Remuneration Committee

Membership, meeting attendance and key focus

Committee members
Carol Arrowsmith (Chair)
CP Duggal (with effect from 16 December 2022)
Heidi Mottram
Amber Rudd (with effect from 10 January 2022)

Stephen Hester retired as a member of the Committee on 7 June 2022

Biographical details of the Committee Chair and members can be found on pages 62 to 65. Meeting attendance of the Committee members can be found on page 66.

Meeting attendees by invitation
Chairman of the Board
Group Chief Executive
Group Chief People Officer
Group Head of Reward

Focus areas in 2022
- Approval of new Remuneration Policy
- Executive Director salary reviews
- Review of pay issues across the wider workforce
- Cost of living support for colleagues
- Gender and ethnicity pay gap report
- Review and approval of 2022 financial and business targets and individual objectives
- Review and approval of Directors' expenses
- Executive shareholding update
- Review and approval of remuneration package for Group Chief Financial Officer (CFO)

Dear Shareholder

On behalf of the Board I present the Remuneration Report for the year ended 31 December 2022.

The past two years have been a challenging time for our industry. We have faced the biggest energy crisis since the 1970's, huge instability in our markets together with an unprecedented round of energy company failures leaving stranded customers. Never has stability and the importance of being able to respond to our customers' needs been greater. The leadership team at Centrica has worked tirelessly to ensure that our business navigated these challenges and continued on our journey to improve our customer experience. We have work to do but believe that 2022 has been a turning point.

As the Remuneration Committee we have focused on balancing the views and experiences of our stakeholders with our responsibility to pay our leaders fairly in that context.

At our last AGM we proposed a new Remuneration Policy. Our aim was to design a remuneration structure that would support our strategic direction, enable us to engage our leadership team in the continuing transformation of Centrica and support our requirement for a team capable of making those changes, whilst addressing the challenges our Company and industry faces going forward. We introduced a new framework for annual bonus to allow us to incorporate judgement on our operational performance whilst retaining a strong focus on financial achievement. We replaced the long term incentive plan with a restricted share plan and thereby reduced the maximum share award from 3 times salary to a maximum of 1.5 times salary. During that review I spoke with many of our largest shareholders and as part of that process I received strong support for our leadership team and genuine interest in our aims.

I am pleased to say that we received support in favour of the new Policy at our AGM in June. This indicated that our shareholders understood and supported the rationale for moving to a new long-term incentive structure. We believe this will provide a stronger and more stable link with the long-term performance of our business so enabling us to attract people capable of leading Centrica which remains a complex business. We granted the first Restricted Share Plan (RSP) awards to our Executives shortly after the AGM.

Throughout my conversations with shareholders, I heard many of you expressing your strong support for the management team and the progress that was being made to simplify and stabilise our company.

Performance of our Executive team

Our Group Chief Executive, Chris O'Shea, has continued to show outstanding leadership, drive and determination to turn around the company for our 10 million customers, 20,000 colleagues and our many shareholders. Stability is vitally important to continue our transformation and for our customers, our colleagues and our shareholders who need us to retain a strong leadership team to deliver on our commitments.

We are investing in the future of UK energy and we have an ambitious investment pipeline of net zero aligned options. We have also re-opened our gas storage facility, Rough, to improve UK energy security.

The COVID-19 pandemic and the energy crisis, which saw the collapse of several energy suppliers, have demonstrated the need for well-funded, well-run energy companies. We have taken a responsible approach by safeguarding customer deposits and stepped in to help more than 700,000 customers that were left without a supplier.

Our financial resilience has allowed us to support customers through the energy crisis including donating £50 million to help vulnerable customers. Our donations will continue to grow with our commitment to give 10% of British Gas Energy and Bord Gáis Energy profits. This has enabled us to create the largest package of voluntary energy support for customers in the UK.

This financial resilience has also meant that we can support our people. In 2022 we provided two significant cost of living payments to colleagues to help them to manage rising household costs. We have introduced a number of other financial and non-financial initiatives for our colleagues including an energy allowance for all colleagues who are British Gas customers and reduced priced meals at all our sites. We have launched a number of new programmes aimed at supporting the mental health of our colleagues, particularly those that are providing vital support to our customers every day. In addition, we have invested £25m in customer service with the recruitment of 700 additional UK-based agents to allow us to manage the increase in demand from our customers. More information on our support to colleagues is set out in the Group Chief People Officer report on pages 37 to 38.

Our financial stability has also enabled us to fulfil our commitment to shareholders with the announcement in 2022 of the reinstatement of our dividends and the £250 million share repurchase programme which is well underway.

Financial performance outcomes for the year

As set out earlier in this report, the wider Centrica business has delivered exceptionally strong financial performance. Our portfolio has been simplified and our balance sheet strengthened.

Within our portfolio, our businesses are linked and well-positioned for growth. Our strong asset-backed balance sheet and our liquidity allows us to manage volatile markets effectively.

In my letter to shareholders last year, I explained that Chris O'Shea had elected not to accept his 2021 annual bonus payment due to the hardships faced by our customers. This decision was made after Chris had not received a bonus payment for the previous two financial years. I made it clear in my letter that if performance in 2022 justified a bonus, it was our intention to pay that bonus because we cannot expect to attract and retain leaders in the future if we do not meet our commitment to recognise and reward the performance and talent of our people.

