

## The Board's duties under Section 172(1)

The Directors are required under Section 172(1) (a)-(f) of the UK Companies Act 2006 to promote the long-term success of the Company for the benefit of its members and to consider the interests of other stakeholders in their decision making.

The diverse set of skills, knowledge and experience (see pages 86 to 89), our Purpose, Values and strategy (see pages 11 and 18 to 25), stakeholder engagement (see pages 12 to 13 and 98 to 99), and Board activities and discussions (see pages 92 to 93) all support the Directors in fulfilling their responsibilities.

Alongside the principal decisions described on these pages, the table below provides examples of other activities which also support the Directors in meeting their obligations under S172(1).

Section 172 factors	Examples of supporting activities	Supporting information
(a) Decision for the long term	<ul style="list-style-type: none"> <li>• Agreed refreshed purpose and values;</li> <li>• Strategy meetings discussing strategic priorities;</li> <li>• Regular deep dive reviews of business performance, and aligned risks and control reviews to monitor strategy;</li> <li>• Agree annual plan, review the allocation of capital and monitor performance;</li> <li>• Regular review of sustainability performance ambitions;</li> <li>• Review risks and opportunities relating to Board reserved matters; and</li> <li>• Regular board report on activities supporting the directors' Section 172 activities.</li> </ul>	<p>11</p> <p>18 to 25 and 93</p> <p>93</p> <p>93</p> <p>114 to 115</p> <p>93</p> <p>93 and 94 to 99</p>
(b) Employee interests	<ul style="list-style-type: none"> <li>• Engaging with our colleagues through a structured engagement plan;</li> <li>• Established Shadow Board;</li> <li>• Regular review of the outcomes of the 'Our Voice' survey;</li> <li>• Board focus on executive succession planning; and</li> <li>• Monitor health and safety performance through the Safety, Environment and Sustainability Committee (SESC).</li> </ul>	<p>12 to 13, 81 and 98 to 99</p> <p>12, 56 and 98 to 99</p> <p>12, 65, 81 and 99</p> <p>112 to 113</p> <p>64 to 65 and 114 to 115</p>
(c) Relationships with suppliers, customers and others	<ul style="list-style-type: none"> <li>• Introduced new Chief Customer Office to drive improved customer outcomes;</li> <li>• Regular shareholder engagement, targeted for review of remuneration policy and Climate Transition Plan; and</li> <li>• SESC activities monitor outcomes in relation to multiple stakeholders.</li> </ul>	<p>54</p> <p>13, 81 and 95 to 98</p> <p>114 to 115</p>
(d) Community and the environment impact	<ul style="list-style-type: none"> <li>• SESC remit supports activities on community and climate;</li> <li>• People and Planet scorecard regularly reviewed;</li> <li>• Revised Climate Transition Plan and targets; and</li> <li>• Board review of sponsorship and community contribution.</li> </ul>	<p>114 to 115</p> <p>114 to 115</p> <p>73 to 76</p> <p>114 to 115</p>
(e) Reputation for high standards of business conduct	<ul style="list-style-type: none"> <li>• SESC monitors performance against various stakeholder measures;</li> <li>• Annual deep dive reputational survey on stakeholder perceptions to inform activities in relation to stakeholder groups;</li> <li>• Adoption of 'Our Code' reinforcing conduct expectations; and</li> <li>• Review of principal risks impacting the business.</li> </ul>	<p>114 to 115</p> <p>114 to 115</p> <p>65 and 81</p> <p>40 to 51</p>
(f) Fairness between shareholders	<ul style="list-style-type: none"> <li>• Regular engagement, trading updates and publication of information available to investors on our website e.g. Teach-in sessions;</li> <li>• The Disclosure Committee protects the integrity of price-sensitive information; and</li> <li>• Hybrid Annual General Meeting to support broader participation.</li> </ul>	<p>98 to 99</p> <p>83</p> <p>98</p>

## Principal decisions made by the Board in 2024

In line with our Purpose to energise a greener, fairer future, the Board gives careful consideration to the potential impacts of decisions on stakeholders. Principal decisions made by the Board included those set out below. Refer to the Nominations Committee report on page 113 on the process for the appointment of the Chair.

### Examples of decisions made by the Board in 2024

#### Remuneration Policy

**Context** Our Remuneration Policy is designed to balance the views and experiences of all our stakeholders, while ensuring we attract and retain high-performing executives capable of leading a complex organisation in a challenging and competitive global business environment.

**Stakeholder considerations** As part of developing the new Directors' Remuneration Policy (the Policy), the Company engaged with stakeholders.

**Investors:** The Chair of the Remuneration Committee and Company representatives engaged with investors and proxy advisors to understand their views of the proposed Policy. They engaged with shareholders representing nearly 50% of our issued share capital. The Company shared its views on required changes to attract and retain talent and ensure the alignment of remuneration to our business strategy, Purpose and culture. Responses from investors and our independent Remuneration Committee advisor were discussed by the Board at various points during 2024 and used to finalise the Remuneration Policy.

