REMUNERATION REPORT

MEMBERSHIP, MEETING ATTENDANCE AND KEY FOCUS

Committee members

— Carol Arrowsmith (Chair)
— CP Duggal
— Jo Harlow (with effect from 1 December 2023)
— Heidi Mottram
— Amber Rudd
— Sue Whalley (with effect from 1 December 2023)

Biographical details of the Committee Chair and members can be found on pages 59 to 63. Meeting attendance of the Committee members can be found on page 68.

Meeting attendees by invitation

All other Non-Executive Directors, Chair of the Board, Group Chief Executive, Group Chief People Officer, People Director, Reward, Benefits and Wellbeing

Focus areas in 2023

- Executive Directors' salary reviews
- Gender and ethnicity pay gap report
- Review of pay issues across the wider workforce
- Closure CUPS-DC pension scheme
- Review of total remuneration packages for the Centrica Leadership Team
- Review and approve 2023 financial and business targets and individual objectives.
- Recruitment of new senior executives
- Review Executive Directors shareholding
- Review and approve Director Expenses

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2023.

BUSINESS CONTEXT FOR 2023

Centrica has delivered strong financial and operational performance including EPS performance of 33.4 pence. Centrica was also one of the best performing shares in the FTSE 100 with our share price increasing by more than 45% in 2023. At the same time, the Company has supported our customers through the cost of living crisis including £140m committed since 2022 to help them with their energy costs.

The turnaround of the Company over the last three years is credit to the management team led by Chris O'Shea, the Group Chief Executive. The team has simplified the business, strengthened and de-risked the balance sheet, and improved operational performance especially in our Retail businesses. As a uniquely integrated energy company, our Optimisation and Infrastructure businesses have contributed significantly towards Group profitability by applying their expertise in trading and storing energy in turbulent markets particularly during 2022 and 2023. The Company now has a solid foundation and clear purpose of energising for a greener, fairer future. This means we can invest in the future for the benefit of all our stakeholders, including our customers, colleagues, communities and shareholders. Some examples of these investments are:

Customers: We have invested in supporting customers by providing new on-demand services to install and maintain their home heating systems, and improved customer service by employing an extra 700 colleagues across customer contact centres in Stockport, Leicester, Leeds, Edinburgh, and Cardiff. During the year, we remained acutely aware of the cost of living pressures that our customers faced, and we have committed a total of £140m during 2022-23 to continue to help customers with their energy costs. This included creating an Energy Support Fund managed by the British Gas Energy Trust, which has so far helped over 25,000 customers while funding new drop-in centres and advisors across the UK to support people with their finances. We have launched new innovative tariffs, which aim to be greener and fairer such as 'Peak Save' to help our customers manage their energy usage through the day and save money on their bills, and our offer of free Electric Vehicle charging at home for a year for customers that buy an EV charger from British Gas.

Colleagues: We have hired over 1,000 new colleagues. We have launched our "Pathway to Parenthood" benefit to support colleagues through fertility treatment, adoption, or surrogacy. We have rewarded employees with £2,640 in free shares through our profit share plan to recognise our performance in 2023. This means that, over the last three years, we have paid a total of £5,886 in profit share to each colleague to ensure they share in our success. We maintained our focus on fair reward practices – from paying at least the Real Living Wage in the UK and working to reduce pay gaps. The average salary increase across the wider workforce in the UK was 6%, with our lowest paid colleagues receiving an average salary increase of between 7.8% to 9.5%.

Communities: We have invested in improving energy storage and security for the UK, including doubling the gas storage capacity at Rough, which now provides half the UK's gas storage capacity or enough gas to heat over three million homes. As part of our People & Planet Plan, our colleagues gave 7,200 days volunteering to help the communities and causes they are passionate about.

Shareholders: The financial strength of the business has also allowed us to deliver value to our shareholders with a 33% increase in the 2023 interim dividend to 1.33 pence per share, and a proposed final dividend of 2.67 pence per share, alongside the £450m extension of our share buyback programme to be completed by around July 2024.

REMUNERATION OUTCOMES FOR 2023

In deciding the remuneration outcomes for 2023, the Remuneration Committee has focused on balancing the views and experiences of all our stakeholders with our responsibility to attract and retain high-performing executives to lead a highly complex organisation. Our remuneration principles for Executive Directors are consistent with the wider workforce and can be found on page 96.

ANNUAL INCENTIVE PLAN (AIP)

Pay-outs under the AIP for members of the Centrica Leadership Team are based on financial and business performance (75%) and individual performance against strategic objectives (25%).

The financial and business performance element for the year was split equally between Earnings Per Share (EPS) and the outcome of a balanced scorecard of financial and operational measures critical to the success of the organisation in 2023.

The EPS measure had defined threshold, target and maximum levels that were set at the start of the financial year. During the first half of the year, market conditions were materially better than expected when the targets were set. Therefore, when reviewing progress against the EPS target during the year, the Committee determined that the original targets were no longer appropriate and should be increased to reflect these improved market conditions. Reflecting the strong performance of the business, Centrica achieved earnings performance of 33.4pence, resulting in an outturn of 100% of maximum against the revised targets for this part of the AIP.

Excellent performance across the Group also meant the majority of customer, colleague and financial targets in the balanced scorecard were met in full, including delivering operating profits of £2,752m and free cash flow of £2,207m. We were particularly pleased to see a reduction in rescheduled appointments for customers in Services and Solutions and an improvement in our customer satisfaction scores. Given the cost of living challenges faced by our customers, we have seen an increase in our bad debt charges, and we will continue to engage with those customers who are struggling to pay their bills using a variety of mechanisms including payment spreading and utilising the £140m we have committed so far to help the most vulnerable and in need. We have made significant progress against both our goal to be a net zero business by 2045, and our goal to help our customers be net zero by 2050. Performance against the balanced scorecard measures resulted in an outturn of 85% of maximum for this part of the AIP. This gave a combined financial and business performance outturn of 185% of target.

In response to shareholder feedback in previous years, we have provided more detail on each executive's individual objectives in the body of the remuneration report on page 91. Chris O'Shea achieved an individual performance outturn of 87.5% of maximum, and Russell O'Brien, Group Chief Financial Officer, achieved an individual performance outturn of 82.5% of maximum for this part of the AIP.

In determining the overall AIP outcome for 2023, the Committee considered the impact of a national newspaper undercover investigation in February 2023 into the fitting of prepayment meters under court warrant by a third-party contractor working for British Gas. The Group Chief Executive was deeply concerned when he observed a lack of empathy and respect in some of these cases; he apologised unreservedly and immediately commissioned an investigation into the issue, overseen by external compliance consultants. We ceased all warrant activity with the third-party contractor immediately.

This investigation found no wide-ranging systemic issues with the installation of prepayment meters under warrant and noted the high degree of complexity involved in the assessment of each case. However, it did highlight that in some cases the Company had fallen short of the high standards of behaviour that we set for ourselves when engaging with customers and identified where improvements should be made to existing processes.

In addition to implementing all the recommended actions identified in the investigation and fully endorsing Ofgem's new Code of Practice on the installation of prepayment meters under warrant, Centrica has re-affirmed its commitment to prepayment customers in the following ways:

- Bringing this work in-house, giving British Gas direct oversight of the process and ensuring our agents benefit from training at British Gas' award-winning academies.
- Swiftly introduced the cheapest prepayment meter tariffs of any supplier in the country, in line with the cost of energy for direct debit customers.
- Extended our scheme of direct customer support for prepayment customers to £20m, offering up to £250 in free credit to those who are struggling with energy costs.

After considering the findings of the investigation, the Remuneration Committee determined that the payment under the Annual Incentive Plan should be reduced. Therefore, the Committee reduced the outturn of the financial and business performance by 10% from 185% to 175% of target. This resulted in a reduced AIP payment for the Group Chief Executive and Group Chief Financial Officer to reflect the impact of the prepayment meter investigation.

Overall, after combining the outturn for financial and business performance with the outturn for individual performance, and after deducting 10% for the prepayment meter investigation, the total AIP for Chris O'Shea was 87.5% of the maximum opportunity, which equated to 175% of salary or £1,426,250. The AIP for Russell O'Brien, who joined part way through the year, was 86.3% of the maximum opportunity (pro-rated for time served), which equated to 118.6% of salary or £640,606. Kate Ringrose, our previous Group Chief Financial Officer who served for part of the year, received an AIP of 78.1% of maximum (pro-rated for time served), which equated to 19.5% of salary or £90,088. The Committee was satisfied that the overall AIP outcome was fair and reasonable given the strong shareholder experience and financial performance, and that the outcome also reflected the wider stakeholder experience. Half of the AIP was paid in cash and half of the AIP was deferred into shares for a further three years.

