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Group Highlights

Group Operational Metrics

British Gas Services & Solutions – Services Engineer Net Promoter Score[(1)]

2022	**+64**
2021	+60

Total recordable injury frequency rate (per 200,000 hours of worked)

2022	**1.12**
2021	1.07

Colleague engagement

2022	**73%**
2021	55%

Total greenhouse gas emissions (tCO_2e)

2022	**2,007,655†**
2021	1,032,807[(2)]

† Included in DNV Business Assurance Services UK Limited (DNV)'s independent limited assurance engagement. See page 258 or centrica.com/assurance for more.

(1) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following an engineer visit.

(2) Restated due to Liquified Natural Gas shipping and the retained Spirit Energy assets in the UK and the Netherlands moving into scope. See pages 43 and 52.

Group Financial Metrics (Year ended 31 December 2022)

Strong underlying financial performance, with the Company managing elevated and volatile commodity prices very well.

Group adjusted operating profit
£3,308m
2021 £948m

Group adjusted basic EPS
34.9p
2021 4.1p

Group free cash flow from continuing operations
£2,487m
2021 £1,174m

Adjusted net cash
£1,199m
2021 £680m

Full year dividend per share
3.0p
2021 –

Statutory loss and earnings predominantly reflects the impact of falling commodity prices towards the end of the year, on the value of forward commodity purchases. This will unwind over future periods.

Group statutory operating (loss)/profit
£(240)m
2021 £954m

Group statutory basic EPS
(13.3p)
2021 20.7p

Group statutory net cash flow from operating activities
£1,314m
2021 £1,611m

Chairman's Statement

Scott Wheway
Chairman

In many ways Centrica's centrally important role in the energy market has been affirmed over the last 12 months. During times of uncertainty, our size, strength and responsible approach has helped provide stability in a crisis that, despite it being no fault of energy customers, has left many struggling.

I'm proud of what we've managed to achieve over the last year to stabilise the market. We have taken on more than 700,000 customers from failed energy suppliers since the second half of 2021. We agreed a deal with Equinor to bring additional gas supplies to the UK, which has already started delivering enough gas to heat an additional 4.5 million UK homes over the next three years. We brought 36 Liquified Natural Gas (LNG) cargoes into the UK, enough to supply millions of homes. And we have re-opened our Rough gas storage facility in the North Sea, adding 50% to the UK's capacity and boosting the UK's energy resilience.

All of these actions help incrementally reduce costs for our customers and strengthen the UK's energy security.

We've also taken more direct action for customers, having created the largest voluntary energy support fund for customers in the UK, helping those struggling with rising costs through grants of up to £1,500. Nobody has done more than Centrica in this space. We donated more money in grants for support and invested more in customer service to meet additional demand, than we made in profit from British Gas Energy.

Outperforming expectations

We've been clear that Centrica has been in a period of turnaround since 2020. In 2022, while we reported a statutory loss, we delivered strong operational performance, which is reflected in our underlying financial result. Elevated market prices and volatility provided favourable market conditions for our Energy Marketing & Trading business, which continues to play a critical role in storing, transporting and balancing energy supply across Europe. However, I am confident that even in a more benign environment we would have seen adjusted earnings growth, demonstrating our progress towards delivering the turnaround of Centrica.

I was pleased that we have been able to reinstate the dividend at a prudent and sensible level. As shareholders you have been very patient during years of underperformance. The reinstatement, and the start of a share repurchase programme in November, underpins the Board's confidence in the strength of Centrica and the journey we are on to grow a sustainable business that delivers for our colleagues, our customers, our shareholders and the UK as a whole.

Responding to the cost of energy supplier failures

We know that customers are struggling financially in these challenging economic times. On a number of occasions this year I have spent time speaking with colleagues who take calls from our customers. No one could fail to be touched by some of the accounts our staff hear every day of people genuinely struggling to make ends meet.

Almost 30 suppliers failed during 2021-2022, leaving the customers of other suppliers to bear the cost. Given how high customer bills are already, many simply cannot afford to keep picking up the tab for the failure of suppliers. This is why we are continuing to engage with both the UK energy regulator and the Government to put in place a robust regulatory framework that will deliver a future retail energy market that is stable and puts at its heart the long-term interests of customers.

Strong expertise and capability in risk management and managing commodity markets

While 2022 has been a challenging year for our retail energy supply and services businesses, this has been compensated by the rest of our portfolio, with our Optimisation and Infrastructure businesses delivering strong operational and financial performance. This is a demonstration of the resilience that comes from having a balanced portfolio.

Part of the reason we have been able to manage the storm is our ability to manage our commodity exposure and risk in core markets, thanks to the strong expertise and capability we have built over a number of years within our Energy Marketing & Trading business.

With European energy markets increasingly interlinked, it is an advantage to have expanded our activities outside our core markets of the UK and Ireland. In total, we now trade in 24 markets across Europe and employ around 600 colleagues across our main offices in Aalborg, London, and Antwerp. This is a core platform for growth within the business.

The important role of natural gas in the net zero transition

The significant increase in energy costs was born not just of the conflict in Ukraine, which has created greater uncertainty in energy markets, but also the premature disinvestment in natural gas driven by the urgent necessity to move away from carbon-emitting assets.

The net zero transition is happening at pace, but the reality is that given current capacity and the time it takes to build new infrastructure, the combination of solar, wind, nuclear and battery storage are not yet sufficiently developed to allow us to turn our back on gas completely.

It is likely that for the next 15 years methane will continue to play a role as a transition fuel. On one hand, by helping to keep UK homes warm, and on the other providing vital balance to support the growth of renewables. At present, around 40% of the UK's power comes from gas-fired turbines, which are typically brought online to fill the gap when renewables aren't generating sufficiently to meet our needs.

Although this figure is likely to decrease year on year, as more renewable assets are built and technologies develop, gas is likely to continue to play an important role for the foreseeable future – playing a vital balancing role in energy markets.

Transitional times for energy

A strong and responsible Centrica is uniquely placed to help see us through to the next phase of the energy transition.

The roll-out of net zero technology remains at a nascent stage, nevertheless we installed around 8,000 electric vehicle charging points and nearly 50,000 hydrogen blend ready boilers last year. And while demand hasn't been as high in 2022 as we'd hoped, we still installed more heat pumps than any other supplier in the UK and we've got plans to significantly ramp up roll-out through our British Gas Net Zero Ventures business which has launched a market-leading price guarantee to tackle affordability.

It's estimated around £500 billion could need to be spent on transforming the UK and Ireland's housing stock for net zero. Having the largest engineering force in the industry positions us to deliver a significant proportion of those upgrades.

We are laying the groundwork by growing our apprenticeship programme and providing world-class engineer training in our academies – to help develop the right capabilities for future net zero driven growth. This gives us confidence for the future of our services business.

We're excited too about the role that hydrogen can play in energy generation, heating homes and decarbonising transportation.

Hydrogen represents an opportunity for the UK to return to energy independence. But it will need long-term thinking beyond the usual political cycles, as well as both public and private investment to deliver at the scale and pace required. We're in a race with other developed economies for first mover advantage and the rewards for the winner could be very attractive.

Without question, a combination of technologies will be required, creating opportunities for companies with strong balance sheets, flexible business models and detailed knowledge of markets.

In summary

This year's strong performance demonstrates the new resilience of Centrica, showing our ability to trade through difficult times while providing support to our customers struggling with the cost of living crisis.

There is still work to do, and we haven't got everything right, but we're striving to improve.

Centrica is evolving into a new type of integrated energy company using our strong established positions in retail, optimisation and infrastructure. These capabilities and our financial strength are a result of the magnificent work of every member of the Centrica team and I want to take this opportunity to thank them for everything they have done for our customers, shareholders and our wider stakeholders in 2022.

Scott Wheway, Chairman
15 February 2023

Group Chief Executive's Statement

Chris O'Shea
Group Chief Executive

When I wrote to you last year, I said it appeared that this decade may be one of the most eventful for a long time, one where we learn and adapt more quickly than we've done in the past. I'm sure you'll agree that 2022 was another year where the unexpected became the norm!

It's hard to look at a news site or watch a news programme without seeing a mention of 'global warming', 'climate change', 'net zero', 'energy transition' or 'decarbonisation'. And it's difficult to know what to think – is it a real threat? Is it exaggerated? What does it mean for society, and for your Company, both today and in the future?

My belief is that climate change is the biggest single threat facing civilisation today, and net zero is the biggest single opportunity we have at Centrica.

Climate change is real, it's here, and it's impacting lives across the planet. We can see that clearly with changing weather patterns. Reducing the carbon we put into the atmosphere is the best way to stop the march towards a climate catastrophe. Transforming how we generate, store and use energy can make a huge difference to reducing the warming of our planet.

Longer term, if the net zero transition is thoughtful and targeted, it can keep prices stable for customers and drive economic growth, especially for those companies and countries at the forefront of the transition.

Russia's invasion of Ukraine led to an energy crisis on a scale not seen in decades. Using our agility, skills and assets to support energy security in our core markets of the UK and Ireland and help customers navigate through the cost of living crisis has been mission critical.

Protecting vulnerable customers is also an absolute priority and we have clear processes and policies to ensure we manage customer debt carefully and safely. We need to strike a balance between managing spiralling bad debt and being aware that there are those who refuse to pay and those who cannot pay.

However, allegations around a third-party contractor were unacceptable. I was deeply concerned to hear how some vulnerable customers appeared to be treated in our name, this is simply not how we should do business. We will get to the bottom of this and where we got it wrong, we'll make it right.

No one else in the industry has put in place the level of support for those struggling to pay that we have. We were right to invest in customer care and to set up a £50 million support fund for vulnerable customers. We have taken the decision to suspend prepayment warrant activity and have called on Government, industry and the regulator to come together to agree a long-term plan to address the issue of affordability and the needs of vulnerable customers and, ultimately, create an energy market that is sustainable.

Uniquely integrated

Your Company is a uniquely integrated energy company operating primarily in the UK and Ireland, active in both energy and related services. We operate across the energy sector with distinct but complementary businesses.

- We **Make** it – Producing gas at Spirit Energy and generating electricity through our Nuclear stake and in Centrica Business Solutions
- We **Store** it – Both gas storage through Centrica Storage Limited and electricity storage in our Centrica Business Solutions battery projects
- We **Move** it – Our Energy Marketing & Trading team is one of Europe's largest wholesalers of gas and electricity
- We **Sell** it – Over 8 million homes are supplied with gas and electricity through British Gas and Bord Gáis Energy
- We **Mend** it – We install and maintain heating systems in more than 3 million homes

No other company is as comprehensively involved in the UK & Ireland energy markets and as well placed to both drive, and benefit from, the energy transition. In 2022, we have been busy dealing with the energy crisis in Europe and its impact on our customers, investing in improved customer service, simplifying our business, growing our workforce for the future, and empowering our colleagues to deliver for our customers – happy colleagues mean happy customers, which leads to happy shareholders.

When we set out on the turnaround of Centrica three years ago, we had a clear view of the three stages:

1. Simplifying the portfolio and strengthening the balance sheet;
2. Stabilising the Company and driving operational performance; and
3. Delivering growth and positioning ourselves for net zero.

Progress made in 2022

Every one of our eight business units has substantial growth opportunities, whether it's growing customer numbers and new customer offerings in our Retail businesses; expanding both our Liquefied Natural Gas (LNG) business and our Route-to-Market activities for third-party power producers in our Optimisation businesses; or growing both our gas and electricity storage and our electricity generation capacity in our Infrastructure businesses.

In order to capture these opportunities, we needed to make sure our foundations were solid so that whatever we build is sustainable. Some of our businesses are further on than others, and you can see from the results that 2022 has been a year of building on the foundations we laid in 2020 and 2021, and starting to show that we can grow again.

The glue that holds our Group together is our **Energy Marketing & Trading** business, matching our energy production to our customer needs and making sure we have access to additional third party gas and electricity where needed to make up any shortfall. Our operations are critical to security of supply across Europe, and the team did an amazing job in 2022, making sure that we had enough gas and electricity to supply our customers. They secured gas from Norway and the USA amongst other countries, and electricity from the Nordics, Spain, France, Belgium and elsewhere, helping to maintain supplies for homes and businesses in the UK and Ireland. We put well over £1 billion of gas into storage across Europe to withdraw in 2023 when customers need it most, and we continued to play a major role in balancing physical gas and electricity markets across many European countries. This team of around 600 colleagues, based in the UK and Denmark, sit in the background quietly doing their work to make sure countries have the right amount of gas and power in the right place at the right time, moving gas around the world on ships as LNG or through pipelines in Europe, and moving power through the cables and interconnectors which connect different European power markets.

In **British Gas Energy**, we grew our customer numbers organically for the first time in many years. We now have more than 2 million customers on our new cloud-based IT platform and I'm looking forward to accelerating the transition of customers during 2023. This is not only to give our customers better service, but to allow us to use an integrated system which will allow households to dynamically manage their energy use and earn new revenue streams by what is known as Demand Side Response (DSR).

British Gas Services and Solutions completed the first year of its turnaround. We made material investments in improving our customer service, and whilst this means that this year's financial performance is disappointing, we leave 2022 with our operations in a stronger place than they have been for many years. In 2023, our efforts will be on maintaining the operational improvements and rebuilding commercial offerings to our customers, focused on what they want to buy. Undoubtedly the current cost of living crisis has had an impact on customer demand in 2022, and whilst this is expected to continue into 2023, we believe that longer term, this business will be at the forefront of the UK's journey to net zero.

The building blocks are being put in place with the formation of the British Gas Net Zero Ventures team, which is already delivering greater flexibility for customers through the launch of Peak Save, as well as installing the electric vehicle (EV) charge points and heat pumps that put our customers at the very heart of residential decarbonisation, and in greater control of their energy future.

Bord Gáis Energy performed well in the year, demonstrating the value of vertical integration as we invested some of the additional profits from our Whitegate power station in keeping customer prices as low as we could. During the year we took the decision to invest €250 million in two new hydrogen-ready gas-fired electricity plants to bring much-needed flexible and readily available electricity to the Irish market.

Energy Movers by Nature

On Wednesday 20 July 2022 parts of East London came perilously close to a blackout due to surging electricity demand combined with a still day which meant wind farms were not turning.

Our Energy Trading & Marketing team did what they do many times a day and found a solution, which played an important role in ensuring that the lights stayed on and homes and businesses could continue with their daily operations. Because we operate across the continent, we were able to move electricity from Belgium, where conventional electricity plants were fired-up and the electrons propelled back across the channel. All of this happened in under two hours.

We provide 15% of the traded volume that the UK electricity grid relies upon. Every year we are playing a more significant role as the energy makers and movers that keep the wheels turning. We currently manage more than 15GW of third-party electricity generation assets, with everything from solar farms to grid-scale batteries helping to put power where it's needed. Our team in Denmark help to physically balance gas and power markets across Europe and our team in Belgium operates one of Europe's biggest virtual power plants, combining thousands of assets to provide the flexibility grid operators need.

Demand Side Response

When there's not enough electricity on the grid, consumers can be paid to reduce demand, thus helping balance the grid.

Centrica Business Solutions delivered a profit, made material progress towards building out its 900MW target of flexible generating assets and has an exciting, diverse pipeline of projects.

In our Infrastructure businesses I was delighted that we were able to return the **Rough** gas field in the North Sea to storage operations in September, and withdrew the first gas from storage for five years on 30 November. Whilst only at 20% of its previous capacity, this is a critical first step to underpin the return to full capacity, and an investment of up to £2 billion to build the world's largest hydrogen storage facilities right here in the UK. **Spirit Energy** had a strong year in gas production, while also beginning to prepare for a carbon-free future by submitting an application for a carbon storage licence for the huge Morecambe Bay gas field in the East Irish Sea. This is the first step towards building what could be one of the world's largest carbon storage facilities. And our **Nuclear** electricity generation business had a strong year, delivering higher volumes and profits in 2022.

Managing responsibly for all stakeholders

Companies have a responsibility to make sure they are a constructive and responsible part of society, and at Centrica we are focused on delivering for all stakeholders – including colleagues, customers, communities and our shareholders.

We are supporting our 20,000 colleagues through these challenging times, including through the payment of two significant one-off cost of living payments. For customers, we provided by some distance the largest ever energy support package in the UK and Ireland. And we'll continue to review what more we can do as times remain hard for many customers, having committed to donate 10% of both British Gas Energy and Bord Gáis Energy's profits to help until the current crisis is over.

We donated £4.5 million to a number of charities, including over £1 million to the Disasters Emergency Committee Ukraine fund. We also took the decision in January to return £27 million received in 2020 from the UK Government under the furlough scheme.

I also feel it's important that we continue to be good neighbours in the communities we serve. This has seen us commit to give 100,000 volunteering days into local communities by 2030, as part of our People & Planet goals. All of our colleagues can use 15 hours of their time each year to support local communities.

And we also delivered for our shareholders – restarting dividend payments and commencing our £250 million share repurchase programme.

Reflecting on our 2022 financial performance

While a detailed breakdown of our financial performance is within the Group Chief Financial Officer's Report on pages 14 to 20, I would like to briefly reflect on a year which has seen us expertly navigate volatile trading conditions.

The Group's adjusted earnings per share from continuing operations reached 34.9 pence, up from 4.1 pence during the previous year, as we delivered strong performance in Energy Marketing & Trading and our Upstream businesses. Free cash flow was also up significantly, and we closed the year with £1.2 billion of adjusted net cash.

Continuing what we started

Last year, I noted that our people had started to adopt a winning mindset, and I have seen that our passion and determination to succeed continued to build momentum throughout 2022. We have a plan of action underpinned by our Purpose, and customers are at the heart of it.

We'll continue to focus on the end goal; by doing that, we'll put ourselves in the best position to drive further improvements in our performance and ultimately deliver long-term shareholder value.

We'll continue to do all we can to support colleagues and customers through difficult, uncertain times. And we'll continue to see the opportunities where others see the obstacles, moving faster than the competition to deliver an energy transition which leaves no one behind. I expect to see material progress in growing our market share in the residential net zero arena with heat pumps and EV chargers, as well as the expansion of the demand side response part of our business, from one which primarily focuses on B2B customers to one which ultimately sees a huge proportion of our customers being able to earn money for turning down their electricity demand. This is the future for energy markets – smarter, more interconnected energy systems. And your Company has everything needed to deliver this system and make it simple, sustainable and affordable for our customers.

It is a huge privilege to be your Chief Executive, to lead an incredible team of 20,000 colleagues, to serve over 10 million amazing customers and to work for over 450,000 incredible shareholders. I'm so very grateful for your support, and your patience, as we continue to transform your Company.

Chris O'Shea, Group Chief Executive
15 February 2023

Our Purpose

Helping you live sustainably, simply and affordably. This is our Purpose – it's why we come to work every day.

Our Purpose, Culture and Values

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.

Our Values

Care

We care deeply about our impact on the planet, our customers and our colleagues. We want to make a difference to society and the safety and well-being of our team and customers is paramount

We are delivering crucial support for customers through the volatile market conditions and exceptional cost of living crisis delivering material, targeted support including through funding the British Gas Energy Trust and committing 10% of our energy profits to help those who need it.

Collaboration

Together we win, we build winning relationships throughout our own organisation and with others to deliver on the scale challenges the industry faces

We collaborate closely across our businesses to understand how our Group is exposed and responding to the climate challenge. Our ability to draw insights effectively between our businesses through close collaboration is demonstrated by our strong performance in climate disclosures.

Courage

We step up and take responsibility. We recognise the importance of challenging the industry to make difficult decisions for our future and we stand by our beliefs

We've stepped up to support the UK's security of supply, reinstating the Rough field as gas storage. We recognise the long-term needs for the UK and will invest in long-term security and decarbonisation through hydrogen and carbon capture.

Agility

We are nimble, curious and innovative; we adapt to our markets rapidly and seek out opportunities to support the system and succeed

Our Optimisation businesses have rapidly responded to volatile energy markets, managing risk across our Group and proactively supporting our customers through access to scale long-term gas supply and Liquified Natural Gas deals.

Delivery

We do things right and deliver for all of our stakeholders

We value delivering great service and customer outcomes. We are rigorous, and do things the right way. We have been recognised by Ofgem as a well run supplier, been protecting customers' credit balances and invested an additional £25 million in customer service through the crisis.

Our Strategy & Business Model

Our strategy is driven by our Purpose to help customers live sustainably, simply and affordably.

As the pace of change continues to accelerate, we are responding by focusing colleagues and technology on helping businesses and households to use energy more efficiently and sustainably. We recognise the need to help enable a more flexible energy system and are deploying a range of technologies to help build the grid of the future with both electric and hydrogen technologies.

Our Purpose | Helping you live sustainably, simply and affordably

Our Strategic Framework

Retail
We remain relentlessly focused on providing leading customer service and experience helping them to save money and decarbonise through innovative offerings.

Optimisation
We are supporting the responsible buying and selling of energy, managing risk across our business and accessing value from green generation in our trading business while continuing to build out the flexibility required for the future energy system.

Infrastructure
Investing to build a low carbon, reliable energy system including power generating renewables, flexible peaking generation and energy storage through batteries and geological storage.

Focusing on delivery		Positioned for growth	
British Gas	British Gas, HIVE, DYNO, phJones	Bord Gáis Energy	centrica Business Solutions
Energy supply for residential and small business customers in England, Scotland and Wales	Services and solutions for residential customers In England, Scotland, and Wales	Energy supply services and solutions for residential and business customers in the Republic of Ireland	Energy supply and low carbon solutions for businesses, building and operating a portfolio of flexible assets
British Gas Energy is transitioning onto a new digital platform to lower cost per customer and improve service	Services & Solutions is focused on fixing delivery and helping customers with the energy transition	Bord Gáis is an established business with opportunity to explore future growth	Centrica Business Solutions is refocusing on its strengths in supply and services and increasing investment in energy transition assets

Retail — Optimisation

Our Values

At Centrica we have clear values that guide us every day and enable us to succeed in delivering on our Strategy and Purpose for customers: Care, Collaboration, Courage, Agility and Delivery.

+ Read more on **page 7**

People and Planet

Our People & Planet Plan aims to create a more inclusive and sustainable future. From being a net zero business by 2045 and helping our customers be net zero by 2050, to creating the diverse and inclusive team to get there.

+ Read more on **pages 40-54**

Financial Framework underpinned by balance sheet strength.

Alongside our Interim Results in July we reinstated a progressive dividend policy, with dividend cover from earnings moving to around 2x over time. We also signalled our intent to make efficient use of capital, including the return of surplus structural capital to shareholders, and in November launched a £250m share repurchase programme. We will continue to invest in both organic growth and capital projects, focused on the energy transition and net zero. We intend to set out our longer term investment and return plans alongside our 2023 Interim Results in July.

