

## NOTICE OF ANNUAL GENERAL MEETING 2015 OF CENTRICA PLC

ExCeL London, One Western Gateway, Royal Victoria Dock, London E16 1XL  
Monday 27 April 2015 at 2.00 pm

This document is important and requires your immediate attention

If you are in any doubt as to the action you should take, you should consult your professional adviser immediately. If you have sold or otherwise transferred all your shares, this Notice and the accompanying proxy form should be passed to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

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Notice is hereby given that the nineteenth Annual General Meeting (AGM) of Centrica plc (the Company) will be held at the ExCeL London, One Western Gateway, Royal Victoria Dock, London E16 1XL on 27 April 2015 at 2.00 pm for the transaction of the following business:

To consider and, if thought fit, pass resolutions 1 to 21 as ordinary resolutions and resolutions 22 to 24 as special resolutions. Voting on all resolutions will be by way of a poll. Please complete and submit a proxy form in accordance with the instructions printed on the form, whether or not you propose to attend the AGM. The proxy form must be received no later than 2.00 pm on 23 April 2015.

Notes explaining the resolutions and your rights to attend and vote at this meeting are provided on pages 4 to 7.

## THE RESOLUTIONS

### Report and accounts

1. To receive the Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2014.

### Remuneration policy and report

2. To approve the Remuneration Policy as set out on pages 66 to 73 of the Annual Report and Accounts 2014.
3. To approve the Directors' Annual Remuneration Report for the year ended 31 December 2014 as set out on pages 74 to 81.

### Dividend

4. That a final dividend of 8.4 pence per ordinary share be paid on 25 June 2015 to shareholders on the Register of Members at the close of business on 1 May 2015.

### Election of Directors

5. That Iain Conn be elected as a Director of the Company.
6. That Carlos Pascual be elected as a Director of the Company.
7. That Steve Pusey be elected as a Director of the Company.

### Re-election of Directors

8. That Rick Haythornthwaite be re-elected as a Director of the Company.
9. That Margherita Della Valle be re-elected as a Director of the Company.
10. That Mark Hanafin be re-elected as a Director of the Company.
11. That Lesley Knox be re-elected as a Director of the Company.
12. That Mike Linn be re-elected as a Director of the Company.
13. That Ian Meakins be re-elected as a Director of the Company.

### Auditors

14. That PricewaterhouseCoopers LLP be re-appointed as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid.
15. That the Directors be authorised to determine the Auditors' remuneration.

### Political donations

16. That, in accordance with section 366 of the Companies Act 2006 (the Act), the Company and any company which is, or becomes, a subsidiary of the Company during the period to which this resolution relates are authorised:
  - a. to make donations to political parties or independent election candidates, as defined in sections 363 and 364 of the Act, not exceeding £125,000 in total;
  - b. to make donations to political organisations other than political parties, as defined in sections 363 and 364 of the Act, not exceeding £125,000 in total; and
  - c. to incur political expenditure, as defined in section 365 of the Act, not exceeding £125,000 in total,
 provided that the aggregate amount of any such donations and expenditure shall not exceed £125,000 during the period commencing on the date of the passing of this resolution and until the conclusion of the 2016 AGM (or, if earlier, until the close of business on 30 June 2016).

### Authority to introduce a Scrip Dividend Programme

17. That the Directors be generally and unconditionally authorised to exercise the power contained in article 122 of the Company's Articles of Association so that, to the extent and on such terms and conditions as may be determined by the Directors, the holders of ordinary shares be permitted to elect to receive new ordinary shares credited as fully paid instead of cash in respect of all or part of any future dividend (including any interim dividend), declared or paid by the Directors or declared by the Company in a general meeting (as the case may be).

Such authority to commence from the date of approval of this resolution and to expire at the conclusion of the third annual general meeting following approval or on 30 June 2018, whichever is the earlier, to the extent that the Directors decide, at their discretion, to offer a scrip dividend alternative in respect of such dividend.

### Authority to establish the Centrica Executive Long-Term Incentive Plan

18. That the rules of the Centrica Long-Term Incentive Plan 2015 (LTIP), the principal features of which are summarised in parts 1 and 2 of Appendix 3 to this Notice, a copy of which is produced in draft to the AGM, be approved, and the Directors be authorised to:

- a. do all things necessary to operate the LTIP, including making such modifications as the Directors consider appropriate to take account of the requirements of the Financial Conduct Authority (FCA) and best practice; and
- b. establish such further plans for the benefit of employees overseas based on the LTIP subject to such modifications as may be necessary or desirable to take account of overseas security laws, exchange control and tax legislation provided that any ordinary shares of the Company made available under such further plans are treated as counting against any limits on individual or overall participation in the LTIP.

### Authority to establish the Centrica On Track Incentive Plan

19. That the rules of the Centrica On Track Incentive Plan (Shares) (OTIP), the principal features of which are summarised in parts 1 and 3 of Appendix 3 to this Notice, a copy of which is produced in draft to the AGM, be approved, and the Directors be authorised to:

- a. do all things necessary to operate the OTIP, including making such modifications as the Directors consider appropriate to take account of the requirements of the FCA and best practice; and
- b. establish such further plans for the benefit of employees overseas based on the OTIP subject to such modifications as may be necessary or desirable to take account of overseas security laws, exchange control and tax legislation provided that any ordinary shares of the Company made available under such further plans are treated as counting against any limits on individual or overall participation in the OTIP.

### Centrica Sharesave Scheme

20. That the rules of the Centrica Sharesave Scheme 2015 (Sharesave Scheme), the principal features of which are summarised in parts 1 and 4 of Appendix 3 to this Notice, a copy of which is produced in draft to the AGM, be approved, and the Directors be authorised to:
  - a. do all things necessary to operate the Sharesave Scheme, including making such modifications as the Directors consider appropriate to maintain favourable tax treatment for participants and to take account of the requirements of the FCA and best practice; and

- b. establish such further plans for the benefit of employees overseas based on the Sharesave Scheme subject to such modifications as may be necessary or desirable to take account of overseas security laws, exchange control and tax legislation provided that any ordinary shares of the Company made available under such further plans are treated as counting against any limits on individual or overall participation in the Sharesave Scheme.

