predict future conditions given markets are volatile. Therefore, Centrica maintains and monitors the liquidity requirements across the business to ensure sufficient headroom is retained.

Regular assessments are performed of the credit worthiness of counterparties that Centrica trades with and pay and receive cash margin calls from. These include assessing the level of exposure to counterparties, monitoring and dynamically managing credit limits and arranging credit enhancements such as requiring letters of credit from financial institutions.

OUTCOME OF VIABILITY ASSESSMENT

The viability scenarios have been assessed to confirm whether the Group would have sufficient liquidity available to meet its future planned financial commitments, and that the credit metrics calculated would not imply a sustained fall to below investment grade credit ratings (S&P BB+ and Moody's Ba1).

To reach a conclusion as to the Group's viability, the Directors have considered the following:

- The Directors considered whether any of the scenarios and clusters of risks noted above breached the available headroom in the three-year period and concluded that sufficient headroom was available in all scenarios; and
- The Directors considered whether any of the scenarios indicated a deterioration in the credit rating metrics which would lead to a two-notch downgrade, to sub-investment grade. They concluded that the Group has a reasonable expectation that its net debt ratios would continue to sustainably support investment grade ratings (at least BBB- for S&P, and at least Baa3 for Moody's) for all scenarios.

While mitigations were not required in any of the above scenarios to ensure the Group was viable, additional mitigations could be deployed to increase headroom and reduce the risk of a credit downgrade, including reductions in operational and capital expenditure.

Reverse Stress Testing identified that there are some extreme risks that could theoretically result in Centrica entering a position whereby its financial resources were insufficient to meet its liabilities as they fall due. However, given the current financial strength of the Company, the combination of events required to achieve this scenario is extremely unlikely to occur. We therefore believe that these risks do not represent a 'severe but plausible' threat to the viability of the Company.

CONCLUSION

The Directors have considered all the above factors in their assessment of viability, including the availability of mitigating actions within their control if one of the scenarios above materialises. We have performed sensitivity analysis that enables the Directors to confirm that they have a reasonable expectation of the Group's ability to continue to operate and meet its liabilities, as they fall due, over a period of at least three years.

GROUP CHIEF PEOPLE OFFICER'S REPORT

Jill Shedden MBE | Group Chief People Officer

2023 has been another extraordinary year for Centrica. I am really proud of what all our colleagues have achieved together to adapt to changing business needs and to support our customers and each other throughout the year. We believe our culture is a unique one, with our 'caring' and 'delivery' values standing out.

Amongst our many successes we've donated and fundraised £4 million to make a big difference to charitable causes we all care passionately about across our local communities. We are helping colleagues and customers as much as possible with ongoing energy and cost of living issues. We continued with our returns to shareholders which will also benefit the majority of our colleagues who are or will become shareholders due to our Global Profit Share award.

COLLEAGUE ENGAGEMENT

I am delighted that colleague engagement has continued to improve quarter on quarter improving by 0.3 points to 7.7 by the end of the year, which is just below top quartile performance for our sector. Our engaged workforce is also working alongside other business initiatives to continue improvements in our customer satisfaction journey, and we can see confidence in our products and services rising.

Our People function has made a huge contribution to Centrica as we have partnered change in the business, and our positive colleague engagement scores illustrate our colleagues' appreciation for the strong and supportive culture within Centrica.

LISTENING TO OUR PEOPLE

The Shadow Board is a Centrica Leadership Team sponsored initiative introduced in 2021. The Shadow Board comprises ten colleagues, each with different knowledge and experience, and all from different business units and functions and at different levels across the Group. The Shadow Board provides an opportunity for the views of colleagues to positively challenge assumptions and influence decisions by offering a colleague perspective on a range of topics, including those of a strategic nature. The Shadow Board is not expected to deliver outcomes independently.

One key outcome that led from feedback from this process between the CLT and the Shadow Board is the closer relationship that has been actively developed between our networks and our British Gas Field colleagues.

DEVELOPING NEW CAPABILITIES

During 2023 we also made some leadership appointments which will support the growth of our businesses and achieve a cleaner, greener future. The new business of 'New Business and Net Zero' will continue to build our in-home net zero offering to residential customers and ensure that all of us at Centrica continue to play a leading role in the energy transition. Our new Chief Customer Officer role will strengthen the voice of our customers, continuously pushing the team to create a customer experience that promotes loyalty and retention for new and existing customers. In the wider workforce, we continued to grow our professional capability during 2023 with over 1,000 professional colleagues joining our Group. Our award winning Graduate & Summer Placement Programme and our Ex-Forces Pathway programme supports our People Strategy and our Workforce for the Future aspirations and demands.

Career mobility and developing our internal talent is critical and we have a consistent, future-focused Talent Framework and Talent Review approach in place which enables all people managers to better understand team strengths of today and development for tomorrow.

We continue to secure our net zero commitments by investing in our customer facing teams and our training academies. This includes building skills for today and the future in purpose-built locations and driving new apprenticeship pathways, giving us the opportunity to serve our customers with up to date skills and technologies.

COLLEAGUE NETWORKS

I am incredibly proud that we have a number of active colleague-led networks that operate across Centrica. Our networks cover areas such as gender, sexual orientation, family, community, disability, health and wellbeing and ethnicity.

We have over ten employee-led networks and we are proud of what our employee networks are achieving. They play a key role in partnering with the organisation to drive change and make our workplace a more inclusive place for our people to thrive in and be themselves.

Centrica Forces Network is a group of colleagues across all areas of Centrica who have either served in, or are serving reservists in the Armed Forces, or have an interest in being part of a community that supports these groups of colleagues. The objective is to create a diverse community that supports veterans and reservists within Centrica ensuring that we become an employer of choice for these groups. The network has had some great success with its Armed Forces pathway which brings talented veterans, serving reservists, those about to leave the armed forces, military spouses, and partners into our Group. We are delighted that our Forces network has recently been shortlisted for Employee Network of the Year at the British Diversity Awards.

Our Carers Network is a support group where colleagues are able to connect with others (who may or may not be carers) who can share ideas and information about any aspect of caring. Centrica has a long and proud history of supporting colleagues who are juggling work and care and 2024 will be the Carers Network's 20th anniversary. We were the first company to earn Carers UK's 'Carer Confident Ambassador' accreditation and we have maintained this high standard since with an industry-leading Carers Leave Policy. I am proud that Centrica's values for caring shine through in all that we do.

LOOKING AFTER COLLEAGUES AND THEIR LOVED ONES

Health, safety and wellbeing are part of everything we do. We believe providing education, tools, resources, and benefits to support these key priorities, can lead to a healthier, happier workforce and a more prosperous workplace.

Centrica is focused on our colleagues being able to speak openly about the issues affecting their personal lives, as we know that not only is the support important to their mental and physical wellbeing, but that it is beneficial to retention and productivity. Looking after wellbeing is not about making drastic changes but rather implementing healthy habits that can help colleagues manage everyday stressors better. We do our utmost to create an environment and culture where looking after wellbeing comes naturally and is integrated into the way we operate.

Our healthcare plan which is available to all colleagues includes many wellbeing benefits, such as nutritional advice, physical health, emotional wellbeing, menopause support, giving peace of mind to colleagues and their families.

PROACTIVE HEALTH

We have a proactive wellbeing programme with the aim to raise awareness of difficult and taboo subjects. We have run multiple events on menopause, mens' mental health, suicide and mental wellbeing with colleagues, experts and GP's attending and sharing experiences and recommending practical actions to support, which have been attended by thousands of colleagues. We have ongoing reporting across many health metrics which allows us to see any trends, concerns and improvements. These insights drive our action planning for the future.

LOOKING AFTER OUR COLLEAGUES THROUGH THE RISING COST OF LIVING

During 2023 our colleagues have continued to face the cost of living crisis, it is important that we support our colleagues during this time. We have increased our colleague energy allowance to pay a proportion of the energy price cap. Furthermore, with inflation hitting all aspects of life, we introduced a new charitable trust 'The Colleague Support Foundation'. This gives access to funds in time of financial need. Since our launch in July 2023, we have supported over 100 colleagues and paid out c.£100k. The payments range from supporting colleagues with the funeral cost of a loved one or covering food costs to feed their families. Colleagues do not have to pay the money back.

SHARE IN THE COMPANY'S SUCCESS

In 2023 we granted a further Global Profit Share award to all colleagues, relating to our profits in 2022. The award was made in shares so our colleagues share in our success as we continue to grow our business. We will be making another profit share award in shares in 2024, relating to our 2023 profit.

100+

Colleagues supported by The Colleague Support Foundation

20,044

Colleagues who received a profit share payment in 2023.

OUR PATHWAY TO PARENTHOOD & PROACTIVE HEALTH

In June 2023 we launched our biggest support package yet to help our colleagues who are struggling with fertility. Our 'Pathway to Parenthood' package, which is available to all our UK employees as part of their healthcare plan, offers comprehensive financial support towards fertility treatment. This can be used for IUI, IVF, and egg or sperm donation and storage. It can also be used to cover costs for adoption or surrogacy. Additionally, we offer colleagues five days paid leave for their fertility treatment, adoption, or surrogacy appointments per year. We are already seeing the positive impact that the package is making, helping our employees feel supported whilst they go through huge changes in their personal lives.

