Remuneration Report

Dear Shareholder

This is my second Remuneration Report since joining the Board in June 2020. Last year I outlined the progress the Executives were making in starting to build the foundations to transform the Centrica business. This year, turning around our business against the backdrop of the ongoing COVID-19 pandemic, and an increasingly volatile energy market was never going to be easy, but I believe our leaders and colleagues have responded well to these challenges.

Reflecting on the year, it's pleasing to see the progress we've made to simplify and stabilise our company. We've materially strengthened the balance sheet, eliminating net debt by completing the Direct Energy disposal for £2.7bn and by focusing on operational cash generation. We took some big steps towards a simpler business model by continuing to delayer the organisation and by splitting the British Gas business into separate Services & Solutions and Energy businesses to allow better focus on the different challenges faced by each business.

We've also taken a major step towards moving away from exploration and production by agreeing the sale of the Norwegian assets in Spirit Energy in a way which removes a substantial element of decommissioning liabilities and keeps assets that may serve the UK on its green journey. This is a great example of delivering the right outcome for shareholders and wider stakeholders.

Modernising the complex legacy of colleagues' terms and conditions has proved the most challenging step in our transformation to date. The scale of change needed to permit more customer focussed ways of working was always going to be difficult. We sought to be fair and reasonable but recognise and regret the impact on some of our colleagues and customers.

Through this challenging year the Executive team has continued to promote quality engagement with our colleagues which is crucial to delivering our turnaround. We set ourselves a very stretching cumulative target of increasing engagement by 30 percentage points over three years. I am delighted that we have managed to increase engagement to 55% at the end of the fourth quarter, an increase of 13 percentage points. Our target remains to get to 70% by the end of 2023.

It was also pleasing to see that over 2021, the company's total shareholder return grew significantly, rising by 53% compared to the FTSE 100 index increasing 18% over the same time period, as all the various changes start to restore the company's value.

Performance outcomes for the year

The Centrica leadership team has navigated a volatile wholesale market, rescuing over 700,000 customers from failed suppliers, whilst continuing to face the disruption caused by the global pandemic. The assessment of annual performance for this team is 75% based on business performance and the remaining 25% based on strategic and individual targets. The business element for the year was split equally between a financial target, earnings per share (EPS), and the outcome of the balanced business scorecard. EPS for 2021 was 4.1p which was the level set by the Committee for maximum achievement. The balanced scorecard has 9 financial measures and 6 strategic measures – of these 15 measures, 12 were met and 3 were missed.

Despite the raw numbers supporting a higher number, management and the Committee agreed that a downward adjustment was appropriate, given the uplift from higher commodity prices. Therefore, the Committee has agreed the group performance outcome is between target and maximum. This results in an outcome for the Executive Directors of 150% of maximum for the financial element of the annual bonus plan.

Two Executive Directors were eligible to be considered for a bonus payment in respect of 2021, the Group Chief Executive, Chris O'Shea and the Group Chief Financial Officer, Kate Ringrose.

Our Group Chief Executive, Chris O'Shea, has driven the performance of the business and the Board considered that he had performed exceptionally well throughout 2021. In addition to the achievements set out above, Chris has been instrumental in reshaping the business, divesting Direct Energy at the beginning of the year and progressing the planned disposal of Spirit Energy's Norwegian business towards the end of the year. This has allowed Chris to focus on the core businesses, establishing a new leadership team who will drive performance in the remaining businesses through 2022. Chris has also played a key role working with stakeholders to ensure the smooth transition of customers from failing suppliers. Based on an assessment of personal objectives over the year which covered leadership, balance sheet stability, repositioning the remainder of the portfolio and driving a performance culture, the Committee determined that an outcome of above target, at 150%, under the personal objectives element of the annual bonus was appropriate.

Our Group Chief Financial Officer, Kate Ringrose, has settled into her new role well in what has been a very volatile year, building on her deep, detailed knowledge of the business. She has been a key contributor to the leadership team and has done well in establishing herself as a credible CFO both with the Board and the financial markets. Kate's enthusiasm, willingness to listen, and ability to act on feedback augurs well for 2022.

Based on an assessment of personal objectives over the year which covered leadership, building strength in the finance function, ensuring the balance sheet finished the year in a strong position maintaining the credit rating and pension covenant ratings, Kate performed strongly. Active management of credit and cash flexibility have been used to good effect in the volatile commodity environment and the Committee determined that an outcome of above target, at 125%, under the personal objectives element of the annual bonus was appropriate.

Upon careful consideration, and review of the external environment including the increasing energy costs to our customers, Chris has decided that his own bonus should not be paid given the hardships faced by our customers. The Committee and I would like to thank Chris for this selfless act. This is particularly commendable as he earned a bonus for 2019 that was not paid as the pandemic emerged and he would have been entitled to a payment last year in respect of 2020 which was also not paid.

However, it is important to recognise that this is not sustainable and the Committee is clear that if performance justifies a bonus in the coming year it is our intention to pay that bonus.

Long Term Incentive Plan (LTIP) 2019-2021

For the third year in succession, the Committee exercised its discretion to reduce to zero the overall vesting of the 2019-2021 LTIP award as, although a number of the non-financial KPI targets had been achieved, the financial measures were not met over the three-year performance period.

New Executive Remuneration Policy

In last year's letter to shareholders, I noted that it was our intention to submit a Policy for approval at the 2021 AGM that was largely unchanged, with the exception of small changes to reflect the UK Code requirements and a better alignment of our Policy with best practice. I am pleased that we received a vote in favour of this Policy of over 94%. We committed to conduct a thorough review of remuneration for the Executive Directors and the senior leadership team during 2021 and to seek approval for a new Policy at the 2022 AGM.

Over the past year, the Committee has undertaken a detailed review of Executive Director remuneration, in particular the long-term incentive structure.

At the outset the Committee considered a number of alternative long-term remuneration structures. Over the summer, we carried out an initial consultation with our major shareholders. To ensure we received appropriate input as we determined the best approach, we included all the models but guided our shareholders to two principal models for the long-term incentive. These were: retaining the current structure of long-term share awards with a three-year performance period and a maximum award of 300% of salary for the Group Chief Executive or introducing a restricted share plan with annual awards of up to 150% of salary for the Group Chief Executive. The latter would provide an exceptional application of discretion to avoid the circumstances of a full payment when the experience of stakeholders was very poor. The conversations with shareholders were immensely helpful to guide our decision-making process and I am very grateful for all the views provided.

A number of our shareholders are keen advocates of the use of restricted shares providing the important design considerations around a reduction in quantum of 50% and an acceptable vesting and holding period are applied.

We believe that this needs to be coupled with an accelerated build-up of shareholding where the Executive Directors would be required to hold all incentive shares, post-tax, until their shareholding requirement was reached. The shareholding requirements themselves are set at levels above the value of an allocation of shares and above market practice for businesses of our size.

