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Directors' and Corporate Governance Report

Dear Shareholder

I am pleased to introduce the Directors' and Corporate Governance Report for 2022.

This report describes: the activities of the Board during the year; Centrica's governance arrangements; the composition and operation of the Board and its Committees; and how the Board discharged its responsibilities, including the application of the relevant provisions of the UK Corporate Governance Code 2018 (UK Code) (details of our application of the UK Code can be found on page 58).

The year in review

2022 was an incredibly testing year for the energy sector and our customers in light of the extremely volatile global commodity markets, which drove significant increases in the cost of energy.

As the UK and Ireland's largest energy services and solutions company, supporting our customers through the energy crisis whilst playing an important role in the UK and Ireland's energy security became core priorities for the Board. The Board held several discussions in relation to the business response to the unprecedented increase in energy prices and geopolitical events surrounding the Russian invasion of Ukraine.

We were particularly pleased to announce on 28 October 2022 the reopening of the Rough gas storage facility, which will strengthen the UK's energy security of supply at a time when gas will play a critical role as a transition fuel on the path to a net zero energy sector. The Board ensured that the Company continued to focus on the energy transition so as to generate value for stakeholders and deliver net zero for our customers and stakeholders by 2050, at the latest, through our Climate Transition Plan. Our Climate Transition Plan, available at centrica.com/climatetransition, describes the progress made so far.

Creating value for shareholders and wider stakeholders in a sustainable way is a top priority of the Board. Following significant progress made in the implementation of the Group's strategy, the Board decided in July 2022 to reinstate a progressive dividend with a 2022 interim dividend of 1.0 pence per share, enabling us to return capital to our shareholders. The Company announced on 15 November 2022 the commencement of a share repurchase programme which would be conducted over up to 6.5 months to buy back ordinary shares of $6^{14}/_{81}$ pence each up to an aggregate of up to £250,000,000 (exclusive of associated fees, expenses and stamp duty), representing an amount equal to the aggregate value of approximately 5% of the Company's issued share capital at the date of the announcement.

Culture

Centrica's Values are Care, Delivery, Agility, Collaboration and Courage, which are central to the Group's organisational culture. That culture is underpinned by Our Code, which establishes our basic standards for all individuals with whom we engage or collaborate. It serves as a guide for making excellent decisions and symbolises our dedication to doing the right thing and acting with integrity. Information about Our Code can be found on our website centrica.com/ourcode or on page 44 of our People and Planet section.

The Board closely observes, and supports, the Centrica Leadership Team's various initiatives to further enhance and develop the Company's values and culture (details can be found on page 7 of the Strategic Report). The Group Chief Executive reports to the Board on employee engagement-related matters at each scheduled Board meeting. Additionally, the findings of the quarterly "Our Voice" employee engagement survey provide the Board with valuable insight into the culture's tone. Page 37 includes further information regarding the survey and the increase in colleague engagement. To ensure Centrica is prepared for the future, the Board will continue to focus on the growth of the Company's culture, which includes people development and digital enablement.

Board meetings

At Board meetings, the Board is dedicated to enabling strong corporate governance and compliance standards. These practices are critical to the Company's long-term performance and the creation of value for our stakeholders. Our Board meetings were mainly held in person. Hybrid or virtual meetings were held where restrictions on freedom of movement in response to an increase in COVID-19 infection rates remained in place in the early part of 2022. The Board continues to operate effectively in this way. Our commitment to supporting high standards of corporate governance and our strong governance framework enabled the Board to adjust its focus and priorities and take some important decisions to strengthen our balance sheet and protect the Company from the difficult market environment arising from the energy crisis. Examples of principal decisions taken by the Board can be found in the Section 172 statement on pages 68 to 69.

Board composition

During the year, we welcomed three new Non-Executive Directors to the Board. On 10 January 2022, the Company appointed Amber Rudd as a Non-Executive Director. Following that, Nathan Bostock was appointed to the Board on 9 May 2022 and then Chanderpreet (CP) Duggal was appointed to the Board on 16 December 2022. Each of these Directors brings diversity of background, experience and insight to steer the Company with the development and implementation of the Group strategy. Biographies for Amber, Nathan and CP, including the Board Committees on which they serve, are given on pages 63 and 64. These appointments stem from the detailed assessments made by the Nominations Committee of the Board's needs and the Group's strategy.

Stephen Hester and Pam Kaur both stepped down from the Board at the conclusion of the 2022 AGM on 7 June 2022 having served for six years and just over three years respectively on the Company's Board. The Board would like to take this opportunity to express its gratitude to Stephen and Pam and wish them all the best for their future endeavours. In addition, I want to particularly thank Stephen for all the support he has provided as Senior Independent Director. Kevin O'Byrne succeeded Stephen as the Senior Independent Director from 1 June 2022.

On 12 January 2023, we announced that Russell O'Brien will be appointed Group Chief Financial Officer (CFO) and an Executive Director on 1 March 2023. Kate Ringrose will step down as CFO and an Executive Director on 28 February 2023 and is expected to leave Centrica towards the end of 2023 after an orderly transition. On behalf of the Board, I want to pay tribute to Kate's achievements during almost 20 years at Centrica and to thank her for her significant contribution to the Company, including steering it through a challenging external landscape.

Further information about the Board composition is provided on pages 62 to 65.

Diversity and inclusion

Diversity and inclusion continues to be a top priority of the Board given it is inherent to the success of the Group. We continue to take steps to ensure that the diversity of the communities in which we operate is reflected in the Company and senior leaders.

We endeavour to establish a culture where everyone can be themselves and realise their full potential irrespective of age, gender, culture, race, religion, sexual orientation, disability or background. We also keep striving for greater representation targeted across gender, ethnicity, disability, and sexuality that is more in line with Census data for working populations.

The Company operates a diversity and inclusion policy at Board level and a Group Diversity, Respect & Inclusion Policy which applies to the Remuneration, Audit and Risk, Nominations and Safety, Environment and Sustainability Committees as well as the Company's administrative, management and supervisory bodies. Further information, including how each policy is implemented, can be found at centrica.com/policies.

We have made improvements in the business recruitment, advancement and development of diverse personnel, and we continue to do so. We are still dedicated to letting you know how we're doing, especially on pay discrepancies based on gender and race. Along with maintaining our current focus on any gender and ethnicity pay discrepancies, we will continue to report on the diversity of all of our employees. For more details regarding our diversity programmes and how we are doing with our objectives, see page 40.

Board and Committee evaluation and effectiveness

The Board recognises that it continually needs to monitor and improve its performance, including through the annual evaluation process. In accordance with the UK Code, Centrica's annual evaluation of Board effectiveness is facilitated by an independent third party at least once every three years.

During 2022, the opportunities for improvement identified from the 2021 evaluation were progressed through various actions including: expanding the Board through the recruitment of three new Non-Executive Directors; development of an agreed set of Board priorities subject to two annual reviews; improvements to the Non-Executive Director induction process and associated enhancements; teach-in sessions being held with the Board on strategically important topics; invitations to any induction site-visits being undertaken by new Non-Executive Directors being extended to all Non-Executive Directors; and an expanded set of opportunities for contact between the Board and members of the wider management team.

For the 2022 Board evaluation, a self-evaluation of the effectiveness of the Company's Board and Committees was facilitated by an external provider, Lintstock Limited. Lintstock generated a tailored report, drawing on the input of all Board members, which was reviewed in a meeting of all Members of the Board in November 2022. The Directors concluded that the Board and Committees continue to operate effectively, whilst agreeing on actions relating to succession planning; enhanced oversight of the Company's key suppliers and Board training.

I held performance meetings with each Director to discuss their individual contribution and performance over the year and their training and development needs. Following these meetings, I confirmed that each Director continued to make an effective contribution to the Board and the Company.

The Senior Independent Director, Kevin O'Byrne, conducted the evaluation of my performance through discussions with Directors and Senior Executives and concluded that I continue to make an effective contribution to the Board and the Company.

Engagement with our stakeholders

Stakeholder views are gathered through an extensive network of strategic engagement to help grow the business and deliver improvements for our customers, colleagues and society over the long term. During 2022, representatives from the Board also met with major shareholders from time to time in order to obtain their perspectives on a range of matters including the Company's performance and strategy and Environmental, Social and Governance matters.

The Board's approach to colleague engagement is one of shared responsibility amongst Board members, given the benefits that arise from all Board members gaining insight from meeting with a wide range of colleagues on a regular basis. This approach to colleague engagement will be subject to regular review to ensure that it is effective.

During the year, Non-Executive Directors travelled across our offices to understand the operational environment and speak with employees on the experience of their working environment and any other matters of importance to them. Engagement sessions included a Board site visit to the British Gas Energy contact centre in Leicester in June, where the Board met with customer-facing colleagues to gain an understanding of their perspectives, and a Board site visit to Bord Gáis Energy in Dublin in October, where the Board met with the local management team and various representatives from across the Irish business. Board Members undertook different engagement opportunities with customers including accompanying British Gas Services and Solutions engineers on customer visits.

Further details of our methods of engagement with our colleagues, including how the Shadow Board helps to bring the views of colleagues into the Boardroom are provided on page 38. Details of how the Board has sought to discharge its duties under Section 172 of the Companies Act 2006 during the year can be found in our Section 172 statement and Stakeholder Engagement section on pages 12 and 68 to 69.

Conclusion

The Board's priorities remain consistent, with a continuous emphasis on the Group's strategy, culture, succession planning and oversight of the Company's management of principal risks. The Board is well positioned to carry out its stewardship responsibility in order to guarantee that the Company continues to achieve long-term sustainable prosperity. The Board will continue to refine its approach in order to promote and protect the interests of the Company, its shareholders and other stakeholders.

The Directors' and Corporate Governance Report which follows has been prepared to provide stakeholders with a comprehensive explanation of the Company's governance framework consistent with the UK Code, the Companies Act 2006, the UK Listing Rules and the Disclosure Guidance and Transparency Rules.

Scott Wheway, Chairman
15 February 2023

Corporate Governance Statement

The Board is committed to high standards of corporate governance and is pleased to confirm that throughout the year ended 31 December 2022, the Company complied with all relevant provisions of the UK Corporate Governance Code (UK Code) apart from Provisions 40 and 41. An explanation of the non-compliance can be found in the Remuneration Committee Report on page 102. Our application of the UK Code is set out below.

The UK Code and associated guidance are available on the Financial Reporting Council's website at frc.org.uk. The index on page 104 sets out where to find each of the required disclosures in respect of Listing Rule 9.8.4 and Disclosure Guidance and Transparency Rules 4.1.5 R and 7.2.1.

Section 1. Board Leadership and Company Purpose	
Principles A, B, C, D, E	The Corporate Governance statement (CG Statement) on pages 56 to 103 gives information on the Group's compliance with the principles relating to the Board's Leadership and Company Purpose. More detailed information on: • the Group's statement of purpose can be found on page 7; • the Group's strategy, resources and the indicators it uses to measure performance can be found on pages 8 to 9 and 26 to 27 respectively; • the Group's engagement with stakeholders and the Group's Section 172(1) Statement is contained in the Section 172(1) Statement and Stakeholder Engagement section on pages 12 to 13 and 68 to 69; and • the Group's approach to workforce matters can be found in the Group Chief People Officer's report and in 'Our people' within our People and Planet section on pages 37 to 44. Last year, we reported that the Board had established a Shadow Board in collaboration with the Centrica Leadership Team (CLT), with the aim of providing impartial and diverse feedback, review, and assurance on crucial topics concerning colleagues, customers, and cash. The Shadow Board gives colleagues the power to impact decisions, disrupt assumptions, and strengthen customer-focused and colleague-centred choices in the Boardroom. Information on the Shadow Board's activity during the year in review is contained in the Group Chief People Officer's report on page 38. Details of the Group's framework of controls is contained in the Audit and Risk Committee report on pages 73 to 74 of the CG Statement and in the Principal Risk and Viability Disclosure section on pages 28 to 36.
Section 2. Division of Responsibilities	
Principles F, G, H, I	The CG Statement describes the structure and operation of the Board. In the CG statement, we describe on page 57 the process the Company conducts to evaluate the Board, to ensure that it continues to operate effectively, that individual Directors' contributions are appropriate and that the oversight of the Chairman promotes a culture of openness and constructive yet challenging debate. The policies and processes which support the Board to function effectively and efficiently can be found on our website centrica.com/board.
Section 3. Composition, Succession and Evaluation	
Principles J, K, L	Details of the skills, experience and knowledge of the existing Board members can be found in the Board biographies contained on pages 62 to 65. Information on the Board's appointment process and approach to succession planning is contained in the Nomination Committee report on page 80. Information on the Board evaluation process can be found on page 57.
Section 4. Audit, Risk and Internal Control	
Principles M, N, O	Information on the policies and procedures the Group has in place to monitor the effectiveness of the Group's Internal and External Audit functions, and the integrity of the Group's financial statements is contained in the Audit and Risk Committee report on pages 72 to 79 of the CG Statement, along with an overview of the procedures in place to manage risk and oversee the internal control framework. Further information on the Group's approach to risk management is contained in the Principal Risk and Viability Disclosure section of the Strategic Review on pages 28 to 36. The Board believes the 2022 Annual Report to be a fair, balanced and understandable assessment of the Company's position and prospects. A description of the Audit and Risk Committee's work in enabling the Board to reach this conclusion is contained in the Audit and Risk Committee report on page 73.
Section 5. Remuneration	
Principles P, Q, R	The Directors' Remuneration Report section of the CG Statement describes the Group's approach to Directors' remuneration, including the procedure for developing policy and the Remuneration Committee's discretion for authorising remuneration outcomes. Details of linkage of the Directors' Remuneration Policy with long-term strategy is contained on pages 96 and 103.

Governance framework

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

Matters reserved exclusively for the Board

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

Our Board

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

Board Committees

In keeping with best practice, our Board oversees the Group's operations through a unitary Board and four separate principal Committees – Audit and Risk Committee, Nominations Committee, Remuneration Committee, and Safety, Environment and Sustainability Committee (SESC).

The terms of reference of these Committees can be found on our website centrica.com/TOR. The Committee reports can be found on pages 72 to 103. Attendance at Committee meetings in 2022 can be found on page 66.

Board appointments

The report of the Nominations Committee on pages 80 to 81 describes the work of the Committee in relation to Board appointments. All Directors are subject to election or re-election at each AGM. The Board sets out in the Notice of Annual General Meeting the specific reasons why each Director's contribution is, and continues to be, valuable to the Company's long-term sustainable success.

The Board

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

The Chairman	The Group Chief Executive
The Chairman is responsible for the leadership and management of the Board. In doing so, he is responsible for promoting high ethical standards, ensuring the effective contribution of all Directors and, with support from the Group General Counsel & Company Secretary, ensuring best practice in corporate governance and the timely distribution of accurate and clear information to Directors.	The Group Chief Executive is responsible for the executive leadership and day-to-day management of the Company, to ensure the delivery of the strategy agreed by the Board.

Independent Non-Executive Directors	Senior Independent Director	Group Chief Financial Officer	Group General Counsel & Company Secretary
Independent Non-Executive Directors are responsible for contributing sound judgement and objectivity to the Board's deliberations and overall decision-making process, providing constructive challenge, and monitoring the Executive Directors' delivery of the strategy within the Board's risk and governance structure.	The Senior Independent Director acts as a sounding board for the Chairman and serves as a trusted intermediary for the other Directors, as well as shareholders, as required.	The Group Chief Financial Officer is responsible for providing strategic financial leadership to the Company and for the day-to-day management of the finance function.	The Group General Counsel & Company Secretary advises the Chairman on governance, together with updates on regulatory and compliance matters; supports the Board agenda with clear information flow; and acts as a link between the Board and its Committees, and between Non-Executive Directors and senior management.

Evaluation and effectiveness of the Board, Committees and the Directors

To ensure that the Board and its Committees continue to operate effectively, a performance evaluation of the Board and its principal committees is undertaken annually. We have used the services of external advisors, Lintstock Limited, to support the internal evaluation process (most recently in 2020 and 2022), which year on year has built on the priorities identified in the previous years. The outcome of this year's evaluation demonstrated that the Board continued to operate effectively. Details of this year's evaluation can be found on page 57.

Training and development for Directors

It is important to ensure that Directors' skills and knowledge are refreshed and updated regularly, given the dynamic business and regulatory environment in which the Company operates. The Chairman, supported by the Group General Counsel & Company Secretary and the Secretariat team, is responsible for the ongoing development of all Directors and discusses with each Director any individual training and development needs, such as formal and informal briefings, meetings with management and visits to the Group's operations. During 2022, the Directors received deep dives and training on various matters including trading & downstream commodity risk management and growth options, LNG strategy, cyber security risk management, and energy infrastructure. In addition, the Directors have full access to the advice and services of the Group General Counsel & Company Secretary, who is responsible for advising the Board, through the Chairman, on corporate governance matters. Directors are also able to seek independent professional advice at the Company's expense in respect of their duties.

Directors' independence and conflicts

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

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

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

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

Directors' induction

The Board has in place processes for the Directors' induction and ongoing training. The Directors' induction programme is led by the Chairman and supported by the Group General Counsel & Company Secretary and the Secretariat team. It is tailored to meet the individual's needs, providing all the information and support required in a structured way to allow them to be effective in their role. Directors are asked to provide input on how their induction should be tailored, in relation to both content and delivery, with the opportunity for periodic subsequent review with the Chairman.

Director induction – Amber Rudd, Nathan Bostock, CP Duggal and Russell O'Brien

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

The induction plans for Amber Rudd and Nathan Bostock comprised a combination of in-person and virtual sessions with both internal functions and external advisors over an initial period of six months. This was structured to ensure that information material to the Non-Executive Director role was delivered in the early stages of the programme.

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

The induction for CP Duggal, who joined the Board on 16 December 2022 has begun. Russell O'Brien's induction will commence when he joins the Board on 1 March 2023. An update on their respective inductions will be provided in the 2023 Annual Report.

