

Our Strategy

Strategic context

Our strategy is driven by our purpose to help our customers live sustainably, simply and affordably. As the pace of change continues to accelerate, we will respond by focusing colleagues and technology on helping businesses and households to use energy more efficiently and sustainably.



Sustainability

We are committed to a cleaner and greener future, and we are making changes in order to achieve this. We will reduce our own emissions to reach net zero and will help our customers to reduce theirs.



Simplicity

We are simplifying and modernising our business to allow us to put customers at the heart of everything we do with the aim of making their lives simpler and easier.



Affordability

Being able to reach net zero in an affordable way is core to our customers' futures, so we are striving to provide energy, services and solutions that deliver value.

Consumer market trends

Changes in our ways of living and working in response to COVID-19

Falling costs for battery, solar and wind, electric vehicle deployment accelerating, growing need for flexibility

Growing progress and government support for decarbonisation

Role of data analytics, artificial Intelligence and automation increasingly important

Corporates committing to clear decarbonisation targets

Gas becoming global

Increased regulator and consumer activism, and high levels of competitive intensity

Margins under pressure

Customer needs

Hassle-free, empathetic, personalised and safe service

Lower costs and greater efficiency

Responsible options (including green tariffs) and expert guidance to help them achieve net zero

Solutions, not just products

Trusted and credible counterparty

Our approach

Climate change is real. The need to reduce carbon emissions has been recognised by society and governments.

We are committed to helping our customers on the journey to carbon reduction and ultimately net zero through providing low carbon energy and services innovation, increasing energy efficiency and enabling investment in renewable energy.

To demonstrate our commitment, we have enhanced targets to deliver a greener future and will make Centrica a net zero business by 2045 and help our customers be net zero by 2050.

We will:

- Lead by example – electrify our fleet of vehicles by 2025
- Exit hydrocarbon production
- Buy more renewable electricity for our customers
- Support the development of hydrogen as a replacement for natural gas
- Enable low carbon transportation and heating solutions
- Continue to find ways to help our customers use less energy and reduce their carbon footprint

Our Group priorities

In 2019, we evolved our focus on five key priorities to deliver our strategy and we align performance and risk management processes around these, including our Key Performance Indicators. Our Group Priorities are underpinned by safety, compliance and conduct.

- Customer obsession
- Operational excellence
- Most competitive provider
- Cash flow growth
- Empowered colleagues

Our near-term strategic objectives

1. Focus on markets where we have scale and leading positions, specifically the UK and Ireland
2. Simplify the organisation to free up colleagues to focus on customers and to reduce costs
3. Modernise our working practices to increase flexibility both for colleagues and for customers
4. Build the capabilities and culture we need for the future
5. Maintain appropriate balance sheet strength

These near-term objectives are planned to result in a stronger core business and a robust balance sheet from which we can start to focus on our longer-term growth ambitions in the areas in which we have distinctive capabilities – energy supply, services and solutions, energy trading and optimisation.

Our People & Planet Plan

We have introduced our People & Planet Plan to create a more inclusive and sustainable future that supports our communities, our customers and each other. Our five global goals accelerate action in areas where we can make a difference which includes being a net zero business by 2045 and helping our customers be net zero by 2050.

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

Planet: Supporting every customer to live more sustainably

[Read more about our People & Planet Plan as well as the strong foundations that underpin it to ensure we act fairly and ethically on](#)
Pages 28 to 32

Our Business Model

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

Our strategic framework

For consumers

We want to make people's lives simpler, by providing seamless, time-saving services that are affordable and sustainable. Understanding and satisfying consumer needs is critical to our success.

Energy supply

- Gas supply
- Electricity supply

Home services and solutions

- Protection products (central heating, plumbing and drains, home electrical, and kitchen appliance cover)
- On-demand services (service, repair, and home improvements)
- Installation of heating systems and electric vehicle charge points
- Smart heating and energy management, remote diagnostics, and monitoring solutions

For business

As a trusted energy partner for our business customers, we provide the energy and solutions to help them operate more efficiently and sustainably to achieve commercial success.

Energy supply

- Gas supply
- Electricity supply

Energy trading and optimisation

- Aggregation and optimisation of distributed energy resources
- Access to energy, capacity and flexible markets including demand response
- Route-to-market and commodity risk management services

Business services and solutions

- Design, install, maintain and service a wide range of technology solutions
- Energy resource management and monitoring
- Operational insights from energy data to help with preventive maintenance

Group financial framework

In 2019 we set out a financial framework intended to enable us to deliver long-term shareholder value through returns and growth. We intend to develop a new financial framework over the course of 2021 that reflects changes in our business model and the environment in which we operate.

In the immediate term, our core aim is to maintain a strong balance sheet and as such we will target a net debt/EBITDA level that is sustainable and consistent with investment grade credit ratings. We will also continue to focus on free cash flow generation, maintaining a tight control on operating costs, restructuring spend and capital expenditure, while looking to reduce the volatility of earnings and cash flow.

Our previously stated dividend policy is to pay a progressive dividend linked to growth in earnings and operating cash flow, with dividend cover from earnings in the range 1.5-2.0. Having taken the decision to cancel our 2019 final dividend in response to the COVID-19 pandemic, we intend to recommence dividends to shareholders when it is prudent to do so.

In addition, the risks to achieving the Group's strategy are monitored and reported regularly.

For more information on managing our exposure to risk, see Our Principal Risks and Uncertainties on pages 34 to 42.