

Centrica plc (the Company)

Remuneration Committee (the Committee) – Terms of Reference

Membership and constitution

- Membership** At least three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered to be independent on appointment as Chairman. Committee members shall be appointed by the Board, on the recommendation of the Nominations Committee, in consultation with the Committee Chairman.
- Chairman** The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director and where feasible have served as a member of a remuneration committee for at least 12 months. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.
- Secretary** Group General Counsel & Company Secretary (or his/her nominee).
- Quorum** Two members.
- Attendees** Only members of the Committee have the right to attend Committee meetings. Non-members may be invited to attend all or part of any meeting, as and when appropriate and necessary.
- Frequency of meetings** The Committee shall meet as and when it is deemed necessary, normally four times a year.
- Notice of meetings** Committee meetings shall be called by the Secretary at the request of the Committee Chairman. Notice of each meeting confirming the venue, time and date together with an agenda and papers shall be circulated to Committee members and attendees where possible no later than five working days before the date of the meeting.
- Reporting** Committee meeting minutes shall be circulated to the Committee members and, once approved, to the Board unless, in the opinion of the Committee Chairman, it would be inappropriate to do so.
- Terms of Reference** These Terms of Reference may only be amended with the consent of the Board.

Purpose and Authority

The Committee is established as a committee of the Board and is authorised by the Board to carry out the duties set out in these Terms of Reference. In fulfilling its duties, the Committee is further authorised by the Board to:

1. seek any information that it requires from any employee or contractor of the Company and all employees and contractors are directed to co-operate with any request made by the Committee;
2. have unrestricted access to Company documents and Company information, including details of employment policies, pay, benefits and incentive arrangements that apply throughout the group;
3. obtain outside legal or independent professional advice in accordance with the Company's policy, appoint external remuneration consultants and secure the attendance of individuals with relevant experience and expertise at Committee meetings if it considers this necessary; and
4. acquire reliable and up-to-date information about remuneration in other companies and commission any reports or surveys which it deems necessary to help fulfill its obligations.

Organisation of the Committee

1. The Committee Chairman shall attend the annual general meeting of the Company, and be prepared to respond to any shareholder questions on the Committee's activities through the Chairman of the Board, if applicable;
2. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within these Terms of Reference;
3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
4. The Committee shall, at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness, recommend any changes it considers necessary to the Board for approval and annually report to the Board on how it has discharged its responsibilities under these terms of reference;
5. The Committee shall prepare and recommend to the Board for approval at least every three years a report on the Group's remuneration policy and annually a remuneration report, both of which shall include details of the remuneration of each director and all information requirements set out in the UK Corporate Governance Code (the Code) and relevant legislation and regulation, for inclusion in the Company's Annual Report to shareholders; and
6. The Committee shall be provided with appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members.

Duties

The Committee shall have the following responsibilities, powers, authorities and discretions:

1. To set the remuneration for all Executive Directors, the Company's Chairman, the Group General Counsel & Company Secretary and other senior executives, including pension rights and compensation payments. The Executive Committee shall determine the remuneration of the Non-Executive Directors within the limits set in the Articles of Association. No Director or designated senior executive shall be involved in deciding his or her own remuneration or be present at any meeting where this is discussed;
2. To take into account, when determining the remuneration policy, all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to promote the long-term success of the Company, being aligned to the Company's strategy, having regard to the Company's risk policies and systems, and the views of shareholders and other stakeholders. The performance related elements of the policy should be transparent, stretching and rigorously applied;
3. In determining the remuneration policy, take into account all factors which it deems necessary. This shall include having due regard to the employment policies, pay and employment conditions across the Group. The objective of such policy shall be to ensure that the Chairman of the Board, Executive Directors and other designated senior executives of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the long-term success of the Company;
4. Within the terms of the agreed remuneration policy and in consultation with the Committee Chairman and/or Group Chief Executive (as appropriate), in respect of the Chairman of the Board, the Executive Directors of the Company, the Group General Counsel & Company Secretary and other senior executives, the Committee shall:
 - a. determine total individual remuneration packages and other terms and conditions of employment (including bonuses and the policy for and scope of pension arrangements and any compensation payments);
 - b. authorise any contract of employment/letter of appointment or related contract or any amendment thereto following liaison with the Nominations Committee as required. The Committee shall consider what compensation commitments will entail in the event of early termination (including pension contributions and all other elements). The aim will be to avoid rewarding poor performance and to take a robust line on reducing compensation to reflect a departing director's obligation to mitigate loss;
 - c. authorise participation in and approve the terms of any selective share incentive scheme in which the Executive Directors or any other officer of the Company may be invited to participate;

- d. determine the targets and performance conditions, including non-financial metrics as appropriate, which should be relevant, stretching and designed to promote the long-term success of the Company, for any annual or long-term cash or share incentive arrangements;
 - e. determine the policy on which outside directorships may be accepted; and
 - f. authorise the employment and remuneration package of any former Executive Director as a consultant to the Company;
5. To recommend and monitor the level and structure of remuneration for senior management;
 6. To assess the extent of compliance, on behalf of the Board, with the Companies Act and relevant regulations, and the best practice principles and provisions contained in the Code and any other applicable code of practice or Listing Rule relating to remuneration from time to time, including recommending to the Board for approval any statement of compliance or explanation of non-compliance required to be made or given by the Company in respect of the Code;
 7. To approve the design of, and determine targets for, any performance related pay schemes operated by the Company in respect of the members of the Executive Committee and approve the total annual payments made under such schemes;
 8. To review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used;
 9. To agree the policy for authorising claims for expenses from the Group Chief Executive and Chairman; and
 10. To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

The Group Chief Executive and/or the Group Director, Human Resources will report on significant Company-wide changes in salary structure and terms and conditions affecting senior executives and other employees throughout the Group.

In carrying out its duties, the Remuneration Committee shall have regard to the principles and provisions set out in the Code.

Approved by the Board: 23 July 2019