Creating value from optionality

centrica Energy Trading	centrica storage	SPIRIT ENERGY	Nuclear
Trading and optimisation of energy globally, managing energy procurement and risk	Storing and producing gas to manage seasonal demand and energy security	Oil and gas production in existing UK assets	Minority stake in the UKs portfolio of existing nuclear power stations
Energy Marketing & Trading is an established business with proven capability ready to grow further	Centrica Storage has an opportunity to explore its role in the future of hydrogen	Spirit has an opportunity to explore its role in the future of hydrogen and carbon capture	We have a 20% minority stake in a declining portfolio, Centrica is exploring further investment in nuclear generation

Infrastructure

The Value we create

Customers
Helping our customers live sustainably, simply and affordably through investment in services and solutions alongside our desire to do the right thing.

Colleagues
Working together to achieve a more inclusive team where everyone feels motivated, safe and able to reach their full potential.

Investors
Evolving our strategy in a sustainable and responsible way to strengthen the success of our Company and deliver a return on investment.

Government and regulators
Enabling the delivery of national priorities through collaboration on key issues like decarbonisation, energy security and affordability.

Suppliers
Ensuring communities benefit from our business by targeting high standards across our supply chain and treating suppliers fairly.

Communities and NGOs
Tackling urgent social and environmental issues through local and national partnerships.

+ Read more on **pages 12 to 13** and **pages 68 to 69** in our S172 disclosure

Risk Management

The Group's Risk Management framework protects Centrica's financial, operational and strategic assets by identifying, assessing and responding appropriately to our key risks and uncertainties.

+ Read more on **pages 29-33**

Governance

The Group's governance framework seeks to support the creation of long-term value by enabling effective decision-making for delivery of the overarching strategy, as well as ensuring that the views of all stakeholders are properly considered and that reporting is accurate and transparent.

+ Read more on **pages 56-71**

Macro Trends

The need to decarbonise

We continue to face into the biggest challenge our industry, Government and customers have faced – climate change. Our ultimate long-term ambition is to support the transition to net zero by developing the green economy, finding sustainable solutions for customers, and ensuring a just transition.

How we're responding

- Investing in green and flexible generation and storage through a range of participation models
- Developing potential options for scale investment in low carbon infrastructure supporting the system today and in the future
- Helping customers on their decarbonisation journeys, installing heat pumps and electric vehicle chargers while exploring the future of hydrogen

Enabling system flexibility

The energy system of the future will need to be flexible, creating a greener and more intelligent grid alongside increasingly connected demand in customers' homes and businesses is our ultimate vision. We continue to develop our market-leading solutions to enable this future.

How we're responding

- We are optimising the buying and selling of renewable power through our trading business
- Our leading connectivity and optimised trading technology is being embedded in our customer solutions and systems
- Through Hive we are bringing customers along the journey and building solutions that allow them to be active participants in helping manage the UK's energy system, accessing rewards, saving costs and decarbonising

The need to support consumer change

Consumers continue to be at the core of our priorities with our focus being providing the best service and cost competitiveness throughout the transition, while providing the confidence and tools to enable the roll-out of the technology of the future.

How we're responding

- Through digitalising our energy and services businesses with new, flexible platforms we will be able to ensure our customers have access to quality service at an affordable price
- We are committed to enabling the transition to net zero and will continue to provide the best energy and heating solutions to our customers, tailored to their homes and businesses
- We advocate for the policy changes needed to reach net zero and drive the market on our customers' behalf

Market Changes

Cost of living crisis

The rapidly rising cost of living poses a major near-term challenge that affects our customers, colleagues and our business.

How we're responding

- Providing vulnerable customers with the support they need with £50 million in donations, including through the British Gas Energy Trust and the British Gas Energy Support Fund
- Helping customers lower their consumption and save on their bills with innovative products in Hive
- Striving to complete the transformation of our business, lowering costs for customers while continuing to provide the energy and services they need
- We are passionate about protecting and rewarding our colleagues with fair pay deals

Energy market volatility

This year has seen unprecedented volatility in global energy markets directly impacting the prices of the gas and power we buy for our customers.

How we're responding

- We have used our Optimisation businesses to help manage risk across the Group and responsibly procure energy for our customers
- We've acted responsibly in our supply businesses ensuring we hedge our customers' demand and ring fence credit balances to protect their money
- We've continued to invest in flexible generation which will help reduce and stabilise energy costs in the long term

System security

Geopolitical tensions and rising prices have created security of supply concerns and risks of energy shortages globally.

How we're responding

- Helping to keep our customers warm by signing scale long-term purchasing agreements for the import of European gas and US LNG into the UK
- Converting the Rough facility back to gas storage supporting supply security for homes and businesses
- Both directly and indirectly investing in bringing online additional green, low cost generation capacity
- Continuing to explore long-term scale investments in nuclear which will provide reliable baseload power

Stakeholder Engagement

Engaging a diverse range of stakeholders enables us to deliver on our strategic objectives by understanding risks and opportunities better, whilst creating stronger outcomes for people and planet.

Energy is at the heart of everyone's lives. So our actions can have a big impact on a broad range of stakeholders. That's why we strive to collaborate with all of our stakeholder groups to effectively understand, consider and evolve our strategy in a way that meets their expectations. This not only aids the success of our business by enabling us to deliver on our Purpose of helping our customers live sustainably, simply and affordably, but it allows us to maximise the wider positive contribution we can make to society.

Engagement is often led by our senior leadership team who regularly update the Board through briefings and presentations. As a result, the Board is well-placed to consider the long-term consequences of its decisions from the perspective of a range of stakeholders.

Section 172(1) Companies Act 2006 Statement

The Directors consider that they have performed their duty as stipulated under Section 172, to promote the success of the Company for the benefit of all of our stakeholders throughout its decision-making.

These pages set out our key stakeholders together with an example of how engagement was vital to navigating one of the most material issues faced in 2022. Further detail on how the Board engages and balances the needs of different stakeholders, together with the key decisions made in 2022, can be found in the Governance section.

+ Read more about how we considered the interests of different stakeholders in the Governance section on **pages 68 to 71**

Centrica stories

Helping people with their energy bills in the UK

In 2022, the energy market faced unprecedented challenges as the war in Ukraine constricted already tight global energy supplies, causing energy costs to soar. With the duration of the energy crisis unknown, rising energy bills have been a real worry for many. We've therefore worked with stakeholders to understand what we can do to help, enabling the Directors to take swift action.

To ensure customers can get in touch more easily, we invested £25 million in customer service with the recruitment of 700 additional UK-based agents, who have guided customers through the crisis with expert advice and support.

And on top of the millions of pounds we already provide in energy bill support, the Directors recognised that more needed to be done. So we committed £50 million to help people with their energy bills, including through our promise to donate 10% of British Gas Energy's profit for the duration of the crisis. This enabled us to establish the UK's largest voluntary customer support package. Of this, £25 million was given to the British Gas Energy Trust to create a dedicated cash support fund for customers and to help communities. To reach those who needed it most, we collaborated closely with the Trust by running a marketing campaign urging people not to suffer in silence, volunteered at over 100 Post Office Pop-Ups at over 50 locations to share advice at the heart of communities, and collaborated with charities like StepChange, to help more people access support. The remaining £25 million is administered by British Gas and largely supports prepayment customers and businesses with grants.

At the same time, the Directors alongside specialists in Corporate Affairs and Regulatory Affairs worked at pace with the UK Government and Ofgem. Parliamentarians were engaged to ensure they were up-to-date with the support available via information leaflets, meetings and drop-in sessions. Together, we also worked on short and longer-term improvements to achieve a more robust and sustainable market for consumers. We suspended all prepayment warrant activity until at least the end of Winter. And we increased volumes of renewable energy, reopened our Rough gas storage site and worked with Norwegian partners to secure gas supplies sufficient to heat 4.5 million homes, which increases greenhouse gas emissions in the short-term but was vital to boost energy security and reduce costs for consumers. Meanwhile, we continued to manage price volatility through agile hedging policies and effective demand forecasting.

As we balance different stakeholder needs and the transition to net zero, we're doing whatever we can to help people today and avoid another energy crisis in the future.

+ Read more on **pages 40, 51 and 68**

Our Key Stakeholders

Customers

Importance – It's vital that we listen to our customers and act on feedback so that we can understand what they want and need. This will enable us to satisfy existing customers and attract new ones too.

Main focuses – Energy efficient and low carbon services and solutions, customer service, energy prices and bill support.

Engagement – We mainly engage through focus groups, surveys, proposition and usability testing amongst other channels. In response, we're investing in sustainable services and solutions that help our customers save time, money and energy. And we provide extra support for those who need help with their energy bills.

+ Read more on **pages 12, 22 to 23, 40, 44 and 68 to 69**

Colleagues

Importance – Colleague feedback helps us create a team where everyone can be themselves and thrive. In doing so, we can attract, promote and retain more diverse talent to meet the needs of our customers.

Main focuses – Reward, development, diversity and inclusion, safety, business strategy and transformation.

Engagement – Feedback is sought through channels like our Shadow Board of diverse colleagues who regularly meet leaders, townhalls, quarterly engagement surveys, performance reviews and structured engagements with trade unions. Together, we're working to co-create a fair, safe and inclusive environment by rolling out our inclusion action plan alongside initiatives including training, policy development and colleague benefits.

+ Read more on **pages 6, 37 to 38, 40 to 42, 44 and 68 to 71**

Investors

Importance – Shareholders and debt holders from across the world provide funds that help us run and grow our business.

Main focuses – Financial and operational performance, shareholder returns and dividend, strategy and growth, and Environmental, Social and Governance (ESG) factors like net zero.

Engagement – Engagement with investors occurs throughout the year, predominantly via post-result investor roadshows, the Annual General Meeting (AGM), and ad-hoc meetings. We also respond to information requests and assessments from ESG ratings agencies. This enables us to consider and reflect the views of a diverse range of investors when updating on our strategy, to provide a sustainable return on investment.

+ Read more on **pages 46, 57 and 68 to 70**

Government and Regulators

Importance – Government and regulatory policies can have a significant impact on how we do business. The Directors therefore recognise the importance of working closely to deliver a stable regulatory environment where policy is developed in the interests of consumers, whilst enabling a sustainable and investable market.

Main focuses – Market design, customer service, net zero, skills, energy security and energy prices.

Engagement – Expertise is shared through participation in consultation processes, meetings and site visits. Through these interactions, we can effectively support policy development and reforms to help deliver on key issues like energy security, progressing net zero targets and support for vulnerable customers.

+ Read more on **pages 12, 43, 46 and 68 to 69**

Suppliers

Importance – The Directors fully support collaboration across our 3,500-strong supply chain. This reduces risk in our supply chain by targeting high standards of business conduct whilst securing a stable supply of services and solutions for customers.

Main focuses – Payment practices as well as social and environmental compliance on issues like human rights.

Engagement – We interact with suppliers in many ways such as tendering, surveys, site inspections and remote worker surveys. Through engagement, we ensure we pay suppliers fairly and enforce our Responsible Sourcing Policy which sets out ways of working to benefit communities and the environment, including obligations under anti-modern slavery laws.

+ Read more on **pages 44 and 68**

Communities and NGOs

Importance – Communities expect companies to support issues that are important to them. By working alongside charities, non-governmental organisations (NGOs) and community groups, we can create stronger and more inclusive communities.

Main focuses – Tackling urgent social and environmental issues like fuel poverty and net zero.

Engagement – Through meetings and collaborative research projects, the Board understands community issues and is able to determine how we can make a big difference – from donating to the British Gas Energy Trust to provide advice and grants alongside energy efficiency measures that help people with their energy bills, to volunteering and match funding for local schools, hospices and more.

+ Read more on **pages 12, 40, 42 and 68**

Group Chief Financial Officer's Report

Kate Ringrose
Group Chief Financial Officer

Our underlying financial performance was strong in 2022, with significant improvements in adjusted operating profit, adjusted earnings per share and free cash flow. Our balance sheet is in a much more robust place now than it was two years ago, providing us with cash agility and resilience against the current volatile environment, and the ability to respond to attractive investment opportunities aligned to the energy transition when they arise. And I'm pleased we were able to recommence returns to shareholders in 2022, with the restart of our dividend and the launch of a share repurchase programme.

Financial overview

The environment was unprecedented in 2022, with high and volatile commodity prices being a key driver of the Group's financial performance, position and cash flow. The Group's adjusted operating profit was £3.3bn (2021: £0.9bn), with Energy Marketing & Trading (EM&T) increasing to £1.4bn (2021: £0.1bn) as we managed commodity volatility very well, and Upstream increasing to £1.8bn (2021: £0.7bn), a reflection of high market prices. British Gas Energy adjusted operating profit of £0.1bn was slightly lower than in 2021, reflecting voluntary support given to customers during the year. The Group's adjusted EPS was 34.9p (2021: 4.1p).

The Group's total Free Cash Flow (FCF) from continuing operations rose to £2.5bn (2021: £1.2bn), reflecting the higher adjusted operating profit and some big swings in working capital, including a £1.1bn inflow due to accelerated cash flows in British Gas Energy from government support schemes, offset by a £1.2bn outflow in EM&T, with a large proportion of profit in EM&T expected to settle from a cash perspective in 2023 and a significant year-on-year increase in gas held in storage. The reopening of the Rough asset also led to a £0.4bn outflow as we bought gas held in storage in the Upstream segment.

From a statutory perspective, the numbers include a large certain re-measurement loss during the year of £3.4bn (2021: £1.2bn) which, when added to business performance adjusted operating profit, leads to an overall statutory operating loss of £0.2bn (2021: £1.0bn gain). The certain re-measurement loss is predominantly because our net buy portfolios (mainly for future downstream supply requirements) bought forward commodity when prices were high, and market prices then fell towards year-end, thus leading to losses on the re-measurement of those derivatives on the balance sheet. In addition, commodity derivatives that had been in-the-money at the end of FY21 unwound to the middle column as certain re-measurements. These losses of £5.2bn were partially offset in the middle column of the income statement by a significant £1.8bn positive movement in the onerous supply contract provision over the course of 2022. None of the items reported in the middle column are considered to reflect the underlying performance of the business as they are economically related to our upstream assets, capacity/off-take contracts or our downstream demand, which are typically not fair valued, and hence they are reported in a separate performance column in the Income statement.

The Group's net assets fell to £1.3bn (2021: £2.8bn) as a result of the statutory loss, in addition to the impact of items reported in other comprehensive income or directly in equity, which include IAS 19 pension losses arising from our equity accounted Nuclear investment (£0.3bn), the share buyback programme (£0.3bn) and dividend payments to both shareholders and non-controlling interests (£0.3bn).

From a statutory cash flow perspective, net cash flow from operating and continuing investing activities was £0.7bn (2021: £1.3bn). This was lower than the Free Cash Flow balance noted above because of the exclusion from that measure of movements in variation margin and collateral (£1.2bn) to support our commodity hedging activity and the trading business, pension deficit payments (£0.2bn) and a loan to the pension scheme (£0.4bn).

Revenue

Group statutory revenue increased by 61% to £23.7bn (2021: £14.7bn). Group revenue included in business performance, which includes revenue arising on contracts in scope of IFRS 9 (see note 4b for further details) increased by 84% to £33.6bn (2021: £18.3bn).

Gross segment revenue, which includes revenue generated from the sale of products and services between segments, increased by 82% to £37.2bn (2021: £20.5bn). This was driven largely by the impact of higher wholesale commodity prices on Energy Marketing & Trading and Upstream, and the impact of higher wholesale prices on retail tariffs in British Gas Energy, Bord Gáis Energy and Centrica Business Solutions.

A table reconciling the different revenue measures is shown in the table below:

	2022			2021		
Year ended 31 December	**Gross segment revenue £m**	**Less inter-segment revenue £m**	**Group revenue £m**	Gross segment revenue £m	Less inter-segment revenue £m	Group revenue £m
British Gas Services & Solutions	1,527	(50)	1,477	1,513	(53)	1,460
British Gas Energy	13,096	–	13,096	7,513	–	7,513
Bord Gáis Energy	1,771	–	1,771	1,111	–	1,111
Centrica Business Solutions	3,000	(19)	2,981	1,981	(28)	1,953
Energy Marketing & Trading	14,441	(219)	14,222	6,082	(214)	5,868
Upstream	3,351	(3,261)	90	2,282	(1,887)	395
Group revenue included in business performance	**37,186**	**(3,549)**	**33,637**	**20,482**	**(2,182)**	**18,300**
Less: revenue arising on contracts in scope of IFRS 9 included in business performance			(9,896)			(3,556)
Group revenue			**23,741**			**14,744**

Operating profit/(loss)

Adjusted operating profit increased to £3,308m (2021: £948m). Excluding the disposed Spirit Energy assets, adjusted operating profit increased to £2,823m (2021: £392m). The statutory operating loss from continuing operations was £240m (2021: profit of £954m). The difference between the two measures of profit relates to exceptional items and certain re-measurements, which are explained on pages 17 to 18. A table reconciling the different profit measures is shown below:

Year ended 31 December	Notes	2022 Business performance £m	2022 Exceptional items and certain re-measurements £m	2022 Statutory result £m	2021 Business performance £m	2021 Exceptional items and certain re-measurements £m	2021 Statutory result £m
Continuing operations							
British Gas Services & Solutions		**(9)**			121		
British Gas Energy		**72**			118		
Bord Gáis Energy		**31**			28		
Centrica Business Solutions		**44**			(52)		
Energy Marketing & Trading		**1,400**			70		
Core EM&T		*1,381*			*155*		
Legacy gas contract		*19*			*(85)*		
Upstream		**1,308**			107		
Spirit Energy (retained)		*245*			*68*		
Centrica Storage		*339*			*77*		
Nuclear		*724*			*(38)*		
Profit Share		**(23)**			—		
Total Group excluding Spirit Energy disposed assets		**2,823**			**392**		
Spirit Energy disposed assets		*485*			*556*		
Group operating profit/(loss)	4(c)	**3,308**	**(3,548)**	**(240)**	**948**	**6**	**954**
Net finance cost	8	**(143)**	—	(143)	(187)	—	(187)
Taxation	9	**(1,046)**	793	(253)	(454)	236	(218)
Profit/(loss) from continuing operations		**2,119**	**(2,755)**	**(636)**	**307**	**242**	**549**
Profit attributable to non-controlling interests		**(69)**	(77)	(146)	(70)	107	37
Adjusted earnings from continuing operations attributable to shareholders		**2,050**	**(2,832)**	**(782)**	**237**	**349**	**586**
Discontinued operations		—	—	—	—	624	624
Adjusted earnings attributable to shareholders		**2,050**	**(2,832)**	**(782)**	**237**	**973**	**1,210**
Adjusted earnings attributable to shareholders excluding disposed Spirit Energy assets		2,005			162		

Profit and inventory from Rough operations are reported under Centrica Storage Limited for presentational purposes only. Centrica Storage Limited does not produce, supply or trade gas, except to the extent necessary for the efficient operation of the storage facility. In accordance with the Gas Act 1986, such production, supply and trading of gas is carried out wholly independently of Centrica Storage Limited by other Centrica group companies.

Group operating profit from business performance (adjusted operating profit)

The increase in adjusted operating profit was primarily in Energy Marketing and Trading, with our diverse range of contractual gas storage, pipeline and power generation capacity proving very valuable in elevated and volatile commodity markets, and in Upstream, reflecting strong gas production and nuclear generation volumes against a backdrop of higher commodity prices and the return of Rough to gas storage operations.

In Retail, British Gas Energy profit fell, as we provided £50m of additional support to customers struggling in the current environment, while British Gas Services & Solutions reported a small loss, as we invested in improving customer service and pricing, and saw weak commercial performance against a challenging external backdrop.

More detail on specific business unit adjusted operating profit performance is provided in the Business Review on pages 22 to 25.

Group finance charge and taxation

Finance costs

Net finance costs from continuing operations decreased to £143m (2021: £187m), largely due to an increase in interest income on cash balances reflecting higher UK interest rates. Interest costs on bonds, bank loans and overdrafts were slightly down, with the impact of the decision to redeem the €750m hybrid bond at its first call date in April 2021 and the further maturity of two bonds in early 2022 largely offset by the impact of the higher interest rate environment on floating debt.

Taxation

Business performance taxation on profit from continuing operations increased to £1,046m (2021: £454m). After taking account of tax on joint ventures and associates, the adjusted tax charge was £1,077m (2021: £433m).

The resultant adjusted effective tax rate for the Group was 34% (2021: 59%), with the profit mix moving away from highly taxed E&P activities.

The adjusted effective tax rate calculation is shown below:

Year ended 31 December	2022 £m	2021 £m
Adjusted operating profit from continuing operations before impacts of taxation	3,308	948
Add: JV/associate taxation included in adjusted operating profit	31	(21)
Net finance cost from continuing operations	(143)	(187)
Adjusted profit before taxation	3,196	740
Taxation on profit from continuing operations	(1,046)	(454)
Share of JV/associate taxation	(31)	21
Adjusted tax charge	(1,077)	(433)
Adjusted effective tax rate	34%	59%

Exceptional items and certain re-measurements

Total certain re-measurements and exceptional items from continuing operations included within Group operating profit generated a pre-tax loss of £3,548m (2021: profit of £6m), made up of a loss on certain re-measurements of £3,393m (2021: loss of £1,241m) and an exceptional loss of £155m (2021: profit of £1,247m).

Total certain re-measurements and exceptional items from continuing operations generated a tax credit of £793m (2021: £236m), with a credit of £1,000m (2021: £486m) related to certain re-measurements and a charge of £207m (2021: £250m) related to exceptional items from continuing operations.

Certain re-measurements

The Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IFRS 9.

The Group has shown the fair value adjustments on these commodity derivative trades separately as certain re-measurements, as they do not reflect the underlying performance of the business because they are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued.

As a result of significant commodity price increases, since 2021 the Group has also recognised an onerous contract provision for its UK downstream energy supply contract portfolio. Although gains and losses on the commodity derivative hedge trades are already separately recognised in the income statement, the Group must assess whether downstream customer contracts have become onerous, taking into account the reversal of any mark-to-market gains. Movement in the amount provided is recognised in certain re-measurements, as the supply contracts are economically related to both the hedges and forecast future profitability of supply and therefore do not reflect underlying performance.

The operating profit in the statutory results includes a net pre-tax loss for continuing operations of £3,393m (2021: loss of £1,241m) relating to re-measurements, comprising:

- A net loss of £5,160m on the re-measurement of derivative energy contracts. With the Group generally a net purchaser of commodity, we saw a negative revaluation of energy supply contract hedge purchases entered into over 2022 due for delivery in future periods given the reductions in forward commodity prices towards the end of the year, after the contracts were entered into. These re-measurements should unwind as the commodity is delivered to customers, mostly in H1 2023. In addition there was an unwind of in-the-money positions for the UK downstream energy supply business from December 2021 as the commodity was delivered to customers in 2022. The net negative impact of these two factors was £6,364m. This was partially offset by the unwind of Upstream and Energy Marketing & Trading out-the-money positions from December 2021, together with the revaluation of their sell trades due for delivery in future periods. The net positive impact of these two factors was £1,204m.