It is the opinion of the Committee that the exceptional financial performance against the stretching targets that were set for 2022 does justify a bonus payment for both the Group Chief Executive (CEO) and the Group Chief Financial Officer (CFO).

Annual Incentive Plan

The assessment of annual performance for the Centrica leadership team is 75% based on business performance and the remaining 25% based on individual performance against strategic objectives.

The business performance element for the year was split equally between a financial measure, earnings per share (EPS), and the outcome of a balanced scorecard of financial and operational measures that were critical to the success of the organisation in 2022. Balanced scorecard measures included key Group financial performance measures as well as important business unit measures such as the cost to serve for our customer-facing businesses and a cost:income ratio for our Trading business (see page 89 for details).

The adjusted EPS measure had defined threshold, target and maximum levels. Exceptional overall business performance in 2022 resulted in our EPS outcome being well above the maximum level that had been set. The Committee reviewed the impact of commodity prices on the outcome and noted that, excluding this impact, the outcome would remain above maximum.

The Committee carefully considered the impact of this year's exceptional movement in commodity prices on performance compared to the targets set at the start of the year. Even after excluding the positive impact of commodity prices this year, the underlying financial performance was still above the maximum level for the Annual Incentive Plan (AIP).

Strong performance in various areas across the Group also meant that the majority of the balanced scorecard measures and targets were met in full. This included measures that reflect the capacity we have to deliver for our customers, strong free cash flow generation, the material improvement in the cost:income ratio in EM&T and progress against our long-term climate-related targets. In addition, whilst we continued to invest to improve our customer complaints taskforce and frontline resource, complaint volumes were above the prior year, partly due to pricing and cost of living concerns in the general economy. As a consequence, our cost to serve under some bases was above plan. Overall, this resulted in a score of 80% against the balanced scorecard.

With regards to individual performance, the Committee reviewed Chris O'Shea's contribution to, and leadership of the business, and agreed that he has performed exceptionally well throughout 2022. Highlights include step changes in customer outcomes, focus on instilling a culture of delivery and operational excellence and significant long-term improvement in colleague engagement scores. The Committee determined that an outcome of above target, at 88% of maximum, under this element of the annual bonus was appropriate.

For Kate Ringrose, the Committee determined that an outcome at 62.5% of maximum, under the personal objectives element of the annual bonus was appropriate based on her performance in the year, particularly in respect of her leadership and management during the recent commodity price environment and work in building the asset portfolio.

This results in bonuses of 89.5% of maximum (179% of salary) for Chris O'Shea and 83% of maximum (125% of salary) for Kate Ringrose.

Long Term Incentive Plan

In 2020 the Committee approved a Long Term Incentive Plan (LTIP) award for Chris O'Shea relating to the performance period 2020-2022. This was in line with our previous Remuneration Policy.

The performance targets for the LTIP award included Total Shareholder Return (TSR), Economic Profit (EP), Underlying Adjusted Operating Cash Flow growth (UAOCF) and key performance indicators (KPIs) focused on safety, customer and colleague engagement.

TSR performance over the three-year period has been strong against peers and resulted in an outcome of 62.4% of the maximum for this metric. Performance against the other financial measures exceeded the three-year targets set by the Committee at the start of the performance period in 2020 and has therefore resulted in maximum outcomes under these metrics. The Committee considered performance under the non-financial KPIs including the process safety outcome, achieved at maximum, and NPS, achieved between threshold and maximum, and taking the measures together determined an outcome under this element of 50% of maximum.

This results in an overall vesting outcome of 76% of maximum for the 2020 LTIP.

For various reasons, including the Board's involvement in the planned divestment of Direct Energy, the grant of the 2020 LTIP was delayed until May 2021. This award will therefore not vest until 2024, and the shares will be released in 2026, following the mandatory two-year holding period.

As the performance period for the award ended on 31 December 2022, the estimated value of the vested award has been included in the single figure for total remuneration table on page 88. In addition, the Committee felt it was appropriate at this point to review whether the CEO (the only recipient of a 2020 LTIP award) could benefit from windfall gains over the period. The Committee looked at a number of factors, including the share price of the award at grant and the strong performance of Centrica compared with that of our direct peers and the wider market over the three-year performance period. Following this review, the Committee concluded that as a result of the following actions already taken, the risk of a windfall gain has been sufficiently mitigated:

- The Committee reduced the award level to 250% of salary at grant compared to the maximum of 300% of salary to reflect historic share price performance (a reduction of 17%).
- The later grant date in 2021 resulted in a share price on grant of 55 pence, compared to if the award had been granted at the normal time (which would have been shortly after the onset of COVID-19) at a price of circa 37 pence (a further reduction of 33%).

Therefore, given the reduction of award on grant and the delay in vesting, the Committee concluded that no further adjustment for windfall gains was necessary to the vesting outturn of 76% of maximum.

Further details are set out on pages 90 to 91.

CEO salary review

We considered carefully the pay arrangements for the wider workforce when we debated the salary adjustment for the CEO. Typically, our pay arrangements take effect from 1 April. This year we accelerated the timing so that the pay rises became effective 1 January for the wider workforce. These arrangements were negotiated and communicated with support from our trade unions for which we are appreciative. For the majority of colleagues, the pay deal in total was worth more than 10% of salary. This included base salary increases of at least 5% and a package of additional financial support, including lump sum payments, to recognise the continuing challenge from the rising cost of living.