### Authority to allot shares

21. That the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company:

- a. up to a nominal amount of £102,244,284 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of £102,244,284); and
- b. comprising equity securities (as defined in section 560(1) of the Act) up to a nominal amount of £204,488,569 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights of those securities, or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply until the conclusion of the 2016 AGM (or, if earlier, until the close of business on 30 June 2016) but, in each case, so that the Company may make offers and enter into agreements during this period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

### Authority to disapply pre-emption rights

22. That, subject to the passing of resolution 21 set out above, the Directors be given power to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares of 6<sup>14</sup>/<sub>81</sub> pence each in the Company (ordinary shares) held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

- a. to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 21 set out above, by way of a rights issue only) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities, as required by the rights of those securities or, as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- b. in the case of the authority granted under paragraph (a) of resolution 21, and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (a) of this resolution) of equity securities or sale of treasury shares up to a nominal amount of £15,572,810,

such power to apply until the conclusion of the 2016 AGM (or, if earlier, until the close of business on 30 June 2016), save that during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

### Authority to purchase own shares

23. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares provided that:

- a. the maximum number of ordinary shares hereby authorised to be purchased is 496,907,224;
- b. the minimum price which may be paid for each such ordinary share is 6<sup>14</sup>/<sub>81</sub> pence;
- c. the maximum price which may be paid for each such ordinary share is the higher of: (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased, and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System, in each case, exclusive of expenses; and
- d. this authority shall expire at the conclusion of the 2016 AGM or, if earlier, the close of business on 30 June 2016, except in relation to a purchase of ordinary shares, the contract for which was concluded before such time and which will or may be executed wholly or partly after such time and the Company may purchase ordinary shares pursuant to any such contract as if the power had not ended.

### Notice of general meetings

24. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

The Directors believe that the proposals described in this Notice are in the best interests of the Company and its shareholders as a whole. They recommend you give them your support by voting in favour of all the resolutions, as they intend to do so in respect of their own beneficial shareholdings.

By order of the Board

**Grant Dawson**  
**General Counsel & Company Secretary**  
 19 February 2015

Registered office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD  
 Registered in England and Wales No. 3033654

A proxy form is enclosed with this Notice and instructions for its completion and return by post are shown on the form.  
**You are strongly encouraged to vote online.**

[sharevote.co.uk](http://sharevote.co.uk)



## NOTES TO THE RESOLUTIONS

**Explanatory notes to the proposed resolutions Resolutions 1 to 21 will be proposed as ordinary resolutions which require a simple majority of the votes to be cast in favour.**

**Resolutions 22 to 24 will be proposed as special resolutions which require a 75% majority of the votes to be cast in favour.**

### **Resolution 2: To approve the Remuneration Policy**

The Remuneration Policy sets out the Company's remuneration arrangements which appropriately incentivise and reward strong performance and shareholder value creation whilst remaining consistent with Centrica's principles and values. The Remuneration Policy can be found on pages 66 to 73 of the Annual Report and Accounts 2014.

As notified, the remuneration arrangements that were approved by shareholders at the 2014 AGM were intended to apply for one year only whilst the Company discussed new arrangements with shareholders prior to seeking approval at the 2015 AGM. If approved, the Remuneration Policy will become effective immediately following the 2015 AGM.

### **Resolution 3: To approve the Directors' Annual Remuneration Report for the year ended 31 December 2014**

The Directors' Annual Remuneration Report is on pages 74 to 81 of the Annual Report and Accounts 2014. It gives details of Directors' remuneration and other relevant information. There is a summary of the Directors' Annual Remuneration Report on pages 55 and 56 of the Annual Review 2014.

### **Resolutions 5–13: Election and re-election of Directors**

Biographical details of our Directors can be found in Appendix 1 and at [centrica.com](http://centrica.com).

The UK Corporate Governance Code recommends that all directors of FTSE 350 listed companies should be subject to annual election by shareholders and the Board of Centrica has endorsed this recommendation.

Iain Conn and Carlos Pascual will stand for election at the 2015 AGM following their appointments to the Board on 1 January 2015. Steve Pusey will stand for election following his appointment to the Board on 1 April 2015. All other members of the Board will stand for re-election.

The Board believes that each Non-Executive Director standing for re-election continues to provide an effective contribution to the Board and should, therefore, be re-elected. Each of the Non-Executive Directors has given an assurance to the Board that they remain committed to their role as Non-Executive Directors and will ensure that they devote sufficient time to their duties, including attendance at Board and Committee meetings. The Board concludes that each Non-Executive Director is independent. This follows a process of formal evaluation which confirms that each Director makes an effective and valuable contribution to the Board. The Corporate Governance Report on pages 49 to 62 of the Annual Report and Accounts 2014 contains details of the role of the Board and its Committees. A summary can be found in the Annual Review 2014.

### **Resolution 14: That PricewaterhouseCoopers LLP be re-appointed as Auditors**

The Company is required to appoint Auditors at each general meeting at which accounts are laid, to hold office until the conclusion of the next such meeting. The Company's Audit Committee has recommended to the Board the re-appointment of PricewaterhouseCoopers LLP and the Board has endorsed this recommendation.

### **Resolution 15: That the Directors be authorised to determine the Auditors' remuneration**

This resolution authorises the Directors, in accordance with standard practice, to determine the remuneration of the Auditors. The Audit Committee will approve the audit fees, in principle, for recommendation to the Board.

### **Resolution 16: Authority for political donations and political expenditure in the European Union**

The Company has a policy that it does not make donations to, or incur expenditure on behalf of, political parties, other political organisations or independent election candidates. However, the Act contains restrictions on companies making political donations or incurring political expenditure and it defines these terms very widely, such that activities that form part of the normal relationship between the Company and bodies concerned with policy review, law reform and other business matters affecting the Company may be included. Such activities, which are in the shareholders' interests for the Company to conduct, are not designed to support, or implement support for, a particular political party, other political organisations or an independent election candidate. The Company believes that the authority proposed under this resolution is necessary to ensure that it does not commit any technical breach that could arise from the uncertainty generated by the wide definitions contained within the Act when carrying out activities in the furtherance of its legitimate business interests. The Company neither made political donations nor incurred political expenditure in 2014.

### **Resolution 17: Authority to introduce a Scrip Dividend Programme**

The introduction of a Scrip Dividend Programme (Programme) will allow the Directors to provide ordinary shareholders with the option to receive new fully paid ordinary shares in place of their cash dividend. Shareholders who use the Programme will be able to increase their shareholding in the Company without incurring dealing costs or stamp duty. The Programme will also allow the Company greater flexibility in managing its capital resources by retaining cash within the business.

The Programme is intended to replace the current Dividend Reinvestment Plan (DRIP) for holders of ordinary shares, which facilitates the reinvestment of their cash dividends in ordinary shares purchased on the London Stock Exchange. It is the Directors' current intention that the DRIP will be withdrawn before the payment of the first dividend to which the Programme applies. The Directors will retain discretion to decide whether to offer a scrip dividend alternative in respect of each future dividend. It is the Directors' current intention to offer the Programme for the final and interim dividends paid following introduction of the Programme.

The Directors will also retain discretion to withdraw the offer of a scrip dividend alternative should they feel it is in the best interests of shareholders to do so.

Further details of the Programme are included in Appendix 2. Prior to introducing the Programme, shareholders will be sent full details of the Programme's terms and conditions and instructions on how to participate. In line with investor protection guidelines, and as permitted by the Company's Articles of Association, the authority contained in this resolution is sought for three years. Unless circumstances change, the Company intends to seek an extension of this authority before it expires.

The Directors intend to offer a similar programme for American Depositary Receipt (ADR) holders. If this is not possible, the ADR dividend reinvestment alternative will remain in place in order to ensure ADR holders continue to have the opportunity to reinvest their dividends in ordinary shares.