LONG-TERM INCENTIVE PLAN

In line with our previous Remuneration Policy, a Long-Term Incentive Plan (LTIP) award was granted in 2021 to Chris O'Shea and Kate Ringrose, our former Chief Financial Officer. The maximum award granted was 300% of salary in Centrica shares for Chris O'Shea and 175% of salary for Kate Ringrose. The LTIP awards were subject to the achievement of performance conditions over three financial years ending 31 December 2023. The performance targets for the LTIP award included relative Total Shareholder Return (TSR), cumulative EPS, cash conversion (conversion of EBITDA into Operating Cash Flows), and key non-financial performance indicators (KPIs) focused on safety, customer and colleague engagement.

TSR performance over the three-year period was outstanding with Centrica having the highest TSR in the FTSE 100 comparator group. Centrica's TSR was 267.4%, which compared to 47.1% for the upper quartile TSR of the FTSE 100. Performance against the financial measures was near maximum vesting and performance against the non-financial KPIs was around target vesting.

The overall formulaic outcome was therefore 85% of the maximum. Kate Ringrose's award was also pro-rated to reflect time served.

As a matter of course, the Committee reviews the formulaic vesting outcome against the overall underlying performance of the Group and considers whether there have been any windfall gains. The 2021 LTIP was granted to the Centrica Leadership Team at a share price of 52.46p, compared to the 2020 LTIP award, which was granted at 55.0p. As there was no significant reduction in the share price between grants, the Committee concluded it was not necessary to make an adjustment for windfall gains.

Additionally, as highlighted above, management has delivered excellent performance over the period, not only in respect of key underlying financial metrics but also in our share price, with Centrica significantly outperforming the market over the period. The Committee therefore concluded that the formulaic outturn was appropriate, and no adjustment was necessary.

The value of the LTIP award for the Group Chief Executive was £5.9m as at the end of the performance period, 31 December 2023, and this has been included in the single figure for total remuneration table on page 89. Of this amount, share price growth accounted for £3.9m (or 66% of the total value). The vested shares are subject to an additional two-year holding period.

OVERALL SINGLE FIGURE OF TOTAL REMUNERATION FOR OUR GROUP CHIEF EXECUTIVE

Having determined that the LTIP outcome was a fair reflection of business performance, the Committee also felt it appropriate to review the overall single figure of total remuneration earned by the Group Chief Executive in respect of 2023. The Group Chief Executive's single figure in 2023 was £8.23m, which compares to £4.49m in 2022. The year-on-year increase is due to continued improvements in underlying performance and substantial share price growth. Since his appointment as Group Chief Executive, Chris O'Shea has helped create significant value for shareholders with Centrica's TSR outperforming the FTSE100; his cumulative single figure of total remuneration over the same period is broadly in line with the median cumulative single figure for CEOs in the FTSE 100. The Committee believes that the single figure appropriately reflects the performance of both Chris O'Shea and the business over the relevant period. It is worth noting that the single figure of total remuneration for the Group Chief Executive over the next two years is likely to be lower to reflect outcomes of long-term incentive awards made under our Restricted Share Plan (RSP), where the maximum awards were discounted by 50% compared to previous LTIP awards.

REMUNERATION FOR 2024

For Executive Directors, we benchmark salaries and total compensation against companies in the FTSE 100. We use this comparator group as it provides a broad group of organisations where we compete for talented executives. Centrica is a uniquely integrated energy company, with over 21,000 employees operating in a highly regulated and highly unionised environment. The FTSE 100 includes companies that operate in similar sectors and are of comparable size and complexity (e.g. the energy sectors, retail & consumer companies, support services, utilities, insurance and commodity trading companies). In terms of size, Centrica is also a constituent of the FTSE 100 index and is currently positioned around the median of the FTSE in terms of market capitalisation. The 'At a Glance' section on page 88 shows how our Executive Director salaries and target total direct compensation (salary plus target annual bonus plus expected value of long-term incentives plus pensions) compares to the median FTSE 100 benchmark.

In determining salary increases for the Executive Directors for 2024, the Committee considered both the average salary increases awarded to the wider workforce and the performance and development of the executives in their roles throughout the year.

With effect from 1 April 2024, Chris O'Shea's salary will increase by 4.9% to £855,000. Given this year's overall single figure of remuneration for the Group Chief Executive, the Committee decided to increase Chris' salary at a rate that was below the average for the wider workforce of 6%. Russell O'Brien's salary will increase by 9.3% to £590,000. The Committee awarded a higher salary increase to Russell to recognise his performance and development in the role since joining Centrica. Even after these increases, the salary and target total direct compensation for Chris and Russell are below the median benchmarks for similar roles in the FTSE 100. The Committee will keep the competitiveness of the remuneration packages for Executive Directors under review to ensure we can continue to attract and retain the talent we need to deliver the business strategy.

We have simplified some of our legacy reward arrangements and, with effect from 31 December 2023, we have closed the Centrica Unapproved Pension Scheme Defined Contribution Section (CUPS DC) to future contributions. Chris O'Shea was a member of CUPS DC, and because of the scheme closing, he has elected to receive his 10% of salary as a cash allowance in lieu of pension.

There are no changes to the AIP or RSP awards to be granted in 2024. The maximum AIP will be 200% of salary for the Group Chief Executive (and 150% of salary for the Chief Financial Officer). The maximum RSP award will be 150% of salary for the Group Chief Executive (and 125% of salary for the Group Chief Financial Officer).

NON-EXECUTIVE DIRECTOR FEES

In the year, the Board welcomed Philippe Boisseau, Jo Harlow, and Sue Whalley as new Non-Executive Directors. They bring excellent skills and experiences, and I very much look forward to working with them.

The Committee undertook an annual review of the fees payable to Scott Wheway, Chair of the Board. With effect from 1 April 2024, Scott's fees will increase to £440,000, which is a 4.6% increase and lower than the average increase payable to the wider workforce of 6%.

The Chair of the Board, the Executive Directors, and the Chief People Officer conducted an annual review of non-executive director fees and concluded there should be no change in 2024. The review recognised that the role of a non-executive director is becoming more complex, and the time commitment is becoming increasingly demanding. However, it was decided that Non-Executive fees would be reviewed again as part of the next Remuneration Policy review during 2024.

CONCLUSION

In 2024, the Committee will conduct a comprehensive review of our Remuneration Policy in preparation for shareholder approval at the AGM in 2025. As part of this review, we will continue to have an open and transparent dialogue with our shareholders on our remuneration arrangements and any future changes.

We try to make our Remuneration Report comprehensive and transparent and have provided additional information in support of this, including details on how the Committee benchmarks executive remuneration, insights into Centrica's remuneration policies across the wider workforce, as well as enhanced information on each Executive Director's individual objectives. We hope shareholders will find this additional information useful.

Centrica's performance and the executive team's leadership in challenging conditions are reflected in the remuneration outcomes and the decisions the Committee has made in 2023. It is also consistent with the objectives of our Remuneration Policy to deliver remuneration that attracts and retains high calibre executives in a competitive global business environment in return for the achievement of our strategic objectives and the delivery of sustainable long-term shareholder value and returns. I hope you will give us your support.

Carol Arrowsmith
on behalf of the Remuneration Committee
14 February 2024

REMUNERATION AT A GLANCE

HOW WE'VE SUPPORTED OUR STAKEHOLDERS IN 2023

Customers

£140m
Support given to help customers with their energy costs since 2022

25,000
Customers supported through the British Gas Energy Trust since the start of the energy crisis

700
Extra colleagues hired across our customer contact centres

Colleagues

£100k
Contributions to colleagues via the Colleague Support Foundation

1,000
Professional colleagues joined our business

3ppt
Increase in colleague engagement

Shareholders

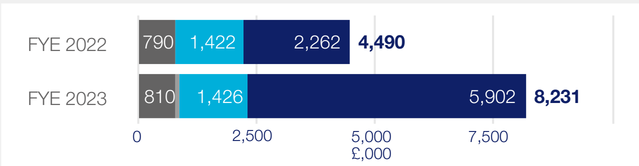
4.0p
Full year dividend per share

£613m
Shares repurchased in 2023

45%
Increase in share price over the financial year

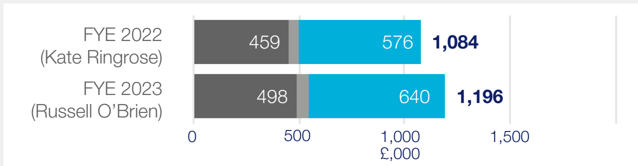
SINGLE FIGURE OF TOTAL REMUNERATION IN FY 2023

GROUP CHIEF EXECUTIVE



Further details on page 89 | Salary | Pension and Benefits | AIP | LTIP

GROUP CHIEF FINANCIAL OFFICER



Kate Ringrose stepped down from the Board on 28 February 2023. Russell O'Brien was appointed to the Board on the 1 March 2023.