We have a suite of health and wellbeing resources and benefits, including our 120+ strong Mental Health First Aider Network, Wellbeing app, 24-hour access to a GP and a 24-hour emotional support line. We provide Mental Health Training for Leaders and have added two wellbeing vans to our wellbeing portfolio this year allowing us to get out and visit our remote workers to provide health and wellbeing consultations where they conduct 'Know your numbers' tests, functional movement screening and emotional signposting.

WHAT OUR COLLEAGUES SAY ABOUT HEALTH AND WELLBEING AT CENTRICA

“Thank you for arranging the webinar, it was truly appreciated. I felt privileged to work at Centrica and came away from the call feeling so engaged and motivated. I felt I learned strategies to help myself and others which is fantastic.”

“I found this very interesting from various perspectives. I am a manager, a parent to a daughter who struggles with anxiety and having never suffered with anxiety myself the menopause has started to produce anxiety symptoms. It is great how much support Centrica offer around mental health.”

“I am very grateful to Centrica for providing such an informative session on menopause and embracing the subject. This is a subject that gets brushed under the carpet in so many organisations so thank you Centrica.”

“Really pleased to have these sessions to continue the conversations on women’s health and menopause. It helps reduce the stigma in workplace and helps to know, that as a woman, you have a support network.”

“This topic is very close to me both professionally and personally. I found the training very useful and opened my eyes on a few aspects of life that I will be more considerate on.”

PEOPLE AND PLANET

Creating a more inclusive and sustainable future that supports communities, our planet and each other.

Our People & Planet Plan consists of five Group-wide goals that accelerate action on issues that matter deeply to our business and society, and where we're well-placed to make a world of difference – from achieving net zero and creating the diverse and inclusive team we need to get there, to contributing to the communities we're all part of.

In 2023, we made really positive progress toward the majority of our goals but we're behind on others (see pages 42 to 44). This is partly because transformation takes time, and partly because we re-focused efforts to help customers and communities through the energy crisis which has been a top priority. Consequently since 2022, we've donated £140 million to support people with their energy bills.

With the plans we have in place, we're confident we'll get back on track to meet our goals in the years ahead. Central to this will be continuing to work closely with key stakeholders like colleagues, communities and governments, to help progress our goals and manage wider activities responsibly. In doing so, we can deliver on our Purpose of energising a greener, fairer future, whilst contributing positively to the United Nations Sustainable Development Goals (SDGs).

READ MORE ABOUT OUR PEOPLE & PLANET PLAN, CLIMATE TRANSITION PLAN, SDGs AND MORE AT CENTRICA.COM/PEOPLEANDPLANET

READ MORE ABOUT OUR NON-FINANCIAL KPIS ON PAGES 249 TO 251

"I'm really proud of what we've achieved through our People & Planet Plan and beyond – whether that's doing more than any other energy supplier to help consumers with their energy bills, or creating a pipeline of flexible and low carbon assets that provide the energy we need today and through the energy transition. The road ahead won't be easy but I'm excited to be energising a greener, fairer future."

Chris O'Shea | Group Chief Executive

OUR PEOPLE & PLANET PLAN

Supporting communities, our planet and each other

PEOPLE

Supporting every colleague to be themselves to better serve our customers and communities.

WE WANT TO:

- Create an engaged team that reflects the full diversity of the communities we serve by 2030(1)
- Recruit 3,500 apprentices and provide career development opportunities for under-represented groups by 2030 (2,000 apprentices by the end of 2025)

PLANET

Supporting every customer to live more sustainably.

WE WANT TO:

- Help our customers be net zero by 2050 (28% greenhouse gas intensity reduction by the end of 2030)
- Be a net zero business by 2045 (40% greenhouse gas reduction by the end of 2034)

- Inspire colleagues to give 100,000 days to build inclusive communities by 2030 (35,000 days by the end of 2025)

DOING BUSINESS RESPONSIBLY

Underpinned by strong foundations to ensure we act fairly and ethically – from customer service to human rights

(1) All company and senior leaders to reflect latest 2021 Census data for working populations. This means 48% women, 18% ethnically diverse, 20% disability, 3% LGBTQ+ and 4% ex-service by 2030 (40% women, 16% ethnically diverse, 10% disability, 3% LGBTQ+ and 3% ex-service by the end of 2025).

PEOPLE

Supporting every colleague to be themselves to better serve our customers and communities.

GOAL 1

By 2030, we want to:

Create an engaged team that reflects the full diversity of the communities we serve – this means all company and senior leaders to be 48% women, 18% ethnically diverse, 20% disability, 3% LGBTQ+ and 4% ex-service(1)

2023 PROGRESS

Progress against goals: ● On track ● Behind

	ALL COMPANY(2)	SENIOR LEADERS(2)
Women	30% ●	32% ●
– Excluding Field engineers	41% ●	32% ●
Ethnically diverse	15% ●	9% ●
Disability	3% ●	2% ●
LGBTQ+	3% ●	2% ●
Ex-service	2% ●	2% ●

(1) Updated at the start of 2023 to align with newly released 2021 Census data for working populations. We aim to be 40% women, 16% ethnically diverse, 10% disability, 3% LGBTQ+ and 3% ex-service by the end of 2025.

(2) Beyond gender, data is based on voluntary disclosure of 74% ethnic diversity, 45% disability, 51% LGBTQ+ and 3% ex-service. All company relates to everyone who works for Centrica. Senior leaders include colleagues above general management and spans senior leaders, the Centrica Leadership Team and the Board.

To build a more sustainable future, we need the best team – a diverse mix of people and skills, where different thoughts and ideas can grow, and where everyone feels welcome and able to succeed.

Towards this in 2021, our leadership team shared an open letter with colleagues that set out our plan for attracting, promoting and retaining more diverse talent. Since then, we've seen strong progress as better recruitment and retention practices provided an initial boost to the majority of our diversity goals which improved by up to 4%.

Our performance in 2023 has, however, remained relatively static and indicates that it may take time to deliver systemic change across our business and society. In particular, diversifying senior levels and growing disability representation are areas for us to work on. Attracting more women into engineering is also challenging given our large Field engineering team reflects the existing male-dominated market, which impacts our overall Group performance that would otherwise be on track. We're taking action which includes:

- further embedding tailored Diversity, Equity and Inclusion (DE&I) Action Plans and dashboards for each business, with progress reviewed quarterly to drive improvement and accountability;
- expanding talent development programmes to over 150 colleagues from under-represented groups whilst embedding succession planning and diverse shortlisting to strengthen our senior leadership team;
- inspiring more women into engineering through apprenticeships (see goal 2) as we grow diversity among our wider team;
- rolling-out Courageous Conversations about Race training to educate colleagues and make them feel confident to challenge unacceptable behaviour;
- creating a Great Minds programme for launch in 2024 that will help normalise and better support neurodiverse colleagues, whilst encouraging more colleagues to disclose if they have a disability; and
- helping carers better balance work with caring. We extended our industry-leading Carers Leave Policy to colleagues in Ireland which provides up to six week's paid leave when matched with annual leave. And thanks to joint campaigning with Carers UK, all working carers in the UK will now receive statutory carers leave following Royal Assent of the bill.

Through these activities and more (see pages 38 to 40), we've received external recognition for our efforts including earning a place in The Times Top 50 Employers for Gender Equality.

In 2024, we'll continue to embed our DE&I Action Plans, with a particular focus on improving the representation of colleagues who are women, ethnically diverse or have a disability. We'll also encourage colleagues to share who they are via our ongoing #ThisIsMe campaign, which will enable us to target action and track progress more effectively.

> "I enjoyed six years in the military but I was ready for a new adventure. So having embarked on an apprenticeship with British Gas two years ago, I'm pleased to now be a fully qualified engineer. During this transition, the wrap-around support has been invaluable and it's enabled me to be at my best when helping customers with their energy."
>
> **Amy Gray |** British Gas Smart Energy Engineer

WIDER GENDER BREAKDOWN(3)

	2023		2022	
	Women	Men	Women	Men
Board	**5 (42%)**	**7 (58%)**	4 (44%)	5 (56%)
Senior executives and direct reports	**27 (34%)**	**52 (66%)**	24 (33%)	49 (67%)
Senior leaders	**136 (32%)**	**287 (68%)**	117 (33%)	243 (67%)
All company	**6,221 (30%)**	**14,398 (70%)**	5,938 (30%)	14,190 (70%)

(3) Relates to everyone who works for Centrica. Total headcount differs from elsewhere in the report as Spirit Energy are not included above. See page 81 for more on Board diversity.