A salary increase of 2.6% will be awarded to the CEO effective 1 April 2023 taking his salary from £794,375 to £815,000. This increase is below the average base pay increase provided to the wider workforce of 5%. Further details are provided on page 89.

Director changes

We announced in January that Russell O'Brien will be appointed Group CFO on 1 March 2023. The Committee considered carefully the salary that should be offered to Russell O'Brien in his new role. In particular, we took account of his considerable relevant experience and previous finance and treasurer roles at Shell. We also were aware of the competitive landscape for other similar senior and complex roles as well as salaries within the ranges paid by the companies which the Committee believe are appropriate comparators for the Group. As a result, the new CFO's salary will be £540,000. Other elements of his package will be fully in line with the approved Remuneration Policy.

Kate Ringrose will step down as CFO and an Executive Director on 28 February 2023 and is expected to leave Centrica towards the end of 2023 after an orderly transition. The Committee agreed that Kate will be treated as a good leaver for the purposes of her outstanding long-term incentive awards, which will be pro-rated to her termination date.

We have deliberated over these individual decisions, and in particular the pay outcomes for our CEO in respect of the year ending December 2022 and firmly believe that the Remuneration Committee must be willing to pay the CEO against his contract for delivering exceptional personal leadership of the business in very challenging times. We believe that the decisions taken by Chris and his team have substantially and positively impacted the business and its ability to serve customers and contributed to greater energy stability in the market.

The Committee is dedicated to an open and transparent dialogue with our shareholders and therefore I welcome views on any part of our remuneration arrangements.

Carol Arrowsmith
on behalf of the Remuneration Committee
15 February 2023

At a Glance

How we've supported our stakeholders in 2022

Customers

£50m
Support to help customers during the energy crisis

10%
Of British Gas and Bord Gáis profits to be donated until current crisis is over

£25m
Invested in customer service

Colleagues

2
Significant cost of living payments made

18ppt
Increase in colleague engagement

3700
New colleagues joined us

Shareholders

£250m
Share repurchase programme launched

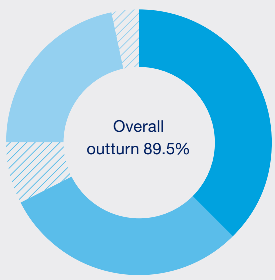
3p
Full year dividend per share

Annual Incentive Plan (AIP)

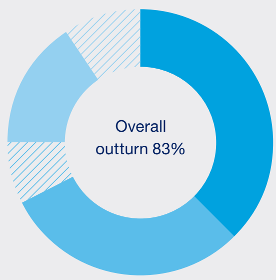
	Achieved	Not achieved	Weighting
EPS			37.50%
Balanced Scorecard			37.50%
Personal			25%

Read more on pages 89 to 90

Chris O'Shea CEO



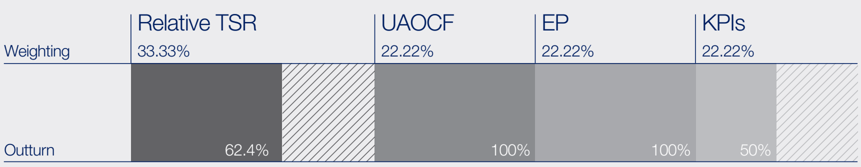
Kate Ringrose CFO



Long Term Incentive Plan (LTIP)

	Achieved	Not achieved	Weighting	Outturn
Relative TSR			33.33%	62.4%
UAOCF			22.22%	100%
EP			22.22%	100%
KPIs			22.22%	50%

Read more on pages 90 to 91



Directors' Annual Remuneration Report

Directors' remuneration in 2022

This report sets out information on the remuneration of the Directors for the financial year ended 31 December 2022.

Single figure for total remuneration (audited)

Executives

£000	Salary/ fees	Bonus (cash)	Bonus (deferred)(1)	Benefits(2)	LTIPs(3)	Pension(4)(5)	Total	Total fixed remuneration	Total variable remuneration
2022									
Chris O'Shea	**790**	**711**	**711**	**16**	**2,262**	**–**	**4,490**	**806**	**3,684**
Kate Ringrose	**459**	**288**	**288**	**16**	**–**	**33**	**1,084**	**508**	**576**
Total	**1,249**	**999**	**999**	**32**	**2,262**	**33**	**5,574**	**1,314**	**4,260**
2021									
Chris O'Shea	775	–	–	18	–	82	875	875	–
Kate Ringrose(6)	432	243	243	15	–	44	977	491	486
Total	1,207	243	243	33	–	126	1,852	1,366	486

(1) In accordance with the Remuneration Policy, 50% of the bonus is deferred into shares which are held for 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 2020-22 performance period is included in the table above, based on a share price of 83.65 pence (the 3 month average share price for the period ending 31 December 2022). The award will vest in May 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. £766K of the estimated value of the LTIP is attributed to share price growth. Dividend equivalents of £22K 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 balances of 4.1% in 2022 (0.7% in 2021).
(5) For Chris O'Shea, the high CPI inflation (4.1%) that was applied to the CUPS DC fund value at the start of the year has offset the poor investment returns achieved over the year. Therefore, when comparing the start of year fund value to the year-end value the result is negative which is reflected as zero in the table above.
(6) Kate Ringrose was appointed to the Board on 18 January 2021

