Governance

DIRECTORS' AND CORPORATE GOVERNANCE REPORT

DEAR SHAREHOLDER

I am pleased to present the 2023 Directors' and Corporate Governance Report. The Board recognises that good governance is essential for the effective delivery of our strategy and the ongoing development and sustainability of the Group, and in this report, we will update you on Centrica's corporate governance, what the Board did in 2023 and the Board's focus areas for the year ahead.

Having successfully revitalised the business by materially simplifying our portfolio and strengthening our balance sheet, alongside a relentless focus on operational performance, the Board has spent time seeking to build on this success and, as a result, significant efforts have been dedicated to crafting a green-focused investment strategy. This strategy is designed to ensure Centrica's long-term sustainability and enhance stakeholder value. More information about this can be found on pages 14 and 15.

The Board is dedicated to delivering sustainable value to both shareholders and other stakeholders. In 2023, the Company declared and paid a total of 4.0p per share in dividends to shareholders (up 33% on the total dividend of 3.0p per share paid in 2022). As of 31 December 2023, we returned £613 million to our shareholders through our share buyback programme, with a further £2 million committed not yet settled, being a total of £615 million, as part of our commitment to distribute surplus capital. We expect to invest around £600-£800 million a year until 2028, primarily in customer technology, renewable generation and flexible power assets, enhancing the security of energy supply in the UK, while creating value for our shareholders. We have also maintained a strong focus on advancing the Company's energy transition journey as outlined in our Climate Transition Plan (CTP). The CTP, and details of our progress to date, can be found at centrica.com/sustainability and in earlier sections of this Annual Report and Accounts.

ORGANISATIONAL CULTURE

Centrica is grounded in values of Care, Delivery, Agility, Courage and Collaboration, which form the core of our organisational culture. Our values are supported by Our Code that sets out our fundamental standards for engagement and collaboration. Our Code guides our decision-making, reflects our commitment to integrity and can be accessed at centrica.com/ourcode.

The Group Chief Executive regularly updates the Board on issues related to employee engagement, with the quarterly 'Our Voice' survey offering the Board crucial insights into the Company's culture. This is supplemented with feedback from a variety of other sources, including dedicated colleague engagement meetings. I and my fellow Directors find these meetings to be most informative and we appreciate the opportunity to engage directly with colleagues in this way. You can find more information on the survey and other workforce engagement practices on pages 38 and 39. The Board maintains a focus on cultivating the Company's culture, emphasising colleague development and digital enablement for Centrica's future readiness.

DIVERSITY, EQUITY AND INCLUSION

Diversity, equity and inclusion continue to be key priorities for the Board. As at 31 December 2023, we complied with the diversity targets outlined in the FTSE Women Leaders Review and the Parker Review to have over 40% female representation on the Board and at least one Director from a minority ethnic background. We also complied with the Board and senior executive gender and ethnicity targets in the Listing Rules, save for the target that at least one senior position (Chair, Senior Independent Director, Group Chief Executive and Group Chief Financial Officer) be held by a woman. This situation arose when Kate Ringrose stepped down as Group Chief Financial Officer last year and Russell O'Brien was appointed following a thorough and robust recruitment process involving both a diverse candidate pool and interview panel. However, as explained in further detail in the Nominations Committee Report, the Board is fully committed to meeting the diversity target in relation to the above-mentioned senior Board roles. The Board will therefore, as part of its ongoing succession planning arrangements, ensure that this requirement is taken into account in a way that enables the Company to meet the diversity target at the earliest possible opportunity. Overall the Board's range and depth of experience and skills has expanded over the past year with new appointments to the Board in a way that will assist the Company in the delivery of its strategy.

The Board has recently updated its diversity policy to comply with Disclosure Guidance and Transparency Rule 7.2.8A, the FTSE Women Leaders Review, and the Parker Review. This update also extends the policy to the Board's Committees. For more detailed information on the Board's diversity policy, please visit centrica.com or refer to the Nominations Committee Report on page 80.

Centrica is dedicated to fostering an inclusive environment where all individuals, regardless of their background, can succeed. We are actively working to ensure that our workforce, including senior leadership, mirrors the diversity of the communities we serve. Our Company has implemented policies aimed at enhancing diversity, equity and inclusion at every level. We have made progress in recruiting, promoting, and developing employees from diverse backgrounds, and we are committed to continuing these efforts.

BOARD COMPOSITION

On 1 March 2023, Russell O'Brien became Group Chief Financial Officer. During the year, after a detailed assessment of the Board's needs and the strategic path of the Group by the Nominations Committee, three new independent Non-Executive Directors were appointed; Philippe Boisseau, Jo Harlow and Sue Whalley, each of whom brings a wealth of diverse experience to the Board. You can find more information on these Directors and their appointments in the biographies and the Nominations Committee Report on pages 59 to 62 and 79 to 80 respectively.

BOARD, COMMITTEE AND DIRECTOR EVALUATIONS AND EFFECTIVENESS

In September 2023, the Board conducted a self-evaluation supported by Lintstock, a corporate advisory firm specialising in Board performance evaluations. The evaluation focused on a broad range of topics, which are discussed in more detail on page 66. Lintstock generated a tailored report, drawing on input from all the Directors. The output from this evaluation was reviewed at the Nominations Committee meeting in November 2023, in which all Directors participated.

The Directors concluded that, overall, the Board was performing effectively and the Committees were effective in supporting the Board to deliver against its objectives. The evaluation also identified areas which could benefit from increased focus and these topics (see page 69) will be amongst the key priorities for the Board in the year ahead, in addition to the strategic and operational priorities already discussed in other sections of this Annual Report and Accounts.

ENGAGEMENT WITH OUR STAKEHOLDERS

Stakeholder views are gathered through an extensive network of strategic engagements to help grow the business and deliver improvements for our customers, colleagues and society over the long term. During 2023, representatives from the Board met with major shareholders from time to time in order to obtain their perspectives on a range of matters, including the Company's performance, strategy and ESG matters.

The Board maintains collective responsibility for engaging with employees regularly throughout the year, recognising the insights and benefits gained by all Board members from regular interactions with a diverse range of colleagues.

Throughout the year, Non-Executive Directors have visited a number of sites to immerse themselves in the operational aspects and communicate directly with employees about their work experiences and other significant issues. For instance, in 2023 the Board visited numerous sites Group wide, including the Brigg power station, the Hessle office, the Centrica Energy Storage gas terminal at Easington and the British Gas contact centre in Stockport. This engagement strategy is reviewed periodically to ensure its effectiveness.

Further details of how the Board has discharged its duties under Section 172 of the Companies Act 2006 can be found in our Section 172 statement and Stakeholder Engagement section on pages 16 to 17.

LOOKING FORWARD

Overall, I am pleased with the strong progress that was made in terms of the governance of the Company in 2023. The Board naturally remains focused on delivering against strategy, succession planning and ultimately creating long term sustainable value for all our stakeholders.

Thank you for your continued support and I look forward to updating you again during the year at our Annual General Meeting in June.

Scott Wheway, Chair
14 February 2024

BOARD OF DIRECTORS*

Scott Wheway | Chair

Scott joined the Board on 1 May 2016 and became Chair of the Board on 17 March 2020.

Relevant skills and experience

Scott has a wealth of experience as a senior customer-facing business leader with a mix of deep retail and consumer expertise. He has considerable knowledge gained in both the retail and insurance sectors, together with a strong understanding of operating within highly regulated businesses.

Previous experience

Scott worked in retail for 27 years both in the UK and internationally. His prior roles include chair of AXA UK plc from December 2017 until June 2022, seven years on the board of Santander UK plc, where he was the senior independent director, and non-executive director of Aviva plc between 2007 and 2016. He is the former chief executive officer of Best Buy Europe (retail services), director of The Boots Company plc, managing director and retail director of Boots the Chemist at Alliance Boots plc and a director of the British Retail Consortium. He formerly held a number of senior executive positions at Tesco plc (retail services), including chief executive of Tesco in Japan.

External appointments

Non-executive director of Lloyds Banking Group plc and chair of Scottish Widows Group.

Chris O'Shea | Group Chief Executive

Chris joined Centrica in 2018 as Group Chief Financial Officer and was appointed as Group Chief Executive in 2020. Chris is also Chair of the Disclosure Committee and Chair of Spirit Energy (joint venture).

Relevant skills and experience

Chris has wide-ranging experience across the entire energy value chain together with recognised experience in transforming business and financial performance. He has considerable knowledge of working in highly regulated industries and in complex, multi-national organisations, not only in the energy sector but also in technology-led engineering and services industries.

Previous experience

Chris was appointed Group Chief Executive in early 2020 having previously been Group Chief Financial Officer. Prior to joining Centrica, Chris was group chief financial officer of UK listed Smiths Group plc and Vesuvius plc, and a non-executive director of Indian listed Foseco India Ltd. From 2006 to 2012 Chris held various senior finance roles with BG Group plc, including chief financial officer of Africa Middle East & Asia and Europe & Central Asia, prior to which he held a number of senior roles with Shell, (living and working in the UK, the US and Nigeria), and with Ernst & Young.

Chris studied Accounting and Finance at the University of Glasgow, is a Chartered Accountant, and holds an MBA from the Fuqua School of Business at Duke University.

External appointments

None.

Russell O'Brien | Group Chief Financial Officer

Russell joined the Centrica plc Board on 1 March 2023 and is also on the Board of the majority-controlled subsidiary, Spirit Energy.

Relevant skills and experience

Russell has broad experience from across the energy value chain having spent more than 25 years with Shell plc. He developed his financial management experience through work in various business models from Retail through to upstream development. Russell has extensive knowledge of controlling, capital markets, commercial finance and mergers and acquisitions activities.

Previous experience

Prior to joining Centrica, Russell worked for Shell plc from 1995 to 2021. From 2006 to 2009 Russell was financial controller for Shell's upstream operations in the Americas. Russell was then CFO for Shell's global retail business from 2009 to 2013. Following this, he was CFO for Shell's Integrated Gas division. In 2015 he was appointed group treasurer. During his time as treasurer Russell was also a board member of Shell Trading and chairman of Shell Asset Management Co. Russell has lived and worked in the USA, Singapore, the Netherlands and the UK. He was a board and advisory council member of the FICC Market Standards Board from 2015 to 2021. Russell is a Fellow of the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Russell studied Economics and Management and graduated from St. Andrews University in 1995.

External appointments

None.

Carol Arrowsmith | Independent Non-Executive Director

RC AC NC

Carol joined the Board on 11 June 2020 and is Chair of the Remuneration Committee.

Relevant skills and experience
Carol brings extensive advisory experience, especially of advising boards on executive remuneration across a range of sectors, and is a Fellow of the Chartered Institute of Personnel and Development.

Previous experience
Carol is a former deputy chair and senior partner of Deloitte LLP. She was a member of the Advisory Group for Spencer Stuart, Global Partner of Arthur Andersen, managing director of New Bridge Street Consultants and non-executive director of Compass Group PLC and Vivo Energy plc.

External appointments
Director and trustee of Northern Ballet Limited.

Philippe Boisseau | Independent Non-Executive Director

AC NC SC

Philippe joined the Board on 1 September 2023.

Relevant skills and experience
Philippe brings broad experience of the energy industry, particularly of energy assets, energy infrastructure, energy trading and the renewable energy transition.

Previous experience
Philippe was the chief executive officer of CEPSA (Compañía Española de Petróleos SA), the Spanish multinational oil and gas, chemicals, and renewable energy business, from 2019 to 2021. Before joining CEPSA, he worked at TotalEnergies SA for over two decades. During his tenure there, Philippe held president and senior executive roles across various business divisions and was instrumental in establishing and leading Total's New Energies division from 2007 to 2016. Philippe was a senior advisor to Carlyle International Energy Partners between 2017 and 2019 and was a board member at I-Pulse Inc. from 2017 to 2021.

Philippe graduated from Ecole Polytechnique and has an MSc in Theoretical Physics.

External appointments
Senior advisor to OMERS Infrastructure, Ondra Partners and Sibanye-Stillwater Limited.

Nathan Bostock | Independent Non-Executive Director

AC NC SC

Nathan joined the Board on 9 May 2022 and is Chair of the Audit and Risk Committee.

Relevant skills and experience
Nathan has worked in financial services since the mid-1980s and brings a wealth of financial, commercial, risk and compliance expertise, particularly in large-scale customer-facing businesses. Nathan possesses current and pertinent experience in financial matters.

Previous experience
Nathan was chief executive officer of Santander UK from 2014 until early 2022, as well as global head of investment platforms of Banco Santander before leaving in late 2023. He joined Santander from the Royal Bank of Scotland plc (RBS), where he was an executive director and group finance director. He previously held the post of group chief risk officer and head of restructuring having joined RBS in 2009. Nathan served on the board of Abbey National plc (now Santander UK) as an executive director and chief financial officer from 2005 until 2009. Prior to this he held a number of senior positions with Abbey National, 2001 to 2004, RBS, 1992 to 2001 and Chase Manhattan Bank, 1985 to 1992.

Nathan is a chartered accountant and holds a BSc (Hons) in Mathematics.

External appointments
None.

Chanderpreet (CP) Duggal | Independent Non-Executive Director

CP joined the Board on 16 December 2022.

Relevant skills and experience
CP brings valuable expertise of digital technology and the use of data and analytics in large customer-facing businesses.

Previous experience
CP worked for 20 years at American Express in various senior roles, the last of which was leading the company-wide digital and analytics organisation to enable growth, efficiency, and innovation globally. His experience includes managing digital/mobile channels and technology platforms across the customer lifecycle, applications of AI and Data Science across wide-ranging business applications, operational excellence and managing fraud risk.

In his most recent executive role, CP was the chief digital and analytics officer for Burberry plc and a member of its executive committee. He was responsible for transforming e-commerce and omni-channel strategy globally, accelerating customer relationship management focus and leveraging analytics across the company.

External appointments
None.

Jo Harlow | Independent Non-Executive Director

Jo joined the Board on 1 December 2023.

Relevant skills and experience
Jo has more than 25 years' experience working in various senior roles, predominantly in the branded and technology sectors.

Previous experience
Prior to her non-executive career, Jo held the position of corporate vice president of the phones business unit at Microsoft. She previously spent 11 years at Nokia Corporation in a number of senior management roles, including executive vice president of smart devices. Jo was also non-executive director at InterContinental Hotels Group PLC from 2014 to 2023 (including as remuneration committee chair from 2017 to 2023) and was a non-executive director of Ceconomy-AG from 2017 to 2021.

Jo attended Duke University in North Carolina and has a BSc in Psychology.

External appointments
Non-executive director and chair of remuneration committee at J Sainsbury plc. Senior independent director and remuneration committee chair at Halma plc, and non-executive director at Chapter Zero Ltd.

Heidi Mottram | Independent Non-Executive Director

Heidi joined the Board on 1 January 2020 and is Chair of the Safety, Environment and Sustainability Committee.

Relevant skills and experience
Heidi brings considerable relevant strategic and operational experience acquired in her current and previous roles. Her deep understanding of the importance of customer service, delivered in complex, multi-stakeholder environments with a high public profile, is particularly pertinent to the Group at this time, as it focuses on the delivery of its customer-centric strategy.

Previous experience
Heidi began her career with British Rail in the mid-1980s. She held a number of roles in GNER, before joining Midland Mainline in 1999 as operations director. She was managing director of Northern Rail from 2004, and before that she was commercial director of Arriva Trains Northern and operations director of Midland Mainline Limited from 1999 to 2003. Additionally, Heidi was vice-chair of the North East Local Enterprise Partnership and Newcastle University Council.

External appointments
Chief executive director of Northumbrian Water Limited and Northumbrian Water Group Limited, and a member of the board of The Great British Railways Transition Team.

Kevin O'Byrne | Senior Independent Director

Kevin joined the Board on 13 May 2019. He became Senior Independent Director on 1 June 2022.

Relevant skills and experience
Kevin brings extensive retail and finance experience to the Board, having occupied senior roles in a number of leading UK and international retailers. Kevin possesses current and pertinent experience in financial matters. The Board considers that Kevin has recent and relevant financial experience.

Previous experience
Kevin was chief financial officer of J Sainsbury plc from January 2017 to March 2023. Prior to that, he was chief executive officer of Poundland Group plc, and previously held executive roles at Kingfisher plc, including divisional director UK, China and Turkey, chief executive officer of B&Q UK & Ireland and group finance director. Prior to that he was finance director of Dixons Retail plc. From 2008 to 2017 he was a non-executive director and chairman of the audit committee of Land Securities Group PLC where he was also senior independent director from 2012 to 2016. Kevin was chair of Centrica plc's Audit and Risk Committee from 2019 to 2023.

External appointments
Non-executive director of International Flavors & Fragrances Inc. (NYSE listed)

Rt Hon. Amber Rudd | Independent Non-Executive Director

Amber joined the Board on 10 January 2022.

Relevant skills and experience
Amber brings a wealth of real-world experience in energy, policy and business.

Previous experience
After around 20 years working in business, Amber served as a Member of Parliament between 2010 and 2019. In addition to holding the roles of Home Secretary, Secretary of State for Work and Pensions and Minister for Women and Equalities, Amber served as Secretary of State for Energy and Climate Change from 2015 to 2016, having been Parliamentary Under Secretary of State at the Department of Energy and Climate Change from July 2014 until May 2015. Amber led the UK team to the successful completion of the Paris Climate Change Agreement. This UN sponsored 2015 Conference of the Parties (COP21) achieved a landmark global commitment to reduce national carbon emissions.

External appointments
Non-executive director of Pinwheel, advisor to businesses including Energy 1, Equinor, FGS, Centerview Partners and Phoenix Group, and a trustee of The Climate Group, RUSI.

Sue Whalley | Independent Non-Executive Director

Sue joined the Board on 1 December 2023.

Relevant skills and experience
Sue brings a blend of experience in people and cultural transformation, and strategic, technological, and operational evolution in large, complex organisations, championing the use of innovation to improve customer service.

Previous experience
Prior to joining Associated British Foods plc in 2019, Sue spent 12 years at Royal Mail where she held several executive roles. She was chief executive officer of the UK post and parcels business where she led complex organisation and digital transformation to support e-commerce growth in the logistics and delivery business. Sue has extensive experience working with complex stakeholder landscapes including unions and regulators. Sue spent nearly 18 years in management consultancy working in a range of industries including retail and utilities.

Sue is a graduate of the University of Cambridge and holds an MBA from Harvard Business School.

External appointments
Chief people and performance officer at Associated British Foods plc.

Raj Roy | Group General Counsel & Company Secretary

DC

Raj was appointed Group General Counsel & Company Secretary on 1 October 2020.

Relevant skills and experience
Raj has overall responsibility for legal, regulatory, compliance and secretariat activities across the Group, the effective operating of Centrica plc's Board and advising on key issues of corporate governance and compliance. Raj joined Centrica in 2014 as the Legal Director for Residential Energy, before becoming General Counsel for the UK and Ireland region in 2017. He has led legal, regulatory and compliance teams at Centrica in various formations across the UK and Ireland region and the Consumer division.

Previous experience
Prior to joining Centrica, Raj spent nine years at Vodafone, holding a number of senior in-house legal roles in the Group and UK legal functions. Raj started his career in private practice, qualifying as a solicitor at Slaughter and May in London and subsequently working for Freshfields in Brussels.

External appointments
Member of the Board of Energy UK (representing Centrica) and the Board of General Counsel for Diversity and Inclusion (GCD&I).

Committee membership key

- Denotes Committee Chair
- C — Chairman of the Board
- AC — Audit and Risk Committee
- DC — Disclosure Committee
- NC — Nominations Committee
- RC — Remuneration Committee
- SC — Safety, Environment and Sustainability Committee

Skills and experience key

- Consumer Services
- Energy Sector
- Engineering/Safety
- Finance/M&A
- Financial Services
- Government/Regulatory
- Technology

*as at 14 February 2024

The Board considers that each of the Directors continues to contribute effectively to the work and deliberations of the Board.

Reasons for the (re-)election of each of our Directors at the forthcoming AGM can be found within the Centrica plc Notice of Annual General Meeting 2024 which will be made available on our website centrica.com/agm24.

Full biographies can be found at centrica.com/board

CORPORATE GOVERNANCE STATEMENT

The Board is committed to high standards of corporate governance and is pleased to confirm that throughout the year ended 31 December 2023, the Company complied with all relevant provisions of the UK Corporate Governance Code (UK Code) apart from Provisions 40 and 41. An explanation of the non-compliance can be found in the Remuneration Committee Report on page 108. Our application of the UK Code is set out below.

An explanation of non-compliance with Listing Rule 9.8.6(9) whereby the Company does not have at least one senior position held by a woman can be found on page 80. The UK Code and associated guidance are available on the Financial Reporting Council's website at frc.org.uk. The index on page 110 sets out where to find each of the required disclosures in respect of Listing Rule 9.8.4 and Disclosure Guidance and Transparency Rules 4.1.5 R and 7.2.1.

Section 1 | Board Leadership and Company Purpose	
Principles A, B, C, D, E	The Corporate Governance statement (CG Statement) on pages 64 to 71 gives information on the Group's compliance with the principles relating to the Board's Leadership and Company Purpose. More detailed information on: • the Group's statement of purpose can be found on page 9; • the Group's strategy, resources and the indicators it uses to measure performance can be found on pages 10 to 11 and 26 to 27 respectively; • the Group's engagement with stakeholders and the Group's Section 172(1) Statement is set out on pages 14 to 17; and • the Group's approach to workforce matters can be found in the Chief People Officer's report and in 'Our people' within our People and Planet section on pages 38 to 43. Details of AGM voting results can be found on page 70, the Group's framework of controls is contained in the Audit and Risk Committee report on pages 73 to 74 of the CG Statement and in the Principal Risk and Viability Disclosure section on pages 28 to 37.
Section 2 | Division of Responsibilities	
Principles F, G, H, I	The CG Statement describes the structure and operation of the Board. In the CG statement, we describe on page 66 the process the Company conducts to evaluate the Board, to ensure that it continues to operate effectively, that individual Director's contributions are appropriate and that the oversight of the Chair promotes a culture of openness and constructive yet challenging debate. The policies and processes which support the Board to function effectively and efficiently can be found on our website at centrica.com/board.
Section 3 | Composition, Succession and Evaluation	
Principles J, K, L	Details of the skills, experience and knowledge of the existing Board directors can be found in the Board biographies on pages 59 to 63. Information on the Board's appointment process and approach to succession planning is contained in the Nominations Committee report on pages 79 to 80. Information on the Board evaluation process can be found on page 66.
Section 4 | Audit, Risk and Internal Control	
Principles M, N, O	Information on the policies and procedures the Group has in place to monitor the effectiveness of the Group's Internal and External Audit functions, and the integrity of the Group's financial statements, is contained in the Audit and Risk Committee report on pages 72 to 74 of the CG Statement, along with an overview of the procedures in place to manage risk and oversee the internal control framework. Further information on the Group's approach to risk management is contained in the Principal Risk and Viability Disclosure section of the Strategic Review on pages 28 to 37. The Board believes the 2023 Annual Report to be a fair, balanced and understandable assessment of the Company's position and prospects. A description of the Audit and Risk Committee's work in enabling the Board to reach this conclusion is contained in the Audit and Risk Committee report on page 73.
Section 5 | Remuneration	
Principles P, Q, R	The Directors' Remuneration Report section of the CG Statement describes the Group's approach to Directors' remuneration, including the procedure for developing policy and the Remuneration Committee's discretion for authorising remuneration outcomes. Details of linkage of the Directors' Remuneration Policy with long-term strategy are contained on page 102.

The Board and its committees continue to monitor developments in governance, and welcome the important revisions to the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (FRC) on 22 January 2024.

GOVERNANCE FRAMEWORK

The Board is responsible for leading the Group in an efficient manner, establishing the Group's purpose, values and strategy, to which the Group's culture is aligned. It focuses primarily on strategic and policy issues and is responsible for developing long-term sustainable value for stakeholders. It is responsible for ensuring there are effective risk assessment and management processes, setting the Group's strategy, overseeing the allocation of resources and monitoring the performance of the Group. The framework to enable this is set out in a schedule of matters reserved for the Board. In order to allow the Board to focus on its priorities, a number of its oversight responsibilities have been delegated to four principal Committees. These responsibilities are set out in the terms of reference for each Committee. The Board regularly reviews the remit, authority, composition and terms of reference of each Committee. In performance of these duties, the Board has regard to the interests of the Group's key stakeholders and the potential impact of the decisions it makes on wider society.