GOAL 2

By 2030, we want to:

Recruit 3,500 apprentices and provide career development opportunities for under-represented groups (2,000 apprentices by the end of 2025)(1)

2023 PROGRESS

Progress against goals: ● On track ● Behind

Apprentices	**1,198** ●

(1) Base year 2021.

To provide the best service for customers and get to net zero, we need to create thousands of high-quality jobs. To fill these roles, there's a huge opportunity to tap into the talent of under-represented groups to deliver a greener and fairer future. So we've committed to hire an apprentice every day over the next decade.

Since 2021, we've recruited 1,198 apprentices and helped over 750 trainees professionally qualify in areas like gas and whitegoods. This is slightly behind where we wanted to be as we slowed recruitment in 2023 to focus on operational stability across our customer-facing business. As a result, we welcomed 165 apprentices to our team last year. Less hiring opportunity also impacted our Ex-Forces Pathway programme which got off to a flying start in 2022 but meant that by the end of 2023, 227 people had been hired against our rolling ambition to recruit 500 veterans, reservists, spouses and partners, so it will continue into 2024-25.

Meanwhile, progress against our ambition for women to make up 50% of our Smart Energy Apprentices, dipped from 20% to 14% but remains much higher than the national gas engineer average of 0.2% women. In 2024, we'll continue to breakdown stereotypes and inspire more diversity in engineering through recruitment, marketing and volunteering campaigns as we work to diversify our wider team too. This includes ramping up our apprenticeship intake which we hope will get us back on track in the years ahead.

We're also encouraging more young people to choose a career in energy. For example, we're supporting Tech She Can's educational programme, Tech We Can, which has directly reached over 60,000 students.

GOAL 3

By 2030, we want to:

Give 100,000 days to build inclusive communities (35,000 days by the end of 2025)(2)

2023 PROGRESS

Progress against goals: ● On track ● Behind

Days	**20,383** ●

(2) Base year 2019.

We're harnessing the passion of our people to build inclusive communities because strong communities are central to a more sustainable future. It's also a great way to help colleagues develop skills and improve engagement.

Although COVID-19 and the energy crisis impacted volunteering in recent years, volunteering has grown from strength-to-strength and is now on track having reached 20,383 days since 2019. As part of this, colleagues gave 7,228 days in 2023. This far exceeded our annual plan of 4,000 days which had been based on doubling our 2022 performance.

Substantive gains were largely made possible by fully embedding team targets at the start of the year to help drive and plan volunteering activity, whilst expanding volunteering opportunities via 'The Big Difference', which is inspiring colleagues to get involved in local causes they care passionately about.

To maintain momentum, we'll continue to expand volunteering opportunities in 2024 including via our Get Set for Positive Energy schools partnership with Team GB and ParalympicsGB. This will stand us in good stead for the annual step-up required in the years ahead, which will see us move from 1 in 4 colleagues volunteering in 2023 to 1 in 3 by 2030.

Alongside volunteering, we support our communities with donations and fundraising focused in three key areas – helping people with their energy today, building a more sustainable energy future for tomorrow, and making a big difference in our local communities everyday. Towards these causes, we invested over £500 million in total community contributions during 2023(3).

(3) Comprises £409.44 million in mandatory and £88.08 million in voluntary contributions to support vulnerable customers and colleagues which includes the Warm Home Discount and Energy Company Obligation amongst others, alongside £4.05 million in charitable donations.

SOME OF THE WAYS WE MADE A DIFFERENCE IN 2023

10

New community organisations helped on the journey to net zero though our Energy for Tomorrow social impact fund, which has an annual budget of up to £600,000 and has supported 36 initiatives to date

>800

Good causes supported through The Big Difference in 2023 – our £2 million local community fund that supports organisations like The Baby Bank in Windsor and the Children's Hospices Across Scotland

£140m

Cumulatively donated in energy bill support since 2022 to help customers through the energy crisis, which in 2023 included an additional £84 million being committed in the UK for distribution mainly via British Gas and the British Gas Energy Trust

In Ireland during 2023, we donated €3 million in energy bill support managed by Bord Gáis Energy and charity partners like Focus Ireland, and we absorbed higher energy costs over the first half of the year

€432k

Donated and fundraised during the year to help prevent family homelessness via our €4.4 million partnership with Focus Ireland, which has helped nearly 8,400 family cases since 2015

PLANET

Supporting every customer to live more sustainably.

GOAL 4

By 2050, we want to:

Help our customers be net zero (28% GHG intensity reduction by the end of 2030)[1]

2023 PROGRESS

Progress against goals: ● On track ● Behind

Reduction	**10%** ●

(1) Net zero goal measures the greenhouse gas (GHG) intensity of our customers' energy use including electricity and gas with a 2019 base year of 183gCO_2e/kWh, normalised to reflect acquisitions and divestments in line with changes in Group customer base. Target aligned to the Paris Agreement and based on science to limit global warming, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century.

The biggest thing we can do to tackle climate change, is to help our customers use energy more sustainably. This is because around 90% of our total GHG emissions (scope 1, 2 and 3), come from the gas and electricity provided to customers (scope 3). In 2023, we provided energy, services and solutions that cut the GHG intensity of the energy our customers use by 10% against the 2019 base year – equivalent to the annual emissions of more than 860,000 homes. Savings were predominantly driven by our renewable and low carbon energy tariffs alongside energy efficiency and optimisation solutions like air source heat pumps and Hive Active Heating. This was up from the 6% reduction achieved in 2022 and was largely due to a rise in the zero-carbon content of our reported electricity fuel mix, which improved by 5% to 80% compared to the UK national average of 55%.

In 2023, we helped our customers progress their journey to net zero by supporting them with measures to decarbonise power, heat and transport by:

- introducing market-leading incentives that encourage the adoption of low carbon technologies – whether that's offering heat pump price and performance guarantees, or providing free electric vehicle (EV) charging for a year with the purchase of a Hive charger;
- delivering around 3,000 heat pumps for the able to pay market and via the Energy Company Obligation (ECO);
- cumulatively installing over 34,000 EV charging points since 2013; and
- launching PeakSave Sundays which has encouraged over 500,000 customers to shift their energy use away from peak demand to reduce pressure on the grid, with the reward of cutting costs as well as emissions.

13.0GW

Route-to-market for renewables under our management – enough to power around 12 million homes

Whilst we currently purchase energy certificates such as Renewable Energy Guarantees of Origin and Nuclear Declarations to back both our green and standard tariffs, we'll review whether that's the right thing for our customers and our business in 2024. We're acutely aware that the debate around the value of these certificates is evolving, with recent research studies and broader expert opinion, identifying a number of issues such as the risk that certificates do not incentivise the building of additional renewable or zero carbon power generation. We'll engage a range of stakeholders on our approach and provide an update in due course.

In the meantime as set out in our Climate Transition Plan (see pages 52 and 54), we'll continue to help customers reduce their emissions by focusing on energy efficiency and optimisation services alongside low carbon technologies and cleaner energy.

GOAL 5

By 2045, we want to:

Be a net zero business (40% GHG reduction by the end of 2034)[2]

2023 PROGRESS

Progress against goals: ● On track ● Behind

Reduction	**21%** ●

(2) Net zero goal measures scope 1 (direct) and 2 (indirect) GHG emissions based on operator boundary. Comprises emissions from all operated assets and activities including the shipping of Liquified Natural Gas (LNG) alongside the retained Spirit Energy assets in the UK and Netherlands. Non-operated nuclear emissions are excluded. Target is normalised to reflect acquisitions and divestments in line with changes in Group structure against a 2019 base year of 2,132,680mtCO_2e. It's also aligned to the Paris Agreement and based on science to limit global warming, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century.

Meaningful progress has been made against our net zero target in 2023, with our total GHG emissions reducing by 21% against the 2019 base year. This was up from the 5% reduction delivered in 2022 and was largely driven by reduced emissions from our Whitegate power station as well as our gas production operations. Sustainable savings were also secured via the gradual roll-out of our EV road fleet and across our property portfolio with lower occupancy being driven by FlexFirst, which lets colleagues choose when they want to work from home or come into the office.

Although we're currently ahead of the glidepath for our net zero target, like many energy companies, our journey to net zero won't be a linear one. This is because we operate in a challenging geopolitical environment where security of supply is a real risk for consumers and as a leading supplier of energy in the UK and Ireland, we have a responsibility to ensure they have the energy they need. Towards this, we increased LNG activity and began work on two new 100MW flexible peaking gas-fired power plants in Ireland which will come online in 2024. Whilst these investments will play an important role in securing a more affordable supply of energy as well as providing flexible power to back-up intermittent renewables, they are predicted to cause our emissions to rise from 2024 before they come back down again around 2027. With general consensus being that gas will be essential during the energy transition until at least the mid-2030s, our action is in line with what's needed, although it does make our pathway to net zero more challenging in the short term. All of our gas peaking plants will, however, be capable of running on hydrogen when hydrogen is available which will help us meet our goal in the medium to long term, which we expect to do.