Single figure for total remuneration (audited)

Non-Executives

£000	Salary/fees 2022	Salary/fees 2021	Total 2022	Total 2021
Scott Wheway	**410**	410	**410**	410
Carol Arrowsmith	**93**	93	**93**	93
Nathan Bostock(1)	**47**		**47**	
CP Duggal(2)	**3**		**3**	
Stephen Hester(3)	**40**	93	**40**	93
Pam Kaur(4)	**32**	73	**32**	73
Heidi Mottram	**93**	93	**93**	93
Kevin O'Byrne	**109**	98	**109**	98
Amber Rudd(5)	**71**		**71**	
Total	**898**	860	**898**	860

(1) Nathan Bostock joined the Board on 9 May 2022
(2) CP Duggal joined the Board on 16 December 2022
(3) Stephen Hester stepped down from the Board on 7 June 2022
(4) Pam Kaur stepped down from the Board on 7 June 2022
(5) Amber Rudd joined the Board on 10 January 2022

Base salary/fees

Pay across the wider workforce

Following a period of negotiation and consultation with our trade unions, a pay deal was agreed in December 2022, to apply to UK colleagues in 2023. For the majority of colleagues, the pay deal in total was worth 10% of salary. This included base salary increases of at least 5% and a package of additional financial support, to recognise the continuing challenge from the rising cost of living. The additional support comprised non-consolidated lump sum payments and the backdating of pay increases. This means that our lower paid colleagues will receive a total pay increase of 12-13%, and all our customer-facing colleagues will receive a total pay increase of at least 10%, in 2023.

Pay for our Executive and Non-Executive Directors

The base salary for the Group Chief Executive (CEO) and the Chairman of the Board were reviewed by the Committee in January 2023. Taking into consideration the increases across the wider workforce, and salary benchmarking data for similar roles commensurate in size and complexity with Centrica, the Committee determined that the salary for the CEO would be increased by 2.6% to £815,000 and the salary for the Chairman of the Board would be increased by 2.6% to £420,500.

Non-Executive Director (NED) fee levels were reviewed in December 2022 and it was agreed the base fees would be increased by 4.8% to £76,000. This increase was recommended in order to align the fees with the market rate for the FTSE 100, to ensure Centrica is able to attract and retain NEDs with sufficient skills, knowledge and experience. The increase of 4.8% is below the average increase across the wider UK workforce.

The previous base fee for NEDs had been in place since 2016 and although fees have been reviewed each year, no increase has been applied for the past seven years.

Bonus – Annual Incentive Plan (AIP)

In line with the Remuneration Policy, in 2022 75% of the award was based on a mix of financial and business measures based on Centrica's priorities for 2022 and 25% was based on individual personal objectives.

The Committee agreed that half of the financial/business performance measures for 2022 would be based on an Earnings per Share (EPS) target with a defined threshold, target and maximum, as follows:

	Threshold	Target	Max	Outcome
Adjusted EPS	3.6p	6.1p	8.6p	34.9p

The EPS outcome was 34.9 pence which was significantly above the level for maximum achievement set by the Committee.

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. Instead, the Committee would discuss performance and consider the overall outcome against the balanced scorecard.

The balanced scorecard of measures, targets and outcomes was as follows:

	Measure	Target	Outcome
Group	Adjusted Operating Profit	£642m	£2,823m
	Free Cash Flow	£468m	£2,487m
	Net (Debt)/Cash	£12m	£1,199m
BG Energy	Complaints	8%	14.4%
BG S&S	Complaints	7%	12.6%
BG S&S	Reschedules	8.5%	6.2%
Bord Gáis	Cost to serve	€88.9 per customer	€108.9 per customer
BG Energy	Cost to serve(1)	£92 per customer	£112 per customer
CBS	Order Intake	£428m	£212m
EM&T	Opex: GM Ratio	51%	21%
	Customer numbers	10,186,000 unique customers	10,258,000 unique customers
	Colleague engagement	63%	73%
	Progress towards climate transition plan	Make good progress against the interim climate targets of Centrica's People & Planet Plan, including input measures tracked on the Climate Transition Plan dashboard	Achieved
	Customers on Ensek	2m	2m

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

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 80% against the balanced scorecard. Achievement against the overall financial and business targets therefore was at 180% of target.

Each Executive had a set of stretching personal objectives which included key non-financial performance indicators (KPIs) that were important to the success of the business in 2022. The KPIs were cascaded to business and functional leaders to ensure a strong line of sight to key priorities through the organisation.

Chris O'Shea's objectives for 2022 included delivering against significant operational improvements as well as agreeing the longer term energy transition plan to deliver a compelling strategic narrative. The Committee believes that these objectives were met in full with the operational improvements in the Services business, the launch of a new business division focused on net zero ventures and the re-opening of the Rough storage facility. Chris successfully navigated challenging regulatory and political issues, continuing to build capability and promote a performance and delivery culture whilst delivering shareholder value through new investment opportunities and portfolio shaping. Based on an assessment of achievement against strategic and personal objectives during the year the Committee determined that an outcome of above target, at 88% of maximum, against the personal objectives element of the annual bonus was appropriate. The overall bonus outcome for the CEO was therefore a payment of £1,421,931.