- A £1,766m release from the onerous energy supply contract provision. As the Group purchases the commodity required for future supply in advance, the decline in commodity prices towards the end of 2022 meant the costs of fulfilling residential downstream customer contracts would now be lower than the fixed/capped charges recoverable from customers. As a result, this portion of the provision has been reversed. The remaining provision of £999m relates to non-domestic customers on longer-term fixed contracts agreed at levels below the current forward commodity prices. The gain from releasing this provision will offset losses from the ultimate unwinding of in-the-money hedge positions, without affecting the ultimate profitability of the underlying transactions.
- There was also a £1m net gain arising on re-measurement of certain associates' contracts (net of taxation).

These re-measurements generated a taxation credit of £1,000m (2021: credit of £486m), including £473m associated with re-basing deferred tax on certain relevant derivatives for the Energy Profits Levy. As a result, the total loss from net re-measurements after taxation for continuing operations was £2,393m (2021: loss of £755m).

The Group recognises the realised gains and losses on commodity derivative and onerous supply contracts when the underlying transaction occurs. The business performance profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements.

Further details can be found in note 7(a).

Exceptional items

An exceptional pre-tax charge of £155m was included within the statutory Group operating profit from continuing operations in 2022. In 2021, an exceptional pre-tax profit of £1,247m was recognised, largely relating to the write-back of Upstream gas production and electricity generation assets.

The 2022 pre-tax exceptional charge was made up of:

- A charge of £362m relating to the Spirit Energy Norwegian E&P and Statfjord disposal, which completed on 31 May 2022. See note 12 for further details.
- A £207m write-back of power assets, predominantly relating to the write-back of the nuclear investment as a result of higher forecast forward commodity prices, largely offset by the projected impact of the Electricity Generator's Levy announced in November 2022 and applicable from 1 January 2023.

The taxation charge on exceptional items was £207m (2021: £250m), which includes a £121m credit associated with deferred tax provisions related to E&P tax losses and decommissioning carry-back, due to the increase in forecast commodity prices and an exceptional £325m charge from the recognition of higher deferred tax liability balances due to the implementation of the Energy Profits Levy.

As a result, the total post-tax exceptional loss recognised in continuing operations after taxation was £362m (2021: profit of £997m).

Further details on exceptional items, including on impairment accounting policy, process and sensitivities can be found in notes 7(b) and 7(c).

Discontinued operations

There was no adjusted operating profit or adjusted earnings from discontinued operations in 2021 or 2022. Statutory earnings of £624m from discontinued operations in 2021 are related to the profit on disposal and release of a tax provision following the disposal of Direct Energy, which completed on 5 January 2021.

Group earnings

Adjusted earnings

Profit for the year from business performance from continuing operations after taxation was £2,119m (2021: £307m). After adjusting for non-controlling interests relating to Spirit Energy, adjusted earnings were £2,050m (2021: £237m). Excluding the disposed Spirit Energy assets, adjusted earnings were £2,005m (2021: £162m).

Adjusted basic EPS was 34.9p (2021: 4.1p). Excluding Spirit Energy assets, adjusted basic EPS was 34.2p (2021: 2.8p).

Statutory earnings

After including exceptional items, certain re-measurements and earnings from discontinued operations, the statutory loss attributable to shareholders for the period was £782m (2021: profit of £1,210m).

The Group reported a statutory basic EPS loss of 13.3p (2021: profit of 20.7p, of which 10.0p related to continuing operations).

Dividend

In addition to the interim dividend of 1.0p per share, the proposed final dividend is 2.0p per share, giving a total full year dividend of 3.0p per share (2021: nil).

Group cash flow, net debt and balance sheet

Group cash flow

Free cash flow is the Group's primary measure of cash flow as management believe it provides relevant information to show the cash generation of the business after taking account of the need to maintain its capital asset base. Free cash flow is reconciled to statutory net cash flow from operating and investing activities in the table below. See the explanatory note in note 4(f) for further details.

Year ended 31 December	2022 £m	2021 £m
Statutory cash flow from continuing operating activities	**1,314**	1,611
Statutory cash flow from continuing investing activities	**(566)**	(325)
Statutory cash flow from continuing operating and investing activities	**748**	1,286
Add back/(deduct):		
Sale and purchase of securities	**398**	3
Interest received	**(46)**	(2)
Movements in collateral and margin cash	**1,173**	(481)
Defined benefit pension deficit payments	**214**	368
Free cash flow from continuing operations	**2,487**	1,174
Discontinued operations free cash flow	**–**	2,588
Free cash flow	**2,487**	3,762

Net cash flow from continuing operating activities of £1,314m was down 18% (2021: £1,611m), with the impact of higher adjusted EBITDA partially offset by higher tax payments, and material working capital and collateral and margin cash outflows.

These significant working capital movements were largely a reflection of the higher commodity price environment and UK Government initiatives to address this. British Gas Energy saw a working capital inflow of £1.1bn in the year reflecting the introduction of the Energy Price Guarantee and Energy Bill Support Scheme, which resulted in earlier payment than under standard consumer payment patterns. EM&T saw a large working capital outflow of £1.2bn driven by a higher volume of gas inventory and by the timing of settlements on trading cash flows. In addition, we invested £0.4bn of working capital in Rough, having injected 16bcf into gas storage.

We saw a £1.2bn outflow of collateral and margin cash. In an elevated and volatile commodity price environment, initial margin requirements are greater and the likelihood of large movements on variation margin are also increased. At the end of 2022, commodity purchases made for our retail customers were out-the-money as prices fell towards the end of the year. We would expect these outflows to reverse in future periods, as we deliver the commodity to customers.

Net cash outflow from continuing investing activities increased to £566m (2021: £325m), with lower net investment in gas production more than offset by higher net investment in non-E&P activities and a £400m loan to the pension schemes in October 2022 to help them manage through volatile market conditions.

Group total free cash flow from continuing operations was £2,487m (2021: £1,174m), as reconciled to statutory cash flow measures in the table above.

Net cash outflow from continuing financing activities remained broadly unchanged at £917m (2021: £938m) with the two bond repayments in February and March 2022 resulting in lower cash outflow than from the hybrid redemption in 2021, offset by the impacts of the distribution of £273m to Spirit Energy's minority partner relating to the disposal of Spirit Energy's Norway assets and the recommencement of returns to shareholders through the payment of a 2022 interim dividend and the buyback of shares as part of the Group's £250m share repurchase programme.

Group adjusted net cash

The above resulted in a £169m decrease in cash and cash equivalents over the year, and when including the impact of reduced gross debt resulting from the bond repayments, the loan to the pension schemes and lease adjustments, the Group's adjusted net cash position at the end of December 2022 was £1,199m, compared to £680m on 31 December 2021.

Further details on the Group's sources of finance and net debt are included in note 24.

Pension deficit

The Group's IAS 19 net pension position improved to a £40m surplus as at the year-end, from £nil at 31 December 2021, with the impact of pension deficit contributions during the year being partially offset by net actuarial losses.

Further details on the post-retirement benefits are included in note 22.

Balance sheet

Net assets decreased to £1,280m (2021: £2,750m). This largely reflects the impact of the statutory loss in the year, in particular the net re-measurements in relation to energy supply contracts, the impact of the share repurchase programme, IAS 19 pension losses from our equity accounted Nuclear investment and the minority dividend payment.

2022 acquisitions, disposals and disposal groups classified as held for sale

On 8 December 2021, Centrica announced that the Spirit Energy Group, of which the Group owns 69%, had agreed to dispose of its Norwegian oil and gas exploration and production business and its interests in the Statfjord field for headline consideration of $1,076m (approximately £800m) on a debt-free cash-free basis, plus a deferred commodity price-linked contingent payment. The commercial effective date of the transaction was 1 January 2021, with the transaction approved by Centrica shareholders at a General Meeting on 13 January 2022 and completed on 31 May 2022.

After adjustments for the net post-tax cash flows generated by the sale business and interests after the commercial effective date, less any remaining tax payable on these cash flows, net consideration was £69m, including a deferred commodity price-linked receivable and a tax indemnity provided to Sval Energi. Spirit Energy has distributed the net cash flow generated since 1 January 2021 and the net consideration to Centrica and its joint venture partners in proportion to their ownership, with £233m distributed to Centrica's non-controlling interest in June 2022 and a further £40m distributed in the second half of 2022.

Further details on assets purchased, acquisitions and disposals are included in notes 4(e) and 12.

Events after balance sheet date

Details of events after the balance sheet date are described in note 26.

Risks and capital management

The nature of the Group's principal risks and uncertainties are broadly unchanged from those set out in its 2021 Annual Report. However, the Group's top three Principal Risks are now Credit & Liquidity Risk, Market Risk (including the outage risk of financial loss due to impact of lost asset production) and Weather Risk, reflecting the potential impacts of gas and electricity prices reaching record levels during 2022 together with extreme volatility.

The Group has actively responded to those risks heightened by global wholesale energy prices. Centrica's approach to risk management includes agile hedging policies and effective demand forecasting processes. The extent to which the Group may continue to be impacted by the consequences of the high level of commodity prices will, in part, depend on further government and regulatory policy, including setting of future levels of default tariff caps, levies on profits and any extension to customer support schemes.

Details of how the Group has managed financial risks such as liquidity and credit risk are set out in note S3. Details of the Group's capital management processes are provided under sources of finance in note 24.

Accounting policies

The Group's accounting policies and specific accounting measures, including changes of accounting presentation and selected key sources of estimation uncertainty, are explained in notes 1, 2 and 3.

Kate Ringrose, Group Chief Financial Officer
15 February 2023

Our View on Taxation

The Group takes its obligations to pay and collect the correct amount of tax very seriously.

Responsibility for tax governance and strategy lies with the Group Chief Financial Officer, overseen by the Board and the Audit and Risk Committee.

Our approach

Wherever we do business in the world, we take great care to ensure we fully comply with all our obligations to pay or collect taxes and to meet local reporting requirements.

We are committed to providing disclosures and information necessary to assist understanding beyond that required by law and regulation.

We do not tolerate tax evasion or fraud by our employees or other parties associated with Centrica. If we become aware of any such wrongdoing, we take appropriate action.

Our cross-border pricing reflects the underlying commercial reality of our business.

We ensure that income and costs, including costs of financing operations, are appropriately recognised on a fair and sustainable basis across all countries where the Group has a business presence. We understand that this is not an exact science and we engage openly with tax authorities to explain our approach.

In the UK we maintain a transparent and constructive relationship with His Majesty's Revenue & Customs (HMRC). This includes regular, open dialogue on issues of significance to HMRC and Centrica. Our relationship with fiscal authorities in other countries where we do business is conducted on the same principles.

We carefully manage the tax risks and costs inherent in every commercial transaction, in the same way as any other cost.

We do not enter into artificial arrangements in order to avoid taxation nor to defeat the stated purpose of tax legislation.

We seek to actively engage in consultation with governments on tax policy where we believe we are in a position as a Group to provide valuable commercial insight.

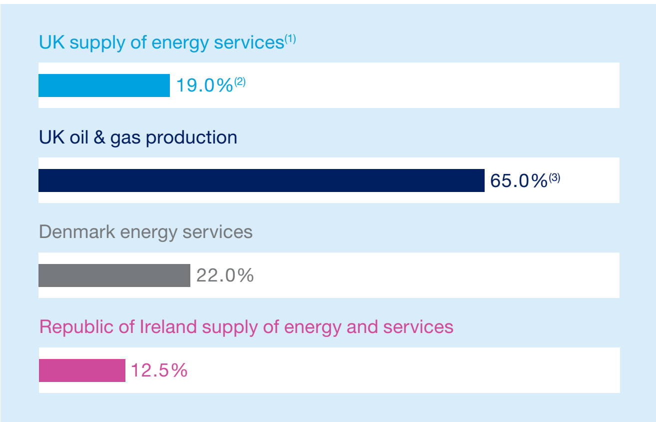
The Group's tax charge, taxes paid and the UK tax charge

The Group's businesses are subject to corporate income tax rates as set out in the statutory tax rates on profits table.

The overall tax charge is dependent on the mix of profits and the tax rate to which those profits are subject.

Statutory tax rates on profits

Group activities



(1) With effect from 1 January 2023, revenues from our Nuclear business (included in energy supply and services) will also be subject to Electricity Generator Levy at 45% in addition to corporation tax.

(2) With effect from 1 April 2023 the statutory rate applicable to UK supply of energy and services will increase to 25%.

(3) With effect from 1 January 2023, the statutory tax rate applicable to UK gas production increased to 75%; the statutory rate increased from 40% to 65% with effect from 26 May 2022.

Tax charge compared to cash tax paid

	2022 Current tax charge/(credit)	2022 Cash tax paid/ (received)
UK (including Petroleum Revenue Tax)	618	243
Norway	339	300
Denmark	130	17
Ireland	(26)	13
Rest of world	10	1
	1,071	**574**

Corporation tax is paid in instalments, generally based on estimates; one-off items and fluctuations in mark to market positions may cause divergence between the charge for the year and the tax paid.

+ Further information on the tax charge is set out in note 9 on **pages 151 to 153.**

+ Our Group Tax Strategy, a more detailed explanation of the way the Group's tax liability is calculated and the timing of cash payments, is provided on our website at **centrica.com/responsibletax**

Business Review

Business unit operational, commercial and financial performance

Improved operational metrics but weak commercial performance in British Gas Services & Solutions, with increased challenges from cost of living and inflationary pressures

British Gas Services & Solutions	2022	2021	Change
Services customers ('000) (closing) [(1)]	**3,141**	3,428	(8%)
Installs and on-demand jobs ('000)	**270**	282	(4%)
Services complaints per customer (%) [(2)]	**12.6%**	12.1%	0.5ppt
Services Engineer NPS [(3)]	**64**	60	4pt
Adjusted operating (loss) / profit (£m)	**(9)**	121	(107%)

All 2022 metrics and 2021 comparators are for the 12 months ended 31 December unless otherwise stated.

(1) Services customers are defined as single households having a contract with British Gas.

(2) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.

(3) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following an engineer visit.

We continued to focus on fixing operational delivery in British Gas Services & Solutions in 2022, to improve the experience for our customers. We have been focused on recruitment, to enable us to complete a greater proportion of jobs using our own workforce, and in 2022 recruited over 800 engineers. This, coupled with a reduction in average sickness rates, resulted in improved capacity. Reflecting this, the number of rescheduled appointments fell from 11% to 6%, while Engineer NPS increased by 4 points to +64 over the year. Complaints per customer increased slightly to 12.6% as we still let some customers down, but improved in H2 2022 relative to H1 and further improvements in customer experience remains a focus for 2023.

Customer retention increased 1ppt to 83%, as we remained mindful of price changes that customers can absorb in the current economic environment, despite inflationary pressures on our own cost base. However, sales remained challenging against the weak economic backdrop, and there was also an impact of our decision to pause proactive selling for a period earlier in the year to focus on delivery for our existing customers. Reflecting this, total customer numbers fell by 287,000, or 8%, over the year. We also continue to see a trend of more customers trading down to lower priced products within our HomeCare range, with the number of services products per customer dropping to 2.17 compared with 2.23 at the start of the year and 33% of HomeCare products now coming with an excess compared with 31% at the start of the year.

The total number of installs and on-demand jobs for the year fell by 4% compared with 2021. Within this boiler installations increased by 9%, but a changed sales mix resulted in a lower average gross margin per installation. However, with our focus on catching up on a backlog of Annual Service Visits, we completed nearly 600,000 more in 2022 than in 2021, which reduced capacity for on-demand work and resulted in a 10% fall in these type of jobs.

British Gas Services & Solutions adjusted operating loss was £(9)m in 2022 against an adjusted operating profit of £121m in 2021.

- The reversal of COVID-19 and industrial action impacts from 2021 totalling £50m was partially offset by temporary factors seen in the first half of 2022, specifically increased workload that we believe was a function of customers choosing to have non-urgent work completed which they had delayed during the COVID-19 pandemic, temporary higher absence rates and an increase in the payment of compensation to customers. These factors negatively impacted adjusted operating profit by approximately £25m.
- We continued to invest in the future of the business, through increasing our direct engineer capacity and upgrading core IT systems, to ensure we are able to better serve customers today and well placed to capture longer-term opportunities arising from the decarbonisation of heating in the UK. This investment in service resulted in a negative impact on operating profit of approximately £45m in 2022. Having now stabilised our operational metrics, we would expect recruitment costs to reduce in 2023, while we expect to start benefiting from our investments through improved engineer productivity and increased sales of net zero products.
- We also continue to see inflationary cost pressures, on both direct labour as we support our colleagues through the cost of living crisis, and on third party costs. We chose not to fully pass these through in pricing to our customers, resulting in a negative impact on adjusted operating profit of approximately £50m.
- Lower contract customer numbers coupled with customers trading down to lower priced products was a factor in the financial result, as was a changed boiler sales mix. These factors negatively impacted adjusted operating profit by approximately £60m. Improving commercial performance remains a focus and we have a clear commercial plan for 2023.

Helping customers in British Gas Energy in a volatile and high price environment

British Gas Energy	2022	2021	Change
Residential energy customers ('000) (closing) [(1)]	**7,516**	7,260	4%
Small business customer sites ('000) (closing)	**480**	455	5%
Energy complaints per customer (%) [(2)]	**14.4%**	8.5%	5.9ppt
Energy Touchpoint NPS [(3)]	**13**	11	2pt
Cost per residential energy customer (excl. bad debt) (£)	**83**	84	(1%)
Adjusted operating profit (£m)	**72**	118	(39%)

All 2022 metrics and 2021 comparators are for the 12 months ended 31 December unless otherwise stated.

(1) Residential energy customers are defined as single households buying energy from British Gas.

(2) Total complaints, measured as an expression of dissatisfaction in line with submissions made to Ofgem, as a percentage of average customers over the year.

(3) 2021 restated to reflect the average weighted score by channel across the year. Measured independently, through individual questionnaires and the customer's willingness to recommend British Gas following contact.

We continued to focus on helping our customers in British Gas Energy in 2022, choosing to invest as much in customer service and support as we made in profits for the year, including through the UK's biggest ever energy support package totalling £50m.

Residential customer numbers increased by 256,000, or 4%, over 2022. This included a net increase of 158,000 customers who joined us through Ofgem's Supplier of Last Resort Process from Together Energy, while we also saw organic net growth of 98,000 in the year, against a backdrop of low levels of market switching. We also delivered a 25,000, or 5%, increase in the number of small business customers we serve, to 480,000, including organic net growth of 18,000.

With higher wholesale commodity prices resulting in significantly higher customer bills, we saw customer contact increase by almost a third compared to 2021, with greater customer focus on the level of their bill and direct debit payments. This led to a higher number of complaints, although almost 70% were resolved within a day, while Energy Touchpoint NPS improved to +13. We remain focused on ensuring we are able to handle an increased level of customer contact at this challenging time for many customers, and have now completed the recruitment of an additional 700 UK-based contact centre colleagues.

We continue to make good progress in migrating customer accounts in a controlled manner onto our new 'software as a service' IT platform. Around 2.2m customers have now been migrated onto the platform, more than double the amount at the half year, which combined with more modern ways of working is intended to enable a lower cost to serve and improved levels of customer service.

Cost per customer (excluding bad debt) decreased by £1 to £83 per customer, despite the impacts of inflation, a £3 impact of dual running IT costs and our investment in additional call centre agents, as we continue our drive to become more efficient. This figure excludes incremental voluntary support and donations.

British Gas Energy adjusted operating profit decreased by 39% to £72m, which largely reflects voluntary donations made to support customers and the repayment of furlough funds received by the Group in 2020.

- Rising wholesale commodity prices for much of the year meant that default tariffs remained cheaper than new fixed-price tariffs, resulting in more customers on default tariffs than we had hedged for. This required us to purchase more commodity at prices above the allowance in the price cap in Q1 2022, although with allowances introduced into the price cap from April 2022 to allow recovery for suppliers, the impact was broadly neutral in the year.
- Warmer than normal temperatures in H1 2022 resulted in lower demand and allowed the sale of surplus gas and power back into a high-priced market at a profit. Temperatures were also warmer in H2 2022, particularly in October and November. However, this came alongside a material fall in near-term commodity prices to levels below which we had forward purchased gas and power for our customers, and resulted in us selling surplus gas and power into the market at a loss. We also saw changing customer behaviour against a backdrop of higher customer bills, leading to a reduction in underlying consumption. Overall, the net impact of these factors on adjusted operating profit was slightly positive.
- The positive impact of increased residential customer numbers and average unit gross margins, and demand recovery from small business customers following the removal of COVID-19 restrictions, were more than offset by a £213m increase in the bad debt charge reflecting higher customer bills and the wider economic uncertainty.
- We also made a number of voluntary choices, including the repayment of £27m received by the Group under the UK Government's Coronavirus Job Retention Scheme, and investments totalling over £70m to support customers who need it most and in building our contact centre capacity to improve customer service resilience.

Bord Gáis Energy retail energy supply was loss making in 2022, but we delivered good operational performance, including from the Whitegate CCGT which was back online

Bord Gáis Energy	2022	2021	Change
Customers ('000) (closing)	526	509	3%
Complaints per customer (%) (1)	2.2%	1.6%	0.6ppt
Journey NPS (2)	19	30	(11pt)
Adjusted operating profit (£m)	31	28	11%

All 2022 metrics and 2021 comparators are for the 12 months ended 31 December unless otherwise stated.
(1) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
(2) Weighted NPS for the main customer interaction channels.

While Bord Gáis Energy saw the return to service of Whitegate CCGT, the retail energy supply business was loss making in 2022, reflecting our decision to protect customers and absorb higher commodity costs. We have committed to donate 10% of Bord Gáis adjusted operating profit to our energy support fund to help vulnerable customers for the duration of the current crisis.

The number of customers grew by 17,000 in 2022, with the addition of customers from failed suppliers, and good retention rates reflecting the support we provided for existing customers. Customer complaints increased slightly and Journey NPS fell by 11 points over the year, which reflects market-wide customer concerns over the sharp rise in retail tariffs due to the significant increase in global commodity prices.

Despite the loss in retail energy, which also includes the impact of higher bad debt and lower customer consumption from warmer weather and changing customer behaviour, Bord Gáis Energy adjusted operating profit increased by 11% to £31m, reflecting good wholesale trading performance and strong availability from the Whitegate CCGT, which was offline for most of 2021. This demonstrates the value of an integrated business model in Ireland.

As part of the push for increased security of supply and decarbonisation in Ireland, we have also taken a positive final investment decision on two 100MW flexible gas peaking plants in Athlone and Dublin, at an expected cost of over €250m.

Strong management of commodity market volatility in Energy Marketing & Trading

Energy Marketing & Trading (EM&T)	2022	2021	Change
Renewable capacity under management (GW)	**11.6**	11.7	(1%)
Total EM&T adjusted operating profit (£m)	**1,400**	70	1,900%

All 2022 metrics and 2021 comparators are for the 12 months ended 31 December unless otherwise stated.