Having taken into account the input provided by our major shareholders during our initial consultation, the Committee determined that a Restricted Share Plan (RSP) was the most appropriate structure for Centrica's Executive Directors going forward.

After further work and consideration, the Committee refined the proposed Policy detail and in November, we provided a more final version of our proposals to our major shareholders for their input and feedback. We, once more, received very helpful contributions to allow us to progress and finalise the Policy.

Proposed long-term incentive structure

It is proposed that the RSP will vest over three years, subject to a performance underpin framework, with a further two year holding period.

Our rationale for this approach is:

- As we restore shareholder value and work to deliver growth in both customers and profit, the RSP would ensure a large proportion of our executives' pay is based on direct and uninhibited share price movement. The simplification of pay in this manner also aligns to our overall strategic goal of simplification across all aspects of the business.
- Potential pay-outs from restricted shares are far less variable than conventional long-term incentives. We believe this is more appropriate given the regulatory environment within which Centrica operates with a more limited acceptable range of performance outcomes than in many other companies.
- The next few years are likely to represent significant uncertainty for the business, as we continue to reshape, re-prioritise and drive towards net zero. Setting long-term performance targets within this context that appropriately accommodate this volatility and uncertainty will be very challenging.
- We operate an RSP for our colleagues below senior management and this approach therefore creates alignment between our Executive Directors and our senior colleagues.

It is proposed that vesting 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 and progress towards our Climate Transition Plan.

Other changes to the Remuneration Policy

The Committee proposes to make the following changes to shareholding requirements to further increase alignment between our Executive Directors and shareholders:

- Executive Directors will be required to hold 100% of vested incentive shares until the shareholding requirement is met, increased from 75% under the current Policy. The current shareholding requirement of 300% of salary for the Group Chief Executive is above comparative market levels but will remain as is. The shareholding requirement for the Group Chief Financial Officer will be set at 200% of salary.
- The post-employment shareholding requirement will be increased to 100% of the in-role shareholding requirement (or actual shareholding on departure if lower) for a period of 2 years post-employment, increased from 50% in the current Policy.
- Only shares earned from vested incentives will be included within the post-employment shareholding requirement so as not to disincentivise Executives from purchasing additional shares in the company.

We believe the proposed changes to our Policy are in the best interests of our shareholders and will allow us to appropriately motivate and recognise executive performance within the context of the challenges ahead of us, whilst ensuring that their experience is aligned to yours.

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
23 February 2022

Role of the Remuneration Committee

The role of the Committee continues to be ensuring that the Directors, the Senior Executive Group and the Chairman of the Board are appropriately rewarded, through making recommendations regarding remuneration policy and framework. The Terms of Reference further extend the Committee's remit to include greater responsibility for understanding how pay and conditions align across the Group.

The Committee monitors and reviews the effectiveness of the Remuneration Policy and considers its impact and compatibility with remuneration policies across the wider workforce. To facilitate this remit, the Committee is provided with information and context on pay, benefits and incentive structures in place across the Group to support its decision-making.

Membership and attendance

The Committee is chaired by Carol Arrowsmith, an Independent Non-Executive Director. Each member of the Committee is independent. No Director is involved in the determination of, or votes on, any matters relating to his or her own remuneration.

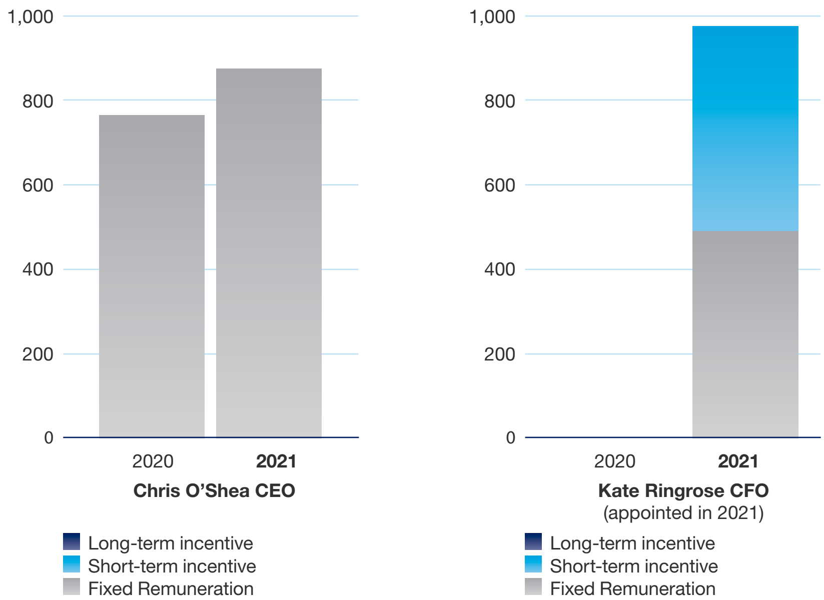
The Chairman of the Board, the Group Chief Executive, the Chief People Officer and the Group Head of Reward are normally invited to attend each Committee meeting to provide advice and guidance, other than in respect of their own remuneration.

Directors' Annual Remuneration Report

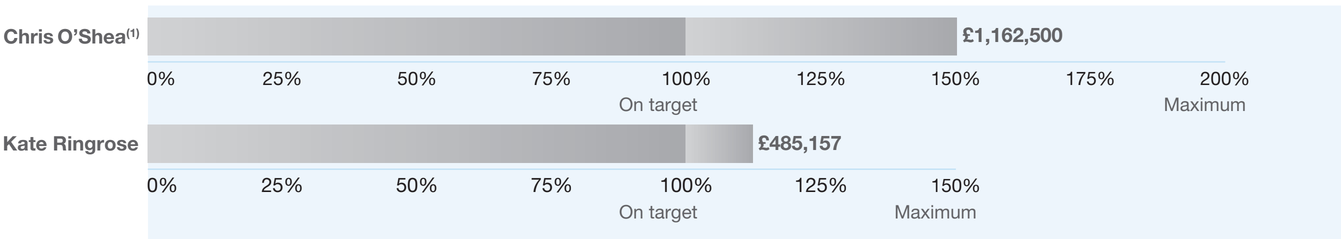
Directors' remuneration in 2021

This report sets out information on the remuneration of the Directors for the financial year ended 31 December 2021.

Summary of total remuneration received in 2020 and 2021 (£000)



Annual Incentive Plan Outcomes for 2021



(1) As disclosed on page 71 and 72, after careful consideration, Chris O'Shea has decided that his own bonus should not be paid given the hardships faced by our customers.