Alongside these activities, we'll continue to drive wider emissions out of our business and identify opportunities wherever possible to support the adoption of lower carbon energy for customers via our Climate Transition Plan – from securing up to 800MW of low carbon and transition assets by 2025 which includes solar, battery storage and flexible generation, to exploring the conversion of our Rough gas storage facility to store hydrogen and more (see pages 52 and 54).

70%

Our GHG emission reduction over the last decade[3]

(3) Represents our gross reductions. This differs from our net zero goal which is normalised for acquisitions and divestments against the base year.

OUR FOUNDATIONS

Our People & Planet Plan is underpinned by strong foundations that ensure we act fairly and ethically.

CUSTOMERS

We've taken decisive steps to secure a stronger service for customers. For example, in 2023, we invested in engineer training and customer service systems, whilst recruiting 700 additional customer contact roles in the UK as part of our aim to move all call centre resource onshore. Compared to 2022, these operational improvements have contributed to our British Gas Services Engineer Net Promoter Score (NPS) rising by seven points to +71 and our British Gas Energy Touchpoint NPS gaining four points to +17, alongside a reduction in complaints. In Bord Gáis Energy complaints similarly reduced over the course of the year but against a backdrop of challenging conditions, our Journey NPS declined by one point to +18 despite a five point improvement in the second half of 2023. Meanwhile, at Centrica Business Solutions, customer concern for high energy bills and complexity relating to government support schemes led to an increase in complaints. Despite this, customer service delivery remained strong with energy supply Touchpoint NPS improving by one point to +32. See pages 23 to 24 for more.

In recognition that energy bills remain a worry, we continued to help customers through the energy crisis. In 2023, we more than doubled our energy support fund to total £140 million, which is the largest voluntary support package provided by an energy supplier in the UK and Ireland. Since 2022, this has enabled meaningful advice and grants to be provided to customers struggling with their energy bills whilst providing help at the heart of communities (see pages 16 and 43).

COLLEAGUES

It's important that colleagues feel safe, engaged and rewarded. Although we had no colleague fatalities in 2023, a member of the public tragically lost their life in a road traffic accident involving one of our Dyno Franchisees. We also had one Tier 1 process safety gas release at a Spirit Energy asset, resulting in our process safety incident frequency rate increasing from zero to 0.09 per 200,000 hours worked. Our total recordable injury frequency rate did, however, improve by 25% to 0.84 per 200,000 hours worked (see page 27). We continue to focus on keeping safety front-of-mind by reinforcing a strong safety culture, which in 2023 included improving new starter, safety and role-specific training.

Alongside physical health, we're always mindful of wider wellbeing. So we ran campaigns that talked about the importance of being open about mental health whilst encouraging use of our comprehensive suite of support which includes a company-funded benefit healthcare plan for all, a wellbeing app, and our 100-strong network of mental health first aiders. In recognition of the cost of living crisis, we also introduced a Colleague Support Foundation to provide dedicated money advice and grants (see page 39). The CCLA continued to rank us a leader for our approach and disclosure on mental health.

We maintained focus on fair reward practices – from paying at least the Real Living Wage in the UK and upholding equal pay, to working to reduce pay gaps. Our gender pay gap continued to be largely driven by more men working in higher paid jobs like engineering, coupled with more women working in valued but lower paid jobs such as customer service. In 2023, our median gender pay gap improved by 9% to 14%. Our ethnicity pay gap, which we publish voluntarily, is due to similar factors as the gender pay gap, and increased by 1% to 11% median. We're fully committed to reducing our pay gaps over time as we help transform our business, sector and society (see pages 42 to 43).

Action like this is important to colleague engagement. In 2023, our engagement score improved by 0.3 points to 7.7, with gains driven by the value we place on recognition and growing our colleagues, as well as a stronger belief in our purpose and strategy. This was on track with our annual goal and is approaching top quartile performance for our sector. With engagement being fundamental to our productivity and our success, we'll target top quartile performance in 2024 by striving to provide a more inclusive and fulfilling place to work.

COMMUNITIES AND ETHICS

Our Code and Our Values set out the standards we expect for anyone who works for us or with us. This ensures we operate with integrity and in a way that benefits our communities.

At the heart of Our Code is our commitment to uphold and protect human rights. We therefore take action to ensure colleagues and workers in our supply chain are safeguarded from abuses through activities like risk-based training and ongoing due diligence, alongside monitoring of supplier selection and renewal. If suppliers receive a high-risk rating relating to the country where they operate or the products/services provided, we consider appropriate action which may involve conducting a third-party audit to better understand the level of risk. Where concerns are identified, we work with suppliers to raise standards, and if they can't or won't improve, we may end the relationship and report any abuse.

In 2023, we ramped up our audit programme by conducting 20 on-the-ground site inspections and over 6,500 remote worker surveys. These spanned workwear and manufacturing as well as solar panels, battery systems, smart meters and wider electrical products across Bangladesh, Cambodia, China, Hong Kong, India, Pakistan, the Netherlands and the UK. Whilst we've not identified any specific instances of modern slavery, we agreed 142 improvement opportunities with suppliers to help raise standards across labour as well as health and safety practices. The majority of actions have now been completed and the rest are planned to finalise in 2024. As part of our due diligence and monitoring across supplier selection and contract renewals, we also ensured compliance with sanctions on Russia.

Our Code additionally provides clear guidance on bribery and corruption. We prohibit any improper payments, including facilitation payments regardless of value or jurisdiction, and exchange gifts and hospitality responsibly, declaring them on a register. Anti-bribery training is also provided for higher risk roles and our Financial Crime team run third-party risk management screening. A register is used to record and manage potential or actual conflicts of interest.

During 2023, 96% of colleagues completed refresher training on Our Code and confirmed they'd uphold its principles. If anyone suspects Our Code is being contravened, we provide a confidential 24/7 Speak Up helpline. In 2023, we had 1.4 reports of concern per 100 colleagues which broadly aligns with the external benchmark of 1.5, demonstrating that colleagues feel safe to speak up. Reports mainly related to perceived unfair treatment and fraud. All reports were investigated by the Ethics and Compliance team, with quarterly monitoring via the Safety, Environment and Sustainability Committee as well as the Audit and Risk Committee, with matters as appropriate, brought to the attention of the Board.

READ MORE IN OUR MODERN SLAVERY STATEMENT AT CENTRICA.COM/MODERNSLAVERY

ENVIRONMENT

Monitoring and managing our wider environmental impact is crucial. Our water consumption remained relatively steady during 2022-23, increasing by 6% to 335,512m^3. Waste decreased by 19% to 15,161 tonnes due to a reduction in decommissioning works and process enhancements in 2023 compared to 2022.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

In line with the Non-Financial Reporting Directive and Companies Act 2006, we have set out where the relevant information we need to report against can be located.

This includes an explanation of the relevant Group policies which relate to the stated matters below, together with an overall summary of their effectiveness, including specific examples of how the policies are implemented alongside due diligence processes conducted and associated outcomes.

Reporting requirement	Section
Business model	Our Strategy & Business Model – Pages 9-11
Reporting requirement and policy position Our Code sets out our position on key issues by providing a high-level summary of key policies that form the foundation for how we do business. READ MORE AT CENTRICA.COM/OURCODE	**Due diligence and outcome**
Colleagues Our policy states that we work collaboratively to create a workplace that has a respectful and inclusive culture whilst offering fair reward and recognition. We're also committed to working safely and provide proactive support to ensure colleagues' health and wellbeing.	• Group Chief Executive's Statement – Page 8 • Stakeholder Engagement – Pages 15 and 17 • Principal Risks and Uncertainties: People, Safety and Operational Asset Integrity – Pages 33 to 34 • Group Chief People Officer's Report – Pages 38 to 40 • People and Planet – Pages 42 to 43 and 45 • Key Performance Indicators (KPIs) – Pages 27, 39, 42 to 43, 45 and 249 to 250
Environmental matters This policy sets out that we endeavour to understand, manage and reduce our environmental impact. Towards this, we will play our part in the transition to net zero.	• Chair's Statement – Page 5 • Group Chief Executive's Statement – Page 8 • Business Model and Market Trends – Pages 10 to 13 • Stakeholder Engagement – Pages 15 to 17 • Business Review – Pages 24 to 25 • Principal Risks and Uncertainties: Energy Market, Government and regulatory intervention, Weather, Political, Legal, Regulatory or Ethical Intervention/ Compliance, Operational Asset Integrity and Climate Change – Pages 29, 31 to 32 and 34 • People and Planet including TCFD – Pages 44 to 45 and 47 to 55 • KPIs – Pages 24 to 26, 44 to 45, 53 to 54, 249 and 251
Social matters Our policy states that we will treat all of our customers fairly. As part of this, we strive to provide services and solutions that meet their needs as well as care for customers who need extra support. We also want to make a big difference by helping to create more inclusive and sustainable communities. We partner with community and charity organisations on key issues and inspire colleagues to volunteer and fundraise.	• Chair's Statement – Pages 4 to 5 • Group Chief Executive's Statement – Pages 6 to 7 • Stakeholder Engagement – Pages 15 to 17 • Business Review – Pages 23 to 24 • Principal Risks and Uncertainties: Inflation and cost of living, Technology, Customer, Political, Legal, Regulatory or Ethical Intervention/Compliance, Cyber and Safety – Pages 29, 31 to 32 and 34 • People and Planet – Pages 43 to 45 and 52 • KPIs – Pages 23 to 24, 27, 43, 45 and 250 to 251
Human rights This policy commits that wherever we work in the world, we respect and uphold the fundamental human rights and freedoms of everyone who works for us or with us.	• Stakeholder Engagement – Page 15 to 16 • Principal Risks and Uncertainties: Political, Legal, Regulatory or Ethical Intervention/Compliance and Safety – Pages 31 and 33 • People and Planet – Page 45 • KPIs – Pages 45 and 251
Anti-bribery and corruption Our policy commits us to working with integrity, within the laws and regulations of all the countries in which we operate and in accordance with recognised international standards. This includes not offering or accepting bribes or other corrupt practices. We will not tolerate any form of bribery or corruption from suppliers or others.	• People and Planet – Page 45 • Principal Risks and Uncertainties: Political, Legal, Regulatory or Ethical Intervention/Compliance – Page 31 • Based on materiality, KPIs specific to anti-bribery and corruption are not reported externally.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate change requires urgent action. As an energy, services and solutions company, we have an essential role in helping our customers, communities and our business get to net zero.