FY2023 AIP PERFORMANCE

The table below sets out details of the relevant measures in the Annual Incentive Plan and their link to our group priorities, and the resulting outcome

MEASURE	Weighting	Outcome
EPS	37.5%	100 %
BG Cost to Serve	37.5%	85 %
Customers to Ensek		
BG complaints		
BG reschedules		
BG complaints		
Centrica cost/income		
CBS order intake		
Bord Gáis Cost to Serve		
Unique customer numbers		
Colleague engagement		
Climate transition plan progress		
Adjusted operating Profit		
Free Cash Flow		
Net debt/cash		
Individual measures	25%	
Group Chief Executive		87.5 %
Group Chief Financial Officer		82.5 %
Deduction for prepayment meter investigation		(10)%
OVERALL OUTCOME (% MAXIMUM)		
Group Chief Executive		87.5 %
Group Chief Financial Officer		86.3 %

2021 LTIP OUTCOMES

The table below sets out details of the relevant measures in the Long-Term Incentive Plan and their link to our group priorities, and the resulting outcome.

MEASURE	Weighting	Vesting Outcome (% of max)
Relative TSR	33%	100 %
Cumulative EPS	22%	100 %
Cash conversion	22%	75 %
Employee engagement	22%	57 %
Aggregate Brand NPS		
Complaints		
Total Recordable Injury Frequency Rate (TRIFR)		
Overall outcome		85 %

OUR GROUP PRIORITIES

- M Most Competitive Provider
- CO Customer Obsession
- S Safety, Compliance and Conduct Foundation
- CFG Cash Flow Growth
- O Operational Excellence
- E Empowered Colleagues

MARKET COMPETITIVE BENCHMARKS

When we set the remuneration levels, one of the factors we consider is the competitiveness of the total compensation package for the role in the relevant market. For the Group Chief Executive and Group Chief Financial Officer, we benchmark their roles against companies in the FTSE 100. The table below shows the competitiveness of salary and total compensation for target performance versus the median of the FTSE 100.

GROUP CHIEF EXECUTIVE

	Chris O'Shea	Median FTSE 100 benchmark
Salary	**£815,000**	£935,000
Target Total Compensation(1)	**£2,934,000**	£3,533,000

GROUP CHIEF FINANCIAL OFFICER

	Russell O'Brien	Median FTSE 100 benchmark
Salary	**£540,000**	£596,000
Target Total Compensation(1)	**£1,674,000**	£2,097,000

(1) Salary + target annual bonus + expected value of long-term incentives + pension

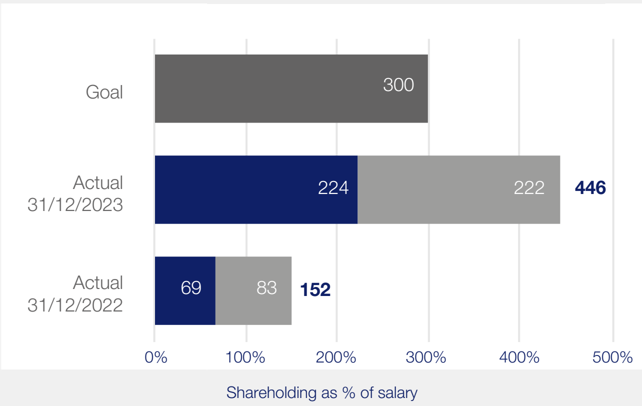
EXECUTIVE DIRECTOR SHAREHOLDINGS % OF BASE SALARY

The chart below sets out the minimum shareholding requirements and the shareholdings of the Executive Directors. The shareholding requirement must be built up over five years and then subsequently maintained. For unvested shares with no performance conditions, we have assumed shares net of tax.

FURTHER DETAIL REGARDING THE EXECUTIVE DIRECTORS' OUTSTANDING SHARE AWARDS CAN BE FOUND ON PAGE 94

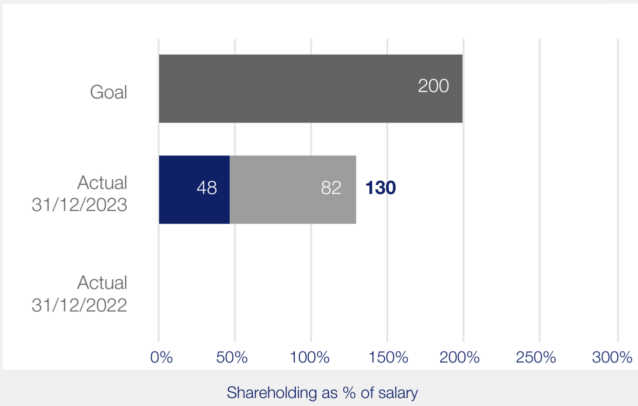
GROUP CHIEF EXECUTIVE

Vested and owned shares   Unvested shares with no performance conditions



GROUP CHIEF FINANCIAL OFFICER

Vested and owned shares   Unvested shares with no performance conditions



2024 REMUNERATION

The table below sets out a summary of the implementation of the Policy for 2024.

FURTHER DETAILS CAN BE FOUND ON PAGE 101

Base Salary	Benefits	Pension	Short-term incentive	Long-term incentive
CEO: £855,000 (+4.9%) CFO: £590,000 (+9.3%) The average increases for the wider workforce in the UK was 6%.	No change and remains in line with the wider workforce	10% of salary in line with the wider workforce With effect from 31 December 2023, we have closed the Centrica Unapproved Pension Scheme Defined Contribution Section (CUPS DC) to future contributions. Chris O'Shea will no longer be eligible contribute his 10% of salary pension contribution to CUPS DC. Instead, he has elected to receive 10% of salary as a cash allowance in lieu of pension.	CEO: 200% of salary at max 100% of salary at target CFO: 150% of salary at max 75% of salary at target Measured 75% against financial and business measures and with 25% against individual objectives. 50% of any bonus earned is deferred into shares that vest after three years.	Restricted Share Plan award subject to underpin framework. CEO: 150%of salary CFO: 125% of salary Awards vest after three years and plus a two year additional holding period.

DIRECTORS' ANNUAL REMUNERATION REPORT

DIRECTORS' REMUNERATION IN 2023

This report sets out information on the remuneration of the Directors for the financial year ended 31 December 2023.

Single figure for total remuneration (audited)

Executives

£000	Salary/ fees	Bonus (cash)	Bonus (deferred)(1)	Benefits(2)	LTIPs(3)	Pension(4)	Total	Total fixed remuneration	Total variable remuneration
2023									
Chris O'Shea	**810**	**713**	**713**	**16**	**5,902**	**77**	**8,231**	**903**	**7,328**
Russell O'Brien(5)	**498**	**320**	**320**	**13**	**—**	**45**	**1,196**	**556**	**640**
Kate Ringrose(6)	**77**	**45**	**45**	**3**	**1,833**	**—**	**2,003**	**80**	**1,923**
Total	**1,385**	**1,078**	**1,078**	**32**	**7,735**	**122**	**11,418**	**1,527**	**9,891**
2022									
Chris O'Shea	790	711	711	16	2,262	—	4,490	806	3,684
Kate Ringrose(6)	459	288	288	16	—	33	1,084	508	576
Total	1,249	999	999	32	2,262	33	5,574	1,314	4,260

(1) In accordance with the Remuneration Policy, 50% of the bonus is deferred into shares and will vest after three years.
(2) Taxable benefits include car allowance, health and medical benefits. Non-taxable benefits include matching shares received under the Share Incentive Plan (SIP). Both taxable and non-taxable benefits are included in the table.
(3) The estimated value of the LTIP award that was granted in respect of the 2021-23 performance period is included in the table above, based on a share price of 150 pence (the 3 month average share price for the period ending 31 December 2022). Of the £5.9m for Chris O'Shea, £3.9m (or 66% of the value) was due to share price growth. The award will vest in June 2024 and the shares will then be subject to an additional two-year holding period. Further details of the performance outcomes are set out on page 90. Dividend equivalents of £230K and £71K have been included.
(4) Notional contributions to the Centrica Unapproved Pension Scheme defined contribution section (CUPS DC) for Chris O'Shea and Kate Ringrose have been included in this table as if CUPS DC was a cash balance scheme. This includes a deduction in respect of an allowance for CPI inflation on the opening balance of 11.1% in 2023 (4.1% in 2022). CUPS DC was closed on 31 December 2023 and Chris O'Shea will receive his pension contribution as cash in lieu.
(5) Russell O'Brien was appointed to the Board on 1 March 2023.
(6) Kate Ringrose stepped down from the Board on 28 February 2023.