Single figure for total remuneration (audited)

Executives £000	Salary/ fees	Bonus (cash)	Bonus (deferred)	Benefits[1]	LTIPs[2]	Pension[3][4]	Total	Total fixed remuneration	Total variable remuneration
2021									
Chris O'Shea	**775**	**–**	**–**	**18**	**–**	**82**	**875**	**875**	**–**
Johnathan Ford[5]	**24**	**–**	**–**	**1**	**–**	**2**	**27**	**27**	**–**
Kate Ringrose[6]	**432**	**243**	**243**	**15**	**–**	**44**	**977**	**491**	**486**
Total	**1,231**	**243**	**243**	**34**	**–**	**128**	**1,879**	**1,393**	**486**
2020									
Chris O'Shea	659	–	–	25	–	81	765	765	–
Johnathan Ford[5]	275	–	–	10	–	28	313	313	–
Kate Ringrose[6]	–	–	–	–	–	–	–	–	–
Total	934	–	–	35	–	109	1,078	1,078	–

(1) 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.
(2) The LTIP award for the 2019-21 performance period will lapse. Further details are set out on page 76.
(3) 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 0.7% in 2021 (1.5% in 2020).
(4) Johnathan Ford received a salary supplement in lieu of a pension contribution, of 10% of base salary.
(5) Johnathan Ford stepped down from the Board on 18 January 2021.
(6) Kate Ringrose was appointed to the Board on 18 January 2021.

Single figure for total remuneration (audited)

£000	Salary/fees 2021	Salary/fees 2020	Total 2021	Total 2020
Non-Executives				
Scott Wheway	**410**	343	**410**	343
Carol Arrowsmith	**93**	51	**93**	51
Joan Gillman[(1)]	**10**	93	**10**	93
Stephen Hester	**93**	93	**93**	93
Pam Kaur	**73**	73	**73**	73
Heidi Mottram	**93**	73	**93**	73
Kevin O'Byrne	**98**	98	**98**	98
Total	**870**	824	**870**	824

(1) Joan Gillman stepped down from the Board on 8 February 2021.

Payments for loss of office (audited)

No payments for loss of office were made in 2021.

Base salary/fees

Base fees for the Group Chief Executive (CEO) and the Group Chief Financial Officer (CFO) were reviewed by the Committee in February 2022. At that time, the expected average level of salary increases across the wider UK workforce was 2.5% with some restrictions in place for colleagues who were currently paid above the median of the salary range for their job profile, or for collective colleagues who were currently paid above the payspine rate for their role.

Taking into consideration the increases across the wider workforce, and salary benchmarking data for similar Executive roles commensurate in size and complexity with Centrica, the Committee determined that the salary for the CEO would be increased by 2.5% to £794,375 and the salary for the CFO would be increased by 2.5% to £461,250.

Non-Executive Director fee levels were reviewed in December 2021 and it was agreed that no changes would be made to the base fees or the Committee Chairman fees.

Base fees for Non-Executives were last increased on 1st January 2016 and will continue to be reviewed at least every two years.

Bonus – Annual Incentive Plan (AIP)

In line with the Remuneration Policy, 75% of the award was based on a mix of financial measures based on Centrica's priorities for 2021 and 25% was based on strategic and personal objectives.

The Committee agreed that half of the financial performance measures for 2021 would be based on an Earnings per Share (EPS) target with a defined threshold, target and maximum, as follows:

	Threshold	Target	Max	Outcome
EPS	2.1p	3.1p	4.1p	4.1p

The EPS outcome was 4.1p which was the level for maximum achievement set by the Committee.

In addition, the Committee agreed a balanced scorecard for the remaining financial element of the annual bonus plans plus additional measures to be considered in the determination of individual strategic objectives for 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, with management, would consider the overall outcome against the balanced scorecard to determine the remaining half of the financial measures for the AIP.

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

	Measure	Target	Outcome	
Group	Adjusted Operating Profit	£522m	£948m	▲
	Free Cash Flow	£633m	£873m[(1)]	▲
	Net (Debt)/ Cash	£(726)m	£680m	▲
	Credit Rating	Maintain credit rating required to support business activities	Maintained and negative watch removed	▲
Bord Gáis	Cost to serve	€84 per customer	€90	▼
BG S&S	Cost per customer	£329 per customer	£338	▼
BG Energy	Cost to serve	£101 per customer	£93	▲
CBS	Order Intake	£463m	£490m	▲
EM&T	Opex: GM Ratio	60%	52%	▲

(1) Free cash flow has been adjusted downwards to reflect tax payable in 2022 for 2021 profits, relating to the upstream business.

The Committee carefully considered the maximum result against the EPS target, and the achievement of the majority of the balanced scorecard measures, and determined that a downward adjustment to the overall outcome was appropriate, given the uplift received from higher commodity prices. Therefore, the Committee agreed that the group performance outcome would be halfway between target and maximum.

Each Executive had a set of stretching personal objectives which included key non-financial performance indicators (KPIs) that were critical to the success of the business in 2021. The KPIs were cascaded to the business and functional leaders to ensure a strong line of sight to key priorities through the organisation. The KPI metrics and outcomes were as follows:

Measure	Targets	Outcome	
Customer numbers	9,778,000 unique customers	10,067,000 unique customers	▲
Colleague engagement	Improve by 10 percentage points	Up 13 percentage points	▲
Transformation	Successfully conclude the Terms and Conditions change and the industrial relations dispute	Successfully concluded albeit with some industrial action	▲
Transformation	Progress the migration of UK energy customers from SAP to the new energy platform	Migration paused due to planning issues	▼
Pension Valuation	Progress the 2021 Triennial Pension Valuation in a way which balances the interests of the Company, members and pensioners	Good progress made	▲
M&A	Deliver M&A programme in a way that maximises value for the Company and advances the strategic simplification of Centrica	Completion of Direct Energy and Peterborough Power Station Sale and progress on delivery of Spirit transaction	▲

In addition to the performance set out above, Chris O'Shea has been instrumental in reshaping and simplifying the business. He has established a new leadership team that will drive performance in the remaining core businesses through 2022 and beyond. Chris has also played a key role working with stakeholders to ensure the smooth transition of customers from failing suppliers. Based on an assessment of achievement against strategic and personal objectives during the year, including leadership, balance sheet stability and driving a performance culture, the Committee determined that an outcome of above target, at 150% of maximum, under the personal objectives element of the annual bonus was appropriate. The overall bonus outcome for the CEO was therefore a payment of £1,162,500. As reported in the Chairman's letter, Chris has decided that this bonus should not be paid given the hardships faced by our customers as a result of the increasing energy costs.

Kate Ringrose has quickly established herself as a credible CFO both with the Centrica Board and the financial markets. During the year she strengthened the finance function, ensuring the balance sheet finished the year in a strong position and credit ratings were maintained. The management of cash and credit flexibility were optimised in the volatile commodity environment. Based on an assessment of achievement against strategic and personal objectives during the year, the Committee determined that an outcome of above target, at 125% 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 £485,157.