It's important that we analyse and report what we're doing to effectively manage the impact of climate-related risks and opportunities across our business (see our Business Model on pages 10 to 11). That's why since 2020, we've chosen to structure our reporting around the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (see page 55), to drive greater transparency and action on climate-related matters. Whilst we've achieved full compliance for the third year running in our 2023 reporting, we'll endeavour to continuously improve across all TCFD disclosure requirements to ensure we stay abreast of evolving best practice and stakeholder feedback.

GOVERNANCE

As tackling climate change is at the heart of our purpose and strategy, climate change is a key issue for the Board. Governance is therefore embedded across the full breadth of our business, with the Board supported in its duty to oversee climate-related matters via a series of Board-level and executive-level committees (see governance diagram overleaf). In 2023, climate matters were reviewed by the Board and its Committees in a number of meetings including at all three meetings of the Safety, Environment and Sustainability Committee as well as via the annual Board strategy review. This was complemented by further embedding net zero criteria in our Group investment framework and into strategic planning processes (see page 50).

To aid the Board in overseeing climate change matters and in managing regular engagement on the issue with stakeholders like investors, government and regulators, it's vital the Board have the collective skills required. Consequently, the Board continuously seeks to strengthen capabilities on climate change across energy, regulation, geopolitics and technology, to reduce risk and maximise opportunities. To assess capability, the Board has 'climate change and sustainability' as one of the 11 criteria used in the Skills Matrix, spanning climate science, climate risk and mitigation, alongside evolving stakeholder expectations. In 2023, 60% of the Board were identified as having these competencies which enables us to effectively govern climate matters and we aim to strengthen this even further in the future. To support and grow capability in 2023, the Board underwent deep-dive sessions run by internal and external experts on greenwashing, evolving Environment, Social and Governance (ESG) regulations and responsible sourcing.

Effectiveness in tackling climate change is incorporated in our remuneration scheme for Executive Directors via the 'Restricted Share Plan' (RSP). Vesting is subject to an underpin determined by the Remuneration Committee, whereby the Committee assesses performance across a range of financial and non-financial KPIs, including our Climate Transition Dashboard alongside any material risk of regulatory failures (see pages 85 to 87). The RSP vests every three years with the first vesting period due at the end of 2024.

Our approach to governance and disclosure is strongly influenced by the materiality of ESG matters which includes climate-related issues. To understand what's important and what's not, we assess the impact of these issues on our stakeholders as well as on our business. To do this, we undertake research and conduct direct engagement with stakeholders (see page 15) whilst applying our TCFD financial materiality thresholds. Through identification of our material issues together with associated laws and regulations, management teams can then ensure the necessary processes are in place to effectively measure, manage, mitigate and disclose. We recognise that stakeholder needs and the regulatory landscape are continuously evolving, so we remain agile and adjust our approach in line with expectations.

LISTING RULE COMPLIANCE

We've complied with the requirements of LR 9.8.6R, by including climate-related financial disclosures that are consistent with the four TCFD pillars and the 11 recommended disclosures that are set out on page 55.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Our climate-related financial disclosures additionally comply with the requirements of the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

A DIAGRAM OF OUR CLIMATE GOVERNANCE

The Board

Has ultimate responsibility for climate change and delegates authority to its Committees

- Sets strategy for People and Planet matters including climate change
- Reviews strategic and financial planning to ensure integration of climate considerations as we transition to net zero
- Oversees progress against climate targets and ambitions, whilst ensuring related risks and opportunities are managed effectively
- Approves People and Planet annual reporting
- Chaired by Scott Wheway with attendance including the Group Chief Executive, who has overall accountability for climate change and regularly attends Committee meetings as well as chairs the CLT

READ MORE ON PAGES 57 TO 71

Challenge

Report

Our Committees

Provides challenge and reviews updates from senior leaders, with outputs shared with the Board

Safety, Environment and Sustainability Committee (SESC)

- Meets three times a year and is primarily responsible for supporting the Board in overseeing climate change
- Assesses and approves proposals relating to net zero targets and the Climate Transition Plan, whilst monitoring progress alongside risks and opportunities
- Reviews annual reporting and associated requirements like TCFD
- Monitors stakeholder views on matters such as climate change
- Chaired by Heidi Mottram, Independent Non-Executive Director

READ MORE ON PAGES 82 TO 83

Audit and Risk Committee (ARC)

- Meets quarterly
- Reviews mitigations related to Principal Risks, including those related to climate change
- Oversees and informs Group audits, financial statements and non-financial disclosures
- Chaired by Nathan Bostock, Independent Non-Executive Director

READ MORE ON PAGES 72 TO 78

Remuneration Committee

- Meets four times a year
- Ensures Executive Directors are appropriately rewarded - they consider lots of non-financial reporting items as part of this, including progress against our Climate Transition Plan
- Chaired by Carol Arrowsmith, Independent Non-Executive Director

READ MORE ON PAGES 84 TO 102

Challenge

Report

Centrica Leadership Team (CLT)

Ensures ongoing oversight and challenge on climate strategy

CLT – As frequently as needed at the eight meetings held per year and chaired by the Group Chief Executive, the CLT monitors, assesses and informs progress and plans relating to net zero targets and ambitions as well as Principal Risks and opportunities. At meetings of the Centrica Investment Committee, a sub-committee of the CLT, investment opportunities are reviewed with regard to how we can deliver net zero.

Challenge

Report

Sub-groups

Supports leadership on integrating climate change into strategy

TCFD working group – Ongoing engagement led by Group Environment alongside Strategy, Risk, Finance and Reward, to fulfil mandated reporting requirements and embed climate strategy Group-wide[1]

Group Risk and Controls Review – Chaired by the Group Chief Financial Officer with business unit Managing Directors and Chief Financial Officers in attendance, they review Principal Risks and opportunities alongside controls quarterly (see page 28)

Challenge

Report

Business units

Follows and provides feedback on climate strategy

Managers and teams – Operationalises climate change considerations in line with Group strategy

Risk owners – Identifies, assesses and mitigates climate risks and opportunities

(1) Group Head of Environment develops and socialises climate change strategy and progress, whilst co-ordinating and influencing related activities. Director of Group Strategy embeds climate change into our strategic planning and investment frameworks. Group Head of Enterprise Risk and Controls integrates climate risk and opportunities into the Enterprise Risk Management (ERM) Framework. Head of Accounting Reporting and Tax supports the business to understand the financial impacts of net zero. Group Head of Reward integrates ESG targets into remuneration frameworks.

STRATEGY

2023 saw no material changes to the shape of our business, so we decided not to re-run our scenario analysis as the 2022 analysis remains fit for purpose. In 2023 we did, however, focus efforts on wider related improvements such as expanding the scope of our analysis to include additional sites like our new solar farm in Codford, whilst increasing stakeholder engagement across the value chain.

Our scenario analysis conducted in 2022 to test our strategic resilience to climate change, was run using ten independent climate scenarios that are most relevant to national climate targets as well as our business and the key markets in which we operate across the UK and Ireland. As a next step, we used our in-house scenario analysis model, to assess the various plausible pathways relating to global warming ranging between 1.5°C to 4°C(1), and the potential positive and negative impact of each on our businesses' key services, solutions and assets.