**Colleagues:** The Directors recognise that Centrica employees are core to our business performance and the delivery of our strategic ambitions. The success of our business depends on attracting, retaining, developing and motivating talented employees. The Directors consider and assess the implications of the Remuneration Policy changes on employees and the wider workforce with a goal to ensure alignment with our reward principles, Purpose and culture.

**Outcome** Stakeholder views were shared with the Board and Remuneration Committee alongside information on the wider workforce remuneration structure, external market practice, corporate governance regulations and institutional guidelines.

Changes to our Remuneration Policy demonstrate our commitment to setting and implementing a Policy that is strongly aligned to our strategic objectives and the delivery of long-term value for all stakeholders, while seeking to avoid creating excessive risks in the achievement of short and long-term performance targets.

During consultation, shareholders requested clarity on the business performance and executive pay decisions in the context of the wider workforce, as well as competitive market benchmarks, to understand the context and rationale for the proposed changes. Most shareholders that we consulted indicated that they were supportive of the proposed changes. The Remuneration Committee Chair has provided this context and rationale in the Remuneration Committee Chair's letter. Read our Remuneration Policy on pages 138 to 147.

## Examples of decisions made by the Board in 2024

### Climate Transition Plan

**Context** Our Climate Transition Plan transparently explains to stakeholders our Plan for tackling climate change and achieving net zero.

The updated Plan (see pages 73 to 77) primarily outlines Centrica's commitment and progress on net zero, the ambitious and tangible steps we intend to take to progress our Plan, as well as the key dependencies and resources our Plan is reliant on. The Plan closely aligns with best practice such as targets aligned to the Paris Agreement and the Transition Plan Taskforce's (TPT) framework.

The Climate Transition Plan demonstrates the important role Centrica plays in the energy transition. It was published on 21 January 2025. The Plan was shaped through stakeholder engagement and we continue to engage stakeholders on it in the run-up to the AGM.

**Stakeholder considerations** Centrica has engaged with a variety of stakeholders to develop and implement its Climate Transition Plan. Those key stakeholders include:

**Investors:** Centrica conducted workshops and meetings with Climate Action 100+ coalition to share details of their decarbonisation strategy and assess as well as evolve in line with investor expectations.

**Policymakers and regulators:** Centrica has actively engaged policymakers to advocate for regulatory changes and support mechanisms necessary for achieving net zero. This includes advocating for the use of biomethane for gas peakers, support for hydrogen to power, and the development of hydrogen production and storage infrastructure.

**Customers:** Centrica has sought and considered customer expectations and needs, particularly in relation to the adoption of low carbon technologies as well as energy security and affordability. They have provided insights into feasible emissions pathways and the necessary conditions to accelerate progress.

**Industry partners:** Centrica has collaborated with various industry partners on projects such as hydrogen production and storage, renewable energy generation and energy efficiency initiatives. These partnerships help to develop innovative solutions and share risks.

**Trade associations:** Centrica has engaged with trade associations to advocate for policy reforms and share best practices. This includes memberships in associations focused on heat pumps and hydrogen.

**Communities:** Centrica engaged wider communities to ensure a just transition. This includes supporting community initiatives and providing energy efficiency improvements as well as energy bills support to those who need it.

This engagement highlights Centrica's comprehensive approach to addressing the expectations and concerns of various stakeholders while advancing its climate transition ambition.

## Examples of decisions made by the Board in 2024

### Climate Transition Plan continued

#### Outcome

Following Centrica's engagement with stakeholders, several outcomes were achieved that reflect the Company's commitment to addressing stakeholder concerns and advancing its Climate Transition Plan. Specific examples include:

#### **Energy certificates:**

Centrica advocates for a review of the current regime for energy certificates. After engaging with stakeholders and evaluating various options, the decision was made to continue purchasing certificates under the existing system. However, Centrica will develop an internal framework to ensure quality and value for consumers, which might result in future strategic adjustments, including a reduction in certificate use.

#### **Investor expectations:**

Through investor engagement, Centrica improved the scope, quality and transparency of its Climate Transition Plan. This engagement led to the announcement of bolder commitments to progress emission reductions including bringing forward Centrica's commitment to be a net zero business to 2040 from 2045 and setting a new suite of Climate Ambitions to drive progress (see pages 73 to 75).

#### **Policy and advocacy:**

Centrica's engagement with policymakers resulted in advocacy for regulatory changes to enable the use of biomethane for gas peakers and support for hydrogen to power plants. The Company emphasised the need for Government support in developing hydrogen production and storage infrastructure.

#### **Stakeholder confidence:**

By strengthening its Climate Transition Plan, Centrica aimed to build confidence among stakeholders about its role and resilience in the energy transition. This was achieved by presenting Centrica as a credible and resilient player in the energy transition.

#### **Publication and communication plan:**

Centrica published the updated Climate Transition Plan in January 2025, supported by a communications plan for a range of stakeholders in advance of the AGM.

These outcomes demonstrate Centrica's comprehensive approach to addressing stakeholder expectations and advancing its climate commitments.

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