

Our Strategy

Strategic context

Our strategy is driven by our purpose to help our customers live sustainably, simply and affordably. As the pace of change continues to accelerate, we are responding by focusing colleagues and technology on helping businesses and households to use energy more efficiently and sustainably. We recognise the need to help enable a more flexible energy system and are deploying a range of technologies to help build the grid of the future with both electric and hydrogen technologies. Additionally, in October 2021, we announced the creation of Centrica Energy Assets, to develop low carbon and transition assets to provide clean, flexible power solutions to the grid.

Sustainability

We are committed to making big changes that will create a more inclusive and sustainable future. By cutting both our own and our customers' emissions on a path to net zero, we will help create a new, more sustainable energy, services and solutions landscape.

Simplicity

We are simplifying and modernising our business to allow us to put customers at the heart of everything we do with the aim of making their lives simpler and easier. We recognise that customers need clear simple solutions to help them make the transition to net zero.

Affordability

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

Market trends

Key market trends and factors affecting our business and potential future development performance and position, bring risks and opportunities for Centrica, steering our strategy.

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

Unstable market conditions and rising commodity prices resulting in a changing competitive landscape in the UK retail market

Increasing price pressures as consumers face challenges of high inflation environment

Clearer government support and targets for decarbonisation

Low carbon technology deployment accelerating, system flexibility increasingly important

High importance of ESG driving corporate decarbonisation targets

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

Gas continues to become a global market with implications for consumers

Role of data and automation increasingly important in providing high quality, tailored offerings

Customer needs

Trusted, credible and sustainable energy suppliers

Hassle-free, empathetic, personalised and safe service

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

Lower costs, greater efficiency and increased flexibility

Complete solutions, not just products

 [Read more about Our Risks and Uncertainties Pages 38 to 43](#)

Our approach

We remain committed to helping our customers on the journey to carbon reduction and ultimately net zero, through providing low carbon energy and services, innovation, increasing energy efficiency and investing directly in renewable energy. Our focus continues to be delivering against our ambitious targets to make Centrica a net zero business by 2045 and help our customers be net zero by 2050 at the latest.

We will:

- Lead by example – have a zero emission fleet of vehicles by 2025.
- Continue to look to reduce our exposure to hydrocarbon production.
- Continue to offer market leading renewable electricity products for our customers.
- Invest directly in developing solar and storage assets
- Support the development of hydrogen as a replacement for natural gas.
- Enable low carbon transportation and heating solutions.
- Continue to find ways to help our customers use less energy and reduce their carbon footprint.
- Create thousands of green skilled jobs to deploy a range of new and emerging technologies including heat pumps and hydrogen ready boilers.

[Read more about our Climate Transition Plan ambitions on Pages 32 to 35](#)

Our Group priorities

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

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

Our near-term strategic objectives

- 1 Simplify the organisation to free up colleagues to focus on customers and to reduce costs.
- 2 Build the workforce and capabilities of the future so we can continue to lead in heating solutions.
- 3 Build out an asset base to support our customers, the grid and the broader energy system through the energy transition across green power and clean gas.
- 4 Maintain a strong balance sheet enabling future net zero investment and returns to shareholders.

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. Through careful governance we continue to monitor our progress against key objectives ensuring that we can meet our strategic objectives.

Our People & Planet Plan

We have introduced our People & Planet Plan to create a more inclusive and sustainable future that supports communities, our planet and each other. Our five Group-wide goals accelerate action in areas where we can make a big difference which includes being a net zero business by 2045 and helping our customers be net zero by 2050 at the latest, whilst building the diverse and inclusive team that will help us get there.

[Read more about our People & Planet Plan on Pages 28 to 36](#)



People

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



Planet

Supporting every customer to live more sustainably

Our Business Model

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

Our strategic framework

For consumers

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

Energy supply

→ Gas supply → Electricity supply

Home services and solutions

- Protection products (central heating, plumbing and drains, home electrical, and kitchen appliance cover).
- On-demand services (service, repair, and home improvements).
- Installation of heating systems and electric vehicle charge points.
- Smart meter installations and delivering energy efficiency through the Energy Company Obligation scheme.
- Smart heating and energy management, remote diagnostics, and monitoring solutions.