Our in-house model projects our key lines of business based on the relevant external scenario, whilst maintaining our market share and unit margin at a consistent level. This allows us to calculate the potential growth or shrinkage of gross margin (GM) across each business in isolation or in aggregate, out to 2050. In 2023, we updated our short, medium and long-term time horizon intervals from 2025, 2035 and 2050 to 2028, 2038 and 2050, which acknowledges the passage of time since our first publication and better aligns with our latest strategic business plan. We consider this time horizon appropriate as it also aligns with our net zero targets and Climate Transition Plan, as well as encompassing the expected lifetime of the vast majority of our assets alongside the materialisation of key potential transitional risks and opportunities.

As we continue to shift our reported timeframes further out whilst keeping our base-year static, our analysis naturally shows a greater impact as the scenarios accelerate towards net zero. We do, however, recognise that scenarios extending this far out into the future are subject to significant uncertainties and carry material dependencies, which need to be taken into consideration when reviewing insights.

Other critical assumptions on matters such as policy and technology pathways are as per the independent scenarios utilised in the analysis.

(1) Climate scenario global warming measured out to 2100.

Scenarios used:

- Transitional impacts are assessed using four different scenarios from the National Grid Future Energy Scenarios, where assumptions on energy demand, production and use cases are adjusted out to 2050. This enables more detailed modelling of potential impacts in the UK and Ireland at the individual product and commodity level, based on the level of demand for different types of fuel like hydrogen adoption or the scale up of different types of technologies like EVs. We adapt the scenarios for the Irish context to reflect key differences, such as off-grid consumers making up a bigger proportion of customers.
- Physical impacts are assessed using three different scenarios based on the Intergovernmental Panel on Climate Change Representative Concentration Pathways. The scenarios allow physical climate attributes to be modelled such as temperature and sea level rise as well as flooding and extreme weather, across differing average temperature rises resulting from varying radiative forces.
- Asset impairment is assessed using the International Energy Agency Net Zero Emissions scenario and Aurora Net Zero Mixed & High Renewable Energy Share scenarios, which model 1.5°C pathways to net zero for the energy sector. This allows us to model the potential impact on global and regional demand for different energy sources in response to different drivers like carbon pricing. In turn, this affects commodity prices and the potential implications for the valuation of gas and power assets.

Net financial benefit

Our modelling suggests an overall net financial benefit for the Group across all climate scenarios

Our scenario analysis findings (see page 51), show that based on our strategic plans and capabilities, we're well-placed to mitigate the risks and seize the opportunities presented by climate change as we journey to net zero. Indeed, our modelling suggests an overall net financial benefit for the Group across all scenarios assessed.

This is because as a uniquely integrated energy company with market-leading positions across the energy value chain, our business model has been designed to be resilient and evolve in line with the needs of the energy transition, to ensure that we deliver on our Purpose of energising a greener, fairer future. That said, in any given scenario, we fully recognise that the potential for risks to manifest is subject to uncertainty, as are the opportunities and our ability to pivot effectively to realise them. We therefore always consider this uncertainty when assessing our strategic resilience to decarbonisation.

Looking at our findings, we see parts of our business exposed to potential transitional risks and opportunities, such as those relating to policy and regulatory changes which range from 'low' to 'high' in significance over the longer term. For example, the key risk for British Gas and Bord Gáis Energy, mainly relates to the gradual phase-out of natural gas in heating which although an essential transition fuel in the mid-term, may require a shift in the range of services and solutions offered to customers. We believe we're well positioned to pursue the opportunities created by this shift, given our brands have all the necessary systems and capabilities to adjust from the trading and sale of gas and electricity, to a system that's more heavily dependent on electricity and hydrogen.

For instance:

- our market-leading engineering workforce primarily installs gas heating solutions today, but can be gradually upskilled to deliver new solutions via our centre of excellence training campuses that are located around the UK; and
- we're continuing to enhance our strategic resilience by structurally altering our business model to establish positions in low carbon solutions like heat pumps and hydrogen, which are expected to drive the energy transition forward. This includes launching an internal business unit, New Business and Net Zero, which is dedicated to delivering low carbon solutions to residential customers, alongside Centrica Business Solutions which provides some fossil fuel-based solutions but specialises in helping large scale energy users with the creation of bespoke net zero action plans and the adoption of low carbon energy solutions.

Moreover, most of the modelled opportunities exist in areas where we've a strong market presence and are associated with relatively mature technologies like EVs, electric heat pumps, solar and battery storage. Clean hydrogen for heating is the only high-impact opportunity we've identified that's reliant on more emerging technology, which may therefore be harder to harness. Consequently, we've been proactive in hydrogen research and development opportunities – whether that's the trial of hydrogen production at our Brigg power station with HiiROC, or the exploration of hydrogen fuel switching at our Easington Terminal.

Alongside transitional risks and opportunities, sit our physical risks. During the scenario analysis, we took into account acute physical risks relating to extreme weather such as the risk of increased wave height as well as chronic physical risks which include those associated with longer term shifts in climate patterns that lead to sea level rise or sustained heat waves. Across both, our focus was on our energy assets in Centrica Energy Storage+, Centrica Business Solutions and Spirit Energy, which are typically more vulnerable to these kinds of risks due to the nature of activity undertaken. In 2023, we built on our 2022 assessment by running scenario analysis on new sites. This included our new solar farm in Codford and our distribution centre in Leicester. The analysis re-confirmed that we're generally exposed to physical acute risks that are 'low' in significance in the near and longer term. Our only potential 'medium' risk arose from a physical chronic risk, whereby a rise in mean temperature with an extreme >4°C warming future by 2050, reduces energy demand for heating. This risk, however, would be partially offset by an increase in cooling demand and counters many of the transitional risks, to provide a natural hedge for the Group.

The risk of asset impairment was additionally refreshed in 2023 based on price forecasts aligned with a 1.5°C scenario. This showed that our most exposed assets were our gas production fields alongside our investment in nuclear. We found that the impact on the value of our gas assets was relatively 'low' due to both existing impairment headroom and the fact that the majority of fields are expected to have produced most of their reserves within the next five years. Our investment in nuclear would be further impaired by around £15 million, as baseload power price scenarios are slightly over net zero price forecasts (see note 7 to the financial statements). Further details on how the Directors' have considered the impact of climate risk and opportunities on the wider financial reporting judgements and estimates, are provided in note 3 to the financial statements.

In 2023, we shifted our approach to engage suppliers on the potential impact of climate change to their operations, and their subsequent supply of goods and services to us. Through our updated Responsible Procurement Framework, we targeted all 'strategic' and 'critical' suppliers as well as some 'core' suppliers to participate in our assessment[1].

We had a strong supplier response rate of 30%, with around 80% assessing their exposure to risk, 60% using sophisticated scenario analysis and 100% having resilience plans in place – this included the one company who reported a risk of disruption supplying us due to climate-risk. Overall, we concluded that our supply chain risk remained 'low' in significance over the near and longer term. We believe that risk across our supply chain can be effectively managed through our ongoing deepening of dialogue with suppliers, alongside defined hedging strategies and collaboration with counterparties. As with all risks identified, we'll continue to monitor our supply chain risk, so that we can act if the level of potential impact rises.

As the energy transition deepens, all modelled scenarios involve significant disruption to our markets. So we'll need to adapt accordingly. Our assessment of the capital expenditure required to manage potential risks and opportunities, remains in line with our current plans and balance sheet. We've also identified numerous opportunities for capital investment into new and existing assets and technologies through the process. For example, through our green-focused investment strategy, we'll build investment levels to £600-£800 million per year through to 2028, with at least 50% of capital expenditure due to go into green taxonomy eligible projects compared to 5% only two years ago. This will help us meet our targets to achieve net zero and our climate transition ambitions, including our commitment to invest up to £100 million in low carbon and transition assets[2] annually from 2020 to 2025, whilst exploring longer term optionality at assets for hydrogen storage and carbon capture and storage.

Our assessment of how climate-related issues might affect our business, is integrated into our annual strategic and financial planning process at a business unit level as well as a Group level. This includes growth plans for key opportunities identified, with metrics and targets to determine whether performance is on track. All investment proposals are additionally assessed on their anticipated GHG emissions, EU taxonomy eligibility and their role in delivering net zero, the outcome of which informs the final investment decision. This process importantly underpins how we are pivoting our organisation towards a lower carbon future and helps shape our decisions on energy, services and solutions.

READ MORE ABOUT OUR FINANCIAL PLANNING PROCESS IN OUR CDP DISCLOSURE AT CENTRICA.COM/CDP23

Progressing opportunities for a greener future in 2023:

65MW

Battery storage plant planned in Perthshire to store offshore wind energy – our largest battery storage project to date that'll be capable of powering 130,000 homes and is due to be up and running by 2028

18MW

Solar farm built and opened at Codford which can power 5,000 homes – our first Centrica-owned solar farm

(1) Strategic and critical suppliers are long-term providers of essential products and services which can affect our ability to operate. Core suppliers are suppliers who aren't essential but play an important role in the products and services provided and were selected by our Procurement team from a broader group.

(2) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.