Kate Ringrose's objectives for 2022 included improving key capability and cultural structures in the finance and Digital Technology Services functions to ensure delivery of the longer-term plan and enabling the Group to deliver the strategy presented to the market. She supported the company to navigate the complex challenges and risks of the volatile commodity price environment. Kate made key changes to strengthen her leadership teams to ensure reporting and monitoring was more robust. Based on an assessment of achievement against strategic and personal objectives during the year, the Committee determined that an outcome of above target, at 62.5% of maximum under the personal objectives element of the annual bonus was appropriate. The overall bonus outcome for the CFO was therefore a payment of £575,121.

Long-term incentive awards relating to the performance period 2020-22

Performance conditions

The performance conditions relating to the three-year period ending in 2022 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
Relative Total Shareholder Return (TSR)	0.333	FTSE 100 median	FTSE 100 upper quartile	62.4%
Underlying adjusted operated cash flow (UAOCF) growth	0.222	CAGR 2%(1)	CAGR 5%(1)	55.8%
Absolute aggregate Economic Profit (EP)	0.222	1,357m	£1,797m	£2,638m
Non-financial KPI improvement	0.222	See below	See below	50%

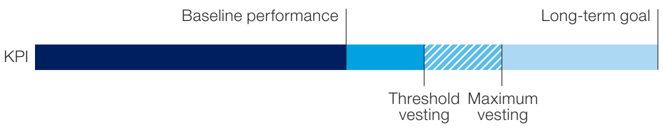
(1) Compound annual growth rate.

Centrica's TSR during the three-year performance period was 10.3%, compared with the required threshold level of -1.1%, therefore the TSR portion of the LTIP will vest at 62.4%.

Financial performance across the three-year performance period was strong, resulting in an above maximum outcome against the UAOCF target (an outcome of 55.8%) and the absolute aggregate EP target (an outcome of £2,638m).

Non-financial KPI targets and outcomes

KPI improvement relates to closure of the gap between performance at the start of the period (baseline performance) and our long-term aspirational goals which are generally aligned with upper quartile market performance.



We expect the KPI performance gap to close by 25% for threshold vesting and 50% for maximum vesting. The KPI measures, targets and outcomes for the 2020-22 cycle were:

		Targets			
	Baseline performance	Threshold	Maximum	Long-term goal	Outcomes
Safety					
Total recordable injury frequency rate (TRIFR)(1)	**1.06**	0.86	0.45	0.25	1.12
Tier 1 and Tier 2 process safety event frequency rate(1)	**0.08**	0.073	0.065	0.05	0.00
Customer satisfaction					
Aggregate brand NPS across our customer businesses weighted by customer numbers	**12.95**	13.61	14.26	16	14
Complaints per 100,000 customers across our customer businesses weighted by customer accounts	**3,879**	3,449	3,019	2,159	6,552
Colleague engagement (percentage favourable)	**43**	51.5	60	77	73

(1) Per 200,000 hours worked.

Performance against the non-financial KPIs across the performance period was mixed, with colleague engagement and process safety outcomes reaching the maximum level, NPS being 60% between threshold and max, and LTIFR and complaints outcomes not reaching threshold. The Committee determined that the level of vesting for this portion of the award would be 50%, to reflect what it considered to be the genuine performance of the Company over the performance period.

Overall performance outcome

The LTIP award was granted in May 2021 and therefore it will vest in May 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 76%. The estimated value of the shares that will vest in respect of the three-year performance period, which ended in December 2022, has been included in the single figure for total remuneration on page 88. The shares will be released at the end of the holding period, in May 2026.

The Committee looked at a number of factors, including the share price of the award at grant and the strong performance of Centrica compared with that of our direct peers and the wider market over the period. Following this review, the Committee concluded that as a result of the following actions already taken, the risk of a windfall gain has been sufficiently mitigated:

- At grant, the award level had been reduced to 250% of salary compared to the maximum of 300% of salary to reflect historic share price performance (a reduction of 17%).
- The delay of the grant as noted above resulted in a share price on grant of 55 pence, compared to if the award had been granted at the normal time (which would have been shortly after the onset of COVID-19) at a price of circa 37 pence (a further reduction of 33%).

Assuming the Committee took no action at the time of grant (assumed to be 1 April 2020, in line with the historic grant date), the CEO would have been granted 6,265,157 shares at a share price of 37 pence. However the percentage of salary reduction in combination with the delay of grant (meaning the share price increased from 37 pence to 55 pence) resulted in a 44% reduction in the number of shares granted to the CEO (to 3,522,471).

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 2022 the pension contribution rate across the UK workforce was 10-14%.

Chris O'Shea and Kate Ringrose participated in the Centrica Unapproved Pension Scheme Defined Contribution section (CUPS DC).

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 2022 £**	Total notional pension fund as at 31 December 2021 £
Chris O'Shea(1)	**319,407**	312,710
Kate Ringrose(1)(2)	**78,761**	43,670

(1) The retirement age for the CUPS DC scheme is 62.
(2) Kate Ringrose was appointed to the Board on 18 January 2021

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 2022.

For the Group Chief Executive the minimum shareholding requirement is 300% of base salary and for the Group 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. Given the remuneration decisions that have been taken over the past three years, the Committee recognises that achieving the level of shareholding is challenging.

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.

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.