Our EM&T business has a diverse portfolio of contracted positions and is very well positioned when commodity prices are high and/or volatile, given our in-depth understanding of energy markets and ability to manage system complexity. We deployed more working capital, with an outflow of £1.2bn relating to investment in gas inventory for our storage and LNG positions and unrealised profit on derivative positions. However, this investment was well rewarded, with material in-year profits from our Gas & Power trading, Route-to-Market and LNG activities.

In Gas & Power Trading, our contracted pipeline and interconnector positions across Europe allowed us to move gas and power between markets and benefit during periods of significant price dislocations. In addition, our significant gas storage positions meant we were able to benefit from volatility in seasonal spreads.

In Route-to-Market, we've grown one of Europe's largest third-party renewable energy portfolios, creating an advanced, cross-European virtual power plant, and in 2022 we also benefited from the higher power price environment. Capacity under management, including renewables and optimisation assets such as battery and CHP, increased to 15.4GW from 14.6GW of which approximately 75% are renewable technologies. The diverse range of markets we serve and technologies we offer are proving increasingly valuable, as more intermittent generation comes online across Europe to increase the importance of balancing services. We remain focused on growing our route-to-market capacity as more renewable assets come online across Europe.

Our LNG business was profitable in 2022, despite us having forward sold all cargoes from our Cheniere contract for 2022 delivery in times of lower geographical price spreads, as large differentials between US and European gas prices provided opportunity to capture additional value. In total we traded 284 physical cargoes in 2022 and we continue to look to build on our contractual positions. During the year, we signed a Heads of Agreement with Delfin to take 1 million tonnes of LNG from their floating facility in the Gulf of Mexico, with a final agreement being worked up and operations expected to commence in 2026.

The remaining legacy gas contract delivered a profit for the year of £19m (2021: loss of £85m). At current forward prices we expect adjusted operating losses to total around £100m across the period 2023 to 2025 when the contract ends, an improvement of £50m from our expectation at the time of the Interim Results last July.

Reflecting the strong management of high and volatile commodity markets, EM&T adjusted operating profit was £1,400m (2021: £70m).

Delivering improved gross margin and building lower carbon and flexible generation assets in Centrica Business Solutions

Centrica Business Solutions	2022	2021	Change
Energy supply total gas and electricity volume (TWh)	**22.3**	22.3	nm
Energy supply complaints per customer (%) (1)(2)	**9.1%**	6.1%	3.0ppt
Energy supply Touchpoint NPS (3)	**31**	21	10pt
Services order intake (£m) (4)	**212**	371	(43%)
Services order book (£m) (4)	**670**	685	(2%)
Adjusted operating profit / (loss) (£m)	**44**	(52)	(185%)

All 2022 metrics and 2021 comparators are for the 12 months ended 31 December unless otherwise stated.
(1) Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
(2) 2021 restated as previously shown on a per site basis.
(3) Measured independently, through individual questionnaires and the customer's willingness to recommend.
(4) 2021 restated following re-segmentation of activity to EM&T.

The amount of energy supplied by Centrica Business Solutions to medium and large sized businesses was flat at 22.3TWh compared to 2021, with the easing of COVID-19 restrictions and underlying growth in medium sized business volumes being offset by the impacts of warmer weather and lower underlying customer demand in response to higher prices and the economic climate. Customer complaints increased, reflecting increased customer concern around higher energy prices, however Touchpoint NPS increased to +31 reflecting investments to improve overall customer service.

Services order intake of £212m was 43% lower than in 2021, driven by actions taken to focus the business and weaker uptake in the UK. The Services order book of £670m was broadly stable, ending the year 2% lower than in 2021.

Centrica Business Solutions operates a portfolio of flexible generation assets, principally a 49MW battery at Roosecote and a 49MW gas-peaking plant at Brigg. These assets performed well in the year, playing important roles for UK security of supply during times of high demand or reduced system availability. A further five large scale projects totalling nearly 150MW are currently under construction, including a 18MW solar farm at Codford, a 50MW battery at Brigg and a 30MW battery at Dyce.

Centrica Business Solutions reported an adjusted operating profit of £44m (2021: loss of £52m). Energy supply reported a significant improvement in adjusted operating profit to £73m (2021: £1m) driven by strong gross margins, which included gains from the sell back of excess hedged volumes in periods of warmer weather and lower underlying customer demand. These impacts were partially offset by an increase in the bad debt charge reflecting the current weaker economic environment.

Energy Services and Assets reported a reduced adjusted operating loss of £29m (2021: loss of £53m), reflecting higher gross margin capture due to improved operational focus and lower operating costs due to recent efforts to refocus the business.

Strong gas production and nuclear generation volumes and Rough reopened as a storage asset

Upstream	2022	2021	Change
E&P total production volumes (mmboe)	**27.0**	39.7	(32%)
Nuclear power generated (GWh)	**8,719**	8,342	5%
Adjusted operating profit (£m)	**1,793**	663	170%

All 2022 metrics and 2021 comparators are for the 12 months ended 31 December.

Please note that profit and inventory from Rough operations are reported under Centrica Storage Limited for presentational purposes only. Centrica Storage Limited does not produce, supply or trade gas, except to the extent necessary for the efficient operation of the storage facility. In accordance with the Gas Act 1986, such production, supply and trading of gas is carried out wholly independently of Centrica Storage Limited by other Centrica group companies.

Total E&P production was down 32% to 27.0mmboe. When excluding the disposed Spirit Energy assets, production was flat at 20.7mmboe.

- Total volumes from the retained Spirit Energy were down 2% to 17.5mmboe. Liquids volumes fell from 2.1mmboe to 1.2mmboe, with remaining 2P liquids reserves now only 1mmboe. Gas production volumes business increased by 3% to 16.3mmboe, reflecting strong operational performance at the Greater Markham Area and Cygnus.
- Production volumes from Centrica Storage's Rough field increased by 9% to 3.2mmboe, reflecting strong operational performance as a production asset in the first half of the year, with the asset then returning to gas storage operations in September 2022.

Centrica's share of nuclear generation volumes of 8.7TWh was 5% higher than 2021, despite the end of generation at Hunterston B in January and Hinkley Point B in August, reflecting improved plant reliability.

Upstream adjusted operating profit increased to £1,793m (2021: £663m). Excluding the disposed Spirit Energy assets, adjusted operating profit was £1,308m (2021: £107m).

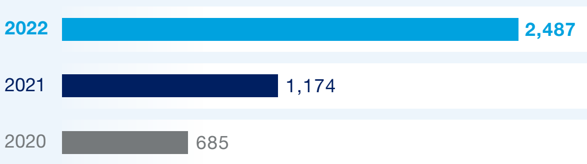
- The retained Spirit Energy business reported an adjusted operating profit of £245m (2021: £68m), with higher wholesale commodity prices resulting in a higher achieved price, despite the impact of hedging. This was partially offset by a higher depreciation charge following impairment write-backs in 2021.
- Centrica Storage adjusted operating profit was £339m (2021: £77m). This reflects strong production from Rough in the first half of 2022 during periods of high commodity prices, and capture of higher seasonal gas price spreads in the second half of the year following Rough's return to storage operations.
- Nuclear reported adjusted operating profit was £724m (2021: loss of £38m), reflecting strong generation volumes and higher achieved prices.

Key Performance Indicators

Our Key Performance Indicators (KPIs) help the Board and executive management assess performance against our Group Priorities set out in 2019.

In 2022, metrics across this section have been updated to better reflect the lead KPIs that are now employed to track performance across our key focus areas. This means that we are no longer reporting total shareholder return, aggregated Brand Net Promoter Score (NPS), aggregated complaints and process safety incident frequency rate (Tier 1 and 2) in this section, although performance is available elsewhere in the report. In particular, customer complaints and NPS are particularly important to our business and are tracked by business unit in the Business Review section.

Group free cash flow from continuing operations (£m)(1)(2)



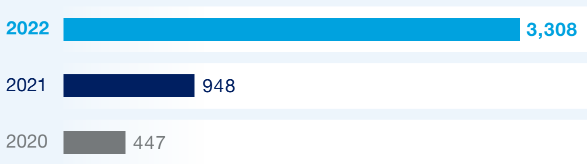
Free cash flow from continuing operations is the Group's primary measure of cash flow. It reflects the cash generation of the business after taking into account the need to continue to invest.

Free cash flow increased by 112% predominantly as a result of the increased operating profit in the Upstream segment and the acceleration of cashflows in British Gas Energy from government support schemes.

Link to Group Priorities

O CFG

Group adjusted operating profit from continuing operations (£m)(1)(2)



Group adjusted operating profit from continuing operations is one of our fundamental financial measures.

Group adjusted operating profit was up 249% predominantly reflecting increased profit in Upstream and Energy, Marketing & Trading.

Link to Group Priorities

O CFG

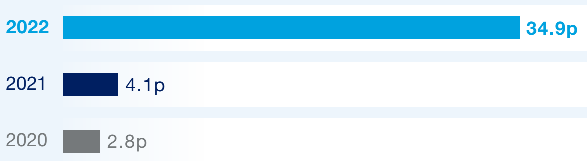
Our Group Priorities

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

+ Read more about Our Group Priorities on our website **centrica.com**
+ Read more about adjusted performance measures on **pages 253 to 257**

(1) Excludes Direct Energy which was classified as a discontinued operation in 2021.
(2) See notes 2, 4 and 10 to the Financial Statements for definition and reconciliation of these measures.

Group adjusted basic earnings per share from continuing operations (EPS)(1)(2)



EPS is a standard measure of corporate profitability. Adjusted EPS is used to measure the Group's underlying performance against its strategic financial framework.

Group adjusted basic EPS was up 751%, reflecting the increased operating profit and lower effective tax rate due to the profit tax.

Link to Group Priorities

O CFG

British Gas Services & Solutions – Services Engineer Net Promoter Score (NPS)[(i)]

Everything we do is focused on helping our customers live sustainably, simply and affordably. Following the recruitment of over 800 engineers coupled with a reduction in average sickness rates, our capacity to serve customers improved which led to our NPS rising by 4 points.

Link to Group Priorities

CO

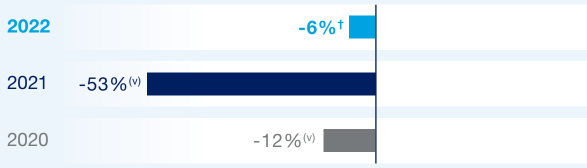
Total customers (m)[(ii)(iii)]

Total customer numbers increased year-over-year, reflecting both organic growth and the addition of customers from failed suppliers in British Gas Energy and Bord Gáis Energy. This more than offset customer losses in British Gas Services & Solutions.

Link to Group Priorities

CO M

Total greenhouse gas (GHG) emissions – 40% reduction by 2034 & net zero by 2045 (2019 base year)[(ii)(iv)]



With Whitegate power station resuming normal operations following an outage in 2021, savings dropped from the 53% temporary reduction achieved that year to a 6%† reduction. Overall, we are making positive progress against our long-term goal to be a net zero business by 2045 (see page 43).

Link to Group Priorities

O S

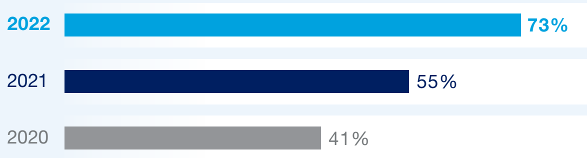
Total recordable injury frequency rate (TRIFR)[(ii)]

We want to keep our colleagues and customers safe, so we work hard to maintain a strong safety culture. Although we made good progress in some areas, our TRIFR per 200,000 hours rose by 5% and was largely due to an increase in slips, trips and musculoskeletal injuries.

Link to Group Priorities

S

Colleague engagement[(ii)(vi)]



Our success is reliant on having a motivated and engaged team. Having focused on creating a more inclusive and supportive place to work whilst connecting colleagues with our Purpose and leaders, engagement improved by 18% to 73% favourable.

Link to Group Priorities

E

† Included in DNV Business Assurance Services UK Limited (DNV)'s independent limited assurance engagement. See page 258 or **centrica.com/assurance** for more.

(i) Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following an engineer visit. KPI moved from the previously reported aggregated Brand NPS to more transparently track and share performance in this key part of our customer-facing services business. For wider business unit NPS performance, see pages 22 to 24.

(ii) Excludes Direct Energy which was classified as a discontinued operation in 2021.

(iii) Includes British Gas Energy, British Gas Services and Bord Gáis Energy households and small and medium business customer sites in British Gas Energy and Centrica Business Solutions.

(iv) Net zero goal measures scope 1 (direct) and 2 (indirect) GHG emissions based on operator boundary, which now includes all emissions from our shipping activities relating to Liquified Natural Gas (LNG) alongside the retained Spirit Energy assets in the UK and the Netherlands. Non-operated nuclear emissions are excluded. Target is normalised to reflect acquisitions and divestments in line with changes in Group structure against a 2019 base year of 2,132,680mtCO_2e. It's also aligned to the Paris Agreement and based on science to limit global warming, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century.

(v) Restated due to LNG shipping and Spirit Energy's remaining assets moving into scope in 2022.

(vi) Measured through colleague responses to a survey asking them to rate how they feel about the company. The survey moved from annual to quarterly in 2021.

+ Read more about our non-financial performance on **pages 39 to 54** and **258 to 260.**

Our Principal Risks and Uncertainties

We manage risks to support our Group strategy

Risk management

In the following pages we set out an overview of Centrica's risk management framework. Our Principal Risks remain linked to our Group Priorities and the Group's risk appetite is expressed in relation to our four categories of risk: Strategic, Operational, Financial and Compliance.

Risk management and internal control

Centrica's Group Enterprise Risk and Internal Controls Framework remains a core element of the Group's Governance Model which is set out below.

The most significant Principal Risks to the Group are set out on pages 30 to 33, in order of magnitude to the Group.

Risk appetite

The Board is ultimately responsible for aligning the risk appetite of the Group with our long-term strategic objectives, taking into account the emerging and Principal Risks. The Board has determined the risk appetites for the categories of Strategic, Operational, Financial and Compliance, and the key risks within Centrica's Risk Universe have been mapped into these categories.

Due to the industry and the nature of some of the markets in which the Group operates, we have high to moderate risk appetites for our strategic and operational risks. However, we have a minimal risk appetite for operational safety risks and we continue to strive for an incident free workplace. For financial risks we adopt a conservative approach to manage our liquidity position and balance sheet strength. However, due to the higher risks inherent in managing the commodity and weather variables within our energy supply businesses, we accept a higher appetite for those elements of financial market risk. We are committed to operating our businesses in compliance with relevant laws and regulations.

Risks are identified and assessed at a Business Unit (BU) level to determine impact and likelihood, with an appropriate risk response subsequently evaluated and implemented. The different risk responses are

- Terminate: cease the activity that creates the risk
- Transfer: pass the risk to another party
- Tolerate: accept a level of risk
- Treat: act to reduce the likelihood or impact of risk

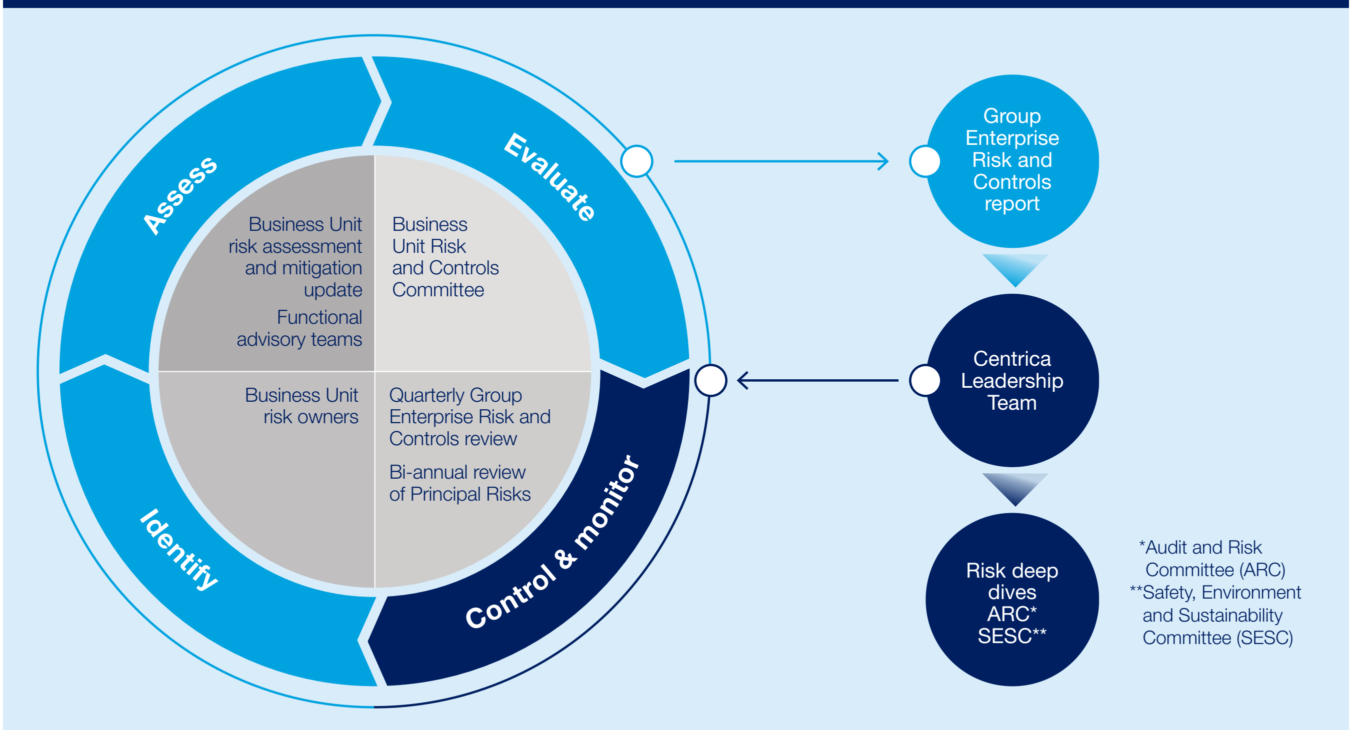
During BU and Group risk reviews, the net residual risk scores are compared to the Group risk appetite to review the adequacy of existing mitigating actions/controls, with further action taken to control and monitor risks as required.

Risk framework

Day-to-day ownership of risk sits with business management under the regular scrutiny of the Centrica Leadership Team (CLT) to whom the Board has delegated principal responsibility for risk oversight. The Group Principal Risks are those which could potentially impact delivery of our strategic objectives over the medium to long term, where medium term is up to three years, as determined through our strategic planning process.

The annual risk management process is summarised in the diagram below:

Centrica Group's Annual Risk Management Process



Quarterly Business Unit risk reviews

- Each BU is responsible for identifying and assessing its significant risks with support from functional subject matter experts. Current and emerging risks and issues are formally reviewed quarterly by the BU leadership teams.
- The finalised risk reporting and assessment of each BU's control environment is then formally discussed at a Group Risk and Controls Review for each BU. The meetings are chaired by the Chief Risk and Audit Officer.
- At these quarterly reviews, recent assurance reports and findings from internal audits and other assurance reviews are discussed. Actions from previous audits and assurance reviews are tracked to ensure close out in line with agreed timescales.

Executive and Board Committee reviews

- Bi-annually the Group Principal Risks are presented to the CLT for review and challenge.
- These include the aggregate risk assessments from the BU 'bottom-up' process and any Group-level risk assessments.
- The Group Principal Risk profile, as updated by the CLT, is presented to the ARC for review.
- Internal Audit presents quarterly to the ARC on any material findings as a result of independent assurance work.
- Risk deep dives are undertaken by the ARC and SESC to review high priority risks, ad-hoc topics and emerging matters.

In our assessment of viability, we consider the potential impact of 'severe but plausible' risks and note linkages to the Group Principal Risks as described on pages 30 to 33. The annual viability assessment has been presented to and approved by the ARC.

Board

- The Board reviews risk as part of its strategy review process and during the year conducted a robust assessment of the Company's emerging and Principal Risks.
- At the year-end the Board reviewed and approved the Principal Risk and Uncertainties disclosure.
- We evaluate our System of Risk Management and Control annually, which is supported by a certification of controls and adherence to Group policies by senior management.

Changes in risk climate and emerging matters

BUs and Functions review their risks and report key changes as part of their Business Performance and Risk Reviews. Major emerging risks and issues are escalated immediately.

During 2022 a number of Group-level areas of risk were closely monitored, and actions taken to mitigate their impact on the Group.

Inflation and cost of living

The cost of living crisis continued through 2022, with the UK Consumer Price Inflation rate hitting a 41-year high of 11.1% in October. This rate reflects the impact of rising energy and food prices but has been limited by the Energy Price Guarantee (EPG) which came into effect on 1 October. The EPG will be extended for a further 12 months from April 2023 for qualifying households.

The Government has provided further support through the Energy Bills Support Scheme, whereby all UK households will receive a £400 non-repayable discount in six monthly instalments. More targeted cost of living support will be provided beyond this to vulnerable households. A reduced Energy Bills Discount Scheme will replace the Energy Bill Relief Scheme (EBRS) discount for businesses and non-domestic customers from 1 April 2023.

The impact of the Government support schemes is reflected in the New Accounting Policies (note 1) and bad debt provision and is considered as part of the Going Concern review.

Energy market

Global wholesale energy prices have put pressure on the energy market, with gas and electricity prices reaching record levels during the year, exacerbated by the war in Ukraine and cessation of supply to Europe from the Nord Stream 1 pipeline.

Higher price levels and extreme volatility severely increased the Credit and Liquidity, Market and Weather risks within year, which the Group manages through agile hedging policies, and effective demand forecasting.

The reopening of the Rough gas storage facility will further strengthen the UK's energy resilience. The long-term aim is to turn Rough into one of the world's largest methane and hydrogen storage facilities. The Group will reallocate capital investment to bolster the UK's energy security, decarbonise the UK's industrial clusters and help reinstate the UK as a net exporter of energy.

The transfer of Bulb Energy customers to Octopus Energy is now subject to a judicial review as we are concerned that the structure of the deal could lead to potential market distortion.

Government and regulatory intervention

In June 2022, the Government enacted the Energy Profits Levy (EPL): a 25% surcharge on the extraordinary profits made by the oil and gas sector. In the November 2022 Autumn Statement, the Government announced this would increase to 35% from 1 January 2023 to 31 December 2028. They also announced a 45% Electricity Generator Levy (EGL), which is expected to be enacted following the Spring Finance Bill, on nuclear and renewable electricity generation from 1 January 2023 to 31 March 2028.

The Autumn Statement also included the announcement of a Vehicle Excise Duty on electric vehicles (EVs) starting in April 2025, which could impact our EV charging point strategy as increased taxes may make EV ownership less attractive.

We continue to sustain our focus on Environmental, Social and Governance matters.

Compliance with the many requirements proposed in the Government's paper on Restoring Trust in Audit and Corporate Governance is flagged as an emerging risk and there are projects in progress to understand, design and implement our responses.

Technology

We continue to automate and integrate our operations focusing on streamlining our finance reporting systems and using automation to replace manual controls. We actively monitor the changing technology landscape to exploit opportunities.