Areas covered during induction	Sessions covered by
Centrica's purpose, strategic priorities and business unit operations	Group Chief Executive and Managing Directors of each Business Unit
Financial position, performance, investment and funding, including credit ratings	Group Chief Financial Officer, Group Financial Controller and the Company's brokers
External assurance	External auditors
Energy sector and trends, energy markets	Group Strategy Director, Group Regulatory Affairs Director, Group Head of M&A, Group Head of Investor Relations
Net zero, sustainability	Group Strategy Director, Group Head of Environment
Stakeholder communication and engagement	Group General Counsel & Company Secretary and Group Corporate Affairs Director
Corporate governance and Board operations	Chairman of the Board, Group General Counsel & Company Secretary and Head of Secretariat
Shareholder and investment perspectives	Group Head of Investor Relations and the Company's brokers
Legal and regulatory landscape	Group General Counsel & Company Secretary, Director of Regulatory Affairs and Policy
Centrica's risk profile	Chief Risk and Audit Officer
Safety, Health and Environment, people and culture	Group General Counsel & Company Secretary, Group Chief People Officer

Board Diversity

Sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management	Percentage of executive management
Men	5	55.6%	3	4	40%
Women	4	44.4%	1	6	60%
Other/not specified	—	—	—	—	—
Prefer not to say	—	—	—	—	—

*(Group Chief Executive, Group Chief Financial Officer, Chairman and Senior Independent Director)

Ethnicity representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management	Percentage of executive management
White British or other White	8	88.9%	4	7	70%
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	1	11.1%	—	2	20%
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	1	10%

*(Group Chief Executive, Group Chief Financial Officer, Chairman and Senior Independent Director)

By nationality

	Number of Board members	Percentage of the Board
British	6	67%
Irish	1	13%
South African	1	13%
American	1	11%

Board tenure

	Number of Board members	Percentage of the Board
0-3 years	7	78%
4-6 years	2	22%

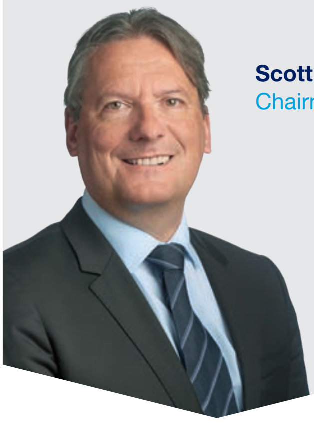
As at the reference date of 31 December 2022, the Company met or exceeded all the Board diversity targets set out in Listing Rule 9.8.6(9): (i) at least 40% female representation on the Board (44%); (ii) at least one senior position held by a woman (Group Chief Financial Officer)(1) and (iii) at least one Director being from a minority ethnic background(2).

Whilst this recently introduced Listing Rule only applies to companies that have a financial year beginning on or after 1 April 2022 and therefore the Company is not obliged to report this year as its financial year began prior to this date, the Board has chosen to report voluntarily in respect of 2022 as it recognises the importance of such disclosures and fully supports the drive to increase gender and ethnic diversity amongst the boards and executive management of premium and standard listed companies.

Our diversity data is collated through our HR management system. We encourage all to self-report information such as gender, gender identity, ethnicity, age, sexual orientation, disability and military background, and include the option to 'prefer not to say'. In 2022, the Group proactively launched the #ThisIsMe campaign to encourage colleagues to self-report their diversity information, which enables us to better understand the demographic of the Group to ensure we have a workforce that reflects the full diversity of our communities.

(1) As announced on 12 January 2023, Kate Ringrose will step down as Group Chief Financial Officer on 28 February 2023 and Russell O'Brien will become Group Chief Financial Officer from 1 March 2023.
(2) The Company temporarily did not meet the target between 7 June 2022 and 16 December 2022.

Board of Directors*



Scott Wheway
Chairman

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

Relevant skills and experience

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

Previous experience

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

External appointments

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

Chris O'Shea
Group Chief Executive

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

Relevant skills and experience

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

Previous experience

Chris was appointed Group Chief Executive in early 2020 having previously been Group Chief Financial Officer. Prior to joining Centrica, Chris was group chief financial officer of UK listed Smiths Group plc and Vesuvius plc, and a non-executive director of Indian listed Foseco India Ltd. From 2006 to 2012 Chris held various senior finance roles with BG Group plc, including chief financial officer of Africa Middle East & Asia and Europe & Central Asia, prior to which he held a number of senior roles with Shell, living and working in the UK, the US and Nigeria, and with Ernst & Young. Chris studied Accounting and Finance at the University of Glasgow, is a Chartered Accountant, and holds an MBA from the Fuqua School of Business at Duke University.

External appointments

None.

Kate Ringrose
Group Chief Financial Officer

Kate joined Centrica in 2005 and was appointed as Group Chief Financial Officer on 18 January 2021.

Relevant skills and experience

Kate's most recent role was Group Financial Controller, and she has also held a wide variety of positions across the Group, including in Centrica's energy supply, services, solutions and trading businesses, and in finance operations.

Previous experience

Prior to joining Centrica, Kate qualified as a chartered accountant with KPMG South Africa, before moving to the UK, and rejoining the KPMG London office. Kate was also non-executive director of EDF Energy Nuclear Generation Group Limited (representing Centrica).

External appointments

None.

Kate will step down as CFO and an Executive Director on 28 February 2023 and is expected to leave Centrica towards the end of 2023 after an orderly transition.

Carol Arrowsmith
Non-Executive Director

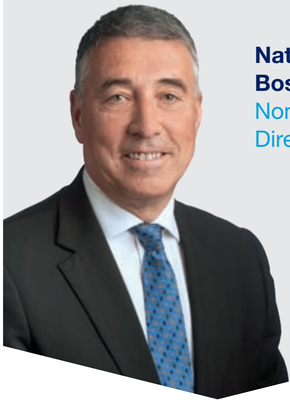
RC AC NC

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

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

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

External appointments
Non-executive director of Compass Group plc and director and trustee of Northern Ballet Limited.



Nathan Bostock
Non-Executive Director

AC NC SC

Nathan joined the Board on 9 May 2022.

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

Previous experience
Nathan was chief executive officer of Santander UK from 2014 until 2022. He joined Santander from The Royal Bank of Scotland plc (RBS), where he was an Executive Director and Group Finance Director. He previously held the post of Group chief risk officer, having joined RBS in 2009. Nathan served on the Board of Abbey National plc (now Santander UK) as an executive director, from 2005 until 2009. He joined Abbey National plc in 2001, holding a number of senior positions including chief financial officer and executive director of Finance, Markets and Human Resources. Nathan is a chartered accountant and holds a BSc (Hons) in Mathematics.

External appointments
Head of Investment Platforms, Banco Santander.

Chanderpreet (CP) Duggal
Non-Executive Director

AC NC RC

CP joined the Board on 16 December 2022.

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

Previous experience
CP worked for 20 years at American Express in various senior roles, including leading the company-wide digital and analytics organisation. His digital experience includes managing demand generation (paid media, referral marketing, etc.), customer onboarding, membership and servicing journeys with best-in-class mobile app and web and email experiences, as well as customer marketing, loyalty, accounts receivables, etc. platforms. His data and analytics experience includes managing insights and modelling for a range of marketing channels, accelerating personalisation, leading AI labs, etc. CP started the data office organisation for American Express, managed the first line of defence operational excellence teams for global consumer business and led the global fraud risk management department.

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

External appointments
Advisor, Burberry plc.

Heidi Mottram
Non-Executive Director

SC NC RC

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

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

Previous experience
Heidi began her career with British Rail in the mid-1980s. She held a number of roles in GNER, before joining Midland Mainline in 1999 as operations director. She was commercial director for Arriva Trains Northern from January 2004, becoming managing director of Northern Rail Limited, the UK's largest rail franchise.

External appointments
CEO of Northumbrian Water Limited and Northumbrian Water Group Limited, vice-chair of the North East Local Enterprise Partnership, member of the board of The Great British Railways Transition Team and vice-chair of Newcastle University Council.

Kevin O'Byrne
Senior Independent Director

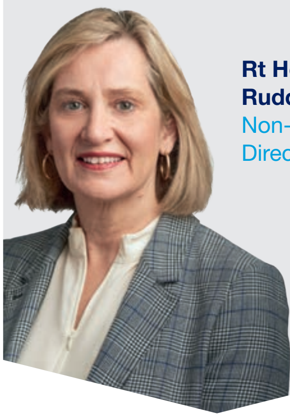
AC NC

Kevin joined the Board on 13 May 2019 and became Senior Independent Director from 1 June 2022. He is Chair of the Audit Committee.

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

Previous experience
Kevin was previously chief executive officer of Poundland Group plc, and held executive roles at Kingfisher plc, including divisional director UK, China and Turkey, chief executive officer of B&Q UK & Ireland and group finance director. Prior to that he was finance director of Dixons Retail plc. From 2008 to 2017 he was a non-executive director and chairman of the audit committee of Land Securities Group plc where he was also senior independent director from 2012 to 2016.

External appointments
Group chief financial officer of J Sainsbury plc until March 2023 when he retires from the role.



Rt Hon. Amber Rudd
Non-Executive Director

NC RC SC

Amber joined the Board on 10 January 2022.

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

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

External appointments
Amber is a non-executive director of Pinwheel. Amber also acts as an advisor to businesses including Energy 1, Equinor, Darktrace, Finsbury Glover Hering, Centreview Partners and Phoenix Group. Amber is a trustee of The Climate Group, RUSI and Action Against Gambling Harms.

Raj Roy
Group General Counsel & Company Secretary

DC

Raj was appointed Group General Counsel & Company Secretary on 3 March 2021, having been appointed Interim Group General Counsel & Company Secretary with effect from 1 October 2020.

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

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

External appointments
Member of the Board of Energy UK (representing Centrica).

Committee membership key

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

Skills and experience key

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

*as at 15 February 2023

The Board considers that each of the Directors continues to contribute effectively to the work and deliberations of the Board.
Reasons for the (re-)election of each of our Directors at the forthcoming AGM can be found within the Centrica plc Notice of Annual General Meeting 2023 which will be made available on our website centrica.com/agm23.

Full biographies can be found at centrica.com/board

Russell O'Brien
Appointed Group Chief Financial Officer with effect from 1 March 2023

Relevant skills and experience
Russell brings broad experience from across the energy value chain. He spent 25 years with Shell plc in a variety of roles and geographies. His roles included global Chief Financial Officer for both Shell's Integrated Gas and Retail businesses and most recently Group Treasurer.

Previous experience
Russell was Group Treasurer at Shell plc. Prior to this he has held a number of senior Chief Financial Officer roles at Shell plc. He is a Management Accountant who graduated from St. Andrews University in 1995.

External appointments
None.

Board meetings

The Board held eight formal meetings in 2022. In addition, supplementary meetings were called for specific approvals. The table showing the attendance of Directors at Board meetings in 2022 can be found below. If Directors are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chairman. The agendas for Board meetings are agreed in advance by the Chairman, Group Chief Executive and Group General Counsel & Company Secretary. The agenda typically consists of regular standing items, such as reports on financial performance, and in-depth examination or analysis of a topic, facilitating exchanges of views and robust debate.

During the year, the Non-Executive Directors, including the Chairman, met frequently without management present.

Site visits

The Directors recognise the importance of, and benefits gained by, visiting the Group's operations and endeavour to make a couple of visits to Centrica sites each year. The Board undertook site visits to the British Gas sites at Spinneyside in Leicester, to meet with our Leicester-based call handlers, who are focused on 'Changing the way Customer Services serve our Customers'. The Board also visited Dublin and met with the Bord Gáis Energy management team and various colleagues from across the Irish business.

Number of Board and Committee meeting attended during 2022[1]:

Name	Role	Joined the Board	Tenure[2]	Board	AC	NC	RC	SC
Scott Wheway	Chairman	01/05/2016	6 years, 7 months	8/8	N/A	4/4	N/A	3/3
Chris O'Shea	Group Chief Executive	01/11/2018	4 years, 1 month	8/8	N/A	N/A	N/A	N/A
Kate Ringrose[6]	Group Chief Financial Officer	18/01/2021	1 year, 11 months	8/8	N/A	N/A	N/A	N/A
Carol Arrowsmith	Independent Non-Executive Director	11/06/2020	2 years, 6 months	8/8	4/4	4/4	5/5	N/A
Nathan Bostock	Independent Non-Executive Director	09/05/2022	0 years, 7 months	5/8	3/4	3/4	N/A	3/3
Stephen Hester[3]	Senior Independent Non-Executive Director	01/06/2016	6 years, 5 months	3/8	1/4	1/4	3/5	N/A
CP Duggal	Independent Non-Executive Director	16/12/2022	0 years, 1 month	—	—	—	—	N/A
Pam Kaur[4]	Independent Non-Executive Director	01/02/2019	3 years, 9 months	3/8	1/4	1/4	N/A	3/3
Heidi Mottram	Independent Non-Executive Director	01/01/2020	2 years, 11 months	8/8	N/A	4/4	5/5	3/3
Kevin O'Byrne	Senior Independent Non-Executive Director	13/05/2019	3 years, 7 months	8/8	4/4	4/4	N/A	N/A
Amber Rudd[5]	Independent Non-Executive Director	10/01/2022	0 years, 11 months	8/8	N/A	3/4[5]	5/5	3/3

(1) Any Director who is unable to attend a Board meeting provides feedback to the Chairman on the matters to be discussed in advance of the meeting.
(2) Data as at 31 December 2022.
(3) Stephen Hester stood down from the Centrica plc Board at the conclusion of Centrica's 2022 Annual General Meeting. Kevin O'Byrne succeeded him as Senior Independent Director, with effect from 1 June 2022.
(4) Pam Kaur stood down from the Centrica plc Board at the conclusion of Centrica's 2022 Annual General Meeting.
(5) Amber Rudd joined the Nominations Committee with effect from 9 March 2022.
(6) On 12 January 2023, we announced that Kate Ringrose will step down as Group Chief Financial Officer and an Executive Director on 28 February 2023 and is expected to leave Centrica towards the end of 2023 after an orderly transition. Russell O'Brien will be appointed Group Chief Financial Officer and an Executive Director on 1 March 2023.

Board activity including Section 172(1) considerations

As stewards of the Company, the Board recognises that being aware of the needs and expectations of stakeholders is crucial, as it ensures that the Company is well-positioned to achieve long-term sustainable success and deliver value for all our different but interrelated stakeholder groups and society as a whole.

During the year, the Board considers a comprehensive programme of regular matters covering operational and financial performance reporting, strategic reviews and updates, and various governance reports and approvals. In addition, Board meetings regularly feature in-depth reviews of specific topics. The Directors confirm that the deliberations of the Board, which underpin its decisions, incorporated appropriate consideration with due regard to the matters detailed in Section 172 of the Companies Act 2006.

The outcome from the key engagements, stated above, are fed back to the Board through the appropriate forum.

Woven throughout this report and on our website are further examples and evidence of how the Directors have performed their fiduciary duty under Section 172.

Section 172	Evidence
The likely consequences of any decision in the long term	Please see page 7 to 9, 12 to 13, 39 to 54 and 66 to 69
The interests of our colleagues	Please see page 12 to 13, 37 to 38, 39 to 42, 66 to 69 and 71
The need to foster relationships with suppliers, customers and others	Please see page 12 to 13 and 82 to 83
The impact of the Company's operations on the community and the environment	Please see pages 39 to 45 and 82 to 83
The desirability of the Company maintaining a reputation for high standards of business conduct	Please see pages 44, 71 and 82 to 83, and visit our website centrica.com
The need to act fairly between members of the Company	Please see pages 67 to 69

Board discussions held during the year included:

Strategy and business plan

The Board considered and oversaw the delivery of the strategic initiatives for the benefit of our stakeholders, including customers.

The Board also considered the following matters:

- Strategic reviews, updates, and stress testing under a range of scenarios
- 2021 final dividend
- 2022 interim dividend
- Group Annual Plan 2022
- The Group's strategic plan
- The Energy Supply Market
- The Climate Transition Plan
- Return of surplus capital to shareholders
- Energy transition investment opportunities
- LNG growth opportunities
- Responsible Sourcing strategy

Stakeholders considered:

Performance and risk

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

- Health and safety performance and Process Safety risk
- Group Performance Reports
- 2021 Preliminary results statement
- Group credit exposure and liquidity
- Business reviews, including operational performance
- Periodic results
- Cyber security risk management
- Commodity price movements
- Climate Transition Plan performance
- People & Planet Plan performance
- Going concern and viability statements
- Audit fees
- Internal Audit review
- Annual tax update
- Treasury risk management annual update
- Insurance update

Stakeholders considered:

Governance

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

- 2021 Annual Report and Accounts
- General Meetings
- Sale of Spirit Energy Norway and Statfjord UK
- Non-Executive Director search
- Board evaluation
- Succession planning for the Board
- Committee composition
- Reports from Committee Chairs
- Conflicts of interest reviews
- Terms of reference reviews
- Director skillset and Director training requirements
- Director independence
- Workforce engagement
- All-Employee Share Plan
- Dividend policy
- AvantiGas acquisition

Stakeholders considered:

Culture and stakeholders

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

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

- Cost of living crisis and the impact on customers
- Colleague engagement
- Pensions
- Company culture
- Investor updates and feedback
- Voice of the Customer
- Diversity & Inclusion Strategy

Stakeholders considered:

Political and regulatory environment

During the year, the Board considered the following matters:

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

Stakeholders considered:

Stakeholders key

- Customers
- Colleagues
- Investors
- Government and Regulators
- Suppliers
- Communities and NGOs

Stated below are some examples of the decision-making of the Board during the year demonstrating key stakeholders and their interests, and how our Section 172 duties influenced the matters considered by, and the decision-making of, the Board during the year.