	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(4)(5)	598,827	7,954,419	—	1,497,593	68,689	300	69
Kate Ringrose(5)	550,579	1,501,143	—	725,290	379,134	200	110
Non-Executives							
Carol Arrowsmith	49,286	—	—	—	—	—	—
Nathan Bostock	27,000	—	—	—	—	—	—
CP Duggal	—	—	—	—	—	—	—
Stephen Hester	20,700	—	—	—	—	—	—
Pam Kaur	—	—	—	—	—	—	—
Heidi Mottram	10,000	—	—	—	—	—	—
Kevin O'Byrne	40,000	—	—	—	—	—	—
Amber Rudd(6)	23,204	—	—	—	—	—	—
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 for Executives shares purchased in April 2022 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 in 2022 and SIP free and matching shares that have not yet been held for the three-year holding period.
(3) The share price used to calculate the achievement against the guideline was 91.94 pence, the price on 31 December 2022.
(4) Chris O'Shea purchased 44,475 shares during the year. Due to LTIP awards granted in 2018 and 2019 not vesting, and the fact that Chris O'Shea has not received an Annual Incentive Plan payment with a corresponding deferred bonus award for the last three years, his shareholding is below the projected level. However, he will receive shares from the 2022 deferred bonus plan in March 2023, which will increase his achievement against the guideline to 159% of salary.
(5) During the period from 1 January 2023 to 15 February 2023 both Chris O'Shea and Kate Ringrose acquired 361 shares through the SIP.
(6) During the period from 1 January 2023 to 15 February 2023 Amber Rudd acquired 2,058 shares through the NED Share Purchase Agreement.

Share awards granted in 2022 (audited)

Set out below are details of share awards granted in 2022 to Executive Directors.

2022 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	1,496,336	150%	1,191,563	June 2025	June 2027
Kate Ringrose	RSP	Conditional	724,033	125%	576,563	June 2025	June 2027

(1) The number of shares awarded under the RSP was calculated by reference to a price of 79.6 pence, being the average of the Company's share price over the five trading days immediately preceding the date of grant of 23 June 2022.

The RSP award is measured against 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 Company's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any identified material risk or regulatory failures. Financial performance will include elements such as revenue, profitability, shareholder experience and return on capital. Non-financial performance will include a range of operational and strategic measures critical to the Company's long-term sustainable success.

For the 2022 award, the 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; and
- progress against broader ESG commitments.

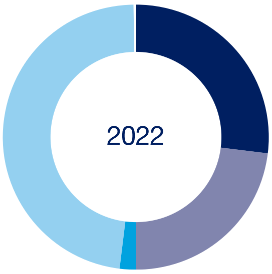
2022 Deferred AIP

The 2022 AIP award was delivered 50% in cash and 50% in deferred shares, which were awarded on 1 April 2022. The face value of the award is based on the share price on the date of award, which was 79.65 pence. Deferred shares are not subject to further performance conditions and vest following a three-year holding period.

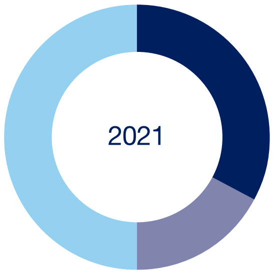
	Plan	Award Type	Number of shares	Face value of award £000	Vesting date
Kate Ringrose	AIP	Deferred shares	304,549	242,579	April 2025

2022 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 0.04% (2021: 0.05%) of the Group's operating cash flow.



To staff	27%
To Directors	0.04%
To government	23%
To shareholders	2%
Investing activities	48%



To staff	33%
To Directors	0.05%
To government	17%
To shareholders	0%
Investing activities	50%

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		
Executive Directors	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Chris O'Shea(1)(2)(3)	6.3	—	—	—	-28	—	2.5	-11.11	100
Kate Ringrose(3)	—	—	—	—	—	—	2.5	6.67	18.72
Non-Executive Directors									
Scott Wheway	268.8	—	—	—	—	—	—	—	—
Carol Arrowsmith	—	—	—	—	—	—	—	—	—
Nathan Bostock(4)	—	—	—	—	—	—	—	—	—
CP Duggal(5)	—	—	—	—	—	—	—	—	—
Heidi Mottram	—	—	—	27.8	—	—	—	—	—
Kevin O'Byrne(6)	—	—	—	—	—	—	20.51	—	—
Amber Rudd(7)	—	—	—	—	—	—	—	—	—
Average per colleague (excluding Directors)(3)	—	1.1	236.4	1.77	-10.27	16.25	1.89	—	17.82

(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) Chris O'Shea has not been paid a bonus since this disclosure has been included and therefore the payment of a bonus shows the percentage change of 100%.

(3) 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. The 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. The bonus number relating to 2022 colleagues is an estimate of the payments due to be made in March/April 2023.

(4) Nathan Bostock was appointed to the Board on 9 May 2022.

(5) CP Duggal was appointed to the Board on 16 December 2022.

(6) Kevin O'Byrne took on the role of Senior Independent Director from 1 June 2022.

(7) Amber Rudd was appointed to the Board on 10 January 2022.

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
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.

2022	Salary	Total pay and benefits
CEO remuneration	790,000	4,490,000
Colleague 25th percentile	25,709	35,073
Colleague 50th percentile	39,984	57,939
Colleague 75th percentile	41,124	63,705

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 colleague at each quartile within the gender pay gap analysis.

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 88 to produce the ratios.