Single figure for total remuneration (audited)

Non-Executives

£000	Salary/fees 2023	Salary/fees 2022	Total 2023	Total 2022
Scott Wheway	**418**	410	**418**	410
Carol Arrowsmith	**96**	93	**96**	93
Nathan Bostock(1)	**97**	47	**97**	47
CP Duggal(2)	**76**	3	**76**	3
Heidi Mottram	**96**	93	**96**	93
Kevin O'Byrne	**100**	109	**100**	109
Amber Rudd(3)	**76**	71	**76**	71
Philippe Boisseau(4)	**25**	N/A	**25**	N/A
Jo Harlow(5)	**6**	N/A	**6**	N/A
Sue Whalley(6)	**6**	N/A	**6**	N/A
Total	**996**	826	**996**	826

(1) Nathan Bostock joined the Board on 9 May 2022
(2) CP Duggal joined the Board on 16 December 2022
(3) Amber Rudd joined the Board on 10 January 2022
(4) Philippe Boisseau joined the Board on 1 September 2023
(5) Jo Harlow joined the board on 1 December 2023
(6) Sue Whalley joined the board on 1 December 2023

BASE SALARY / FEES

With effect from 1 April 2024, the Group Chief Executive's salary will increase by 4.9% to £855,000 per annum. The increase is below the average salary increase for the wider workforce in the UK of 6%. Please see page 96 for further details on Reward Across the Wider Workforce. The rate of increase was set lower than the wider workforce to reflect the increase in single figure for total remuneration in 2023. The salary for the Group Chief Financial Officer will increase by 9.3% to £590,000 per annum. A higher than average workforce increase was given to the Group Chief Financial Officer to reflect his performance and development in role since joining Centrica. Both the salaries of the Group Chief Executive and the Group Chief Financial Officer remain below the median benchmarks for similar roles in the FTSE 100.

The fees for the Chair of the Board were reviewed by the Remuneration Committee and increased by 4.6% to £440,000 per annum with effect from 1 April 2024. The increase is below the increase for the wider workforce in the UK. Non-Executive Director fees were also reviewed but there will be no increase in 2024. The Non-Executive Director fees will be reviewed again as part of the next Remuneration Policy review to ensure Centrica is able to continue to attract and retain Non-Executive Directors with the right skills, knowledge and experience, and to reflect the increasing time commitment and complexity of the role.

FY23 ANNUAL INCENTIVE PLAN (AIP)

In line with the Remuneration Policy, 75% of the award was based on a mix of financial and business measures based on Centrica's priorities for 2023 and 25% was based on individual objectives.

The financial and business performance element for 2023 was split equally between Earnings Per Share (EPS) and the outcome of a balanced scorecard of financial and operational measures critical to the success of the organisation in 2023.

The EPS measure had defined threshold, target and maximum levels that were set at the start of the financial year. During the first half of the year, market conditions were materially better than expected when the targets were set. Therefore, when reviewing progress against the EPS target during the year, the Committee determined that the original targets were no longer appropriate and should be increased to reflect these improved market conditions. This resulted in EPS targets for the FY23 AIP as follows:

	Threshold	Target	Max	Outcome
Adjusted EPS	17.6p	22.0p	26.4p	33.4p

Reflecting the strong performance of the business in the year against these revised targets, Centrica achieved earnings performance above the maximum with an EPS of 33.4 pence, resulting in an outturn of 100% for this part of the AIP.

In addition, the Committee determined a balanced scorecard for the remaining financial and business elements of the AIP. It was agreed that there would be no formula to translate the scorecard to a bonus outcome and no formal weighting of individual measures. The Committee monitored performance against the scorecard at regular points during the year. At the end of the year, the Committee took a holistic assessment of overall performance to determine an outturn. The balanced scorecard of measures, targets and outcomes are noted below.

	Measure	Target	Outcome
Group	Adjusted Operating Profit	£1,878m	£2,752m
	Free Cash Flow	£672m	£2,207m
	Net (Debt)/Cash	£1,089m	£2,744m
British Gas Energy	Complaints	11.5%	13.3%
British Gas Services & Solutions	Complaints	10.8%	8.5%
British Gas Services & Solutions	Reschedules	5.0%	3.1%
Bord Gáis	Cost to serve	€212 per customer	€187 per customer
British Gas Energy	Cost to serve(1)	£127 per customer	£142 per customer
Centrica Business Solutions	Order Intake	£264m	£225m
Centrica Energy	Opex: Gross Margin Ratio	33.5%	33.3%
	Customer numbers	10,228,00 unique customers	10,264,000 unique customers
	Colleague engagement	7.7	7.7
	Progress towards climate transition plan – see People and Planet plan for further details. See page 47. Goal 4 – helping our customers be net zero by 2050 Goal 5 – be a net zero business by 2045	Make good progress against the interim climate targets including; Centrica carbon emissions Low carbon and transition assets Electric vehicles in fleet Reduction in property emissions CAPEX allocated to green activities Hive active heating units sold SMART meters installed EV charger points installed Heat pumps installed	On target for emissions reduction in line with the long-term glidepath but mixed performance against customer reduction ambitions. See page 47 for further details.
	Customers on Ensek	5m	5.4m

(1) British Gas Energy cost to serve per customer excluding bad debt was £84, against a target of £83.

Excellent performance across the Group also meant the majority of customer, colleague and financial targets in the balanced scorecard were met in full, including delivering operating profits of £2,752m and free cash flow of £2,207m. We were particularly pleased to see a reduction in rescheduled appointments for customers in Services and Solutions and an improvement in our customer satisfaction scores. Given the cost of living challenges faced by our customers, we have seen an increase in our bad debt charges, and we will continue to engage with those customers who are struggling to pay their bills using a variety of mechanisms including payment spreading and utilising the £140m we have committed so far to help the most vulnerable and in need. We have made significant progress against both our goal to be a net zero business by 2045, and our goal to help our customers be net zero by 2050. Performance against the balanced scorecard measures resulted in an outturn of 85% for this part of the AIP. The Committee is satisfied that the current incentive structure for senior executives does not drive unintended risks or ESG concerns.

The Committee carefully considered the outcomes against the EPS target and the balanced scorecard measures, determining an outcome of 100% against the EPS target and 85% against the balanced scorecard. Achievement against the overall financial and business performance element of the AIP was 185% of target. However, as outlined in the Remuneration Committee Chair's statement, the Remuneration Committee determined that the financial and business performance part of the AIP should be reduced by 10% to 175% of target to reflect the findings of the prepayment meter investigation.

Individual Objectives

Each Executive Director had a set of stretching individual objectives which included key non-financial and strategic performance indicators (KPIs) that were important to the success of the business in 2023. The KPIs were cascaded to business and functional leaders to ensure a strong line of sight to key priorities throughout the organisation. The Committee assessed that the majority of individual objectives were met in full and good progress was made against others. Based on an assessment of performance against Chris O'Shea's individual objectives, the Committee determined an outcome of 87.5% of maximum was appropriate. The Committee determined for Russell O'Brien an outcome of 82.5% of maximum under the individual objectives part of the Annual Incentive Plan. For Kate Ringrose, who served for two months of the financial year as CFO, the Committee determined an outcome of 50% of maximum of the individual objectives part of the AIP.

The table below summarises the key individual objectives for Executive Directors during the year:

	Key objectives	Personal objectives Outturn (as % of maximum)
Chris O'Shea	Chris delivered further improvements in capability, culture, and operational delivery, including the launch of our new corporate purpose, established a new business operating model to support strategic plans for commercial and customer growth, investment in infrastructure and net zero, and a step change in our approach to health & safety. Achieved objective to return Services and Solutions to profitability and operational improvements continue to be delivered. With the team, Chris developed a compelling strategic plan and investment case to deliver shareholder returns including dividends and share buy backs. Launched new customer propositions in the year, including PeakSave and continued to provide customer support with over £140m of committed funds to help customers during the energy crisis since 2022.	87.5%
Russell O'Brien	Smooth transition from former CFO. Refreshed capital allocation and investment framework and new risk capital framework. Developed new strategic plan and investment narrative, which was well received by investors at interim results in 2023. Reviewed the finance function with a focus on improving the efficiency and effectiveness of the function.	82.5%
Kate Ringrose	Kate's focus was to complete the financial year-end reporting process for FY2022 and to provide an effective handover to Russell O'Brien, the incoming CFO.	50%

Overall AIP outcome

Overall, after combining the outturn for financial and business performance with the outturn for individual performance, and after deducting 10% for the prepayment meter investigation, the total AIP for Chris O'Shea was 87.5% of maximum, which equated to 175% of salary or £1,426,250. The table below summarises the outcomes under the AIP for all Executive Directors:

Measure	Chris O'Shea	Russell O'Brien	Kate Ringrose
EPS	100%	100%	100%
Balanced scorecard	85 %	85%	85%
Deduction for prepayment meter investigation	(10%)	(10%)	(10%)
Individual objectives	87.5%	82.5%	50%
Total AIP (as % of maximum)	87.5%	86.3%	78.1%
Total AIP (£)	£1,426,250	£640,406(1)	£90,088(2)

(1) Prorata for the employment period.
(2) Prorata for the employment period.