The conversion of ordinary shares into ADRs under a scrip dividend programme may be subject to Stamp Duty Reserve Tax and issuance fees. The replacement of the DRIP with the Programme will not affect employees who receive dividend shares under the Centrica Share Incentive Plan or its global equivalents. Such plans operate separately and will continue to do so.

#### **Resolution 18: Authority to establish the Centrica Long-Term Incentive Plan**

The Company is seeking shareholder approval for the introduction of a new executive share plan, the LTIP, in which selected employees of the Centrica Group (including Executive Directors) may participate. As explained in the Remuneration Report on pages 63 to 73 of the Annual Report and Accounts 2014, the LTIP will replace the Company's Deferred and Matching Share Scheme 2006 and the Long-Term Incentive Scheme 2006 going forward.

The principal features of the LTIP are summarised in parts 1 and 2 of Appendix 3.

#### **Resolution 19: Authority to establish the Centrica On Track Incentive Plan**

The Company is seeking shareholder approval for the introduction of the OTIP, a new employee share plan in which selected employees of the Centrica Group (other than Executive Directors of the Company) may participate.

The principal features of the OTIP are summarised in parts 1 and 3 of Appendix 3.

#### **Resolution 20: Centrica Sharesave Scheme**

In line with good practice, the Company is seeking shareholder approval for the continued operation of its Sharesave Scheme which was last approved by shareholders in 2006. The terms of the new Sharesave Scheme are materially the same as the terms of the sharesave scheme currently operated by the Company.

The principal features of the Sharesave Scheme are summarised in parts 1 and 4 of Appendix 3.

#### **Resolution 21: Authority to allot shares**

Paragraph (a) of this resolution would give the Directors the authority to allot shares up to an aggregate nominal amount equal to £102,244,284 (representing 1,656,357,416 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 19 February 2015, the latest practicable date prior to publication of this Notice, and excludes shares held in treasury. In line with guidance issued by the Investment Association (IA), paragraph (b) of this resolution would give the Directors authority to allot shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £204,488,569 (representing 3,312,714,832 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 19 February 2015, the latest practicable date prior to publication of this Notice, excluding shares held in treasury.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the 2016 AGM (or, if earlier, the close of business on 30 June 2016). The Directors have no present intention of issuing any shares other than pursuant to the Scrip Dividend Programme, subject to shareholder approval, and existing rights under employee share schemes. However, the Directors may consider issuing shares if they believe it would be appropriate to do so in respect of business opportunities that may arise consistent with the Company's strategic objectives. In the event that the authority is used, the Directors intend to follow best practice regarding its use as recommended by the IA. As at 19 February 2015, the latest practicable date prior to the publication of this Notice, the Company held 76,518,230 shares in treasury, representing 1.5% of the issued share capital.

#### **Resolution 22: Authority to disapply pre-emption rights**

Under section 561(1) of the Act, if the Directors wish to allot any equity securities for cash (other than in connection with any employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings (a pre-emptive offer). There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer. The Articles of Association provide that the Board must take account of the provisions of the legislation relating to pre-emption rights. This resolution would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing holdings.

This authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Directors otherwise consider necessary, or otherwise up to an aggregate nominal amount of £15,572,810 (representing 252,279,524 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 19 February 2015, the latest practicable date prior to publication of this Notice and includes shares held in treasury. In respect of this aggregate nominal amount, the Board does not intend to issue more than 7.5% of the issued ordinary share capital of the Company in any rolling three-year period. For the purposes of this resolution, allotments and issues of shares include sales of treasury shares. This authority will expire at the conclusion of the 2016 AGM (or, if earlier, the close of business on 30 June 2016).

## NOTES TO THE RESOLUTIONS CONTINUED

### Resolution 23: Authority to purchase own shares

In certain circumstances, it may be advantageous for the Company to purchase its own shares. The Directors will only exercise this authority after considering relevant factors, including if whether to do so would result in an increase in earnings per share and would benefit shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Save to the extent shares purchased pursuant to the treasury shares provisions of the Act, any shares purchased in this way will be automatically cancelled and the number of shares will be reduced accordingly. Shares purchased by the Company as treasury shares are permitted to be held and dealt with by the Company (including selling the shares or transferring them for the purposes of employee share schemes or cancelling them) subject to certain limitations.

It is the Company's current intention to satisfy the requirements of its share schemes in a method best suited to the interests of the Company, either by acquiring shares in the market or, subject to institutional guidelines, issuing new shares or using shares held in treasury. On 18 December 2013, the Company announced a £420 million share repurchase programme which commenced on 21 February 2014 and was completed on 5 November 2014.

This resolution specifies the maximum number of shares that may be acquired (10% of the Company's issued ordinary share capital as at 19 February 2015) and the maximum and minimum prices at which they may be bought. The total number of options and awards over ordinary shares that were outstanding as at 19 February 2015 was 81,294,326 representing 1.6% of the issued ordinary share capital of the Company excluding treasury shares, at that date (2.0% if the authority to purchase shares under this resolution and that given at the 2014 AGM is used in full).

This authority will expire at the conclusion of the 2016 AGM (or, if earlier, the close of business on 30 June 2016).

### Resolution 24: Notice of general meetings

The notice period required by the Act for general meetings (other than AGMs) is 21 days unless the Company: (i) has gained shareholder approval for the holding of general meetings on 14 days' clear notice by passing a special resolution at the most recent AGM; and (ii) offers the facility for all shareholders to vote by electronic means. Resolution 24 seeks such approval and replaces a similar authority granted at the 2014 AGM.

The shorter notice period would not be used as a matter of routine but only where the Company considers the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. Should this resolution be approved it will be valid until the conclusion of the 2016 AGM.

### Important notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote instead of him or her provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. A proxy need not be a shareholder. If a share is held by joint shareholders and more than one of the joint shareholders votes (including by way of proxy), the only vote that will count is the vote of the person whose name is listed before the other voters on the Register for the share.
2. You may register your proxy appointment or voting directions electronically by visiting [sharevote.co.uk](http://sharevote.co.uk), where full details of the procedure are given (see note 3 below for deadlines). If you return more than one proxy appointment, either by paper or electronic communication, that which is received last by the Company's Registrar before the latest time for the receipt of proxies will take priority. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be advantaged or disadvantaged.
3. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should be: (a) deposited by post or (during normal business hours only) by hand with the Company's Registrar at the address shown on the proxy form or received via [sharevote.co.uk](http://sharevote.co.uk), no later than 2.00 pm on 23 April 2015, or 48 hours (excluding non-working days) before the time for holding any adjourned AGM or (in the case of a poll not taken on the same day as the AGM or adjourned AGM) for the taking of the poll at which it is to be used; or (b) lodged using the CREST proxy voting service (see note 12).
4. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in notes 12 to 15) will not prevent a shareholder attending the AGM and voting in person if he or she wishes to do so.
5. Any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1, 2 and 3 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.
7. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and may also be inspected at ExCeL London from 1.00 pm on the day of the AGM until the conclusion of the AGM:
  - a. copies of Directors' service contracts with the Company;
  - b. copies of Non-Executive Directors' letters of appointment; and
  - c. copies of deeds of indemnities granted to each Director.
8. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Act, specifies that only those shareholders listed on the Register as at 6.00 pm

on 23 April 2015 (or, if the AGM is adjourned, 6.00 pm on the date two working days before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to entries on the Register after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