Strategic replacement or integration of trading systems and ERP systems is being planned in Energy Marketing & Trading, Centrica Business Solutions, British Gas Services & Solutions and Group Tax to drive efficiency, stability and improved end-to-end interfaces that will reduce manual intervention, duplication and the risk of error or omission. In British Gas Energy, the migration to the ENSEK digital platform is strategically critical in achieving our Purpose. This has not led to any changes in Principal Risk, but transformation risk will be monitored as these changes are delivered.

Supply chain

Supply chain issues arising from inflationary pressures and component shortages, specifically electronic chips in boilers and smart meters, have been managed by securing alternative supply routes and challenging price increases directly with suppliers to minimise the impact. In 2023, we will monitor China's economic outlook amid the growing tensions with Taiwan and the impact on Northern Ireland (NI) border checks if Article 16 of the NI protocol is implemented on our supply chain.

Principal Risks

The following Principal Risks were adopted by the Board in 2022 and reflect the position of the Group at the point of signing the accounts. Some prior year Principal Risks have been either split into component parts, merged or updated to more clearly articulate the nature and drivers of the risks. These are referenced as appropriate in the table below. The risks are presented in order of magnitude to the Group based on net residual risk, after mitigations. The Risk Climate is the expected change in the risk landscape from the previous risk review, based on the environment and controls in place.

Our Group Priorities

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

	Credit and Liquidity Risk	Market Risk
	Risk Category: Financial	**Risk Category:** Financial
	FY21: Commodity Risk	**FY21:** Commodity Risk
	Group Priority: CFG Risk Climate: Deteriorated	Group Priority: CFG Risk Climate: Deteriorated
Overview	Risk of financial loss due to counterparty default, volatile commodity markets or a credit event limiting the availability of financial facilities or unsecured credit lines • Hedging commodity price risk in the markets exposes Centrica to (i) credit risk, which is the risk of a loss if a counterparty fails to perform on its obligations or (ii) liquidity risk when trades on exchange or with margining agreements result in collateral postings • Trending directional price moves can lead to a build-up of mark to market positions which is a key component of credit and liquidity risk • Volatile commodity markets can also increase cash and working capital requirements for both ourselves and our counterparties (with the latter increasing the risk that one of our counterparties fails to perform and consequently increases the risk of contagion). Further information is included in the S3: Financial risk management section within the Supplementary Information to the Financial Statements	Risk of financial loss due to trends and volatilities in commodity prices • Commodity exposure arises within the trading businesses, which provide a route to market for Centrica's upstream and power generation operations, sourcing of electricity and gas for the Group's energy supply businesses and proprietary trading activities. We also have commodity exposures driven by our LNG portfolio, in particular the Cheniere contract • Material movements in commodity prices can impact in-year P&L through revenue on sale of asset production, and impact on the long-term valuation of asset portfolios • Hedging commodity price risk in the markets exposes Centrica to supply shock, an unexpected event that changes the supply of a commodity, resulting in a sudden change in price • Changes in our customer demand requirements can result in a commodity exposure as we balance our established hedges at market prices
Mitigations	• Review of hedging policies at least annually in Group Risk Hedging Policy Committee meetings • Financial risks reviewed regularly in dedicated Risk Committee forums • Credit risk teams actively manage and reduce credit exposures, taking account of liquidity considerations • Energy Marketing & Trading and Group Treasury work closely to monitor liquidity requirements under normal and stressed market conditions	• Review of hedging policies at least annually in Group Risk Hedging Policy Committee meetings • Financial risks reviewed regularly in dedicated Risk Committee forums • The monthly Downstream Energy Margin Meeting is a forum for all relevant parties to review demand forecasting performance, hedge positions, risk and P&L, with actions recorded and tracked to completion • Hedging decisions and risk are agenda items at the monthly Finance Performance Reviews across the Group
Developments	• Market prices rose to unprecedented levels and credit exposures increased in line with this to counterparties where we are net buyers. As prices have started to decrease, exposures are building to counterparties where we are net sellers • Business Unit credit limits have been recalibrated using an expected loss methodology with increased limits available for better rated key counterparties • To ensure there is sufficient liquidity headroom for mark to market positions and margin requirements in the event of another price spike, Group Treasury approached existing banks to extend cash and Letters of Credit facilities • Management of the balance sheet is being improved to more effectively manage capital allocation	• Extreme prices and volatility continue to be affected by the ongoing Russian invasion of Ukraine and sanctions in place • Trading positions are scaled to operate within market risk appetite • The financial impact of outage risk associated with the output of Upstream assets remains high due to the higher price environment and the ageing asset infrastructure

Weather Risk

Risk Category: Financial

Group Priority: CFG

Risk Climate: Deteriorated

The impact on present or future profitability resulting from volume impacts as a result of deviation to normal weather

- The impact is compounded by the application of the price cap which limits recovery for unseen demand
- In normal conditions, downstream is exposed to revenue loss in warm weather which may be compounded by selling hedges at a loss
- When commodity prices are higher than the cap allowance and the risk exposure is primarily to cold weather when additional volumes may be required for downstream customers at a cost higher than can be recharged

- The monthly Downstream Energy Margin Meeting is a forum for all relevant parties to review weather impact and hedging proposals and performance, with actions recorded and tracked to completion
- Options to mitigate weather risk in British Gas Energy, to narrow the range of gross margin outcomes, are reviewed ahead of winter seasons with decision rights held by the Group Chief Executive
- Regular reviews ensure there is adequate access to liquidity in stressed cold weather scenarios

- Increased frequency of updated demand curves which capture changes in demand driven by deviations from seasonal normal weather
- Dynamic hedging strategy approved by the Group Chief Executive, to reduce the exposure to high price and cold weather risk
- The risk of a winter supply shock has eased following mild December weather, and risk is skewed to warm weather

Customer

Risk Category: Operational/Strategic

Group Priority: CO, O

Risk Climate: New Principal Risk

Failure to deliver satisfactory customer service leading to complaints or loss of customers

- Cost of living and bad debt impacting customers' ability to pay and management of warrant activity to switch customers to prepayment meters
- Increased call volumes driven by commodity prices, Ofgem Price Cap increases, and the Government's Energy Support Schemes
- Peak service demand exceeding engineer capacity

- Customer Conduct Board provides oversight to minimise customer detriment, complaints and regulatory action
- Customer-facing BUs continue to build delivery capacity measures, including strengthening demand forecasting methodologies, and winter readiness planning activity
- Recruitment of frontline staff and expansion of web chat services to meet customer demand
- Focused recruitment activity at a qualified and apprentice level; use of temporary/contract resources and geographical re-deployment of engineer workforce to 'hotspot' demand areas

- The cost of living crisis, high levels of inflation and concerns over the continuity of energy supply arising from the Ukraine conflict and the National Grid's Winter Outlook report driving unprecedented levels of customer contact
- Suspension of all prepayment warrant activity at least until the end of the winter and providing £10 million to support prepayment customers
- We are working constructively with the wider industry, the UK Government and the regulator on the issue of prepayment warrant activity
- British Gas Energy and Bord Gáis Energy committed to donate 10% of all profits for the duration of the energy crisis. This contributed to £50 million being donated in the UK and €3.6 million in Ireland to help vulnerable customers
- Implementation of National Grid's discount scheme to manage peak demand and pilot of new scheme to reward customers switching energy usage to overnight
- Completing the migration to the ENSEK digital platform is strategically critical to reduce our cost to serve and deliver a quality service to customers at a competitive price

Political, Legal, Regulatory or Ethical Intervention/Compliance

Risk Category: Compliance/Strategic

FY21: Political and Regulatory Intervention
Legal, Regulatory & Ethical Compliance

Group Priority: CO, O, S

Risk Climate: Deteriorated

The risk of political or regulatory intervention and changes, failure to comply with laws and regulations, or greater regulatory scrutiny detecting unknown areas of non-compliance

- Risk of further government intervention to support vulnerable customers that may not be funded through the price cap mechanism
- Increased focus on Environmental, Social and Governance interventions and impact on investor confidence in our responses
- Material or sustained non-compliance with legal or regulatory obligations could lead to financial penalties, reputational damage, customer churn and/or legal and/or regulatory action
- Any material real or perceived failure to follow Our Code would undermine trust in our business

- Continuous engagement with policy makers to help form future regulatory requirements
- Dedicated Corporate Affairs and Regulatory teams which examine upcoming political and regulatory changes and their impact and report to the Leadership Team on an ongoing basis
- Understanding the expectations of stakeholders through reputational surveys and review of media sentiment
- The Board sets the tone from the top through Our Code and leadership behaviours
- Regulatory compliance monitoring activities performed by dedicated teams to drive Group-wide consistency and quality
- Control frameworks in place to deliver customer experience in line with requirements over sales compliance, billing, retentions, customer correspondence and complaints handling. These are regularly reviewed by relevant leadership teams through KPIs
- The Financial Crime Team monitors threats throughout the business and adequacy of response to the threat of bribery and corruption
- A global 'Speak Up' helpline exists to provide a consistent Group-wide approach to reporting unethical behaviour
- Continuous dialogue with Ofgem, consumer groups and the FCA to influence the regulatory environment

- Keeping pace with the velocity, volume and complexity of political and regulatory change has proved challenging, notably timely implementation of the various Government support packages
- We continue to note our concerns of potential instability in the supply market given the lack of additional regulation of suppliers to ensure adequate capitalisation and customer protection
- The Group Ethics and Compliance team is building capability in Energy Assurance to support the business with meeting complex regulatory requirements
- British Gas Energy has performed strongly in recent Ofgem Market Compliance Reviews (MCRs) of Direct Debit Assessments, Treatment of Customers in Payment Difficulties and Treatment of Vulnerable Customers
- We will continue to engage in consultation on the security of energy supply and decarbonisation of the UK retail energy market
- The roll-out and adoption of smart meters continues to present challenges due to the onboarding of c.700k SoLR customers disproportionately increasing installation targets. This has been exacerbated by supply chain disruptions and discussions are ongoing with Ofgem and Government
- The Our Code employee annual training for 2022 included expense fraud and information security dilemmas as part of a campaign to raise awareness of increased fraud risks

	People	Safety	Cyber
	Risk Category: Operational	**Risk Category:** Compliance/ Operational	**Risk Category:** Operational/ Compliance
	FY21: Capability of People	**FY21:** Health, Safety and Environment	
	Group Priority: O E Risk Climate: Stable	Group Priority: O S Risk Climate: Stable	Group Priority: S Risk Climate: Deteriorated
Overview	Risk of failure to attract, develop, engage and retain key talent. Risk of deterioration to the health and wellbeing of colleagues • Failure to attract and retain key capabilities and safeguard the health and wellbeing of the workforce across the business could have a detrimental impact on our ability to meet our strategic objectives • The cost of living crisis and inflation impact on colleague mental health and wellbeing • Labour market shortages for key skills impacting retention in some business units and locations	Risk of occupational, transportation, customer/third-party fatality or injury due to safety hazards • Our operations have the potential to result in personal harm • Significant Health, Safety and Environment (HSE) events could have regulatory, financial or reputational repercussions that would adversely affect some or all of our brands and businesses	Risk of failure to prevent impacts from the denial of service, cyber espionage and the related theft/disclosure of confidential/ customer data leading to reputational, regulatory and financial impacts A cyber-attack presents a risk to Centrica operations in the following ways: • Confidentiality: leakage of customer or company confidential data by threat actor, third party, staff or system error, either maliciously or by accident • Integrity: accuracy of Centrica's data due to malicious or accidental alteration by internal or external parties, or malicious actor • Availability: loss of assets, including data, due to cyber compromise Due to the diversity of Centrica's technology, the Company could suffer any or all of the above which could lead to: • Regulatory compliance impact or fines, including but not limited to, General Data Protection Regulations (GDPR), Payment Card Industry Data Security Standard (PCI), Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Smart Metering obligations (Ofgem) • Financial impact of investigating and recovering from a cyber-attack • Impact of negative media coverage on reputation and share price
Mitigations	• Quarterly Performance Conversations in place as part of the Terms & Conditions governance framework • Monitoring of key metrics including the Quarterly Employee Engagement index, absence and attrition rates. Proactive implementation of actions to support colleagues • Extensive focus on retention, building capabilities and providing targeted learning and development opportunities • Design and implementation of appropriate retention enhancement strategies • Continuous focus on our Values and culture aligned to our Purpose • Greater focus on diversity and inclusion at all levels of the organisation, and open access to colleague-led employee networks	• Continued investment in training to ensure maintenance of safe operating practices • HSE Management Systems are established to include policies, standards and procedures to protect employees, third parties and our environment • Assurance over our HSE processes and controls provided by our in-house HSE teams supported by external subject matter experts, where needed • Key senior HSE leaders to drive and embed HSE culture and competency, and continuous improvement in key metrics • Our approach to customer visits is continually reviewed to ensure that employees are operating in line with Government guidelines and that the health and safety of employees and customers is maintained	• Ongoing threat intelligence gathering, collaboration and information sharing with industry peers and National Cyber Security Centre • The Cyber Security Change Programme builds security capabilities and improvements in controls that increase the difficulty of targeting Centrica and being able to exploit weaknesses without detection • The Ransomware Minimal Viable Company Programme which aims to improve Centrica's ability to recover from a ransomware attack • Training and awareness campaigns and simulated phishing attacks in 2022 to raise awareness and highlight responsibilities in protecting data • Cyber-attack simulations to identify control gaps and undertake remediation activity
Developments	• New organisation structures have largely embedded with some discrete reorganisations in some business units and a major reorganisation is in progress in Spirit Energy as they prepare to repurpose the business for energy transition • FlexFirst successfully launched to combine working from home with time on site • Working groups established to help understand how the cost of living crisis is affecting colleagues. Resources and discounts made available to all colleagues are being actively promoted • Externally, the union environment remains challenging with trade unions focusing their effort on pay increases and protecting terms and conditions to support their members with increased pressure from the rising cost of living. Internally, we have successfully negotiated the April 2023 pay deal, which is now being implemented • Shadow Board established and acting as a forum to engage with the Centrica Leadership Team (CLT) to influence decisions, positively disrupt assumptions, and challenge executives' thinking to support colleague-centred decision-making	Management are enhancing existing HSE frameworks to respond to changing risks as the Group strategy evolves to include the following activities: • The reopening of Rough as a storage facility • The expansion of the services businesses • The construction of two new gas-powered peaking plants • Construction of a battery storage project at Brigg • The injection of hydrogen into a gas peaking plant at Brigg	• The Ukraine conflict has heightened the external cyber threat landscape. Increased cyber activity towards the oil and utilities sectors has been reported • The geopolitical situation and increased connectivity of Operational Technology (control systems used to manage domestic, commercial and national infrastructure) increases their vulnerability to cyber-attack • The volume, sophistication and velocity of ransomware attacks has evolved, with the most catastrophic bringing down IT systems within very short timeframes, and in some circumstances leading to publication of the exfiltrated data • The pursuit of our strategy into markets such as EV charging and localised battery storage will increase regulatory obligations to maintain a secure cyber posture. The anticipated increase in the scope of regulations will have a broader impact on Centrica requiring greater levels of reporting and significant consequences for non-compliance

Operational Asset Integrity

Risk Category: Operational/Compliance

FY21: Asset Production Process Loss of Containment

Group Priority: CFG S

Risk Climate: Stable

Risk that impaired structural or asset integrity, resulting from any of a failure in design, failure in appropriate maintenance & inspection, operating outside of design conditions and/or human error, leads to a major accident (such as loss of containment of flammable/hazardous materials or structural collapse) that could result in multiple fatalities and/or major damage to the environment

- Failure to invest in the inspection, maintenance and development of our assets could result in significant safety issues, such as personal or environmental harm, or asset underperformance through unplanned outages
- Failure to capture adequate return on our 20% nuclear investment due to operational issues or early station closures suppressing earnings and cash flows

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- The Group Annual Plan includes contingencies to cover events such as unexpected outages from assets
- Group-wide minimum operational and safety standards are applied to all assets, whether operated or non-operated, and adherence against them is monitored and reported
- Maintenance activity and improvement programmes are conducted across the asset base to optimise effectiveness and maximise production levels
- We use our presence on the Board of EDF Energy Nuclear Generation Group Limited to monitor the performance of the nuclear fleet
- Continued investment in training to ensure maintenance of safe operating practices
- HSE Management Systems are established to include policies, standards and procedures to protect employees, third parties and our environment
- Continuous engagement with regulatory agencies such as the Environment Agency, Oil and Gas Authority and UK Health and Safety Executive
- Assurance over our HSE processes and controls provided by our in-house HSE teams supported by external subject matter experts, where needed

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- As the Whitegate plant ages and we move to more flexible generation, plant reliability and safety risks will need to be carefully managed through proactive management, maintenance and investment
- We announced the reopening of the Rough gas storage facility, having completed significant engineering upgrades over the summer, and increasing the level of ongoing maintenance. The Group Insurance team continues to discuss the cost and benefits of business interruption cover with relevant business units
- The HSE Function works with the business to ensure effective HSE resources and competency operate consistently and effectively across the business
- Completion of the sale of Spirit Energy Norwegian assets, the majority of which were non-operated, completed in May 2022. As the majority of the assets were non-operated, there has been little impact on this risk. Spirit Energy continues to focus on maximising delivery of its gas production for the UK, repurposing assets for the energy transition and decommissioning activities
- Spirit Energy successfully decommissioned and removed the Hummingbird Floating Production System and Offloading vessel from the Chestnut Field (the last oil producing asset), thereby reducing the level of risk, particularly the risk of an oil spill

Climate Change

Risk Category: Strategic

Group Priority: M S

Risk Climate: Deteriorated

Risk of market, regulatory and policy changes driven by climate change affecting the ability of the Group to execute its strategy

- Increased pressure from Government, investors and customers to commit to meaningful carbon reduction targets
- Execution of Centrica Business Solutions strategy to realise opportunities from the energy transition
- Timing and execution of British Gas pivot to decarbonised heating, power and transport products and services
- Increased focus on 'greenwashing and greater rigour' on Renewables Guarantee of Origin, impacting renewable products and propositions

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- Monitoring of progress against People and Planet targets including net zero targets for our business and our customers
- Centrica's Climate Transition Plan, which outlines our approach to move to a low carbon future, was subject to a shareholder advisory non-binding vote at the 2022 AGM
- The SESC, which is chaired by an independent non-executive director, typically reviews climate change information and the Climate Transition Dashboard three times a year. The SESC additionally maintains oversight over material climate-related matters
- Our Climate Transition Plan has been incorporated into executive remuneration
- We have achieved full compliance in our 2022 Task Force on Climate-related Financial Disclosures (TCFD) reporting, reflected in pages 46 to 54
- British Gas Services & Solutions has established Net Zero Ventures to develop innovative and competitive products and propositions to gain a significant footprint in the growing low carbon market

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- Continued geopolitical focus on COP27 and on how corporations respond to climate change
- Completion of the sale of Spirit Energy Norway assets in line with our decarbonisation strategy
- A court case ruling against the UK Government applied pressure on them to develop and publish coherent plans on how to achieve the Sixth Carbon budget
- In the context of the cost of living and energy security crisis, the Government is undertaking a net zero review. The review will consider how to deliver against targets. Centrica is actively engaged and committed to influencing the shaping of the approach to the green transition in the UK and responds to Government consultations on related policy

The Group will reallocate capital investment to realise opportunities from moving to a low carbon future. Examples of diversified projects to build low carbon energy capability include:

- Solar farm at Codford
- Hydrogen initiatives including partnership with HiiROC, testing injection at Brigg, and hydrogen village trials in Whitby
- Battery storage development at Brigg
- Restarting gas storage at Rough, to meet short-term needs for the security of gas supply. Further investment could support potential repurposing of the asset for hydrogen storage
- Transitional use of peaking plants to aid the use of renewables in Ireland
- Launch of the inaugural Net Zero Index to understand public sentiment on climate change and any barriers to implementing changes that will help British Gas Services & Solutions develop relevant products and solutions. The availability of the Index will further help Government and other parties

Assessment of Viability Disclosure

Requirement

In accordance with provision 31 of the 2018 UK Corporate Governance Code the Directors have assessed the prospects and viability of the Group taking into account the business model (as set out in the Strategic report on pages 8 to 9), current position in the context of liquidity and credit metrics of the Group, and principal risks.

Assessment of prospects

The assessment considers the current position of the Group, the Group's strategy, longer-term market trends and customer needs, and the Group's principal risks as well as forecast cash generation against long-term obligations to repay debt and fund the defined benefit pension schemes.

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

Key factors in assessing the long-term prospects of the Group include the following:

1. The Group's competitive position today

Centrica has strong brands with large customer bases as the number one supplier in many of the markets in which it operates. In its core markets: British Gas Energy and British Gas Services are the largest residential energy supplier and home services provider in the UK; Bord Gáis is the second largest residential energy supplier in Ireland; and the Energy Marketing & Trading business is a leading route to market services provider across Europe. Centrica also has the largest heating engineer workforce in the country, who are highly trusted by our customers, and are well positioned to continue to support new fuels and technologies.

In assessing our prospects beyond the strategic planning period, the Board considers how these strengths position the company to grow long term shareholder value.

2. Market trends affecting future prospects

- commodity price volatility and its impact on the UK energy supply market;
- cost of living crisis and its impact on our customers;
- increasing progress and Government support for net zero, corporates committing to clear net zero targets;
- despite recent competitor supplier failures, competition may remain intense with margins under pressure within our retail business, and we expect that to remain the case as the market emerges from the current crisis;
- falling costs for battery, solar and wind, electric vehicle (EV) deployment accelerates, growing need for flexibility; and
- role of data analytics, artificial intelligence and automation increasingly important.

3. Customer needs

- hassle-free, empathetic, personalised and safe service. Offering solutions, not just products;
- responsible options (including green tariffs) and expert guidance to help them achieve their net zero goals;
- trusted and credible counterparty; and
- lower costs and greater efficiency.

We put customers' needs at the centre of everything we do and this is the core part of our strategy, as set out in the People and Planet and Strategic Report sections of this Annual Report on pages 39 and 8 respectively.

4. The Group's strategic objectives

The Group's strategic Purpose is to help our customers live sustainably, simply and affordably, as set out on page 7 of this Annual Report. This supports the assessment of the Group's prospects.

5. Principal risks facing the Group, as set out on pages 28 to 33

The risks we consider to be of greatest significance in assessing our prospects include:

- further political or regulatory intervention, including increased focus on Environment, Social and Governance interventions and responding to climate change;
- external risks associated with weather, commodity price movements and the cost of living crisis;
- access to sufficient financial facilities to support margin cash demands;
- credit risk;
- compromised asset production and health & safety impacts of process loss of containment; and
- risks associated with the effectiveness of our internal control environment in relation to cyber risk, data protection and customer conduct.