Matters reserved exclusively for the Board

There are certain key responsibilities that the Board does not delegate, and which are reserved for its consideration. The Board's responsibilities include: the development of strategy; the acquisition and divestment policy; the approval of major capital expenditure; the Group's capital structure; the approval of financials; and oversight and independent assurance of policies and procedures. The full schedule of matters reserved is available on the governance page of our website at centrica.com.

OUR BOARD

The Board comprises the Non-Executive Chair (independent on appointment), two Executive Directors (Group Chief Executive and Group Chief Financial Officer), and nine independent Non-Executive Directors. There is a clear division of responsibilities between the Chair and the Group Chief Executive, reflected in the schedule of matters reserved for the Board.

Board Committees

The Board oversees the Group's operations through a unitary Board and four principal Committees, these being the Audit and Risk Committee, Nominations Committee, Remuneration Committee and the Safety, Environment and Sustainability Committee. The terms of reference for these Committees can be found on our website, centrica.com, and attendance at meetings of each of these Committees in 2023 can be found on page 68. Further information on the work of these Committees can be found in later sections of this Annual Report and Accounts (pages 72, 79, 82 and 84).

In addition to the above-mentioned Committees, the work of the Board is supported by a Disclosure Committee, the terms of reference for which are available on our website. The Disclosure Committee is responsible for overseeing the timely and accurate disclosure of sensitive information and maintaining procedures and controls to enable compliance with legal and regulatory disclosure obligations. Meetings of the Disclosure Committee are convened as and when necessary and membership of the Committee comprises the Group Chief Executive, Group Chief Financial Officer and the Group General Counsel & Company Secretary.

Centrica Leadership Team (CLT)

The CLT is led by the Group Chief Executive and members include the Group Chief Financial Officer, Group General Counsel & Company Secretary and the Chief People Officer. The CLT is responsible for ensuring the delivery of the Group's strategy, business plans and financial performance.

Board appointments

The report of the Nominations Committee on pages 79 to 80 describes the work of the Committee in relation to Board appointments. All Directors are subject to annual re-election. The Board sets out in the Notice of Annual General Meeting the specific reasons why each Director's contribution is, and continues to be, valuable to the Company's long-term sustainable success.

The Board

The Board is responsible for corporate governance, developing strategy and major policies, reviewing management performance, approving financials and providing entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. It is also responsible for setting the Company's culture, values and the behaviours it wishes to promote in conducting its business. The Board's role and responsibilities are reviewed against the UK Code to ensure that it is meeting all of its responsibilities.

Chair

The Chair is responsible for the leadership and management of the Board. In doing so, he is responsible for promoting high ethical standards, ensuring the effective contribution of all Directors and, with support from the Group General Counsel & Company Secretary, ensuring best practice in corporate governance and the timely distribution of accurate and clear information to Directors.

Group Chief Executive

The Group Chief Executive is responsible for the executive leadership and day-to-day management of the Company, to ensure the delivery of the strategy agreed by the Board.

Independent Non-Executive Directors

Independent Non-Executive Directors are responsible for contributing sound judgement and objectivity to the Board's deliberations and overall decision-making process, providing constructive challenge, and monitoring the Executive Directors' delivery of the strategy within the Board's risk and governance structure. All of the Non-Executive Directors are considered independent.

Senior Independent Director

The Senior Independent Director acts as a sounding board for the Chair and serves as a trusted intermediary for the other Directors, as well as shareholders, as required.

Group Chief Financial Officer

The Group Chief Financial Officer is responsible for providing strategic financial leadership to the Company and for the day-to-day management of the finance function.

Group General Counsel & Company Secretary

The Group General Counsel & Company Secretary advises the Chair on governance, together with updates on regulatory and compliance matters; supports the Board agenda with clear information flow; and acts as a link between the Board and its Committees, and between Independent Non-Executive Directors and senior management.

Evaluation and effectiveness of the Board, Committees and the Directors

To ensure that the Board and its Committees continue to operate effectively, a performance evaluation of the Board and its principal Committees is undertaken annually with an externally facilitated evaluation every third year. We used the services of external advisors, Lintstock Limited, to support the 2023 internal evaluation process, which year on year has built on the priorities identified in the previous years.

The 2023 evaluation, overseen by the Group General Counsel & Company Secretary, was conducted by way of a questionnaire which covered a broad range of topics, including:

- Board composition;
- Board dynamics;
- Stakeholder oversight;
- Strategic oversight;
- Management and focus of meetings;
- Risk management and internal controls;
- Succession planning and people oversight;
- Board support; and
- priorities.

The outcome of this year's evaluation demonstrated that the Board and its Committees continue to operate effectively.

The evaluation highlighted certain topics and actions for focus in the year ahead, including additional training on technological threats and opportunities, with a focus on green technologies and artificial intelligence, enhancing insights into global supply chain considerations and competitor strategies and performance. The Board and the Nominations Committee will also continue to focus on succession planning, both at Board and senior executive level. Creating further opportunities for engagement with senior leadership and management was also identified.

Feedback from the 2022 evaluation related to succession planning, Board training and increasing the Board's exposure to and understanding of certain stakeholders. During the course of 2023, meetings dedicated to talent and succession planning, including assessment of Board skills and composition, were held. The Board reviewed its training requirements and the 2023 and 2024 work programmes were updated to include training sessions on a broad range of topics. Stakeholder related information provided to the Board was enhanced, including site visits, meetings with colleagues and increased content on supply chain and customers as part of business unit deep-dive sessions.

Independent Board Evaluation will be appointed to provide the triennial, in-depth, externally facilitated evaluation of the Board's effectiveness in 2024. Further information on the process and feedback from this evaluation will be reported in the 2024 Annual Report and Accounts.

Training and development for Directors

It is important to ensure that Directors' skills and knowledge are refreshed and updated regularly, given the dynamic business and regulatory environment in which the Company operates. The Chair, supported by the Group General Counsel & Company Secretary and Secretariat, and informed by the Nominations Committee, is responsible for the ongoing development of all Directors. The Chair discusses with each Director any individual training and development needs, such as formal and informal briefings, meetings with management and visits to the Group's operations. During 2023, the Directors received deep dives including British Gas Energy, Centrica Energy and Centrica Energy Storage+, and training on various matters including, directors' duties and hydrogen and carbon capture storage models (including economic regulation frameworks). In addition, the Directors have full access to the advice and services of the Group General Counsel & Company Secretary, who is responsible for advising the Board, on corporate governance matters. Should it prove necessary, Directors are also able to seek independent professional advice at the Company's expense in respect of their duties.

Directors' independence and conflicts

All our Non-Executive Directors are considered to be independent against the criteria in the UK Code, and free from any business interest which could materially interfere with the exercise of their independent judgement. In addition, the Board is satisfied that each Non-Executive Director is able to dedicate the necessary amount of time to the Company's affairs.

The Non-Executive Directors' Letters of Appointment state that they must inform the Group General Counsel & Company Secretary of any other businesses, directorships, appointments, advisory roles, or other relevant commitments (including any relevant changes, and a broad indication of the time involved). Directors also confirm that they will inform the Board of any subsequent changes to their circumstances which may affect the time they can commit to their duties. The agreement of the Chair must be obtained before accepting additional commitments that might affect the time Non-Executive Directors are able to devote to their appointment.

In accordance with the Companies Act 2006 and the Company's Articles of Association, Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if required, authorisation. If such conflicts exist, Directors recuse themselves from consideration of the relevant subject matter. The Company maintains a schedule of authorised conflicts of interest which is regularly reviewed by the Board.

The Company's Articles of Association provide how Directors are appointed, retired and replaced. These can be found on our website.

Directors' induction

The Board has in place processes for the Directors' induction and ongoing training. The Directors' induction programme is led by the Chair and supported by the Group General Counsel & Company Secretary and Secretariat. It is tailored to meet the individual's needs, providing all the information and support required in a structured way to allow them to be effective in their role. Directors are asked to provide input on how their induction should be tailored, in relation to both content and delivery, with the opportunity for periodic subsequent review with the Chair. For example, CP Duggal met with each of the business Managing Directors and their teams during the year, including a visit to the Stockport Call Centre and Bord Gáis Energy in Dublin, together with deep dive sessions with the Centrica Energy and British Gas Energy businesses, and some external training and mentoring sessions.

DIRECTOR INDUCTION 2023 – CP DUGGAL, RUSSELL O'BRIEN, PHILIPPE BOISSEAU, JO HARLOW AND SUE WHALLEY

Following appointment, all Directors receive a comprehensive and tailored induction programme. This is designed through discussion with the Chair and the Group General Counsel & Company Secretary and considers existing expertise and any prospective Board Committee roles.

The induction plans for CP Duggal and Russell O'Brien comprised a combination of in-person and virtual sessions with both internal functions and external advisors over an initial period of six months. This was structured to ensure that information material to their roles was delivered in the early stages of the programme.

These briefings provided an initial opportunity to meet senior leaders and were supported by site visits to provide on-the-ground understanding of business units and working environments.

The induction for Philippe Boisseau, who joined the Board on 1 September 2023, and for Jo Harlow and Sue Whalley, who joined the Board on 1 December 2023, has begun. An update on their respective inductions will be provided in the 2024 Annual Report & Accounts.

Areas covered during induction	Sessions covered by
Centrica's purpose, strategic priorities and business unit operations	Group Chief Executive and Managing Directors of each Business Unit, Group Head of Strategy
Financial position, performance, investment and funding, including credit ratings	Group Chief Financial Officer, Group Financial Controller and the Company's brokers
Pensions, Treasury & Insurance	Group Head of Treasury, Pensions, & Insurance
External assurance	External auditors
Remuneration Committee advisors	PwC
Rewards & Benefits	Group Chief People Officer, Director of Rewards & Benefits
People & Culture	Group Chief People Officer
Energy sector and trends, energy markets	Group Strategy Director, Group Regulatory Affairs Director, Group Head of M&A, Group Head of Investor Relations
Net zero, sustainability	Group Strategy Director, Group Head of Environment
Stakeholder communication and engagement	Group General Counsel & Company Secretary and Group Corporate Affairs Director
Corporate governance and Board operations	Chair of the Board and Group General Counsel & Company Secretary
Shareholder and investment perspectives	Group Head of Investor Relations and the Company's brokers
Legal and regulatory landscape	Group General Counsel & Company Secretary, Director of Regulatory Affairs and Policy
Centrica's risk profile	Chief Risk Officer
Safety, health and environment, people and culture	Group General Counsel & Company Secretary, Group Chief People Officer
Digital technology / Cyber security	Chief Information Officer, VP – Cyber Security

Board meetings

The Board is committed to upholding high standards of corporate governance and compliance, recognising their importance for the Company's enduring performance and value generation. These standards underpin the Company's strategic objectives and critical decision-making, crucial for reinforcing its financial foundation and navigating challenging market conditions.

The Board held eight formal meetings in 2023, which primarily occurred face-to-face. In addition, supplementary meetings were called for specific approvals. The table showing the attendance of Directors at Board meetings in 2023 can be found on page 68. If Directors are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair. The agendas for Board meetings are agreed in advance by the Chair, Group Chief Executive and Group General Counsel & Company Secretary. The agenda typically consists of regular standing items, such as reports on financial performance, and in-depth examination or analysis of a topic.

During the year, the independent Non-Executive Directors, including the Chair, met twice without management present.

Site visits

The Directors recognise the importance of, and benefits gained by, visiting the Group's operations and endeavour to visit Centrica sites each year. The site visits that the Board undertook in 2023 and the interactions at those visits are described in the Chair's letter on page 58.

Number of Board and Committee meetings attended during 2023[1]:

Name	Role	Joined the Board	Tenure[2]	Board	AC	NC	RC	SC
Scott Wheway	Chair	01/05/2016	7 years, 8 months	8/8	N/A	3/3	N/A	3/3
Chris O'Shea	Group Chief Executive	01/11/2018	5 years, 2 months	8/8	N/A	N/A	N/A	N/A
Kate Ringrose[3]	Group Chief Financial Officer	18/01/2021	2 years, 1 month	2/2	N/A	N/A	N/A	N/A
Russell O'Brien[3]	Group Chief Financial Officer	01/03/2023	0 years, 10 months	6/6	N/A	N/A	N/A	N/A
Carol Arrowsmith	Independent Non-Executive Director	11/06/2020	3 years, 6 months	8/8	4/4	3/3	5/5	N/A
Philippe Boisseau	Independent Non-Executive Director	01/09/2023	0 years, 4 months	3/3	1/1	1/1	N/A	1/1
Nathan Bostock	Independent Non-Executive Director	09/05/2022	1 year, 7 months	8/8	4/4	3/3	N/A	3/3
CP Duggal	Independent Non-Executive Director	16/12/2022	1 year, 1 month	8/8	4/4	3/3	5/5	N/A
Jo Harlow	Independent Non-Executive Director	01/12/2023	0 years, 1 month	1/1	N/A	N/A	N/A	N/A
Heidi Mottram	Independent Non-Executive Director	01/01/2020	4 years, 0 months	8/8	N/A	3/3	5/5	3/3
Kevin O'Byrne	Senior Independent Non-Executive Director	13/05/2019	4 years, 7 months	8/8	4/4	3/3	N/A	N/A
Amber Rudd	Independent Non-Executive Director	10/01/2022	1 year, 11 months	8/8	N/A	3/3	5/5	3/3
Sue Whalley	Independent Non-Executive Director	01/12/2023	0 years, 1 month	1/1	N/A	N/A	N/A	N/A

(1) Any Director who is unable to attend a Board meeting provides feedback to the Chair on the matters to be discussed in advance of the meeting.
(2) Data as at 31 December 2023.
(3) Kate Ringrose stepped down as Group Chief Financial Officer and an Executive Director on 28 February 2023 and Russell O'Brien joined as Group Chief Financial Officer and an Executive Director on 1 March 2023.

Board activity including Section 172(1) considerations
The Board, as custodian of the Company, acknowledges the importance of understanding stakeholder needs and expectations to secure the Company's long-term viability and to deliver value to all stakeholders and society at large.

Throughout the year, the Board's activities have included evaluating regular operational and financial reports, strategising, and approving various governance matters. Read more about Board discussions held on page 69. Moreover, they have conducted deep dives on special topics. The Directors ensure that their decisions are informed by the considerations set out in Section 172 of the Companies Act 2006.

Feedback from key stakeholder engagements is routinely considered by the Board, and this report, alongside our website, contains additional examples and evidence of the Directors' adherence to their duties as outlined in Section 172. Read more about the Section 172 statement and the principal decision taken by the Board described on page 17.

Section 172	**Evidence**
The likely consequences of any decision in the long term	Please see page 9 to 11, 14 to 17, 41 to 55 and 67 to 69
The interests of our colleagues	Please see page 14 to 17, 38 to 40, 42 to 43, and 67 to 71
The need to foster relationships with suppliers, customers and others	Please see page 14 to 17, 70 and 82 to 83
The impact of the Company's operations on the community and the environment	Please see pages 41 to 55 and 82 to 83
The desirability of the Company maintaining a reputation for high standards of business conduct	Please see pages 45, 70 to 71, and 82 to 83 and visit our website centrica.com
The need to act fairly between members of the Company	Please see pages 15 to 17 and 69

BOARD DISCUSSIONS HELD DURING THE YEAR INCLUDED

Stakeholders key: Customers Colleagues Investors Government and Regulators Suppliers Communities and NGOs

Strategy and business plan

The Board set the delivery of the strategic direction of the Group and oversaw the delivery of that strategy for the benefit of relevant stakeholders. In particular, the Board also considered the following matters:

- Group Annual Plans for 2023 and 2024
- The Group's new strategic & investment framework
- The Energy Supply Market – future investment strategy
- The Climate Transition Plan
- Return of surplus capital to shareholders
- Energy transition investment opportunities
- Responsible sourcing strategy
- Stress testing under range of scenarios

Stakeholders considered:

Culture and stakeholders

The Board recognises that understanding the views and interests of the Company's diverse community of stakeholders, including customers, is important.

The views and interests of stakeholders are considered in the development, delivery and oversight of the Group's business model, strategy and culture. During the year, the Board considered the following matters:

- Cost of living crisis and the impact on customers and colleagues
- Colleague engagement
- Pensions
- Company culture
- Investor updates and feedback
- Senior leadership development and succession planning
- Diversity, Equity & Inclusion strategy

Stakeholders considered:

Political and regulatory environment

During the year, the Board considered a range of political and regulatory matters relevant to the Group's activities and strategy, including in particular:

- Macro/geopolitical developments
- Reform of energy markets
- Modern Slavery Act developments
- TCFD disclosure
- Government intervention initiatives
- UK and Ireland energy security
- FCA Consumer Duty

Stakeholders considered:

Performance and risk

Financial performance and risks, as well as risk controls and processes are regularly reported to the Board and to the Audit and Risk Committee. Risks are also brought to the attention of the Board through reports from the Group Chief Executive, Group Chief Financial Officer, heads of business and functional subject matter experts. These reports covered a wide range of topics, including:

- Health and safety performance and process safety risk
- Group Performance Reports
- 2022 preliminary results statement and 2023 interim results statement
- Group credit exposure and liquidity
- Business reviews, including operational performance
- Periodic results
- Cyber security risk management
- Commodity price movements
- Climate Transition Plan performance
- People & Planet Plan performance
- Going concern and viability statements
- Audit fees
- Internal Audit review
- Internal controls
- Tax
- Treasury risk management
- Insurance
- Ensek migration
- 2022 final dividend
- 2023 interim dividend
- Technology systems roadmap

Stakeholders considered:

Governance

The Board receives regular reports from the Group General Counsel & Company Secretary on governance and regulatory matters, as well as regular updates and insights on market trends from the Investor Relations function. During the year, the Board took time to consider or oversee the following key governance activities/matters:

- 2022 Annual Report and Accounts
- Independent Non-Executive Director recruitment
- Board effectiveness evaluation
- Succession planning for the Board
- Committee composition
- Reports from Committee Chairs
- Conflicts of interest reviews
- Terms of reference reviews
- Director skillset and Director training requirements
- Director independence
- Workforce engagement
- All-Employee Share Plan
- Dividend policy
- Company's investigation results on warrant-based prepayment meter installations

Stakeholders considered:

RELATIONS WITH OUR STAKEHOLDERS

Shareholder engagement

The Board is committed to maintaining open channels of communication with all of the Company's stakeholders. An important part of this is providing a clear explanation of the Company's strategy and objectives, and ensuring feedback is acknowledged, considered and, where appropriate, acted upon.

Meetings, roadshows and conferences

The Company reports its financial results to shareholders twice a year, with the publication of its annual and half-year results. The Group Chief Executive and Group Chief Financial Officer typically meet with our major institutional shareholders twice a year, following the Company's preliminary and interim results, which provides an opportunity for a review of the Company's strategy and performance. The results presentations, webcast and announcement from the 2022 preliminary results and 2023 interim results are available on our website, centrica.com.

In addition, management and/or Investor Relations attend a number of investor conferences throughout the year, giving shareholders further opportunity to meet and receive updates directly from Company representatives. Senior management, the Chair, Senior Independent Director and Remuneration Committee Chair are also available to meet on an ad-hoc basis with major shareholders if requested.

Engagement themes with our institutional shareholders

During the year, engagement themes included:

- Centrica's strategic refresh;
- Full year and interim results;
- the Rough storage facility;
- UK energy security;
- Dividends and shareholder returns;
- The regulatory and political environment for UK energy;
- Impact of rising commodity prices;
- Energy transition investment opportunities;
- Board succession;
- Liquidity and result of stress tests; and
- ESG matters.

GENERAL MEETINGS

The Board is committed to communicating with shareholders and other stakeholders in a clear and open manner and seeks to ensure effective engagement through the Company's regular communications, the AGM and other investor relations activities. During 2023, the Company undertook an ongoing programme of meetings with investors (in person and virtually). The majority of these meetings were led by the Group Chief Executive and Group Chief Financial Officer.

The Company holds an Annual General Meeting (AGM) each year and holds General Meetings as required. At the AGM, the Chair gives his thoughts on governance aspects of the preceding year and the Group Chief Executive reviews the performance of the Group over the last year. In advance of each AGM, we write to our largest shareholders inviting discussion on any questions they might like to raise and making the Chairs of the Board, the Audit and Risk Committee and the Remuneration Committee available to meet shareholders should they so wish. In addition, the Company engaged with its largest shareholders and key governance agencies in early 2023, on resolutions concerning the Directors' Remuneration Policy and our Climate Transition Plan. Feedback was received from major shareholders and governance agencies and dialogue entered into with a number of shareholders regarding the proposals.

The 2023 AGM was held as a hybrid meeting, giving shareholders the opportunity to participate (including asking questions and voting) in person or virtually via an online platform (Lumi). Shareholders were encouraged to exercise their votes by submitting their proxy forms either electronically or by post. We also invited shareholders to submit their questions in advance of the AGM via a dedicated question facility on our website and, where appropriate, the answers were published on our website.

Our 2023 AGM was well supported with voting in favour of the resolutions ranging from 92% to 99% and with 65% of issued share capital voted.

Information about the 2024 AGM will be provided in the Notice of Meeting and will be available in due course at centrica.com/agm24. Voting on the resolutions will generally be conducted by a poll and the voting results will be announced through the Regulatory News Service of the London Stock Exchange and also made available on the Company's website.

Centrica.com

Our website, centrica.com, contains up-to-date information for shareholders and other interested parties including Annual Report and Accounts, shareholder circulars, share price information, news releases, presentations to the investment community and information on shareholder services.

WORKFORCE

Workforce engagement

Responsibility for workforce engagement is shared amongst the Directors of the Board, which is a well-recognised approach adopted by companies. Through engaging with colleagues and understanding what they think and feel, the Board is able to make more informed decisions which enable better outcomes for colleagues as well as the Company.

During the year, the Chair and Non-Executive Directors engaged with members of the workforce in various ways. This included site visits to Brigg, Hessle, Easington Terminal, and Park House where they met with colleagues to better understand the businesses.

Quarterly engagement surveys, feedback from the Shadow Board, town halls, meetings with members of the Centrica Leadership Team, both individually and together, leader-led listening sessions and colleague-led network sessions provided additional mechanisms to better understand the views of the workforce and to foster a more collegial culture.

Ongoing and holistic engagements like these contributed to the decision-making of the Centrica Leadership Team and the Board throughout the course of 2023. Further information on some of the decision-making of the Board can be found on page 17.

Equal opportunities

The Group has, and is committed to, an active equal opportunities policy which includes, but is not limited to, recruitment and selection, training, career development, performance reviews, promotion and through to retirement. Our culture is to create an inclusive and safe environment free from discrimination, harassment and victimisation. Our policies are in place to ensure everyone receives equal treatment regardless of gender, identity, race, ethnic or national origin, disability, age, marital status, sexual orientation or religion or any other characteristic protected by applicable laws.

We have created channels for colleagues to voice concerns confidentially, through a Speak Up helpline that is operated by a third party.

Action like this helps to ensure that decisions relating to employment practices are objective and based upon work criteria and individual merit. See pages 45 for more information.

Colleagues with disabilities

It is our policy that current and prospective colleagues with a disability have the same right to access and develop their careers as anyone else, which is why we are actively targeting to grow disability representation as part of our People & Planet Plan to ensure we reflect the full diversity of our communities (see page 42). Colleagues with a disability receive full and fair consideration when applying for all vacancies and we interview those who meet the minimum criteria required, whilst making all reasonable adjustments during recruitment or during their employment with us. To help everyone reach their full potential, we provide training, career development and promotion opportunities that are open to anyone who works for us alongside tailored programmes that specifically support colleagues with disabilities to achieve the next steps in their career. We also endeavour to retain colleagues in the workforce if they become disabled during employment.