9. All resolutions will be taken on a poll so as to accurately record the decisions of all members who have voted either by proxy or who will attend the meeting and vote, based on their shareholding interests in the Company. As soon as practicable following the AGM, the results of the voting at the AGM and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed at [centrica.com](http://centrica.com). A summary of the business transacted will be available, on written request, from the General Counsel & Company Secretary at the Company's registered office.
10. As at 19 February 2015, being the latest practicable date prior to the publication of this Notice, the Company's issued ordinary share capital consists of 5,045,590,478 ordinary shares, carrying one vote each. The total voting rights in the Company as at 19 February 2015 are 4,969,072,248 ordinary shares. This figure excludes 76,518,230 shares held in treasury.
11. Copies of this Notice, the Annual Report and Accounts 2014, the Annual Review 2014 and other information required by section 311A of the Act are available at [centrica.com](http://centrica.com).
12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual available via [euroclear.com/CREST](http://euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specification, and must contain the information required for such instruction, as described in the CREST Manual.  

The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid for the AGM to be held on 27 April 2015 and any adjournment(s) thereof, be transmitted so as to be received by the Company's Registrar, Equiniti, (ID RA19) no later than 2.00 pm on 23 April 2015 or, if the AGM is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
15. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
16. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
17. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
18. Any member or appointed proxy/proxies attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (i) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
19. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which may properly be moved and is intended to be moved at the AGM; and/or (ii) to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may be properly included in the business. A resolution may be properly moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person or, (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 13 March 2015, being the date six clear weeks before the AGM, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
20. You may not use any electronic address provided in either this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

## APPENDIX 1 – BIOGRAPHIES

Full biographies can be found at [centrica.com](http://centrica.com).



### Resolution 5: Iain Conn

Chief Executive – E, CR, D

Iain was appointed Chief Executive on 1 January 2015. He is Chairman of the Executive Committee and the Disclosure Committee.

**Skills and experience:** Iain has a wealth of experience heading a global consumer brand. He possesses a deep understanding of the energy sector built up over a lifetime in the industry with a commitment to customers and safety. Iain was previously Chief Executive, Downstream, of BP's refining and marketing division. Iain was a Board member of BP for 10 years from 2004 and has previously held a number of senior roles throughout BP.

**External appointments:** Iain is a non-executive director of BT Group plc. He is Chairman of the Advisory Board of Imperial College Business School and a member of the Council of Imperial College.



### Resolution 6: Carlos Pascual

Non-Executive Director – A, N, R

Carlos joined the Board on 1 January 2015.

**Skills and experience:** Carlos has held a number of senior positions in the energy industry and is a senior leader in energy geopolitics and economic and commercial development. Between 2011 and 2014 Carlos established and directed the US State Department's Energy Resource Bureau. Until August 2014, Carlos was Special Envoy and Coordinator for International Energy Affairs, acting as senior adviser to the US Secretary of State on energy issues. He has also served as US Ambassador in Mexico and Ukraine.

**External appointments:** Carlos is a senior vice president at IHS Inc. and a non-resident senior fellow at the Centre on Global Energy Policy at Columbia University.



### Resolution 7: Steve Pusey

Non-Executive Director – A, N, R

Steve will join the Board on 1 April 2015.

**Skills and experience:** Steve has a wealth of international experience as a senior customer facing business technology leader. He has considerable experience in the telecommunications industry in both the wireline and wireless sectors and in business applications and solutions. Steve has also worked with Nortel and British Telecom and is a graduate of the Advanced Management Program at Harvard University.

**External appointments:** Chief Technology Officer of Vodafone Group plc. Steve will retire from this role on 31 July 2015.



### Resolution 8: Rick Haythornthwaite

Chairman – N, R

Rick joined the Board as a Non-Executive Director on 14 October 2013. He was appointed Chairman of the Board on 1 January 2014 and is Chairman of the Nominations Committee.

**Skills and experience:** Rick has a wealth of knowledge in the energy industry and has significant board experience, both as an executive and non-executive. He led the rescue of Invensys from 2001 to 2005 and the defence, turnaround and subsequent sale of Blue Circle Industries from 1997 to 2001. He has served on the boards of Network Rail as chairman and Cookson, Lafarge, ICI and Land Securities as non-executive director.

**External appointments:** Chairman of the global board of MasterCard Inc. and PSI, a private fund. Chairman of the Southbank Centre in London and the World Wide Web Foundation.

#### Committee membership key

- A – Audit
- CR – Corporate Responsibility
- D – Disclosure
- E – Executive
- N – Nominations
- R – Remuneration





### Resolution 9: Margherita Della Valle

Non-Executive Director – A, CR, N, R

Margherita joined the Board on 1 January 2011 and became Chairman of the Audit Committee on 1 July 2013.

**Skills and experience:** Margherita brings considerable corporate finance and accounting experience and she has a sound background in marketing. She was chief financial officer for Vodafone's European region from April 2007 to October 2010 and chief financial officer of Vodafone Italy from 2004 to 2007. Previously she joined Omnitel Pronto Italia in Italy in 1994 and held various consumer marketing positions in business analytics and customer base management prior to moving to finance. Omnitel was acquired by Vodafone Group in 2000.

**External appointments:** Group financial controller of Vodafone Group plc.



### Resolution 10: Mark Hanafin

Managing Director, International Upstream – E

Mark was appointed to the Board on 14 July 2008.

**Skills and experience:** Mark has senior management experience across the energy value chain from E&P through to product sales. He has excellent midstream and trading credentials as well as a strong track record in developing supply and marketing businesses. Before joining Centrica, Mark spent 21 years with Royal Dutch Shell, most recently as CEO of Shell Energy North America in Houston. Prior to joining Shell, he worked for General Electric Company having qualified as a chartered engineer.

**External appointments:** Non-executive director of EDF Energy Nuclear Generation Group Limited.



### Resolution 11: Lesley Knox

Non-Executive Director – A, N, R

Lesley joined the Board on 1 January 2012 and is Chairman of the Remuneration Committee.

**Skills and experience:** Lesley brings a wealth of strategic and financial experience across a range of businesses to the Board and she is an experienced remuneration committee chair. She was previously with British Linen Bank and a founder director of British Linen Advisers. She was senior non-executive director of Hays Plc and also spent 15 years with Kleinwort Benson.

**External appointments:** Non-executive director of SABMiller Plc, trustee of the Grosvenor Estates and chairman of Grosvenor Group Limited.



### Resolution 12: Mike Linn

Non-Executive Director – A, N, R

Mike joined the Board on 1 June 2013.