The ratio of CEO pay compared with the pay for the average colleague has increased in 2022 due to the disclosure of an annual bonus and an LTIP award for the CEO. The CEO has not received any payment from a long-term award since joining Centrica, nor an annual bonus since 2018. In 2022, a large proportion of CEO remuneration was delivered through the LTIP which was measured over a three-year performance period, from 2020-2022. The LTIP will be released in shares in 2026. In future, 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 2022, and the size and complexity of the business.

Pay for performance

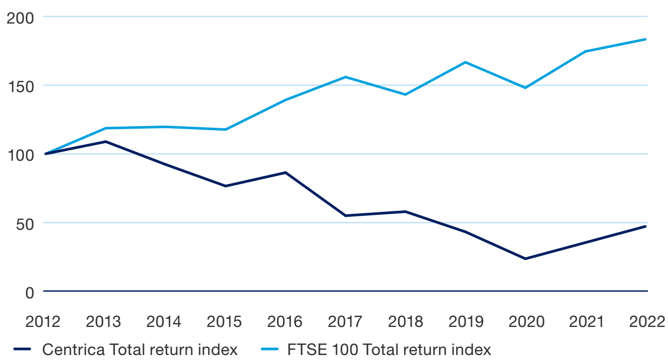
The table below shows the CEO's total remuneration over the last 10 years and the achieved annual short-term and long-term incentive pay awards as a percentage of the plan maximum.

	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			
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
2013	2,235	50	0

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 2022. The FTSE 100 Index has been chosen as it is an index of similar-sized companies and Centrica has been a constituent member throughout the majority of the period.

Total return indices – Centrica and FTSE 100



Source: Datastream from Refinitiv

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 2022.

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 2021 and 2022.

	2022 £m	2021 £m	% Change
Share repurchase[1]	43	0	N/A
Dividends	59	0	N/A
Staff and employee costs[2]	1,440	1,247	15

(1) 47,201,133 shares were purchased during 2022 as part of the share buyback arrangement
(2) Staff and employee costs are as per note 5 in the notes to the Financial Statements.

Payments to past Directors (audited)

During 2022, no payments were made to past Directors with the exception of the payments disclosed in the single figure for total remuneration table on page 88.

Payments for loss of office (audited)

No payments for loss of office were made in 2022.

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 2022 in the areas of employment taxes, regulatory risk and compliance issues and additional consultancy services.

PwC's fees for advice to the Committee during 2022 amounted to £132,900 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, and the Directors' Remuneration Report, put to the 2022 AGM, was as follows:

Directors' Remuneration Policy

Votes for	%	Votes against	%
3,132,342,144	83.48	619,903,528	16.52

1,275,033 votes were withheld.

Directors' Remuneration Report

Votes for	%	Votes against	%
3,628,823,825	96.71	123,420,614	3.29

1,247,419 votes were withheld.

Implementation in the next financial year

Base salaries for Executive Directors were reviewed in January 2023 and the Committee determined that increases would be applied to the salary of the CEO and the Chairman of the Board. Salaries for the Non-Executive Directors were approved by the Board in December 2022 and the base fee was increased with effect from 1 January 2023. See further detail on page 89.

AIP awards will be in line with the limits set out in the Remuneration Policy table, not exceeding 200% of base salary. At least 75% of the award will be based on a mix of financial and business measures based on Centrica's priorities for the forthcoming year and up to 25% will be based on strategic and personal objectives. The financial targets will align with the Group Annual Plan.

The Committee carefully considered the impact of this year's exceptional movement in commodity prices on performance compared to the targets set at the start of the year. Even after excluding the positive impact of commodity prices on our infrastructure businesses this year, the underlying financial performance was still above the maximum level for the AIP. We intend to continue to exclude the impact of commodity prices on our infrastructure in future years.

The targets are considered commercially sensitive until the end of the financial year and will therefore be disclosed retrospectively in the Remuneration Report for 2023.

Restricted Share Plan (RSP) awards will be granted to the Executives. In line with the previous year the awards will be 150% of salary for the CEO and 125% of salary for the Group Chief Financial Officer.

The RSP awards will vest after three years, subject to a performance underpin, with an additional two-year post-vesting holding period.

In line with the Remuneration Policy, vesting will be contingent on the satisfaction of a discretionary underpin, assessed over a three-year period.

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 will include elements such as revenue, profitability, shareholder experience and return on capital. Non-financial performance will include a range of operational and strategic measures critical to the Company's long-term sustainable success.

For the 2023 award, the 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; and
- progress against broader ESG commitments including customer service, colleague engagement and our transition to net zero.

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

Raj Roy
Group General Counsel & Company Secretary
15 February 2023

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.