To support this approach, in 2017 we launched Diverse-ability, a network that celebrates physiological and neurological diversity among colleagues. Over the years, the network has grown from strength-to-strength to become a family of networks including the neurodiversity network and The Fertility Sanctuary. They are a vital source of support and education for colleagues, whilst providing us with essential feedback to help us evolve our business in a more inclusive way. As part of our ambition to be a more inclusive business, we support The Valuable 500 initiative to champion disability inclusion across the business and beyond. We are also members of their Generation Valuable mentoring programme to help identify and build a community of disabled talent to develop their skills and share their experiences upwards, informing the C-suite about how to make businesses more inclusive. In addition to this, we are a Level 2 Disability Confident Employer, partner with Scope and are members of the Business Disability Forum, which offers support, toolkits and advice to businesses around disability matters. In 2024, we plan to launch our Great Minds programme to help normalise and better support neurodiversity amongst other activities.

Human rights

We are fully committed to upholding the fundamental human rights and freedoms of everyone who works for us, with us, or lives in the communities where we operate. We uphold the UN Guiding Principles on Business and Human Rights and are signatories of the United Nations Global Compact. As set out in Our Code, we take steps to ensure that we never knowingly cause or contribute to human rights abuses through activities like employment checks and supplier due diligence. We also aim to contribute positively to global efforts to ensure human rights are understood and observed. Further information about our efforts can be found in our People & Planet Plan on page 46, as well as in our Modern Slavery Statement and Our Code available on our website centrica.com.

AUDIT AND RISK COMMITTEE

MEMBERSHIP, MEETING ATTENDANCE AND KEY FOCUS

Committee members

— Nathan Bostock (Chair) (with effect from 1 March 2023)
— Kevin O'Byrne (Chair until 28 February 2023)
— Carol Arrowsmith
— Philippe Boisseau (with effect from 1 September 2023)
— CP Duggal

All Committee members are independent Non-Executive Directors. Nathan Bostock and Kevin O'Byrne have recent and relevant financial experience and the Committee has sector relevant competence, as disclosed on pages 59 to 63.

Carol Arrowsmith is connected to Deloitte LLP ('Deloitte') as, historically, she was a partner there. However, she had left Deloitte prior to their appointment as the Group's external auditors. In addition to this, Deloitte provides her with services in a personal capacity. The Committee deems that this does not affect the independence and judgement of Deloitte, nor the Committee's oversight of Deloitte's performance.

Meeting attendees by invitation

All other Non-Executive Directors, Group Chief Executive, Group Chief Financial Officer, Group General Counsel & Company Secretary, General Counsel, Secretariat & Corporate Services, Group Financial Controller, Group Head of Accounting, Reporting and Tax, Group Head of Treasury, Pensions and Insurance, Group Chief Risk Officer and Group Head of Internal Audit, and the External auditors.

Focus areas in 2023

- The Group's published financial information.
- The effectiveness of the Group's risk management and internal controls framework.
- The Enterprise Risk and Control Framework including risks managed by the other Board committees.
- The management of cyber risks.
- Ethical, legal and regulatory matters.
- Deep dives on Centrica Energy.
- Finance Systems Review and Finance health check.

DEAR SHAREHOLDER

The Audit and Risk Committee is pleased to present its report for the year ended 31 December 2023, which summarises the Committee's work to ensure the accuracy of the Group's published financial information and the effectiveness of the Group's risk management and internal controls framework.

This report should be read in conjunction with the following sections in the Annual Report and Accounts:

- **Principal Risks and Uncertainties, pages 28 to 34**
- **Viability Statement, pages 35 to 37**
- **UK Corporate Governance Code application, page 64**

COMMITTEE OVERVIEW

The Committee has a yearly agenda which is linked to the Company's financial calendar. The agenda is flexible, enabling in-depth reviews of topics of particular importance to the Committee.

The core responsibilities of the Committee are to:

- monitor and review the adequacy and effectiveness of the governance and oversight of the Company's financial processing and reporting, internal controls and risk management, including key judgments and estimates;
- provide advice and assurance to the Board on whether it has discharged its duties and whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides all the necessary information for shareholders and other stakeholders to assess the Company's position, performance, business model and strategy;
- monitor and review the operation and effectiveness of the Group's Internal Audit function, including its independence, strategic focus, activities, plans and resources;
- supervise the appointments of the Group Chief Risk Officer and Group Head of Internal Audit;
- manage the relationship with the Group's external auditors on behalf of the Board (including appointment, independence, effectiveness and remuneration);
- conduct a tender for the external audit contract at least every 10 years and make appointment recommendations to the Board;
- review the Company's arrangements for its workforce/stakeholders to raise concerns in confidence about possible improprieties in financial reporting or other matters; and
- consider and review material legal and regulatory policy compliance issues or risks, and maintain oversight of the arrangements in place for the management of statutory and regulatory compliance in areas such as financial crime.

Main activities during 2023

During the year, the Committee met four times and considered a broad range of topics. Our key highlights are disclosed below:

- Accounting judgments, especially those related to Spirit Energy and Centrica Energy Storage, the reversal of the onerous supply contract provision, the impairment of the Nuclear asset, the Electricity Generator Levy and the assessment of the downstream supply bad debt provision.
- Viability and Going Concern assessments and related disclosures.
- Review of the 2022 financial results, the Annual Report and Accounts, and the 2023 interim financial results, including any relevant communications from Deloitte.
- Evaluation of the effectiveness of the external audit process and the Internal Audit function.
- Continued oversight of the control environment and finance systems maintenance and development, particularly regarding the migration of British Gas Energy customers' migration to a new technology platform.
- Assessment of credit risk exposure amidst volatile commodity prices and the broader impacts of high commodity price environments.
- Review of the Group's pension schemes, including the forthcoming triennial review and the impact of changes in gilt yields (see note 22).
- Monitoring of sanctions compliance, information systems, cyber security and data security risk management, especially considering geopolitical developments and updating the Board accordingly.
- Updates on legal, regulatory, and ethical compliance, with a focus on energy trading and the sale and delivery of FCA-regulated products and services, including the operation of Our Code and the Speak Up helpline.
- Preparation for upcoming legal and regulatory changes, such as reforms to the UK corporate governance regime.
- Regular reports and recommendations from Internal Audit and the external auditors on risk, assurance, and controls.
- Regulatory compliance considerations regarding British Gas Energy, including in relation to the installation of prepayment meters.
- Bad debt provisioning in the context of the cost of living crisis and suspension of prepayment meter installations.
- In-depth reviews of the risks and controls environment across various divisions of the Group, including British Gas Energy, British Gas Services & Solutions, Centrica Business Solutions, Bord Gáis Energy, and Centrica Energy, as well as the Group-wide financial risk and definitions of capital employed.
- Report on the changes to the Government support schemes for suppliers.
- Evaluated risks and opportunities related to climate change alongside the Safety, Environment and Sustainability Committee, to ensure that the Annual Report and Accounts comprehensively outlines the actions taken to effectively address major climate-related concerns.

RISK MANAGEMENT AND INTERNAL CONTROLS

Internal Audit

The Committee oversees the Group's Internal Audit function, ensuring its efficiency, independence, and alignment with strategic objectives. This includes regular reviews and approval of the annual Internal Audit plan, which is developed in response to the Group's evolving Principal Risks (details on pages 28 to 34). The Group Head of Internal Audit maintains direct communication with the Board Chair and Committee Chair and is accountable to the Committee. Throughout the year, the Committee is updated on Internal Audit's findings. It also monitors the implementation of follow-up actions by business units.

The independence, objectivity and effectiveness of the Internal Audit function was reviewed by reference to the output from a combination of self-assessment, independent assessment conducted by survey involving the CLT and a broader group of senior managers, as well as assessment by the Committee. The review concluded that the Internal Audit function operated in accordance with the Institute of Internal Auditors' International Professional Practices and continued to be independent, objective, and effective.

Review of the system of risk management and internal controls

Our risk management and internal controls are assessed through a self-certification process, a Group Entity Level Controls assessment program, and internal reviews by Internal Audit and the Committee. The Committee oversees the work of Internal Audit, the functional support teams, and the management teams, receiving regular updates on Group Principal Risks and other Group frameworks. At every meeting, the Committee receives an update on the Group's Enterprise Risk and Controls from the Chief Risk Officer and Group Head of Accounting, Reporting & Tax. This details the key risks the Group faces, the change in risk climate since the last meeting and any new emerging risks. The update also highlights the control environment, any changes in that environment as the control framework keeps pace with business change, and any areas of weakness identified, together with proposed mitigations. The Committee has confidence in its ability to identify issues and the business units' ability to remediate control gaps. The risk management process and internal controls have been in place throughout the year and remain effective, with ongoing review and improvement.

The Committee has received regular reports throughout the year on the status of the Group's transition to the new billing system, Ensek. The Committee was made aware of the evolving nature of the control activities performed in relation to this in-development Software as a Service (SaaS) environment. Given the controls were still developing, the external auditors did not plan to place reliance on controls in this area and, as expected, their control design and implementation work led to certain control findings and observations. Notwithstanding these findings, management and the Committee are satisfied with the manual review controls that have been put in place, which include a significant number of validations, checks, and other broad assurance activities, providing financial integrity and ensuring we remain comfortable with the financial results. The business is committed to evolving further the manual and IT controls in place and the extent of automation, as the platform continues its development. Alongside Ensek, the Committee also noted external audit findings across some of the Group's systems around user access and oversight of service organisations, leading to more substantive audit testing. The Committee discussed these challenges with management and the mitigations and improvements in these areas expected in 2024.

The Committee also noted that, in line with the culture of continuous improvement in the business, there is an ongoing review being undertaken on the Group Enterprise Risk Management framework.

Fair, balanced and understandable

In line with the UK Code, the Committee, on behalf of the Board, reviews the Annual Report and Accounts to ensure it is compliant with applicable laws and regulations and provides shareholders and stakeholders with the necessary information to assess the Company's position, performance, culture, business model, and strategy. The Committee also considers the processes and controls involved in the production of the Annual Report and Accounts, the governance framework for review and the responsibilities of the Directors.

There is a robust governance framework around the production of the Annual Report and Accounts to ensure they have been critically reviewed and verified by the key teams in the relevant businesses and functions. This includes review and agreement by the Fair, Balanced and Understandable Committee (comprising Heads of Function from Finance, Corporate Communications, Investor Relations, Internal Audit, People Function, Strategy and Corporate Legal & Secretariat) together with review and input from other content owners and their managers.

EXTERNAL AUDITORS

External auditors and Effectiveness of the external audit process

The Committee manages the relationship with the Group's external auditors on behalf of the Board. The Committee considers annually the scope, fee, audit plan, performance, objectivity and independence of the external auditors. To maintain objectivity, principal members of the external audit team are rotated off the Company's audit. Additionally, to protect the independence of the external auditors and the integrity of the audit process, the Company prohibits hiring senior staff from its auditors for at least two years after they stop providing services to the Company. Jane Boardman was appointed as the lead audit partner after the completion of the 2021 audit and has been serving in this role for two years.

To assess the effectiveness of the external audit process and independence and objectivity of the external auditors, the Committee carried out an assessment, as in prior years, primarily looking at the key areas of:

- robustness of the audit process
- quality of people and service
- quality of delivery
- independence and objectivity
- value added advice

This assessment included an internal questionnaire, which was completed by the Chair of the Board, Committee members and senior members of management on their views of Deloitte's performance. The questionnaire covered a review of the audit partner and team, the audit scope and approach, audit plan execution, auditor independence and objectivity and robustness of challenge of management. Separately, Deloitte also provided an assessment, via an internal management questionnaire, of management's controls, judgements and engagement throughout the audit process. The feedback was reviewed by management and reported to the Committee.

The Committee and the Board confirm that they have taken all the necessary steps to become aware of any relevant audit information and to pass that information onto Deloitte. The Committee was satisfied with the external auditors' commitment to audit quality, the robust and professional working relationship with management and demonstration of strong technical knowledge and professional scepticism. In addition, to ensure the independence of the external auditors, and in accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Standard 2019 issued by the Accounting Practices Board and as a matter of best practice, Deloitte has confirmed its independence as auditors of the Company. On the basis of Deloitte's confirmation and report on their approach to audit quality and transparency, the Committee concluded that Deloitte possesses the appropriate qualifications and expertise; remains independent of the Group; and, coupled with effective management engagement, that the audit process was effective.

The re-appointment of Deloitte as auditors for the 2023 financial year was approved by shareholders at the AGM in June 2023 and Deloitte has been recommended for re-appointment again in 2024. The Committee confirms that this recommendation is free from influence by any third party and no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the Company.

Deloitte has been the Company's auditor since 2017. The Committee has considered the timing of a competitive tender and has decided to conduct the tender in early 2025. This will allow sufficient time for audit firms otherwise working with Centrica in any capacity to become independent in advance of taking on the audit in 2027. Deloitte will be invited to participate in the tender.

The Company has complied with the Statutory Audit Services Order 2014 for the financial year under review.

Non-audit fees

To safeguard the objectivity and independence of the external auditors, the Committee is responsible for the policy on the award of non-audit services to the external auditors. A copy of this policy is available on our website centrica.com. The Chair of the Committee must approve all requests to utilise Deloitte for non-audit services. There is an annual cap on non-audit work during the ordinary course of business of £1 million, which is assessed each year for appropriateness in the context of external guidance and regulation.

Overall total non-audit fees incurred in 2023 were £0.7 million (2022: £0.9 million), including £0.5 million for the review of the interim results. All non-audit fees relate to assurance services (e.g. Interim review or local regulatory requirements). In line with the non-audit fees policy, approval for this expenditure was sought and received from the Committee in advance of the work commencing and Deloitte were best placed to provide these services on a timely and cost efficient basis, given their position as the external auditor. The amount incurred in the year is well below the legal cap of 70% of non-audit fees (for services not required by regulation) compared to the three-year average of statutory audit fees, amounting to approximately 9%.

In normal circumstances, all significant non-audit work is put out to tender and Deloitte is only appointed if their experience and knowledge makes them the most appropriate supplier and it is clear another firm could not undertake the work without adversely impacting the businesses. For further information, see note S9 to the accounts on page 220.

Corporate Reporting Review

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial information provided to shareholders and other stakeholders. The Committee oversees financial reporting and related risks and internal controls and has a role in overseeing the internal and external auditors, as well as interacting with other members of management and external stakeholders as required.

The FRC's Corporate Reporting Review ('CRR') team carried out a review of the Company's Annual Report and Accounts ('ARA') for the year-ended 31 December 2022. The Committee was pleased to note that the CRR team did not raise any questions or queries with the Company in relation to compliance with reporting requirements. Whilst the CRR team do not benefit from a detailed knowledge of the business or underlying transactions and therefore their review does not provide an assurance that the ARA is correct in all material respects, it is nonetheless a positive outcome.

In advance of the Audit, Reporting and Governance Authority being created, the Committee, during the year, complied with the majority of the FRC's Audit Committees and the External Audit: Minimum Standard.

UK Corporate Governance Code preparedness

The Board regularly receives updates from the Group General Counsel & Company Secretary about important developments and upcoming changes in UK Corporate Governance. During the year, the Committee, aided by the Group General Counsel & Company Secretary, considered the changes to the UK Corporate Governance Code and considered how these changes affect the roles and terms of reference of the Board Committees.

Committee effectiveness

The Committee reviews its terms of reference annually to ensure they remain appropriate in light of legal, regulatory and best practice changes. No material changes were made to the Committee's terms of reference in the year under review (available on centrica.com).

The effectiveness and performance of the Committee was evaluated as part of the overall evaluation of the Board and its Committees. Feedback from that process indicated that the Committee was performing effectively. Read page 66 for further information. Focus areas for the Committee in the year ahead include the review and update of the Group Enterprise Risk Management framework, alongside relevant Controls; the continued scrutiny of cyber risks, the rotational deep dives into material businesses and preparation for the audit tender in 2025.

Nathan Bostock
on behalf of the Audit and Risk Committee
14 February 2024

Key judgements and financial reporting matters in 2023	Audit and Risk Committee reviews and conclusions
Electricity Generator Levy The Electricity Generator Levy (EGL) applies a tax rate of 45% on revenues from sales exceeding a benchmark price of £75/MWh on electricity generated from nuclear sources. It applies from 1 January 2023 to 31 March 2028. Because EGL is a tax on revenue and not profits, it falls under IFRIC 21: Levies and is not in the scope of IAS 12: Income Taxes. This means that EGL is not recognised in the tax line but instead reduces the Group's adjusted operating profit. EGL is chargeable within the Group's associate accounted 20% nuclear investment for its sale of electricity, as well as on off-take arrangements with significant minority shareholders in such generators. During the year, the Group's share of its Nuclear associate's EGL payments amounted to £41 million (recorded within the share of profit after tax from associates). The Group has also made payments on account to HMRC of £285 million in relation to its estimated EGL liabilities for its minority shareholder Nuclear offtake arrangements during the year and this expense has been recorded within Cost of Sales. The EGL legislation is new, and its interpretation and application is unclear in respect of the Group's minority shareholder Nuclear offtake arrangements. As such, the extent of the levy that will ultimately be due in this regard is not yet certain, and a different amount (up to the £285 million paid to date) may ultimately be determined. If this were the case, the Group would be due repayment of excess monies paid to HMRC and at the point at which such repayment became probable, a tax deposit asset would be recorded on the Group's balance sheet, and as a credit within Cost of Sales in the income statement, in accordance with the 2019 IFRIC Agenda decision on Deposits relating to taxes other than income taxes. No tax deposit asset has been recorded because it is not deemed probable, as at the balance sheet date, that this will ultimately be recoverable (or used to settle another tax liability).	The Committee reviewed and discussed the complexity around the interpretation of the Electricity Generator Levy legislation. It also held discussions with the external auditors to confirm their view and the appropriateness of the accounting treatment adopted. The Committee concluded that the judgement reached was appropriate and concurred with the accounting approach. The Committee also noted the disclosures included in the financial statements to highlight the key source of estimation uncertainty in this area. Further detail is provided in notes 1 and 3 on pages 132 to 133 and 136 to 142.
Determination of forecast commodity prices and their use in valuing long-lived assets and derivative contracts Commodity price forecasts are a key assumption in the valuation of the Group's long-lived assets and derivative contracts. For short-term commodity prices over the next four years, observable liquid market prices (as at 31 December 2023) are taken as the best view of expected price. For the longer-term period thereafter, the Group uses a 'P50' median price curve, derived from a collection of third-party forecasts. This approach is deemed to align to pricing that a reasonable market participant would use. The Group has used these price curves in its asset impairment testing and contract valuations. The Group has also obtained commodity price forecasts which are intended to be consistent with net zero by 2050. These are lower than the 'P50' curves the Group has adopted for NBP Gas but broadly similar for baseload power. The Group has shown the impact of such price forecasts on the gas assets and Nuclear assets in note 7 of the financial statements.	The Committee noted the fall in short-term commodity prices during the year, with year-end prices well below 2022 levels. It also observed the flattening of summer/winter gas price spreads. The Committee understood that these outputs impact many of the other judgements listed below. The Committee reconfirmed continued support for the longer-term 'P50' median curve (derived from third parties) approach. It noted that the 'P50' long-term commodity price forecasts were broadly similar year-on-year for all commodities and that these prices movements were insignificant compared with the near-term falls. As a result of the above, the Committee was comfortable the curves were reasonable. Sensitivities of the asset impairment tests to changes in price forecasts are provided in note 7 on page 152 to 156. The Committee noted the use of a price curve intended to be consistent with net zero by 2050 in the impairment sensitivities and believed the output provided useful information to readers of the accounts. The Committee also noted the continued inclusion of a Climate Change accounting considerations section in note 3.

Key judgements and financial reporting matters in 2023	Audit and Risk Committee reviews and conclusions
Energy derivatives – classification and valuation The Group enters into numerous commodity contracts in its ordinary course of business. This can be to procure load for its downstream business, sell output from its upstream/infrastructure assets, to trade around its other commodity exposures or to make money from proprietary activities. On entering into these contracts, the business assesses each of the individual trades and classifies them as either: (i) Out of scope of IFRS 9: For 'own use' contracts (i.e. customer contracts, contracts to take delivery and meet customer demand or sell upstream/infrastructure output) and contracts that cannot be net settled. (ii) In scope of IFRS 9: Contracts for commodities which have the ability to be and practice of being net settled. Energy contracts outside the scope of IFRS 9 are accruals accounted. Those contracts considered to be within the scope of IFRS 9 are treated as derivatives and are marked-to-market (fair valued). If the derivatives are for proprietary energy trading, they are recorded in the business performance column of the Group Income Statement. If they are entered into to protect and optimise the value of underlying assets/contracts or to meet the future downstream demand needs, they are recorded as certain re-measurements. The fair-value of derivatives are estimated by reference to published liquid price quotations for the relevant commodity. Where the derivative extends into illiquid periods, the valuation typically uses the 'P50' median price curves (see Determination of long-term commodity prices and their use valuing long-lived assets). Judgement is required in all aspects of both the classifications and valuations. One of the Group's critical accounting judgements is that its LNG contracts are outside the scope of IFRS 9 because they are entered into for its own purchase and sale requirements ('own use').	The Committee noted that the Group's policy and methodologies in classifying and valuing energy derivatives were unchanged from previous periods. The Committee also reviewed and understood the breakdown by business of the movement in IFRS 9 energy derivative valuations in the Group Income Statement. They reflected on the fact the certain re-measurement derivative net gain of £3.6 bn was predominantly as a result of the unwind of prior year out-of-the money positions. Although commodity prices fell during the year, the timing of each business (e.g. UK supply book, Upstream/infrastructure asset books) entering into new hedge trades was important, such that the net movement on unrealised trades was small in comparison to the unwind. The Committee noted that following the extremely volatile prices in 2022, all of the books had moved into more normal closing derivative positions, with Supply load books (buy books) being out-of-the-money following a period of falling prices, and Upstream/infrastructure asset and Centrica Energy (sell books) being in-the-money. These closing positions are also at significantly lower values compared with the prior period, with the consequent expectation that the future 2024 certain re-measurement unwind will also be at significantly lower levels than seen in 2022 and 2023. The Committee noted the link between the derivative certain re-measurements for the UK supply books and the onerous supply contract provision certain re-measurements, as discussed below. Further detail is provided in notes 2 and 7 on pages 134 to 135 and 152 to 156. The Committee noted and continued to concur with the specific judgement around LNG contract own use classifications.
Onerous energy supply contract provision The Group's residential and business energy supply contracts are accruals accounted. The Group operates and manages a hedging strategy to ensure that the future costs of supplying these customer portfolios are appropriately managed. These hedges are generally in the scope of IFRS 9 and are measured at fair value (see 'Energy Derivatives – classification and valuation' above). They are recognised as certain re-measurements in the Group income statement until the point at which the related costs to purchase electricity and gas are incurred. At the end of 2022, business supply hedges were significantly in-the-money, following previous increases in near-term commodity prices. Because of this hedge value recognition, the assessment of whether the business supply contracts were onerous had to be calculated based on the cost of fulfilling these arrangements, including the reversal of previous mark-to-market gains. Accordingly, the Group determined that at 31 December 2022, the future costs to fulfil business customer contracts including mark-to-market reversals would exceed the charges recovered from customers because the associated hedging gains had already been recognised in the Income Statement. The Group therefore retained an onerous supply contract provision of c.£1 billion at that date. During 2023, the business supply hedges moved to being out-of-the-money and consequently, the costs to fulfil the customer contracts including mark-to-market reversals no longer exceed the charges expected to be recovered from the customer. Therefore no onerous supply contract provision is required and the previous provision has been unwound. The movement in the onerous provision has been reflected as a certain re-measurement in the Income Statement because these supply contracts are economically related to the fair value movements on the hedges (note that the certain re-measurement Income Statement movement is £0.8 billion, because a £0.2 billion onerous provision was acquired as part of the Avanti Gas purchase).	The Committee reviewed the change in the underlying derivative hedge values of the business books and therefore the movement in the onerous energy supply contract provision. The Committee noted that this movement is mainly driven by the unwind of the previous hedges. The Committee observed that an onerous provision could come back in 2024 if derivative hedges moved back into the money but this is dependent on energy prices and the hedged position. The Committee noted the disclosures included in the financial statements to highlight this area. The Committee held discussions with the external auditors to re-confirm the appropriateness of the accounting treatment and to confirm their views of the assumptions used. Further detail is provided in notes 2, 3 and 7 on pages 134 to 142 and 152 to 156.