SUMMARY OF OUR MOST MATERIAL RISKS AND OPPORTUNITIES[(1)]

Impact on gross margin (GM)

0-5% (low)	5-10% (medium)	>10% (high)

TFCD category	Climate related trend	Potential financial impact		Potential materiality 2028 (short term)	2038 (medium term)	2050 (long term)	Strategic response and resilience
Transition: Policy, Markets and Technology	Transition away from fossil fuelled heating	**Risk:** Reduced GM from the sale and servicing of natural gas residential boilers and commercial Combined, Heat and Power (CHP) units at British Gas Services & Solutions (BG S&S), Centrica Business Solutions (CBS) and Bord Gáis Energy (Bord Gáis)	>2° C	low	low	medium	• Strategic aim to remain the market leader in heating solutions in the UK and Ireland (UK&I), whilst growing market share in heating installs • Installation of hydrogen-ready boilers and CHP units
			1.5° C	low	high	high	
Transition: Policy, Markets and Technology	Growth in low carbon heating market	**Opportunity**: Increased sales and servicing of electric and hydrogen fuelled heating systems, and associated opportunities in energy efficiency at BG S&S, CBS and Bord Gáis	>2° C	low	medium	medium	• Heat pump business launched with material growth plans, aiming for 20,000 installs a year by 2025 with plans to build from there • Partnering to grow capability and adoption with hydrogen use trials alongside research and development into low carbon CHP
			1.5° C	medium	high	high	
Transition: Policy, Markets and Technology	Transition away from natural gas	**Risk:** Reduced GM from the sale of natural gas from fuel switching and energy efficiency at British Gas Energy (BGE), CBS and Bord Gáis	>2° C	low	low	high	• Strategic aim to grow customer numbers in UK&I energy supply
			1.5° C	medium	high	high	
Transition: Policy, Markets and Technology	Growth in low carbon heating market	**Opportunity:** Increased sales of electricity and green/low carbon hydrogen at BGE, CBS and Bord Gáis	>2° C	medium	medium	high	• Systems and capabilities in place to pivot towards trading and selling hydrogen • Partnering in hydrogen production and use trials to grow capability and adoption
			1.5° C	medium	high	high	
Transition: Markets	Growth of EV transport market	**Opportunity:** Access to new and growing value pools related to EV charging installs, operation and maintenance (O&M), and energy supply at BG S&S and Bord Gáis	>2° C	low	high	high	• Internal business unit, New Business and Net Zero, launched with the aim of becoming a leader in EV charging infrastructure installs and O&M • Ambition to install up to 100,000 EV charging points per annum by 2025
			1.5° C	low	high	high	
Transition: Energy Source	Growth in demand for renewable energy	**Opportunity:** Strong growth in solar and battery markets driven by decarbonisation at CBS, Bord Gáis and BG S&S	>2° C	low	low	low	• Strategy to invest up to £100 million each year by 2025 to build a low carbon and transition asset portfolio of more than 800MW • Value derived from install, O&M and asset ownership
			1.5° C	low	medium	medium	
Physical Chronic	Rising mean temperatures	**Risk:** Reduced sales of natural gas and electricity for heat at BGE, CBS and Bord Gáis	>2° C	low	low	medium	• Strategic aim to grow customer numbers in UK&I energy supply • Heat pump business launched with material growth plans, which is also capable of providing cooling
			1.5° C	low	low	low	
Net impact for the Group			>2° C	+ (high)	+ (high)	+ (high)	• Analysis suggests an overall net financial benefit for the Group across all scenarios, based on our strategic plans, portfolios and capabilities
			1.5° C	+ (medium)	+ (high)	+ (medium)	

(1) Our financial scenario analysis is conducted every three years unless there is a material change to the business or external scenarios. Materiality above is therefore based on 2021 Group GM due to our last scenario analysis taking place in 2022 (see page 49). A well-below and well-above 2°C scenario for global warming has been used to best demonstrate the spectrum of proactive and inactive progress on climate change in our key markets, and the impact this may have on our business. In the analysis which spans over 95% of the Group, this table includes our most material risks and opportunities together with the inclusion of our most material physical risk because whilst less material than all other key risks in the long term, we believe it's important to transparently show the net impact of physical risk on GM. All listed 'opportunities' result in a positive impact on GM whilst all listed 'risks' correlate to a negative impact on GM. The table concludes by showing an overall positive net financial benefit for the Group across all climate scenarios and time periods assessed.

OUR CLIMATE TRANSITION PLAN SET OUT IN 2021

Our Plan helps us effectively manage our risks and opportunities to ensure we deliver our net zero targets, whilst enabling a fair and affordable transition for all. Within our Plan, we've set a number of ambitions that are aspirational but are fully baked into business unit growth plans, to advance the energy transition.

Our ambitions to help our customers be net zero by 2050 are to:

- double the number of Hive customers to 2.5 million by 2025;
- deliver 6 million additional smart meters by 2025;
- achieve annual installs of up to 100,000 EV charging points and 20,000 heat pumps by 2025; and
- invest up to £100 million in low carbon and transition assets each year from 2020 to 2025[1].

Our ambitions to be a net zero business by 2045 are to:

- build a zero-emission road fleet in the UK by 2025[2];
- cut our UK property emissions by a further 50% by 2030;
- progress our strategic transformation to exit remaining activities in oil and gas exploration and production with the intention to run-off remaining fields and meet decommissioning obligations substantively by the early 2030s, whilst stopping any further investment in new oil and gas fields;
- redirect investment into assets that drive the transition forward – from securing up to 800MW of low carbon and transition assets by 2025[1], to exploring the conversion of our Rough gas storage facility to store hydrogen by 2035, and decarbonising the Humber industrial cluster by 2040; and
- grow the portion of our capital allocated to green-eligible activities from 5% to at least 50% by 2025[2].

We can't achieve these ambitions on our own, so we'll need to maintain an open dialogue with customers, government and others, to ensure they play their part as we play ours. For the transition to be a success, we must also ensure that we don't leave anyone behind. We'll therefore champion the needs of our customers and ensure support for those who struggle with their energy bills, create thousands of high quality inclusive green jobs, back sustainable initiatives in communities and work towards a low carbon supply chain.

Every three years, we'll provide an update on our Climate Transition Plan, with the next iteration due in 2024 followed by a shareholder advisory vote at the AGM in 2025. At the AGM in 2022, our existing Plan achieved a 79.96% shareholder advisory approval rate.

READ MORE ABOUT PROGRESS AGAINST OUR AMBITIONS ON PAGE 54

READ MORE AT CENTRICA.COM/CLIMATETRANSITION

READ MORE ABOUT CLIMATE ENGAGEMENT WITH TRADE ASSOCIATIONS AT CENTRICA.COM/TRADEASSOCIATIONS

(1) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.
(2) From 2024, our ambition for a zero-emission van fleet will be extended out to 2030 (see page 53). Our capital allocated to green investment will also run out to 2028 (see page 11).

RISK MANAGEMENT

Transition and physical climate risks alongside all wider risks, continued to be predominantly managed via our ERM Framework to ensure consistency in identification and controls management. The Framework uses a time horizon of 0–3 years to assess Principal Risks, coupled with a longer timeframe of 3–20 years to assess Emerging Risks. Following this process, climate change was made a Principal Risk in 2021 through to 2023.

The process starts with our wider strategic planning process, whereby Group Strategy and Environment, run the climate scenario analysis to identify and assess risks and opportunities across a range of plausible future scenarios. They then work closely with Group Enterprise Risk and Control, to ensure full consideration of potential financial impacts across time horizons, alongside integration within the ERM Framework, the Group Principal Risks table and business unit risk registers. Climate change risks alongside other business unit risks are then considered at the Group Risk and Controls Review. The most material Principal Risks which include Climate change alongside other risks that may impact our ability to deliver on our Climate Transition Plan such as Weather and Operational Asset Integrity, are subsequently reported to the CLT and then to the Board's ARC (see page 28). This is supported by more detailed reports on climate change strategy, progress, risk and opportunities, presented to the SESC. The Board Annual Planning Conference then examines the external landscape and strategic plans, which includes risk relating to market, competition, technology and policy, that are all influenced by climate change. With this context, the Board is able to review the robustness of the business's strategic proposals and transition plans.

READ MORE ABOUT RISK ON PAGES 28 TO 37

METRICS AND TARGETS

We've a strong track record in adopting best practice reporting of GHG emissions as well as in setting and achieving climate-related targets. Having fully considered the TCFD recommendations on metrics and targets, we report those that are most relevant and material to our business and stakeholders. As part of this, we robustly manage and mitigate our impact through our metrics, targets, ambitions.

These include:

- **metrics** for energy consumption and global GHG scope 1, 2 and 3 emissions (see emissions table overleaf). The majority of these metrics have undergone limited external assurance every year since 2012. In 2022-23, our emissions declined, mainly as a result of reductions at our Whitegate power station as well as our gas production operations.