Long-term incentive awards due to vest in 2022

Performance conditions

The performance conditions relating to the three-year period ending in 2021 are set out below, together with an explanation of 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)	33.3%	FTSE 100 median	FTSE 100 upper quartile	Below median
Underlying adjusted operated cash flow (UAOCF) growth	22.2%	CAGR 2%[1]	CAGR 5%[1]	-13.9%
Absolute aggregate Economic Profit (EP)	22.2%	£1,625m	£2,125m	£673m
Non-financial KPI improvement	22.2%	See below	See below	See below

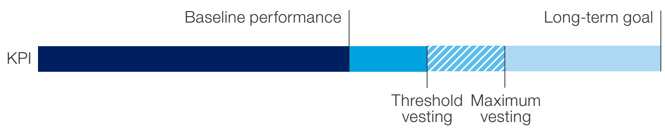
(1) Compound annual growth rate.

Centrica's TSR during the three-year performance period was -49.8%, compared with the required threshold level of 19.9%, therefore the TSR portion of the LTIP award granted in 2019 will not vest.

Both the UAOCF growth and the absolute aggregate EP threshold targets were not met and therefore these two portions of the LTIP award granted in 2019 will not vest.

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:



For each LTIP cycle 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 2019-21 cycle were:

	Baseline performance 2021	Targets: Threshold	Targets: Maximum	Targets: Long-term goal	Outcomes
Safety					
Total recordable injury frequency rate (TRIFR)[1]	**1.04**	0.85	0.45	0.25	1.07
Tier 1 and Tier 2 process safety event frequency rate[1]	**0.00**	0.073	0.065	0.05	0.20
Customer satisfaction Aggregate brand NPS across our customer businesses weighted by customer numbers	**+8.7**	+16.33	+17.55	+16	+13.0
Complaints per 100,000 customers across our customer businesses weighted by customer accounts	**3,040**	3,041	2,653	2,159	4,929
Colleague engagement (percentage favourable)	**41**	51.5	60.0	77	55

(1) Per 200,000 hours worked.

Overall performance outcome

Although a number of the non-financial KPI targets were achieved over the three-year period, the Committee exercised its discretion to reduce to zero the overall vesting of the 2019-21 LTIP award as the financial measures were not met over the performance period against each measure.

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 2021 the average pension contribution rate was 10-13% of base salary.

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 2021 £	Total notional pension fund as at 31 December 2020 £
Chris O'Shea(1)	**312,710**	229,466
Kate Ringrose(1)(2)	**43,670**	–

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

Executive Director recruitment and terminations

Johnathan Ford

Johnathan Ford resigned from his role on 18 January 2021 and Centrica waived its right to contractual notice. Therefore, all remuneration entitlement ceased from his leave date of 31 January 2021, with no further payments due to be made after this date. He will not be entitled to receive a bonus payment for 2021.

Kate Ringrose

On 18 January 2021, Kate Ringrose was appointed Group Chief Financial Officer. Her remuneration package consisted of a base salary and variable incentive arrangements which were in line with Centrica's remuneration policy and practice. The base salary was set at £450,000 per annum and the pension contribution was set at 10% of base salary. It was confirmed that the annual bonus maximum award would be 150% of salary and the initial annual LTIP grant would be 175% of salary.

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

The table below shows the interests in the ordinary shares of the Company for all Directors on the Board at 31 December 2021.

For Executive Directors only, the minimum shareholding requirement is 300% 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, at 300% of salary, is challenging.

A post-cessation shareholding requirement of 50% of the full shareholding requirement (or full actual holding if lower) is applicable for two years post-cessation.

	Shares owned as at 31 December 2020(1)	Shares owned as at 31 December 2021(1)	Minimum shareholding guideline (% of salary)	Achievement as at 31 December 2021 (% of salary)(2)	Shares owned (subject to continued service) as at 31 December 2021(3)
Executives					
Chris O'Shea(4)	489,251	**580,574**	300	**54**	**792**
Kate Ringrose(4)	–	**40,796**	300	**6**	**792**

	Shares owned as at 31 December 2020(1)	Shares owned as at 31 December 2021(1)
Non–Executives		
Scott Wheway	110,187	**110,187**
Carol Arrowsmith	–	**49,286**
Stephen Hester	20,700	**20,700**
Pam Kaur	–	**–**
Heidi Mottram	–	**–**
Kevin O'Byrne	40,000	**40,000**

(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 2019 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) The share price used to calculate the achievement against the guideline was 71.50 pence, the price on 31 December 2021.
(3) Shares owned subject to continued service include SIP matching shares that have not yet been held for the three-year holding period.
(4) During the period from 1 January 2022 to 10 February 2022 both Chris O'Shea and Kate Ringrose acquired 435 shares through the SIP.

Executive Directors interests in shares (number of shares) subject to Company performance conditions

The table below shows the performance share awards that were granted in respect of 2020 and 2021 to Executive Directors under the LTIP. These awards are subject to the achievement of Company performance conditions before vesting and there is a mandatory two-year holding period following the vesting date before the shares can be released.

	Plan	Number of shares	Basis of award % of salary	Face value of award £000	Vesting date	Release date
Chris O'Shea	LTIP	3,522,471	250%	1,938	May 2024	May 2026
	LTIP	4,431,948	300%	2,325	June 2024	June 2026
Kate Ringrose	LTIP	1,501,143	175%	788	June 2024	June 2026

Share awards granted in respect of 2021 (audited)

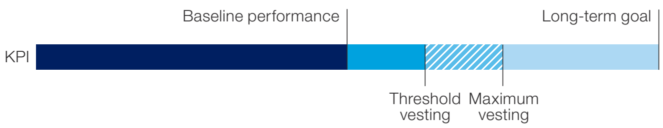
The following targets will apply to the LTIP awards for the three-year performance period 2021-23.

		Targets	
Measures	Weightings	Threshold (25%)	Maximum (100%)
TSR	33.3%	median	upper quartile
Cumulative EPS	22.2%	7.5p	10.5p(1)
Cash conversion	22.2%	EBITDA to OCF of 85%	EBITDA to OCF of 100%
Non-financial KPI improvement	22.2%	See below	See below

(1) 3 year cumulative EPS

Vesting between stated points will be on a straight-line basis.

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



For each LTIP cycle we expect the KPI performance gap to close by 25% for threshold vesting and 50% for maximum vesting.

