

Board activity including Section 172(1) considerations

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

In 2021, the Board reflected on strategic decisions made during 2020, resulting from the COVID-19 pandemic, to protect the Company in the long term and maintain cash flow, such as decisions to not pay a dividend, and reduce consultancy spend.

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

Board discussions held during the year included:

Strategy and business plan

The Board considered and oversaw the delivery of the strategic initiatives to Strategic reviews, updates, and stress testing. The Board also considered the following matters:

- Strategic reviews, updates, and stress testing.
- Sale of Spirit Energy's Norwegian assets.
- Cancellation of 2020 final dividend.
- Group Annual Plan 2021.
- Energy Transition and Energy price risk Directors' Training.
- Energy Supply Market.
- Climate Transition Plan.
- COP26.
- Capital Markets Day.

Stakeholders considered:



Governance

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

- Annual Report and Accounts.
- General Meetings.
- Board evaluation.
- Succession planning for the Board.
- Committee composition.
- Reports from Committee Chairs.
- Conflicts of interest reviews.
- Terms of reference reviews.
- Director independence.
- Workforce engagement.
- All-Employee Share Plan.

Stakeholders considered:



Political and regulatory environment

During the year, the Board considered the following matters:

- COVID-19 crisis management and mitigation.
- UK Government energy policy proposals.
- Modern Slavery Act Statement.
- Annual tax update.
- Treasury risk management annual update.
- Insurance update.

Stakeholders considered:



Performance and risk

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

- Group Performance Reports.
- Business reviews.
- Periodic results.
- Direct Energy Sale proceeds.
- Going concern and viability statements.
- Portfolio reshaping including Pensions.
- Issuer Call Option.
- 2021 Group Shape review.

Stakeholders considered:



Culture and stakeholders

The Board recognises that understanding the views and interests of the Company's diverse community of stakeholders is important. The views and interests of stakeholders are considered in the development, delivery and oversight of the Group's business model, strategy and culture. During the year, the Board considered the following matters:

- 2021 cultural transformation review.
- Purpose and vision update.
- Investor updates and feedback.
- Industrial Action update.
- Voice of the Customer.
- Diversity & Inclusion Strategy.

Stakeholders considered:



Stakeholders

Customers



Colleagues



Investors



Government and
Regulators



Suppliers



Communities
and NGOs



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

Consideration of stakeholders and outcomes:

Decisions considered by the Board	Key stakeholder interests considered	Outcomes
Sale of Spirit Energy's Norwegian oil and gas assets and run-off strategy for the remaining Spirit Energy business (the 'Sales')	<p>Customers: Centrica's strategy to reduce its exposure to carbon intensive oil and gas exploration and production in a way that maximises shareholder value.</p> <p>Investors: allow for increased focus on the customer-facing activities in Centrica's core home markets of the UK and Ireland where we have leading market positions.</p>	The Sales represented a significant step towards Centrica delivering on its strategy to decarbonise its portfolio and reduce its exposure to oil and gas production, and further simplify and de-risk Centrica's business model while strengthening the balance sheet and reducing earnings and cashflow volatility.
General Meeting (held in January 2022) for shareholders to approve the Sales	<p>Colleagues: in order to protect the health and safety of our shareholders and our colleagues, the Board issued an update to all investors via an announcement, an update on its website and with a supplementary mailing strongly advising all shareholders to participate virtually in the General Meeting.</p> <p>Investors: Shareholders' views are important. Shareholders were strongly encouraged to exercise their votes by submitting their proxy forms, invited to submit questions in advance of the meeting, and provided access to participate in the meeting, and vote, via an online portal.</p>	Shareholders successfully participated in the General Meeting where they heard answers to their questions and the resolution was passed. The format of the Meeting not only reduced the risk of impact to public health by minimising the spread of COVID-19 but also embraced the opportunities provided by virtual participation including reducing the carbon footprint of the Meeting.
Centrica developed and published its Climate Transition Plan setting out the key steps we plan to take to help our business, our customers and the wider energy system decarbonise	<p>Ongoing dialogue with key stakeholders confirms a growing desire to understand more about how companies are strategically responding to climate change, including how they'll mitigate climate impact whilst enhancing long-term commercial resilience. For example:</p> <p>Investors: Institutional investors requested that Centrica develop and publish a Climate Transition Plan.</p> <p>Customers: Our goal is to help our customers be net zero by 2050.</p> <p>Colleagues: Taking a lead role in the growth of green jobs whilst continuing to embrace a diverse mix of people and skills needed for a greener future.</p> <p>Suppliers: Part of future-proofing our business against climate change is to ensure we have a reliable and responsible supply chain for customers.</p> <p>Government and Regulators: We want and need governments, regulators and policymakers to work with us to deliver the necessary changes that'll be needed to achieve our climate change goals, and specifically help us get our customers to net zero in a way that's affordable and fair. We engage responsibly with key decision makers on issues we believe are critical for shaping the energy landscape our customers need.</p> <p>Communities and NGOs: Community action and engagement is essential for ensuring a successful transition.</p>	Centrica's strategy and purpose are rooted in providing energy services and solutions that'll help our customers live sustainably, simply and affordably. In support of this, our People & Planet Plan sets out our net zero targets, and how we'll continue to develop the diverse and inclusive team that'll help us get there. Our Climate Transition Plan is the next step, explaining how we intend to achieve these goals to become a net zero business by 2045 and help our customers be net zero by 2050, while ensuring a fair and affordable transition for all.

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