Half of the AIP earned was paid in cash and half of the AIP was deferred into shares, vesting in three years.

LONG-TERM INCENTIVE AWARDS RELATING TO THE PERFORMANCE PERIOD 2021-23

The performance conditions relating to the three-year period ending in 2023 are set out below, together with the achievement against these performance conditions. Vesting between stated points is on a straight-line basis.

Financial targets and outcomes

		Targets			
Measures	Weightings	Threshold (25%)	Maximum (100%)	Outcomes	Vesting
Relative Total Shareholder Return (TSR)	33.3%	FTSE 100 median	FTSE 100 upper quartile	Ranked first at 267.4%	100%
Cumulative EPS	22.2%	7.5p	10.5p(1)	72.4p	100%
Cash conversion	22.2%	EBITDA to OCF of 85%	EBITDA to OCF of 100%	95.0%	75.5%
Non-financial KPI improvement	22.2%	See below	See below		57.3%
Overall	**100%**				**85%**

(1) 3-year cumulative EPS

Centrica's TSR was outstanding over the three-year performance period being ranked in first position relative to the FTSE 100. Our TSR was 267.4% compared to 47.1% for the upper quartile of the FTSE 100, therefore the TSR portion of the LTIP will vest at 100%.

Financial performance across the three-year performance period was strong, resulting in above maximum outcome against the Cumulative EPS target (vesting at 100%) and above target performance for cash conversion (vesting at 75.5%).

Non-financial[1] KPI targets and outcomes

The KPI measures, targets and outcomes for the 2021-23 cycle were:

	Targets			
	Threshold	Maximum	Outcomes	Vesting
Safety				
Total recordable injury frequency rate (TRIFR)[1]	0.85	0.65	0.84	29%
Customer satisfaction				
Aggregate brand NPS across our customer businesses weighted by customer numbers	+10.52	+12.35	+18.3	100%
Complaints per 100,000 customers across our customer businesses weighted by customer accounts	2,820	2,600	6,010	0%
Colleague engagement (percentage favourable)	45%	54%	77%	100%

(1) Per 200,000 hours worked.

Performance against the non-financial KPIs across the performance period was mixed with not all measures meeting threshold. The Committee determined that the outcome for this portion of the award would vest at 57.25%.

Overall performance outcome

The LTIP award was granted in June 2021 and will vest in June 2024, after which the shares are then subject to a mandatory holding period of two years. Taking into account the achievement against the financial performance targets, and the agreed outcome against the non-financial targets, the Committee approved the overall vesting outcome of 85% of the maximum award.

The estimated value of the shares that will vest in respect of the three-year performance period, which ended in December 2023, has been included in the single figure for total remuneration on page 89. The shares will be released at the end of the holding period, in June 2026.

As stated in the Remuneration Committee Chair's statement, as a matter of course, the Committee reviews the formulaic vesting outcome against the overall underlying performance of the group. The Committee considered whether there have been any windfall gains and determined there were none, and no adjustment was made.

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 2023 the pension contribution rate across the UK workforce was 10-14%, depending on the pension scheme.

Chris O'Shea and Kate Ringrose participated in the Centrica Unapproved Pension Scheme Defined Contribution section (CUPS DC), until 31 December 2023 when we closed the scheme to future contributions. For the period to 31 December 2023, 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 2023 £**	Total notional pension fund as at 31 December 2022 £
Chris O'Shea[1]	**431,775**	319,407
Kate Ringrose[1]	**79,500**	78,761

(1) The retirement age for the CUPS DC scheme is 62.

Following 31 December 2023 when the CUPS DC scheme closed to future contributions Chris O'Shea chose to take his pension contribution of 10% of salary as cash in lieu of pension. Upon appointment Russell O'Brien similarly received his pension contribution of 10% of salary as cash in lieu of pension.

	% of salary
Chris O'Shea	10% cash in lieu of pension
Russell O'Brien	10% cash in lieu of pension

Taxable benefits

Taxable benefits include car allowance, health and medical benefits. Non-taxable benefits include matching shares received under the Share Incentive Plan (SIP) on the same terms as all employees. Both taxable and non-taxable benefits are included in the table of single figure for total remuneration.

DIRECTORS' INTERESTS IN SHARES (NUMBER OF SHARES) (AUDITED)

The table below shows the interests in the ordinary shares of the Company for all Directors who served on the Board during 2023.

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

Executive Directors have a period of five years from appointment to the Board, or from any material change in the minimum shareholding requirement, to build up the required shareholding. A post-cessation shareholding requirement of 100% of the in-employment shareholding requirement (or full actual holding if lower) is applicable for two years post-cessation of employment. The Committee continues to keep both the shareholding requirement, and achievement against the shareholding requirement, under review and will take appropriate action should they feel it necessary.

	Beneficially owned[1]	Shares subject to performance conditions	Shares vested but unexercised	Shares subject to continued service only[2]	Shares exercised in the year	Shareholding requirement (% of salary)	Current shareholding (% of salary)[3]
Executives							
Chris O'Shea[5]	1,295,884	7,954,419	—	1,289,274	—	300	224
Russell O'Brien[5]	185,511	—	—	314,566	—	200	48
Kate Ringrose[4]	550,940	1,501,143	—	348,139	—	200	126
Non-Executives							
Carol Arrowsmith	49,286	—	—	—	—	—	—
Phillippe Boisseau[7]	2,669	—	—	—	—	—	—
Nathan Bostock	27,000	—	—	—	—	—	—
CP Duggal	15,000	—	—	—	—	—	—
Jo Harlow	—	—	—	—	—	—	—
Heidi Mottram	10,000	—	—	—	—	—	—
Kevin O'Byrne	40,000	—	—	—	—	—	—
Amber Rudd[6]	42,559	—	—	—	—	—	—
Sue Whalley	13,868	—	—	—	—	—	—
Scott Wheway	110,187	—	—	—	—	—	—

(1) These shares are owned by the Director or a connected person and they are not, save for exceptional circumstances, subject to continued service or the achievement of performance conditions. They include shares purchased by the Executive Director in March with deferred AIP funds which have mandatory holding periods of three years and which will be subject to tax at the end of the holding periods.
(2) Shares owned subject to continued service include RSP shares awarded and SIP free and matching shares that have not yet been held for the three-year holding period. The values are net of tax.
(3) The share price used to calculate the achievement against the guideline was 1.4065 pence, the price on 31 December 2023.
(4) Kate Ringrose stepped down from the Board on the 28 February 2023 and the number reflects her holding on this date.
(5) During the period 1 January 2024 to 15 February 2024 both Chris O'Shea and Russell O'Brien acquired 264 shares through the SIP.
(6) During the period 1 January 2024 to 15 February 2024 Amber Rudd acquired 1,580 shares through the NED Share Purchase Agreement.
(7) During the period 1 January 2024 to 15 February 2024 Phillippe Boisseau acquired 1,459 shares through the NED Share Purchase Agreement.

SHARE AWARDS GRANTED IN 2023 (AUDITED)

Set out below are details of share awards granted in 2023 to Executive Directors.

2023 RSP

	Plan	Award Type	Number of shares[1]	Basis of award % of salary	Face value of award £	Vesting date	Release date
Chris O'Shea	RSP	Conditional	1,186,547	150%	1,222,500	March 2026	March 2028
Russell O'Brien	RSP	Conditional	655,148	125%	675,000	March 2026	March 2028

(1) The number of shares awarded under the RSP was calculated by reference to a price of 103.03 pence, being the average of the Company's share price over the five trading days immediately preceding the date of grant of 21 March 2023.

The RSP award is subject to an underpin. If the Committee is not satisfied the underpin has been met, the Committee may scale back the awards (including to zero). In assessing the underpin, the Committee will consider the 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.