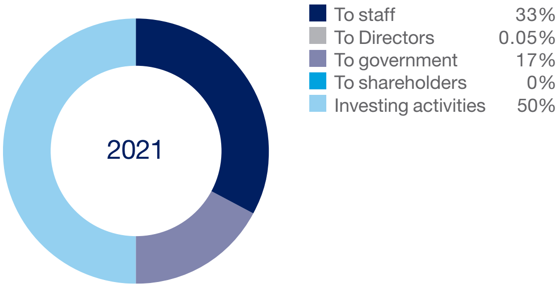
The KPI measures and targets are:

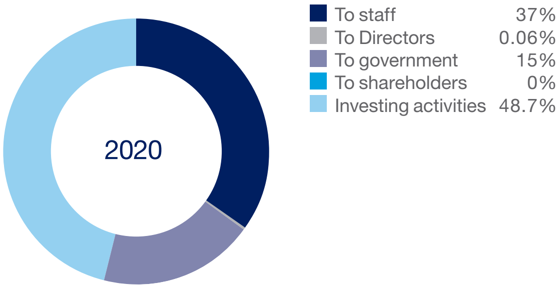
		Targets		
	Current performance	Threshold	Maximum	Long-term goal
Safety				
Total recordable injury frequency rate (TRIFR)(1)	**1.03**	0.85	0.65	0.25
Customer satisfaction				
Aggregate brand NPS across our customer businesses weighted by customer numbers	**+8.69**	+10.52	+12.35	+16
Complaints per 100,000 customers across our customer businesses weighted by customer accounts	**3,040**	2,820	2,600	2,159
Colleague engagement	**41%**	45%	54%	77%

(1) Per 200,000 hours worked.

2021 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 0.05% (2020: 0.06%) of the Group's operating cash flow.





Annual percentage change in remuneration of directors and employees

The table below shows the percentage changes (on a full-time equivalent basis) in the Executive and Non-Executive Directors' remuneration between the financial years ended 31 December 2020 and 31 December 2021 compared to the amounts for full-time employees of the Group for each of the following elements of pay:

	Percentage change from 2019 to 2020			Percentage change from 2020 to 2021		
Executive Directors	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Chris O'Shea[(1)]	6.3	0	0	0	-28.0	0
Kate Ringrose[(2)]	–	–	–	–	–	–
Non-Executive Directors						
Scott Wheway	268.8	–	–	0	–	–
Carol Arrowsmith	–	–	–	0	–	–
Joan Gillman	0	–	–	0	–	–
Stephen Hester	0	–	–	0	–	–
Pam Kaur	0	–	–	0	–	–
Heidi Mottram[(3)]	–	–	–	27.8	–	–
Kevin O'Byrne	0	–	–	0	–	–
Average per employee (excluding Directors)[(4)]	0	1.1	236.4	1.77	-10.27	16.25

(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) Kate Ringrose was appointed as Group Chief Financial Officer on 18 January 2021.
(3) Heidi Mottram was appointed SESC Chair on 1 January 2021.
(4) The comparator group includes all management and technical or specialist employees based in the UK in Level 2 to Level 6 (where Level 1 is the Executive and Non-Executive Directors). There are insufficient employees in the Centrica plc employing entity to provide a meaningful comparison. The employees selected have been employed in their role for full years to give meaningful comparison. The group has been chosen because the employees have a remuneration package with a similar structure to the Executive Directors, including base salary, benefits and annual bonus. The increase in the benefits between 2019 and 2020 represents the increase in the healthcare plan costs. The increase in the bonus between 2019 and 2020 is due to the fact that cash bonuses relating to 2019 for non-customer facing employees were cancelled. The bonus number relating to 2021 is an estimate of the payments due to be made in March/April 2022.

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

CEO pay ratio	25th percentile	50th percentile	75th percentile
2021	29:1	24:1	15:1
2020	32:1	15:1	14:1
2019	34:1	29:1	22:1
2018	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.

The Company has used its gender pay gap data (Option B in the Directors' Reporting Regulations) to determine the employees 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 employees immediately above and below the identified employee at each quartile within the gender pay gap analysis.

The annual remuneration for the three identified employees has been calculated on the same basis as the CEO's total remuneration for the same period in the single figure table on page 74 to produce the ratios.

The ratios in 2021 are broadly in line with the ratios for 2020. The 25th percentile is now mainly customer experience roles as the engineer roles previously at this level have moved to the median which has meant a change at both the 25th percentile and 50th percentile.

Pay for performance

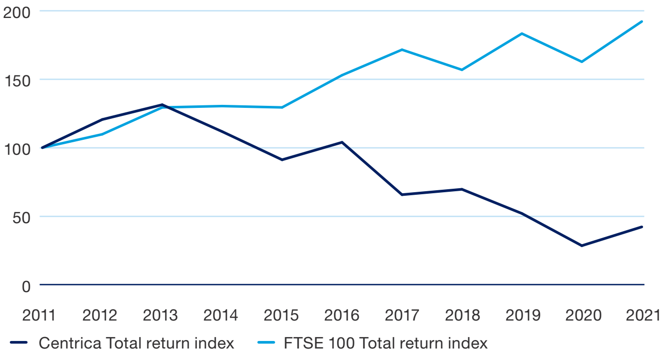
The table below shows the CEO's total remuneration over the last ten years and the achieved annual short-term and long-term incentive pay awards as a percentage of the plan maximum.

	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			
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
2012	5,709	61	67

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 2021. 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 2021.

Relative importance of spend on pay

The table below shows the percentage change in total remuneration paid to all employees compared to expenditure on dividends and share buyback for the years ended 31 December 2020 and 2021. There are no share buyback arrangements.

	2021 £m	2020 £m	% Change
Dividends	**0**	0	0
Staff and employee costs[1]	**1,247**	1,577	-21

(1) Staff and employee costs are as per note 5 in the notes to the Financial Statements.

Payments to past Directors (audited)

During 2021, no payments were made to past Directors with the exception of the payments disclosed in the single figure for total remuneration table on page 74.

Advice to the Remuneration Committee

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

PwC also provided advice to Centrica globally during 2021 in the areas of employment taxes, regulatory risk and compliance issues and additional consultancy services.

PwC's fees for advice to the Committee during 2021 amounted to £166,150 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 advisers. 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 2021 AGM, was as follows:

Directors' Remuneration Policy

Votes for	%	Votes against	%
3,452,985,721	94.30	208,890,057	5.70

38,449,626 votes were withheld.

Directors' Remuneration Report

Votes for	%	Votes against	%
3,516,916,505	95.16	178,887,714	4.84

4,457,830 votes were withheld.

Implementation in the next financial year

Base salaries for Executive Directors were reviewed in February 2022 and the Committee determined that an increase of 2.5% would be applied to the salary of the Group Chief Executive and the Group Chief Financial Officer on 1st April 2022. This aligns with increases being awarded across the wider workforce.

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 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 targets are considered commercially sensitive until the end of the financial year and will therefore be disclosed retrospectively in the Remuneration Report for 2022.

Subject to the approval of the new Remuneration Policy, set out on pages 82 to 94, at the AGM in 2022, Restricted Share Plan (RSP) awards will be granted to the Executives. It is proposed that the awards will be 150% of salary for the Group Chief Executive and 125% of salary for the Group Chief Financial Officer.

While our previous policy stated the maximum opportunity under the Long-Term Incentive Plan (LTIP) was 300% of salary for all Executive Directors, in practice, in both 2018 and 2019, CFO LTIP awards were 250% of annual salary. In 2020 there was no incumbent at the point of grant.