- targets in our People & Planet Plan focus on being a net zero business by 2045 and helping our customers be net zero by 2050. They therefore actively contribute to the UK's target to get to net zero by 2050. The targets are also aligned to the Paris Agreement and based on science, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century. We are, however, currently unable to progress our validation by the Science Based Target initiative (SBTi) due to the continued delayed Oil and Gas guidance, which the SBTi believe will apply to us. In alignment with best practice, our targets will predominantly be delivered through carbon abatement rather than offsetting. Although we expect to have hard-to-remove residual emissions in the 2040s, we'll use our in-house carbon trading team to engage high-quality carbon removal projects like tree planting, to achieve net zero in a credible way. Our targets receive limited external assurance on a rotational basis every three years. In 2023 we were on track with both our customer and business targets (see page 44); and
- climate transition ambitions. Our ambitions were introduced in our Climate Transition Plan to help respond to key risks and opportunities, and drive progress toward our People & Planet Plan net zero targets. Through incorporation into budgets, business plans and accounting assumptions, good progress is being delivered against our ambitions although we're behind on some of them. For example, our EV van fleet roll-out has been slowed due to deployment issues which includes not all engineers being able to charge their vehicles easily and efficiently due to the majority not having private driveways in which to charge their EV, especially as the wider charging infrastructure is growing at a slower rate than anticipated. This means we will not meet our 2025 ambition. Delivering for our customers will remain our top priority, so we have re-set our ambition for a zero-emission van fleet to 2030, which still remains five years ahead of the re-stated UK ban of new petrol and diesel vans. Likewise, demand for installing EV charging points and heat pumps has grown over the years but at a slower pace than expected. So we'll need to remain focused on developing capability and market-leading offers that excite customers into taking up and harnessing the value these technologies create (see page 44). We will review our ambitions in full as we develop our updated Climate Transition Plan due for publication in 2024. See more about our progress in our Climate Transition Dashboard overleaf, the performance of which is embedded into remuneration arrangements for Executive Directors.

To ensure we reduce our emissions and progress toward our climate transition targets and ambitions, we use an internal carbon price which helps guide commercial decisions in line with our Climate Transition Plan. In 2023 our internal carbon price ranged between £92/tCO_2e and £119/tCO_2e. The carbon price is time-sensitive and rises over time to incentivise future decisions and better predict long-term impact of regulation on our business. For example in 2023, our internal carbon price was utilised for hedging to support the decarbonisation of our fuel mix as well as to determine the price point for bidding in the energy market auction for potential future generation assets, alongside power purchase agreements.

Whilst the metrics and targets set out below and on pages 44 and 54 relate to our most material climate-related risks and opportunities, we measure and track a number of wider less material environmental metrics including water and waste (see pages 45 and 251). Our metrics, targets and ambitions will likely evolve in line with best practice and the changing world around us.

OUR ENERGY USE AND GHG EMISSIONS

	2023	2022
Total GHG emissions (scope 1 and 2)(1)	**1,681,475tCO_2e** †(2)	2,009,885tCO_2e (3)(4)
Scope 1 GHG emissions	**1,674,829tCO_2e** †(5)	2,004,693tCO_2e (4)(6)
Scope 2 GHG emissions	**6,647tCO_2e** †(7)	5,193tCO_2e (4)(8)
Scope 3 GHG emissions(9)	**21,180,922tCO_2e**	24,330,208tCO_2e
Total GHG intensity by revenue(10)	**64tCO_2e/£m** (11)	85tCO_2e/£m (12)
Total energy use	**7,437,652,380kWh** †(13)	9,047,097,047kWh (14)

Reporting practices for environmental metrics are drawn from the WRI/WBCSD Greenhouse Gas Protocol and Defra's Environmental Reporting Guidelines. Reporting is additionally based on operator boundary which is the more commonly used approach for reporting environmental matters, and includes all emissions from our shipping activities relating to LNG alongside the retained Spirit Energy assets in the UK and Netherlands. Non-operated nuclear emissions are excluded.

† Included in DNV's independent limited assurance report. See page 249 or centrica.com/assurance for more.

(1) Comprises scope 1 and scope 2 emissions as defined by the Greenhouse Gas Protocol.
(2) Comprises UK 547,542tCO_2e and non-UK 1,133,933tCO_2e.
(3) Comprises UK 726,891tCO_2e and non-UK 1,282,994tCO_2e.
(4) Restated due to availability of improved data.
(5) Comprises UK 542,244tCO_2e and non-UK 1,132,585tCO_2e.
(6) Comprises UK 722,810tCO_2e and non-UK 1,281,883tCO_2e.
(7) Market-based, comprises UK 5,299tCO_2e and non-UK 1,348tCO_2e. Location-based is 17,041tCO_2e.
(8) Market-based, comprises UK 4,082tCO_2e and non-UK 1,111tCO_2e. Location-based is 16,275tCO_2e.
(9) Includes emissions from the following scope 3 categories defined by the Greenhouse Gas Protocol: purchased goods and services, capital goods, fuel and energy-related activities, waste generated in operations, business travel, employee commuting, upstream and downstream transportation and distribution, use of sold product and investments. All emissions are calculated in line with the methodologies set out by the Greenhouse Gas Protocol's technical guidance, apart from working from home emissions which are based on methodology set out in EcoAct's homeworking emissions whitepaper. Other categories spanning upstream leased assets, processing of sold products, end-of-life treatment of sold product, downstream leased assets and franchises, are not included because they are not relevant to our business.
(10) Carbon intensity of revenue is employed as our intensity measure because it is the most meaningful intensity measure for our diverse business and is the most widely used and understood measure for climate-related stakeholders such as CDP. Based on statutory revenue.
(11) Comprises UK 25tCO_2e/£m and non-UK 267tCO_2e/£m.
(12) Comprises UK 42tCO_2e/£m and non-UK 203tCO_2e/£m.
(13) Comprises UK & Offshore 1,654,616,311kWh and non-UK energy use 5,783,036,069kWh.
(14) Comprises UK & Offshore 2,394,832,533kWh and non-UK energy use 6,652,264,514kWh.

OUR CLIMATE TRANSITION DASHBOARD – PROGRESS AGAINST OUR CLIMATE TRANSITION PLAN 2021(1)

Includes our net zero targets, supported by our climate transition ambitions

Progress against targets and ambitions: ● On track ● Behind

TARGETS & AMBITIONS	2023 Progress	2022 Progress
Customer GHG emissions – 28% intensity reduction by 2030 and net zero by 2050 (from 2019)	**10% reduction ●**	**6% reduction ●**
Hive Active Heating – 2.5 million customers by 2025 (units to date)	2.4m ●	2.0m ●
Smart meters – 6 million additional installed by 2025 (from 2020)	3.0m ●	2.3m ●
EV charging points – 100,000 in year by 2025 (annual units)	7.0k ●	7.4k ●
Heat pumps – 20,000 in year by 2025 (annual units)	3.0k ●	1.0k(2) ●
Centrica GHG emissions – 40% reduction by 2034 and net zero by 2045 (from 2019)	**21% reduction ●**	**5% reduction(3) ●**
Low carbon and transition assets – 800MW installed by 2025 (from 2020)(4)	132MW ●	101MW ●
Fleet by 2025 (total to date)(5)		
– 100% EV van roll-out	29% ●	23% ●
– 100% EV car roll-out	74% ●	43% ●
Property – 50% reduction in UK emissions by 2030 (from 2019)	65% ●	63% ●
Capex – grow capital allocated to green activities from 5% to at least 50% by 2025 (from 2019)(5)	31% ●	9% ●

(1) Glidepath trajectory for climate transition ambitions is not linear. Demand is expected to increasingly grow, resulting in accelerated delivery against the target as we approach the target date.
(2) Restated to additionally include installations via ECO.
(3) Restated due to availability of improved data.
(4) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.
(5) From 2024, our ambition for a zero-emission van fleet will be extended out to 2030 (see page 53). Our capital allocated to green investment will also run out to 2028 (see page 11).

READ MORE ABOUT OUR WIDER DATA AND TRENDS IN
OUR DATA CENTRE AT CENTRICA.COM/DATACENTRE

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES

The table below sets out the 11 TCFD recommendations and where the related information can be found.

Recommendation	Recommended disclosure	Pages
Governance	a) Describe the Board's oversight of climate-related risks and opportunities	Pages 47 to 48 and 57 to 71
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Pages 47 to 48, 52, 72 to 78 and 82 to 83
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Pages 49 to 52,138 to 142 and 152 to 156
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Pages 49 to 52, 138 to 142 and 152 to 156 CDP 2023 submission centrica.com/CDP23
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 49 to 52
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	Pages 28 to 29, 48 and 52
	b) Describe the organisation's processes for managing climate-related risks	Pages 28 to 29, 31 to 32, 34, 48 and 52
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Pages 28 to 29, 48 and 52
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 52 to 54 Data centre at centrica.com/datacentre
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 49 to 53
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Pages 44 and 52 to 54 Climate Transition Plan at centrica.com/climatetransition

The Strategic Report has been approved by the Board and signed on its behalf by:

Raj Roy
Group General Counsel
& Company Secretary
14 February 2024