Consideration of stakeholders and outcomes:

Supporting customers and colleagues in relation to the cost of living crisis

Consideration of stakeholders

Customers:
- recognising the difficult environment many customers faced due to rising energy bills and wider inflationary impacts
- supporting customers impacted by the energy suppliers that ceased to trade

Communities and NGOs:
- using our resources and reach to make a big difference in our local communities, from helping people with their energy bills, to supporting local charities

Colleagues:
- recognising the impact of the cost of living crisis on colleagues
- providing resources and wellbeing support for customer-facing colleagues assisting customers

Investors:
- identifying and managing the commercial and financial considerations arising from the energy crisis, including ensuring the strength and resilience of the Company's balance sheet

Suppliers:
- ensuring we pay suppliers fairly

Outcomes

Recognising and balancing the interests and perspectives of the different stakeholders, a wide range of measures were implemented in the Company's core markets of the UK and Ireland, including:

UK:
- providing £50 million of funding to help UK customers struggling with their energy bills, establishing the UK's largest voluntary customer support package. The Company announced on 26 January 2023 that it was committing £10 million of this funding to helping British Gas prepayment and vulnerable customers;
- investing over £25 million in 2022 in customer service, support and pricing in the UK, including the recruitment of an additional 700 UK-based customer service roles in British Gas Energy to handle a 50% increase in call volumes and help ensure we can be there when our customers need us; and
- partnering with the Post Office and British Gas Energy Trust funded organisations to deliver over 100 Post Office 'Pop-ups' in over 50 locations, ensuring people can access the help they need with their energy bills.

In 2022, we worked more closely with our local communities having moved from a national to local charity approach which included volunteering 2,098 days, a 600% increase compared to last year.

Ireland:
- investing €3.8 million to help vulnerable customers with our commitment to contribute 10% of Bord Gáis Energy's operating profits for the duration of the energy crisis; and
- we agreed a new pay deal in 2022 which takes current inflationary pressures in the UK into account.

In early 2022, Bord Gáis Energy announced an extension of its partnership with homeless charity Focus Ireland for a further five years. Since the partnership was established in 2015, Bord Gáis Energy has committed over €4.4 million to help those experiencing homelessness and in 2022 alone, Bord Gáis Energy supported services assisted 1,869 Focus Ireland customers.

For colleagues, we provided a one-off cost of living payment in December 2022 to more than 19,000 employees to help them manage rising household prices. We also introduced a number of other financial and non-financial initiatives for our employees including an energy allowance for all employees who are British Gas customers and reduced price lunches at all our sites, and we have launched a number of new programmes aimed at supporting the mental health of our employees, particularly those that work in our call centres helping our customers who are struggling with rising household bills.

Supporting energy security in our core markets in response to the global energy crisis

Consideration of stakeholders

Government and Regulators:
- acting as a Supplier of Last Resort (SoLR)
- supporting and implementing Government initiatives, including the UK Energy Price Guarantee and UK Energy Bills Support Scheme
- supporting and enabling Government management of energy security

Customers:
- improving UK security of supply to ensure energy remains reliable and affordable for customers

Investors:
- realising commercial strengths available from the Company's assets and enabling the transition to net zero, including through a potential future pathway to hydrogen storage and associated market opportunities

Suppliers:
- targeting high standards of business conduct, which in turn brings benefits to communities and the environment

Outcomes

The Company played an active role in furthering energy security in its core markets of the UK and Ireland, including through:

- recruitment of over 1,000 new apprentices across 2021 and 2022, creating skilled, well-paid British jobs to play an important role in the drive for net zero in the UK;
- taking on another 176,000 customers in 2022 (taking the total over 2021 and 2022 to 700,000 customers) through Ofgem's SoLR processes, ensuring they received an uninterrupted supply of gas and electricity;
- securing increased volumes of gas and renewable energy to improve the UK and Europe's security of supply, including an agreement with Equinor to bring an additional 1 billion cubic metres of gas to the UK for each of the next three winters;
- re-opening Rough as a gas storage facility contributing to strengthening the UK and Ireland's security of supply with the potential transition to hydrogen storage in future;
- announcing plans to convert a decommissioned gas-fired power station at Brigg into a 50MW/100MWh battery storage facility capable of supplying the equivalent of a full day's energy consumption for 11,000 households;
- recognising the role of natural gas as a transition fuel, whilst assessing any impact on climate transition objectives; and
- collaboration with suppliers to embed high standards from our Responsible Sourcing Policy and undertaking audits with suppliers to verify that they uphold our commitments.

Reintroduction of the dividend

Consideration of stakeholders

Investors:

- recognising the importance of the dividend to shareholders and of the impact on shareholders by the decision taken by the Board to cancel the 2019 final dividend payment amidst the COVID-19 pandemic and that no dividend was declared by the Company in respect of 2020 or 2021 due to the ongoing COVID-19 pandemic
- strengthening the Group's balance sheet
- ensuring the delivery of strong free cash flow generation

Customers and colleagues:

- providing support for customers and colleagues in the context of the macroeconomic environment

Government and Regulators:

- taking steps to repay COVID-19 furlough monies received from the UK Government prior to the declaration of a dividend

Pensions:

- ensuring the interests of the Company's pension schemes were properly reviewed to ensure that they were protected prior to declaring a dividend

Outcomes

Following the actions taken by the Company in 2020, 2021 and 2022 to strengthen the Company's balance sheet, the Company was well placed to reintroduce the dividend to shareholders.

On 28 July 2022 the Company announced the reinstatement of an ordinary dividend via declaration of a 2022 interim dividend per share of 1.0 pence, the first dividend to be paid since 2019, paid on 17 November 2022 to shareholders on the register on 7 October 2022.

The Directors' propose a 2022 final dividend per share of 2.0 pence for the year ended 31 December 2022, consistent with our historic policy of paying roughly a third of the full year dividend as an interim.

We expect the dividend to be progressive and dividend cover from earnings to move to around two times over time, recognising the ratio is likely to vary each year dependent on the business cycle.

Launching the share repurchase programme

Consideration of stakeholders

Investors:

- ensuring the Company considers the potential return of any surplus structural capital to shareholders

Customers:

- ensuring the provision, in parallel, of additional funding to support customers facing difficulties with bills during the ongoing energy and cost of living crisis

Colleagues:

- ensuring steps could be taken in parallel to deliver an appropriate pay settlement for colleagues amidst the cost of living crisis

Pensions:

- ensuring that the funding required to be provided by the Company to the schemes was costed and built into the Company's future financial plans

Outcomes

Given the Company's financial performance, balance sheet strength and liquidity position, the Company announced, on 10 November 2022, plans to commence a share repurchase programme of up to 5% of its issued share capital. On 15 November 2022, the Company announced the commencement of the share buyback programme to be conducted over a period of up to 6.5 months to buy back shares up to an aggregate price of up to £250,000,000, representing an amount equal to the aggregate value of approximately 5% of the Company's issued share capital at the share price on that date.

Relations with our stakeholders

Shareholder engagement

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

Meetings, roadshows and conferences

The Company reports its financial results to shareholders twice a year, with the publication of its annual and half-year results. The Group Chief Executive and Group Chief Financial Officer typically meet with our major institutional shareholders twice a year, following the Company's Preliminary and Interim results, which provides an opportunity for a review of the Company's strategy and performance. In addition, management and/or Investor Relations attend a number of investor conferences throughout the year, giving shareholders further opportunity to meet and receive updates directly from Company representatives, while senior management are also available to meet on an ad-hoc basis with major shareholders if requested.

Engagement themes with our institutional shareholders

During the year, engagement themes included:

- Centrica's strategic refresh;
- Full year and interim results;
- the Rough storage facility;
- UK energy security;
- dividends and shareholder returns;
- the regulatory and political environment for UK energy;
- impact of rising commodity prices;
- energy transition investment opportunities;
- Board succession;
- liquidity and result of stress tests; and
- Environmental, Social and Governance (ESG) matters.

General Meetings

The Board is committed to communicating with shareholders and other stakeholders in a clear and open manner and seeks to ensure effective engagement through the Company's regular communications, the AGM and other investor relations activities. During 2022, the Company undertook an ongoing programme of meetings with investors (in person and virtually). The majority of these meetings were led by the Group Chief Executive and Group Chief Financial Officer.

The Company holds an Annual General Meeting (AGM) each year and, as required, holds General Meetings. At the AGM, the Chairman gives his thoughts on governance aspects of the preceding year and the Group Chief Executive reviews the performance of the Group over the last year. In advance of each AGM, we write to our largest shareholders inviting discussion on any questions they might like to raise and making the Chairs of the Board, the Audit Committee and the Remuneration Committee available to meet shareholders should they so wish. In addition, the Company engaged with its largest shareholders and key governance agencies in early 2022, on the Directors' Remuneration Policy and the Centrica plc's Climate Transition Plan resolution proposals. Feedback was received from major shareholders and governance agencies and dialogue entered into with a number of shareholders regarding the proposals.

The 2022 AGM was held as a hybrid meeting, giving shareholders the opportunity to participate (including voting) in person or virtually via an online platform (Lumi). Shareholders are encouraged to participate in these meetings and to ask questions at, or in advance of, these meetings. All shareholders were encouraged to exercise their votes by submitting their proxy forms either electronically or by post. We also invited shareholders to submit their questions in advance of the AGM via a dedicated question facility on our website and where appropriate the answers were published on our website. Shareholders were also able to ask questions at the AGM in person or virtually via Lumi.

Our 2022 AGM was well supported with voting in favour of the resolutions ranging from 79% to 99% and with 63% of issued share capital voted. Resolution 17, on approving our Climate Transition Plan, was supported by the overwhelming majority of shareholders (79.96%). However, we recognise that some shareholders (20.04%) chose not to support this resolution. In accordance with the UK Code, we made a note when we published the AGM result on 7 June 2022 and we published a follow up update on this engagement on 2 December 2022. As a final update on this matter, the feedback received from those shareholders who chose not to support will be considered in future actions as set out in the SESC report on pages 82 to 83 and the Company confirms it still intends to hold the next advisory non-binding vote in 2025 (as set out in the 2022 AGM notice).

Information about the 2023 AGM will be provided in the Notice of Meeting. Further information pertaining to the 2023 AGM will in due course be available at centrica.com/agm23. Voting on the resolutions will generally be conducted by a poll and the voting results will be announced through the Regulatory News Service of the London Stock Exchange and also made available on the Company's website.

Centrica.com

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

Workforce

Workforce engagement

Responsibility for workforce engagement is shared amongst Board members. As well as this approach of shared responsibility being one of the recognised approaches to colleague engagement that boards may pursue, the Board considered that there is benefit from all of the Board being involved in colleague engagement activities.

During the year, the Chairman and Non-Executive Directors engaged with members of the workforce in various ways, including meeting with call handlers, engineers and business unit leaders during the site visits and regular Board engagement sessions with business colleagues held in person immediately prior to selected Board meetings in 2022. These engagements undertaken by the Board during the year contributed to some of the decision-making of the Board. Further information on the decision-making of the Board can be found on pages 68 to 69.

The Executive Directors and senior leadership team dedicated significant time and focus on meeting with and listening to the views of colleagues, which included regular meetings with the Shadow Board. The work undertaken is set out in the Group Chief People Officer's Report on pages 37 to 38.

Further information, including why the Board believe that these methods of engagement are effective, can also be found on pages 12 to 13, 27, 32, 37 to 38, 44 and 56 to 57.

Employee involvement

Employee involvement is one of our core commitments. By understanding what our colleagues think and feel, we can take account of their views in decision-making. This will help ensure that Centrica is a place where everyone feels supported and able to deliver for our customers. Colleagues are therefore invited to ask questions and provide feedback throughout the year on a range of matters including our financial performance and business strategy at dedicated town halls, meetings and written communications like emails and articles from the Group Chief Executive, Group Chief Finance Officer and members of the Centrica Leadership team. This provides employees systematically with information on matters of concern to them as employees and achieves awareness among employees of factors affecting the performance of the Company. We also seek colleague feedback on a broader range of topics through methods like leader-led listening sessions and engagement surveys, as well as our employee-led Networks and our Shadow Board (see page 38).

Equal opportunities

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

We have created channels for colleagues to voice concerns confidentially, through a Speak Up support service, a confidential and anonymous helpline operated by an independent company.

All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

Employees with disabilities

It is our policy that current and prospective colleagues with a disability have the same right to access and develop their careers as anyone else. For example, colleagues with a disability receive full and fair consideration when applying for all vacancies and we interview those who meet the minimum criteria required. We also provide training, career development and promotion from which all of our colleagues can benefit and are continuously working to develop initiatives to support everyone to reach their full potential. We also endeavour to retain colleagues in the workforce if they become disabled during employment.

To support this approach, in 2017 we launched Diverse-Ability, a network that celebrates physiological and neurological diversity and abilities amongst our colleagues and helps them access the support they need to thrive at work. Diverse-Ability was re-launched earlier in 2021, with an increased emphasis on neurodiversity. Additionally, we are proud to support The Valuable 500 initiative and champion disability inclusion throughout Centrica. Launched at the World Economic Forum's Annual Summit in 2020, The Valuable 500 seeks 500 global businesses to place disability inclusion on their board agendas as the first step to full inclusion for disabled people in business. We are members of the Business Disability Forum, which offers support, toolkits and advice to businesses around disability matters. We also partner with Scope and in 2022 we renewed our level 2 Disability Confident status.

Human rights

We are fully committed to upholding the fundamental human rights and freedoms of everyone who works for us, with us, or lives in the communities where we operate. We uphold the UN Guiding Principles on Business and Human Rights and are signatories of the United Nations Global Compact. As set out in Our Code, we therefore take steps to ensure that we never knowingly cause or contribute to human rights abuses through activities like employment checks and supplier due diligence. We also aim to contribute positively to global efforts to ensure human rights are understood and observed. Further information about our efforts can be found in our People and Planet section on page 44, as well as in our Modern Slavery Statement and Our Code available on our website centrica.com.

+ Read more in our Modern Slavery Statement at **centrica.com/modernslavery**

Audit and Risk Committee

Membership, meeting attendance and key focus

Committee members

Kevin O'Byrne (Chair)
Carol Arrowsmith[(1)]
Nathan Bostock (with effect from 9 May 2022)
CP Duggal (with effect from 16 December 2022)

Pam Kaur and Stephen Hester retired as members of the Committee on 7 June 2022.

Biographical details of the Committee Chair and members can be found on pages 62 to 65. Meeting attendance of the Committee members can be found on page 66.

Meeting attendees by invitation

Chair of the Board
Amber Rudd
Heidi Mottram
Group Chief Executive
Group Chief Financial Officer
Group General Counsel & Company Secretary
Group Financial Controller
Group Head of Accounting, Reporting and Tax
Group Chief Risk & Audit Officer
External auditors

Focus areas in 2022

- The Group's published financial information;
- the effectiveness of the Group's risk management and internal controls framework;
- the Enterprise Risk and Control Framework including risks managed by the other Board committees;
- the management of cyber risks; and
- ethical, legal and regulatory matters.

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

Dear Shareholder

I am pleased to present the Audit and Risk Committee's report for the year ended 31 December 2022, which provides an overview of the work carried out by the Committee to ensure the integrity of the Group's published financial information and the effectiveness of the Group's risk management and internal controls framework in a year of exceptional market volatility.

This report should be read in conjunction with our UK Corporate Governance Code application section on page 58, Our Principal Risks and Uncertainties on pages 28 to 33 and our Viability Statement on pages 34 to 36.

Committee overview

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

The core responsibilities of the Committee are to:

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

Main activities during 2022

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

- reviewed business risk areas, accounting judgements and effectiveness of the finance function and control environment. Details of key judgements and financial reporting matters in 2022 are set out on pages 75 to 79;
- reviewed accounting judgements, in particular those relating to the accounting for the c.700k customers acquired by British Gas Energy through Supplier of Last Resort processes, the sale of Spirit Energy's Norwegian assets and interests in the Statfjord field, the calculation of the onerous supply contract provision, the impairment write-back for our Nuclear asset and the downstream supply bad debt provision assessment;
- reviewed the Viability and Going Concern assessments and associated disclosures;
- reviewed the 2021 financial results, 2021 Annual Report and Accounts, 2022 Interim results and following year end, the 2022 financial results, having regard to any matters that may have been communicated by Deloitte;
- considered the effectiveness of the external audit process and Internal Audit function;
- continued oversight of the maintenance and development of the control environment and finance systems, particularly in the context of the ongoing migration of British Gas Energy customers to the ENSEK platform;
- reviewed the approach taken to assess credit risk exposure amidst exceptionally volatile commodity prices, as well as reviewing the wider impact of a high commodity price environment;
- reviewed matters relating to the Group's pension schemes, including the triennial review and the impact of changes in gilt yields (see note 22);
- monitored information systems security and data security risk management, particularly in view of geopolitical developments during the year;
- received updates on legal, regulatory and ethical compliance, particularly in respect of energy trading and the sale and delivery of FCA regulated products and services as well as the operation of Our Code and the Speak Up helpline;
- reviewed the Company's preparedness for forthcoming legal and regulatory changes, including reform of the UK corporate governance regime;
- reviewed regular reports and recommendations from Internal and External Audit on risk, assurance and controls; and
- carried out in-depth reviews of the risks and controls environment for British Gas Energy, British Gas Services & Solutions, Centrica Business Solutions, Bord Gáis Energy and Energy Marketing & Trading, as well as the Group-wide financial risk and Group definitions of capital employed.

Risk management and internal controls

Internal Audit

The Committee is responsible for monitoring and reviewing the operation and effectiveness of the Group's Internal Audit function, including its independence, strategic focus, activities, plans and resources. The Chief Risk & Audit Officer has direct access to the Chairman of the Board and to the Committee Chair, and is accountable to the Committee.

The Committee reviewed and approved the Group's annual Internal Audit plan ('the plan'). The plan is designed with reference to the Group's Principal Risks, which regularly evolve. Further information on the Principal Risks is available on pages 28 to 33. During the year, the Committee received regular updates on the Internal Audit team's findings and reviewed progress against follow-up actions implemented by the business units.

During the year, the Committee reviewed an annual internal assessment of the independence, objectivity and effectiveness of the Internal Audit function. This assessment demonstrated that the maturity of the Internal Audit function had continued to improve since the External Quality Assessment carried in 2021 and the previous internal assessment in 2020. The Committee remains satisfied that the Internal Audit function has the necessary integrity, objectivity and competency to fulfil its mandate. It has also satisfied itself that the Internal Audit function has adequate standing and is free from management or other restrictions.