When our CFO came into role the first LTIP award granted in 2021 of 175% of salary was set at a level below market and below historic Centrica CFO levels. Had we proposed to retain the LTIP, the Committee intended to return to the historic approach to the LTIP award level of 250% of salary. To this end, the Committee determined the 50% discount be applied to this award level resulting in a RSP award level of 125% of salary.

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

It is proposed that 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 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.

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

Raj Roy
Group General Counsel & Company Secretary
23 February 2022

Director's Remuneration Policy

The Centrica Remuneration Policy was last approved by shareholders at the 2021 AGM. This was largely unchanged from the Policy approved in 2018, however at that time we indicated our intention to conduct a thorough review of remuneration for the Executive Directors and the senior leadership team during 2021.

This section contains Centrica's proposed Directors' Remuneration Policy (Policy) that will govern and guide the Group's future remuneration payments. The Policy described in this section is intended to apply for three years, subject to shareholder approval at Centrica's 2022 AGM.

Objectives of the Policy

The proposed 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.

Key changes to the Policy

In reviewing the Policy, the Committee consulted extensively with shareholders and aimed to devise 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 face going forward.

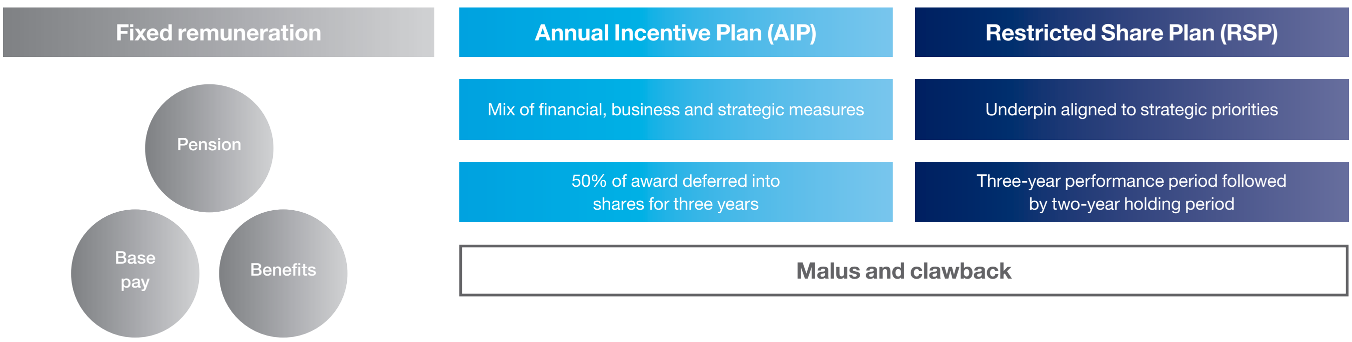
Further details on the rationale for the proposed changes are described in the Committee Chair's letter on pages 71 to 73. Details on how the Policy will be implemented in the coming financial year are provided on pages 82 to 94.

The main change to the Policy is the replacement of the Long Term Incentive Plan (LTIP) with a Restricted Share Plan (RSP), which reflects a reduction in quantum and for which vesting three years from grant is subject to the assessment of an underpin. Awards are subject to a two-year post-vest holding period. Further details are set out on page 85.

In addition to the above, the Committee will make the following changes to shareholding requirements to further increase alignment between our Executive Directors and shareholders:

- Executive Directors will be required to hold 100% of vested incentive shares (net of tax) until the shareholding requirement is met, increased from 75% under the current Policy. The current shareholding requirement of the CEO of 300% of salary is above comparative market levels and will remain as is. The shareholding requirement for the CFO will be set at 200% of salary.
- The post-employment requirement will be increased to 100% of the in-role shareholding requirement (or actual shareholding on departure if lower) for a period of 2 years post-employment, increased from 50% in the current Policy.

Summary of Policy design



How the policy links to our strategy

Our near-term strategic objectives are set out on page 11.

"We are focused on turning Centrica around resulting in a stronger core business with a robust balance sheet enabling us to build on our longer-term growth ambitions in the areas in which we have distinctive capabilities – energy supply, services and solutions, energy trading, optimisation and energy assets."

Our revised policy has been designed to support our strategic direction, to enable us to engage our leadership team in the continuing transformation of Centrica.

An RSP is the most appropriate incentive vehicle for our Executive Directors 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.

As we restore shareholder value and work to deliver growth in both customers and profit, 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.

Remuneration Policy Table for Executive Directors

The following table summarises each element of the Remuneration Policy for the Executive Directors, explaining how each element operates and the link to the corporate strategy.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures	Changes
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 Director; • 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.	Removal of maximum salary for Executive Directors. Salary increases will usually be in line with the other employees of the Group.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures	Changes
Annual Incentive Plan (AIP) Designed to incentivise and reward the performance of individuals and teams 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. The Committee will have the discretion to adjust AIP outcome if it believes the outcome is not a fair and accurate reflection of the business' performance, the individual's personal performance and/or such other factors as the Board may consider appropriate. The exercise of this discretion may result in a downward or upward movement in the amount of AIP earned resulting from the application of the performance measures. In exceptional circumstances where the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the financial year. Any discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. Malus and clawback apply to the cash and share awards (see policy table notes).	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.	No changes to quantum. Up to 50% of the award is payable in cash and the remainder is paid in deferred shares which are held for a further three years. The majority of any short term incentive is based on a mix of financial and business measures aligned to Centrica's priorities for the forthcoming financial year and up to 25% is based on individual objectives aligned to the Group's performance and strategy.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures	Changes
Restricted share plan (RSP) Designed to reward and incentivise the delivery of long-term performance and shareholder value creation.	RSP awards granted to Executive Directors 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 Executive Directors 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. An award that vests in any year may be reduced or forfeited at the Committee's discretion if it believes that the outcome is not a fair and accurate reflection of the company's overall performance, the individual's personal performance and/or such other factors as the Board may consider appropriate including but not limited to share price performance. In exceptional circumstances where the Committee believes any underpin that may have been set at the beginning of the period is no longer appropriate, the Committee has discretion to amend the underpin. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. Malus and clawback apply to the awards (see policy table notes).	The maximum opportunity for RSP awards will be 150% of salary earned during the financial year for Executive Directors.	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.	The previous long-term incentive has been replaced with a restricted share plan. Maximum opportunity under the new plan is 150% of salary for Executive Directors (compared to 300% of salary under the previous plan). The award is subject to an underpin framework. As we restore shareholder value and work to deliver growth in both customers and profit, the RSP ensures that a large proportion of our Executives' pay is based on direct and uninhibited share price movement. The simplification of pay in this manner also aligns to our overall strategic goal of simplification across all aspects of the business. Further rationale for this change is set out in the Chair's letter on pages 71 to 73.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures	Changes
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 10-13% of salary.	Not applicable.	No changes to Policy.
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.	No changes to Policy.
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.	No changes to Policy.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures	Changes
Shareholding requirements To align the interests of Executive Directors 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** Executive Directors 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.	The current shareholding requirement of the CEO of 300% of base salary is above comparative market levels and will remain as is. The shareholding requirement for the CFO will be 200% of base salary. Executives must hold 100% of vested incentive shares until the shareholding requirement is met (this was previously set at 75%). The post-employment shareholding requirement now applies to 100% of the in-employment shareholding requirement (or actual if lower) for a period of two years post-employment (this was previously set at 50%). Shares purchased by Executives with their own monies are explicitly excluded from the post-employment shareholding requirement.