Key judgements and financial reporting matters in 2023	Audit and Risk Committee reviews and conclusions
Impairment of long-lived assets The Group makes judgements and estimates in considering whether the carrying amounts of its assets are recoverable: ***Upstream (Power assets and Gas assets (including gas storage))*** For Upstream/infrastructure assets, discounted cash flows are prepared from projected production profiles of each field or power asset, taking into account forecast future commodity prices, to assess their recoverable amount. When deriving forecast cash flows, market prices are used for the period when a commodity is liquid. For the longer-term illiquid period, the 'P50' median price curve is used (see 'Determination of forecast commodity prices and their use valuing long-lived assets and derivatives', above). Judgement is also required around production volumes. For Nuclear, individual station information and recent availability data is factored in to the overall asset valuation. The expected operating life of Sizewell has continued to be reflected to 2055 in the modelling, beyond the original design life. During 2023, the expected closure dates for Heysham 1 and Hartlepool stations were extended by two years to March 2026, with a plus or minus one year window either side of this date. For Gas assets, each field has specific reservoir and field characteristics and is modelled independently. For the Rough gas storage asset, in addition to the above process associated with its cushion gas production, an assessment is also made of value to be derived from cycling gas in and out of the reservoir (predominantly from summer/winter gas spreads). This assessment utilises the forward market prices noted above and is also used to calculate the optimum cushion gas production date to maximise the recoverable amount of the asset. Consistent with previous years, taxes and levies are also included in the discounted cash flow modelling. For Nuclear, the Electricity Generator Levy (see 'Electricity Generator Levy' above) applies a tax rate of 45% on revenues exceeding a benchmark price of £75/MWh and applies from 1 January 2023 to 31 March 2028. For Gas assets, the Energy Profits Levy applies a rate of 35% (bringing the headline rate on Gas asset profits to 75%) and also continues until 31 March 2028. Predominantly as a result of the year-on-year decrease in forecast commodity prices, an exceptional impairment of £549 million has been booked in relation to the Nuclear investment. For Gas assets, the Rough gas storage field has booked an exceptional impairment of £82 million as a result of both the fall in forecast gas prices and the flattening of summer/winter gas spreads. All other gas fields retained impairment headroom.	The Committee challenged management and the external auditors on the key inputs to the impairment models including price, outage rates, assumed lives, tax and discount rates, and were comfortable with the conclusions reached. The Committee reviewed the Nuclear investment impairment and noted that the decrease in near-term commodity prices had more than offset the benefit of life extensions at Heysham and Hartlepool. It also considered the Rough gas storage field impairment, following price and summer/winter spreads falls and highlighted the difficulty in assessing option value. The Committee noted that price sensitivity disclosures have been included in the financial statements. Further detail on impairments and the assumptions used in determining the recoverable amounts is provided in notes 7 and S2 on pages152 to 156 and 191 to 203.
Credit provisions for trade and other receivables The IFRS 9 impairment model requires credit provisions ('bad debt') for trade and other receivables to be based on an expected credit loss model, as opposed to an incurred loss basis. The economic effects of the inflationary pressures on household income, not least energy prices, and the wider cost of living crisis will likely impact the ability of the Group's customers to pay amounts due. Accordingly, there is significant judgement around the levels of forecast bad debt and the provisioning required at the year-end. The Group's residential and business energy supply customers account for the majority of the Group's credit exposure (with balances associated with our trading business generally received within 30 days). Expected default rates in these areas are calculated initially on a matrix basis by considering recent historical loss experience, the nature of the customer, payment method selected and, where relevant, the sector in which they operate. Management has then also factored in forward-looking economic assumptions, taking into account inflation and affordability forecasts. In the prior year a high-level macroeconomic provision of £125 million was maintained to cover inflationary concerns. During 2023, the deemed quality and relative ageing of the Group's debt has declined with difficulties in field debt recovery following the suspension of prepayment meters and the fragile economic climate. Given these issues and the economic environment, the high level macroeconomic provisions have been increased by £50 million (to £175 million) to cover these concerns. For UK Downstream energy supply, the bad debt charge as a percentage of revenue increased to 2.7% (2022: 2.1%). The closing bad debt provision moved to 34% (2022: 26%) of UK energy supply gross receivables. Due to the significant estimation uncertainty in this area, management continues to provide detailed analysis and sensitivities in note 17 to the Financial Statements.	The Committee reviewed management's groupings of receivables by the key factors affecting recoverability (e.g. payment method, nature of customers) and considered the levels of provisions booked against each grouping, at the year-end. The Committee discussed the approach with the external auditors. The Committee was comfortable with the provisions booked, including the increase in the macroeconomic provisions, whilst noting the significant estimation uncertainty in this area. The Committee noted the continued enhanced disclosure in note 17, setting out the judgemental nature of the provisioning and the sensitivity analysis to allow users of the accounts to model different outcome scenarios.

Key judgements and financial reporting matters in 2023	Audit and Risk Committee reviews and conclusions
Classification and presentation of exceptional items and certain re-measurements The Group reflects its underlying financial results in the business performance column of the Group Income Statement. To be able to provide this in a clear and consistent presentation, the effects of certain re-measurements of financial instruments and onerous supply contract provisions, and exceptional items are reported separately in a different column in the Group Income Statement. The classification of items as exceptional and specific trades as certain re-measurements (see 'Onerous energy supply contract provision' and 'Energy Derivatives – classification and valuation' sections above) are subject to defined Group policies. These policies are reviewed annually by management. At the year-end, exceptional items included the Nuclear and Rough gas storage asset impairments noted above. Also included is a write-off of £14 million predominantly associated with a battery storage asset and a gas engine in Centrica Business Solutions. Certain re-measurements totalled an overall c.£4.4 billion gain – being £3,573 million gain from derivatives and £833 million gain from the onerous supply contract provision movement.	The Committee noted that the policy on certain re-measurements and exceptional items remains unchanged from the prior year. The Committee had formally reviewed and approved the Group's policy on exceptional items in previous years and, in the current year, it used this policy to help inform the appropriateness of the proposed classifications. It challenged the items classified as exceptional items, considering their size, nature and incidence and in the context of the Group policy. The Committee concluded that separate disclosure of these items as exceptional was appropriate in the Financial Statements. The Committee ultimately agreed that presenting certain re-measurements and exceptional items separately continues to allow underlying performance to be reflected on a consistent and comparable basis through the use of the adjusted alternative performance measures (e.g. adjusted operating profit). Further detail is provided in notes 2, 3 and 7 on pages 134 to 142 and 152 to 156.
Energy supply revenue recognition The Group's revenue for energy supply activities includes an estimate of energy supplied to customers between the date of the last meter reading and an estimated year-end position. This is estimated through the billing systems, using historical consumption patterns, on a customer-by-customer basis, taking into account weather patterns, load forecasts and the differences between actual meter readings being returned and system estimates. An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group, including bill cancellation and re-bill rates. To the extent that the economic benefits are not expected to flow to the Group, revenue is not recognised. At the year-end, unread energy income for the continuing supply businesses was £3.0 billion (2022: £2.9 billion).	The Committee has reviewed the level of unread revenue and unbilled accrual made during the year and discussed with management and the external auditors. The Committee noted that the Ensek platform uses a different process to calculate the unbilled accrual compared with the legacy SAP system. Data from smart meters, industry information and from customers on the SAP system was utilised to finalise the Ensek revenue adjustment and the external auditors had independently reperformed this calculation to within an immaterial difference. More details on unread energy income are provided in note 3 on pages 136 to 142 and on unbilled energy income in note 17 on pages 168 to 174.
Pensions The assets and liabilities, and the cost associated with providing benefits under defined benefit schemes is determined separately for each of the Group's schemes. Judgement is required in setting the key assumptions used for the actuarial valuation which determines the ultimate cost of providing post-employment benefits, especially given the length of the Group's expected liabilities. The net Group pension liability position was £117 million (2022: £40 million asset). The UK defined benefit schemes used a nominal discount rate of 4.6% (2022: 4.7%) and inflation of 2.9% (2022: 3.0%) Following the Liability Driven Investment (LDI) crisis in the pensions arena in late 2022, the Group continues to provide a £400 million interest-bearing loan to the UK Registered Pension Schemes to ensure the schemes can maintain a high level of interest and inflation hedging and meet any collateral requirements. The Group judged that this should be accounted for as a loan (within Securities) in the books of the Group and as a reduction in scheme assets for the Pension Schemes. As a consequence of the LDI issues, the pension scheme continue to have a greater proportion of unquoted assets in its asset portfolio. As a result the Group undertakes more detailed reviews of these valuations, whilst acknowledging the inherent uncertainty compared with quoted assets.	The Committee noted the key pension assumptions and disclosures in the Financial Statements. It noted that these assumptions were derived on a consistent basis to previous periods. The Committee recognised the role of the independent actuary, who is consulted on the appropriateness of the assumptions, and discussions were also held with the external auditors. The Committee also understood the need to continue to provide extra funding to the schemes to ensure they remained appropriately hedged. It also noted the greater proportion of unquoted assets in the scheme portfolio and welcomed the greater scrutiny on these valuations. Further details on pensions are set out in note 22 on pages 178 to 182.
Fair, balanced and understandable The Board is required to confirm that the Annual Report and Financial Statements are fair, balanced and understandable. To enable the Board to make this declaration, there is a year-end review process to ensure that the Committee and the Board have access to all relevant information, including management's papers on significant issues.	The Committee reviewed the key factors considered in determining whether the Annual Report is fair, balanced and understandable. The Committee and all Board members received a draft of the Annual Report and Financial Statements in sufficient time to review and challenge the disclosures therein. In addition, the Committee took into consideration the external auditors' reviews of the consistency between the reporting narrative of the Annual Report and the Financial Statements.

NOMINATIONS COMMITTEE

MEMBERSHIP, MEETING ATTENDANCE AND KEY FOCUS

Committee members
- Scott Wheway (Chair)
- Carol Arrowsmith
- Philippe Boisseau (with effect from 1 September 2023)
- Nathan Bostock
- CP Duggal
- Jo Harlow (with effect from 1 December 2023)
- Heidi Mottram
- Kevin O'Byrne
- Amber Rudd
- Sue Whalley (with effect from 1 December 2023).

Biographical details of the Committee Chair and members can be found on pages 59 to 62. Meeting attendance of the Committee members can be found on page 68.

Meeting attendees by invitation
Group Chief Executive, Group General Counsel & Company Secretary, Group Chief People Officer and Group Chief Financial Officer.

Focus areas in 2023
- Board skills.
- Board diversity.
- Independent Non-Executive Director succession planning.
- Executive Director succession planning.
- Board Committee composition.
- Independent Non-Executive Director recruitment.
- Approach to workforce engagement.
- Board training requirements.
- Election and re-election of Directors at the 2023 AGM.
- Approach to, and findings arising from, an annual Board effectiveness evaluation (see page 66).
- Oversight of Directors' external appointments.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Nominations Committee report for 2023 which explains the Committee's focus and activities during the year.

COMMITTEE OVERVIEW

The Nominations Committee is responsible for ensuring that the Board and its Committees have the appropriate balance of skills, knowledge, and experience to effectively lead the Company both now and in the future. This is achieved through a formal procedure for the appointment of new Directors to the Board, an effective succession planning process, reviewing Board composition and Board skills, and assessing Board training requirements.

MAIN ACTIVITIES DURING 2023

Board succession planning and Board skills
The Committee is responsible for leading the succession planning process and making recommendations to the Board. The Committee takes a long-term view to succession planning, regularly reviewing Board tenure, Board diversity (particularly diversity of gender, cultural background and experience) and assessing the skills required by the Board to best support the Company's strategy on a multi-year look ahead as well as in the near term. Details of the wide range of skills, backgrounds and experience possessed by the Board today can be found in the Directors' biographies.

The Committee's work on succession planning directly informed recruitment in 2023. A focus area for the Committee in 2024 will remain ensuring the Company continues to have appropriate succession plans for different time horizons.

Independent Non-Executive Director recruitment
A primary focus area for the Committee in 2023 was independent Non-Executive Director recruitment that would continue to strengthen the Board's existing capabilities in a way that would further support the delivery of the Company's strategy.

Centrica has a thorough and robust search process for the selection of independent Non-Executive Directors involving the engagement of specialist external search firms. In identifying and nominating candidates to fill Board vacancies, the Committee considers candidates from a wide range of backgrounds, assessing them on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Committee therefore takes particular interest in the recruitment process of its independent search firms to ensure that a diverse pool of candidates is considered for any vacancy.

A shortlist of candidates is shared with the Committee, meetings are scheduled with Directors and members of management, and then once the candidates have been identified, and their ability to meet the necessary time commitment is confirmed, a recommendation is made to the Board.

Lygon Group supported the search processes that led to the appointments of Philippe Boisseau in September 2023 and Jo Harlow and Sue Whalley in December 2023. Philippe brings significant experience of the energy sector, particularly energy assets, energy infrastructure and renewable energy transition, all of which is immensely valuable and relevant to Centrica. Jo has extensive knowledge on the use of technology and data to enhance development and drive growth in consumer businesses and Sue brings a blend of experience in people and cultural transformation, as well as strategic, technological and operational evolution in large, complex organisations. The collective experience and contribution from each of these Directors will undoubtedly be of great benefit to Centrica. Further information about Philippe, Jo and Sue can be found in their biographies.

There are no connections between Lygon Group, the Company and its individual Directors.

Executive Director succession

As disclosed in last year's Annual Report and Accounts, Russell O'Brien was appointed Group Chief Financial Officer and Executive Director with effect from 1 March 2023, bringing broad experience across the energy value chain. Following an orderly transition to Russell, Kate Ringrose stepped down as Chief Financial Officer and Executive Director on 28 February 2023. Further information about Russell can be found in his biography.

Board training

The Committee reviewed the training received by the Board during 2023 as well as the training requirements for the Board in 2024. In doing so, the Committee sought to ensure the Board remained equipped with the latest knowledge and understanding to support effective decision-making. Board training in 2023 included sessions on directors' duties and models of economic regulation for hydrogen production and storage as well as carbon capture and storage. The Committee also identified further areas of training that will inform the Board's training programme in 2024. Further details of training, development and induction for all new Directors are on page 66.

Oversight of Director external appointments

To ensure that Directors will continue to have sufficient time to commit to their Centrica responsibilities, any additional external appointments taken up require advance consultation with the Chair and, where appropriate, approval by the full Board.

The Committee considered Kevin O'Byrne's external appointment to International Flavors & Fragrances, Inc. which took effect from 10 March 2023. The Committee was satisfied that following his stepping down from the board of J Sainsbury plc in March 2023 that Kevin would continue to have sufficient time to commit to his Centrica responsibilities.

A focus on diversity, equity and inclusion

We operate in increasingly diverse communities and this diversity is evident in our workforce and our customers, suppliers, and other stakeholders.

As set out in our Board diversity policy, we know that being inclusive of the diversity we have in our business will give us a competitive advantage.

We updated our Board diversity policy in December 2023 to clarify that it extends to key Board Committees, and to provide for consideration of a wider list of diversity characteristics, including ethnicity, sexual orientation, disability and socio-economic background.

The purpose of the Board diversity policy is to guarantee that both the Board and the Nominations Committee adopt an inclusive approach during the nomination and appointment processes.

The revised Board diversity policy can be found on our website at centrica.com.

The Committee therefore continues to embrace the strategic importance of diversity, equity and inclusion, including as part of the Board's own succession planning. The Committee will report in the 2024 Annual Report and Accounts how the updated Board diversity policy was implemented and the results thereof.

As at 31 December 2023, 41.7% of the Board and 55.6% of independent Non-Executive Directors (excluding the Chair of the Board) were women, and the Board composition met, and continues to meet, the Listing Rules target for ethnic minority representation. As noted in the Governance introduction on page 57, the Board is fully aware that it currently does not meet the expectation that one of the following four roles, Chair, Group Chief Executive, Group Chief Financial Officer and Senior Independent Director is held by a woman. Through steps taken as part of its succession planning arrangements, the Board is fully committed to addressing this situation at the earliest possible opportunity. Further information on compliance with Board diversity targets can be found in the Governance introduction on page 57, and set out in the table on page 81.

As disclosed in the table on page 81, there was a decline in the proportion of ethnically diverse individuals on the Board from 11% in 2022 to 8% in 2023. This decrease is attributed to the Board's expansion from nine members in 2022 to 12 members in 2023, which enhanced the Board's gender diversity whilst the number of individuals from an ethnically diverse background remained unchanged.

Further information on the steps that the Company is taking to create a diverse and inclusive workplace can be found in the Chief People Officer's Report on pages 38 to 40.

Workforce engagement

The Committee reviewed the Board's approach to workforce engagement pursuant to the expectations of Provision 5 of the UK Corporate Governance Code. The Committee supports the Board's view that workforce engagement is a collective responsibility shared amongst the Directors of the Board and therefore ultimately decided to adopt a collective approach to workforce engagement involving all Directors and leveraging a combination of different types of engagement, including listening sessions with colleagues; meetings with senior leaders and future talent where they discuss opportunities for improving colleague performance and Company growth; and dedicated engagement sessions with the Chairs of the employee-led colleague networks such as the Women's network and the Diverse-Ability network. The Board believes this approach enables it to effectively fulfil its responsibility of staying engaged and informed about the workforce's interest and matters.

Committee effectiveness

The Committee conducted its annual review of its terms of reference and concluded that no material changes were required. The Committee's terms of reference are available on our website centrica.com.

The effectiveness and performance of the Committee was evaluated as part of the overall evaluation of the Board and its Committees. Feedback from that process indicated that the Committee was performing effectively. Succession planning at Board, executive and senior management levels and developing a talent pipeline continue to be key priorities for the Committee in the year ahead. Read page 66 for further information.

Scott Wheway
on behalf of the Nominations Committee
14 February 2024

BOARD AND SENIOR LEADERSHIP DIVERSITY

SEX/GENDER REPRESENTATION

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Percentage of senior positions on the Board*	Number in executive management	Percentage of executive management
Men	7	58%	4	100%	7	70%
Women	5	42%	–	–	3	30%
Other/not Specified	–	–	–	–	–	–
Prefer not to say	–	–	–	–	–	–

*There are 4 senior positions on the Board (Group Chief Executive, CFO, SID and Chair).

ETHNICITY REPRESENTATION

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Percentage of senior positions on the Board*	Number in executive management	Percentage of executive management
White British or other White	11	92%	4	100%	8	80%
Mixed/Multiple Ethnic Groups	–	–	–	–	–	–
Asian/Asian British	1	8%	–	–	2	20%
Black/African/Caribbean/Black British	–	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–	–

*There are 4 senior positions on the Board (Group Chief Executive, CFO, SID and Chair).

READ MORE ABOUT BOARD DIVERSITY ON PAGE 80

Explanatory notes

(1) The information above is stated as at 31 December 2023.
(2) We recognise the importance of driving greater diversity across the full breadth of our business – from the Boardroom to our customer-facing colleagues and we therefore actively track, monitor and work towards our diversity goals to reflect the communities we serve.
(3) As at 31 December 2023, we met the Parker Review target to have at least one Director from a minority ethnic background. We also made good progress towards the Board diversity targets set out in Listing Rule 9.8.6(9). This included (i) at least 40% female representation on the Board (2023: 42%) and (iii) at least one Director being ethnically diverse (2023: 1 person) which aligns with the Parker Review. However with Kate Ringrose stepping down from being Chief Financial Officer on 28 February 2023, and Russell O'Brien joining the Board on 1 March 2023, we did not meet target (ii) to have at least one senior position held by a woman.
(4) To grow our diversity further, we have taken positive action which includes succession planning and mandating diverse candidates for senior roles. By the end of 2030, it is our goal for our Board, executive management and senior leaders to be 48% women and 18% ethnically diverse. As part of our commitment to the Parker Review in setting a senior leader ethnic diversity target by 2027, in 2023 we decided to bring our 18% goal forward by three years.
(5) Our diversity data is collated through our HR management system. We encourage all colleagues to self-report information such as gender, gender identity, ethnicity, age, sexual orientation, disability and military background, whilst also including a 'prefer not to say' option. We continued to run our #ThisIsMe campaign to encourage more people to share who they are in 2023, which helps us better understand who is working for us and where we need to target action to grow greater diversity.

SAFETY, ENVIRONMENT AND SUSTAINABILITY COMMITTEE

MEMBERSHIP, MEETING ATTENDANCE AND KEY FOCUS

Committee members
- Heidi Mottram (Chair)
- Philippe Boisseau (with effect from 1 September 2023)
- Nathan Bostock
- Amber Rudd
- Scott Wheway

Biographical details of the Committee Chair and members can be found on pages 59 to 63. Meeting attendance of the Committee members can be found on page 68.

Meeting attendees by invitation
All other Non-Executive Directors, Group Chief Executive, Group General Counsel & Company Secretary, Group Chief People Officer, Group HSE Director, Group Head of Environment, Chief Procurement Officer, Head of Business Ethics and Compliance and Deputy Head of Secretariat.

Focus areas in 2023
- Health and safety risks.
- Environment.
- Emerging climate reporting requirements and climate matters.
- Responsible sourcing including human rights and modern slavery risk.
- Societal contribution.
- Reputation.

DEAR SHAREHOLDER

On behalf of the Board, I present the Safety, Environment and Sustainability Committee (SESC) report for the year ended 31 December 2023.

COMMITTEE OVERVIEW

The Committee's role and responsibilities, on behalf of the Board, is to review and monitor the culture, practices, risks and performance of Centrica with respect to health and safety, climate, environment and broader responsible business matters. This is achieved through a rigorous review of performance data, and the Company's goals and initiatives in these areas. As part of its focus, the Committee also provides input to, and review of, the Company's annual climate reporting disclosure requirements.

MAIN ACTIVITIES DURING 2023

The Committee considered a broad range of topics in 2023 and the key highlights are disclosed below.

Health and Safety

The Committee's standing health and safety agenda items focused on relevant performance metrics, assurance activity and the approach to HSE risk management in specific business unit reviews. During these discussions, taking into account the needs of customers and employees, the Committee considered risk identification, appropriate HSE controls and processes.

At each meeting, the Committee invited management to discuss occupational and process safety reviews, outcomes and improvements derived from targeted interventions and future action plans. Examples included a thorough review of the British Gas Services & Solutions health and safety performance, a maturity assessment for Bord Gáis Energy and external process safety audits for Centrica Energy Storage+ and Spirit Energy, during which any concerns or incidents were considered in detail and, where appropriate, remedial actions proposed by management were scrutinised to assess their effectiveness.

The Committee acknowledged the Group's positive safety mindset driven by highly engaged employees throughout 2023.

Environment

The Committee provides oversight of the Company's continued commitment to, and role in, the drive to net zero. During 2023, the Committee reviewed progress made against the Company's People & Planet Plan and the Climate Transition Plan, and specifically the implications of recent strategic investment decisions against Climate Transition Plan targets and ambitions and the Company's strategic framework.

Key focus areas for the Committee in 2023 were reviewing emerging voluntary and mandatory climate reporting requirements, both in the UK and in the EU, including Task Force on Climate related Financial Disclosures (TCFD) and Climate-Related Financial Disclosure (CFD) regulations. The Committee considered the application of these requirements to the Company, taking into account changing stakeholder expectations, and assessing how the Company would ensure compliance and governance with impending reporting requirements. The Committee also received regular updates and training on relevant legal and policy developments and trends regarding climate matters.

Responsible business

Throughout the year, the Committee considered the Company's responsible sourcing approach focusing on the supply chain that carry potentially higher inherent risk due to the associated jurisdiction and/or nature of the product, in particular in relation to issues such as the manufacture of solar panels, batteries or garments. The Committee reviewed the 2023 strategy for visits to supplier sites and the results of supplier audits.