Climate change is the most important driver guiding Centrica's prospects today and is a core part of our Purpose as reflected by the actions we've taken, which include:

- we've outlined our plans for how we intend to decarbonise power, heat and transport through our Climate Transition Plan published in October 2021;
- we will continue to build out our green supply and solutions offerings for customers;
- we're training the next generation of apprentices to deliver low carbon technologies like heat pumps and EV chargers while exploring the future of hydrogen; and
- we're committed to creating additional green generation with up to £500 million to deploy through Centrica Energy Assets in low carbon and transition assets by 2025.

Good progress has been made on managing the prospects of the Group during 2022, including the completion of the sale of Spirit Norway on 31 May 2022 and the reopening of the Rough gas storage facility in September. We continue to simplify our management structure, reducing management layers and increasing the proportion of our colleagues who interact directly with customers, enabling us to put customers at the heart of everything we do. In addition, our balance sheet is now much stronger, with an adjusted net cash position as of 31 December 2022.

The Board has confidence in the long term prospects of the business. The Board believe that the strategic steps taken in 2022, and the Group's strategy and Purpose will set the Group up to be successful in the long term as market trends continue to evolve and key risks are managed.

Assessment of viability

The assessment is based upon the Group Annual Plan for 2023 and the longer-term strategic forecast for 2024 and 2025 which are approved annually by the Board. The Board continues to believe that a three-year time horizon is the appropriate timeframe to assess viability, and is also consistent with the Group's planning cycle and the period of reasonable visibility in the energy markets. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and margin cash requirements.

Important context to the viability assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2022, the Group had total committed credit facilities of £6.5 billion, of which £1.1 billion are temporary facility extensions that expire in mid-2023, £0.2 billion expire in 2024 and the remaining £5.2 billion expire in 2025. The undrawn committed facilities as at 31 December 2022 were £4.0 billion in addition to unrestricted cash and cash equivalents of £3.7 billion.

In the continuing environment of high and volatile commodity prices, the Group's portfolio provides increased opportunity for value capture and outperformance, but with significantly wider risk outcomes. The high price environment makes access to sufficient financial facilities a key focus for trading entities due to the requirement to hold sufficient collateral for mark to market positions, significantly increasing pressure on liquidity.

In addition, the cost of living crisis continues. Inflation rose above 10% in H2 2022 and could be slow to fall due to underlying pressures. As a result, the group is exposed to elevated levels of bad debt as customers struggle to pay their bills.

To reflect the current volatility of risk factors, Centrica has used judgement to determine severe but plausible scenarios and have modelled three versions of the viability assessment to give a high, base and low curve scenario. These scenarios reflect a range of reasonably possible increases or decreases in commodity prices due to market conditions. The price curves used for the high and low scenario are summarised in the following tables:

High curve	2023	2024	2025
NBP (p/th)	577	454	404
Baseload Power (£/Mwh)	504	339	254

Low curve	2023	2024	2025
NBP (p/th)	95	100	107
Baseload Power (£/Mwh)	146	148	127

Viability was initially assessed based on September prices. However prices between September and December have fallen. We have continued to monitor these price changes to ensure that our base, high and low curves remain appropriate and specifically whether our base assumptions remain within the high to low range. As a result of this exercise, the high and base price scenarios were not adjusted (as the base scenario remained within the high to low range), but we adjusted our low curve for baseload power to align to December prices, with a separate assessment performed on whether the Group would remain viable in the event that both NBP and baseload power fell further.

Note that the judgements within the financial statements, in particular impairment, have been based on actual forecast prices at the balance sheet date. Please see note 3 to the financial statements for further information.

The three scenarios share the same risks but, where relevant, the risks were flexed to reflect the Group's exposure in each scenario. We have modelled groups of risks within 'clusters'. It is not plausible that all risks would occur at the same time, and therefore each of the clusters is considered as a plausible combination of risks. The table below details the risk clustering and linkage to principal risks. Each of the clusters includes common risks throughout in addition to the risks associated with the cluster. The risks relating to commodity price, margin cash, bad debt, credit risk and letters of credit were selected as constant events in all three clusters.

Risk Cluster	Risk description	Links to Principal Risks	Risk >5% of opening headroom?*
Common risks	Commodity price impacts on earnings of asset-based businesses	• Financial Markets – Market Risk	Yes
	Increased margin cash requirements arising from adverse market conditions***	• Financial Markets – Credit & Liquidity Risk • Financial Markets – Market Risk	Yes
	Higher bad debt due to cost of living crisis	• Financial Markets – Market Risk • Financial Markets – Credit & Liquidity Risk	No
	Credit Risk: risk of financial loss due to counterparty default	• Financial Markets – Credit & Liquidity Risk	No
	Removal of 25% of drawn uncommitted Letters of Credit	• Financial Markets – Credit & Liquidity Risk	No
Cluster 1	Regulatory risks in relation to loss of sensitive data	• Political, Legal, Regulatory or Ethical Intervention/ Compliance • Cyber	No
	Operational impact of sustained employee industrial action	• People • Customer	No
Cluster 2	Significant disruption to the asset-based businesses leading to loss of production and earnings	• Operational Asset Integrity • Safety	Yes
Cluster 3	Significant adverse weather event	• Financial Markets – Weather Risk	Yes
See note below**	Increased collateral requirements arising from a single-notch credit rating downgrade	• Financial Markets – Credit & Liquidity Risk	Yes

* Headroom is calculated as undrawn committed facilities plus total liquid resources.

** A credit rating downgrade risk has only been applied to scenarios where the stressed credit metrics indicate Centrica would be at significant risk of downgrade by the agencies.

*** The largest margin outflow modelled in the scenarios is materially in excess of the £1.9bn margin cash position seen at the end of August 2022, and significantly higher than that in 2021 and 2022.

Group-wide assumptions include:

- No material acquisitions or disposals of Group business areas; and
- Centrica has a long standing relationship bank group and has recently received strong support from a number of the relationship banks for a temporary increase in committed credit facilities for the current winter period. As such, the Directors are confident in the ability of Centrica to refinance appropriate credit facilities and margin waiver facilities.

Liquidity requirements

Centrica has established enhanced processes in the trading businesses and in respect of Upstream to plan for and manage possible increased cash margin requirements. These processes include:

- monitoring reasonably possible scenarios for increased liquidity requirements as a result of changes in commodity prices and market conditions; and
- ensuring Centrica has sufficient headroom to meet reasonably possible liquidity requirements over the going concern period.

Centrica has also enhanced governance measures including establishing a Liquidity Working Group to monitor market conditions, trading activity, and the ability of counterparties to pay margin calls to Centrica, and to take action where appropriate.

Centrica uses sophisticated modelling and analysis of the volatile market conditions over the last two years and market forward data to determine severe but plausible scenarios of the liquidity requirements for the trading business and Upstream. These include high and low price scenarios which are reflected in the viability assessment. While these scenarios include assessing statistically to a 95% confidence level the market conditions that may arise in the future, they will not necessarily predict future conditions given markets are volatile. Therefore, Centrica maintains and monitors the liquidity requirements across the business to ensure sufficient headroom is retained.

Regular assessments are performed of the credit worthiness and liquidity of counterparties that Centrica trades with and pays and receives cash margin calls from. These include assessing the level of exposure to counterparties who are investment grade and non-investment grade, monitoring and dynamically managing credit limits and arranging credit enhancements such as requiring letters of credit from financial institutions.

Outcome of viability assessment

The viability scenarios have been assessed to confirm whether the Group would have sufficient liquidity available to meet its future planned financial commitments, and that the credit metrics calculated would not imply a sustained fall to below investment grade credit ratings (S&P BB+ and Moody's Ba1).

In order to reach a conclusion as to the Group's viability, the Directors have considered the following:

- Whether any of the scenarios and clusters of risks noted above breached the available headroom in the three-year period and concluded that sufficient headroom was available in all scenarios.
- Whether any of the scenarios and risks noted above indicated a deterioration in the credit rating metrics which would lead to a two notch downgrade to sub-investment grade. They concluded that the Group has a reasonable expectation that its net debt ratios would continue to sustainably support investment grade ratings (at least BBB- for S&P, and at least Baa3 for Moody's) for all scenarios.

While mitigations were not required in any of the above scenarios to ensure the Group was viable, additional mitigations could be deployed to increase headroom and reduce the risk of a credit downgrade, including reductions in operational and capital expenditure.

Reverse Stress Testing identified that there are some extreme risks that could theoretically result in Centrica entering a position whereby its financial resources were insufficient to meet its liabilities as they fall due. However, given the current financial strength of the company, the combination of events required to achieve this scenario is extremely unlikely to occur. We therefore believe that these risks do not represent a 'severe but plausible' threat to the viability of the company.

Conclusion

The Directors have considered all the above factors in their assessment of viability, including the availability of mitigating actions within their control in the event that one of the scenarios above materialises. We have performed sensitivity analysis that enables the Directors to confirm that they have a reasonable expectation of the Group's ability to continue to operate and meet its liabilities, as they fall due, over a period of at least three years.

Group Chief People Officer's Report

Jill Shedden
Group Chief People Officer

2022 has been an extraordinary year for Centrica. I am really proud of what all our colleagues have achieved together to support our customers, each other and our Company throughout the year.

Amongst our many successes we've donated £4.5 million to make a big difference to causes our colleagues are passionate about in our local communities and we are helping colleagues and customers as much as possible with ongoing energy and cost of living issues. We restarted returns to shareholders which will also benefit the majority of our colleagues who are or will become shareholders due to our Global profit share award.

Our HR function has made a huge contribution to Centrica as we have adapted to significant change in the business, supported our businesses during the most challenging of times and flexed with pace to meet unprecedented recruitment needs to ensure we have sufficient colleagues to support our customers.

Health, safety and wellbeing

Health and wellbeing is part of everything we do and we are building a supportive environment with an open and honest culture.

Our healthcare plan has been enhanced with additional wellbeing benefits and continues to be available to all UK-based colleagues and their dependants, giving peace of mind to colleagues and their families. Our data-driven approach provides real insight into our colleagues' key health risks and drives our strategy: to improve the health and wellbeing of all colleagues.

We utilise and leverage technology, have a 100-strong network of mental health first aiders across the UK business and provide a 24/7 emotional support line. Mental health training programmes are in place to support leaders and colleagues.

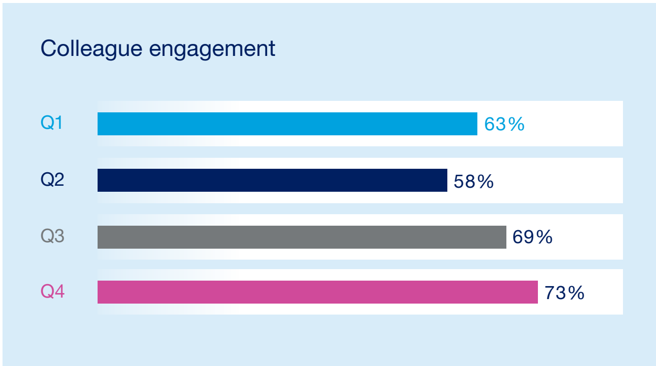
Through our wellbeing programme we are able to raise awareness of difficult and taboo subjects, such as the menopause, fertility, cancer and mental health. Our regular events with external and internal participants allow our colleagues to learn more and to share their experiences.

Looking after our colleagues through the rising cost of living

This year has presented many challenges and Centrica is committed to supporting colleagues especially through the cost of living crisis. We have set up a dedicated team to focus on cost of living support. A number of financial and non-financial initiatives have been implemented to support colleagues ranging from £1 lunches at all of our sites to providing additional mental health and wellbeing assistance for customer-facing colleagues. The team continues to monitor the external situation closely and to recommend additional intervention and assistance where necessary. In 2022 we made two separate cost of living payments to the majority of our colleagues and in the UK we continue to provide an allowance through payroll for all colleagues that are British Gas customers, to help with managing rising energy bills.

Colleague engagement

I am delighted that colleague engagement has continued to improve quarter on quarter throughout the year. In Q3 we exceeded our internal target of 63% and the Q4 result was 10% higher than our target at 73%. An engaged workforce ensures we are all focused on our Purpose, helping our customers to live sustainably, simply and affordably.



Global profit share award

In 2022 we also granted our first global profit share award to all colleagues, relating to our profits in 2021. The award was made in shares as we want our colleagues to share in our success as we continue to grow our business in the future. We will be making a similar award in shares in 2023, relating to our 2022 profits and this time, our improved absence performance across the business has also boosted the profit share pool which will be shared with all colleagues.

Supporting our colleagues' journey to net zero

Centrica is helping colleagues on the journey to cleaner and greener transportation, by leveraging Centrica products and services including a salary sacrifice scheme for electric vehicle (EV) leasing. This offers savings for both Centrica and our colleagues and it's a great opportunity for UK colleagues to access 'green' electric cars to support our commitment to net zero, reducing the carbon footprint of our fleet over time.

Listening to our people

We have put in place a Shadow Board which is a unique partnership with the Centrica Leadership Team to provide impartial insight, review and assurance on strategic topics relating to colleagues, customers and cash.

The role of the Shadow Board is to be a forum that the Group Chief Executive and Centrica Leadership Team will engage with to bring diverse perspectives from across the organisation into key discussions to ensure our values and standards are upheld. Through the Shadow Board, colleagues will be able to influence decisions, positively disrupt assumptions, and challenge the thinking of our leaders to support colleague-centred decision-making. The Shadow Board consists of nine colleagues from across Centrica.

Centrica stories

Jacqui's reflections on the Shadow Board

Having left school with a few GCSEs many years ago, I've had the opportunity to develop a wealth of experience and skills at Centrica. So when I heard they were creating a Shadow Board, I jumped at the chance to become its Chair, because I wanted to give something back.

The Shadow Board meets leaders regularly to share diverse perspectives from across the business and deliver colleague-centric decisions. And I'm incredibly proud of how we've worked together during our first year – from raising awareness and developing and supporting solutions for the challenges our engineers face, to strengthening our colleague engagement survey and providing feedback on how to bring our Purpose, Values and Strategy to life for colleagues.

In 2023, we'll build on this with priorities that include how to develop closer relationships with colleagues overseas and better support managers to ensure success. Following feedback, we will also run quarterly diversity network sessions to ensure our engineers are aware of, and have the same level of access to our support groups as our office-based colleagues.

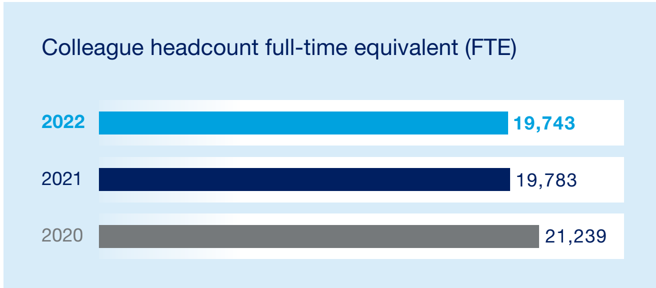
9

Diverse colleagues on the Shadow Board, each serving an 18-month term

Developing our people

I am delighted that this year we recruited a further 367 apprentices, continuing to create new, highly skilled and well-paid British jobs. In addition to this we recruited 258 new employees via other training opportunities, including newly qualified and trainee pathways. 20% of our new colleagues were female via the combined engineering entry routes. In addition, our Ex-Forces programme got off to a strong start in 2022, hiring 143 former service personnel, spouses or family members.

- 3,010 internal moves & promotions happened in 2022
- 3,700 new colleagues joined us across the Group including 51 graduates, 57 summer placements and 15 Year in Industry colleagues



Colleague networks

I am incredibly proud that we have a number of active colleague-led networks that operate across Centrica. Our networks cover areas such as gender/sexual orientation, family, disability and ethnicity. I have highlighted some examples below.

Centrica Forces Network is a group of colleagues across all areas of Centrica who have either served in, or are serving reservists in the Armed Forces, or have an interest in being part of a community that supports these groups of colleagues. The objective is to create a diverse community that supports veterans and reservists within Centrica ensuring that we become an employer of choice for these groups.

Our Carers Network is a supportive group where colleagues are able to connect with others (who may or may not be carers) who can share ideas and information about any aspect of caring. This year the network and Carers UK collected two trophies at the Corporate Engagement Awards. Following the success of our three-year strategic charity partnership with Carers UK, we won bronze for Best Collaborative Approach and were highly commended in the Best Charity, NGO or NFP category. The partnership was recognised for its work to bring about a step change in the way that society recognises, values and supports carers. Whilst our strategic charity partnership has now ended, we continue to work closely together.

Jill Shedden, Group Chief People Officer
15 February 2023

People and Planet

Creating a more inclusive and sustainable future that supports communities, our planet and each other.

Our People & Planet Plan has five Group-wide goals that accelerate action on issues that matter deeply to our business and society, and where we're well-placed to make a world of difference – from achieving net zero[1] and creating the diverse and inclusive team we need to get there, to contributing to the communities we're all part of.

Whilst we've made really positive progress towards the majority of our goals, we're behind on some of our shorter-term milestones but are confident we'll get back on track in the years ahead. Unprecedented events including COVID-19, the collapse of failed energy suppliers and the rising cost of energy during the energy crisis, meant that we needed to shift our focus beyond the People & Planet Plan, to provide the urgent help our customers and communities need right now – including stepping up to give 10% of our British Gas Energy and Bord Gáis Energy profits to help people pay for the rising cost of energy.

(1) Net zero is the point at which there is a balance between human-related carbon dioxide (CO_2) being emitted into the atmosphere and the CO_2 taken out.

Over the next decade, we'll continue to harness the expertise of colleagues and collaborate with key stakeholders such as government and local communities, to drive the necessary action to deliver our People & Planet Plan and ensure we do business responsibly across our wider activities.

Ultimately, this will enable us to deliver on our Purpose of helping our customers live sustainably, simply and affordably whilst contributing positively to the United Nations Sustainable Development Goals (SDGs).

"2022 has been a year like no other and I'm really proud of the way we've worked together and with others, to provide the UK's largest voluntary support package for customers to help them with their energy bills, whilst making strong progress on our People & Planet Plan. We've a long way to go to achieve the inclusive and sustainable world we need, but I'm fully committed to making sure we get there."

Chris O'Shea, Group Chief Executive

+ Read more about our People & Planet Plan, Climate Transition Plan, SDGs and SASB disclosure amongst others at **centrica.com/peopleandplanet**

+ Read more about our non-financial KPIs on **pages 258 to 260**

Our People & Planet Plan

Supporting communities, our planet and each other

People

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

We want to:

- **Create a more engaged and inclusive team that reflects the full diversity of the communities we serve by 2030***
- **Recruit 3,500 apprentices and provide career development opportunities for under-represented groups by 2030** (1,000 apprentices by the end of 2022)

Planet

Supporting every customer to live more sustainably

We want to:

- **Help our customers be net zero by 2050** (28% carbon intensity reduction by the end of 2030)
- **Be a net zero business by 2045** (40% carbon reduction by the end of 2034)

- **Inspire colleagues to give 100,000 days to build inclusive communities by 2030** (20,000 days by the end of 2022)

Doing business responsibly

Underpinned by strong foundations to ensure we act fairly and ethically – from customer service to human rights

*All company and senior leaders to reflect 2011 Census data for working populations. This means 47% women, 14% ethnically diverse, 15% disability, 3% LGBTQ+ and 3% ex-service by 2030 (30% women, 13% ethnically diverse, 4% disability, 3% LGBTQ+ and 3% ex-service by the end of 2022). See page 40 for more.

Providing urgent help during the energy crisis

In 2022, the war in Ukraine led to global energy supplies constricting further and the cost of energy rising. Amidst the wider cost of living challenges, more and more people found it challenging to pay for their energy. With the duration of the energy crisis unknown, we urgently shifted our focus to do what we could to help. In the UK for example, we invested £25 million in customer service to handle a 50% increase in calls by hiring 700 additional UK-based customer service agents. We also committed £50 million to help homes and businesses with their energy bills, either through British Gas or via the British Gas Energy Trust which is an independent charity funded solely by British Gas, and helps anyone in need of assistance. As a result, we created the largest voluntary energy support fund for customers and our support will grow with our promise to voluntarily donate 10% of British Gas Energy's profit for the duration of the energy crisis. This is in addition to our mandated funding of the Warm Home Discount and Energy Company Obligation (ECO).

In Ireland during 2022, we similarly committed to donate 10% of Bord Gáis Energy's profit for the duration of the energy crisis. This equated to €3.6 million to support vulnerable customers with their energy bills. We also continued to work closely with charity partner, Focus Ireland, to support those at risk of or experiencing homelessness.

In total during 2022, we spent nearly £290 million helping vulnerable people with their energy[(1)] through expert advice, grants and energy efficiency measures.

(1) Comprises of £243.8 million in mandatory and £45.1 million in voluntary contributions, mainly through the Warm Home Discount, ECO and British Gas Energy Trust.

+ Read more about our support during the energy crisis on **pages 12 and 68**

People

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

Goal 1

By 2030, we want to:

Create an engaged team that reflects the full diversity of the communities we serve – this means all company and senior leaders to be 47% women, 14% ethnically diverse, 15% disability, 3% LGBTQ+ and 3% ex-service[(1)]

2022 Progress:

	All company	Senior leaders[(2)]
Women	30% On track	33% On track
– Excluding field engineers	41% On track	32% On track
Ethnically diverse	14% On track	9% Behind
Disability	3% Behind	3% Behind
LGBTQ+	3% On track	0% Behind
Ex-service	2% Behind	3% On track

Progress against goals: On track Behind

(1) Towards this, our milestone goal was to be 30% women, 13% ethnically diverse, 4% disability, 3% LGBTQ+ and 3% ex-service by the end of 2022. Our 2030 goal was based on 2011 Census data for working populations and beyond gender, 2022 progress was based on 70% of colleagues disclosing their diversity. For 2023 annual reporting onwards, our 2030 goal will be re-aligned to the recently released 2021 Census data for working populations with 48% women, 18% ethnically diverse, 20% disability, 3% LGBTQ+ and 4% ex-service.

(2) Senior leaders include colleagues above general management and spans senior leaders, the Centrica Leadership Team and the Board.

To build a more sustainable future, we need the best team – a diverse mix of people and skills, where different ideas can grow, and where everyone can succeed.

Our goal to reflect the full diversity of our communities is therefore essential but ambitious. Boosting the representation of women will be particularly challenging given our large engineering team reflects the male-dominated market, so it'll take time to tackle this sector-wide issue and build a more diverse talent pipeline through our apprenticeship programme (see Goal 2). In 2022 we did, however, make good progress by attracting, promoting and retaining more diverse talent. For example, the proportion of women across the company and among our senior leaders improved for the first time in a long time and we're now on track. And if we remove our engineering team from the data, our overall gender balance improves even further. Although we achieved gains across our ethnicity, disability, LGBTQ+ and ex-service representation in 2022, opportunities remain for improvement including through building on the success of our #ThisIsMe campaign to drive self-declaration in 2023, which will help us better understand who's working for us and where we need to focus action.