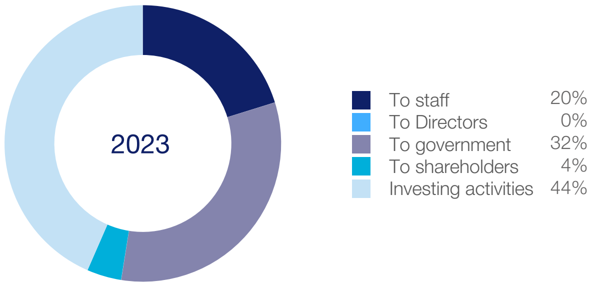
2023 DEFERRED AIP

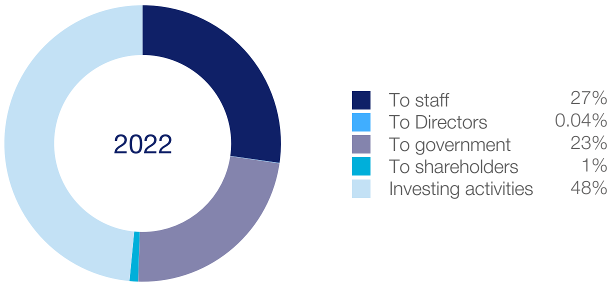
The 2023 AIP award was delivered 50% in cash and 50% in deferred shares, which were awarded on 21 March 2023. The face value of the award is based on the share price on the date of award, which was 102.30 pence. Deferred shares are not subject to further performance conditions and vest in three years.

	Plan	Award Type	Number of shares	Face value of award £000	Vesting date
Chris O'Shea	AIP	Deferred shares	694,925	710,965	March 2026
Kate Ringrose	AIP	Deferred shares	281,073	287,561	March 2026

2023 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 0.0004% (2022: 0.04%) of the Group's operating cash flow.





Reward Across The Wider Workforce

Centrica comprises 21,000 diverse colleagues with different roles in different business units across different countries. Our approach to reward aims to unify us as a team working with a common purpose and values. To achieve this, we have established some key reward principles across the workforce that balance the needs of our colleagues with the needs of the business and our customers. The same principles apply to Executive Directors and members of the Centrica Leadership Team:

For our colleagues, we aim to provide reward that is:	For our business, we aim to provide reward that is:
Market competitive	Sustainable
Fair and consistent	Agile
Simple	Flexible
Supports wellbeing	Compliant

Total reward at Centrica consists of more than just salary. All colleagues receive fixed pay comprising a salary plus a wide range of pensions & benefits (see table below for more detail). In addition, all colleagues are eligible to earn variable pay subject to performance (such as annual bonuses, recognition awards, and Profit Share). For frontline colleagues in the organisation, they can expect a higher proportion of their total reward to be fixed pay. The variable pay element is often based on individual performance and is typically paid in cash quarterly or annually. At senior executive levels, colleagues have a higher proportion of variable pay linked to the financial and business performance of the Company. This variable pay is often paid in shares that vest over multiple years. Therefore, our approach to total reward is to vary the fixed pay and variable pay mix depending on the individual's role, responsibilities, and performance compared to competitive market practice for comparable roles.

Performance measures applying to Executive Directors and the Centrica Leadership Team are cascaded through the organisation to ensure a clear line-of-sight and alignment around performance in categories of 'Colleagues', 'Customers' and 'Cash'.

The table below summarises some key highlights of wider workforce reward in the UK. Executive Directors and the Centrica Leadership Team participate in the same benefits and on the same terms as the wider workforce.

Fair pay	Centrica is an accredited member of the Real Living Wage Foundation, and we pay at least the Real Living Wage in the UK. During the cost of living crisis, we have focused on improving the pay of our lowest paid colleagues, through salary increases and one-off payments. The average salary increase across the wider workforce in the UK is 6%, with our lowest paid colleagues receiving an average salary increase of between 7.8% to 9.5%. Salary levels for the wider workforce are negotiated with our recognised trade union partners to ensure fair living standards. Salary levels for management reflect the individual's role, experience and performance compared to competitive market rates.
Looking after colleagues and their loved ones	All employees in the UK receive comprehensive health and medical cover and can purchase additional cover for their dependants. This includes 24-hour access to a GP, eye care; support for parents with fertility, adoption, and surrogacy; life assurance; and personal accident insurance.
Saving for the future	The Company has various legacy pension arrangements. While our Defined Benefit pension is closed to new members it is still open to future accrual for existing members. Our Defined Contribution Scheme provides a generous employer contribution of 10% of salary or cash in lieu of pension. Our Lifestyle Savings offer discounts from everyday shopping to one-off big purchases.
Recognising colleague contribution	In 2023, we recognised colleagues over 258,000 times through our Recognition platform. This allows anyone in the Company to recognise the performance or values of a colleague or team, or simply say "thank you". We operate a number of performance-related incentives plans across the Group. 5,500 employees participate in an annual bonus plan aligned to the bonus for executives and senior management. All of our field engineers and customer facing teams participate in incentives aligned to their individual performance.
Sharing in our success	All employees in the UK are eligible to participate in our Share Incentive Plan, where they can purchase shares in the Company and receive free matching shares, provided they hold them for at least three years. In addition, all colleagues are eligible to an award of free shares every year via our Profit Share plan depending on our performance over the prior year. Field and Customer Support colleagues participate in quarterly and annual incentives linked to their performance. Senior managers are eligible to receive annual bonuses and long-term restricted share awards aligned to the performance of the business.
Being an Ambassador for Centrica products & services	We provide discounts on colleagues' energy bills if they are a Centrica customer, as well as discounts on new boilers, HomeCare cover, and our new energy efficient products for example, Electric Car charging points, solar & battery storage, and home insulation.
Making a difference in the world	Colleagues are given time off to volunteer for local communities and causes they are passionate about. We also operate a Give As Your Earn scheme, where colleagues can donate in a tax-efficient way. The Colleague Support Foundation aims to provide additional support for those experiencing extreme financial difficulties, where existing financial support mechanicians have been explored and exhausted.

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND COLLEAGUES

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

	Percentage change from 2019 to 2020			Percentage change from 2020 to 2021			Percentage change from 2021 to 2022			Percentage change from 2022 to 2023		
Executive Directors	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Chris O'Shea[1]	6.3	—	—	—	-28.0	—	2.5	-11.1	100	2.6	—	0.3
Russell O'Brien[2]	—	—	—	—	—	—	—	—	—	—	—	—
Kate Ringrose[11]							2.5	6.7	18.7	-83.3	-81.2	-84.4
Non-Executive Directors												
Scott Wheway	268.8	—	—	—	—	—	—	—	—	2.6	—	—
Carol Arrowsmith	—	—	—	—	—	—	—	—	—	3.8	—	—
Nathan Bostock[3]	—	—	—	—	—	—	—	—	—	32.9	—	—
CP Duggal[4]	—	—	—	—	—	—	—	—	—	—	—	—
Heidi Mottram	—	—	—	27.8	—	—	—	—	—	3.8	—	—
Kevin O'Byrne[5]	—	—	—	—	—	—	—	—	—	-20.7	—	—
Amber Rudd[6]	—	—	—	—	—	—	—	—	—	—	—	—
Philippe Boisseau[7]	—	—	—	—	—	—	—	—	—	—	—	—
Jo Harlow[8]	—	—	—	—	—	—	—	—	—	—	—	—
Sue Whalley[9]	—	—	—	—	—	—	—	—	—	—	—	—
Average per colleague (excluding Directors)[10]	—	1.1	236.4	1.8	-10.3	16.3	1.9	—	—	4.4	—	42.3

(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) Russell O'Brien was appointed to the Board on 1 March 2023.
(3) Nathan Bostock was appointed to the Board on 9 May 2022.
(4) CP Duggal was appointed to the Board on 16 December 2022.
(5) Kevin O'Byrne took on the role of Senior Independent Director from 1 June 2022.
(6) Amber Rudd was appointed to the Board on 10 January 2022.
(7) Philippe Boisseau joined the Board on 1 September 2023.
(8) Jo Harlow joined the board on 1 December 2023.
(9) Sue Whalley joined the board on 1 December 2023.
(10) The comparator group includes all management and technical or specialist colleagues based in the UK in Level 2 to Level 6 (where Level 1 is the Executive and Non-Executive Directors). There are insufficient colleagues in the Centrica plc employing entity to provide a meaningful comparison. The colleagues selected have been employed in their role for full years to give meaningful comparison. This group has been chosen because the colleagues have a remuneration package with a similar structure to the Executive Directors, including base salary, benefits and annual bonus.
(11) Kate Ringrose stepped down from the Board on the 28 February 2023.