During discussions, the Committee assessed on a regular basis human rights and the risk of modern slavery occurring in Centrica's operations, taking into account the increasing expectations of stakeholders and enhanced modern slavery disclosures. Further details of the Company's management of modern slavery risk can be found on our website at centrica.com/modernslavery. The Committee also received training on emerging responsible sourcing supply chain requirements and considered changes that might be required to the Company's current approach.

The Committee continued to oversee societal contribution including the Company's approach to charitable partnerships, its role in local communities and its People Goals including, in that context, the Company's performance against its diversity and inclusion targets, its apprenticeship and volunteering ambitions. The Committee also reviewed perceptions of the Company's reputation amongst a wide range of stakeholders in relation to topics such as the Company's role in providing energy security in the markets in which it operates as well as supporting customers and communities in their transition to net zero in an affordable and secure way.

Governance

In addition to the above areas of focus, the Committee also reviewed relevant disclosures in the Annual Report and Accounts within the Committee's remit, as well as the TCFD and CFD regulations. The Committee also considered and recommended to the Board the Modern Slavery Act statement, which can be found on our website.

Committee effectiveness

The Committee undertakes an annual review of its terms of reference to ensure that it accurately reflects the role carried out by the Committee, taking into account any new internal and external developments and responsibilities. The Committee's terms of reference are available on our website, centrica.com. The Committee considers that it has continued to discharge its oversight role effectively in an area where expectations and requirements are constantly evolving with insightful and regular engagement and support from management. Read more about the Committee's effectiveness on page 66.

Heidi Mottram
on behalf of the Safety, Environment and Sustainability Committee
14 February 2024

READ MORE ABOUT OUR PEOPLE & PLANET PLAN ON PAGES 41 TO 55

REMUNERATION REPORT

MEMBERSHIP, MEETING ATTENDANCE AND KEY FOCUS

Committee members
— Carol Arrowsmith (Chair)
— CP Duggal
— Jo Harlow (with effect from 1 December 2023)
— Heidi Mottram
— Amber Rudd
— Sue Whalley (with effect from 1 December 2023)

Biographical details of the Committee Chair and members can be found on pages 59 to 63. Meeting attendance of the Committee members can be found on page 68.

Meeting attendees by invitation
All other Non-Executive Directors, Chair of the Board, Group Chief Executive, Group Chief People Officer, People Director, Reward, Benefits and Wellbeing

Focus areas in 2023
- Executive Directors' salary reviews
- Gender and ethnicity pay gap report
- Review of pay issues across the wider workforce
- Closure CUPS-DC pension scheme
- Review of total remuneration packages for the Centrica Leadership Team
- Review and approve 2023 financial and business targets and individual objectives.
- Recruitment of new senior executives
- Review Executive Directors shareholding
- Review and approve Director Expenses

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2023.

BUSINESS CONTEXT FOR 2023

Centrica has delivered strong financial and operational performance including EPS performance of 33.4 pence. Centrica was also one of the best performing shares in the FTSE 100 with our share price increasing by more than 45% in 2023. At the same time, the Company has supported our customers through the cost of living crisis including £140m committed since 2022 to help them with their energy costs.

The turnaround of the Company over the last three years is credit to the management team led by Chris O'Shea, the Group Chief Executive. The team has simplified the business, strengthened and de-risked the balance sheet, and improved operational performance especially in our Retail businesses. As a uniquely integrated energy company, our Optimisation and Infrastructure businesses have contributed significantly towards Group profitability by applying their expertise in trading and storing energy in turbulent markets particularly during 2022 and 2023. The Company now has a solid foundation and clear purpose of energising for a greener, fairer future. This means we can invest in the future for the benefit of all our stakeholders, including our customers, colleagues, communities and shareholders. Some examples of these investments are:

Customers: We have invested in supporting customers by providing new on-demand services to install and maintain their home heating systems, and improved customer service by employing an extra 700 colleagues across customer contact centres in Stockport, Leicester, Leeds, Edinburgh, and Cardiff. During the year, we remained acutely aware of the cost of living pressures that our customers faced, and we have committed a total of £140m during 2022-23 to continue to help customers with their energy costs. This included creating an Energy Support Fund managed by the British Gas Energy Trust, which has so far helped over 25,000 customers while funding new drop-in centres and advisors across the UK to support people with their finances. We have launched new innovative tariffs, which aim to be greener and fairer such as 'Peak Save' to help our customers manage their energy usage through the day and save money on their bills, and our offer of free Electric Vehicle charging at home for a year for customers that buy an EV charger from British Gas.

Colleagues: We have hired over 1,000 new colleagues. We have launched our "Pathway to Parenthood" benefit to support colleagues through fertility treatment, adoption, or surrogacy. We have rewarded employees with £2,640 in free shares through our profit share plan to recognise our performance in 2023. This means that, over the last three years, we have paid a total of £5,886 in profit share to each colleague to ensure they share in our success. We maintained our focus on fair reward practices – from paying at least the Real Living Wage in the UK and working to reduce pay gaps. The average salary increase across the wider workforce in the UK was 6%, with our lowest paid colleagues receiving an average salary increase of between 7.8% to 9.5%.

Communities: We have invested in improving energy storage and security for the UK, including doubling the gas storage capacity at Rough, which now provides half the UK's gas storage capacity or enough gas to heat over three million homes. As part of our People & Planet Plan, our colleagues gave 7,200 days volunteering to help the communities and causes they are passionate about.

Shareholders: The financial strength of the business has also allowed us to deliver value to our shareholders with a 33% increase in the 2023 interim dividend to 1.33 pence per share, and a proposed final dividend of 2.67 pence per share, alongside the £450m extension of our share buyback programme to be completed by around July 2024.

REMUNERATION OUTCOMES FOR 2023

In deciding the remuneration outcomes for 2023, the Remuneration Committee has focused on balancing the views and experiences of all our stakeholders with our responsibility to attract and retain high-performing executives to lead a highly complex organisation. Our remuneration principles for Executive Directors are consistent with the wider workforce and can be found on page 96.

ANNUAL INCENTIVE PLAN (AIP)

Pay-outs under the AIP for members of the Centrica Leadership Team are based on financial and business performance (75%) and individual performance against strategic objectives (25%).

The financial and business performance element for the year was split equally between Earnings Per Share (EPS) and the outcome of a balanced scorecard of financial and operational measures critical to the success of the organisation in 2023.

The EPS measure had defined threshold, target and maximum levels that were set at the start of the financial year. During the first half of the year, market conditions were materially better than expected when the targets were set. Therefore, when reviewing progress against the EPS target during the year, the Committee determined that the original targets were no longer appropriate and should be increased to reflect these improved market conditions. Reflecting the strong performance of the business, Centrica achieved earnings performance of 33.4pence, resulting in an outturn of 100% of maximum against the revised targets for this part of the AIP.

Excellent performance across the Group also meant the majority of customer, colleague and financial targets in the balanced scorecard were met in full, including delivering operating profits of £2,752m and free cash flow of £2,207m. We were particularly pleased to see a reduction in rescheduled appointments for customers in Services and Solutions and an improvement in our customer satisfaction scores. Given the cost of living challenges faced by our customers, we have seen an increase in our bad debt charges, and we will continue to engage with those customers who are struggling to pay their bills using a variety of mechanisms including payment spreading and utilising the £140m we have committed so far to help the most vulnerable and in need. We have made significant progress against both our goal to be a net zero business by 2045, and our goal to help our customers be net zero by 2050. Performance against the balanced scorecard measures resulted in an outturn of 85% of maximum for this part of the AIP. This gave a combined financial and business performance outturn of 185% of target.

In response to shareholder feedback in previous years, we have provided more detail on each executive's individual objectives in the body of the remuneration report on page 91. Chris O'Shea achieved an individual performance outturn of 87.5% of maximum, and Russell O'Brien, Group Chief Financial Officer, achieved an individual performance outturn of 82.5% of maximum for this part of the AIP.

In determining the overall AIP outcome for 2023, the Committee considered the impact of a national newspaper undercover investigation in February 2023 into the fitting of prepayment meters under court warrant by a third-party contractor working for British Gas. The Group Chief Executive was deeply concerned when he observed a lack of empathy and respect in some of these cases; he apologised unreservedly and immediately commissioned an investigation into the issue, overseen by external compliance consultants. We ceased all warrant activity with the third-party contractor immediately.

This investigation found no wide-ranging systemic issues with the installation of prepayment meters under warrant and noted the high degree of complexity involved in the assessment of each case. However, it did highlight that in some cases the Company had fallen short of the high standards of behaviour that we set for ourselves when engaging with customers and identified where improvements should be made to existing processes.

In addition to implementing all the recommended actions identified in the investigation and fully endorsing Ofgem's new Code of Practice on the installation of prepayment meters under warrant, Centrica has re-affirmed its commitment to prepayment customers in the following ways:

- Bringing this work in-house, giving British Gas direct oversight of the process and ensuring our agents benefit from training at British Gas' award-winning academies.
- Swiftly introduced the cheapest prepayment meter tariffs of any supplier in the country, in line with the cost of energy for direct debit customers.
- Extended our scheme of direct customer support for prepayment customers to £20m, offering up to £250 in free credit to those who are struggling with energy costs.

After considering the findings of the investigation, the Remuneration Committee determined that the payment under the Annual Incentive Plan should be reduced. Therefore, the Committee reduced the outturn of the financial and business performance by 10% from 185% to 175% of target. This resulted in a reduced AIP payment for the Group Chief Executive and Group Chief Financial Officer to reflect the impact of the prepayment meter investigation.

Overall, after combining the outturn for financial and business performance with the outturn for individual performance, and after deducting 10% for the prepayment meter investigation, the total AIP for Chris O'Shea was 87.5% of the maximum opportunity, which equated to 175% of salary or £1,426,250. The AIP for Russell O'Brien, who joined part way through the year, was 86.3% of the maximum opportunity (pro-rated for time served), which equated to 118.6% of salary or £640,606. Kate Ringrose, our previous Group Chief Financial Officer who served for part of the year, received an AIP of 78.1% of maximum (pro-rated for time served), which equated to 19.5% of salary or £90,088. The Committee was satisfied that the overall AIP outcome was fair and reasonable given the strong shareholder experience and financial performance, and that the outcome also reflected the wider stakeholder experience. Half of the AIP was paid in cash and half of the AIP was deferred into shares for a further three years.

LONG-TERM INCENTIVE PLAN

In line with our previous Remuneration Policy, a Long-Term Incentive Plan (LTIP) award was granted in 2021 to Chris O'Shea and Kate Ringrose, our former Chief Financial Officer. The maximum award granted was 300% of salary in Centrica shares for Chris O'Shea and 175% of salary for Kate Ringrose. The LTIP awards were subject to the achievement of performance conditions over three financial years ending 31 December 2023. The performance targets for the LTIP award included relative Total Shareholder Return (TSR), cumulative EPS, cash conversion (conversion of EBITDA into Operating Cash Flows), and key non-financial performance indicators (KPIs) focused on safety, customer and colleague engagement.

TSR performance over the three-year period was outstanding with Centrica having the highest TSR in the FTSE 100 comparator group. Centrica's TSR was 267.4%, which compared to 47.1% for the upper quartile TSR of the FTSE 100. Performance against the financial measures was near maximum vesting and performance against the non-financial KPIs was around target vesting.

The overall formulaic outcome was therefore 85% of the maximum. Kate Ringrose's award was also pro-rated to reflect time served.

As a matter of course, the Committee reviews the formulaic vesting outcome against the overall underlying performance of the Group and considers whether there have been any windfall gains. The 2021 LTIP was granted to the Centrica Leadership Team at a share price of 52.46p, compared to the 2020 LTIP award, which was granted at 55.0p. As there was no significant reduction in the share price between grants, the Committee concluded it was not necessary to make an adjustment for windfall gains.

Additionally, as highlighted above, management has delivered excellent performance over the period, not only in respect of key underlying financial metrics but also in our share price, with Centrica significantly outperforming the market over the period. The Committee therefore concluded that the formulaic outturn was appropriate, and no adjustment was necessary.

The value of the LTIP award for the Group Chief Executive was £5.9m as at the end of the performance period, 31 December 2023, and this has been included in the single figure for total remuneration table on page 89. Of this amount, share price growth accounted for £3.9m (or 66% of the total value). The vested shares are subject to an additional two-year holding period.

OVERALL SINGLE FIGURE OF TOTAL REMUNERATION FOR OUR GROUP CHIEF EXECUTIVE

Having determined that the LTIP outcome was a fair reflection of business performance, the Committee also felt it appropriate to review the overall single figure of total remuneration earned by the Group Chief Executive in respect of 2023. The Group Chief Executive's single figure in 2023 was £8.23m, which compares to £4.49m in 2022. The year-on-year increase is due to continued improvements in underlying performance and substantial share price growth. Since his appointment as Group Chief Executive, Chris O'Shea has helped create significant value for shareholders with Centrica's TSR outperforming the FTSE100; his cumulative single figure of total remuneration over the same period is broadly in line with the median cumulative single figure for CEOs in the FTSE 100. The Committee believes that the single figure appropriately reflects the performance of both Chris O'Shea and the business over the relevant period. It is worth noting that the single figure of total remuneration for the Group Chief Executive over the next two years is likely to be lower to reflect outcomes of long-term incentive awards made under our Restricted Share Plan (RSP), where the maximum awards were discounted by 50% compared to previous LTIP awards.

REMUNERATION FOR 2024

For Executive Directors, we benchmark salaries and total compensation against companies in the FTSE 100. We use this comparator group as it provides a broad group of organisations where we compete for talented executives. Centrica is a uniquely integrated energy company, with over 21,000 employees operating in a highly regulated and highly unionised environment. The FTSE 100 includes companies that operate in similar sectors and are of comparable size and complexity (e.g. the energy sectors, retail & consumer companies, support services, utilities, insurance and commodity trading companies). In terms of size, Centrica is also a constituent of the FTSE 100 index and is currently positioned around the median of the FTSE in terms of market capitalisation. The 'At a Glance' section on page 88 shows how our Executive Director salaries and target total direct compensation (salary plus target annual bonus plus expected value of long-term incentives plus pensions) compares to the median FTSE 100 benchmark.

In determining salary increases for the Executive Directors for 2024, the Committee considered both the average salary increases awarded to the wider workforce and the performance and development of the executives in their roles throughout the year.

With effect from 1 April 2024, Chris O'Shea's salary will increase by 4.9% to £855,000. Given this year's overall single figure of remuneration for the Group Chief Executive, the Committee decided to increase Chris' salary at a rate that was below the average for the wider workforce of 6%. Russell O'Brien's salary will increase by 9.3% to £590,000. The Committee awarded a higher salary increase to Russell to recognise his performance and development in the role since joining Centrica. Even after these increases, the salary and target total direct compensation for Chris and Russell are below the median benchmarks for similar roles in the FTSE 100. The Committee will keep the competitiveness of the remuneration packages for Executive Directors under review to ensure we can continue to attract and retain the talent we need to deliver the business strategy.

We have simplified some of our legacy reward arrangements and, with effect from 31 December 2023, we have closed the Centrica Unapproved Pension Scheme Defined Contribution Section (CUPS DC) to future contributions. Chris O'Shea was a member of CUPS DC, and because of the scheme closing, he has elected to receive his 10% of salary as a cash allowance in lieu of pension.

There are no changes to the AIP or RSP awards to be granted in 2024. The maximum AIP will be 200% of salary for the Group Chief Executive (and 150% of salary for the Chief Financial Officer). The maximum RSP award will be 150% of salary for the Group Chief Executive (and 125% of salary for the Group Chief Financial Officer).

NON-EXECUTIVE DIRECTOR FEES

In the year, the Board welcomed Philippe Boisseau, Jo Harlow, and Sue Whalley as new Non-Executive Directors. They bring excellent skills and experiences, and I very much look forward to working with them.

The Committee undertook an annual review of the fees payable to Scott Wheway, Chair of the Board. With effect from 1 April 2024, Scott's fees will increase to £440,000, which is a 4.6% increase and lower than the average increase payable to the wider workforce of 6%.

The Chair of the Board, the Executive Directors, and the Chief People Officer conducted an annual review of non-executive director fees and concluded there should be no change in 2024. The review recognised that the role of a non-executive director is becoming more complex, and the time commitment is becoming increasingly demanding. However, it was decided that Non-Executive fees would be reviewed again as part of the next Remuneration Policy review during 2024.

CONCLUSION

In 2024, the Committee will conduct a comprehensive review of our Remuneration Policy in preparation for shareholder approval at the AGM in 2025. As part of this review, we will continue to have an open and transparent dialogue with our shareholders on our remuneration arrangements and any future changes.

We try to make our Remuneration Report comprehensive and transparent and have provided additional information in support of this, including details on how the Committee benchmarks executive remuneration, insights into Centrica's remuneration policies across the wider workforce, as well as enhanced information on each Executive Director's individual objectives. We hope shareholders will find this additional information useful.

Centrica's performance and the executive team's leadership in challenging conditions are reflected in the remuneration outcomes and the decisions the Committee has made in 2023. It is also consistent with the objectives of our Remuneration Policy to deliver remuneration that attracts and retains high calibre executives in a competitive global business environment in return for the achievement of our strategic objectives and the delivery of sustainable long-term shareholder value and returns. I hope you will give us your support.

Carol Arrowsmith
on behalf of the Remuneration Committee
14 February 2024

REMUNERATION AT A GLANCE

HOW WE'VE SUPPORTED OUR STAKEHOLDERS IN 2023

Customers

£140m
Support given to help customers with their energy costs since 2022

25,000
Customers supported through the British Gas Energy Trust since the start of the energy crisis

700
Extra colleagues hired across our customer contact centres

Colleagues

£100k
Contributions to colleagues via the Colleague Support Foundation

1,000
Professional colleagues joined our business

3ppt
Increase in colleague engagement

Shareholders

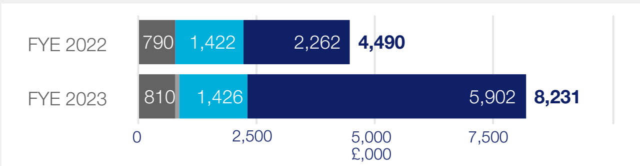
4.0p
Full year dividend per share

£613m
Shares repurchased in 2023

45%
Increase in share price over the financial year

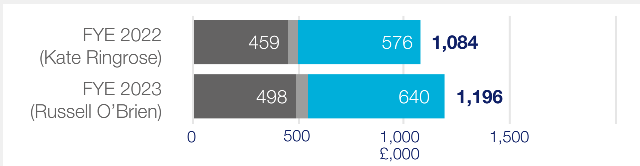
SINGLE FIGURE OF TOTAL REMUNERATION IN FY 2023

GROUP CHIEF EXECUTIVE



Further details on page 89 | Salary | Pension and Benefits | AIP | LTIP

GROUP CHIEF FINANCIAL OFFICER



Kate Ringrose stepped down from the Board on 28 February 2023. Russell O'Brien was appointed to the Board on the 1 March 2023.

FY2023 AIP PERFORMANCE

The table below sets out details of the relevant measures in the Annual Incentive Plan and their link to our group priorities, and the resulting outcome

MEASURE	Weighting	Outcome
EPS	37.5%	100 %
BG Cost to Serve	37.5%	85 %
Customers to Ensek		
BG complaints		
BG reschedules		
BG complaints		
Centrica cost/income		
CBS order intake		
Bord Gáis Cost to Serve		
Unique customer numbers		
Colleague engagement		
Climate transition plan progress		
Adjusted operating Profit		
Free Cash Flow		
Net debt/cash		
Individual measures	25%	
Group Chief Executive		87.5 %
Group Chief Financial Officer		82.5 %
Deduction for prepayment meter investigation		(10)%
OVERALL OUTCOME (% MAXIMUM)		
Group Chief Executive		87.5 %
Group Chief Financial Officer		86.3 %

2021 LTIP OUTCOMES

The table below sets out details of the relevant measures in the Long-Term Incentive Plan and their link to our group priorities, and the resulting outcome.

MEASURE	Weighting	Vesting Outcome (% of max)
Relative TSR	33%	100 %
Cumulative EPS	22%	100 %
Cash conversion	22%	75 %
Employee engagement	22%	57 %
Aggregate Brand NPS		
Complaints		
Total Recordable Injury Frequency Rate (TRIFR)		
Overall outcome		85 %

OUR GROUP PRIORITIES

M Most Competitive Provider
CO Customer Obsession
S Safety, Compliance and Conduct Foundation
CFG Cash Flow Growth
O Operational Excellence
E Empowered Colleagues

MARKET COMPETITIVE BENCHMARKS

When we set the remuneration levels, one of the factors we consider is the competitiveness of the total compensation package for the role in the relevant market. For the Group Chief Executive and Group Chief Financial Officer, we benchmark their roles against companies in the FTSE 100. The table below shows the competitiveness of salary and total compensation for target performance versus the median of the FTSE 100.

GROUP CHIEF EXECUTIVE

	Chris O'Shea	Median FTSE 100 benchmark
Salary	**£815,000**	£935,000
Target Total Compensation[1]	**£2,934,000**	£3,533,000

GROUP CHIEF FINANCIAL OFFICER

	Russell O'Brien	Median FTSE 100 benchmark
Salary	**£540,000**	£596,000
Target Total Compensation[1]	**£1,674,000**	£2,097,000

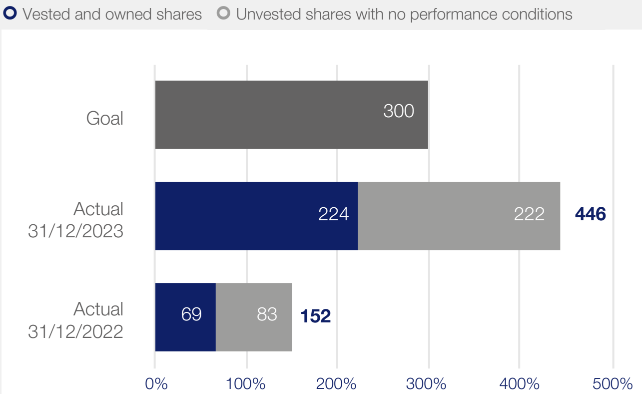
(1) Salary + target annual bonus + expected value of long-term incentives + pension

EXECUTIVE DIRECTOR SHAREHOLDINGS % OF BASE SALARY

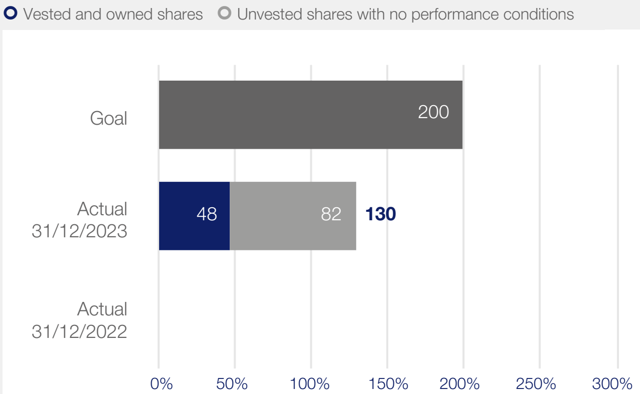
The chart below sets out the minimum shareholding requirements and the shareholdings of the Executive Directors. The shareholding requirement must be built up over five years and then subsequently maintained. For unvested shares with no performance conditions, we have assumed shares net of tax.

FURTHER DETAIL REGARDING THE EXECUTIVE DIRECTORS' OUTSTANDING SHARE AWARDS CAN BE FOUND ON PAGE 94

GROUP CHIEF EXECUTIVE



GROUP CHIEF FINANCIAL OFFICER



2024 REMUNERATION

The table below sets out a summary of the implementation of the Policy for 2024.