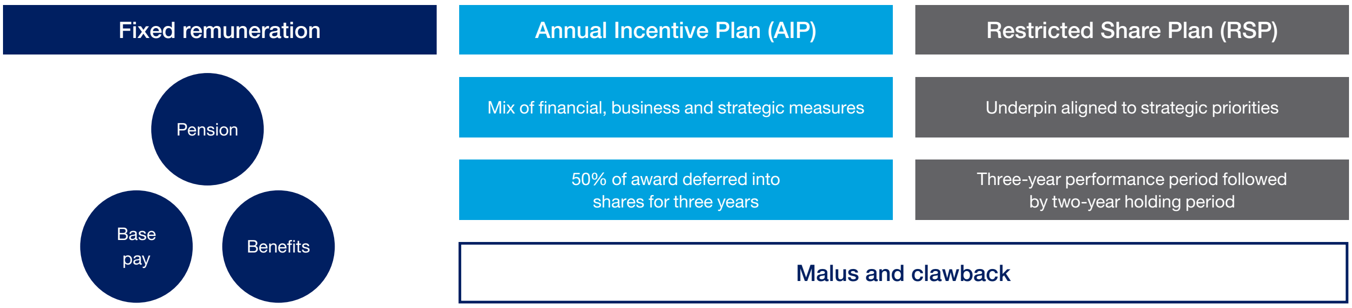
The Policy operated as intended in 2022.

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

At Centrica we are strongly led by our Purpose – "to help customers live sustainably, simply and affordably". Our Strategy is driven by our Purpose and our enduring Values at Centrica underpin our delivery and culture. Whilst we have evolved our Strategy to help meet the challenges of today and prepare us for a net zero future, our Values remain firmly embedded in who we are and give direction to everything we do.

Further information on our Purpose and Values is set out on page 7.

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.

An RSP is the most appropriate long-term incentive vehicle for our Executives 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.

Policy table for Executives

The following table summarises each element of the Policy for the Executives.

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; • 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 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 Executives 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 Executives 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 Executives.	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): • a company-provided car and fuel, or a cash allowance in lieu; • life assurance and personal accident insurance; • health and medical insurance for the Executive and their dependants; and • 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 Executives with shareholders over a long-term period including after departure from the Group.	**In-employment requirement** During employment, the CEO and CFO 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** Executives 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 CEO and 200% of base salary for the CFO. **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 CEO and 200% of base salary for the CFO 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 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 on pages 96 to 103, 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 of the Company or, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive 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. This includes satisfying LTIP awards granted in accordance with historic remuneration policies.

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 three years after the cash AIP payment;
- AIP – deferred shares: clawback will apply during the vesting period of three years following the payment of the cash AIP award to which the deferred shares relate;
- 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; and
- 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 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.

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.

The Centrica Pension Plan (CPP) is a registered defined benefit plan which is closed to new members.

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 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 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 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 annual bonus entitlements and/or unvested long-term incentive awards (at a 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 Company	Notice from the individual
Chris O'Shea	1 November 2018	10 December 2020	12 months	12 months
Kate Ringrose	18 January 2021	17 January 2021	12 months	12 months

Termination policy

The Committee carefully considers compensation commitments in the event of an Executive'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. Typically any payment in lieu of notice will be made in monthly instalments and reduce, or cease completely, in the event that remuneration from new employment is received.
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 pro-rated 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 pro-rating 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 in line with the Policy table. 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 pro-rated 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, awards may vest earlier than the normal date. The Committee has the discretion to dis-apply pro-rating 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 and Executives participate on the same basis as other eligible employees.

Performance measures applying to Executives are cascaded down through the organisation. Group employment conditions include high standards of health and safety and employee wellbeing initiatives.

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 2018 (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 in 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 going forward, a Shadow Board, comprising colleagues across the business and in different locations, has been launched. Through the Shadow Board, colleagues will be able to discuss and share views on executive pay. During 2022, the Shadow Board was focused on establishing itself and beginning to engage with the Centrica Leadership Team and the Senior Leadership Team, although executive pay was not discussed. Details of how the Shadow Board engaged in discussions on executive pay will be disclosed in next year's Directors' Remuneration Report and on an ongoing basis.
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 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 Executives' total remuneration is weighted towards variable pay (and provided in shares). The arrangements 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

Remuneration Policy

Centrica's policy on Non-Executive Directors' (Non-Executives) fees takes into account the need to attract high-calibre individuals required to support the delivery of our strategy.

Remuneration Policy table

Purpose and link to strategy	Operation and clawback	Maximum opportunity	Performance measures
Chairman 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 Chairman are reviewed every two years by the Remuneration Committee. The fee levels of the Non-Executives are reviewed at least every two years. 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.

Current fee levels (applying from 1 January 2023)(1):	
Chairman of the Board	up to £495,000
Basic fee for Non-Executives	£76,000
Additional fees	
Chair of Audit and Risk Committee	£25,000
Chair of Remuneration Committee	£20,000
Chair of Safety, Environment and Sustainability Committee	£20,000
Senior Independent Director	£20,000
Employee Champion	£20,000

(1) Non-Executive Director (NED) fee levels were reviewed in December 2022 and it was agreed the base fees would be increased by 4.8%. Further details can be found on page 89.

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 Chairman, 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 re-appointment	Notice from the Company	Notice from the individual
Scott Wheway	1 May 2016	7 June 2022	6 months	6 months
Carol Arrowsmith	11 June 2020	7 June 2022	3 months	3 months
Stephen Hester	1 June 2016	7 June 2022	3 months	3 months
Pam Kaur	1 February 2019	7 June 2022	3 months	3 months
Amber Rudd	10 January 2022	7 June 2022	3 months	3 months
Nathan Bostock	9 May 2022	7 June 2022	3 months	3 months
CP Duggal	16 December 2022	–	3 months	3 months
Heidi Mottram	1 January 2020	7 June 2022	3 months	3 months
Kevin O'Byrne	13 May 2019	7 June 2022	3 months	3 months