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

CEO pay ratio		25th percentile	50th percentile	75th percentile
2023	Option B	198:1	142:1	120:1
2022	Option B	128:1	77:1	70:1
2021	Option B	29:1	24:1	15:1
2020	Option B	32:1	15:1	14:1
2019	Option B	34:1	29:1	22:1
2018	Option B	72:1	59:1	44:1

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

2023	Salary	Total pay and benefits
CEO remuneration	810,000	8,231,007
Colleague 25th percentile	26,484	41,514
Colleague 50th percentile	41,415	58,029
Colleague 75th percentile	47,970	68,439

The Company has used its gender pay gap data (Option B in the Directors' Reporting Regulations) to determine the colleagues whose remuneration packages sit at the lower, median and upper quartile positions across the UK workforce. This is deemed the most appropriate methodology for Centrica given the different pension and benefit arrangements across the diverse UK workforce. To ensure this data accurately reflects individuals at each quartile position, a sensitivity analysis has been performed. The approach has been to review the total pay and benefits for a number of colleagues immediately above and below the identified employee at each quartile within the gender pay gap analysis. We have determined our 25th, 50th, and 75th percentile individual using data from our gender pay gap as of the 5 April 2023.

The annual remuneration for the three identified colleagues has been calculated on the same basis as the CEO's total remuneration for the same period in the single figure table on page 89 to produce the ratios.

The ratio of CEO pay compared with the pay for the average colleague has increased in the last two years due to the strong vesting of the LTIP awards that were granted in 2021 and will be released in shares in 2026. As a large proportion of CEO remuneration was delivered through the LTIP which was measured over a three-year performance period, from 2021-2023 the CEO ratio will be impacted by any long term incentive outcomes. Under the current Remuneration policy, long-term incentives will be delivered to the CEO through the Restricted Share Plan which has a lower overall quantum, at 50% of the previous LTIP. The Company believes the ratios are appropriate given financial and business performance outcomes in 2023, and the size and complexity of the business.

Pay for performance

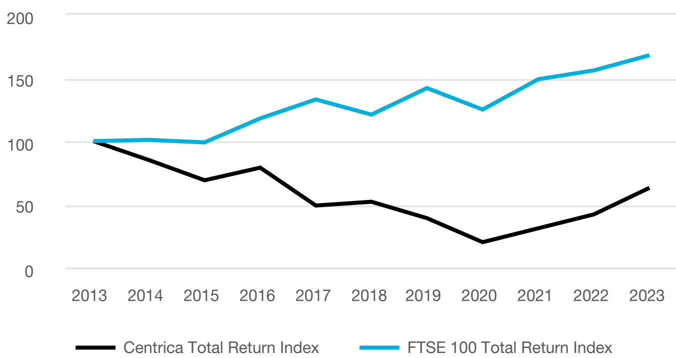
The table below shows the CEO's total remuneration over the last 10 years and the achieved annual short-term and long-term incentive pay awards as a percentage of the plan maximum.

	Chief Executive single figure for total remuneration £000	Annual short-term incentive payout against max opportunity %	Long-term incentive vesting against max opportunity %
Chris O'Shea			
2023	8,231	87.5	85
2022	4,490	89.5	76
2021	875	0	0
2020	765	0	0
Iain Conn			
2020	239	0	0
2019	1,186	0	0
2018	2,335	41	18
2017	1,678	0	26
2016	4,040	82	0
2015	3,025	63	0
Sam Laidlaw			
2014	3,272	34	35

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 2023. The FTSE 100 Index has been chosen as it is an index of similar-sized companies and Centrica has been a constituent member for the majority of the period.

Total return indices – Centrica and FTSE 100



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 2023.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the percentage change in total remuneration paid to all colleagues compared to expenditure on dividends and share buyback for the years ended 31 December 2022 and 2023.

	2023 £m	2022 £m	% Change
Share repurchase[1]	**613**	43	1,326
Dividends	**186**	59	215
Staff and employee costs[2]	**1,400**	1,440	(3)

(1) 510,787,195 shares were purchased during 2023 as part of the share buyback arrangement
(2) Staff and employee costs are as per note 5(b) in the notes to the Financial Statements.

PAYMENTS TO PAST DIRECTORS (AUDITED)

During 2023, no payments were made to past Directors with the exception of the payments disclosed in the single figure for total remuneration table on page 89.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

Kate Ringrose stepped down from the Board as Chief Financial Officer on 28 February 2023 and she left employment with Centrica on 1 October 2023. Other than the treatment set out below, no further payments for loss of office will be made to Kate. Payments for loss of office to Kate Ringrose were consistent with the Policy and her contract of employment.

Fixed remuneration

Kate Ringrose was paid salary and benefits for the duration of her employment to a total of £279,163.

Annual Incentive Plan (AIP)

Kate Ringrose was eligible for an AIP award for the period worked as Chief Financial Officer during the 2023 financial year, details in respect of the achievement of which can be found on page 91. Kate's FY2023 bonus was paid 50% in cash and 50% in shares deferred for a further three years. Kate's deferred bonus of £243k from FY2021 and £288k from FY2022 will be subject to the three year deferral period in line with the usual policy. The Remuneration Committee considers that 'good leaver' treatment is appropriate in recognition of Kate's contribution to the business.

Long-term Incentive Awards

The Remuneration Committee determined Kate Ringrose was a 'good leaver' in respect of her 2021 LTIP and 2022 RSP awards. Awards will be pro-rated based on the performance period that has elapsed at the point Kate ceased employment and will vest on the normal vesting dates, subject to relevant performance conditions and underpins. Holding periods of two years will apply to any vested shares. Kate did not participate in the FY2023 RSP award.

Post-employment shareholding requirement

Kate Ringrose is subject to a two-year post-employment shareholding requirement. On cessation of employment, Kate had a shareholding in excess of 200% of salary. Therefore, Kate is required to maintain a shareholding of 200% of salary for a period of two years post-employment.

ADVICE TO THE REMUNERATION COMMITTEE

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

PwC also provided advice to Centrica globally during 2023 in the areas of employment taxes, regulatory risk and compliance issues and additional consultancy services.

PwC's fees for advice to the Committee during 2023 amounted to £134,450 which included the preparation for and attendance at Committee meetings. The fees were charged on a time spent basis in delivering advice that materially assisted the Committee in its consideration of matters relating to executive remuneration.

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

STATEMENT OF VOTING

Shareholder voting on the resolutions to approve the Directors' Remuneration Policy put to the 2022 AGM, and the Directors' Remuneration Report, put to the 2023 AGM, was as follows:

Resolution	AGM	Votes for	Votes for %	Votes against	Votes against %	Votes withheld
Directors' Remuneration Policy	2022	3,132,342,144	83.48%	619,903,528	16.52%	1,275,033
Directors' Remuneration Report	2023	3,463,208,517	93.19%	252,986,960	6.81%	1,244,130

IMPLEMENTATION IN THE NEXT FINANCIAL YEAR

The table below sets out details of how we implemented our remuneration policy in 2023, and how we intend to implement the policy in 2024.

Remuneration element	Implementation in 2023	Implementation in 2024
Base salary	With effect from 1 April 2023, salaries for Executive Directors were: ○ Group Chief Executive: £815,000 ○ Group Chief Financial Officer: £540,000	With effect from 1 April 2024, salaries for Executive Directors are: ○ CEO: £855,000 (+4.9%) ○ CFO: £590,000 (+9.3%) The average increase across with wider workforce in the UK is 6%. A lower increase was given to the CEO to reflect his single figure remuneration. A higher increase was given to the CFO to reflect his performance and development in role since joining Centrica
Annual Incentive Plan (AIP)	Maximum opportunity: ○ Group Chief Executive: 200% of salary (100% of salary at target) ○ Group Chief Financial Officer: 150% of salary (75% of salary at target) The performance measures and their weighting as a percentage of maximum opportunity were ○ EPS: 37.5% ○ Balanced Scorecard: 37.5% ○ Individual objectives: 25% EPS payout ranges were as follows (as a percentage of maximum opportunity): ○ Threshold performance: 25% ○ On-target performance: 50% ○ Maximum performance: 100%	No change
Restricted Share Plan (RSP)	RSP awards were granted at the following levels: ○ Group Chief Executive: 150% of salary ○ Group Chief Financial Officer: 125% of salary For the 2023 award, the underpin 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; ○ progress against broader ESG commitments including customer service, colleague engagement and our transition to net zero.	No change
Pensions	The maximum benefit for Executives is 10% of base salary earned during the financial year. This compares with the average pension benefit across the wider UK workforce, currently 10-14% of salary.	No change
Benefits	Benefits to be provided in line with the Policy	No change
All-employee share plan	Executives were entitled to participate in all-employee share plans on the same terms as all other eligible employees.	No change
Shareholding requirements	Group Chief Executive: 300% of salary Group Chief Financial Officer: 200% of salary Post-employment, Executive Directors will continue to 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.	No change