FURTHER DETAILS CAN BE FOUND ON PAGE 101

Base Salary	Benefits	Pension	Short-term incentive	Long-term incentive
CEO: £855,000 (+4.9%) CFO: £590,000 (+9.3%) The average increases for the wider workforce in the UK was 6%.	No change and remains in line with the wider workforce	10% of salary in line with the wider workforce With effect from 31 December 2023, we have closed the Centrica Unapproved Pension Scheme Defined Contribution Section (CUPS DC) to future contributions. Chris O'Shea will no longer be eligible contribute his 10% of salary pension contribution to CUPS DC. Instead, he has elected to receive 10% of salary as a cash allowance in lieu of pension.	CEO: 200% of salary at max 100% of salary at target CFO: 150% of salary at max 75% of salary at target Measured 75% against financial and business measures and with 25% against individual objectives. 50% of any bonus earned is deferred into shares that vest after three years.	Restricted Share Plan award subject to underpin framework. CEO: 150%of salary CFO: 125% of salary Awards vest after three years and plus a two year additional holding period.

DIRECTORS' ANNUAL REMUNERATION REPORT

DIRECTORS' REMUNERATION IN 2023

This report sets out information on the remuneration of the Directors for the financial year ended 31 December 2023.

Single figure for total remuneration (audited)

Executives

£000	Salary/ fees	Bonus (cash)	Bonus (deferred)[1]	Benefits[2]	LTIPs[3]	Pension[4]	Total	Total fixed remuneration	Total variable remuneration
2023									
Chris O'Shea	**810**	**713**	**713**	**16**	**5,902**	**77**	**8,231**	**903**	**7,328**
Russell O'Brien[5]	**498**	**320**	**320**	**13**	**—**	**45**	**1,196**	**556**	**640**
Kate Ringrose[6]	**77**	**45**	**45**	**3**	**1,833**	**—**	**2,003**	**80**	**1,923**
Total	**1,385**	**1,078**	**1,078**	**32**	**7,735**	**122**	**11,418**	**1,527**	**9,891**
2022									
Chris O'Shea	790	711	711	16	2,262	—	4,490	806	3,684
Kate Ringrose[6]	459	288	288	16	—	33	1,084	508	576
Total	1,249	999	999	32	2,262	33	5,574	1,314	4,260

(1) In accordance with the Remuneration Policy, 50% of the bonus is deferred into shares and will vest after three years.
(2) Taxable benefits include car allowance, health and medical benefits. Non-taxable benefits include matching shares received under the Share Incentive Plan (SIP). Both taxable and non-taxable benefits are included in the table.
(3) The estimated value of the LTIP award that was granted in respect of the 2021-23 performance period is included in the table above, based on a share price of 150 pence (the 3 month average share price for the period ending 31 December 2022). Of the £5.9m for Chris O'Shea, £3.9m (or 66% of the value) was due to share price growth. The award will vest in June 2024 and the shares will then be subject to an additional two-year holding period. Further details of the performance outcomes are set out on page 90. Dividend equivalents of £230K and £71K have been included.
(4) Notional contributions to the Centrica Unapproved Pension Scheme defined contribution section (CUPS DC) for Chris O'Shea and Kate Ringrose have been included in this table as if CUPS DC was a cash balance scheme. This includes a deduction in respect of an allowance for CPI inflation on the opening balance of 11.1% in 2023 (4.1% in 2022). CUPS DC was closed on 31 December 2023 and Chris O'Shea will receive his pension contribution as cash in lieu.
(5) Russell O'Brien was appointed to the Board on 1 March 2023.
(6) Kate Ringrose stepped down from the Board on 28 February 2023.

Single figure for total remuneration (audited)

Non-Executives

	Salary/fees		Total	
£000	**2023**	2022	**2023**	2022
Scott Wheway	**418**	410	**418**	410
Carol Arrowsmith	**96**	93	**96**	93
Nathan Bostock[1]	**97**	47	**97**	47
CP Duggal[2]	**76**	3	**76**	3
Heidi Mottram	**96**	93	**96**	93
Kevin O'Byrne	**100**	109	**100**	109
Amber Rudd[3]	**76**	71	**76**	71
Philippe Boisseau[4]	**25**	N/A	**25**	N/A
Jo Harlow[5]	**6**	N/A	**6**	N/A
Sue Whalley[6]	**6**	N/A	**6**	N/A
Total	**996**	826	**996**	826

(1) Nathan Bostock joined the Board on 9 May 2022
(2) CP Duggal joined the Board on 16 December 2022
(3) Amber Rudd joined the Board on 10 January 2022
(4) Philippe Boisseau joined the Board on 1 September 2023
(5) Jo Harlow joined the board on 1 December 2023
(6) Sue Whalley joined the board on 1 December 2023

BASE SALARY / FEES

With effect from 1 April 2024, the Group Chief Executive's salary will increase by 4.9% to £855,000 per annum. The increase is below the average salary increase for the wider workforce in the UK of 6%. Please see page 96 for further details on Reward Across the Wider Workforce. The rate of increase was set lower than the wider workforce to reflect the increase in single figure for total remuneration in 2023. The salary for the Group Chief Financial Officer will increase by 9.3% to £590,000 per annum. A higher than average workforce increase was given to the Group Chief Financial Officer to reflect his performance and development in role since joining Centrica. Both the salaries of the Group Chief Executive and the Group Chief Financial Officer remain below the median benchmarks for similar roles in the FTSE 100.

The fees for the Chair of the Board were reviewed by the Remuneration Committee and increased by 4.6% to £440,000 per annum with effect from 1 April 2024. The increase is below the increase for the wider workforce in the UK. Non-Executive Director fees were also reviewed but there will be no increase in 2024. The Non-Executive Director fees will be reviewed again as part of the next Remuneration Policy review to ensure Centrica is able to continue to attract and retain Non-Executive Directors with the right skills, knowledge and experience, and to reflect the increasing time commitment and complexity of the role.

FY23 ANNUAL INCENTIVE PLAN (AIP)

In line with the Remuneration Policy, 75% of the award was based on a mix of financial and business measures based on Centrica's priorities for 2023 and 25% was based on individual objectives.

The financial and business performance element for 2023 was split equally between Earnings Per Share (EPS) and the outcome of a balanced scorecard of financial and operational measures critical to the success of the organisation in 2023.

The EPS measure had defined threshold, target and maximum levels that were set at the start of the financial year. During the first half of the year, market conditions were materially better than expected when the targets were set. Therefore, when reviewing progress against the EPS target during the year, the Committee determined that the original targets were no longer appropriate and should be increased to reflect these improved market conditions. This resulted in EPS targets for the FY23 AIP as follows:

	Threshold	Target	Max	Outcome
Adjusted EPS	17.6p	22.0p	26.4p	33.4p

Reflecting the strong performance of the business in the year against these revised targets, Centrica achieved earnings performance above the maximum with an EPS of 33.4 pence, resulting in an outturn of 100% for this part of the AIP.

In addition, the Committee determined a balanced scorecard for the remaining financial and business elements of the AIP. It was agreed that there would be no formula to translate the scorecard to a bonus outcome and no formal weighting of individual measures. The Committee monitored performance against the scorecard at regular points during the year. At the end of the year, the Committee took a holistic assessment of overall performance to determine an outturn. The balanced scorecard of measures, targets and outcomes are noted below.

	Measure	Target	Outcome
Group	Adjusted Operating Profit	£1,878m	£2,752m
	Free Cash Flow	£672m	£2,207m
	Net (Debt)/Cash	£1,089m	£2,744m
British Gas Energy	Complaints	11.5%	13.3%
British Gas Services & Solutions	Complaints	10.8%	8.5%
British Gas Services & Solutions	Reschedules	5.0%	3.1%
Bord Gáis	Cost to serve	€212 per customer	€187 per customer
British Gas Energy	Cost to serve(1)	£127 per customer	£142 per customer
Centrica Business Solutions	Order Intake	£264m	£225m
Centrica Energy	Opex: Gross Margin Ratio	33.5%	33.3%
	Customer numbers	10,228,00 unique customers	10,264,000 unique customers
	Colleague engagement	7.7	7.7
	Progress towards climate transition plan – see People and Planet plan for further details. See page 47. Goal 4 – helping our customers be net zero by 2050 Goal 5 – be a net zero business by 2045	Make good progress against the interim climate targets including; Centrica carbon emissions Low carbon and transition assets Electric vehicles in fleet Reduction in property emissions CAPEX allocated to green activities Hive active heating units sold SMART meters installed EV charger points installed Heat pumps installed	On target for emissions reduction in line with the long-term glidepath but mixed performance against customer reduction ambitions. See page 47 for further details.
	Customers on Ensek	5m	5.4m

(1) British Gas Energy cost to serve per customer excluding bad debt was £84, against a target of £83.

Excellent performance across the Group also meant the majority of customer, colleague and financial targets in the balanced scorecard were met in full, including delivering operating profits of £2,752m and free cash flow of £2,207m. We were particularly pleased to see a reduction in rescheduled appointments for customers in Services and Solutions and an improvement in our customer satisfaction scores. Given the cost of living challenges faced by our customers, we have seen an increase in our bad debt charges, and we will continue to engage with those customers who are struggling to pay their bills using a variety of mechanisms including payment spreading and utilising the £140m we have committed so far to help the most vulnerable and in need. We have made significant progress against both our goal to be a net zero business by 2045, and our goal to help our customers be net zero by 2050. Performance against the balanced scorecard measures resulted in an outturn of 85% for this part of the AIP. The Committee is satisfied that the current incentive structure for senior executives does not drive unintended risks or ESG concerns.

The Committee carefully considered the outcomes against the EPS target and the balanced scorecard measures, determining an outcome of 100% against the EPS target and 85% against the balanced scorecard. Achievement against the overall financial and business performance element of the AIP was 185% of target. However, as outlined in the Remuneration Committee Chair's statement, the Remuneration Committee determined that the financial and business performance part of the AIP should be reduced by 10% to 175% of target to reflect the findings of the prepayment meter investigation.

Individual Objectives

Each Executive Director had a set of stretching individual objectives which included key non-financial and strategic performance indicators (KPIs) that were important to the success of the business in 2023. The KPIs were cascaded to business and functional leaders to ensure a strong line of sight to key priorities throughout the organisation. The Committee assessed that the majority of individual objectives were met in full and good progress was made against others. Based on an assessment of performance against Chris O'Shea's individual objectives, the Committee determined an outcome of 87.5% of maximum was appropriate. The Committee determined for Russell O'Brien an outcome of 82.5% of maximum under the individual objectives part of the Annual Incentive Plan. For Kate Ringrose, who served for two months of the financial year as CFO, the Committee determined an outcome of 50% of maximum of the individual objectives part of the AIP.

The table below summarises the key individual objectives for Executive Directors during the year:

	Key objectives	Personal objectives Outturn (as % of maximum)
Chris O'Shea	Chris delivered further improvements in capability, culture, and operational delivery, including the launch of our new corporate purpose, established a new business operating model to support strategic plans for commercial and customer growth, investment in infrastructure and net zero, and a step change in our approach to health & safety. Achieved objective to return Services and Solutions to profitability and operational improvements continue to be delivered. With the team, Chris developed a compelling strategic plan and investment case to deliver shareholder returns including dividends and share buy backs. Launched new customer propositions in the year, including PeakSave and continued to provide customer support with over £140m of committed funds to help customers during the energy crisis since 2022.	87.5%
Russell O'Brien	Smooth transition from former CFO. Refreshed capital allocation and investment framework and new risk capital framework. Developed new strategic plan and investment narrative, which was well received by investors at interim results in 2023. Reviewed the finance function with a focus on improving the efficiency and effectiveness of the function.	82.5%
Kate Ringrose	Kate's focus was to complete the financial year-end reporting process for FY2022 and to provide an effective handover to Russell O'Brien, the incoming CFO.	50%

Overall AIP outcome

Overall, after combining the outturn for financial and business performance with the outturn for individual performance, and after deducting 10% for the prepayment meter investigation, the total AIP for Chris O'Shea was 87.5% of maximum, which equated to 175% of salary or £1,426,250. The table below summarises the outcomes under the AIP for all Executive Directors:

Measure	Chris O'Shea	Russell O'Brien	Kate Ringrose
EPS	100%	100%	100%
Balanced scorecard	85 %	85%	85%
Deduction for prepayment meter investigation	(10%)	(10%)	(10%)
Individual objectives	87.5%	82.5%	50%
Total AIP (as % of maximum)	87.5%	86.3%	78.1%
Total AIP (£)	£1,426,250	£640,406(1)	£90,088(2)

(1) Prorata for the employment period.
(2) Prorata for the employment period.

Half of the AIP earned was paid in cash and half of the AIP was deferred into shares, vesting in three years.

LONG-TERM INCENTIVE AWARDS RELATING TO THE PERFORMANCE PERIOD 2021-23

The performance conditions relating to the three-year period ending in 2023 are set out below, together with the achievement against these performance conditions. Vesting between stated points is on a straight-line basis.

Financial targets and outcomes

		Targets			
Measures	Weightings	Threshold (25%)	Maximum (100%)	Outcomes	Vesting
Relative Total Shareholder Return (TSR)	33.3%	FTSE 100 median	FTSE 100 upper quartile	Ranked first at 267.4%	100%
Cumulative EPS	22.2%	7.5p	10.5p(1)	72.4p	100%
Cash conversion	22.2%	EBITDA to OCF of 85%	EBITDA to OCF of 100%	95.0%	75.5%
Non-financial KPI improvement	22.2%	See below	See below		57.3%
Overall	**100%**				**85%**

(1) 3-year cumulative EPS

Centrica's TSR was outstanding over the three-year performance period being ranked in first position relative to the FTSE 100. Our TSR was 267.4% compared to 47.1% for the upper quartile of the FTSE 100, therefore the TSR portion of the LTIP will vest at 100%.

Financial performance across the three-year performance period was strong, resulting in above maximum outcome against the Cumulative EPS target (vesting at 100%) and above target performance for cash conversion (vesting at 75.5%).

Non-financial[1] KPI targets and outcomes

The KPI measures, targets and outcomes for the 2021-23 cycle were:

	Targets			
	Threshold	Maximum	Outcomes	Vesting
Safety				
Total recordable injury frequency rate (TRIFR)[1]	0.85	0.65	0.84	29%
Customer satisfaction				
Aggregate brand NPS across our customer businesses weighted by customer numbers	+10.52	+12.35	+18.3	100%
Complaints per 100,000 customers across our customer businesses weighted by customer accounts	2,820	2,600	6,010	0%
Colleague engagement (percentage favourable)	45%	54%	77%	100%

(1) Per 200,000 hours worked.

Performance against the non-financial KPIs across the performance period was mixed with not all measures meeting threshold. The Committee determined that the outcome for this portion of the award would vest at 57.25%.

Overall performance outcome

The LTIP award was granted in June 2021 and will vest in June 2024, after which the shares are then subject to a mandatory holding period of two years. Taking into account the achievement against the financial performance targets, and the agreed outcome against the non-financial targets, the Committee approved the overall vesting outcome of 85% of the maximum award.

The estimated value of the shares that will vest in respect of the three-year performance period, which ended in December 2023, has been included in the single figure for total remuneration on page 89. The shares will be released at the end of the holding period, in June 2026.

As stated in the Remuneration Committee Chair's statement, as a matter of course, the Committee reviews the formulaic vesting outcome against the overall underlying performance of the group. The Committee considered whether there have been any windfall gains and determined there were none, and no adjustment was made.

Pension

In 2020, it was agreed that the pension contributions for the new and existing Executive Directors would be 10% of base salary to align them with the wider UK workforce. In 2023 the pension contribution rate across the UK workforce was 10-14%, depending on the pension scheme.

Chris O'Shea and Kate Ringrose participated in the Centrica Unapproved Pension Scheme Defined Contribution section (CUPS DC), until 31 December 2023 when we closed the scheme to future contributions. For the period to 31 December 2023, notional contributions to the CUPS DC scheme have been included in the single figure for total remuneration table as if it was a cash balance scheme and therefore notional investment returns for the year have also been included. The notional pension fund balances for each Executive are disclosed below:

CUPS DC Scheme[1]	**Total notional pension fund as at 31 December 2023 £**	Total notional pension fund as at 31 December 2022 £
Chris O'Shea[1]	**431,775**	319,407
Kate Ringrose[1]	**79,500**	78,761

(1) The retirement age for the CUPS DC scheme is 62.

Following 31 December 2023 when the CUPS DC scheme closed to future contributions Chris O'Shea chose to take his pension contribution of 10% of salary as cash in lieu of pension. Upon appointment Russell O'Brien similarly received his pension contribution of 10% of salary as cash in lieu of pension.

	% of salary
Chris O'Shea	10% cash in lieu of pension
Russell O'Brien	10% cash in lieu of pension

Taxable benefits

Taxable benefits include car allowance, health and medical benefits. Non-taxable benefits include matching shares received under the Share Incentive Plan (SIP) on the same terms as all employees. Both taxable and non-taxable benefits are included in the table of single figure for total remuneration.

DIRECTORS' INTERESTS IN SHARES (NUMBER OF SHARES) (AUDITED)

The table below shows the interests in the ordinary shares of the Company for all Directors who served on the Board during 2023.

For the Group Chief Executive the minimum shareholding requirement is 300% of base salary and for the Chief Financial Officer the minimum shareholding requirement is 200% of base salary. The achievement against the requirement is shown below.

Executive Directors have a period of five years from appointment to the Board, or from any material change in the minimum shareholding requirement, to build up the required shareholding. A post-cessation shareholding requirement of 100% of the in-employment shareholding requirement (or full actual holding if lower) is applicable for two years post-cessation of employment. The Committee continues to keep both the shareholding requirement, and achievement against the shareholding requirement, under review and will take appropriate action should they feel it necessary.

	Beneficially owned[(1)]	Shares subject to performance conditions	Shares vested but unexercised	Shares subject to continued service only[(2)]	Shares exercised in the year	Shareholding requirement (% of salary)	Current shareholding (% of salary)[(3)]
Executives							
Chris O'Shea[(5)]	1,295,884	7,954,419	—	1,289,274	—	300	224
Russell O'Brien[(5)]	185,511	—	—	314,566	—	200	48
Kate Ringrose[(4)]	550,940	1,501,143	—	348,139	—	200	126
Non-Executives							
Carol Arrowsmith	49,286	—	—	—	—	—	—
Phillippe Boisseau[(7)]	2,669	—	—	—	—	—	—
Nathan Bostock	27,000	—	—	—	—	—	—
CP Duggal	15,000	—	—	—	—	—	—
Jo Harlow	—	—	—	—	—	—	—
Heidi Mottram	10,000	—	—	—	—	—	—
Kevin O'Byrne	40,000	—	—	—	—	—	—
Amber Rudd[(6)]	42,559	—	—	—	—	—	—
Sue Whalley	13,868	—	—	—	—	—	—
Scott Wheway	110,187	—	—	—	—	—	—

(1) These shares are owned by the Director or a connected person and they are not, save for exceptional circumstances, subject to continued service or the achievement of performance conditions. They include shares purchased by the Executive Director in March with deferred AIP funds which have mandatory holding periods of three years and which will be subject to tax at the end of the holding periods.
(2) Shares owned subject to continued service include RSP shares awarded and SIP free and matching shares that have not yet been held for the three-year holding period. The values are net of tax.
(3) The share price used to calculate the achievement against the guideline was 1.4065 pence, the price on 31 December 2023.
(4) Kate Ringrose stepped down from the Board on the 28 February 2023 and the number reflects her holding on this date.
(5) During the period 1 January 2024 to 15 February 2024 both Chris O'Shea and Russell O'Brien acquired 264 shares through the SIP.
(6) During the period 1 January 2024 to 15 February 2024 Amber Rudd acquired 1,580 shares through the NED Share Purchase Agreement.
(7) During the period 1 January 2024 to 15 February 2024 Phillippe Boisseau acquired 1,459 shares through the NED Share Purchase Agreement.

SHARE AWARDS GRANTED IN 2023 (AUDITED)

Set out below are details of share awards granted in 2023 to Executive Directors.

2023 RSP

	Plan	Award Type	Number of shares[1]	Basis of award % of salary	Face value of award £	Vesting date	Release date
Chris O'Shea	RSP	Conditional	1,186,547	150%	1,222,500	March 2026	March 2028
Russell O'Brien	RSP	Conditional	655,148	125%	675,000	March 2026	March 2028

(1) The number of shares awarded under the RSP was calculated by reference to a price of 103.03 pence, being the average of the Company's share price over the five trading days immediately preceding the date of grant of 21 March 2023.

The RSP award is subject to an underpin. If the Committee is not satisfied the underpin has been met, the Committee may scale back the awards (including to zero). In assessing the underpin, the Committee will consider the following:

- a review of overall financial performance over the three-year vesting period;
- whether there have been any sanctions or fines issued by a Regulatory Body (participant responsibility may be allocated collectively or individually);
- whether a major safety incident has occurred which may or may not have consequences for shareholders;
- whether there has been material damage to the reputation of the Company (participant responsibility may be allocated collectively or individually);
- whether there has been failure to make appropriate progress against our Climate Transition Plan which sets out our ambition to be a net zero business by 2045 and help our customers be net zero by 2050;
- return on capital with reference to the cost of capital;
- TSR performance over the vesting period, including with reference to the wider energy sector;
- management of customer numbers over the vesting period; and
- progress against broader ESG commitments.

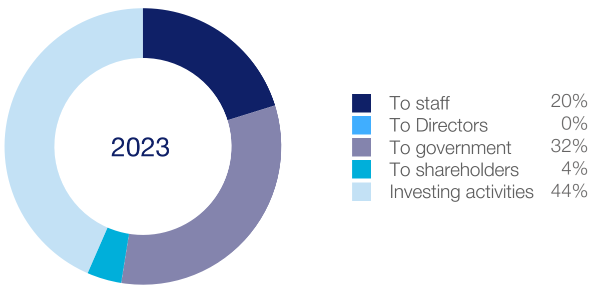
2023 DEFERRED AIP

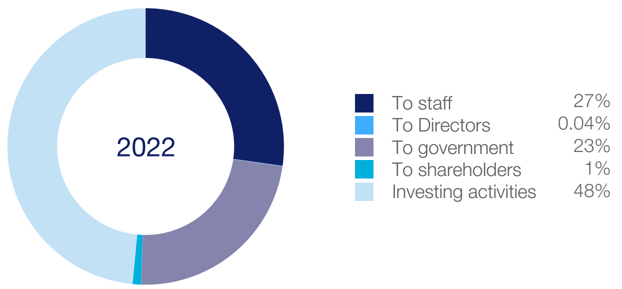
The 2023 AIP award was delivered 50% in cash and 50% in deferred shares, which were awarded on 21 March 2023. The face value of the award is based on the share price on the date of award, which was 102.30 pence. Deferred shares are not subject to further performance conditions and vest in three years.

	Plan	Award Type	Number of shares	Face value of award £000	Vesting date
Chris O'Shea	AIP	Deferred shares	694,925	710,965	March 2026
Kate Ringrose	AIP	Deferred shares	281,073	287,561	March 2026

2023 CASH FLOW DISTRIBUTION TO STAKEHOLDERS

The Committee monitors the relationship between the Directors' total remuneration and cash outflows to other stakeholders. As demonstrated by the chart, the Directors' aggregate total remuneration for the year equates to 0.0004% (2022: 0.04%) of the Group's operating cash flow.





Reward Across The Wider Workforce

Centrica comprises 21,000 diverse colleagues with different roles in different business units across different countries. Our approach to reward aims to unify us as a team working with a common purpose and values. To achieve this, we have established some key reward principles across the workforce that balance the needs of our colleagues with the needs of the business and our customers. The same principles apply to Executive Directors and members of the Centrica Leadership Team:

For our colleagues, we aim to provide reward that is:	For our business, we aim to provide reward that is:
Market competitive	Sustainable
Fair and consistent	Agile
Simple	Flexible
Supports wellbeing	Compliant

Total reward at Centrica consists of more than just salary. All colleagues receive fixed pay comprising a salary plus a wide range of pensions & benefits (see table below for more detail). In addition, all colleagues are eligible to earn variable pay subject to performance (such as annual bonuses, recognition awards, and Profit Share). For frontline colleagues in the organisation, they can expect a higher proportion of their total reward to be fixed pay. The variable pay element is often based on individual performance and is typically paid in cash quarterly or annually.
At senior executive levels, colleagues have a higher proportion of variable pay linked to the financial and business performance of the Company. This variable pay is often paid in shares that vest over multiple years. Therefore, our approach to total reward is to vary the fixed pay and variable pay mix depending on the individual's role, responsibilities, and performance compared to competitive market practice for comparable roles.

