

Centrica plc (the Company)

Safety, Health, Environment, Security and Ethics Committee (the Committee)

Terms of Reference

Membership and constitution

Membership	At least three members, all of whom shall be independent Non-Executive Directors. 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. 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.
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. At least one additional meeting a year shall be held jointly with the Audit Committee, chaired by the Audit Committee Chairman, to review the processes followed and judgements taken during the preceding 12 months in respect of the Group's risk framework and associated internal controls.
Notice of meetings	Committee meetings shall be convened 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, circulated to the Board unless, in the opinion of the Committee Chairman, it would be thought 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 or assistance 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;
3. have unrestricted access to the Company's Head of Internal Audit, Risk and Controls;
4. investigate or commission investigations into any activity within its terms of reference; and
5. obtain outside legal or independent professional advice in accordance with the Company's policy and secure the attendance of individuals with relevant experience and expertise at Committee meetings if it considers this necessary.

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 a report about its activities and recommend it to the Board for approval and inclusion in the Company's Annual Report to shareholders. The report should include all information requirements set out in the UK Corporate Governance Code and relevant legislation and regulation; and
6. The Committee shall be provided with appropriate and timely training, both 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:

Internal Controls and Risk Management Systems

1. Keep under review the adequacy and effectiveness of the Company's internal controls and risk management systems related to safety, health, environment, security and ethics in respect of:
 - a. People: Engagement, Culture and Behaviours;
 - b. Sourcing and Supplier Management;
 - c. Infrastructure, Equipment and Practices affecting Health, Safety, Environment and Security;
 - d. Information Systems and Security; and
 - e. Legal, Regulatory and Ethical Standards Compliance.
2. Review the quarterly Group Risk Management Reports.

People: Engagement, Culture and Behaviours

1. Monitor the Group, the conduct of its employees and contractors, ensuring this is carried out in accordance with the Group's culture, purpose and values, with honesty and integrity, in an ethical manner and in compliance with all applicable laws, rules and regulations in each jurisdiction in which business is conducted¹.
2. Review reports on the Group's organisational health.

Sourcing and Supplier Management

1. Review and monitor compliance with the Group's policy for contracting with third parties and compliance with the policy, including an annual review of ethical procurement across the Group.

Health, Safety, Environment and Security (HSES)

1. Review the Group's health, safety, environmental and security management systems which enable the goal to provide all employees and people who come into contact with the Group's businesses with a safe, secure and healthy environment;
2. Review health, safety, environmental and security performance, learnings from incidents, and how sharing best practice across the Group will inform improvement in the Group's management systems.
3. Review compliance with relevant laws, rules and regulations applicable to the Group's operations, and assess future legal and regulatory changes.

¹ Any violation of applicable laws, rules and regulations may be required to be disclosed to the applicable law enforcement authorities.

4. Receive updates on changes to legislation and regulations affecting Centrica's operations and how they will be implemented by the Group's operations.
5. Review the capability of the HSES function and provision of the leadership and guidance required in support of the Group's programmes regarding health, safety, environment and security issues to deliver a safe and sustainable environment for all employees, customers and third party agents.
6. Set expectations of business leaders to promote HSES and encourage all employees to participate in supporting, promoting and leading safety and to strive for best practice in Centrica's approach to embedding the Group's desired behavioural-based safety culture.
7. Review incident, crisis management and business continuity plans including the results of the annual testing of such plans.

Information Systems Security

1. Review and test effective and fit for purpose security arrangements across the Group in respect of information systems and misuse of data.
2. Review the critical information assets which the Group wants to protect against hacking / cyber-attack for approval by the Board.
3. Review reports on intelligence processes to understand the threat to the Group's assets.
4. Review controls to prepare, protect, detect and respond to hacking / a cyber-attack or misuse of data, including the management of the consequences of a cyber-security or misuse of data incident, for approval by the Board.
5. Review reports on the effectiveness of security controls, including, where appropriate, independent testing, reviewing and assuring such controls.
6. Keep under review the programme of continuous improvement, or where needed, transformation, to match the changing cyber threat – with appropriate performance indicators.

Legal, Regulatory and Ethical Standards Compliance

1. Review Our Code and related Group Policies, and assess compliance / conformance annually.
2. Review the Company's arrangements for its employees to raise concerns, in confidence, about possible improprieties in matters other than financial reporting. The Committee shall satisfy itself that that these arrangements allow proportionate and independent investigation of such matters within the Committee's duties outlined in its terms of reference and appropriate follow up action. The Committee shall receive a quarterly compliance report to assist it in discharging this duty.

3. Keep under review the Company's procedures for detecting and responding to fraud, including bribery. The Committee shall receive applicable reports on non-compliance.
4. Review the arrangements in place for the management of statutory and regulatory compliance in areas such as financial crime, in respect of conduct and treating customers fairly, anti-trust and other key legislative requirements and to comment on their effectiveness. The Audit Committee is similarly responsible for reviewing the arrangements in place for the management of financial compliance and to comment on its effectiveness.

The Audit Committee is responsible for ensuring the integrity of the Group's system of risk management and internal controls but shall, as appropriate, receive input from the Committee on issues relevant to its duties outlined in its terms of reference, particularly as they relate to matters of risk management and internal control.

The execution of the strategy and responsibility for management of safety, ethical and reputational issues remains with Executive Management.

It is impractical to document all the rules, regulations and practices that govern the handling of information and conflicts by our various businesses in the countries in which we operate. Such rules and regulations, and local procedures, may be stricter than the practices set out in this document or impose additional limitations or requirements on a local business unit. Where local requirements are more stringent than those set out in Centrica's approved policy, the local regulations will always prevail but management will be asked to notify the Board Sponsor to ensure that such exceptions can be noted and measured against Group policy.

Approved by the Board: 23 July 2019