Notes to the Remuneration 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 82 to 94, 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.

Statement of consideration of shareholder views

In developing the Policy set out above, the Committee carried out an extensive shareholder consultation exercise, engaging directly with our top 20 shareholders making up approximately 50% of the shareholder register. After several rounds of consultation, we carefully considered the feedback received and proposals were refined in response.

One point that was raised by a number of shareholders was in respect of the underpin. It is important for the Committee to ensure that, in the removal of performance conditions from the long term incentive structure, any risk of "payment for failure" is mitigated, and this was a key discussion point in our consultation with shareholders. A number of shareholders requested further clarity in respect of the underpin and an indication of the type of factors that would be considered in assessing it and this has been set out in respect of the 2022 award on page 81 and will be disclosed in advance of each grant of RSP going forward. The assessment under the RSP underpin will also be disclosed on vesting. Further details on our consultation with shareholders is described in the Committee Chair's letter on pages 71 to 73.

Performance measures

We continue to be committed to full transparency and disclosure. We will disclose all targets as soon as any commercial sensitivity falls away. At the latest, full disclosure will be at the end of the performance period.

AIP

Performance for the AIP will be measured against financial and non-financial measures with respective targets for each measure set by the Committee each financial year. The Policy provides the Committee with the flexibility to choose measures each financial year that are strongly linked to the specific strategic and financial priorities in any given financial year.

For financial measures, the targets are set with reference to internal forecasts, external forecasts and other circumstances as appropriate to ensure that targets are suitably stretching and motivational to executives.

Non-financial targets are set each financial year with reference to the key strategic objectives of the company and are linked to the long term success of the business.

RSP

The RSP is subject to an underpin assessed by the Committee to ensure any risk of "payment for failure" is mitigated. In assessing the underpin, the Committee will consider the Company's overall performance, including financial and non-financial performance measures, 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.

For example, for the 2022 RSP award (subject to shareholder approval of the Policy), the specific factors which 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 meet a major milestone in our Climate Transition Plan which sets out our ambition to be a net zero business by 2045;
- 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 appropriate customer numbers over the vesting period; and
- progress against broader ESG commitments.

The balance and weighting of these factors in the Committee's assessment may be adjusted as the key strategic objectives of the Group develop over time, and the Committee will continue to consider performance in the round to ensure there is a fair link between the remuneration outcomes and the shareholder experience.

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 3 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 proposed 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.

In the case of a corporate action, the Committee can agree, whether share awards pay out or are rolled over in this situation and how any special dividend might apply. The Committee also maintains the discretion to adjust any awards in the event of a variation of capital, for example to maintain the incentive value at the level originally intended.

The Committee retains discretion, consistent with market practice, regarding the operation and administration of the incentive plans including, but not limited to, the following:

- determination of the result of any disputes relating to the interpretation of the rules;
- determining the appropriate choice of measures, weightings and time frame of any award, subject to the time frame being no less than set out in the policy table;
- alteration of the terms of the performance targets during or at the end of the measurement period if it feels that they are no longer a fair measure of the Company's performance, as long as the new targets are not materially less challenging than the original ones; and
- determination that any award is forfeit in whole or in part.

The Committee also retains the discretion to forfeit or clawback deferred awards if it determines that prior performance which resulted in the AIP being awarded was discovered to be a misrepresentation of results or inappropriate management behaviour which fails to reflect the governance or values of the business.

The Committee further has discretion over the determination of whether a leaver is a 'leaver by exception' for incentive plan purposes subject to the rules of each plan and has discretion over any adjustments required in certain circumstances.

Total remuneration by performance scenario

The charts below indicate the minimum, on-target and maximum remuneration that could be received by each Executive, under the Policy. Assumptions made for each scenario are:

- **Minimum** – fixed remuneration only (base salary at current level, together with pension and benefits as set out in the Remuneration Policy table);
- **On-target** – fixed remuneration plus target AIP (as set out in the Remuneration Policy table) and value under the RSP on vesting of 100%;
- **Maximum** – fixed remuneration plus maximum AIP opportunity and value under the RSP on vesting of 100%; and
- **Maximum + 50% share price growth** – fixed remuneration plus maximum AIP opportunity and value under the RSP with 50% share price growth.

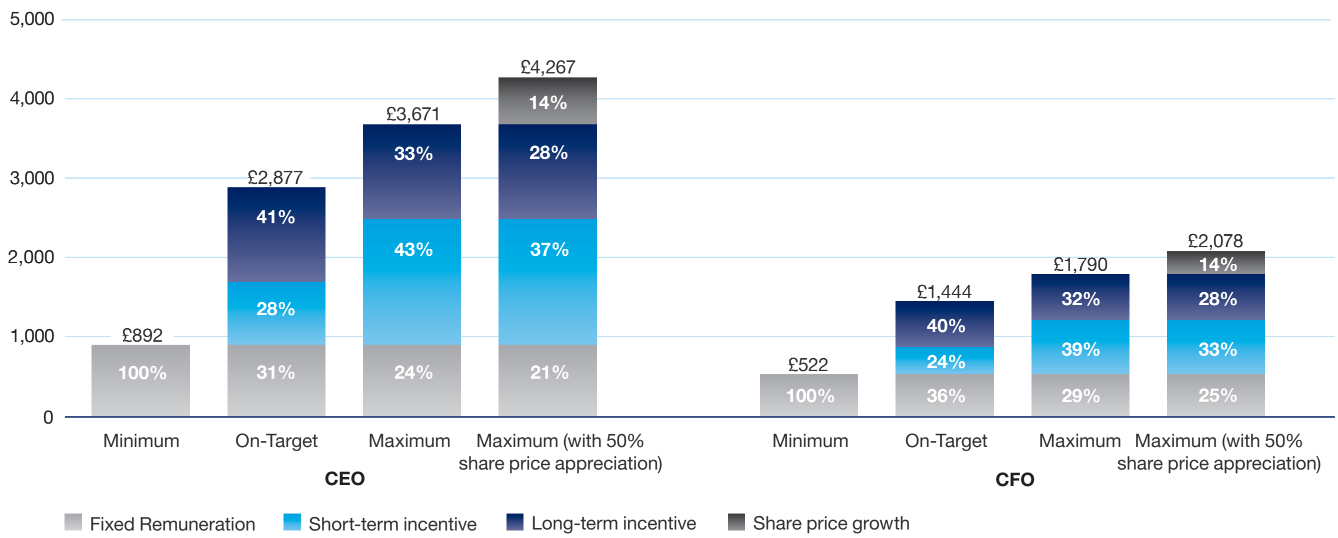
Recruitment Policy

The Committee will apply the same remuneration 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 Remuneration 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 Remuneration 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.