Performance measures applying to Executive Directors and the Centrica Leadership Team are cascaded through the organisation to ensure a clear line-of-sight and alignment around performance in categories of 'Colleagues', 'Customers' and 'Cash'.

The table below summarises some key highlights of wider workforce reward in the UK. Executive Directors and the Centrica Leadership Team participate in the same benefits and on the same terms as the wider workforce.

Fair pay	Centrica is an accredited member of the Real Living Wage Foundation, and we pay at least the Real Living Wage in the UK. During the cost of living crisis, we have focused on improving the pay of our lowest paid colleagues, through salary increases and one-off payments. The average salary increase across the wider workforce in the UK is 6%, with our lowest paid colleagues receiving an average salary increase of between 7.8% to 9.5%. Salary levels for the wider workforce are negotiated with our recognised trade union partners to ensure fair living standards. Salary levels for management reflect the individual's role, experience and performance compared to competitive market rates.
Looking after colleagues and their loved ones	All employees in the UK receive comprehensive health and medical cover and can purchase additional cover for their dependants. This includes 24-hour access to a GP, eye care; support for parents with fertility, adoption, and surrogacy; life assurance; and personal accident insurance.
Saving for the future	The Company has various legacy pension arrangements. While our Defined Benefit pension is closed to new members it is still open to future accrual for existing members. Our Defined Contribution Scheme provides a generous employer contribution of 10% of salary or cash in lieu of pension. Our Lifestyle Savings offer discounts from everyday shopping to one-off big purchases.
Recognising colleague contribution	In 2023, we recognised colleagues over 258,000 times through our Recognition platform. This allows anyone in the Company to recognise the performance or values of a colleague or team, or simply say "thank you". We operate a number of performance-related incentives plans across the Group. 5,500 employees participate in an annual bonus plan aligned to the bonus for executives and senior management. All of our field engineers and customer facing teams participate in incentives aligned to their individual performance.
Sharing in our success	All employees in the UK are eligible to participate in our Share Incentive Plan, where they can purchase shares in the Company and receive free matching shares, provided they hold them for at least three years. In addition, all colleagues are eligible to an award of free shares every year via our Profit Share plan depending on our performance over the prior year. Field and Customer Support colleagues participate in quarterly and annual incentives linked to their performance. Senior managers are eligible to receive annual bonuses and long-term restricted share awards aligned to the performance of the business.
Being an Ambassador for Centrica products & services	We provide discounts on colleagues' energy bills if they are a Centrica customer, as well as discounts on new boilers, HomeCare cover, and our new energy efficient products for example, Electric Car charging points, solar & battery storage, and home insulation.
Making a difference in the world	Colleagues are given time off to volunteer for local communities and causes they are passionate about. We also operate a Give As Your Earn scheme, where colleagues can donate in a tax-efficient way. The Colleague Support Foundation aims to provide additional support for those experiencing extreme financial difficulties, where existing financial support mechanicians have been explored and exhausted.

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND COLLEAGUES

The table below shows the percentage changes (on a full-time equivalent basis) in the Executive and Non-Executive Directors' remuneration over the last three financial years compared to the amounts for full-time colleagues of the Group for each of the following elements of pay:

	Percentage change from 2019 to 2020			Percentage change from 2020 to 2021			Percentage change from 2021 to 2022			Percentage change from 2022 to 2023		
Executive Directors	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Chris O'Shea(1)	6.3	—	—	—	-28.0	—	2.5	-11.1	100	2.6	—	0.3
Russell O'Brien(2)	—	—	—	—	—	—	—	—	—	—	—	—
Kate Ringrose(11)							2.5	6.7	18.7	-83.3	-81.2	-84.4
Non-Executive Directors												
Scott Wheway	268.8	—	—	—	—	—	—	—	—	2.6	—	—
Carol Arrowsmith	—	—	—	—	—	—	—	—	—	3.8	—	—
Nathan Bostock(3)	—	—	—	—	—	—	—	—	—	32.9	—	—
CP Duggal(4)	—	—	—	—	—	—	—	—	—	—	—	—
Heidi Mottram	—	—	—	27.8	—	—	—	—	—	3.8	—	—
Kevin O'Byrne(5)	—	—	—	—	—	—	—	—	—	-20.7	—	—
Amber Rudd(6)	—	—	—	—	—	—	—	—	—	—	—	—
Philippe Boisseau(7)	—	—	—	—	—	—	—	—	—	—	—	—
Jo Harlow(8)	—	—	—	—	—	—	—	—	—	—	—	—
Sue Whalley(9)	—	—	—	—	—	—	—	—	—	—	—	—
Average per colleague (excluding Directors)(10)	—	1.1	236.4	1.8	-10.3	16.3	1.9	—	—	4.4	—	42.3

(1) Chris O'Shea was appointed to the Centrica Board as Group Chief Financial Officer on 1 November 2018 and became interim Group Chief Executive with effect from 17 March 2020. He was appointed as Group Chief Executive on 14 April 2020. From 17 March until 31 December 2020, he elected to waive £100,000 of his salary.
(2) Russell O'Brien was appointed to the Board on 1 March 2023.
(3) Nathan Bostock was appointed to the Board on 9 May 2022.
(4) CP Duggal was appointed to the Board on 16 December 2022.
(5) Kevin O'Byrne took on the role of Senior Independent Director from 1 June 2022.
(6) Amber Rudd was appointed to the Board on 10 January 2022.
(7) Philippe Boisseau joined the Board on 1 September 2023.
(8) Jo Harlow joined the board on 1 December 2023.
(9) Sue Whalley joined the board on 1 December 2023.
(10) The comparator group includes all management and technical or specialist colleagues based in the UK in Level 2 to Level 6 (where Level 1 is the Executive and Non-Executive Directors). There are insufficient colleagues in the Centrica plc employing entity to provide a meaningful comparison. The colleagues selected have been employed in their role for full years to give meaningful comparison. This group has been chosen because the colleagues have a remuneration package with a similar structure to the Executive Directors, including base salary, benefits and annual bonus.
(11) Kate Ringrose stepped down from the Board on the 28 February 2023.

The chart below shows the ratio of remuneration of the CEO to the average UK colleague of the Group.

CEO pay ratio

		25th percentile	50th percentile	75th percentile
2023	Option B	198:1	142:1	120:1
2022	Option B	128:1	77:1	70:1
2021	Option B	29:1	24:1	15:1
2020	Option B	32:1	15:1	14:1
2019	Option B	34:1	29:1	22:1
2018	Option B	72:1	59:1	44:1

For 2020,the CEO total remuneration figure includes the single figure chart combined earnings of both Iain Conn and Chris O'Shea for the period that they were in the CEO role during 2020.

2023	Salary	Total pay and benefits
CEO remuneration	810,000	8,231,007
Colleague 25th percentile	26,484	41,514
Colleague 50th percentile	41,415	58,029
Colleague 75th percentile	47,970	68,439

The Company has used its gender pay gap data (Option B in the Directors' Reporting Regulations) to determine the colleagues whose remuneration packages sit at the lower, median and upper quartile positions across the UK workforce. This is deemed the most appropriate methodology for Centrica given the different pension and benefit arrangements across the diverse UK workforce. To ensure this data accurately reflects individuals at each quartile position, a sensitivity analysis has been performed. The approach has been to review the total pay and benefits for a number of colleagues immediately above and below the identified employee at each quartile within the gender pay gap analysis. We have determined our 25th, 50th, and 75th percentile individual using data from our gender pay gap as of the 5 April 2023.

The annual remuneration for the three identified colleagues has been calculated on the same basis as the CEO's total remuneration for the same period in the single figure table on page 89 to produce the ratios.

The ratio of CEO pay compared with the pay for the average colleague has increased in the last two years due to the strong vesting of the LTIP awards that were granted in 2021 and will be released in shares in 2026. As a large proportion of CEO remuneration was delivered through the LTIP which was measured over a three-year performance period, from 2021-2023 the CEO ratio will be impacted by any long term incentive outcomes. Under the current Remuneration policy, long-term incentives will be delivered to the CEO through the Restricted Share Plan which has a lower overall quantum, at 50% of the previous LTIP. The Company believes the ratios are appropriate given financial and business performance outcomes in 2023, and the size and complexity of the business.

Pay for performance

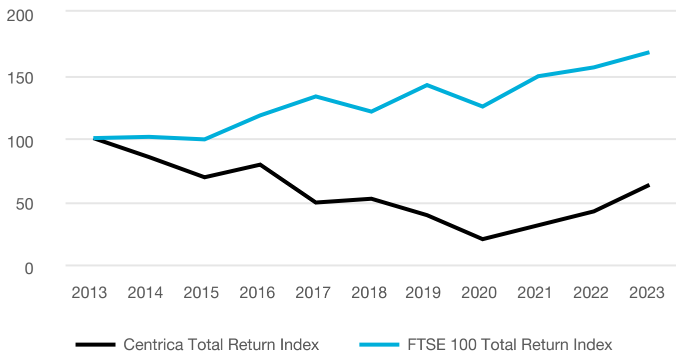
The table below shows the CEO's total remuneration over the last 10 years and the achieved annual short-term and long-term incentive pay awards as a percentage of the plan maximum.

	Chief Executive single figure for total remuneration £000	Annual short-term incentive payout against max opportunity %	Long-term incentive vesting against max opportunity %
Chris O'Shea			
2023	8,231	87.5	85
2022	4,490	89.5	76
2021	875	0	0
2020	765	0	0
Iain Conn			
2020	239	0	0
2019	1,186	0	0
2018	2,335	41	18
2017	1,678	0	26
2016	4,040	82	0
2015	3,025	63	0
Sam Laidlaw			
2014	3,272	34	35

For 2020 the single figure for total remuneration for both Iain Conn and Chris O'Shea are shown. The total remuneration figure for Chris O'Shea includes his earnings during 2020 as CFO and CEO.

The performance graph below shows Centrica's TSR performance against the performance of the FTSE 100 Index over the 10-year period to 31 December 2023. The FTSE 100 Index has been chosen as it is an index of similar-sized companies and Centrica has been a constituent member for the majority of the period.

Total return indices – Centrica and FTSE 100



FEES RECEIVED FOR EXTERNAL APPOINTMENTS OF EXECUTIVE DIRECTORS

There were no fees received for external appointments. Kate Ringrose represented Centrica as a non-executive director of EDF Energy Nuclear Generation Group Limited and Lake Acquisitions Limited. She received no fees or remuneration relating to these external appointments in 2023.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the percentage change in total remuneration paid to all colleagues compared to expenditure on dividends and share buyback for the years ended 31 December 2022 and 2023.

	2023 £m	2022 £m	% Change
Share repurchase[1]	**613**	43	1,326
Dividends	**186**	59	215
Staff and employee costs[2]	**1,400**	1,440	(3)

(1) 510,787,195 shares were purchased during 2023 as part of the share buyback arrangement
(2) Staff and employee costs are as per note 5(b) in the notes to the Financial Statements.

PAYMENTS TO PAST DIRECTORS (AUDITED)

During 2023, no payments were made to past Directors with the exception of the payments disclosed in the single figure for total remuneration table on page 89.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

Kate Ringrose stepped down from the Board as Chief Financial Officer on 28 February 2023 and she left employment with Centrica on 1 October 2023. Other than the treatment set out below, no further payments for loss of office will be made to Kate. Payments for loss of office to Kate Ringrose were consistent with the Policy and her contract of employment.

Fixed remuneration

Kate Ringrose was paid salary and benefits for the duration of her employment to a total of £279,163.

Annual Incentive Plan (AIP)

Kate Ringrose was eligible for an AIP award for the period worked as Chief Financial Officer during the 2023 financial year, details in respect of the achievement of which can be found on page 91. Kate's FY2023 bonus was paid 50% in cash and 50% in shares deferred for a further three years. Kate's deferred bonus of £243k from FY2021 and £288k from FY2022 will be subject to the three year deferral period in line with the usual policy. The Remuneration Committee considers that 'good leaver' treatment is appropriate in recognition of Kate's contribution to the business.

Long-term Incentive Awards

The Remuneration Committee determined Kate Ringrose was a 'good leaver' in respect of her 2021 LTIP and 2022 RSP awards. Awards will be pro-rated based on the performance period that has elapsed at the point Kate ceased employment and will vest on the normal vesting dates, subject to relevant performance conditions and underpins. Holding periods of two years will apply to any vested shares. Kate did not participate in the FY2023 RSP award.

Post-employment shareholding requirement

Kate Ringrose is subject to a two-year post-employment shareholding requirement. On cessation of employment, Kate had a shareholding in excess of 200% of salary. Therefore, Kate is required to maintain a shareholding of 200% of salary for a period of two years post-employment.

ADVICE TO THE REMUNERATION COMMITTEE

Following a competitive tender process, PwC was appointed as independent external advisor to the Committee in May 2017.

PwC also provided advice to Centrica globally during 2023 in the areas of employment taxes, regulatory risk and compliance issues and additional consultancy services.

PwC's fees for advice to the Committee during 2023 amounted to £134,450 which included the preparation for and attendance at Committee meetings. The fees were charged on a time spent basis in delivering advice that materially assisted the Committee in its consideration of matters relating to executive remuneration.

The Committee takes into account the Remuneration Consultants Group's (RCG) Code of Conduct when dealing with its advisors. PwC is a member of the RCG and the Committee is satisfied that the advice it received during the year was objective and independent and that the provision of any other services by PwC in no way compromises their independence.

STATEMENT OF VOTING

Shareholder voting on the resolutions to approve the Directors' Remuneration Policy put to the 2022 AGM, and the Directors' Remuneration Report, put to the 2023 AGM, was as follows:

Resolution	AGM	Votes for	Votes for %	Votes against	Votes against %	Votes withheld
Directors' Remuneration Policy	2022	3,132,342,144	83.48%	619,903,528	16.52%	1,275,033
Directors' Remuneration Report	2023	3,463,208,517	93.19%	252,986,960	6.81%	1,244,130

IMPLEMENTATION IN THE NEXT FINANCIAL YEAR

The table below sets out details of how we implemented our remuneration policy in 2023, and how we intend to implement the policy in 2024.

Remuneration element	Implementation in 2023	Implementation in 2024
Base salary	With effect from 1 April 2023, salaries for Executive Directors were: o Group Chief Executive: £815,000 o Group Chief Financial Officer: £540,000	With effect from 1 April 2024, salaries for Executive Directors are: o CEO: £855,000 (+4.9%) o CFO: £590,000 (+9.3%) The average increase across with wider workforce in the UK is 6%. A lower increase was given to the CEO to reflect his single figure remuneration. A higher increase was given to the CFO to reflect his performance and development in role since joining Centrica
Annual Incentive Plan (AIP)	Maximum opportunity: o Group Chief Executive: 200% of salary (100% of salary at target) o Group Chief Financial Officer: 150% of salary (75% of salary at target) The performance measures and their weighting as a percentage of maximum opportunity were o EPS: 37.5% o Balanced Scorecard: 37.5% o Individual objectives: 25% EPS payout ranges were as follows (as a percentage of maximum opportunity): o Threshold performance: 25% o On-target performance: 50% o Maximum performance: 100%	No change
Restricted Share Plan (RSP)	RSP awards were granted at the following levels: o Group Chief Executive: 150% of salary o Group Chief Financial Officer: 125% of salary For the 2023 award, the underpin factors that the Committee will consider include, but are not limited to the following: o a review of overall financial performance over the three-year vesting period; o whether there have been any sanctions or fines issued by a Regulatory Body (participant responsibility may be allocated collectively or individually); o whether a major safety incident has occurred which may or may not have consequences for shareholders; o whether there has been material damage to the reputation of the Company (participant responsibility may be allocated collectively or individually); o whether there has been failure to make appropriate progress against our Climate Transition Plan which sets out our ambition to be a net zero business by 2045 and help our customers be net zero by 2050; o return on capital with reference to the cost of capital; o TSR performance over the vesting period, including with reference to the wider energy sector; o management of customer numbers over the vesting period; o progress against broader ESG commitments including customer service, colleague engagement and our transition to net zero.	No change
Pensions	The maximum benefit for Executives is 10% of base salary earned during the financial year. This compares with the average pension benefit across the wider UK workforce, currently 10-14% of salary.	No change
Benefits	Benefits to be provided in line with the Policy	No change
All-employee share plan	Executives were entitled to participate in all-employee share plans on the same terms as all other eligible employees.	No change
Shareholding requirements	Group Chief Executive: 300% of salary Group Chief Financial Officer: 200% of salary Post-employment, Executive Directors will continue to be expected to retain the lower of the shares held at cessation of employment and shares to the value of 300% of base salary for the CEO and 200% of base salary for the CFO for a period of two years.	No change

NED Fees		With effect from 1 April 2023	With effect from 1 April 2024
	Chair of the Board	£420,500	£440,000 (+4.6%)
	Basic fee for Non-Executives	£76,000	No change
	Additional fees		
	Chair of Audit and Risk Committee	£25,000	No change
	Chair of Remuneration Committee	£20,000	No change
	Chair of Safety, Environment and Sustainability Committee	£20,000	No change
	Senior Independent Director	£20,000	No change
	Employee Champion	£20,000	No change

The Remuneration Report has been approved by the Board of Directors and signed on its behalf by:

Raj Roy
Group General Counsel & Company Secretary
14 February 2024

DIRECTORS' REMUNERATION POLICY

The Remuneration Policy was approved by shareholders at the AGM on 7 June 2022.

This section contains a summary of Centrica's Directors' Remuneration Policy (Policy) that will govern and guide the Group's future remuneration payments. The full version can be found on our website at centrica.com.

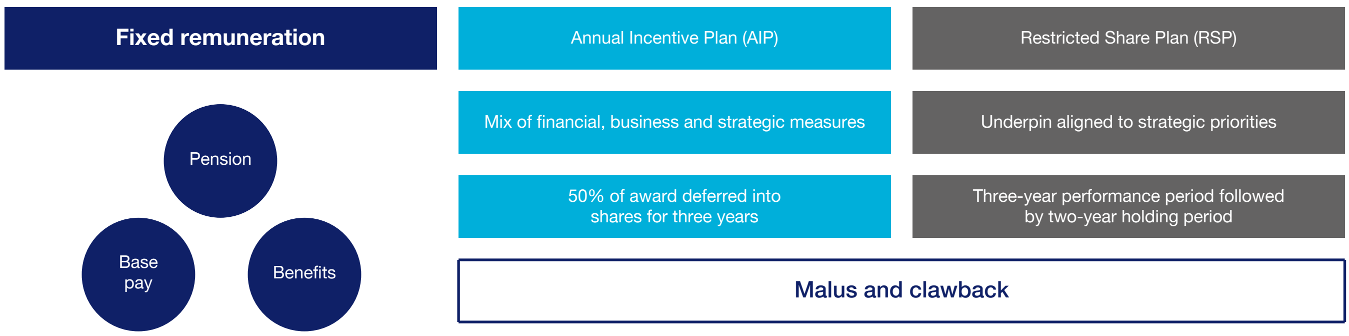
The Policy operated as intended in 2023.

OBJECTIVES OF THE POLICY

The Policy aims to deliver remuneration arrangements that:

- attract and retain high-calibre Executives in a challenging and competitive global business environment;
- place strong emphasis on both short-term and long-term performance;
- are strongly aligned to the achievement of strategic objectives and the delivery of sustainable long-term shareholder value through returns and growth; and
- seek to avoid creating excessive risks in the achievement of performance targets.

Summary of Policy design



HOW THE POLICY LINKS TO OUR STRATEGY

Our strategy is driven by our Purpose "energising a greener, fairer future", and our enduring values at Centrica underpin our culture. Further information on our Purpose and values is set out on page 9. We need to engage our leadership team to fulfil our Purpose and to ensure Centrica is focused on delivery and positioned for growth.

The AIP focuses the Executives on the delivery of our near-term objectives, with at least 75% of the award based on a mix of financial and business measures based on Centrica's priorities for the forthcoming year and up to 25% based on individual strategic and personal objectives for the year. All targets align with the Group Annual Plan.

At the time of the last remuneration policy review, the Remuneration Committee identified the RSP as the appropriate long term incentive vehicle for our Executive Directors as it reduces the upper limit of payment and is aligned with our goal to simplify all aspects of our business. Potential payouts from restricted shares are far less variable than conventional long-term incentives.

The RSP has a three-year vesting period and the Committee will consider the Company's overall financial and non-financial performance during this period. Consideration will be given to elements such as revenue, profitability, shareholder experience and Centrica's progress towards a net zero future.

As we continue to restore shareholder value, the RSP will ensure a large proportion of our Executives' pay is based on direct and uninhibited share price movement.

We operate an RSP for leaders below the most senior management and this approach therefore creates alignment between our Executives and our senior colleagues.

REMUNERATION POLICY TABLE FOR EXECUTIVE DIRECTORS

The following table summarises each element of the Remuneration Policy for the Executive Directors, explaining how each element operates and the link to the corporate strategy.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Base pay/salary			
Reflects the scope and responsibility of the role and the skills and experience of the individual. Salaries are set at a level sufficient for the Group to compete for international talent and to attract and retain Executives of the calibre required to develop and deliver our strategy.	Base salaries are reviewed annually taking into account individual and business performance, market conditions and pay in the Group as a whole. When determining base salary levels, the Committee will consider factors including: • remuneration practices within the Group; • change in scope, role and responsibilities; • the performance of the Group; • experience of the Executive Director; • the economic environment; and • when the Committee determines a benchmarking exercise is appropriate, salaries within the ranges paid by the companies which the Committee believe are appropriate comparators for the Group.	Usually, base salary increases in percentage terms will be within the range of increases awarded to other employees of the Group. Increases may be made above this level to take account of individual circumstances such as a change in responsibility, progression/development in the role or a significant increase in the scale or size of the role.	Not applicable.
Annual Incentive Plan (AIP)			
Designed to incentivise and reward the performance of individuals and teams in the delivery of short-term financial and non-financial metrics. Performance measures are linked to the delivery of the Group's long-term financial goals and key Group priorities.	In line with the Group's annual performance management process, each Executive has an agreed set of stretching individual objectives for each financial year. Following the end of the financial year, to the extent that performance criteria have been met, up to half of the AIP award is paid in cash. To further align the interests of Executives with the long-term interests of shareholders, the remainder is paid in deferred shares which are held for three years. No further performance conditions will apply to the deferred element of the AIP award. Dividend equivalents may be paid as additional shares or cash. Malus and clawback apply to the cash and share awards.	Maximum of 200% of base salary earned during the financial year. For threshold performance, up to 25% of the maximum opportunity will pay out. For on-target performance, 50% of the maximum opportunity will pay out.	At least 75% based on a mix of financial performance and business measures aligned to Centrica's priorities for the forthcoming financial year and up to 25% based on individual objectives aligned to the Group's priorities and strategy. Performance is assessed over one financial year.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Restricted Share Plan (RSP)			
Designed to reward and incentivise the delivery of long-term performance and shareholder value creation.	RSP awards granted to Executive Directors will normally vest after three years subject to the achievement of an underpin, and are subject to a two-year post-vesting holding period during which the Executive Directors may not normally dispose of their vested shares except as is necessary to pay tax and social security contributions arising in respect of their RSP awards. Dividend equivalents are accrued during the vesting period and calculated on vesting on any RSP share awards. Dividend equivalents are paid as additional shares or as cash. Malus and clawback apply to the awards.	The maximum opportunity for RSP awards will be 150% of salary earned during the financial year for Executive Directors.	The RSP will be subject to an underpin framework. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period as well as any material risk or regulatory failures identified. Financial performance can include elements such as revenue, profitability, shareholder experience and return on capital. Non-financial performance can include a range of operational and strategic measures critical to the Company's long-term sustainable success. The Committee may scale back the awards (including to zero) if it is not satisfied the underpin has been met.
Pensions			
Positioned to provide a market competitive post-retirement benefit, in a way that manages the overall cost to the Company.	Executives are entitled to participate in a Company money purchase pension arrangement or to take a fixed salary supplement (calculated as a percentage of base salary, which is excluded from any AIP calculation) in lieu of pension entitlement. The Group's policy is not to offer defined benefit arrangements to new employees at any level, unless this is specifically required by applicable legislation or an existing contractual agreement.	The maximum benefit for Executives is 10% of base salary earned during the financial year. This compares with the average pension benefit across the wider UK workforce, currently 10-14% of salary.	Not applicable.
Benefits			
Positioned to support health and wellbeing and to provide a competitive package of benefits that is aligned with market practice.	The Group offers Executives a range of benefits including (but not limited to): o a company-provided car and fuel, or a cash allowance in lieu; o life assurance and personal accident insurance; o health and medical insurance for the Executive and their dependants; and o health screening and wellbeing services.	Cash allowance in lieu of company car – currently £15,120 per annum. The benefit in kind value of other benefits will not exceed 5% of base salary.	Not applicable.
All-employee share plans			
Provides an opportunity for employees to voluntarily invest in the Company.	Executives are entitled to participate in all-employee share plans on the same terms as all other eligible employees.	Maximum contribution limits are set by legislation or by the rules of each plan. Levels of participation apply equally to all participants.	Not applicable.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Shareholding requirements			
To align the interests of Executive Directors with shareholders over a long-term period including after departure from the Group.	**In-employment requirement** During employment, the Group Chief Executive and Group Chief Financial Officer are required to build and maintain a minimum shareholding of 300% and 200% of their base salary respectively. Executives must also hold 100% of vested incentive shares (net of tax) until the shareholding requirement is met. **Post-employment requirement** Executive Directors are required to hold shares after cessation of employment to the full value of the shareholding requirement (or the existing shareholding if lower at the time) for a period of two years. Shares purchased by Executives with their own monies are excluded from the post-employment requirement.	**In-employment requirement** The current shareholding requirement is maintained at 300% of base salary for the Group Chief Executive and 200% of base salary for the Group Chief Financial Officer. **Post-employment requirement** Executive Directors will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 300% of base salary for the Group Chief Executive and 200% of base salary for the Group Chief Financial Officer for a period of two years. Only shares earned from vested incentives will be included within the post-employment shareholding requirement.	Not applicable.