Review of the system of risk management and internal controls

Our risk management and internal controls, including compliance with Our Code, and policies are assessed through a self-certification process. We also have a programme to assess the Group's Entity Level Controls. The results of the annual process, together with the conclusions of the internal reviews by Internal Audit and the in-depth reviews of business unit control frameworks undertaken by the Committee, enable the Committee, on behalf of the Board, to form and report their view on the effectiveness of risk management and internal controls. During 2022, the Committee oversaw the work of Internal Audit and the functional support teams, alongside the management teams. As part of its oversight, the Committee received verbal and written reports on movements in the Group Principal Risks, as well as updates on other Group frameworks such as legal and regulatory compliance. The Committee has confidence in its ability to identify issues that arise and the business units' ability to remediate control gaps in the business, where necessary, in line with our risk appetite. The Committee noted the risk management process and internal controls have been in place throughout the year and remain effective, though we recognise the need for ongoing and continuous review or, where necessary, improvement. Examples of continuous improvement derived actions taken during 2022 were the implementation of:

(i) automation enhancements to Entity Level Controls attestation; and

(ii) a new quality assurance methodology to assure the effectiveness of the independent Group-level Controls and IT General Controls testing.

Fair, balanced and understandable

In line with the UK Code, the Committee, on behalf of the Board, reviews the Annual Report, to determine if, when taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and stakeholders to assess the Company's position and performance, culture, business model and strategy. Additionally, the Committee considers the processes and controls involved in the production of the Annual Report, as well as the financial responsibilities of the Directors. There is a robust governance framework around the production of the Annual Report which ensures it is critically reviewed and signed off by the key teams in the relevant businesses and functions.

External auditors

The Committee manages the relationship with the Group's external auditors on behalf of the Board. The Committee considers annually the scope, fee, audit plan, performance objectivity and independence of the external auditors.

To ensure objectivity, key members of the external audit team rotate off the Company's audit. To safeguard the independence of the Company's external auditors and the integrity of the audit process, the recruitment of senior colleagues from the Company's auditors is not permitted for a period of at least two years after they cease to be involved in the provision of services to the Company.

Following a competitive external audit process in 2016, Deloitte were appointed as the Company's auditors at the beginning of 2017 and will this year perform their sixth full audit. Consistent with auditing requirements, Jane Boardman took over from James Leigh as Deloitte's lead audit partner following conclusion of the 2021 audit.

In accordance with the CMA order on Statutory Audit Services for large companies, the Committee has considered the appropriate time to put the audit out to competitive tender. Given the complexity of the business it remains important to balance the benefits of a fresh perspective from a new audit firm, with the negative effects of the disruption and educational time requirements from both tendering and onboarding. The recent Deloitte lead audit partner rotation has provided a fresh perspective and accordingly, as shared last year, the Committee considers it is in the best interests of shareholders for the Company to continue to plan for a competitive audit tender in 2026 (the 10-year legal threshold) with the successful firm taking over for the 2027 financial year. The re-appointment of Deloitte as auditors for the 2022 financial year was approved by shareholders at the AGM in June 2022 and Deloitte has been recommended for re-appointment again in 2023. The Committee confirms that this recommendation is free from influence by any third party and no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the Company.

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

Effectiveness of the external audit process and the independence and objectivity of the external auditors

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

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

This assessment included an internal questionnaire, which was completed by the Chairman of the Board, Committee members and senior members of management on their views of Deloitte's performance. The questionnaire covered a review of the audit partner and team, the audit scope and approach, audit plan execution, auditor independence and objectivity and robustness of challenge of management. Separately, Deloitte also provided an assessment, via an internal management questionnaire, of management's controls, judgements and engagement throughout the audit process. The feedback was reviewed by management and reported to the Committee. The Committee and the Board confirm that they have taken all the necessary steps to become aware of any relevant audit information and to pass that information onto Deloitte. The Committee was satisfied with the external auditors' commitment to audit quality, the robust and professional working relationship with management and demonstration of strong technical knowledge and professional scepticism. In addition, to ensure the independence of the external auditors, and in accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Standard 2019 issued by the Accounting Practices Board and as a matter of best practice, Deloitte have confirmed their independence as auditors of the Company. On the basis of Deloitte's confirmation and report on their approach to audit quality and transparency, the Committee concluded that: Deloitte possesses the appropriate qualifications and expertise; remains independent of the Group; and, coupled with effective management engagement, that the audit process was effective.

Corporate Reporting Review

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial information provided to shareholders and other stakeholders. The Committee oversees financial reporting and related risks and internal controls, and also has a role in overseeing the internal and external auditors, as well as interacting with other members of management and external stakeholders as required. During the year, the 'TCFD' disclosures and the disclosures related to climate in the Group's 2021 Annual Report and Accounts were reviewed by the Corporate Reporting Review (CRR) team of the Financial Reporting Council (FRC). As a result, the Group received a small number of queries and subsequently committed to supplement existing disclosures and clarify certain climate ambitions. The Committee was pleased that the responses provided to the CRR dealt with the matters raised and the enhancements to the disclosures have been made in this 2022 Annual Report and Accounts. The Committee does note however that the review conducted by the FRC was based solely on the Group's published Annual Report and Accounts and does not provide assurance that it is correct in all material respects.

Non-audit fees

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

Overall total non-audit fees incurred in 2022 were £0.9 million (2021: £1.7 million), including £0.5 million for the review of the interim results and £0.3 million for the audit of the Ofgem consolidated segmental statements. In line with the non-audit fees policy, approval for this expenditure was sought and received from the Committee in advance of the work commencing. The amount incurred in the year is well below the legal cap of 70% of non-audit fees (for services not required by regulation) compared to the three-year average of statutory audit fees, amounting to approximately 7%.

In normal circumstances, all significant non-audit work is put out to tender and Deloitte are only ever appointed if their experience and knowledge makes them the most appropriate supplier and it is clear another firm could not undertake the work without adversely impacting the business.

Committee effectiveness

The Committee undertakes an annual review of its terms of reference to ensure that it accurately reflects the role carried out by the Committee, taking into account any new internal and external developments and responsibilities. The Committee's terms of reference are available on our website centrica.com.

The Committee considers that it has continued to discharge its oversight role effectively in an area where expectations and requirements are constantly evolving with insightful and regular engagement and support from management. Read more about the Committee's effectiveness on page 57.

Kevin O'Byrne
on behalf of the Audit and Risk Committee
15 February 2023

Key judgements and financial reporting matters in 2022	Audit and Risk Committee reviews and conclusions
Determination of forecast commodity prices and their use in valuing long-lived assets and derivative contracts Commodity price forecasts are a key assumption in the valuation of the Group's long-lived assets and derivative contracts. For short-term commodity prices over the next four years, observable liquid market prices (as at 31 December 2022) are taken as the best view of expected price. For the longer-term period thereafter, the Group uses a 'P50' median price curve, derived from a collection of third-party forecasts. This approach is deemed to align to pricing that a reasonable market participant would use. The Group has used these price curves in its asset impairment testing and contract valuations. The Group has also obtained commodity price forecasts which are intended to be consistent with net zero by 2050. These are lower than the 'P50' curves the Group has adopted for NBP Gas and for baseload power. The Group has shown the impact of such price forecasts on the gas assets and Nuclear assets in note 7 of the financial statements.	The Committee noted the extreme volatility in short-term commodity prices during the year, with very significant rises seen earlier in the year before then falling back towards the year-end – although prices still remained well above 2021 levels. The Committee understood that this dynamic had a critical impact on many of the other judgements listed below. The Committee reconfirmed continued support for the longer-term 'P50' median curve (derived from third parties) approach. It noted that the 'P50' long-term commodity price forecasts were broadly similar year-on-year for all commodities and that these prices were dwarfed by the near-term increases. As a result of the above, the Committee was comfortable the curves were reasonable. Sensitivities of the asset impairment tests to changes in price forecasts are provided in note 7 on page 146 to 150. The Committee noted the use of a price curve intended to be consistent with net zero by 2050 in the impairment sensitivities and believed the output provided useful information to readers of the accounts. The Committee also noted and welcomed the inclusion of a Climate Change accounting considerations section in note 3.
Energy derivatives – classification and valuation The Group enters into numerous commodity contracts in its ordinary course of business. This can be to procure load for its downstream business, sell output from its upstream assets, to trade around its other commodity exposures or to make money from proprietary activities. On entering into these contracts, the business assesses each of the individual trades and classifies them as either: (i) Out of scope of IFRS 9: For 'own use' contracts (i.e. customer contracts, contracts to take delivery and meet customer demand or sell upstream output) and contracts that cannot be net settled. (ii) In scope of IFRS 9: Contracts for commodities which have the ability to be and practice of being net settled. Energy contracts outside the scope of IFRS 9 are accruals accounted. Those contracts considered to be within the scope of IFRS 9 are treated as derivatives and are marked-to-market (fair valued). If the derivatives are for proprietary energy trading, they are recorded in the business performance column of the Group Income Statement. If they are entered into to protect and optimise the value of underlying assets/contracts or to meet the future downstream demand needs, they are recorded as certain re-measurements. The fair-value of derivatives are estimated by reference to published liquid price quotations for the relevant commodity. Where the derivative extends into illiquid periods, the valuation typically uses the 'P50' median price curves (see Determination of long-term commodity prices and their use valuing long-lived assets). Judgement is required in all aspects of both the classifications and valuations. One of the Group's critical accounting judgements is that its LNG contracts are outside the scope of IFRS 9 because they are entered into for its own purchase and sale requirements ('own use').	The Committee noted that the Group's policy and methodologies in classifying and valuing energy derivatives were unchanged from previous periods. The Committee also reviewed and understood the breakdown by business of the movement in IFRS 9 energy derivative valuations in the Group Income Statement. They reflected on the fact the Group is generally a net buyer of commodity and that the certain re-measurement derivative net loss of £5.2 billion (being £6.4 billion loss for UK Supply book trades, offset by £1.2 billion gain for Upstream, EM&T and other books) was predominantly as a result of the extreme volatility in short-term commodity prices during the year. As prices rose significantly and then fell back, the timing of entering into the hedge trades was important. The Committee noted the link between the derivative certain re-measurements for the UK supply books and the onerous supply contract provision for certain re-measurements, as discussed below. Further detail is provided in notes 2 and 7 on pages 128 to 129 and 146 to 150. The Committee noted and continued to concur with the specific judgement around LNG contract own use classifications.

Key judgements and financial reporting matters in 2022	Audit and Risk Committee reviews and conclusions

Onerous energy supply contract provision

The Group's residential and business energy supply contracts are accruals accounted. The Group operates and manages a hedging strategy to ensure that the future costs of supplying these customer portfolios are appropriately managed.

These hedges are generally in the scope of IFRS 9 and are measured at fair value (see 'Energy Derivatives – classification and valuation' above). They are recognised as certain re-measurements in the Group's income statement until the point at which the related costs to purchase electricity and gas are incurred.

In 2021, following a substantial increase in near-term commodity prices, significant gains arose on these procurement hedges as they are marked-to-market. This moved both the residential and business supply hedges to being significantly in-the-money. Because of this hedge value recognition, the assessment of whether the supply contracts were onerous had to be calculated based on the cost of fulfilling these arrangements, including the reversal of previous mark-to-market gains.

Accordingly, the Group determined that at 31 December 2021, the future costs to fulfil customer contracts including marked-to-market reversals would exceed the charges recovered from customers because the associated hedging gains had already been recognised in the Income Statement. The Group therefore recognised an onerous supply contract provision of £2.5 billion at that date.

In 2022, following the significant losses on procurement hedges (see 'Energy Derivatives – classification and valuation' above), the residential element of the supply book had moved to an overall out-of-the-money position, whilst the business element remained in-the-money (predominantly because a different hedging strategy is employed).

Consequently, for residential, the costs to fulfil the customer contract including marked-to-market reversals no longer exceed the charges expected to be recovered from customer. Therefore, no onerous supply contract provision is required for this element and the previous provision has been reversed.

Conversely, for business, the future costs to fulfil customer contracts including marked-to-market reversals is still expected to exceed the charges recovered from customers and accordingly an onerous provision of circa £1 billion is required for this element.

This has been calculated by estimating the expected margins from business energy supply customers, and deducting from this margin the expected costs to fulfil those arrangements, including energy purchase costs reflecting the historic mark to market gains (as the hedge book remains in-the-money), and directly attributable overhead costs. For customers where this results in a loss, an onerous contract provision is recorded.

The movement in the onerous provision has been reflected as a certain re-measurement in the Income Statement because these supply contracts are economically related to the fair value movements on the hedges. (Note that the Income Statement movement is £1.8 billion, because a £0.3 billion onerous provision was acquired as part of the AvantiGas purchase – see note 12.)

The Committee reviewed the change in the underlying derivative hedge values of the residential and business books and therefore the movement in the onerous energy supply contract provision.

The Committee noted that this movement is mainly driven by the change in energy prices and that whilst the Company would expect the remaining onerous provision to predominantly unwind in 2023, this is dependent on market movements.

The Committee observed that the residential onerous provision could come back in 2023 if derivative hedges moved back into the money but this is dependent on energy prices and the hedged position.

The Committee reviewed the key assumptions used in the onerous provision calculation and noted the reduced sensitivity to margin and customer churn assumptions. It noted the disclosures included in the financial statements to highlight this area.

The Committee held discussions with the external auditors to confirm the appropriateness of the accounting treatment and to confirm their views of the assumptions used.

Further detail is provided in notes 2, 3 and 7 on pages 128 to 136 and 146 to 150.

Key judgements and financial reporting matters in 2022	Audit and Risk Committee reviews and conclusions
Impairment reversals of long-lived assets The Group makes judgements and estimates in considering whether the carrying amounts of its assets are recoverable: ***Upstream (Power assets and Gas assets)*** For Upstream assets, discounted cash flows are prepared from projected production profiles of each field or power asset, taking into account forecast future commodity prices, to assess their recoverable amount. When deriving forecast cash flows, market prices are used for the period when a commodity is liquid. For the longer-term illiquid period, the 'P50' median price curve is used (see 'Determination of forecast commodity prices and their use valuing long-lived assets and derivatives', above). Judgement is also required around production volumes. For Nuclear, individual station information and recent availability data is factored in to the overall asset valuation. The expected operating life of Sizewell has continued to be reflected to 2055 in the modelling, beyond the original design life. For Gas assets, each field has specific reservoir and field characteristics and is modelled independently. During 2022, new taxes have also been announced and these have been included in the discounted cash flow modelling. For Nuclear, the Electricity Generator Levy applies a tax rate of 45% on revenues exceeding a benchmark price of £75/MWh and will apply from 1 January 2023 to 31 March 2028. For Gas assets, the Energy Profits Levy will increase to 35% (bringing the headline rate on gas asset profits to 75% from 65%) from 1 January 2023 and continue until 31 March 2028. Despite the implementation of these new taxes, the year-on-year increase in forecast commodity prices has more than offset their impact. As a result, an exceptional impairment reversal of £195 million has been booked in relation to the Nuclear investment. For Gas assets, significant impairment headroom remains. Because the field carrying values have generally already been written back to their depreciated historic cost, no further write-back is allowed. Sensitivity analysis has been provided in the financial statements to show the impact if there was a 50% reduction in short-term liquid prices (see note 7).	The Committee challenged management and the external auditors on the key inputs to the impairment models including price, outage rates, assumed lives, tax and discount rates, and were comfortable with the conclusions reached. The Committee reviewed the Nuclear investment write-back and noted that the increase in near-term commodity prices had more than offset the cost of the Electricity Generator Levy. The Committee noted that price sensitivity disclosures have been included in the financial statements. Further detail on impairment write-back and the assumptions used in determining the recoverable amounts is provided in notes 7 and S2 on pages 146 to 150 and 187 to 199.
Credit provisions for trade and other receivables The IFRS 9 impairment model requires credit provisions ('bad debt') for trade and other receivables to be based on an expected credit loss model, as opposed to an incurred loss basis. The economic effects of the inflationary pressures on household income, not least energy prices, and the wider cost of living crisis will likely impact the ability of the Group's customers to pay amounts due. Accordingly, there is significant judgement around the levels of forecast bad debt and the provisioning required at the year-end. The Group's residential and business energy supply customers account for the majority of Group's credit exposure (with balances associated with our trading business generally received within 30 days). Expected default rates in these areas are calculated initially on a matrix basis by considering recent historical loss experience, the nature of the customer, payment method selected and, where relevant, the sector in which they operate. Management has then also factored in forward-looking economic assumptions, taking into account inflation and affordability forecasts. In the prior year a high-level macroeconomic provision of £30 million was maintained to cover inflationary concerns. In 2022, the deemed quality and relative ageing of the Group's debt has improved compared with last year, reducing the underlying modelled provision output (on a % basis). However, given the economic environment the high level macroeconomic provisions has been increased by £95 million (to £125 million) to cover the inflationary and cost of living concerns. For UK Downstream energy supply, the bad debt charge as a percentage of revenue increased to 2.1% (2021: 1.1%). The closing bad debt provision moved to 26% (2021: 29%) of UK energy supply gross receivables. Due to the significant estimation uncertainty in this area, management continues to provide detailed analysis and sensitivities in note 17 to the Financial Statements.	The Committee reviewed management's groupings of receivables by the key factors affecting recoverability (e.g. payment method, nature of customers) and considered the levels of provisions booked against each grouping, at the year-end. The Committee discussed the approach with the external auditors. The Committee was comfortable with the provisions booked, including the increase in the macroeconomic provisions, whilst noting the significant estimation uncertainty in this area. The Committee noted the continued enhanced disclosure in note 17, setting out the judgemental nature of the provisioning and the sensitivity analysis to allow users of the accounts to model different outcome scenarios.