NED Fees		With effect from 1 April 2023	With effect from 1 April 2024
	Chair of the Board	£420,500	£440,000 (+4.6%)
	Basic fee for Non-Executives	£76,000	No change
	Additional fees		
	Chair of Audit and Risk Committee	£25,000	No change
	Chair of Remuneration Committee	£20,000	No change
	Chair of Safety, Environment and Sustainability Committee	£20,000	No change
	Senior Independent Director	£20,000	No change
	Employee Champion	£20,000	No change

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

Raj Roy
Group General Counsel & Company Secretary
14 February 2024

DIRECTORS' REMUNERATION POLICY

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

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

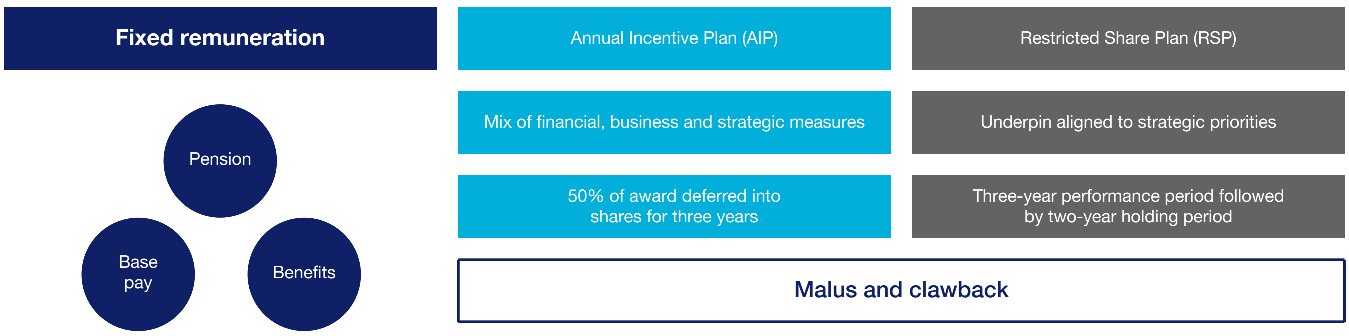
The Policy operated as intended in 2023.

OBJECTIVES OF THE POLICY

The Policy aims to deliver remuneration arrangements that:

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

Summary of Policy design



HOW THE POLICY LINKS TO OUR STRATEGY

Our strategy is driven by our Purpose "energising a greener, fairer future", and our enduring values at Centrica underpin our culture. Further information on our Purpose and values is set out on page 9. We need to engage our leadership team to fulfil our Purpose and to ensure Centrica is focused on delivery and positioned for growth.

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

At the time of the last remuneration policy review, the Remuneration Committee identified the RSP as the appropriate long term 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.

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

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

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

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
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.
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. Malus and clawback apply to the cash and share awards.	Maximum of 200% of base salary earned during the financial year. For threshold performance, up to 25% of the maximum opportunity will pay out. For on-target performance, 50% of the maximum opportunity will pay out.	At least 75% based on a mix of financial performance and business measures aligned to Centrica's priorities for the forthcoming financial year and up to 25% based on individual objectives aligned to the Group's priorities and strategy. Performance is assessed over one financial year.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Restricted Share Plan (RSP)			
Designed to reward and incentivise the delivery of long-term performance and shareholder value creation.	RSP awards granted to 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. Malus and clawback apply to the awards.	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.
Pensions			
Positioned to provide a market competitive post-retirement benefit, in a way that manages the overall cost to the Company.	Executives are entitled to participate in a Company money purchase pension arrangement or to take a fixed salary supplement (calculated as a percentage of base salary, which is excluded from any AIP calculation) in lieu of pension entitlement. The Group's policy is not to offer defined benefit arrangements to new employees at any level, unless this is specifically required by applicable legislation or an existing contractual agreement.	The maximum benefit for Executives is 10% of base salary earned during the financial year. This compares with the average pension benefit across the wider UK workforce, currently 10-14% of salary.	Not applicable.
Benefits			
Positioned to support health and wellbeing and to provide a competitive package of benefits that is aligned with market practice.	The Group offers Executives a range of benefits including (but not limited to): o a company-provided car and fuel, or a cash allowance in lieu; o life assurance and personal accident insurance; o health and medical insurance for the Executive and their dependants; and o health screening and wellbeing services.	Cash allowance in lieu of company car – currently £15,120 per annum. The benefit in kind value of other benefits will not exceed 5% of base salary.	Not applicable.
All-employee share plans			
Provides an opportunity for employees to voluntarily invest in the Company.	Executives are entitled to participate in all-employee share plans on the same terms as all other eligible employees.	Maximum contribution limits are set by legislation or by the rules of each plan. Levels of participation apply equally to all participants.	Not applicable.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Shareholding requirements			
To align the interests of Executive Directors with shareholders over a long-term period including after departure from the Group.	**In-employment requirement** During employment, the Group Chief Executive and Group Chief Financial Officer 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 Group Chief Executive and 200% of base salary for the Group Chief Financial Officer. **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 Group Chief Executive and 200% of base salary for the Group Chief Financial Officer for a period of two years. Only shares earned from vested incentives will be included within the post-employment shareholding requirement.	Not applicable.

Notes to the 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 above, 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 Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director 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. The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Malus and clawback

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

- AIP – cash awards: malus will apply up to the payment of the cash AIP award and clawback will apply for a period of 3 years after the cash AIP payment.
- AIP – deferred shares: clawback will apply during the period of three years following the payment of the cash AIP award the deferred share relates to.
- 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.
- 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.

During the year, the Remuneration Committee has not needed to apply clawback or malus to any payments to Executive Directors or other members of the Centrica Leadership Team.

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. CUPS was closed to future contributions from 31 December 2023.

Discretion and judgement

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

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

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

Recruitment Policy

The Committee will apply the same 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 AIP entitlements and/or unvested long-term incentive awards (at an expected value no greater than what is forfeit) from an existing employer, if any, and the additional provision of benefits in kind, pensions and other allowances, as may be required in order to achieve a successful recruitment. The Company has a clear preference to use shares wherever possible and will apply timescales at least as long as previous awards.

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

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

Service Contracts

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

Executive Director	Date of appointment to role	Date of current contract	Notice from the Group	Notice from the individual
Chris O'Shea	1 November 2018	10 December 2020	12 months	12 months
Russell O'Brien	30 January 2023	30 January 2023	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 comprising base salary only. Typically any payment in lieu of notice will be made in monthly instalments and reduce, or cease completely, in the event.
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 a 50% deferral vesting in line with the normal time-frame. 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 in service, 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 in the UK, Ireland, Europe and North America 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.

No consultation in respect of the development of the Director's Remuneration Policy place with employees occurred.

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 on the design of the Policy, and the key rationale for the changes that were made. The Policy received shareholder approval at the AGM in June 2022. The Committee proactively seeks engagement with shareholders on remuneration matters on an ongoing basis. During the year, consultation took place with recognised trade unions on pay across the wider workforce. No direct engagement with the workforce occurred on executive remuneration. In order to enhance the level of engagement with our employees, a Shadow Board, comprising colleagues across the business and in different locations, was launched in 2021. In 2023 a new Shadow Board was established and through the Shadow Board, colleagues are able to share views with the Board on executive pay, wider workforce terms & conditions, and people-related policies. The Shadow Board will be our primary forum for engaging on executive pay. The Remuneration Committee is actively exploring ways to enhance engagement across all groups in 2024.
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 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

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.

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
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 Chair are reviewed by the Remuneration Committee. The fee levels of the Non-Executives are reviewed by the Chair of the Board, Executive Directors and the Chief People Officer. Non-Executives are paid a base fee for their services. Where individuals serve as Chair of a Committee of the Board, additional fees are payable. The Senior Independent Director also receives an additional fee. The Company reserves the right to pay a Committee membership fee in addition to the base fees.	The maximum level of fees payable to Non-Executives, in aggregate, is set out in the Articles of Association.	Not applicable.

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

Non Executive Director	Date of appointment to role	Date of current contract	Notice from the Group	Notice from the individual
Scott Wheway	1 May 2016	13 June 2023	6 months	6 months
Carol Arrowsmith	11 June 2020	13 June 2023	3 months	3 months
Amber Rudd	10 January 2022	13 June 2023	3 months	3 months
Nathan Bostock	9 May 2022	13 June 2023	3 months	3 months
CP Duggal	16 December 2022	13 June 2023	3 months	3 months
Heidi Mottram	1 January 2020	13 June 2023	3 months	3 months
Kevin O'Byrne	13 May 2019	13 June 2023	3 months	3 months
Phillippe Boisseau	1 September 2023	1 September 2023	3 months	3 months
Jo Harlow	1 December 2023	1 December 2023	3 months	3 months
Sue Whalley	1 December 2023	1 December 2023	3 months	3 months