With our leadership team sharing an open letter to colleagues that set out our diversity and inclusion (D&I) action plan in 2021, we took important steps to deliver progress in 2022. This included:

- embedding tailored D&I dashboards alongside business unit action plans that are reviewed quarterly by leaders, and will help drive continuous improvement;
- confirming that FlexFirst was here to stay which enables colleagues to choose when they want to work from home, come into the office, or flex their hours. Around 90% of colleagues said it's helped provide the right work-life balance and has given parents, carers and those living in different regions, the chance to pursue development opportunities that otherwise wouldn't have been possible; and
- rolling out allyship training to leaders and mandating anti-racism training for all colleagues, to help continuously upskill and educate.

Through these activities and more, we've received external recognition for our efforts including earning a place in The Times Top 50 Employers for Women. In 2023, we'll refresh our goals in line with 2021 Census data for working populations and advance progress by continuing to embed our action plan whilst acting on colleague feedback.

Our wider diversity headcount

	Gender(1)				Ethnically diverse(1)(2)	
	2022		2021		2022	2021
	Women	Men	Women	Men	Ethnically diverse	Ethnically diverse
Board	**4 (44%)**	**5 (56%)**	4 (50%)	4 (50%)	**1 (11%)**	1 (13%)
Senior executives and direct reports	**24 (33%)**	**49 (67%)**	29 (32%)	61 (68%)	**6 (8%)**	6 (7%)
Senior leaders	**117 (33%)**	**243 (67%)**	99 (28%)	254 (72%)	**32 (9%)**	31 (9%)
All employees	**5,938 (30%)**	**14,190 (70%)**	5,421 (28%)	13,832 (72%)	**2,761 (14%)**	2,251 (12%)

(1) Headcount as at 31 December and based on overall headcount rather than headcount based on their full-time equivalent, to more accurately reflect the full diversity of our workforce. Read more about Board diversity on page 61.

(2) Based on 65% of colleagues in 2021 and 70% of colleagues in 2022, who voluntarily disclosed that they were from a Black, Asian, Mixed/Multiple or other ethnic group across the UK, Ireland and North America.

Goal 2

By 2030, we want to:

Recruit 3,500 apprentices and provide career development opportunities for under-represented groups (1,000 apprentices by the end of 2022)[3]

2022 Progress:

Apprentices	1,033

Progress against goals: On track Behind

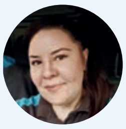
(3) Base year 2021.

To get to net zero and satisfy the wider needs of our customers, we need to create thousands of high-quality jobs – from Smart Energy Apprentices to customer service agents. To fill these roles, there's a huge opportunity to tap into the talent of under-represented groups to deliver a greener and more inclusive future. Towards this, we're recruiting 3,500 apprenticeships which is the equivalent of hiring one apprentice every day over the next decade. And by the end of 2022, we were on track with the goal having recruited 1,033 apprentices, whilst helping over 700 trainees professionally qualify in areas like gas and whitegoods.

In particular, our Ex-Forces programme got off to a great start in 2022, hiring 143 former service personnel and we're aiming to recruit 500 veterans, reservists, spouses and partners by the end of 2023. Meanwhile, following a targeted campaign aimed at women looking for a career change during COVID-19, progress against our ambition for 50% of our Smart Energy Apprentices to be women declined from 30% in 2021, to 20% in 2022. Whilst this remains higher than the gas engineer average of 0.2% women, the drop is disappointing so we're strengthening branding and marketing campaigns to continue to break down gender stereotypes and inspire more women into engineering.

Alongside this, we're working to encourage more young people to choose a career in energy by supporting Tech She Can's educational programme, Tech We Can, which has directly reached over 18,000 students.

Centrica stories



Chelsea's apprenticeship

As my son grew older, the time felt right to increase my work hours and find a new career. When I came across the Smart Energy Apprenticeship, it appealed to my love of science and learning but I wasn't sure if I'd fit in. Then I saw that British Gas were specifically targeting women, so I decided to give it a go.

I'm so glad I did! The team are really supportive, and I get treated just the same as everyone else. No two days are the same which I enjoy and it's really rewarding to leave customers with a smile on their face. I also flex my hours for the school run in the morning which makes life that little bit easier.

Having got a distinction in my apprenticeship, I'm really proud of all I've learnt and that I've now got a solid trade. And in the future, I'm sure there will be opportunities to cross-skill into electric vehicle (EV) charging or management. If more young girls see engineers like me, I hope they'll think it's a career they could do too.

3,500

Apprentices to be recruited with the ambition for 50% of recruits to be women by 2030

Goal 3

By 2030, we want to:

Give 100,000 days to build inclusive communities (20,000 days by the end of 2022)[1]

2022 Progress:

Days	12,987 (Behind)

Progress against goals: On track / Behind

(1) Base year 2019.

We're harnessing the passion of our people to build inclusive communities because strong communities are central to a more sustainable future. It's also a great way to help colleagues develop skills and improve engagement.

In 2022, we significantly ramped up volunteering and fundraising efforts with 2,098 days donated to help our local communities. This is a massive 600% increase from 2021 and brings our cumulative total to 12,987 days since 2019. Gains were made possible with the launch of 'The Big Difference' initiative which nearly 5,000 colleagues voted on and marks the move from a national to local approach that's mobilising everyone to get involved in local causes they care passionately about.

Despite this improvement, we missed our 2022 milestone due to COVID-19 limiting volunteering opportunities in previous years and our need to focus on providing the urgent support our customers have needed over the last two years with the collapse of failed energy suppliers and the energy crisis. But we'll get back on track as we work towards 4,000 volunteering days with 1 in 6 colleagues volunteering in 2023, and build to 1 in 3 colleagues by 2030.

Making a big difference in 2022:

400

Local and national charities supported – from Little Village in London and LOROS Hospice in Leicester, to the Trussell Trust, Age UK and Focus Ireland

7

New community organisations were awarded funding to progress their journey to net zero via our Energy for Tomorrow social impact fund, which has an annual budget of up to £600,000

£4.5m

Donated and fundraised for local communities, with over £1 million also supporting the crisis in Ukraine through the Disaster Emergency Committee

Planet

Supporting every customer to live more sustainably

Goal 4

By 2050, we want to:

Help our customers be net zero (28% reduction by the end of 2030)[2]

2022 Progress:

Reduction	6% (Behind)

Progress against goals: On track / Behind

(2) Net zero goal measures the greenhouse gas (GHG) intensity of our customers' energy use including electricity and gas with a 2019 base year of 183gCO_2e/kWh, normalised to reflect acquisitions and divestments in line with changes in Group customer base. Target aligned to the Paris Agreement and based on science to limit global warming, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century.

Around 90% of our total GHG emissions (scope 1, 2 and 3), come from the sale of gas and electricity to customers (scope 3). So the biggest thing we can do to fight climate change, is to help our customers use energy more sustainably.

Towards this in 2022, we provided energy, services and solutions that enabled the GHG intensity of our customers' energy use to reduce by 6% against our 2019 base year, which was mainly driven by renewable and low carbon energy tariffs alongside energy efficiency and optimisation solutions. This was down from 17%[3] in 2021 following the reintroduction of fossil fuels into our electricity mix due to the escalating cost of green energy certification and the need to keep costs down for customers during the energy crisis. The zero-carbon content of our reported electricity fuel mix did, however, remain high at 75% versus the 55% UK average and is only slightly behind the glidepath for our long-term goal. We're exploring all options to decarbonise our electricity supply in an affordable way, which is key to delivering on our goal and ensuring a fair transition to net zero for our customers.

(3) Restated due to availability of improved data.

630,000 homes

The equivalent annual emissions we've saved through our energy, services and solutions

In 2022, we helped our customers advance towards net zero by supporting them with measures to decarbonise power, heat and transport by:

- launching British Gas Net Zero Ventures, a new business whose sole mission is to support customers with their journey to net zero by helping them adopt key technologies – from heat pumps to EV charging;
- installing over 2,300 heat pumps to date which is more than any other UK company, and we expect to ramp this up significantly with our market-leading price guarantee launched at the start of 2023;
- supporting growth in the take-up of EVs having installed nearly 28,000 charging points so far; and
- completing the Energy Company Obligation Phase 3 2019-22, providing energy efficiency measures to 150,000 homes, which is estimated to save around £2 billion on energy bills and 2mtCO_2e across the measures' lifetime – that's equivalent to avoiding seven billion miles being driven in a combustion engine car.

Goal 5

By 2045, we want to:

Be a net zero business
(40% reduction by the end of 2034)[(1)]

2022 Progress:

Reduction	6%† ●

Progress against goals: ● On track ○ Behind

(1) Net zero goal measures scope 1 (direct) and 2 (indirect) GHG emissions based on operator boundary, which now includes all emissions from our shipping activities relating to Liquified Natural Gas (LNG) alongside the retained Spirit Energy assets in the UK and Netherlands. Non-operated nuclear emissions are excluded. Target is normalised to reflect acquisitions and divestments in line with changes in Group structure against a 2019 base year of 2,132,680mtCO_2e. It's also aligned to the Paris Agreement and based on science to limit global warming, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century.

† Included in DNV Business Assurance Services UK Limited (DNV)'s independent limited assurance engagement using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. See page 258 or centrica.com/assurance for more.

In 2022, we continued to make progress against our net zero target with our total GHG emissions decreasing by 6%† against the 2019 base year. With our Whitegate power station resuming normal operations to play an important role in boosting energy security and providing a stable baseload power for intermittent renewables following an outage in 2021, savings were down from the 53%[(2)] temporary reduction achieved that year. Overall, we remain on track with our long-term goal.

The main driver of reductions in 2022 from the 2019 base year, arose from our oil and gas operations, which included closing our Hummingbird oil production offshore facility in the UK North Sea which is our last remaining oil production facility. Sustainable savings were also secured via our low carbon fleet initiatives such as rolling out EVs, delivering property efficiencies across lighting, heating and cooling systems, alongside property rationalisation and lowering occupancy as a result of FlexFirst which lets colleagues choose when they want to come into the office to connect and collaborate or work from home (see page 40).

As set out in our Climate Transition Plan, we'll continue to cut emissions by focusing on delivering energy efficiency and optimisation services, alongside low carbon technologies and cleaner energy (see page 51).

11.6GW

Route-to-market for renewables under our management, which can power around 10 million homes

70%

Our GHG emission reduction over the last decade following our strategic transformation away from most of our carbon intensive operations, to provide low carbon services and solutions for customers

11.5m

Electric miles driven by our British Gas fleet in 2022 – equivalent to driving around the world more than 460 times

To get to net zero, we remain committed to driving emissions out of our own activities and identifying opportunities wherever possible to support the adoption of lower carbon energy for our customers. This involves securing up to 800MW of low carbon and transition assets by 2025 that drive the transition forward including solar, flexible generation and battery storage, whilst exploring the conversion of our Rough gas storage facility to store hydrogen in the long term (see page 51).

It is, however, becoming increasingly clear that the path to achieving net zero by 2050 is unlikely to be linear in the context of a challenging geopolitical environment, where security of supply is a real risk for consumers in the markets in which we operate. We know that some investment decisions specifically geared towards enabling the energy transition and supporting energy consumers, may make our own path to net zero by 2045 more challenging in the short term, such as the development of two new flexible gas-fired generation plants in Ireland alongside our LNG activities (see pages 23 to 24). However, we see these investments as being in line with the view of policymakers that gas will be a key transition fuel[(3)] and as such, critical to support energy security until the issue of intermittency in renewable energy is addressed during the transition. Equally, national infrastructure that we depend upon to deliver our targets remains very much in its infancy – for example, plans to fully electrify our own fleet of vehicles by 2025, has been materially hampered by the UK's failure to develop a public charging network at scale over the past two years. We'll therefore continue to play our full part in the policy debate to secure a framework that facilitates the adoption of greener forms of energy.

(2) Restated due to LNG shipping and Spirit Energy's remaining assets moving into scope in 2022.
(3) British Energy Security Strategy, April 2022.

Our Foundations

Our People & Planet Plan is underpinned by strong foundations that ensure we act fairly and ethically.

Customers

We've been making big investments to deliver a better service for customers. Towards this in the UK, we recruited around 800 engineers to rebuild capacity and hired 700 additional UK-based call service agents. As a result in 2022, British Gas Services & Solutions Engineer Net Promoter Score (NPS) improved by four points to +64, whilst our British Gas Energy Touchpoint NPS rose by two points to +13 despite the challenging operating environment. In both the UK and Ireland, we've seen complaints increase which broadly reflects the significant rise in global wholesale and commodity prices impacting customer bills (see pages 22 to 24).

Colleagues

We want our people to feel safe, engaged and rewarded. Tragically, we experienced our first work-related fatality in six years when a British Gas engineer lost their life after being involved in a road traffic collision. And whilst our Tier 1 and 2 process safety incident frequency rate improved to zero with no events occurring compared to three Tier 2 events in 2021, our total recordable injury frequency rate rose by 5% to 1.12 per 200,000 hours (see page 27). Safety remains front-of-mind, with the need to continually reinforce a strong safety culture and advance controls and monitoring. In particular, with the majority of incidents occurring in British Gas Services & Solutions due to the size of the business and nature of work delivered, we'll enhance new starter safety training and aim to further embed procedures in 2023. Alongside physical health, we're mindful of the impact that the cost of living crisis may have on colleague wellbeing. So we provided two cost of living payments to colleagues and ran campaigns that talked about the importance of being open about mental health whilst encouraging use of our suite of support which includes a company-funded benefit healthcare plan for all, a wellbeing app, and our 100-strong network of mental health first aiders (see page 37).

Support like this as well as an improvement in trust in senior leaders amongst other things, has helped improve our engagement score by 18% to 73% favourable in 2022. This surpasses our goal of 70% by the end of 2023. With engagement being key to having a happy and productive team, we'll build on this with our continued focus on providing a more inclusive and supportive place to work.

As a responsible employer, we also reward our people fairly. This includes paying at least the Real Living Wage in the UK and upholding equal pay. In 2022, our gender pay gap reduced by 7% to 23% median and is driven by more men working in higher paid roles like engineering, with more women in valued but lower paid jobs like customer service. We're one of few companies to have voluntarily published our ethnicity pay gap which is driven by similar factors as gender, and likewise improved by 3% to 10% median. Tackling the pay gap won't be quick or easy, but we hope to continue to help transform our business, sector and society as our People & Planet Plan gets fully underway (see pages 40 to 41).

Communities and ethics

Our Code and Our Values help us operate in a way that's beneficial to communities by setting out the high standards we expect. For example, Our Code includes our commitment to uphold and protect human rights. We therefore take action to ensure colleagues and workers in our supply chain are safeguarded from abuses through activities such as risk-based training, reviewing social and environmental standards via ongoing due diligence, and monitoring of supplier selection and renewal. If suppliers receive a high-risk rating relating to the country where they operate or the products and/or services provided, we consider appropriate action which may involve conducting a third-party audit to better understand the level of risk or ending our relationship and reporting the abuse. In 2022, we rolled out on-the-ground audits to nine sites and issued 7,245 remote worker surveys spanning garment manufacturing and electrical products across Bangladesh, Cambodia, China, Hong Kong, Pakistan and the UK. Whilst we identified no serious non-conformance, we agreed 61 improvement opportunities with suppliers to continuously help make a positive contribution in raising standards on labour as well as health and safety. The majority of actions have now been completed subject to sign off by the auditor, with the rest due to be completed in 2023. To date, we've found no instances of modern slavery but we remain vigilant.

Our Code also provides clear guidance on bribery and corruption. We prohibit any improper payments, including facilitation payments regardless of value or jurisdiction, and exchange gifts and hospitality responsibly, declaring them on a register. Anti-bribery training is also provided for higher risk roles and our Financial Crime team run third-party risk management screening. Due diligence and monitoring is additionally undertaken across supplier selection and contract renewals including compliance with sanctions on Russia. A register is used to record and manage potential or actual conflicts of interest.

During 2022, 98% of colleagues completed refresher training on Our Code and confirmed they'd uphold its principles. If anyone has concerns about Our Code being contravened, they can raise them via our confidential Speak Up helpline. We had 1.5 reports of concern per 100 employees in 2022 which largely aligns with the external benchmark of 1.3, and illustrates that colleagues feel safe to speak up. Reports are investigated by the Ethics and Compliance team, with quarterly monitoring via the Safety, Environment and Sustainability Committee as well as the Audit and Risk Committee, with matters brought to the attention of the Board as appropriate.

+ Read more in our Modern Slavery Statement at **centrica.com/modernslavery**

Environment

Monitoring and managing our wider environmental impact is really important. During 2022, our water consumption increased by 30% to 317,760m³ whilst waste also rose by 3% to 18,686 tonnes. This was largely due to Whitegate resuming normal operations following an outage in 2021 and more colleagues choosing to work from the office compared to the previous year.

Top 3

Our leadership position in the CCLA Mental Health Benchmark for the UK

Non-Financial Information Statement

In line with the Non-Financial Reporting Directive, we have set out where the relevant information we need to report against can be found.

This includes an explanation of the relevant Group policies which relate to the below matters and an overall summary of their effectiveness, including specific examples of how these policies are implemented, any due diligence processes conducted and outcomes.

Reporting requirement	Section
Business model	Our Strategy & Business Model – pages 8 to 9
Reporting requirement and policy position Our Code sets out our position on key issues by providing a high-level summary of key policies that form the foundation for how we do business. + Read more at **centrica.com/ourcode**	**Due diligence and outcome**
Colleagues Our policy states that we work collaboratively to create a workplace that has a respectful and inclusive culture whilst offering fair reward and recognition. We're also committed to working safely and provide proactive support to ensure colleagues' health and wellbeing.	• Stakeholder Engagement – page 13 • Principal Risks and Uncertainties: People, Safety and Operational Asset Integrity – pages 32 to 33 • Group Chief People Officer's Report – pages 37 to 38 • People and Planet – pages 40 to 42 and 44 • Key Performance Indicators (KPIs) – pages 27, 40 to 42, 44 and 258 to 259
Environmental matters This policy sets out that we endeavour to understand, manage and reduce our environmental impact. Towards this, we will play our part in the transition to net zero.	• Chairman's Statement – page 3 • Group Chief Executive's Statement – page 5 • Macro Trends – page 10 • Stakeholder Engagement – pages 12 to 13 • Business Review – pages 23 to 25 • Principal Risks and Uncertainties: Energy market, Government and regulatory intervention, Political, Legal, Regulatory or Ethical Intervention/Compliance, Operational Asset Integrity and Climate Change – pages 29, 31 and 33 • People and Planet – pages 42 to 54 • KPIs – pages 27, 42 to 44, 52 to 53, 258 and 260
Social matters Our policy states that we will treat all of our customers fairly. As part of this, we strive to provide services and solutions that meet their needs as well as care for customers who need extra support. We also want to make a difference and help create more inclusive communities. We partner with community and charity organisations on key issues and inspire colleagues to volunteer and fundraise.	• Chairman's Statement – page 2 • Group Chief Executive's Statement – pages 4 and 6 • Market Changes – page 11 • Stakeholder Engagement – pages 12 to 13 • Business Review – pages 22 to 24 • Principal Risks and Uncertainties: Inflation and cost of living, Supply chain, Customer, Political, Legal, Regulatory or Ethical Intervention/Compliance and Safety – pages 29 and 31 to 32 • People and Planet – pages 40, 42 and 51 • KPIs – pages 27, 22 to 24, 40, 42 and 258 to 260
Human rights This policy commits that wherever we work in the world, we respect and uphold the fundamental human rights and freedoms of everyone who works for us or with us.	• Stakeholder Engagement – page 13 • Principal Risks and Uncertainties: Political, Legal, Regulatory or Ethical Intervention/ Compliance – page 31 • People and Planet – page 44 • KPIs – pages 44 and 260
Anti-bribery and corruption Our policy commits us to working with integrity, within the laws and regulations of all the countries in which we operate and in accordance with recognised international standards. This includes not offering or accepting bribes or other corrupt practices. We will not tolerate any form of bribery or corruption from suppliers.	• Principal Risks and Uncertainties: Political, Legal, Regulatory or Ethical Intervention/ Compliance – page 31 • People and Planet – page 44 • Based on materiality, KPIs specific to anti-bribery and corruption are not reported externally.

Task Force on Climate-related Financial Disclosures

Climate change is one of the greatest challenges facing society. As an energy company, we play a pivotal role in helping our customers, communities and our business reach net zero.

We believe it's therefore important to share our action and plans on climate-related matters in a transparent and robust way. That's why across our business (see pages 8 to 9), we were early adopters of the TCFD and why we've achieved full compliance for the second year running in our 2022 reporting.

Governance

Climate change is an increasingly important issue for the Board, so its governance is embedded throughout the business – from our Board, to colleagues in our business (see diagram on next page).

The Board, and in particular our Group Chief Executive, has regular engagement with investors, government and regulators on climate change – whether that's on the technologies and incentives needed for the UK to reach net zero, or understanding more about our Climate Transition Plan (see page 51). It's vital therefore that the Board continuously strengthens capabilities on climate change to ensure they've the wide range of skills needed across energy, regulation, geopolitics and technology to reduce risk and maximise opportunities.

With this in mind, management's role in assessing and managing climate-related matters was strengthened during 2022-23. This included:

- 'climate change and sustainability' added as one of 11 criteria used in the Skills Matrix to assess Board capability, spanning a deep understanding of climate science, climate risk and mitigation, alongside evolving stakeholder expectations. 50% of our Board were identified as having these competencies when assessed in 2022, which we believe provides the necessary capability to effectively govern climate matters;
- a deep-dive session on greenwashing of climate and sustainability-related matters was run for the Board by internal and external experts;
- climate risk and opportunities were further embedded into strategic planning processes through updating and enhancing our climate scenario analysis with the business unit strategy teams, alongside the implementation of a new Group investment framework containing a number of specific net zero tests; and
- progress against our Climate Transition Plan was incorporated into the remuneration scheme for Executives. The 'Restricted Share Plan' will vest every three years and is subject to an underpin of the Remuneration Committee assessing performance across a range of financial and non-financial KPIs which includes our Climate Transition Dashboard, as well as any material risk of regulatory failures (see page 95).

Our governance and disclosure is strongly influenced by the materiality of Environmental, Social and Governance (ESG) matters, including those that are climate-related. We identify issues and assess materiality through a number of methods including direct engagement with stakeholders such as investors and government, customer surveys and our TCFD financial materiality thresholds. Through identification of these issues together with associated laws and regulations, management teams are able to focus on what we need to measure and report. We know what's important will shift over time as stakeholder needs change and the regulatory landscape evolves, so we'll continue to assess and align our approach in future years.