Key judgements and financial reporting matters in 2022	Audit and Risk Committee reviews and conclusions
Classification and presentation of exceptional items and certain re-measurements The Group reflects its underlying financial results in the business performance column of the Group Income Statement. To be able to provide this in a clear and consistent presentation, the effects of certain re-measurements of financial instruments and onerous supply contract provisions, and exceptional items are reported separately in a different column in the Group Income Statement. The classification of items as exceptional and specific trades as certain re-measurements (see 'Onerous energy supply contract provision' and 'Energy Derivatives – classification and valuation' sections above) are subject to defined Group policies. These policies are reviewed annually by management. At the year-end, exceptional items included the Nuclear impairment reversal and loss on disposal from the sale of Spirit Energy's Norwegian and Statfjord fields noted above. Also included is a write-back of £12 million predominantly associated with a gas engine in Centrica Business Solutions. Certain re-measurements totalled an overall circa £3.4 billion loss – being £5.2 billion loss from derivatives and £1.8 billion gain from the onerous supply contract provision movement.	The Committee noted that the policy on certain re-measurements and exceptional items remains unchanged from prior year. The Committee had formally reviewed and approved the Group's policy on exceptional items in previous years and, in the current year, it used this policy to help inform the appropriateness of the proposed classifications. It challenged the items classified as exceptional items, considering their size, nature and incidence and in the context of the Group policy. The Committee concluded that separate disclosure of these items as exceptional was appropriate in the Financial Statements. The Committee ultimately agreed that presenting certain re-measurements and exceptional items separately continues to allow underlying performance to be reflected on a consistent and comparable basis. Further detail is provided in notes 2, 3 and 7 on pages 128 to 136 and 146 to 150.
Supplier of Last Resort (SoLR) Accounting Following the unprecedented rise in commodity prices in the second half of 2021, a number of UK energy suppliers were unable to continue trading and the Group was appointed as the Supplier of Last Resort for the customers of nine suppliers. Under Ofgem's licence conditions, the Group is entitled to make a Last Resort Supplier Payment claim for the shortfall between costs reasonably incurred in supplying gas and electricity to premises under the Last Resort Supply Direction, and the charges recovered from customers (which are limited by the tariff cap). The Group submitted an initial claim in 2021, covering a six-month period from the date of appointment, and received confirmation of Ofgem's acceptance in December 2021. The claim primarily covered incremental commodity costs, incurred as a result of procuring gas and electricity to supply affected customers. The initial claim is currently being settled in 12 monthly instalments ending in April 2023 and a total of £258 million has been received during 2022. The Group submitted a second claim to Ofgem in Autumn 2022, recognising both actual commodity costs incurred and additional costs which were not included in the initial claim. This includes the recovery of customer credit balances, where the Group had not waived the right to do so. The second claim was accepted by Ofgem in December 2022 and will be settled between April 2023 and April 2024. The value recognised for the SoLR receivable at 31 December 2022 is £275 million (31 December 2021: £234 million), offsetting cumulative costs incurred of £426 million (31 December 2021: £185 million) and cumulative customer credit balances of £107 million (31 December 2021: £49 million). The Group judges that the Last Resort Supplier Payment process represents an Ofgem support mechanism, enabling energy suppliers to provide stability to the customers of failed suppliers. The Group determines this is within the scope of IAS 20 'Government Grants' and amounts receivable under the mechanism are deemed virtually certain and are recognised as the related expenses are incurred or liabilities recognised.	The Committee has considered the judgement made by the Group and concurs that the recognition of the SoLR receivable continues to be appropriate and matches the costs and liabilities incurred or recognised by the Group during the year. The Committee held discussions with the external auditors to verify the approach being taken and noted that the accounting treatment aligns with industry practice. Further detail is provided in note 1 on pages 126 to 127.
Assets held for sale and discontinued operations The Group announced on 8 December 2021 that it had agreed to dispose of the Spirit Energy Norwegian and Statfjord fields to Sval Energi and Equinor respectively, and treated the assets and liabilities as a disposal group held for sale from that point. The Group judged that this disposal group did not represent a separate major line of business or geographical operations, because the Upstream segment retained other European producing fields, and hence the Group concluded that the disposal group did not constitute a discontinued operation. The transaction completed on 31 May 2022, resulting in an exceptional loss on disposal of £362 million (including recycling of historic foreign currency translation losses). The assets contributed £120 million of the Group's profit after tax, prior to the completion date.	The Committee noted that it had previously concurred that classification of the disposal group as a discontinued operation was not appropriate because the Group retains the Spirit Energy UK and Netherlands business, post-completion. The Committee held discussions with the auditors on the appropriateness and consequences of this conclusion. It was re-assured by those discussions and noted the extensive disclosures included in the Financial Statements on this area. Further detail on this disposal is provided in note 12 on pages 156 to 158.

Key judgements and financial reporting matters in 2022	Audit and Risk Committee reviews and conclusions
Energy supply revenue recognition The Group's revenue for energy supply activities includes an estimate of energy supplied to customers between the date of the last meter reading and an estimated year-end position. This is estimated through the billing systems, using historical consumption patterns, on a customer-by-customer basis, taking into account weather patterns, load forecasts and the differences between actual meter readings being returned and system estimates. An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group, including bill cancellation and re-bill rates. To the extent that the economic benefits are not expected to flow to the Group, revenue is not recognised. At the year-end, unread energy income for the continuing supply businesses was £2.9 billion (2021: £1.7 billion). The Group's revenue was also impacted by the UK Government's customer support schemes. These schemes have been accounted for under IFRS 15: 'Revenue from Contracts with Customers'. Revenue of circa £1.75 billion has been recognised from Government from both the Energy Price Guarantee and the Energy Bill Relief Scheme.	The Committee has reviewed the level of unread revenue and unbilled accrual made during the year and discussed with management and the external auditors. The Committee noted that the ENSEK has had a different process on unbilled accrual but had followed the same estimation process as in previous years, for customers on the existing SAP platform, and a similar process for the new energy platform and that the external auditors had independently reperformed this calculation to within an immaterial difference. It discussed the accounting treatment for the customer support schemes with management and the Group's auditors and was comfortable with the treatment adopted. More details of the customer support schemes are provided in note 1 on pages 126 to 127, on unread energy income are provided in note 3 on page 132 and on unbilled energy income in note 17 on page 171.
Pensions The assets and liabilities, and the cost associated with providing benefits under defined benefit schemes is determined separately for each of the Group's schemes. Judgement is required in setting the key assumptions used for the actuarial valuation which determines the ultimate cost of providing post-employment benefits, especially given the length of the Group's expected liabilities. The net Group pension asset position was £40 million (2021: £nil). The UK defined benefit schemes used a nominal discount rate of 4.7% (2021: 1.8%) and inflation of 3.0% (2021: 3.1%) Following the Liability Driven Investment (LDI) crisis in the pensions arena in late 2022, the Group provided a £400 million interest-bearing loan to the UK Registered Pension Schemes to ensure the schemes could maintain a high level of interest and inflation hedging and meet any collateral requirements. The Group judged that this should be accounted for as a loan (within Securities) in the books of the Group and as a reduction in scheme assets for the Pension Schemes. As a consequence of the LDI issues, the pension scheme now has a greater proportion of unquoted assets in its asset portfolio. As a result the Group undertakes more detailed reviews of these valuations, whilst acknowledging the inherent uncertainty compared with quoted assets.	The Committee noted the key pension assumptions and disclosures in the Financial Statements. It noted that these assumptions were derived on a consistent basis to previous periods. The Committee recognised the role of the independent actuary, who is consulted on the appropriateness of the assumptions, and discussions were also held with the external auditors. The Committee also understood the issues that arose from the LDI crisis and the need to provide extra funding to the schemes to ensure they remained appropriately hedged. It also discussed the accounting treatment with the auditors and ultimately concurred with this judgement. It also noted the greater proportion of unquoted assets in the scheme portfolio and welcomed the greater scrutiny on these valuations. Further details on pensions are set out in notes 1 and 22 on pages 127 and 175 to 179.
Fair, balanced and understandable The Board is required to confirm that the Annual Report and Financial Statements are fair, balanced and understandable. To enable the Board to make this declaration, there is a year-end review process to ensure that the Committee and the Board have access to all relevant information, including management's papers on significant issues.	The Committee reviewed the key factors considered in determining whether the Annual Report is fair, balanced and understandable. The Committee and all Board members received a draft of the Annual Report and Financial Statements in sufficient time to review and challenge the disclosures therein. In addition, the Committee took into consideration the external auditors' reviews of the consistency between the reporting narrative of the Annual Report and the Financial Statements.
Ofgem Consolidated Segmental Statement The Group is required to prepare an annual regulatory statement (Consolidated Segmental Statement (CSS)) for Ofgem which breaks down our licensed activities for the financial year into a generation, domestic and non-domestic and electricity and gas result. The CSS is reconciled to our externally reported International Financial Reporting Standards Annual Report and Accounts. The Group publishes the CSS at the same time as the full-year Annual Report and Accounts and the CSS is independently audited. In preparing the CSS, judgement is required in the allocation of non-specific costs between domestic and non-domestic and electricity and gas, and the distinction between licensed and non-licensed activities.	The Committee reviewed the Ofgem CSS and the key judgements and disclosures made in its preparation. The external auditors also provided a report on the work on the CSS and held discussions with the Committee. The full CSS and the independent audit opinion are set out on pages 239 to 251.

Nominations Committee

Membership, meeting attendance and key focus

Committee members
Scott Wheway (Chair)
Carol Arrowsmith
Nathan Bostock (with effect from 9 May 2022)
CP Duggal (with effect from 16 December 2022)
Heidi Mottram
Kevin O'Byrne
Amber Rudd (with effect from 10 January 2022)

Stephen Hester and Pam Kaur retired as members of the Committee on 7 June 2022.

Biographical details of the Committee Chair and members can be found on pages 62 to 65. Meeting attendance of the Committee members can be found on page 66.

Meeting attendees by invitation
Group Chief Executive Officer
Group General Counsel & Company Secretary
Group Chief People Officer

Focus areas in 2022
- Board skills;
- Board diversity;
- Non-Executive Director succession planning;
- Executive Director succession planning;
- Board Committee composition;
- Non-Executive Director recruitment;
- Senior Independent Director succession;
- approach to workforce engagement;
- Board training requirements;
- election and re-election of Directors at the 2022 AGM; and
- approach to, and findings arising from, an annual Board effectiveness assessment (see page 57).

Dear Shareholder

On behalf of the Board, I am pleased to present the Nominations Committee report for 2022 which explains the Committee's focus and activities during the year.

Committee overview

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

Main activities during 2022

Board succession planning and Board skills

The Committee is responsible for leading the succession planning process and making recommendations to the Board. The Committee takes a long-term view to succession planning, regularly reviewing Board tenure, Board diversity (particularly diversity of gender, cultural background and experience) and assessing the skills required by the Board to best support the Company's strategy on a multi-year lookahead as well as in the near term. Details of the wide range of skills possessed by the Board today can be found on pages 62 to 65. The Committee's work on succession planning directly informed recruitment in 2022. A focus area for the Committee in 2023 will remain ensuring the Company continues to have appropriate succession plans for different time horizons.

Non-Executive Director recruitment

A primary focus area for the Committee in 2022 was Non-Executive Director recruitment.

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

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

Spencer Stuart supported the search processes that led to appointing Amber Rudd, Nathan Bostock and Chanderpreet (CP) Duggal as Non-Executive Directors in 2022. Although Carol Arrowsmith was a member of its Advisory Group during 2021 and early 2022, there are no other connections between Spencer Stuart, the Company and its individual Directors. There were no changes in Executive Directors during 2022.

Executive Director succession

On 12 January 2023, we announced that Russell O'Brien will be appointed Group Chief Financial Officer (CFO) and an Executive Director on 1 March 2023. Kate Ringrose will step down as CFO and an Executive Director on 28 February 2023 and will leave Centrica at the end of 2023 following an orderly transition. Russell brings broad experience across the energy value chain, including roles as global CFO for both Shell's Integrated Gas and Retail businesses.

Board training

The Committee reviewed the training received by the Board during 2022 as well as the training requirements for the Board in 2023. In doing so, the Committee sought to ensure the Board remained equipped with the latest knowledge and understanding to support effective decision-making. Board training in 2022 included sessions on cyber security, energy market trends and wholesale energy trading. The Committee also identified further areas of training directly linked to Centrica's strategy that will inform the Board's training programme in 2023. Details of the induction for all new Directors are on page 60.

Oversight of Director external appointments

To ensure that Directors will continue to have sufficient time to commit to their Centrica responsibilities, any additional external appointments taken up require advance approval by the Board. This included the other members of the Board considering and approving my appointment as a Non-Executive Director of Lloyds Banking Group and as Chair of Scottish Widows Group, following my retirement from the role of Chair of AXA UK plc.

A focus on diversity and inclusion

We operate in increasingly diverse communities and this diversity is evident in our workforce and our customers, suppliers and other stakeholders. As set out in our Board Diversity Policy adopted in July 2019 we know that being inclusive of the diversity we have in our business will give us a competitive advantage. The Committee therefore continues to embrace the strategic importance of diversity and inclusion, including as part of the Board's own succession planning.

As at 31 December 2022, 44.4% of the Board and 50% of independent Non-Executive Directors (excluding the Chairman of the Board) were women, exceeding the target in Listing Rule 9.8.6(9).

As at 31 December 2022, the Board composition met, and continues to meet, the target ethnic minority representation in Listing Rule 9.8.6(9), except for the specific period following the resignation of Pam Kaur and appointment of CP Duggal. The Board comprises nationals of four different countries (the UK, Ireland, USA and South Africa), with a wide range of backgrounds and experience.

Having met or exceeded all applicable diversity targets for listed company boards in the past two years, following recent directorate changes with Kate Ringrose stepping down as the Group Chief Financial Officer in 2023, we recognise the need for the Board's diversity to remain consistent with or exceed these requirements in future. The Board is fully committed to securing this outcome at the earliest next opportunity and the Committee will ensure that these requirements inform and assume the necessary priority in the Board's succession planning in 2023.

Further information on the steps that the Company is taking to create a diverse and inclusive workplace is on pages 40 to 41.

Workforce engagement

The Committee reviewed the Board's approach to workforce engagement pursuant to the expectations of Section 5 of the UK Code, ultimately adopting a collective approach to workforce engagement involving all Non-Executive Directors leveraging a combination of different types of engagement, including: listening sessions with colleagues; meetings with senior leaders and future talent; and dedicated engagement sessions with the Chairs of the employee-led colleague networks.

Committee effectiveness

The Committee undertakes an annual review of its terms of reference to ensure that they accurately reflect the role carried out by the Committee, taking into account any new internal and external developments and responsibilities. The Committee's terms of reference are available on our website centrica.com/TOR.

The Committee considers that it has continued to discharge its oversight role effectively in an area where expectations and requirements are constantly evolving with insightful and regular engagement and support from management. Read more about the Committee's effectiveness on page 57.

Scott Wheway
on behalf of the Nominations Committee
15 February 2023

Safety, Environment and Sustainability Committee

Membership, meeting attendance and key focus

Committee members

Heidi Mottram (Chair)
Nathan Bostock (with effect from 28 July 2022)
Amber Rudd (with effect from 10 January 2022)
Scott Wheway

Pam Kaur retired as a member of the Committee on 7 June 2022.

Biographical details of the Committee Chair and members can be found on pages 62 to 65. Meeting attendance of the Committee members can be found on page 66.

Meeting attendees by invitation

Kevin O'Byrne
Carol Arrowsmith
CP Duggal (with effect from 16 December 2022)
Group Chief Executive
Group General Counsel & Company Secretary
Group Chief People Officer

Focus areas in 2022

- Health and Safety
- Environment
- Responsible business
- Governance

Dear Shareholder

On behalf of the Board, I am pleased to present the Safety, Environment and Sustainability Committee (SESC) report for the year ended 31 December 2022 which explains the Committee's focus on, and activities relating to, health and safety (H&S), environment and responsible business matters during the year.

Committee overview

The Committee's role and responsibilities, on behalf of the Board, are to review and monitor the culture, practices, risks and performance of Centrica with respect to H&S, ESG (Environmental, Social and Governance) and broader responsible business matters. This is achieved through a rigorous review of performance data, the Company's commitments and targets and activities, programmes and initiatives which relate to Centrica's H&S, social and sustainability priorities and values. As part of its focus, the Committee also provides input to, and review of, the Company's ESG annual reporting disclosure requirements.

Main activities during 2022

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

Health and Safety

As a standing item on the agenda, the Committee maintained its regular focus on H&S performance metrics, assurance activity and material developments. The Committee reviewed risk identification and controls and considered that the Group had appropriate capabilities, correct processes and engaged culture in H&S. A focus area for the Committee was ensuring that any learnings from any H&S incidents were properly reviewed and, where appropriate, the relevant actions taken to mitigate the possibility of reoccurrence.

At each meeting, the Committee invited management from specific Business Units to discuss occupational and process safety reviews, outcomes and improvements derived from targeted interventions and future action plans.

Environment

The Committee provided oversight of the Company's continued commitment to, and role in, the drive to net zero, including the review of a scorecard that reported progress to date against the Company's People & Planet Plan and the Climate Transition Plan, as well as the impact of the Company's operations on the environment and the Company's green credentials.

The Climate Transition Plan first published in November 2021 was updated on 29 April 2022 to take into account retained Spirit Energy assets and published on the Company's website. At the 2022 AGM, the Climate Transition Plan, through an advisory non-binding vote, was supported by the overwhelming majority of shareholders (79.96% of votes received). In accordance with the UK Corporate Governance Code 2018, Centrica consulted some of the shareholders who did not support the resolution in order to understand the reasons behind their decision. The Committee reflected upon the feedback, and will oversee that these constructive views, together with overall investor expectations relating to ESG factors, are continually taken into account when developing the Climate Transition Plan and other environmental plans in the future.

The Committee investigated and assessed the impact on the Climate Transition Plan of major investment decisions taken by the Group, satisfying itself that the Group was striking the balance between discharging its obligation to support security of energy supply in the short term through investments in activities such as gas-fired peakers in Ireland, whilst still ensuring that the Group continued to focus on opportunities to deliver the targets in its Climate Transition Plan in the longer term. The Committee will continue to provide oversight and scrutiny of the Company's decarbonisation plans.

Responsible business

The Committee reviewed and endorsed Centrica's new approach to charity partnerships in the UK being locally focused, noting the high level of colleague support and engagement that the new approach generated. The Committee was also pleased to continue to support Bord Gáis's successful long-term relationship with Focus Ireland.

The Committee had specific sessions in the year to discuss modern slavery reporting practices and the robust management of modern slavery risk in the supply chain. This included the recommendation to the Board to adopt the Company's 2021 Modern Slavery Act Statement, which was in line with UK Home Office requirements and industry guidance.