Total remuneration by performance scenario (£000)



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 Code, 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 Group	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 Director'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 installments 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 prorated 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 prorating 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 50% a deferral in line with the remuneration 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 prorated 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 prorating 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 and 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 (the "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 are to be made. The Committee proactively seeks engagement with shareholders on remuneration matters on an ongoing basis and whilst no direct engagement with the workforce occurred on the development of the Remuneration Policy this year, the proposed structure is aligned to that available to our Senior level employees. Additionally, 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. Details of how the Committee has engaged with the Shadow Board will be disclosed in next year's Director's 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 the Group 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 Executive Directors' total remuneration is weighted towards variable pay (and provided in shares). The proposed changes 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 the 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	Changes
Chair 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 Chairman of a Committee of the Board, additional fees are payable. The Senior Independent Director also receives an additional fee. Current fee levels (applying from 1 January 2016): Chairman of the Board – up to £495,000 per annum. Base fee for Non-Executives – £72,500 per annum. The following additional fees apply: • Chairman of Audit and Risk Committee – £25,000 per annum; • Chairman of Remuneration Committee – £20,000 per annum; • Chairman of Safety, Environment and Sustainability Committee – £20,000 per annum; • Senior Independent Director – £20,000 per annum; and • Employee Champion – £20,000 per annum. The Company reserves the right to pay a Committee membership fee in addition to the base fees. Non-Executives are able to use 50% of their fees, after appropriate payroll withholdings, to purchase Centrica shares. Dealing commission and stamp duty is paid by the Non-Executive. The Non-Executives, including the Chairman, do not participate in any of the Company's share schemes, incentive plans or pension schemes. Non-Executives will be reimbursed for business expenses relating to the performance of their duties including travel, accommodation and subsistence. In certain circumstances these, or other incidental items, may be considered a 'benefit in kind' and if so may be grossed up for any tax due.	The maximum level of fees payable to Non-Executives, in aggregate, is set out in the Articles of Association.	Not applicable.	No changes to policy.

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 reappointment and the length of service for each NED are shown in the table below:

Non Executive Director	Date of appointment	Date of current letter of appointment	Notice from the Group	Notice from the individual
Scott Wheway	1 May 2016	10 May 2021	6 months	6 months
Carol Arrowsmith	11 June 2020	10 May 2021	3 months	3 months
Stephen Hester	1 June 2016	10 May 2021	3 months	3 months
Pam Kaur	1 February 2019	10 May 2021	3 months	3 months
Heidi Mottram	1 January 2020	10 May 2021	3 months	3 months
Kevin O'Byrne	13 May 2019	10 May 2021	3 months	3 months

Other Statutory Information

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 2021. The Directors' Report required under the Companies Act 2006 (the Act) comprises this Directors' and Corporate Governance Report (pages 48 to 98) including the People and Planet section for disclosure of our carbon emissions in the Strategic Report (page 35). The management report required under Disclosure Guidance and Transparency Rule 4.1.5R comprises the Strategic Report (pages 2 to 46) (which includes the risks relating to our business), Shareholder Information (page 237) and details of acquisitions and disposals made by the Group during the year in note 12 (pages 145 to 147). The Strategic Report on pages 2 to 46 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.

Centrica shares

Significant shareholdings

At 31 December 2021, Centrica had received notification of the following interests in voting rights pursuant to the Disclosure and Transparency Rules:

	Date notified	% of share capital[1]
Schroders Investment Management Limited	01.11.21	10.99
Bank of America Corporation	09.12.21	5.78
Ameriprise Financial, Inc.	22.12.21	5.07
BlackRock, Inc.	06.05.21	<5%
RWC Asset Management LLP	15.07.21	<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 23 February 2022, the Company had received further notifications from Bank of America Corporation (23.02.22, <5%), Ameriprise Financial, Inc. (18.01.22, <5%) and Schroders Investment Management Limited (21.01.22, 9.82%). Copies of these, along with historic notifications and any notifications received since 23 February 2022, 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 2021 AGM to allot up to 1,956,190,545 ordinary shares as permitted by the Act. A renewal of a similar authority will be proposed at the 2022 AGM. The Company's issued share capital as at 31 December 2021, together with details of shares issued during the year, is set out in note 25 to the Financial Statements on page 174.

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 2021.

Purchase of shares

As permitted by the Articles, the Company obtained shareholder authority at the 2021 AGM to purchase its own shares up to a maximum of 586,857,163 ordinary shares. No shares were purchased under this authority in 2021. As at 31 December 2021, no shares were held as treasury shares.

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 offer 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, 20% of eligible employees participate in Sharesave and 31% of eligible employees participate in the SIP. From 2022 all eligible employees globally will be awarded a Profit Share award.

Index to Directors' Report and other disclosures

Workforce

Employee involvement

We remain committed to employee involvement throughout the Group and regularly consult colleagues to ensure we take account of their views in decision making. Colleagues are encouraged to participate via questions and are kept well informed of the performance and strategy, throughout the year, including financial and economic, of the Group and other matters of concern through personal briefings, regular meetings, town halls, email and broadcasts by the Group Chief Executive, Group Chief Finance Officer and members of the Centrica Leadership team at key points in the year.

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 colleagues with disabilities should have full and fair consideration for all vacancies. We continued to demonstrate our commitment to interviewing and enabling people with disabilities who fulfil the minimum criteria during the year. We also provide training, career development and promotion from which all of our colleagues can benefit and are working to develop initiatives within our strategy. We endeavour to retain colleagues in the workforce if they become disabled during employment.

This commitment was further recognised in December 2021 by our renewed level 1 Disability Confident Status and 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. 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.

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 members 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. For further information about our efforts can be found in our People and Planet section on Pages 28 to 37. Copies of our Modern Slavery Act (MSA) statement and our Human Rights Policy are available on our website centrica.com.

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 2021 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.

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 91 details on the treatment of the executive directors' pay arrangements, including the treatment of share schemes in the event of a change of control.

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.

Disclosures required under Listing Rule 9.8.4R

The Company is required to disclose certain information under Listing Rule 9.8.4R 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 2021 Annual Report and Accounts:

Information	Location in Annual Report	Page(s)
Capitalised interest (borrowing costs)	Financial Statements	139, note 8
Details of long-term incentive schemes	Remuneration Report	72 and 76
Waiver of emoluments by a Director	Remuneration Report	74

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 23 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 44 to 46. Further details of the Group's liquidity position are provided in notes 24 and S3 to the Financial Statements on pages 171 and 192.

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 UK-adopted international accounting standards, in conformity with the requirements of Companies Act 2006. The Directors have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 applicable UK Accounting Standards have 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

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.

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
23 February 2022