**Skills and experience:** Mike has considerable experience in the energy sector, particularly exploration and production and the US market. He founded and was previously chairman, CEO and president of LINN Energy, LLC.

**External appointments:** Non-executive director of LINN Energy, LLC, non-executive board member of Nabors Industries, Black Stone Minerals and Western Refining Logistics and senior advisor to Quantum Energy Partners. Member of the National Petroleum Council and inducted into the All American Wildcatters.



### Resolution 13: Ian Meakins

Senior Independent Director – A, N, R

Ian joined the Board on 1 October 2010 and became Senior Independent Director on 1 January 2015.

**Skills and experience:** Ian has broad general management and board experience and considerable knowledge of managing businesses with strong brands. Ian is currently CEO of Wolseley plc and was, until April 2009, chief executive of Traveler Holdings Ltd. Between 2000 and 2004, he was president, European Major Markets and Global Supply for Diageo plc, spending over 12 years with the company in a variety of international management positions.

**External appointments:** Group chief executive of Wolseley plc.

## APPENDIX 2 – SCRIP DIVIDEND PROGRAMME

**IMPORTANT:** No action relating to participation in the Scrip Dividend Programme (Programme) needs to be taken at this time. The purpose of this summary is to provide shareholders with information so that they may consider how they wish to vote in respect of resolution 17.

### What is the Programme?

The Programme offers shareholders the opportunity to receive new fully paid ordinary shares in the Company (New Shares) instead of cash dividends.

### What are shareholders being asked to do?

The Board is recommending to shareholders that they authorise the introduction of the Programme in respect of all or part of any future dividend (including any interim dividend). The Programme is intended to replace the current Dividend Reinvestment Plan (DRIP) for holders of Centrica plc ordinary shares of 6<sup>14</sup>/<sub>61</sub> pence (ordinary shares). The Programme will commence with the final dividend for the year ended 31 December 2014 subject to shareholders separate approval (resolution 4).

If shareholders approve the Programme, this authority will expire in three years. Unless circumstances change, the Directors expect to seek an extension to this authority before it expires.

The DRIP will be suspended assuming approval of the Programme at the AGM.

### Why receive shares rather than cash?

The Programme will allow those shareholders who wish to participate the opportunity to increase their shareholding without incurring dealing charges and stamp duty. This is often an attractive option for shareholders who might otherwise receive a cash dividend of relatively small economic value.

The Programme will also give the Company greater flexibility in managing its capital resources as it will be able to retain in the business the cash which would otherwise have been paid to participating shareholders who have elected to receive shares.

### Who will be eligible to join the Programme?

The Programme will be made available to all shareholders entered on the Register, including CREST members and those holders of shares in the Company, subject to certain restrictions for shareholders resident outside the UK as set out below. The right to elect to join the Programme will not be transferable. Shareholders whose shares are held indirectly, such as through a nominee account, should contact the registered shareholder at the time the Programme is launched to determine if they can participate in the Programme.

### Shareholders resident outside the UK

Shareholders who are resident outside the UK will be able to participate in the Programme provided that they do not live in nor are subject to the jurisdiction of any country where their participation in the Programme would require the Company to comply with local legal, governmental or regulatory requirements or procedures, or any similar formalities.

Shareholders resident outside the UK will be responsible for ensuring that they may validly participate in the Programme and for observing all relevant formalities.

### ADR holders

It is intended that a similar programme will be offered for American Depositary Receipt (ADR) holders.

### What are the key dates should I wish to join the Programme in June 2015?

The Programme will initially be offered in June 2015 when the Company pays the final dividend for the year ending 31 December 2014 and any dividends thereafter.

27 April 2015	Annual General Meeting Approval of 2014 final dividend and Scrip Dividend Programme by shareholders
30 April 2015	Ex dividend date
1 May 2015	Record date
7 May 2015	Scrip reference share price set
13 May 2015	Scrip invitation mailed to all shareholders
4 June 2015 4.30pm	Election date Deadline for the receipt of election forms from shareholders
24 June 2015	Share certificates/FlexiShare statements posted
25 June 2015	Dividend payment date/first day of dealing in New Shares

### How can shareholders join or leave the Programme?

When the Programme is launched the Company will send to shareholders instructions on how to elect to participate. This will include forms of election and full terms and conditions, which will also explain how shareholders can leave the Programme. The full terms and conditions will also be made available in the 'Dividends' ('Investment Information') section online at [centrica.com](http://centrica.com).

### What will be the deadline for joining the Programme?

When the Programme is launched the Company will set out the full timetable for participation but key dates are set out above.

In order to be eligible to receive New Shares in respect of a particular dividend under the Programme, shareholders' elections to participate must be received by the Company's Registrar, Equiniti, (or, where applicable, input through CREST) no later than 4.30 pm (London time) on the election date.

The election date will not be more than 20 working days before the payment date for that dividend. Elections to participate in the Programme which are received after the election date deadline for any dividend will only apply to subsequent dividends. In that scenario the shareholder would receive a cash dividend in respect of the immediate dividend.

### What will be the deadline for leaving the Programme?

Shareholders may opt out of the Programme at any time following its introduction. For each dividend where the Programme is to apply, the Company will set out a timetable for participation. This will include the latest date and time that shareholders may elect to opt out of the Programme and hence receive cash instead of New Shares. To opt out of the Programme in respect of a particular dividend, notice of the withdrawal must be received by Equiniti (or, where applicable, input through CREST) no later than 4.30 pm (London time) on the election date for that dividend.

The election date will not be more than 20 working days before the payment date for that dividend. Elections to opt out of the Programme that are received after the election date deadline for any dividend will only apply to subsequent dividends. Shareholders would receive New Shares in respect of the immediate dividend.

### Will current participants in the DRIP automatically be treated as having elected to participate in the Programme?

The DRIP will be suspended assuming approval of the Programme at the AGM.

A new election will need to be made by each shareholder wishing to participate in the Programme.

Those shareholders who have elected to participate in the DRIP and do not wish to participate in the Programme may wish to contact Equiniti to arrange for cash dividends to be paid direct into a nominated bank account. Otherwise, payments will be made by cheque.

### What will happen to residual cash balances held under the DRIP?

Participants in the DRIP who have cash residue entitlements held by the scheme administrator will have their residual cash balances repaid on suspension of the DRIP.

### Where will shareholders find details of the Programme?

Eligible shareholders will be invited to join the Programme when it is launched and the invitation will contain all necessary information.

Following the launch of the Programme, this and all future information including the dividend record date, ex-dividend date, scrip reference share price, election date and any further information announced will be made available in the 'Dividends' ('Investment Information') section online at [centrica.com](http://centrica.com).

### How many New Shares will shareholders receive under the Programme?

The number of New Shares that shareholders will acquire for each dividend will depend on the amount of the cash dividend to which they are entitled to and the scrip reference share price. Only whole shares may be issued and the number of shares that can be acquired will be rounded down to the nearest whole number of New Shares. Once the calculation has been made and shares allocated, any cash left over that is insufficient to acquire one New Share will be held as a residual cash balance (residual cash). Residual cash will be held until the next scrip dividend and added to the amount of cash available from that dividend.