Centrica works with suppliers seeking to continuously raise standards through its responsible sourcing assurance activity. The Committee reviews this activity on an annual basis, evaluating the progress made and providing feedback on any specific issues identified. In addition, the Committee approved the audit plan for 2023 and considered the external perceptions of Centrica's reputation.

Governance

In addition to the above, the Committee had opportunities to receive relevant training on matters specific to the Committee's remit. The Committee also reviewed corporate governance developments, ESG expectations and behaviours including key changes in law and regulation as well as examples of best practice.

Committee effectiveness

The Committee undertakes an annual review of its terms of reference to ensure that it accurately reflects the role carried out by the Committee, taking into account any new internal and external developments and responsibilities. The Committee's terms of reference are available on our website centrica.com/TOR.

The Committee considers that it has continued to discharge its oversight role effectively in an area where expectations and requirements are constantly evolving with insightful and regular engagement and support from management. Read more about the Committee's effectiveness on page 57.

Heidi Mottram
on behalf of the Safety, Environment and Sustainability Committee
15 February 2023

+ Read more about our People & Planet Plan on **pages 39 to 44**

Remuneration Committee

Membership, meeting attendance and key focus

Committee members

Carol Arrowsmith (Chair)
CP Duggal (with effect from 16 December 2022)
Heidi Mottram
Amber Rudd (with effect from 10 January 2022)

Stephen Hester retired as a member of the Committee on 7 June 2022

Biographical details of the Committee Chair and members can be found on pages 62 to 65. Meeting attendance of the Committee members can be found on page 66.

Meeting attendees by invitation

Chairman of the Board
Group Chief Executive
Group Chief People Officer
Group Head of Reward

Focus areas in 2022

- Approval of new Remuneration Policy
- Executive Director salary reviews
- Review of pay issues across the wider workforce
- Cost of living support for colleagues
- Gender and ethnicity pay gap report
- Review and approval of 2022 financial and business targets and individual objectives
- Review and approval of Directors' expenses
- Executive shareholding update
- Review and approval of remuneration package for Group Chief Financial Officer (CFO)

Dear Shareholder

On behalf of the Board I present the Remuneration Report for the year ended 31 December 2022.

The past two years have been a challenging time for our industry. We have faced the biggest energy crisis since the 1970's, huge instability in our markets together with an unprecedented round of energy company failures leaving stranded customers. Never has stability and the importance of being able to respond to our customers' needs been greater. The leadership team at Centrica has worked tirelessly to ensure that our business navigated these challenges and continued on our journey to improve our customer experience. We have work to do but believe that 2022 has been a turning point.

As the Remuneration Committee we have focused on balancing the views and experiences of our stakeholders with our responsibility to pay our leaders fairly in that context.

At our last AGM we proposed a new Remuneration Policy. Our aim was to design a remuneration structure that would support our strategic direction, enable us to engage our leadership team in the continuing transformation of Centrica and support our requirement for a team capable of making those changes, whilst addressing the challenges our Company and industry faces going forward. We introduced a new framework for annual bonus to allow us to incorporate judgement on our operational performance whilst retaining a strong focus on financial achievement. We replaced the long term incentive plan with a restricted share plan and thereby reduced the maximum share award from 3 times salary to a maximum of 1.5 times salary. During that review I spoke with many of our largest shareholders and as part of that process I received strong support for our leadership team and genuine interest in our aims.

I am pleased to say that we received support in favour of the new Policy at our AGM in June. This indicated that our shareholders understood and supported the rationale for moving to a new long-term incentive structure. We believe this will provide a stronger and more stable link with the long-term performance of our business so enabling us to attract people capable of leading Centrica which remains a complex business. We granted the first Restricted Share Plan (RSP) awards to our Executives shortly after the AGM.

Throughout my conversations with shareholders, I heard many of you expressing your strong support for the management team and the progress that was being made to simplify and stabilise our company.

Performance of our Executive team

Our Group Chief Executive, Chris O'Shea, has continued to show outstanding leadership, drive and determination to turn around the company for our 10 million customers, 20,000 colleagues and our many shareholders. Stability is vitally important to continue our transformation and for our customers, our colleagues and our shareholders who need us to retain a strong leadership team to deliver on our commitments.

We are investing in the future of UK energy and we have an ambitious investment pipeline of net zero aligned options. We have also re-opened our gas storage facility, Rough, to improve UK energy security.

The COVID-19 pandemic and the energy crisis, which saw the collapse of several energy suppliers, have demonstrated the need for well-funded, well-run energy companies. We have taken a responsible approach by safeguarding customer deposits and stepped in to help more than 700,000 customers that were left without a supplier.

Our financial resilience has allowed us to support customers through the energy crisis including donating £50 million to help vulnerable customers. Our donations will continue to grow with our commitment to give 10% of British Gas Energy and Bord Gáis Energy profits. This has enabled us to create the largest package of voluntary energy support for customers in the UK.

This financial resilience has also meant that we can support our people. In 2022 we provided two significant cost of living payments to colleagues to help them to manage rising household costs. We have introduced a number of other financial and non-financial initiatives for our colleagues including an energy allowance for all colleagues who are British Gas customers and reduced priced meals at all our sites. We have launched a number of new programmes aimed at supporting the mental health of our colleagues, particularly those that are providing vital support to our customers every day. In addition, we have invested £25m in customer service with the recruitment of 700 additional UK-based agents to allow us to manage the increase in demand from our customers. More information on our support to colleagues is set out in the Group Chief People Officer report on pages 37 to 38.

Our financial stability has also enabled us to fulfil our commitment to shareholders with the announcement in 2022 of the reinstatement of our dividends and the £250 million share repurchase programme which is well underway.

Financial performance outcomes for the year

As set out earlier in this report, the wider Centrica business has delivered exceptionally strong financial performance. Our portfolio has been simplified and our balance sheet strengthened.

Within our portfolio, our businesses are linked and well-positioned for growth. Our strong asset-backed balance sheet and our liquidity allows us to manage volatile markets effectively.

In my letter to shareholders last year, I explained that Chris O'Shea had elected not to accept his 2021 annual bonus payment due to the hardships faced by our customers. This decision was made after Chris had not received a bonus payment for the previous two financial years. I made it clear in my letter that if performance in 2022 justified a bonus, it was our intention to pay that bonus because we cannot expect to attract and retain leaders in the future if we do not meet our commitment to recognise and reward the performance and talent of our people.

It is the opinion of the Committee that the exceptional financial performance against the stretching targets that were set for 2022 does justify a bonus payment for both the Group Chief Executive (CEO) and the Group Chief Financial Officer (CFO).

Annual Incentive Plan

The assessment of annual performance for the Centrica leadership team is 75% based on business performance and the remaining 25% based on individual performance against strategic objectives.

The business performance element for the year was split equally between a financial measure, earnings per share (EPS), and the outcome of a balanced scorecard of financial and operational measures that were critical to the success of the organisation in 2022. Balanced scorecard measures included key Group financial performance measures as well as important business unit measures such as the cost to serve for our customer-facing businesses and a cost:income ratio for our Trading business (see page 89 for details).

The adjusted EPS measure had defined threshold, target and maximum levels. Exceptional overall business performance in 2022 resulted in our EPS outcome being well above the maximum level that had been set. The Committee reviewed the impact of commodity prices on the outcome and noted that, excluding this impact, the outcome would remain above maximum.

The Committee carefully considered the impact of this year's exceptional movement in commodity prices on performance compared to the targets set at the start of the year. Even after excluding the positive impact of commodity prices this year, the underlying financial performance was still above the maximum level for the Annual Incentive Plan (AIP).

Strong performance in various areas across the Group also meant that the majority of the balanced scorecard measures and targets were met in full. This included measures that reflect the capacity we have to deliver for our customers, strong free cash flow generation, the material improvement in the cost:income ratio in EM&T and progress against our long-term climate-related targets. In addition, whilst we continued to invest to improve our customer complaints taskforce and frontline resource, complaint volumes were above the prior year, partly due to pricing and cost of living concerns in the general economy. As a consequence, our cost to serve under some bases was above plan. Overall, this resulted in a score of 80% against the balanced scorecard.

With regards to individual performance, the Committee reviewed Chris O'Shea's contribution to, and leadership of the business, and agreed that he has performed exceptionally well throughout 2022. Highlights include step changes in customer outcomes, focus on instilling a culture of delivery and operational excellence and significant long-term improvement in colleague engagement scores. The Committee determined that an outcome of above target, at 88% of maximum, under this element of the annual bonus was appropriate.

For Kate Ringrose, the Committee determined that an outcome at 62.5% of maximum, under the personal objectives element of the annual bonus was appropriate based on her performance in the year, particularly in respect of her leadership and management during the recent commodity price environment and work in building the asset portfolio.

This results in bonuses of 89.5% of maximum (179% of salary) for Chris O'Shea and 83% of maximum (125% of salary) for Kate Ringrose.

Long Term Incentive Plan

In 2020 the Committee approved a Long Term Incentive Plan (LTIP) award for Chris O'Shea relating to the performance period 2020-2022. This was in line with our previous Remuneration Policy.

The performance targets for the LTIP award included Total Shareholder Return (TSR), Economic Profit (EP), Underlying Adjusted Operating Cash Flow growth (UAOCF) and key performance indicators (KPIs) focused on safety, customer and colleague engagement.

TSR performance over the three-year period has been strong against peers and resulted in an outcome of 62.4% of the maximum for this metric. Performance against the other financial measures exceeded the three-year targets set by the Committee at the start of the performance period in 2020 and has therefore resulted in maximum outcomes under these metrics. The Committee considered performance under the non-financial KPIs including the process safety outcome, achieved at maximum, and NPS, achieved between threshold and maximum, and taking the measures together determined an outcome under this element of 50% of maximum.

This results in an overall vesting outcome of 76% of maximum for the 2020 LTIP.

For various reasons, including the Board's involvement in the planned divestment of Direct Energy, the grant of the 2020 LTIP was delayed until May 2021. This award will therefore not vest until 2024, and the shares will be released in 2026, following the mandatory two-year holding period.

As the performance period for the award ended on 31 December 2022, the estimated value of the vested award has been included in the single figure for total remuneration table on page 88. In addition, the Committee felt it was appropriate at this point to review whether the CEO (the only recipient of a 2020 LTIP award) could benefit from windfall gains over the period. The Committee looked at a number of factors, including the share price of the award at grant and the strong performance of Centrica compared with that of our direct peers and the wider market over the three-year performance period. Following this review, the Committee concluded that as a result of the following actions already taken, the risk of a windfall gain has been sufficiently mitigated:

- The Committee reduced the award level to 250% of salary at grant compared to the maximum of 300% of salary to reflect historic share price performance (a reduction of 17%).
- The later grant date in 2021 resulted in a share price on grant of 55 pence, compared to if the award had been granted at the normal time (which would have been shortly after the onset of COVID-19) at a price of circa 37 pence (a further reduction of 33%).

Therefore, given the reduction of award on grant and the delay in vesting, the Committee concluded that no further adjustment for windfall gains was necessary to the vesting outturn of 76% of maximum.

Further details are set out on pages 90 to 91.

CEO salary review

We considered carefully the pay arrangements for the wider workforce when we debated the salary adjustment for the CEO. Typically, our pay arrangements take effect from 1 April. This year we accelerated the timing so that the pay rises became effective 1 January for the wider workforce. These arrangements were negotiated and communicated with support from our trade unions for which we are appreciative. For the majority of colleagues, the pay deal in total was worth more than 10% of salary. This included base salary increases of at least 5% and a package of additional financial support, including lump sum payments, to recognise the continuing challenge from the rising cost of living.

A salary increase of 2.6% will be awarded to the CEO effective 1 April 2023 taking his salary from £794,375 to £815,000. This increase is below the average base pay increase provided to the wider workforce of 5%. Further details are provided on page 89.

Director changes

We announced in January that Russell O'Brien will be appointed Group CFO on 1 March 2023. The Committee considered carefully the salary that should be offered to Russell O'Brien in his new role. In particular, we took account of his considerable relevant experience and previous finance and treasurer roles at Shell. We also were aware of the competitive landscape for other similar senior and complex roles as well as salaries within the ranges paid by the companies which the Committee believe are appropriate comparators for the Group. As a result, the new CFO's salary will be £540,000. Other elements of his package will be fully in line with the approved Remuneration Policy.

Kate Ringrose will step down as CFO and an Executive Director on 28 February 2023 and is expected to leave Centrica towards the end of 2023 after an orderly transition. The Committee agreed that Kate will be treated as a good leaver for the purposes of her outstanding long-term incentive awards, which will be pro-rated to her termination date.

We have deliberated over these individual decisions, and in particular the pay outcomes for our CEO in respect of the year ending December 2022 and firmly believe that the Remuneration Committee must be willing to pay the CEO against his contract for delivering exceptional personal leadership of the business in very challenging times. We believe that the decisions taken by Chris and his team have substantially and positively impacted the business and its ability to serve customers and contributed to greater energy stability in the market.

The Committee is dedicated to an open and transparent dialogue with our shareholders and therefore I welcome views on any part of our remuneration arrangements.

Carol Arrowsmith
on behalf of the Remuneration Committee
15 February 2023

At a Glance

How we’ve supported our stakeholders in 2022

Customers

£50m
Support to help customers during the energy crisis

10%
Of British Gas and Bord Gáis profits to be donated until current crisis is over

£25m
Invested in customer service

Colleagues

2
Significant cost of living payments made

18ppt
Increase in colleague engagement

3700
New colleagues joined us

Shareholders

£250m
Share repurchase programme launched

3p
Full year dividend per share

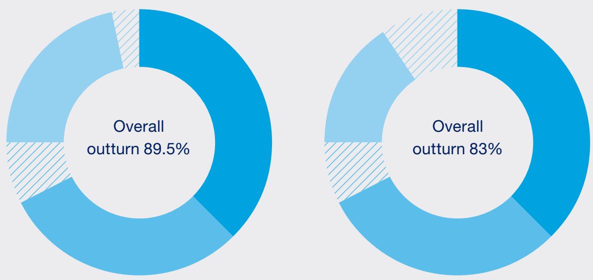
Annual Incentive Plan (AIP)

	Achieved	Not achieved	Weighting
EPS			37.50%
Balanced Scorecard			37.50%
Personal			25%

Read more on pages 89 to 90

Chris O’Shea CEO

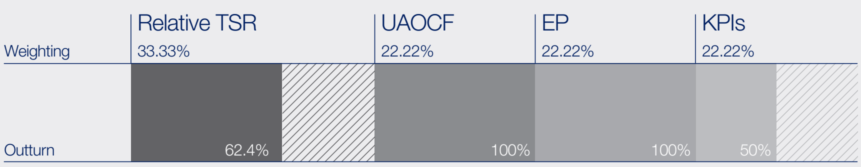
Kate Ringrose CFO



Long Term Incentive Plan (LTIP)

	Achieved	Not achieved	Weighting	Outturn
Relative TSR			33.33%	62.4%
UAOCF			22.22%	100%
EP			22.22%	100%
KPIs			22.22%	50%

Read more on pages 90 to 91



Directors' Annual Remuneration Report

Directors' remuneration in 2022

This report sets out information on the remuneration of the Directors for the financial year ended 31 December 2022.

Single figure for total remuneration (audited)

Executives

£000	Salary/ fees	Bonus (cash)	Bonus (deferred)(1)	Benefits(2)	LTIPs(3)	Pension(4)(5)	Total	Total fixed remuneration	Total variable remuneration
2022									
Chris O'Shea	**790**	**711**	**711**	**16**	**2,262**	**—**	**4,490**	**806**	**3,684**
Kate Ringrose	**459**	**288**	**288**	**16**	**—**	**33**	**1,084**	**508**	**576**
Total	**1,249**	**999**	**999**	**32**	**2,262**	**33**	**5,574**	**1,314**	**4,260**
2021									
Chris O'Shea	775	—	—	18	—	82	875	875	—
Kate Ringrose(6)	432	243	243	15	—	44	977	491	486
Total	1,207	243	243	33	—	126	1,852	1,366	486

(1) In accordance with the Remuneration Policy, 50% of the bonus is deferred into shares which are held for three years.
(2) Taxable benefits include car allowance, health and medical benefits. Non-taxable benefits include matching shares received under the Share Incentive Plan (SIP). Both taxable and non-taxable benefits are included in the table.
(3) The estimated value of the LTIP award that was granted in respect of the 2020-22 performance period is included in the table above, based on a share price of 83.65 pence (the 3 month average share price for the period ending 31 December 2022). The award will vest in May 2024 and the shares will then be subject to an additional two-year holding period. Further details of the performance outcomes are set out on page 90. £766K of the estimated value of the LTIP is attributed to share price growth. Dividend equivalents of £22K have been included.
(4) Notional contributions to the Centrica Unapproved Pension Scheme defined contribution section (CUPS DC) for Chris O'Shea and Kate Ringrose have been included in this table as if CUPS DC was a cash balance scheme. This includes a deduction in respect of an allowance for CPI inflation on the opening balances of 4.1% in 2022 (0.7% in 2021).
(5) For Chris O'Shea, the high CPI inflation (4.1%) that was applied to the CUPS DC fund value at the start of the year has offset the poor investment returns achieved over the year. Therefore, when comparing the start of year fund value to the year-end value the result is negative which is reflected as zero in the table above.
(6) Kate Ringrose was appointed to the Board on 18 January 2021

Single figure for total remuneration (audited)

Non-Executives

	Salary/fees		Total	
£000	**2022**	2021	**2022**	2021
Scott Wheway	**410**	410	**410**	410
Carol Arrowsmith	**93**	93	**93**	93
Nathan Bostock(1)	**47**		**47**	
CP Duggal(2)	**3**		**3**	
Stephen Hester(3)	**40**	93	**40**	93
Pam Kaur(4)	**32**	73	**32**	73
Heidi Mottram	**93**	93	**93**	93
Kevin O'Byrne	**109**	98	**109**	98
Amber Rudd(5)	**71**		**71**	
Total	**898**	860	**898**	860

(1) Nathan Bostock joined the Board on 9 May 2022
(2) CP Duggal joined the Board on 16 December 2022
(3) Stephen Hester stepped down from the Board on 7 June 2022
(4) Pam Kaur stepped down from the Board on 7 June 2022
(5) Amber Rudd joined the Board on 10 January 2022

Base salary/fees

Pay across the wider workforce

Following a period of negotiation and consultation with our trade unions, a pay deal was agreed in December 2022, to apply to UK colleagues in 2023. For the majority of colleagues, the pay deal in total was worth 10% of salary. This included base salary increases of at least 5% and a package of additional financial support, to recognise the continuing challenge from the rising cost of living. The additional support comprised non-consolidated lump sum payments and the backdating of pay increases. This means that our lower paid colleagues will receive a total pay increase of 12-13%, and all our customer-facing colleagues will receive a total pay increase of at least 10%, in 2023.