Notes to the Remuneration Policy Table

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed before the Policy came into effect, at a time when the relevant individual was not an Executive Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes payments include the amounts paid in order to satisfy awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Malus and clawback

In line with UK corporate governance best practice, the Committee can apply malus (that is reduce the number of shares in respect of which an award vests) or delay the vesting of awards. In addition, where an award has vested, the resulting shares will generally be held for a period during which they may be subject to clawback. The following provisions apply:

- AIP – cash awards: malus will apply up to the payment of the cash AIP award and clawback will apply for a period of 3 years after the cash AIP payment.
- AIP – deferred shares: clawback will apply during the period of three years following the payment of the cash AIP award the deferred share relates to.
- historic LTIP awards: malus will apply during the vesting period and up to the date of vesting and clawback will apply for a period of two years post-vesting.
- RSP awards: malus will apply during the vesting period and up to the date of vesting and clawback will apply for a period of two years post-vesting.

Legacy awards are governed by the malus and clawback provisions within the respective policy and plan rules. For awards granted under the proposed policy malus and clawback provisions may be applied in the following circumstances:

- material financial misstatement;
- where an award was granted, or performance was assessed, based on an error or inaccurate or misleading information;
- action or conduct of a participant amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to censure of the Company or Group by a regulatory authority or cause significant detrimental reputational damage;
- material failure of risk management; or
- corporate failure.

During the year, the Remuneration Committee has not needed to apply clawback or malus to any payments to Executive Directors or other members of the Centrica Leadership Team.

Pension arrangements applying to Executives

All registered scheme benefits are subject to HMRC guidelines and the Lifetime Allowance.

The Centrica Unapproved Pension Scheme (CUPS) defined contribution (DC) section provides benefits for individuals not eligible to join the CUPS defined benefit (DB) section and for whom registered scheme benefits are expected to exceed the Lifetime Allowance. The CUPS DC section is offered as a direct alternative to a cash salary supplement.

CUPS is unfunded but the benefits are secured by a charge over certain Centrica assets. An appropriate provision in respect of the accrued value of these benefits has been made in the Company's balance sheet. CUPS was closed to future contributions from 31 December 2023.

Discretion and judgement

It is important that the Committee maintains the flexibility to apply discretion and judgement to achieve fair outcomes as no remuneration policy and framework, however carefully designed and implemented, can pre-empt every possible scenario. The Committee needs to be able to exercise appropriate discretion to determine whether mechanistic or formulaic outcomes are fair, in context and can be applied in an upward or downward manner when required.

Judgement is applied appropriately by the Committee, for example when considering the political and social pressures on the business, the impact of significant movements in external factors such as commodity prices, in setting and evaluating delivery against individual and non-financial performance targets to ensure they are considered sufficiently stretching and that the maximum and minimum levels are appropriate and fair.

The Committee has absolute discretion to decide who receives awards, the level of the awards under the incentive plans and the timing, within the parameters set in the rules and the limits in the Policy table.

Recruitment Policy

The Committee will apply the same remuneration policy during the policy period as that which applies to existing Executives when considering the recruitment of a new Executive in respect of all elements of remuneration as set out in the Remuneration Policy table.

Whilst the maximum level of remuneration which may be granted would be within plan rules and ordinarily subject to the maximum opportunity set out in the Remuneration Policy table, in certain circumstances, an arrangement may be established specifically to facilitate recruitment of a particular individual up to 25% above the maximum opportunity, albeit that any such arrangement would be made within the context of minimising the cost to the Company.

The policy for the recruitment of Executives during the policy period includes the opportunity to provide a level of compensation for forfeiture of AIP entitlements and/or unvested long-term incentive awards (at an expected value no greater than what is forfeit) from an existing employer, if any, and the additional provision of benefits in kind, pensions and other allowances, as may be required in order to achieve a successful recruitment. The Company has a clear preference to use shares wherever possible and will apply timescales at least as long as previous awards.

Details of the relocation and expatriate assistance that may be available as part of the recruitment process can be found in the table below.

Relocation and expatriate assistance	
Purpose and link to strategy	Enables the Group to recruit or promote the appropriate individual into a role, to retain key skills and to provide career opportunities.
Operation and clawback	Assistance may include (but is not limited to) removal and other relocation costs, housing or temporary accommodation, education, home leave, repatriation and tax equalisation.
Maximum opportunity	Maximum of 100% of base salary.
Performance measures	Not applicable.
Changes	No changes.

Service Contracts

Service contracts provide that either the Executive or the Company may terminate the employment by giving one year's written notice. The Committee retains a level of flexibility, as permitted by the UK Corporate Governance Code 2018, in order to attract and retain suitable candidates. It reserves the right to offer contracts which contain an initial notice period in excess of one year, provided that at the end of the first such period the notice period reduces to one year. All Executive and Non-Executive Directors are required to be re-elected at each AGM.

Executive Director	Date of appointment to role	Date of current contract	Notice from the Group	Notice from the individual
Chris O'Shea	1 November 2018	10 December 2020	12 months	12 months
Russell O'Brien	30 January 2023	30 January 2023	12 months	12 months

Termination policy

The Committee carefully considers compensation commitments in the event of an Executive Director's termination. The aim is to avoid rewarding poor performance and to reduce compensation to reflect the departing Executive's obligations and to mitigate losses.

Remuneration element	Scenario	Payment
Base salary, pension and other benefits	Dismissal with cause	No further payments made except those that an individual may be contractually entitled to.
	All other scenarios	Either continue to provide base salary, pension and other benefits for any unworked period of notice or, at the option of the Company, to make a payment in lieu of notice comprising base salary only. Typically any payment in lieu of notice will be made in monthly instalments and reduce, or cease completely, in the event.
AIP	Dismissal with cause	AIP award and any deferred awards will be forfeit.
	Resignation	Executives leaving as a result of resignation will forfeit any potential AIP award for the performance year in which the resignation occurs.
	Change of control	The AIP award will be prorated for time (based on the proportion of the AIP period elapsed at the date of change of control). The Committee has discretion to determine that the AIP does not pay out on change of control and will continue under the terms of the acquiring entity. The Committee has discretion to dis-apply prorating in exceptional circumstances. Deferred awards may vest immediately or be exchanged for new equivalent awards in the acquirer where appropriate.
	Exceptions*	An AIP award for the year in which the termination occurs may be made following the normal year end assessment process, subject to achievement of the agreed performance measures and time apportioned for the period worked. Any award would normally be payable at the normal time with a 50% deferral vesting in line with the normal time-frame. The Committee has discretion to accelerate the vesting of deferred awards.
LTIP and RSP	Dismissal with cause or resignation	All unvested awards will lapse.
	Change of control	Existing awards will be exchanged on similar terms or vest to the extent that the performance conditions have been met at the date of the event and be time-apportioned to the date of the event or the vesting date, subject to the overriding discretion of the Committee.
	Exceptions*	Any outstanding awards will normally be prorated for time based on the proportion of the performance and/or vesting period elapsed. Performance will be measured at the end of the performance period. On death in service, awards may vest earlier than the normal date. The Committee has the discretion to dis-apply prorating or accelerate testing of performance conditions in exceptional circumstances.

* "Exceptions" are defined by the plan rules and include those leaving due to the following reasons: ill health, disability, redundancy, retirement (with agreement from the Company), death, or any other reason that the Committee determines appropriate.

Following termination, awards continue to be subject to malus and clawback provisions in line with those set out in the rules and the policy.

Pay fairness across the Group

The Group operates in a number of different environments and has many employees who carry out a range of diverse roles across a number of countries. In consideration of pay fairness across the Group, the Committee believes that ratios related to market competitive pay for each role profile in each distinct geography are the most helpful.

The ratios of salary to the relevant market median are compared for all permanent employees across the Group and are updated using salary survey benchmarking data on an annual basis.

Unlike the significant majority of the workforce who receive largely fixed remuneration, mainly in the form of salary, the most significant component of Executive compensation is variable and dependent on performance. As such, the Committee reviews total compensation for Executives against benchmarks rather than salary alone.

A number of performance-related incentive schemes are operated across the Group which differ in terms of structure and metrics from those applying to Executives.

The Group also offers a number of all-employee share schemes in the UK, Ireland, Europe and North America and Executives participate on the same basis as other eligible employees.

Performance measures applying to Executives are cascaded down through the organisation and Group employment conditions include high standards of health and safety and employee wellbeing initiatives.

No consultation in respect of the development of the Director's Remuneration Policy place with employees occurred.

External appointments of Executives

It is the Company's policy to allow each Executive to accept one non-executive directorship of another company, although the Board retains the discretion to vary this policy. Fees received in respect of external appointments are retained by the individual Executive and are set out in the Directors' Annual Remuneration Report each year.

Consideration of the UK Corporate Governance Code

As part of its review of the Policy, the Committee has considered the factors set out in provision 40 and provision 41 of the UK Corporate Governance Code (the 'Code'). In the Committee's view, the proposed Policy addresses those factors as set out below:

Principles of the Code	How the Policy aligns
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	The Policy is simple and designed to support long-term, sustainable performance. Shareholders were extensively consulted on the design of the Policy, and the key rationale for the changes that were made. The Policy received shareholder approval at the AGM in June 2022. The Committee proactively seeks engagement with shareholders on remuneration matters on an ongoing basis. During the year, consultation took place with recognised trade unions on pay across the wider workforce. No direct engagement with the workforce occurred on executive remuneration. In order to enhance the level of engagement with our employees, a Shadow Board, comprising colleagues across the business and in different locations, was launched in 2021. In 2023 a new Shadow Board was established and through the Shadow Board, colleagues are able to share views with the Board on executive pay, wider workforce terms & conditions, and people-related policies. The Shadow Board will be our primary forum for engaging on executive pay. The Remuneration Committee is actively exploring ways to enhance engagement across all groups in 2024.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	The latest Policy results in a clear simplification of remuneration arrangements through the replacement of a performance share plan, with a simpler restricted share plan. We further operate an annual incentive (the AIP) with a straightforward deferral structure to allow it to be easily understood. The performance conditions for variable elements are clearly communicated to, and understood by, participants and aligned with the Group strategy.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	The majority of the Executive Directors' total remuneration is weighted towards variable pay (and provided in shares). The changes result in a reduced risk of excessive reward, through lower quantum for the Executive team alongside an increased discouragement of excessive risk-taking behaviour through the use of a post-employment shareholding requirement. The Committee also retains discretion to override formulaic outcomes for incentive plans. Malus and clawback provisions mitigate behavioural risks by enabling payments to be reduced or reclaimed in specific circumstances.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy	The Policy sets out the maximum potential value for each element of remuneration subject to the achievement of performance conditions. The potential total remuneration outcomes are easily quantifiable and are set out in the illustrations provided in the Policy. As highlighted in Risk, the Committee has discretion to override formulaic outcomes if they were deemed to be inappropriate.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance	Remuneration is appropriately balanced between fixed and variable pay. Short-term performance targets are linked to the Group's strategy and the use of deferral in the AIP ensures a link to long-term performance through this element. The introduction of an RSP ensures a strong link to long-term performance as executive reward is directly linked to the share price of the Company.
Alignment to culture Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy	The short-term incentive plans are measured against performance measures which underpin the Group's culture and strategy. The incentive structure is cascaded through the top six levels of the organisation ensuring that it drives the same behaviours across the Group.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Centrica's policy on Non-Executive Directors' ('Non-Executives') fees takes into account the need to attract the high-calibre individuals required to support the delivery of our strategy.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Chair and Non-Executive Director Fees			
Sufficient level to secure the services of individuals possessing the skills, knowledge and experience to support and oversee the Executive Directors in their execution of the Board's approved strategies and operational plans. Fees reflect market practice as well as the responsibilities and time commitment required by our Non-Executives.	The fee levels for the Chair are reviewed by the Remuneration Committee. The fee levels of the Non-Executives are reviewed by the Chair of the Board, Executive Directors and the Chief People Officer. Non-Executives are paid a base fee for their services. Where individuals serve as Chair of a Committee of the Board, additional fees are payable. The Senior Independent Director also receives an additional fee. The Company reserves the right to pay a Committee membership fee in addition to the base fees.	The maximum level of fees payable to Non-Executives, in aggregate, is set out in the Articles of Association.	Not applicable.

Recruitment policy

The policy on the recruitment of new Non-Executives during the policy period would be to apply the same remuneration elements as for the existing Non-Executives. It is not intended that variable pay, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances. The Committee will include in future Remuneration Reports details of the implementation of the policy as utilised during the policy period in respect of any such recruitment to the Board.

Terms of appointment

Non-Executives, including the Chair, do not have service contracts. Their appointments are subject to Letters of Appointment and the Articles of Association. All Non-Executives are required to be re-elected at each AGM. The date of appointment and the most recent re-appointment and the length of service for each NED are shown in the table below:

Non Executive Director	Date of appointment to role	Date of current contract	Notice from the Group	Notice from the individual
Scott Wheway	1 May 2016	13 June 2023	6 months	6 months
Carol Arrowsmith	11 June 2020	13 June 2023	3 months	3 months
Amber Rudd	10 January 2022	13 June 2023	3 months	3 months
Nathan Bostock	9 May 2022	13 June 2023	3 months	3 months
CP Duggal	16 December 2022	13 June 2023	3 months	3 months
Heidi Mottram	1 January 2020	13 June 2023	3 months	3 months
Kevin O'Byrne	13 May 2019	13 June 2023	3 months	3 months
Phillippe Boisseau	1 September 2023	1 September 2023	3 months	3 months
Jo Harlow	1 December 2023	1 December 2023	3 months	3 months
Sue Whalley	1 December 2023	1 December 2023	3 months	3 months

OTHER STATUTORY INFORMATION

The Directors submit the Annual Report and Accounts for Centrica plc, together with the consolidated Financial Statements of the Centrica group of companies, for the year ended 31 December 2023. The Directors' Report required under the Companies Act 2006 (the 'Act') comprises this Directors' and Corporate Governance Report (pages 57 to 112) including the TCFD section for disclosure of our greenhouse gas (GHG) emissions in the Strategic Report (pages 47 to 55) and note 26 (page 189) to the Financial Statements. The index on this page includes matters contained in the Strategic Report that would otherwise be required in the Directors' Report. The management report required under Disclosure Guidance and Transparency Rule 4.1.5 R comprises the Strategic Report (pages 2 to 55) (which includes the risks relating to our business), Shareholder Information (page 243) and details of acquisitions and disposals made by the Group during the year in note 12 (page 161). The Strategic Report on pages 2 to 55 fulfils the requirements set out in Section 414 of the Act. This Directors' and Corporate Governance Report fulfils the requirements of the corporate governance statement required under Disclosure Guidance and Transparency Rule 7.2.1.

ARTICLES OF ASSOCIATION ('ARTICLES')

The Company's Articles were adopted at the 2023 Annual General Meeting (AGM) and may only be amended by a special resolution of the shareholders. The Articles include various rules outlining the running and governing of the Company, for example rules relating to the appointment and removal of the Directors and how the Directors can use all of the Company's powers (except where the Articles or legislation says otherwise), for example in relation to issuing and buying back shares. The Articles can be found on our website centrica.com.

CENTRICA SHARES

Significant shareholdings

At 31 December 2023, Centrica had received notification of the following interests in voting rights pursuant to the Disclosure and Transparency Rules:

	Date notified	% of share capital[1]
BlackRock, Inc.	08.04.2022	5.25%
Schroders Investment Management Limited	27.04.2023	<5%
Bank of America Corporation	02.06.2023	<5%

(1) Percentages are shown as a percentage of the Company's issued share capital when the Company was notified of the change in holding. As at 14 February 2024, the Company had received no further notifications. Copies of historic notifications and any notifications received since 14 February 2024, can be found on our website at centrica.com/rnsannouncements.

Share capital
The Company has a single share class which is divided into ordinary shares of 6 $^{14}/_{81}$ pence each. The Company was authorised at the 2023 AGM to allot up to 1,895,391,323 ordinary shares as permitted by the Act. A renewal of a similar authority will be proposed at the 2024 AGM. The Company's issued share capital as at 31 December 2023, together with details of shares issued during the year, is set out in note 25 to the Financial Statements on page 189.

Rights attaching to shares
Each ordinary share of the Company carries one vote. Further information on the voting and other rights of shareholders is set out in the Articles and in explanatory notes which accompany notices of general meetings, all of which are available on our website centrica.com. There are no shareholder agreements or restrictions in 2023.

Purchase of shares
As permitted by the Articles, the Company obtained shareholder authority at the 2023 AGM to purchase its own shares up to a maximum of 568,617,397 ordinary shares of 6 $^{14}/_{81}$ pence each ('shares'). The 2022-23 repurchase programme completed on 29 March 2023 having purchased 250,483,802 shares. The 2023 programme commenced on 5 April 2023 and completed on 9 October 2023 with 235,455,079 shares purchased.

As announced in the Company's Interim Results on 27 July 2023, the Company intends to repurchase a further £450m of shares to return surplus capital to shareholders. The 2023-2024 programme commenced on 10 October 2023. From 10 October 2023 to 31 December 2023, 72,049,447 shares were purchased (of which 70,465,051 shares had settled and were held as treasury shares). The shares purchased during this period represent approximately 1.2% of the issued ordinary share capital at an aggregate cost of approximately £108m (£106m in respect of settled shares).

The total number of shares purchased during the financial year was 512,273,445, which represents approximately 8.7% of the Company's issued share capital, at an aggregate cost of approximately £615m. Of the total number of shares purchased during the year, 66,123,754 were used for share schemes with the rest held as treasury shares. As at 31 December 2023, there were 490,250,737 shares held in the treasury shares account representing approximately 8.3% of the Company's issued share capital. Dividends are waived in respect of shares held in the treasury share account. Further details are set out in note S4 to the Financial Statements on page 212.

Shares held in employee benefit trusts
The Centrica plc Employee Benefit Trust (EBT) is used to purchase shares on behalf of the Company for the benefit of employees, in connection with the Restricted Share Scheme. The Centrica plc Share Incentive Plan Trust (SIP Trust) is used to purchase shares on behalf of the Company for the benefit of employees, in connection with the SIP. Both the Trustees of the EBT and the SIP Trust, in accordance with best practice, have agreed not to vote any unallocated shares held in the EBT or SIP Trust at any general meeting and dividends are waived in respect of these shares. In respect of allocated shares in both the EBT and the SIP Trust, the Trustees shall vote in accordance with participants' instructions. In the absence of any instruction, the Trustees shall not vote.

EMPLOYEE PARTICIPATION IN SHARE SCHEMES
The Company's all-employee share schemes are a long-established and successful part of our total reward package, encouraging the involvement of UK employees in the Company's performance through employee share ownership. We offer a Share Incentive Plan (SIP) in the UK, with a take-up of 28%. In 2023, all eligible employees globally were awarded a Profit Share award under the SIP.

OTHER INFORMATION

Directors' indemnities and insurance
In accordance with the Articles, the Company has granted a deed of indemnity, to the extent permitted by law, to the Directors of the Company. Qualifying third-party indemnity provisions (as defined by Section 234 of the Act) were in force during the year ended 31 December 2023 and remain in force. The Company also maintains directors' and officers' liability insurance for its Directors and officers. The Company has granted qualifying pension scheme indemnities in the form permitted by the Companies Act 2006 to the directors of Centrica Pension Plan Trustees Limited, Centrica Engineers Pension Trustees Limited and Centrica Pension Trustees Limited, that act as trustees of the Company's UK pension schemes.

Political donations
The Company operates on a politically neutral basis. No political donations were made by the Group for political purposes during the year.

Payments policy
We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner.

Significant agreements – change of control
There are a number of agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

The significant agreements of this kind include:

- Those that relate to 2009, when the Company entered into certain transactions with EDF Group in relation to an investment in the former British Energy Group, which owned and operated a fleet of nuclear power stations in the UK. The transactions include rights for EDF Group and the Company to offtake power from these nuclear power stations. As part of the arrangements, on a change of control of the Company, the Group loses its right to participate on the boards of the companies in which it has invested. Furthermore, where the acquirer is not located in certain specified countries, EDF Group is able to require Centrica to sell out its investments to EDF Group; and
- Committed facility agreements, subordinated fixed rate notes and bonds issued under the Company's medium-term note programme.

The Remuneration Policy sets out on page 107 details on the treatment of the Executive Directors' pay arrangements, including the treatment of share schemes in the event of a change of control.

Disclosures required under Listing Rule 9.8.4 R
The Company is required to disclose certain information under Listing Rule 9.8.4 R in the Directors' Report or advise where such relevant information is contained. All such disclosures are included in this Directors' and Corporate Governance Report, other than the following sections of the 2023 Annual Report and Accounts:

Information	Location in Annual Report	Page(s)
Capitalised interest (borrowing costs)	Financial Statements	156, note 8
Details of long-term incentive schemes	Remuneration Report	85 and 92

DIRECTORS' STATEMENTS

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the Financial Statements on a going concern basis. The Group's business activities, together with factors that are likely to affect its future development and position, are set out in the Group Chief Executive's Statement on pages 6 to 8 and the Business Reviews on pages 23 to 25. After making enquiries, the Board has a reasonable expectation that Centrica and the Group as a whole have adequate resources to continue in operational existence and meet their liabilities as they fall due, for the foreseeable future.

For this reason, the Board continues to adopt the going concern basis in preparing the Financial Statements.

Additionally, the Directors' Viability Disclosure, which assesses the prospects for the Group over a longer period than the 12 months required for the going concern assessment, is set out on pages 35 to 37. Further details of the Group's liquidity position are provided in notes 24 and S3 to the Financial Statements on pages 185 to 188 and 204 to 210.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with international accounting standards, in conformity with the requirements of the Companies Act 2006. The Directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and Uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The names of the Directors and their functions are listed on pages 59 to 62.

Information to the independent auditors

The Directors who held office at the date of this Report confirm that:

- There is no relevant audit information of which Deloitte LLP are unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming AGM.

This report, including the Directors' Responsibility Statement, was approved by the Board of Directors on 14 February 2024 and is signed on its behalf by:

By order of the Board

Raj Roy
Group General Counsel & Company Secretary
14 February 2024