Shares will be acquired according to the cash available and using the scrip reference share price to determine the value per share allocated. This will be the average of the middle market quotations for ordinary shares on the Daily Official List of the London Stock Exchange on the five consecutive dealing days beginning on, and including, the date on which the ordinary shares are first quoted ex-dividend.

The maximum number of New Shares to be received for each dividend will be calculated as per the worked example on page 13.

### What will happen to any residual cash?

Any residual cash remaining after the issue of New Shares, or which was insufficient to acquire a whole share, will be carried forward by the Company and included in the calculation for the next dividend entitlement under the terms and conditions of the Programme. No interest will accrue.

Further details of the treatment of residual cash balances will be provided in the terms and conditions, which will be sent to shareholders and made available in the 'Dividends' ('Investment Information') section online at [centrica.com](http://centrica.com).

### How will shareholders be notified of how many New Shares they have received?

Once the New Shares have been issued, a scrip dividend statement will be sent to the shareholder along with a new share certificate or, if shares are held in FlexiShare, an account statement. The scrip dividend statement will show the number of New Shares issued, the scrip reference share price, and the total cash equivalent of the New Shares for tax purposes.

If the cash dividend entitlement, together with any residual cash entitlement brought forward, is insufficient to acquire at least one new share, the statement will explain that no New Shares have been issued and will show how much cash will be carried forward. CREST members will have their accounts credited directly with New Shares on the dividend payment date or as soon as practicable thereafter and will receive a scrip dividend statement as described above.

### Will New Shares issued under the Programme be included in the next scrip dividend?

Yes. All New Shares issued under the Programme will automatically increase the shareholding on which the next entitlement to a scrip dividend will be calculated.

## APPENDIX 2 – SCRIP DIVIDEND PROGRAMME CONTINUED

### What happens if a shareholder buys or sells shares?

The entitlement will be calculated based on the number of shares registered in the shareholder's name at the relevant record date.

A shareholder's election will be deemed to be cancelled in relation to any shares that are sold or transferred to another person, but only with effect from the registration of the relevant transfer.

### Are there other circumstances in which an election will be deemed cancelled?

Yes. A shareholder's election to participate will be deemed to be cancelled on receipt by Equiniti of proper notice of the shareholder's death, bankruptcy or mental incapacity or, in the case of a corporate shareholder, of such body being placed in liquidation. However, where the shares are held jointly with others, participation in the Programme will continue for that shareholding.

### Can shareholders participate in the Programme in respect of part of their holdings?

No, an election will only be accepted in relation to the whole of a shareholding. The Directors may, at their discretion, allow shareholders to elect in respect of part of their shareholding where they are acting on behalf of more than one beneficial holder.

Shareholders acting on behalf of more than one beneficial holder should contact Equiniti.

### What happens if a shareholder has more than one holding?

If shares are registered in more than one holding, each holding will require a separate election.

### What is the maximum number of shares that can be awarded under the Programme?

If every shareholder elects to participate in the Programme for their entire shareholding, based on the proposed final dividend of 8.4 pence per share and an indicative share price of £2.57 (closing price as at 19 February 2015), the maximum number of shares that could be awarded would be 162,413,256 representing 3.2% of the issued share capital of the Company as at 19 February 2015.

### Can the Company change or cancel the Programme?

Yes. The operation of the Programme is subject to the Directors' decision to offer the Programme in respect of any particular dividend. The Directors may also, after such an offer is made, withdraw the offer generally at any time prior to the issue of New Shares under the Programme.

The Programme may be modified, suspended or terminated at any time at the discretion of the Directors without notice to shareholders individually.

It is the Directors' current intention to offer the Programme for the final and interim dividends paid following the introduction of the Programme.

### What are the tax consequences of taking part in the Programme?

The precise tax consequences of electing to receive New Shares instead of a cash dividend will depend on shareholders' individual circumstances. A summary of the tax treatment, based on UK legislation and HM Revenue & Customs practice in place at the date that the Programme is introduced, will be provided in the full terms and conditions to be sent to shareholders and made available in the 'Dividends' ('Investment Information') section online at [centrica.com](http://centrica.com).



#### Contact Equiniti

Contact details for our Registrar:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom

Telephone: 0871 384 2985\* and outside the UK +44 121 415 7061

Textphone: 0871 384 2255\* and outside the UK +44 121 415 7028

Online: [help.shareview.co.uk](http://help.shareview.co.uk)

\*Calls to this number cost 8 pence per minute plus network extras. Lines are open from 8.30 am to 5.30 pm, Monday to Friday, UK time.

[help.shareview.co.uk](http://help.shareview.co.uk)



#### Manage more online

You can view and manage your shareholding online. Go to the electronic communications section of the Shareholder Centre on our website at [centrica.com/shareholdercentre](http://centrica.com/shareholdercentre).

[centrica.com/shareholdercentre](http://centrica.com/shareholdercentre)



## Illustrative examples of New Share entitlements under the Programme

### Notes

- (1) The scrip reference share price used in these examples is the closing price as at 19 February 2015, the date of the Notice of Meeting. This price is indicative for illustrative purposes only. The scrip reference share price will be calculated according to the Programme terms and conditions.

### Example 1

		Notes
Number of ordinary shares held	500	
Dividend paid per ordinary share	8.4p (£0.084)	
Scrip reference share price <sup>(1)</sup>	£2.57	Calculated according to Programme terms and conditions
<b>Step 1 – calculate maximum cash available</b>		
Cash dividend payable: 500 x £0.084	£42.00	
<b>Step 2 – calculate number of New Shares to be issued</b>		
Maximum cash available (Step 1) divided by the scrip reference share price: £42.00 ÷ £2.57	16.34 shares	Only whole shares can be issued
Number of whole New Shares acquired	16 shares	
Value of New Shares acquired (number of shares multiplied by the scrip reference share price): 16 x £2.57	£41.12	
<b>Step 3 – calculate residual cash balance carried forward</b>		
Maximum cash available (Step 1) less value of New Shares (Step 2): £42.00 – £41.12	£0.88	This will be carried forward as residual cash to the next scrip dividend

### Example 2

		Notes
Number of ordinary shares held	1,500	
Dividend paid per ordinary share	8.4p (£0.084)	
Scrip reference share price <sup>(1)</sup>	£2.57	Calculated according to Programme terms and conditions
<b>Step 1 – calculate maximum cash available</b>		
Cash dividend payable: 1,500 x £0.084	£126.00	
<b>Step 2 – calculate number of New Shares to be issued</b>		
Maximum cash available (Step 1) divided by the scrip reference share price: £126.00 ÷ £2.57	49.02 shares	Only whole shares can be issued
Number of whole New Shares acquired	49 shares	
Value of New Shares acquired (number of shares multiplied by the scrip reference share price): 49 x £2.57	£125.93	
<b>Step 3 – calculate residual cash balance carried forward</b>		
Maximum cash available (Step 1) less value of New Shares (Step 2): £126.00 – £125.93	£0.07	This will be carried forward as residual cash to the next scrip dividend

## APPENDIX 3 – SHARE PLANS

A summary of the key features of the Centrica Sharesave Scheme 2015 (Sharesave Scheme), the Centrica On Track Incentive Plan (Shares) (OTIP) and the Centrica Long-Term Incentive Plan 2015 (LTIP) (together, the Plans) is set out below.