Pay for our Executive and Non-Executive Directors

The base salary for the Group Chief Executive (CEO) and the Chairman of the Board were reviewed by the Committee in January 2023. Taking into consideration the increases across the wider workforce, and salary benchmarking data for similar roles commensurate in size and complexity with Centrica, the Committee determined that the salary for the CEO would be increased by 2.6% to £815,000 and the salary for the Chairman of the Board would be increased by 2.6% to £420,500.

Non-Executive Director (NED) fee levels were reviewed in December 2022 and it was agreed the base fees would be increased by 4.8% to £76,000. This increase was recommended in order to align the fees with the market rate for the FTSE 100, to ensure Centrica is able to attract and retain NEDs with sufficient skills, knowledge and experience. The increase of 4.8% is below the average increase across the wider UK workforce.

The previous base fee for NEDs had been in place since 2016 and although fees have been reviewed each year, no increase has been applied for the past seven years.

Bonus – Annual Incentive Plan (AIP)

In line with the Remuneration Policy, in 2022 75% of the award was based on a mix of financial and business measures based on Centrica's priorities for 2022 and 25% was based on individual personal objectives.

The Committee agreed that half of the financial/business performance measures for 2022 would be based on an Earnings per Share (EPS) target with a defined threshold, target and maximum, as follows:

	Threshold	Target	Max	Outcome
Adjusted EPS	3.6p	6.1p	8.6p	34.9p

The EPS outcome was 34.9 pence which was significantly above the level for maximum achievement set by the Committee.

In addition, the Committee determined a balanced scorecard for the remaining financial and business elements of the AIP. It was agreed that there would be no formula to translate the scorecard to a bonus outcome and no formal weighting of individual measures. Instead, the Committee would discuss performance and consider the overall outcome against the balanced scorecard.

The balanced scorecard of measures, targets and outcomes was as follows:

	Measure	Target	Outcome
Group	Adjusted Operating Profit	£642m	£2,823m
	Free Cash Flow	£468m	£2,487m
	Net (Debt)/Cash	£12m	£1,199m
BG Energy	Complaints	8%	14.4%
BG S&S	Complaints	7%	12.6%
BG S&S	Reschedules	8.5%	6.2%
Bord Gáis	Cost to serve	€88.9 per customer	€108.9 per customer
BG Energy	Cost to serve[(1)]	£92 per customer	£112 per customer
CBS	Order Intake	£428m	£212m
EM&T	Opex: GM Ratio	51%	21%
	Customer numbers	10,186,000 unique customers	10,258,000 unique customers
	Colleague engagement	63%	73%
	Progress towards climate transition plan	Make good progress against the interim climate targets of Centrica's People & Planet Plan, including input measures tracked on the Climate Transition Plan dashboard	Achieved
	Customers on Ensek	2m	2m

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

The Committee carefully considered the outcomes against the EPS target and the balanced scorecard measures, determining an outcome of 100% against the EPS target and 80% against the balanced scorecard. Achievement against the overall financial and business targets therefore was at 180% of target.

Each Executive had a set of stretching personal objectives which included key non-financial performance indicators (KPIs) that were important to the success of the business in 2022. The KPIs were cascaded to business and functional leaders to ensure a strong line of sight to key priorities through the organisation.

Chris O'Shea's objectives for 2022 included delivering against significant operational improvements as well as agreeing the longer term energy transition plan to deliver a compelling strategic narrative. The Committee believes that these objectives were met in full with the operational improvements in the Services business, the launch of a new business division focused on net zero ventures and the re-opening of the Rough storage facility. Chris successfully navigated challenging regulatory and political issues, continuing to build capability and promote a performance and delivery culture whilst delivering shareholder value through new investment opportunities and portfolio shaping. Based on an assessment of achievement against strategic and personal objectives during the year the Committee determined that an outcome of above target, at 88% of maximum, against the personal objectives element of the annual bonus was appropriate. The overall bonus outcome for the CEO was therefore a payment of £1,421,931.

Kate Ringrose's objectives for 2022 included improving key capability and cultural structures in the finance and Digital Technology Services functions to ensure delivery of the longer-term plan and enabling the Group to deliver the strategy presented to the market. She supported the company to navigate the complex challenges and risks of the volatile commodity price environment. Kate made key changes to strengthen her leadership teams to ensure reporting and monitoring was more robust. Based on an assessment of achievement against strategic and personal objectives during the year, the Committee determined that an outcome of above target, at 62.5% of maximum under the personal objectives element of the annual bonus was appropriate. The overall bonus outcome for the CFO was therefore a payment of £575,121.

Long-term incentive awards relating to the performance period 2020-22

Performance conditions

The performance conditions relating to the three-year period ending in 2022 are set out below, together with the achievement against these performance conditions. Vesting between stated points is on a straight-line basis.

Financial targets and outcomes

		Targets		
Measures	Weightings	Threshold (25%)	Maximum (100%)	Outcomes
Relative Total Shareholder Return (TSR)	0.333	FTSE 100 median	FTSE 100 upper quartile	62.4%
Underlying adjusted operated cash flow (UAOCF) growth	0.222	CAGR 2%[1]	CAGR 5%[1]	55.8%
Absolute aggregate Economic Profit (EP)	0.222	1,357m	£1,797m	£2,638m
Non-financial KPI improvement	0.222	See below	See below	50%

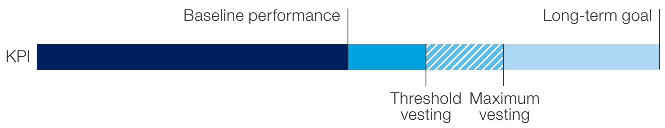
(1) Compound annual growth rate.

Centrica's TSR during the three-year performance period was 10.3%, compared with the required threshold level of -1.1%, therefore the TSR portion of the LTIP will vest at 62.4%.

Financial performance across the three-year performance period was strong, resulting in an above maximum outcome against the UAOCF target (an outcome of 55.8%) and the absolute aggregate EP target (an outcome of £2,638m).

Non-financial KPI targets and outcomes

KPI improvement relates to closure of the gap between performance at the start of the period (baseline performance) and our long-term aspirational goals which are generally aligned with upper quartile market performance.



We expect the KPI performance gap to close by 25% for threshold vesting and 50% for maximum vesting. The KPI measures, targets and outcomes for the 2020-22 cycle were:

		Targets			
	Baseline performance	Threshold	Maximum	Long-term goal	Outcomes
Safety					
Total recordable injury frequency rate (TRIFR)[1]	**1.06**	0.86	0.45	0.25	1.12
Tier 1 and Tier 2 process safety event frequency rate[1]	**0.08**	0.073	0.065	0.05	0.00
Customer satisfaction					
Aggregate brand NPS across our customer businesses weighted by customer numbers	**12.95**	13.61	14.26	16	14
Complaints per 100,000 customers across our customer businesses weighted by customer accounts	**3,879**	3,449	3,019	2,159	6,552
Colleague engagement (percentage favourable)	**43**	51.5	60	77	73

(1) Per 200,000 hours worked.

Performance against the non-financial KPIs across the performance period was mixed, with colleague engagement and process safety outcomes reaching the maximum level, NPS being 60% between threshold and max, and LTIFR and complaints outcomes not reaching threshold. The Committee determined that the level of vesting for this portion of the award would be 50%, to reflect what it considered to be the genuine performance of the Company over the performance period.

Overall performance outcome

The LTIP award was granted in May 2021 and therefore it will vest in May 2024, after which the shares are then subject to a mandatory holding period of two years. Taking into account the achievement against the financial performance targets, and the agreed outcome against the non-financial targets, the Committee approved the overall vesting outcome of 76%. The estimated value of the shares that will vest in respect of the three-year performance period, which ended in December 2022, has been included in the single figure for total remuneration on page 88. The shares will be released at the end of the holding period, in May 2026.

The Committee looked at a number of factors, including the share price of the award at grant and the strong performance of Centrica compared with that of our direct peers and the wider market over the period. Following this review, the Committee concluded that as a result of the following actions already taken, the risk of a windfall gain has been sufficiently mitigated:

- At grant, the award level had been reduced to 250% of salary compared to the maximum of 300% of salary to reflect historic share price performance (a reduction of 17%).
- The delay of the grant as noted above resulted in a share price on grant of 55 pence, compared to if the award had been granted at the normal time (which would have been shortly after the onset of COVID-19) at a price of circa 37 pence (a further reduction of 33%).

Assuming the Committee took no action at the time of grant (assumed to be 1 April 2020, in line with the historic grant date), the CEO would have been granted 6,265,157 shares at a share price of 37 pence. However the percentage of salary reduction in combination with the delay of grant (meaning the share price increased from 37 pence to 55 pence) resulted in a 44% reduction in the number of shares granted to the CEO (to 3,522,471).

Pension

In 2020, it was agreed that the pension contributions for the new and existing Executive Directors would be 10% of base salary to align them with the wider UK workforce. In 2022 the pension contribution rate across the UK workforce was 10-14%.

Chris O'Shea and Kate Ringrose participated in the Centrica Unapproved Pension Scheme Defined Contribution section (CUPS DC).

Notional contributions to the CUPS DC scheme have been included in the single figure for total remuneration table as if it was a cash balance scheme and therefore notional investment returns for the year have also been included. The notional pension fund balances for each Executive are disclosed below:

CUPS DC Scheme(1)	**Total notional pension fund as at 31 December 2022 £**	Total notional pension fund as at 31 December 2021 £
Chris O'Shea(1)	**319,407**	312,710
Kate Ringrose(1)(2)	**78,761**	43,670

(1) The retirement age for the CUPS DC scheme is 62.
(2) Kate Ringrose was appointed to the Board on 18 January 2021

Directors' interests in shares (number of shares) (audited)

The table below shows the interests in the ordinary shares of the Company for all Directors who served on the Board during 2022.

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

Executive Directors have a period of five years from appointment to the Board, or from any material change in the minimum shareholding requirement, to build up the required shareholding. Given the remuneration decisions that have been taken over the past three years, the Committee recognises that achieving the level of shareholding is challenging.

The Committee continues to keep both the shareholding requirement, and achievement against the shareholding requirement, under review and will take appropriate action should they feel it necessary.

A post-cessation shareholding requirement of 100% of the in-employment shareholding requirement (or full actual holding if lower) is applicable for two years post-cessation.

	Beneficially owned(1)	Shares subject to performance conditions	Shares vested but unexercised	Shares subject to continued service only(2)	Shares exercised in the year	Shareholding requirement (% of salary)	Current shareholding (% of salary)(3)
Executives							
Chris O'Shea(4)(5)	598,827	7,954,419	—	1,497,593	68,689	300	69
Kate Ringrose(5)	550,579	1,501,143	—	725,290	379,134	200	110
Non-Executives							
Carol Arrowsmith	49,286	—	—	—	—	—	—
Nathan Bostock	27,000	—	—	—	—	—	—
CP Duggal	—	—	—	—	—	—	—
Stephen Hester	20,700	—	—	—	—	—	—
Pam Kaur	—	—	—	—	—	—	—
Heidi Mottram	10,000	—	—	—	—	—	—
Kevin O'Byrne	40,000	—	—	—	—	—	—
Amber Rudd(6)	23,204	—	—	—	—	—	—
Scott Wheway	110,187	—	—	—	—	—	—

(1) These shares are owned by the Director or a connected person and they are not, save for exceptional circumstances, subject to continued service or the achievement of performance conditions. They include for Executives shares purchased in April 2022 with deferred AIP funds which have mandatory holding periods of three years and which will be subject to tax at the end of the holding periods.
(2) Shares owned subject to continued service include RSP shares awarded in 2022 and SIP free and matching shares that have not yet been held for the three-year holding period.
(3) The share price used to calculate the achievement against the guideline was 91.94 pence, the price on 31 December 2022.
(4) Chris O'Shea purchased 44,475 shares during the year. Due to LTIP awards granted in 2018 and 2019 not vesting, and the fact that Chris O'Shea has not received an Annual Incentive Plan payment with a corresponding deferred bonus award for the last three years, his shareholding is below the projected level. However, he will receive shares from the 2022 deferred bonus plan in March 2023, which will increase his achievement against the guideline to 159% of salary.
(5) During the period from 1 January 2023 to 15 February 2023 both Chris O'Shea and Kate Ringrose acquired 361 shares through the SIP.
(6) During the period from 1 January 2023 to 15 February 2023 Amber Rudd acquired 2,058 shares through the NED Share Purchase Agreement.

Share awards granted in 2022 (audited)

Set out below are details of share awards granted in 2022 to Executive Directors.

2022 RSP

	Plan	Award Type	Number of shares[1]	Basis of award % of salary	Face value of award £	Vesting date	Release date
Chris O'Shea	RSP	Conditional	1,496,336	150%	1,191,563	June 2025	June 2027
Kate Ringrose	RSP	Conditional	724,033	125%	576,563	June 2025	June 2027

(1) The number of shares awarded under the RSP was calculated by reference to a price of 79.6 pence, being the average of the Company's share price over the five trading days immediately preceding the date of grant of 23 June 2022.

The RSP award is measured against an underpin. If the Committee is not satisfied the underpin has been met, the Committee may scale back the awards (including to zero). In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any identified material risk or regulatory failures. Financial performance will include elements such as revenue, profitability, shareholder experience and return on capital. Non-financial performance will include a range of operational and strategic measures critical to the Company's long-term sustainable success.

For the 2022 award, the factors that the Committee will consider include, but are not limited to the following:

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

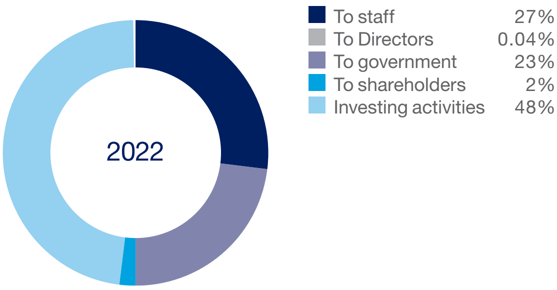
2022 Deferred AIP

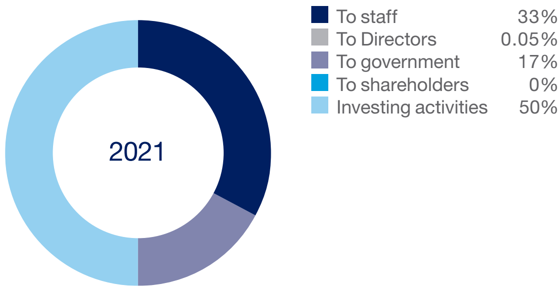
The 2022 AIP award was delivered 50% in cash and 50% in deferred shares, which were awarded on 1 April 2022. The face value of the award is based on the share price on the date of award, which was 79.65 pence. Deferred shares are not subject to further performance conditions and vest following a three-year holding period.

	Plan	Award Type	Number of shares	Face value of award £000	Vesting date
Kate Ringrose	AIP	Deferred shares	304,549	242,579	April 2025

2022 cash flow distribution to stakeholders

The Committee monitors the relationship between the Directors' total remuneration and cash outflows to other stakeholders. As demonstrated by the chart, the Directors' aggregate total remuneration for the year equates to 0.04% (2021: 0.05%) of the Group's operating cash flow.





Annual percentage change in remuneration of Directors and colleagues

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

	Percentage change from 2019 to 2020			Percentage change from 2020 to 2021			Percentage change from 2021 to 2022		
Executive Directors	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Chris O'Shea[(1)(2)(3)]	6.3	—	—	—	-28	—	2.5	-11.11	100
Kate Ringrose[(3)]	—	—	—	—	—	—	2.5	6.67	18.72
Non-Executive Directors									
Scott Wheway	268.8	—	—	—	—	—	—	—	—
Carol Arrowsmith	—	—	—	—	—	—	—	—	—
Nathan Bostock[(4)]	—	—	—	—	—	—	—	—	—
CP Duggal[(5)]	—	—	—	—	—	—	—	—	—
Heidi Mottram	—	—	—	27.8	—	—	—	—	—
Kevin O'Byrne[(6)]	—	—	—	—	—	—	20.51	—	—
Amber Rudd[(7)]	—	—	—	—	—	—	—	—	—
Average per colleague (excluding Directors)[(3)]	—	1.1	236.4	1.77	-10.27	16.25	1.89	—	17.82

(1) Chris O'Shea was appointed to the Centrica Board as Group Chief Financial Officer on 1 November 2018 and became interim Group Chief Executive with effect from 17 March 2020. He was appointed as Group Chief Executive on 14 April 2020. From 17 March until 31 December 2020, he elected to waive £100,000 of his salary.
(2) Chris O'Shea has not been paid a bonus since this disclosure has been included and therefore the payment of a bonus shows the percentage change of 100%.
(3) The comparator group includes all management and technical or specialist colleagues based in the UK in Level 2 to Level 6 (where Level 1 is the Executive and Non-Executive Directors). There are insufficient colleagues in the Centrica plc employing entity to provide a meaningful comparison. The colleagues selected have been employed in their role for full years to give meaningful comparison. The group has been chosen because the colleagues have a remuneration package with a similar structure to the Executive Directors, including base salary, benefits and annual bonus. The bonus number relating to 2022 colleagues is an estimate of the payments due to be made in March/April 2023.
(4) Nathan Bostock was appointed to the Board on 9 May 2022.
(5) CP Duggal was appointed to the Board on 16 December 2022.
(6) Kevin O'Byrne took on the role of Senior Independent Director from 1 June 2022.
(7) Amber Rudd was appointed to the Board on 10 January 2022.

