

Methodology for assessing trade association alignment with climate policy positions

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1. Summary

Centrica leverages its influential position to promote positive policy outcomes on key issues, such as achieving net zero. This review aims to enhance the transparency of our indirect advocacy and reinforce the governance framework.

We participate in numerous trade associations to advance the advocacy of our climate policy positions, which we consider essential for furthering our growth objectives and achieving our climate targets: Centrica's goal of net zero by 2040 and our customer target of net zero by 2050. These associations provide collective influence and facilitate the exchange of knowledge and expertise. We recognise that each trade association engages in advocacy on various matters relevant to their members, encompassing a wide range of views and topics. We have accounted for this diversity in our assessment. Nonetheless, we remain committed to ensuring that every association representing Centrica undertakes its relevant advocacy in alignment with the objectives of the Paris Agreement.

As scrutiny of corporate advocacy through industry associations continues to increase, we undertake an annual assessment and reporting process. This is structured in two parts: this methodology document, which outlines the approach used to assess alignment

across all in-scope trade associations, and a separate results table, published alongside this document.

We have continued to embed our enhanced membership process, including a Paris alignment assessment prior to approving any new association membership.

We understand that engagement and influence are essential for achieving net zero. We encourage trade associations to publicise their advocacy efforts on behalf of their members and key stakeholders (such as investors), and to continue promoting policies that are in line with the Paris Agreement.

2. Methodology

2.a Process

The following steps describe how we conduct this review:



2.b Scoping

We include all paid memberships of trade associations, together with other organisations that represent Centrica's interests in policy and advocacy activities. This includes bodies such as the Emissions Trading Group, which brings together multiple trade

associations. This approach helps ensure our indirect advocacy is considered alongside our direct engagement. Associations joined by employees in an individual capacity, such as the Institute of Sustainability and Environmental Professionals, are excluded. A full list of organisations assessed as in and out of scope is provided in the Results section.

We also eliminated associations that are not likely to have a stance on climate issues as “Not Applied” (see appendix of the results document). For example, *Step Change in Safety*.

2.c Assessment

We continue to utilise amendments to our assessment approach from last year to better address and consider the diverse and broad business activities that our trade associations represent. We have applied the assessment criteria at a suitable level for each association based on their focus and their impact on the energy transition.

The assessment is based on three main elements:

1. **Alignment with the Paris Agreement:** we have evaluated the position of each association on the Paris Agreement, which aims to limit global warming to well below 2°C, and preferably to 1.5°C, compared to pre-industrial levels.
2. **Alignment with the Just Transition:** we have evaluated the position of each association against the Just Transition, which aims to ensure no groups are “left behind” as we transition. We recognise that the scope of a Just Transition varies according

to the stakeholder group. Therefore, our evaluation for alignment focuses on whether the association supports a Just Transition for their key stakeholder group. For example, we would expect an association representing the development of renewables to advocate for upskilling the existing and future workforce for green jobs to support the buildout, rather than focusing on alleviating energy poverty for households.

3. Alignment with Centrica's Climate Policy Positions: we have a set of climate and sector-relevant policy positions that we consider essential for achieving the Paris Agreement and our climate targets, and we expect our associations to support them. The policy areas are as follows:

- Clean Power
- Decarbonisation of Heat
- Transport
- Energy Efficiency
- Hydrogen
- Natural Gas
- Carbon Pricing
- Carbon, Capture, Utilisation, and Storage (CCUS)

You can find further details on them [here](#). Using the above policy areas, we then complete the following steps for each association:

- a. Identified the policy areas relevant to the association and that require strong and public disclosure, given the association's capacity to influence within these areas.
- b. Determined the degree of relevancy of the identified policy areas for the association to inform the level of public disclosure expected. For example, we would expect an association focussed on electricity storage to have strong disclosures on Clean Power, due to its high relevancy, but light reference to Hydrogen.
- c. Assessed their public advocacy on each relevant policy area by examining various official documents, such as policies, statements, submissions and publications, that expressed the formal positions of the associations to support our evaluation. Examined documents are then documented internally to support our assessment.

This approach ensures that associations are not penalised for lacking a public policy stance on topics irrelevant to their activities. For example, an association focused solely on heating and hot water would not be required to have a position on transportation. This method also increases accountability for associations representing industries with significant roles in the transition, such as high-emitting sectors. However, it ensures a coherent approach to the Paris Agreement.

Table 1: Alignment definitions

Alignment level	Definition
Strongly aligned	Evidence of alignment with Paris and relevant key positions appropriate to materiality, with negligible evidence of misalignment. Or, where the primary purpose of the association is related to decarbonisation.
Aligned	As above, but either low level of disclosure or evidence of support for Paris relative to materiality.
Misaligned	Evidence of misalignment in the form of stated opposition to one or more of Centrica's key climate policies and/or Paris.

2.d Action planning

Table 2: Actions in the instance of misalignment

Alignment level	Actions
Strongly aligned	Maintain relationship and monitor advocacy. Relationship will be reviewed annually.
Aligned	Maintain relationship but actively engage and monitor advocacy. Relationship will be reviewed annually.
Misaligned	Tailor an engagement approach with the internal relationship owner to address misalignment using this framework: Initial Engagement: Notify and engage the association upon identifying misalignment; present areas of misalignment and assessment findings. Further Investigation: Assess drivers of misalignment and potential solutions. Pathway to Alignment: Develop and agree on an action plan with the association, including implementation timeframes within <u>12 months</u> of initial engagement; monitor and review progress; publish an update in the next annual review cycle. Further Escalation (if needed): If no suitable action plan is agreed upon within 12 months, consider terminating membership per association guidelines, extending the deadline if progress is being made (with updates in the next annual review cycle), or issuing a public statement on misalignment and reasons for retaining membership while continuing to push for improvements.

2.d Annual review

In the 2025 annual update of our assessment, we continue to include summaries of our assessment findings and outcomes and indicate those memberships that have ceased within the year. We will maintain this annual frequency in the future, as we are aware of the changing market conditions.