Copies of the draft rules of the Plans may be inspected at the offices of Linklaters, One Silk Street, London, EC2Y 8HQ during usual business hours on weekdays (public holidays excluded) until the date of the AGM, and also at the place of the AGM for at least 15 minutes prior to, and during, the AGM.

### 1 Key features common to the Plans

#### 1.1 Timing of operation

Awards and options under the Plans will normally only be granted within 42 days of a shareholder meeting or the announcement of the Company's results for any period.

#### 1.2 Administration

The Plans will be administered by the Remuneration Committee of the Company or, where appropriate, a duly authorised person(s) or committee (Committee).

#### 1.3 Satisfying awards and options

In any 10-year period, not more than 10% of the issued ordinary share capital of the Company may be issued or issuable under the Plans and all other employees' share plans operated by the Company. In addition, in any 10-year period, not more than 5% of the issued ordinary share capital of the Company may be issued or issuable under the OTIP, LTIP and all other discretionary share plans adopted by the Company. These limits do not include awards and options which have lapsed or been surrendered.

Awards and options may also be satisfied using treasury shares. If such shares are used, the Company will, so long as required under the guidelines of the Investment Association, count them towards the dilution limits set out above.

Where awards and options are satisfied using shares purchased on-market, the dilution limits set out above will not apply. An employee trust may operate in connection with the Plans.

#### 1.4 Variation in share capital

Awards and options may be adjusted following any variation in the share capital of the Company (provided that, in the case of the Sharesave Scheme, the adjustment does not cause the Sharesave Scheme to cease to comply with relevant tax legislation).

#### 1.5 Issue of shares

Any shares issued on the exercise of options or vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

#### 1.6 Amending the Plans

The Directors have the power to amend the provisions of the Plans in any way. However, the provisions relating to: the participants; the limits on the number of shares which may be issued under the Plans; the individual limit; the basis for determining a participant's entitlement to shares or cash under the Plans (and, in relation to the Sharesave Scheme, the option price) or the adjustments of options or awards in the event of a variation of capital; and the amendment rule cannot be altered to the advantage of participants without prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plans or for the Company or any other members of its Group).

The Directors may establish further plans based on the Plans (or add schedules to the Plans) but modified to take account of overseas securities laws, exchange controls or tax legislation. Shares made available under such further plans will be treated as counting against any limits on participation in the Plans.

#### 1.7 Dividend equivalent

Except under the Sharesave Scheme, an award can be granted on the basis that the participant will receive an additional amount on vesting, or exercise, based on the dividends paid on the number of shares in respect of which the award vests. This may be paid in cash or additional shares.

#### 1.8 General

Awards and options are personal to the participant and may generally not be transferred or assigned.

Awards and options under the Plans are granted for nil consideration and are not pensionable.

The Plans may be terminated at any time and, in any event, awards or options under the Plans may not be granted after the 10th anniversary of the approval by shareholders.

### 2 Key features of the Centrica Long-Term Incentive Plan 2015

#### 2.1 Outline

The LTIP gives participants the right to receive shares in the Company subject to the satisfaction of applicable performance conditions and continued employment.

#### 2.2 Eligibility

All employees of the Company, its subsidiaries and associated companies (including Executive Directors of the Company) are eligible to participate in the LTIP. However, it is currently intended that only Executive Directors will be selected for participation.

#### 2.3 Operation of the LTIP

The Committee will decide who will participate in the LTIP and how many shares they may receive. It is intended that the LTIP will be operated shortly after its approval by shareholders.

Under the LTIP, participants are granted an award over shares in the Company which will vest subject to the participant remaining in employment and subject to the satisfaction of any performance conditions. The award may take the form of a conditional share award or an option to acquire shares. The exercise price is set on grant and may be zero. Alternatively, awards may be granted as shares issued or transferred at grant which are forfeited to the extent the award lapses.

The LTIP may also be used to grant bonus deferral awards, i.e. the deferred share element of annual bonuses.

#### 2.4 Performance conditions

The receipt of shares on the vesting of an award may be subject to a performance condition set by the Committee at the time of grant which will normally be tested over at least three financial years. Awards made to Executive Directors will always be subject to performance conditions as described in the Company's remuneration policy from time to time as approved by shareholders.

For the first operation of the LTIP, the vesting of one-quarter of the award will be based on the Company's Earnings Per Share, the vesting of three-eighths of the award will be based on the Company's absolute aggregate Economic Profit and the vesting of the final three-eighths of the award will be based on non-financial key performance indicators as set out in the Company's remuneration policy.

## 2.5 Individual limit

The value of shares comprised in a participant's award(s) in respect of any financial year may not exceed 400% of the participant's annual basic salary. However, awards to Executive Directors will be subject to any additional limit imposed under the remuneration policy in effect at the time of award (a maximum of 300% of annual basic salary applies under the proposed new remuneration policy set out in the Annual Report and Accounts 2014).

Bonus deferral awards granted under the LTIP are excluded from the individual limit set out above.

## 2.6 Vesting and release of awards

Awards will normally only vest to the extent any performance condition is met. On vesting, shares will be held for a period of not less than two years and up to a maximum of four years prior to release. On or shortly after release, shares will be issued or transferred to the participant or, in the case of an option, the participant may exercise the option for a period of up to a maximum of 10 years from the date of grant or such shorter period as determined by the Committee.

Instead of issuing or transferring shares, the Committee can decide to pay a cash amount equal to the value of those shares (less any exercise price in the case of an option).

## 2.7 Leaving employment

If a participant leaves employment then the award will normally lapse and any shares will be forfeit. However, if the participant dies or leaves employment due to ill-health, injury, disability, retirement, redundancy, the employing company or business ceasing to be a member of the Group or for any other reason, if the Committee so decides then performance related awards will continue in effect and vest on the original vesting date. Alternatively, if the Committee so decides, the award may vest on death or the date of leaving. Any holding period in respect of clawback described below will apply from the date of vesting.

An award will vest to the extent that any performance condition is satisfied at the date of vesting and, unless the Committee decides otherwise, the number of shares in respect of which it vests will be reduced to reflect the period of employment as a proportion of the performance period (or, where there are no performance conditions, the vesting period).

Subject to the application of any malus and clawback provisions, bonus deferral awards will not lapse when a participant leaves employment.

## 2.8 Takeovers and restructuring

Awards will generally vest early on a takeover, merger or other corporate event. Alternatively, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company.