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

CEO pay ratio

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

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

2022	Salary	Total pay and benefits
CEO remuneration	790,000	4,490,000
Colleague 25th percentile	25,709	35,073
Colleague 50th percentile	39,984	57,939
Colleague 75th percentile	41,124	63,705

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

The annual remuneration for the three identified colleagues has been calculated on the same basis as the CEO's total remuneration for the same period in the single figure table on page 88 to produce the ratios.

The ratio of CEO pay compared with the pay for the average colleague has increased in 2022 due to the disclosure of an annual bonus and an LTIP award for the CEO. The CEO has not received any payment from a long-term award since joining Centrica, nor an annual bonus since 2018. In 2022, a large proportion of CEO remuneration was delivered through the LTIP which was measured over a three-year performance period, from 2020-2022. The LTIP will be released in shares in 2026. In future, long-term incentives will be delivered to the CEO through the Restricted Share Plan which has a lower overall quantum, at 50% of the previous LTIP. The Company believes the ratios are appropriate given financial and business performance outcomes in 2022, and the size and complexity of the business.

Pay for performance

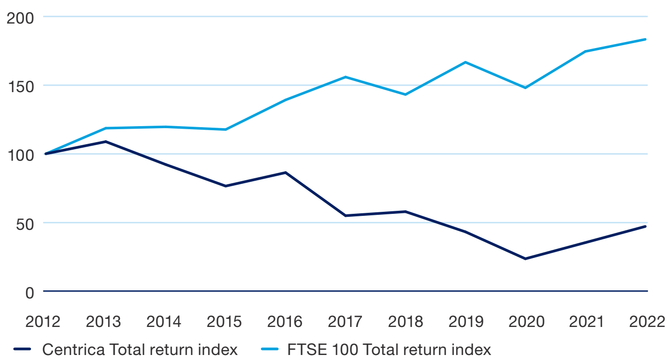
The table below shows the CEO's total remuneration over the last 10 years and the achieved annual short-term and long-term incentive pay awards as a percentage of the plan maximum.

	Chief Executive single figure for total remuneration £000	Annual short-term incentive payout against max opportunity %	Long-term incentive vesting against max opportunity %
Chris O'Shea			
2022	4,490	89.5	76
2021	875	0	0
2020	765	0	0
Iain Conn			
2020	239	0	0
2019	1,186	0	0
2018	2,335	41	18
2017	1,678	0	26
2016	4,040	82	0
2015	3,025	63	0
Sam Laidlaw			
2014	3,272	34	35
2013	2,235	50	0

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

The performance graph below shows Centrica's TSR performance against the performance of the FTSE 100 Index over the 10-year period to 31 December 2022. The FTSE 100 Index has been chosen as it is an index of similar-sized companies and Centrica has been a constituent member throughout the majority of the period.

Total return indices – Centrica and FTSE 100



Source: Datastream from Refinitiv

Fees received for external appointments of Executive Directors

There were no fees received for external appointments. Kate Ringrose represented Centrica as a non-executive director of EDF Energy Nuclear Generation Group Limited and Lake Acquisitions Limited. She received no fees or remuneration relating to these external appointments in 2022.

Relative importance of spend on pay

The table below shows the percentage change in total remuneration paid to all colleagues compared to expenditure on dividends and share buyback for the years ended 31 December 2021 and 2022.

	2022 £m	2021 £m	% Change
Share repurchase[1]	**43**	0	N/A
Dividends	**59**	0	N/A
Staff and employee costs[2]	**1,440**	1,247	15

(1) 47,201,133 shares were purchased during 2022 as part of the share buyback arrangement
(2) Staff and employee costs are as per note 5 in the notes to the Financial Statements.

Payments to past Directors (audited)

During 2022, no payments were made to past Directors with the exception of the payments disclosed in the single figure for total remuneration table on page 88.

Payments for loss of office (audited)

No payments for loss of office were made in 2022.

Advice to the Remuneration Committee

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

PwC also provided advice to Centrica globally during 2022 in the areas of employment taxes, regulatory risk and compliance issues and additional consultancy services.

PwC's fees for advice to the Committee during 2022 amounted to £132,900 which included the preparation for and attendance at Committee meetings. The fees were charged on a time spent basis in delivering advice that materially assisted the Committee in its consideration of matters relating to executive remuneration.

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

Statement of voting

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

Directors' Remuneration Policy

Votes for	%	Votes against	%
3,132,342,144	83.48	619,903,528	16.52

1,275,033 votes were withheld.

Directors' Remuneration Report

Votes for	%	Votes against	%
3,628,823,825	96.71	123,420,614	3.29

1,247,419 votes were withheld.

Implementation in the next financial year

Base salaries for Executive Directors were reviewed in January 2023 and the Committee determined that increases would be applied to the salary of the CEO and the Chairman of the Board. Salaries for the Non-Executive Directors were approved by the Board in December 2022 and the base fee was increased with effect from 1 January 2023. See further detail on page 89.

AIP awards will be in line with the limits set out in the Remuneration Policy table, not exceeding 200% of base salary. At least 75% of the award will be based on a mix of financial and business measures based on Centrica's priorities for the forthcoming year and up to 25% will be based on strategic and personal objectives. The financial targets will align with the Group Annual Plan.

The Committee carefully considered the impact of this year's exceptional movement in commodity prices on performance compared to the targets set at the start of the year. Even after excluding the positive impact of commodity prices on our infrastructure businesses this year, the underlying financial performance was still above the maximum level for the AIP. We intend to continue to exclude the impact of commodity prices on our infrastructure in future years.

The targets are considered commercially sensitive until the end of the financial year and will therefore be disclosed retrospectively in the Remuneration Report for 2023.

Restricted Share Plan (RSP) awards will be granted to the Executives. In line with the previous year the awards will be 150% of salary for the CEO and 125% of salary for the Group Chief Financial Officer.

The RSP awards will vest after three years, subject to a performance underpin, with an additional two-year post-vesting holding period.

In line with the Remuneration Policy, vesting will be contingent on the satisfaction of a discretionary underpin, assessed over a three-year period.

In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified. Financial performance will include elements such as revenue, profitability, shareholder experience and return on capital. Non-financial performance will include a range of operational and strategic measures critical to the Company's long-term sustainable success.

For the 2023 award, the factors that the Committee will consider include, but are not limited to the following:

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

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

Raj Roy
Group General Counsel & Company Secretary
15 February 2023

Directors' Remuneration Policy

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

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

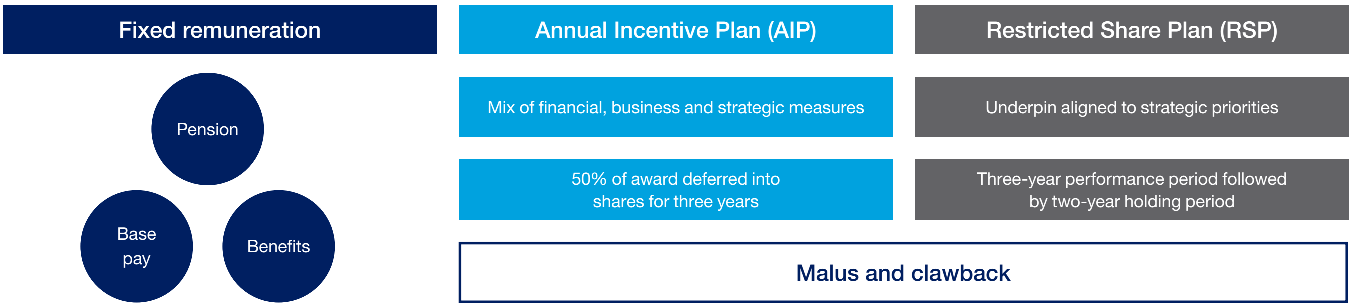
The Policy operated as intended in 2022.

Objectives of the Policy

The Policy aims to deliver remuneration arrangements that:

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

Summary of Policy design



How the Policy links to our Strategy

At Centrica we are strongly led by our Purpose – "to help customers live sustainably, simply and affordably". Our Strategy is driven by our Purpose and our enduring Values at Centrica underpin our delivery and culture. Whilst we have evolved our Strategy to help meet the challenges of today and prepare us for a net zero future, our Values remain firmly embedded in who we are and give direction to everything we do.

Further information on our Purpose and Values is set out on page 7.

We need to engage our leadership team to fulfil our Purpose and to ensure Centrica is focused on delivery and positioned for growth.

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

An RSP is the most appropriate long-term incentive vehicle for our Executives as it reduces the upper limit of payment and is aligned with our goal to simplify all aspects of our business. Potential payouts from restricted shares are far less variable than conventional long-term incentives.

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

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

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

Policy table for Executives

The following table summarises each element of the Policy for the Executives.

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

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

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

Notes to the Policy table

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Policy set out on pages 96 to 103, where the terms of the payment were agreed before the Policy came into effect, at a time when the relevant individual was not an Executive of the Company or, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive of the Company. For these purposes payments include the amounts paid in order to satisfy awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. This includes satisfying LTIP awards granted in accordance with historic remuneration policies.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Malus and clawback

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

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

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

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

Pension arrangements applying to Executives

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

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

CUPS is unfunded but the benefits are secured by a charge over certain Centrica assets. An appropriate provision in respect of the accrued value of these benefits has been made in the Company's balance sheet.

The Centrica Pension Plan (CPP) is a registered defined benefit plan which is closed to new members.

Discretion and judgement

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

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

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

Recruitment Policy

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

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

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

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

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

Service contracts

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

Executive Director	Date of appointment to role	Date of current contract	Notice from the Company	Notice from the individual
Chris O'Shea	1 November 2018	10 December 2020	12 months	12 months
Kate Ringrose	18 January 2021	17 January 2021	12 months	12 months

Termination policy

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

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

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

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

Pay fairness across the Group

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

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

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

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

The Group also offers a number of all-employee share schemes and Executives participate on the same basis as other eligible employees.

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

External appointments of Executives

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

Consideration of the UK Corporate Governance Code

As part of its review of the Policy, the Committee has considered the factors set out in provision 40 and provision 41 of the UK Corporate Governance Code 2018 (Code). In the Committee's view, the proposed Policy addresses those factors as set out below:

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

Non-Executive Directors' remuneration

Remuneration Policy

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

Remuneration Policy table

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

Current fee levels (applying from 1 January 2023)[(1)]:	
Chairman of the Board	up to £495,000
Basic fee for Non-Executives	£76,000
Additional fees	
Chair of Audit and Risk Committee	£25,000
Chair of Remuneration Committee	£20,000
Chair of Safety, Environment and Sustainability Committee	£20,000
Senior Independent Director	£20,000
Employee Champion	£20,000

(1) Non-Executive Director (NED) fee levels were reviewed in December 2022 and it was agreed the base fees would be increased by 4.8%. Further details can be found on page 89.

Recruitment policy

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

Terms of appointment

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

Non-Executive Director	Date of appointment to role	Date of re-appointment	Notice from the Company	Notice from the individual
Scott Wheway	1 May 2016	7 June 2022	6 months	6 months
Carol Arrowsmith	11 June 2020	7 June 2022	3 months	3 months
Stephen Hester	1 June 2016	7 June 2022	3 months	3 months
Pam Kaur	1 February 2019	7 June 2022	3 months	3 months
Amber Rudd	10 January 2022	7 June 2022	3 months	3 months
Nathan Bostock	9 May 2022	7 June 2022	3 months	3 months
CP Duggal	16 December 2022	–	3 months	3 months
Heidi Mottram	1 January 2020	7 June 2022	3 months	3 months
Kevin O'Byrne	13 May 2019	7 June 2022	3 months	3 months

Other Statutory Information

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The Directors submit their Annual Report and Accounts for Centrica plc, together with the consolidated Financial Statements of the Centrica group of companies, for the year ended 31 December 2022. The Directors' Report required under the Companies Act 2006 (the 'Act') comprises this Directors' and Corporate Governance Report (pages 56 to 106) including the TCFD section for disclosure of our greenhouse gas (GHG) emissions in the Strategic Report (page 52). The management report required under Disclosure Guidance and Transparency Rule 4.1.5 R comprises the Strategic Report (pages 2 to 54) (which includes the risks relating to our business), Shareholder Information (page 252) and details of acquisitions and disposals made by the Group during the year in note 12 (pages 156 to 158). The Strategic Report on pages 2 to 54 fulfils the requirements set out in Section 414 of the Act. This Directors' and Corporate Governance Report fulfils the requirements of the corporate governance statement required under Disclosure Guidance and Transparency Rule 7.2.1.

Articles of Association ('Articles')

The Company's Articles were adopted at the 2019 Annual General Meeting (AGM) and may only be amended by a special resolution of the shareholders. The Articles include various rules outlining the running and governing of the Company, for example rules relating to the appointment and removal of the Directors and how the Directors can use all of the Company's powers (except where the Articles or legislation says otherwise), for example in relation to issuing and buying back shares. The Articles can be found on our website centrica.com. The Company proposes to put amended Articles to its shareholders at the 2023 AGM. Further information on the changes will be published in the 2023 Notice of Meeting.

Centrica shares

Significant shareholdings

At 31 December 2022, Centrica had received notification of the following interests in voting rights pursuant to the Disclosure and Transparency Rules:

	Date notified	% of share capital(1)
BlackRock, Inc.	08.04.2022	5.25
Schroders Investment Management Limited	07.12.2022	5.00
Ameriprise Financial, Inc.	10.06.2022	<5%
Bank of America Corporation	22.11.2022	<5%

(1) Percentages are shown as a percentage of the Company's issued share capital when the Company was notified of the change in holding. As at 15 February 2023, the Company had received no further notifications. Copies of historic notifications and any notifications received since 15 February 2023, can be found on our website at centrica.com/rnsannouncements.

Share capital

The Company has a single share class which is divided into ordinary shares of 6 $^{14}/_{81}$ pence each. The Company was authorised at the 2022 AGM to allot up to 1,969,096,844 ordinary shares as permitted by the Act. A renewal of a similar authority will be proposed at the 2023 AGM. The Company's issued share capital as at 31 December 2022, together with details of shares issued during the year, is set out in note 25 to the Financial Statements on page 186.

Rights attaching to shares

Each ordinary share of the Company carries one vote. Further information on the voting and other rights of shareholders is set out in the Articles and in explanatory notes which accompany notices of general meetings, all of which are available on our website centrica.com. There are no shareholder agreements or restrictions in 2022.

Purchase of shares

As permitted by the Articles, the Company obtained shareholder authority at the 2022 AGM to purchase its own shares up to a maximum of 590,729,053 ordinary shares of 6 $^{14}/_{81}$ pence each. The Company commenced a share repurchase programme on 15 November 2022. As at 31 December 2022, 47,201,133 shares had been purchased under this authority (of which 45,714,883 shares had been settled) and 47,171,692 shares were held as treasury shares (of which 45,685,442 shares had settled). The shares purchased represent approximately 0.8% of the issued ordinary share capital at an aggregate cost of approximately £44 million (£43 million in respect of settled shares). Dividends are waived in respect of shares held in the treasury share account. Further details are set out in note S4 to the Financial Statements on page 208.

Shares held in employee benefit trusts

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

Employee participation in share schemes

The Company's all-employee share schemes are a long-established and successful part of our total reward package, encouraging the involvement of UK employees in the Company's performance through employee share ownership. We operate tax-advantaged Sharesave (SAYE) schemes in the UK and Ireland, and a Share Incentive Plan (SIP) in the UK, with good levels of take-up for all share plans across the Group. Currently, 14% of eligible employees participate in Sharesave and 32% of eligible employees participate in the SIP. In 2022 all eligible employees globally were awarded a Profit Share award under the SIP.

Other information

Directors' indemnities and insurance

In accordance with the Articles, the Company has granted a deed of indemnity, to the extent permitted by law, to the Directors of the Company. Qualifying third-party indemnity provisions (as defined by Section 234 of the Act) were in force during the year ended 31 December 2022 and remain in force. The Company also maintains directors' and officers' liability insurance for its Directors and officers. The Company has granted qualifying pension scheme indemnities in the form permitted by the Companies Act 2006 to the directors of Centrica Pension Plan Trustees Limited, Centrica Engineers Pension Trustees Limited and Centrica Pension Trustees Limited, that act as trustees of the Company's UK pension schemes.

Political donations

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

Payments policy

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

Significant agreements – change of control

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

The significant agreements of this kind include:

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

The Remuneration Policy sets out on page 101 details on the treatment of the Executive Directors' pay arrangements, including the treatment of share schemes in the event of a change of control.

Disclosures required under Listing Rule 9.8.4 R

The Company is required to disclose certain information under Listing Rule 9.8.4 R in the Directors' Report or advise where such relevant information is contained. All such disclosures are included in this Directors' and Corporate Governance Report, other than the following sections of the 2022 Annual Report and Accounts:

Information	Location in Annual Report	Page(s)
Capitalised interest (borrowing costs)	Financial Statements	150, note 8
Details of long-term incentive schemes	Remuneration Report	85 and 90

Directors' statements

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the Financial Statements on a going concern basis. The Group's business activities, together with factors that are likely to affect its future development and position, are set out in the Group Chief Executive's Statement on pages 4 to 6 and the Business Reviews on pages 22 to 25. After making enquiries, the Board has a reasonable expectation that Centrica and the Group as a whole have adequate resources to continue in operational existence and meet their liabilities as they fall due, for the foreseeable future.

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

Additionally, the Directors' Viability Disclosure, which assesses the prospects for the Group over a longer period than the 12 months required for the going concern assessment, is set out on pages 34 to 36. Further details of the Group's liquidity position are provided in notes 24 and S3 to the Financial Statements on pages 182 to 185 and 200 to 206.

Directors' responsibilities statement

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

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

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

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

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

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

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

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

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

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

Responsibility statement

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

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

The names of the Directors and their functions are listed on pages 62 and 64.

Information to the independent auditors

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

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

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

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

By order of the Board

Raj Roy
Group General Counsel & Company Secretary
15 February 2023