For business

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

Energy supply

→ Gas supply → Electricity supply

Energy trading and optimisation

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

Business services and solutions

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

For assets

With a commitment to helping deliver the energy system of the future we are investing in green and flexible assets while driving exploration of new green solutions.

Asset Investment

- Direct investment in developing low carbon and transition assets.
- Investment in developing new technologies and enabling wider renewable development.

Hydrogen development

- Continued investigation of potential Hydrogen and carbon storage on industrial scale.
- Exploring novel technologies which could enable scale hydrogen adoption.

Group financial framework

In 2019 we set out a financial framework intended to enable us to deliver long-term shareholder value through returns and growth. Since then both our business and the markets we operate in have changed significantly, and as such our intention is to communicate a new financial framework over the course of 2022 that reflects our business as it stands today and enables us to achieve our future aims.

In the immediate term, our core aim is to maintain a strong balance sheet and as such we will target a net debt/EBITDA level that

is sustainable and consistent with our investment grade credit ratings. We will also continue to focus on free cash flow generation, underpinned by focused cost management. We will also remain disciplined in the deployment of capital. Maintenance capital expenditure excluding Spirit Energy is expected to remain around its current level of £100 million per annum and we'll also look to invest in growth opportunities in support of the energy transition subject to appropriate returns, for example in gas-peaking plants, solar and battery.

Having taken the decision in 2020 to cancel our 2019 final dividend in response to the COVID-19 pandemic, with the actions we have taken over the past two years and our triennial pension negotiations due to conclude in the first half of 2022, we now have a clear path to restarting the dividend.

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

→ For more information on managing our exposure to risk, see Our Principal Risks and Uncertainties on Pages 38 to 43

Our Businesses

We have embedded our new structures across the organisation and created a modernised and simplified Centrica, with the heads of each business unit reporting directly to the Group Chief Executive. The disposals of Direct Energy and the announced sale of Spirit Energy's Norwegian E&P assets mean we are more focused on our core UK and Ireland markets and with our ambitions to invest in low carbon and transition assets through Centrica Energy Assets, we are building towards the green Centrica of tomorrow.

The Company operates with five customer-facing businesses, which will continue to focus on the areas in which we have distinctive capabilities – energy supply, services and solutions, energy trading and optimisation.

We also currently have an Upstream division comprised of our oil and gas E&P assets, including the Rough field, and our nuclear power generation business.

Our businesses are listed here



British Gas Energy

Supplies energy to residential and small business customers in England, Scotland and Wales.



Read more about British Gas Energy at centrica.com/british-gas



British Gas Services

Provides services and solutions to residential customers in England, Scotland and Wales.



Read more about British Gas Services at centrica.com/british-gas



Bord Gáis

Provides energy supply, services and solutions to residential and business customers in the Republic of Ireland.



Read more about Bord Gáis at centrica.com/bord-gáis



Centrica Business Solutions

Provides energy supply to larger business customers in England, Scotland and Wales, and low-carbon energy solutions for business customers internationally. Now includes Centrica Energy Assets focused on building out a portfolio of utility scale solar, battery and flexibility assets



Read more about Centrica Business Solutions at centrica.com/cbs



Energy Marketing & Trading

Is the trading and optimisation arm of Centrica, and is also responsible for managing commodity risk and sourcing energy on behalf of the Group's energy supply activities in the UK.



Read more about Energy Marketing & Trading at centrica.com/emt



Upstream

Includes our oil and gas E&P assets, our 20% interest in the UK's nuclear power generation fleet and the Rough field. We have signed an agreement to sell our E&P Norwegian assets and will explore strategies for our remaining portfolio focused on realising value and minimising further investment in exploring for new hydrocarbons.



Read more about Upstream at centrica.com/upstream