Where an award vests in these circumstances, any performance condition will be tested to the date of vesting and, unless the Committee decides otherwise, the number of shares in respect of which it vests will be reduced to reflect the fact that it is vesting early.

## 2.9 Malus and clawback

The Committee can apply malus (i.e. reduce the number of shares in respect of which an award vests) or delay the vesting of awards if it considers it appropriate where a participant has engaged in gross misconduct or displayed inappropriate management behaviour which fails to reflect the governance and values of the business or where the results for any period have been restated or appear inaccurate or misleading.

Where an award has vested, the resulting shares will generally be held for a two-year period (or such other period determined) during which they may be subject to clawback in the event that the Committee determines that one or more of the circumstances above has occurred.

## 3 Key features of the Centrica On Track Incentive Plan (Shares)

### 3.1 Outline

The OTIP gives participants the right to receive shares in the Company subject to conditions set out in the terms of the award.

### 3.2 Eligibility

All employees of the Company or any of its subsidiaries (other than Executive Directors of the Company) are eligible to participate in the OTIP. However, it is currently intended that only senior management will be selected for participation.

### 3.3 Operation of the OTIP

The OTIP enables participants to be granted awards of the Company's shares in the form of conditional share awards, nil-cost options or conditional cash awards. The current intention is that conditional share awards will be granted and that the quantum of awards will be determined by reference to the participant's personal performance salary, seniority and business unit's performance.

An award will normally vest after a predetermined period of time (expected to be two to three years in the normal course), subject to continued employment with the Group. Awards will also be subject to malus and clawback as described on page 16.

The vesting of an award may be subject to additional conditions, such as individual, company or Group performance.

At the discretion of the Directors, awards may be satisfied by paying participants a cash amount equal to the value of the shares.

### 3.4 Individual limit

The value of shares comprised in a participant's award(s) in respect of any financial year may not exceed 275% of the participant's annual basic salary.

### 3.5 Leaving employment

The impact of leaving employment on awards will normally be set out in the terms of each award when it is granted.

Generally, under the OTIP, if a participant resigns or is dismissed, any unvested awards will lapse on cessation of employment. If a participant dies, the award will vest immediately but may be reduced to reflect the proportion of the normal vesting period the participant was employed and the achievement of any applicable conditions.

If a participant leaves due to ill-health, injury, disability, retirement, redundancy or due to the sale of their employing company or business:

- awards that are not subject to any further conditions will vest in full either immediately or on the normal vesting date; and
- awards that are subject to further conditions will vest on the normal vesting date, subject to the achievement of those conditions.

In all other circumstances, the above treatment will apply, save that vesting will be reduced pro-rata to reflect the proportion of the normal vesting period the participant was employed.

### 3.6 Takeovers and restructuring

In the event of a takeover, scheme of arrangement, merger or other corporate reorganisation, participants may be required or allowed to exchange their awards for equivalent awards over shares in the acquiring company. Alternatively, awards will vest at the time of the relevant event to the extent that any performance conditions have been satisfied as at that time. The number of shares received will then be reduced pro-rata to reflect the acceleration of awards, unless the Directors decide otherwise.

## APPENDIX 3 – SHARE PLANS CONTINUED

### 3.7 Malus and clawback

The Directors may decide that an award should be subject to malus and clawback provisions. If these provisions apply, where the Directors determine that an award was made due to fraud, misrepresentation of results by unapproved accounting treatment or inappropriate management behaviours, the Directors may cancel unvested awards, or for up to 12 months following vesting, recover vested awards.

## 4 Key features of the Centrica Sharesave Scheme 2015

### 4.1 Outline

The Sharesave Scheme is an all-employee plan under which employees may be invited to apply for options to acquire shares in the Company. The number of shares over which the options are granted is determined by the amount which the employee commits to save under a savings contract. The Sharesave Scheme is designed to meet the requirements of tax legislation which provides favourable tax treatment for participants who are employees of participating companies and subject to income tax in the UK.

### 4.2 Eligibility

All employees and Executive Directors of the Company or any of its participating subsidiaries are eligible to participate in the Sharesave Scheme if they have been employed for a qualifying period (which may not exceed five years). Other employees may be invited to participate on a discretionary basis.

### 4.3 Grant and exercise of options

The option price must not be less than 80% of the market value of a share calculated as either the price on the business day before the date of invitation or the date specified in the invitation or the average price over the three previous business days. The savings contract may run over a period of three or five years and must not permit savings of more than (currently) £500 per month.

Options are normally exercisable during the six months after the end of the savings contract.

### 4.4 Leaving employment

Options will normally lapse when the participant ceases to be employed. However, if employment ends because of ill-health, injury, disability, retirement, redundancy or a sale of the employing company or business, options immediately become exercisable to the extent of the related savings. Options will remain exercisable for six months and then lapse.

### 4.5 Takeovers

In the event of a change of control of the Company, options become exercisable to the extent of the related savings. The Directors may determine that options will remain exercisable for up to six months from the date of the event and then lapse. Alternatively, options may be exchanged for options over shares in the acquiring company.

## AGM ARRANGEMENTS

Doors will open at 1.00 pm and you may wish to arrive by 1.30 pm. Refreshments will be available before and after the AGM. Arrangements have been made to help shareholders with disabilities. Individual induction loops will be available at the registration desk for people with hearing difficulties. Anyone accompanying a shareholder who is in a wheelchair or otherwise in need of assistance will be admitted to the AGM.

Please be advised that, for security reasons, we may check your bag or briefcase.

### Arriving at the AGM venue

The AGM will be held in the Platinum Suite at ExCeL London. Shareholders should arrive at the west entrance.

### By public transport

#### Tube and DLR

Take the Jubilee Line Tube to Canning Town and change on to the Docklands Light Railway bound for Beckton; alight at Custom House for direct access to ExCeL London. There are lifts on the station platforms to the covered walkway to ExCeL London.

#### Mainline

The nearest mainline station is Liverpool Street; from there, travel to Stratford station in east London where you can take the Jubilee Line to Canning Town and change on to the Docklands Light Railway.

#### By road

When driving to ExCeL London follow signs for Royal Docks, City Airport and ExCeL. There is easy access from the M25, M11, A406 and A13. The postcode for Sat Nav purposes is E16 1DR. The venue is located outside the Congestion Charge Zone but is included in the Low Emission Zone.

#### Parking

Underground car parking is available onsite at ExCeL London. There is also a multi-storey car park five minutes' walk from the west entrance to ExCeL London. Parking charges will apply.

### Access

Access to ExCeL London is along low-gradient ramps and walkways. All ramps are fitted with handrails and balustrades. Non-slip flooring is used throughout the building. The lifts have Braille and tactile buttons at a suitable level to be reached by a wheelchair user. A limited number of car parking spaces suitable for disabled drivers is available; please contact ExCeL London for further information on 020 7069 5000 or email [info@excel-london.co.uk](mailto:info@excel-london.co.uk).

For further travel details please visit [excel-london.co.uk/visiting-excel](http://excel-london.co.uk/visiting-excel)