Listing Rule Compliance

We've complied with the requirements of LR 9.8.6R, by including climate-related financial disclosures that are consistent with the four TCFD pillars and the 11 recommended disclosures that are set out on page 54.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Signatories of the TCFD since 2020

'A' grade leadership rating for action and disclosure on climate change by CDP

CDP DISCLOSURE INSIGHT ACTION

A diagram of our climate governance

The Board

Has ultimate responsibility for climate change and delegates authority to its Committees

- Oversees People and Planet-related matters including climate change, whilst prioritising material issues and setting strategy
- Challenges management on progress against climate targets and ambitions as well as ensuring the Company maintains a robust risk management framework, encompassing climate risks and opportunities
- Provides final sign-off on People and Planet annual reporting
- Reviews strategic and financial planning to ensure the full integration of climate considerations, and that opportunities to transition to net zero are maximised
- Chaired by Scott Wheway with attendance including the Group Chief Executive, who has overall accountability for climate change and regularly attends Committee meetings as well as chairing the CLT

+ Read more about our **pages 56 to 67**

Challenge

Report

Our Committees

Receive regular updates from senior leaders to ensure robust challenge and review, whilst outputs are shared with the Board

Safety, Environment and Sustainability Committee (SESC)

- Primarily responsible for supporting the Board in overseeing climate change, which is a standing item at each of the three annual meetings
- Assesses and approves proposals relating to net zero targets and the Climate Transition Plan, whilst monitoring progress, risks and opportunities
- Reviews annual reporting and associated requirements like TCFD
- Monitors stakeholder views including on climate change
- Oversees climate-related issues at the CLT
- Chaired by Heidi Mottram, Independent Non-Executive Director

+ Read more on **pages 82 to 83**

Audit and Risk Committee (ARC)

- Meets quarterly
- Reviews mitigations related to Principal Risks and opportunities for climate change
- Oversees and informs Group audits, financial statements and non-financial disclosures
- Manages effectiveness of whistleblowing
- Oversees audit and risk at the CLT
- Chaired by Kevin O'Byrne, Independent Non-Executive Director

+ Read more on **pages 72 to 79**

Remuneration Committee

- Meets four times a year
- Ensures that Executive Directors are appropriately rewarded, with climate change considered as part of remuneration arrangements
- Chaired by Carol Arrowsmith, Independent Non-Executive Director

+ Read more on **pages 84 to 103**

Challenge

Report

Centrica Leadership Team (CLT)

Provide ongoing oversight and challenge on climate strategy

CLT – As frequently as needed at the eight meetings held each year and chaired by the Group Chief Executive, the CLT monitors, assesses and informs progress and plans relating to our net zero targets and Climate Transition Dashboard alongside Principal Risks and opportunities, whilst reviewing Group-wide investment opportunities which considers the potential impact on delivering net zero as part of the investment framework

Challenge

Report

Sub-groups and sub-Committees

Support leadership on integrating climate change into strategy

TCFD working group – Ongoing engagement led by Group Environment with Strategy, Risk, Finance and Reward, to fulfil mandated requirements and embed climate strategy Group-wide(1)

Group Risk & Controls Committee – Chaired by the Chief Risk and Audit Officer with business unit Managing Directors and Chief Financial Officers in attendance; risks and opportunities alongside controls to manage Principal Risks are evaluated quarterly (see page 28)

Challenge

Report

Business units

Follow and feedback on climate strategy

Managers and teams – Operationalises climate change considerations in line with Group strategy

Risk owners – Identifies, assesses and mitigates climate risks and opportunities

(1) Group Head of Environment develops and socialises climate change strategy and progress, whilst co-ordinating and influencing related activities. Director of Group Strategy embeds climate change into our strategic planning and investment frameworks. Group Head of Enterprise Risk and Controls integrates climate risk and opportunities into the Enterprise Risk Management (ERM) Framework. Head of Accounting Reporting and Tax supports the business to understand the financial impacts of net zero. Group Head of Reward integrates ESG targets into remuneration frameworks.

Strategy

In 2022, we assessed our strategic resilience to climate change using 10 independent climate scenarios that are most relevant to our business and national climate targets, within our key markets of the UK and Ireland. These were the same scenarios used in 2021 but updated to the most recent versions. This allows us to robustly test the implications on each Centrica business of various plausible pathways relating to global warming ranging between 1.5°C to 4°C[1]. We did this using our in-house scenario analysis model, which assesses the potential positive and negative implications of each climate scenario on our gross margin (GM) for key services and solutions alongside asset valuations over the short, medium and long term, corresponding to 2025, 2035 and 2050. We consider this time horizon appropriate as it aligns with our net zero targets as well as our Climate Transition Plan, and encompasses the expected lifetime of the vast majority of our assets as well as the materialisation of key potential transitional risks and opportunities across the Group. We also recognise that scenarios extending this far out into the future are subject to significant uncertainties and carry material dependencies which should be considered when seeking insights.

Our scenario analysis showed that based on our strategic plans and capabilities, we remain well positioned to mitigate the risks and seize the opportunities related to climate change. Whilst some areas of our business will inevitably face greater disruption than others as the world increasingly decarbonises, our modelling suggests an overall net financial benefit for the Group across all scenarios as we continue to evolve in line with the needs of the energy transition and progress our Climate Transition Plan ambitions (see page 51), to ensure that we deliver on our Purpose of helping our customers live sustainably, simply and affordably.

As set out in the table on the next page, parts of our business are exposed to potential transitional risks and opportunities such as those relating to policy and regulatory changes which range from ‘low’ to ‘high’ in significance over the longer term. We recognise that the potential for risks to manifest in any given scenario is subject to uncertainty, as are the adjacent opportunities and our ability to pivot effectively and secure the value they offer. We therefore fully consider this uncertainty when assessing our strategic resilience to decarbonisation. For example, the key risk for businesses like British Gas and Bord Gáis Energy primarily relate to the gradual phase-out of natural gas in heating, which although an essential transition fuel in the mid-term, could require a shift in the range of services and solutions offered to our customers in the future. We believe we’re well positioned to pursue the opportunities created by this shift, given our trusted brands have all the necessary systems and capabilities in place to adjust from the trading and sale of gas and electricity to a system more heavily dependent on electricity and hydrogen. Similarly our market-leading engineering teams primarily install gas heating solutions today, but can be upskilled via our world-class training facilities. And we’re already enhancing our strategic resilience by establishing positions in low carbon solutions like heat pumps, EV charging and hydrogen, which will become an increasingly important focus now that we’ve launched British Gas Net Zero Ventures. Meanwhile, whilst Centrica Business Solutions provide some fossil fuel-based solutions to customers, the business was created to help drive the energy transition forward and over the last couple of years, we’ve increasingly ramped up investment in renewable and low carbon asset development such as solar and battery storage, and are helping more and more companies with bespoke action plans to get to net zero. All growth plans relevant to these key opportunities, are incorporated into budgets and business plans, with appropriate metrics and targets to monitor progress (see pages 52 to 53). They are also considered and factored into accounting assumptions, where relevant and in accordance with the specific accounting requirements (see note 3 to the financial statements).

(1) Climate scenario global warming measured out to 2100.

Net financial benefit

Our modelling suggests an overall net financial benefit for the Group across all climate scenarios and time periods assessed

Scenarios we’ve used:

- Transitional impacts are assessed using the National Grid Future Energy Scenarios comprising of four different pathways for the future of energy out to 2050, where assumptions on energy demand, production and use cases are adjusted. This allows detailed modelling of the potential impacts of the energy transition in the UK and Ireland at the individual product and commodity level, such as the demand for natural gas, electricity, hydrogen and the adoption of technologies like heat pumps, EVs and insulation. Where necessary, we adapt the scenarios to better reflect the Irish context including the higher proportion of off-grid consumers.
- Physical impacts are assessed using three different scenarios based on the Intergovernmental Panel on Climate Change Representative Concentration Pathways. The scenarios allow physical climate attributes to be modelled such as temperature and sea level rise as well as flooding and extreme weather, across differing average temperature rises resulting from varying radiative forces.
- To assess asset impairment, we use the International Energy Agency Net Zero Emissions scenario and Aurora Net Zero Mixed & High RES scenarios, which model 1.5˚C pathways to net zero for the energy sector. This allows us to model the potential impact on global and regional demand for different energy sources responding to drivers such as carbon pricing. This in turn affects commodity prices and the potential implications for the valuation of gas and power assets.

Summary of our most material risks and opportunities[1]

Impact on gross margin (GM)

0-5% GM | 5-10% GM | >10% GM

TFCD category	Climate related trend	Potential financial impact		Potential materiality 2025 (short term)	2035 (medium term)	2050 (long term)	Strategic response and resilience
Transition: Policy, Markets and Technology	Transition away from fossil fuelled heating	**Risk:** Reduced GM from the sale and servicing of natural gas residential boilers and commercial Combined Heat and Power (CHP)	>2°C				• Strategic aim to remain the market leader in heating solutions in the UK and Ireland (UK&I), whilst growing market share in heating installs • Installation of hydrogen-ready boilers and CHP
			1.5°C				
Transition: Policy, Markets and Technology	Growth in low carbon heating market	**Opportunity**: Increased sales and servicing of electric and hydrogen fuelled heating systems	>2°C				• Heat pump business launched with material growth plans, aiming for 20,000 installs a year by 2025 and build from there • Partnering in UK hydrogen use trials and research and development into low carbon CHP to grow adoption and capability
			1.5°C				
Transition: Policy, Markets and Technology	Transition away from natural gas	**Risk:** Reduced GM from the sale of natural gas and energy efficiency	>2°C				• Strategic aim to grow customer numbers in UK&I energy supply
			1.5°C				
Transition: Policy, Markets and Technology	Growth in low carbon heating market	**Opportunity:** Increased sales of electricity and green/low carbon hydrogen	>2°C				• Systems and capabilities in place to pivot towards trading and selling hydrogen • Partnering in hydrogen production and use trials to grow capability and adoption
			1.5°C				
Transition: Markets	Growth of EV transport market	**Opportunity:** Access to new and growing value pools related to EV charging installs, operation and maintenance (O&M), and energy supply	>2°C				• British Gas Net Zero Ventures launched with aim to become a leader in EV charging infrastructure installs and O&M • Ambition to install up to 100,000 EV charging points per annum by 2025
			1.5°C				
Transition: Energy Source	Growth in demand for renewable energy	**Opportunity:** Strong growth in the market for low carbon and transition assets driven by decarbonisation	>2°C				• Strategy to invest up to £100 million each year by 2025 to build a low carbon and transition asset portfolio of more than 800MW • Value derived from install, O&M and asset ownership
			1.5°C				
Physical: Chronic	Rising mean temperatures	**Risk:** Reduced sales of natural gas and electricity for heat	4.3°C				• Strategic aim to grow customer numbers in UK&I energy supply • Heat pump business launched with material growth plans – can also provide cooling
			1.6°C				
Net Impact for Group			>2°C	+	+	+	• Analysis suggests an overall net financial benefit for the Group across all scenarios, based on our strategic plans, portfolios and capabilities
			1.5°C	+	+	+	

(1) Materiality is based on Group GM for Centrica plc 2021. A well-below and well-above 2°C scenario for global warming has been used to best demonstrate the spectrum of proactive and inactive progress on climate change in our key markets, and the impact this may have on our business. In the analysis which spans over 95% of the Group, this table includes our most material risks and opportunities together with the inclusion of our most material physical risk because whilst its less material than all other key risks in the long term, it's important to transparently show the net impact of physical risk on GM. The table concludes by showing an overall net financial benefit for the Group across all climate scenarios and time periods assessed.

Moreover, not only do most modelled opportunities exist within markets that we're already well established in, but they're also associated with relatively mature technologies such as EVs, electric heat pumps, battery storage and solar. The only high-impact opportunity identified that's reliant on more nascent technology is the use of clean hydrogen for heating. We've therefore been proactive in getting involved in research and development opportunities within the UK, as demonstrated by our role in the hydrogen village trials in Whitby and our investment in early-stage hydrogen production technology with HiiROC.

In terms of our physical risks, such as those associated with extreme weather in the UK and Ireland where we have material operations, we enhanced our assessment in 2022. This included testing existing analysis with additional modelling sources and assessing the risk of increased wave height to our offshore assets. Similar to 2021, our analysis confirmed that our asset businesses which consists of Centrica Storage Limited and Spirit Energy, are exposed to risks that are 'low' in significance over the near and longer term. This is because the remaining lifespan of these assets meant that modelled extremes had limited impact. However, having enhanced our assessment of the potential impact from a rise in mean temperature, we identified a potential 'medium' risk by 2050 in an extreme >4°C warming future, due to a reduction in energy demand for heating. This risk will be partially offset by an increase in cooling demand and is countervailing to many of the transition risks, providing a natural hedge for the Group.

We also assessed the risk of asset impairment based on price forecasts aligned with a 1.5°C scenario, whereby our most exposed assets were our gas production fields alongside our investment in nuclear. We found that the impact on the value of our gas assets was relatively 'low' due to existing impairment headroom, whilst our investment in nuclear would be impaired by around £100 million, as baseload power price scenarios are lower under net zero price forecasts (see note 7 to the financial statements). Further details on how the Directors' have considered the impact of climate risk and opportunities on the wider financial reporting judgements and estimates are provided in note 3 to the financial statements.

In 2022, we deepened our assessment of the potential impact climate change could have on our supply chain. Through our Responsible Procurement framework, we identified all strategic suppliers who provide vital products that we need to run and grow our business, as well as our 'bottleneck' suppliers who provide us with products that are only available through a small number of companies, and assessed the potential of their operations relevant to our business being exposed to climate change risks. We identified one boiler assembly site located in an area of the UK with a potential risk of flooding, however, the risk was assessed as 'low' even in the most extreme warming scenario. We additionally looked at our energy supply chain and concluded the risk is 'low' in significance over the near and longer term, with risk effectively managed through defined hedging strategies and collaboration with counterparties. As with all risks identified, we'll continue to monitor these risks so that we can act if the level of anticipated impact rises.

All modelled scenarios contain significant disruption to our markets as the energy strategy evolves and we'll need to adapt accordingly. Our assessment of the capital expenditure required to manage potential risks and opportunities required by decarbonisation, remains in line with current plans and balance sheet. Moreover, we've identified numerous opportunities for capital investment into new and existing assets and technologies required by decarbonisation. For example, we're investing up to £100 million in low carbon and transition assets annually from 2020 to 2025[1], and we're exploring investing up to £3 billion in the mid-term to convert assets that'll play an important role in the transition to net zero, including carbon capture and storage as well as hydrogen storage (see page 51).

Our assessment of how climate-related issues might affect our business were integrated into our annual strategic and financial planning process. In 2022, we again addressed net zero and the energy transition in all business unit strategic plans, which underpins how we are pivoting our organisation towards a lower carbon future and shapes our decisions on assets, supply, services and solutions as summarised in our Climate Transition Plan. This process includes growth plans for key opportunities identified, with metrics and targets to determine whether performance is on track (see pages 52 to 53).

(1) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.

Some investments we're making for a greener future:

18MW solar farm

Construction fully completed at our very first Centrica-owned solar farm at Codford, which can power 5,000 homes

50MW battery

Transforming our old gas-fired power station at Brigg to store energy from 40 wind farms, capable of supplying 11,000 homes

Hydrogen

Trial announced with the Net Zero Technology Centre to inject hydrogen using HiiROC technology into our gas-fired peaking plant at Brigg

+ Read more about our financial planning process in our CDP 2022 disclosure at **centrica.com/CDP22**

Centrica stories

Our Climate Transition Plan

In 2021, we set out our plan for how we intend to deliver our net zero targets whilst ensuring a fair and affordable transition for all.

To help our customers be net zero by 2050, we've set ambitions to:

- double the number of Hive customers to 2.5 million by 2025;
- achieve annual installs of up to 100,000 EV charging points and 20,000 heat pumps by 2025; and
- invest up to £100 million in low carbon and transition assets each year from 2020 to 2025[1].

And to be a net zero business by 2045, our ambitions are to:

- build a zero-emission road fleet in the UK by 2025;
- cut our UK property emissions by a further 50% by 2030;
- progress our strategic transformation to exit remaining activities in oil and gas exploration and production with our intention to run-off remaining fields and meet decommissioning obligations substantively by the early 2030s, whilst stopping any further investment in exploring new oil and gas fields; and
- redirect investment into assets that drive the transition forward – from securing up to 800MW of low carbon and transition assets including solar, peaking generation and battery storage by 2025, to exploring the conversion of our Rough gas storage facility to store hydrogen in time to help deliver a net zero electricity system by 2035, and decarbonise the Humber industrial cluster by 2040.

Although these ambitions are aspirational, they are baked into our business unit growth plans and will ensure that we aim high to deliver the necessary momentum to drive the transition forward. Whilst they provide great opportunities for our customers and our business, we know they'll be challenging with many factors beyond our control. It'll also require customers, government and others, to play their part as we play ours. Key to this is continuing to maintain an open dialogue with stakeholders, and specifically working to achieve the positive policy and regulatory support to make it possible.

And for the transition to be a success, we must ensure that we don't leave anyone behind. We'll therefore endeavour to champion the needs of our customers and support those who struggle with their energy bills, create thousands of high-quality inclusive green jobs, back sustainable initiatives in communities and collaborate for a low carbon supply chain.

At the AGM in 2022, our Climate Transition Plan went for a shareholder advisory vote that achieved 79.96% approval (see page 70).

(1) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.

+ Read more about how our ambitions are progressing on **page 53**

+ Read more at **centrica.com/climatetransition**

+ Read more about climate engagement with trade associations at **centrica.com/tradeassociations**

Risk management

In 2022, transitional and physical climate risks were predominantly managed via our ERM Framework alongside other risks. This enables us to effectively identify, assess and manage risks in a consistent way across the Group. Our ERM Framework uses a time horizon of 0–3 years to assess Principal Risks, alongside a longer timeframe of 3–20 years to assess Emerging Risks. Through this process, climate change was made a Principal Risk in 2021 and 2022.

As part of our wider strategic planning process, Group Strategy and Environment run the climate scenario analysis to identify and assess risks and opportunities across a range of plausible future scenarios. They then work closely with the Group Enterprise Risk and Control team, to ensure full consideration of potential financial impacts across time horizons, alongside integration within the ERM Framework, the Group Principal Risks table, and business unit risk registers.

As set out on page 47, to ensure appropriate Board oversight, climate change risks are considered along with other business unit risks at the Group Risk and Control Committee, with the most material Principal Risks reported to the CLT and then to the ARC. This rigour is complemented by a more detailed report on climate change strategy, progress, risk and opportunities, presented to the SESC by the Group Head of Environment. The Board Annual Planning Conference subsequently examines the external landscape and strategic plans, which includes risk relating to market, competition, technology and policy that are all influenced by climate change, and with this context, they are able to review robustness of the business's strategic proposals and transition plans.

+ Read more about risk on **pages 28 to 33**

Metrics and targets

We were early adopters of best practice reporting of GHG emissions and have a strong track record in setting and achieving climate-related targets. We therefore have targets, ambitions and metrics in place to help us manage our impact on climate change, respond to its risks and opportunities, and ultimately achieve net zero. Having fully considered the TCFD recommendations for all-sector and sector-specific metrics and targets, we report those that are most relevant and material to our business operations, and are most decision-useful for stakeholders.

For example, we monitor and report:

- our energy consumption and global scope 1, 2 and 3 emissions (see emissions table below). The majority of these metrics have undergone limited external assurance† every year since 2012. In 2021-22, our emissions roughly doubled and was largely due to Whitegate power station coming back online to play its important role in boosting energy security and providing a stable baseload power to back up intermittent renewables, following an outage the previous year;
- our People & Planet Plan targets include being a net zero business by 2045 and helping our customers be net zero by 2050 at the latest (see Dashboard on the next page). These targets are aligned to the Paris Agreement and based on science, corresponding to a well below 2°C pathway initially and 1.5°C by mid-century. We are, however, currently unable to progress our validation by the Science Based Target initiative (SBTi) due to the delayed Oil and Gas guidance which they believe will apply to us. In line with best practice, the vast majority of our targets will be delivered through carbon abatement rather than offsetting. We anticipate having hard to remove residual emissions during the 2040s, and consequently intend to use our in-house carbon trading team to engage high-quality carbon removal projects like tree planting, to capture carbon and achieve net zero in a credible way. Our targets receive limited external assurance† on a rotational basis every three years. Key drivers of performance are outlined on pages 42 to 43; and
- our Climate Transition ambitions (see Dashboard on the next page) were introduced as part of our Climate Transition Plan. The ambitions support our net zero targets and are incorporated into budgets, business plans and accounting assumptions. They enable us to track progress on our strategic response to climate-related risks and opportunities, by ramping-up key capabilities, services and solutions that'll help us achieve our net zero targets and secure a more sustainable future for all. We're on track with most of our ambitions but some areas are challenging with significant dependencies beyond our control. For example, our EV fleet roll-out has been impacted by van availability and viable charging solutions for some of our engineers who don't have driveways, but we're expecting the final delivery from our order of 3,000 vans made in 2021-22, to now be delivered during 2023 and we're trialling new charging solutions. Moreover, whilst EV charging point installation and heat pumps have received lower demand than expected, we're now seeing a more positive take-up of EV charging, whilst our British Gas Net Zero Ventures has secured a strong sales pipeline for heat pumps which has been partly aided by our market-leading price guarantee in 2023. See more about our performance on pages 42 to 43.

The Dashboard, which includes our net zero targets and Climate Transition ambitions, has been incorporated within arrangements for Executive remuneration (see page 95).

We expect this set of metrics, targets and ambitions to evolve as we keep pace with best practice and respond to the changing world around us.

Our energy use and GHG emissions

	2022	2021
GHG emissions (scope 1 and 2)(1)	**2,007,655tCO_2e†(2)**	1,032,807tCO_2e(3)(4)
Scope 1 GHG emissions	**1,994,153tCO_2e†(5)**	1,018,888tCO_2e(4)(6)
Scope 2 GHG emissions	**13,502tCO_2e†(7)**	13,919tCO_2e(4)(8)
Scope 3 GHG emissions(9)	**24,330,208tCO_2e**	22,812,989tCO_2e(10)
Total GHG intensity by revenue(11)	**85tCO_2e/£m(12)**	70tCO_2e/£m(4)(13)
Total energy use	**9,047,097,047kWh†(14)**	3,561,052,815kWh(4)(15)

Our energy and GHG emissions set out above and on pages 42 to 43, constitute our most material areas of environmental impact. Further metrics on energy and carbon as well as our wider environmental metrics, can be found on pages 44 and 260. Reporting practices are drawn from the WRI/WBCSD Greenhouse Gas Protocol and Defra's Environmental Reporting Guidelines. Reporting is additionally based on operator boundary which is the more commonly used approach set out by the WRI/WBCSD Greenhouse Gas Protocol, and now includes all emissions from our shipping activities relating to LNG alongside the retained Spirit Energy assets in the UK and Netherlands. Non-operated nuclear emissions are excluded.

† Included in DNV's independent limited assurance report. See page 258 or centrica.com/assurance for more.

(1) Comprises scope 1 and scope 2 emissions as defined by the Greenhouse Gas Protocol.
(2) Comprises UK 737,725tCO_2e and non-UK 1,269,930tCO_2e.
(3) Comprises UK 757,518tCO_2e and non-UK 275,289tCO_2e.
(4) Restated due to LNG shipping and the retained Spirit Energy assets in the UK and Netherlands moving into scope following the transition to become a fully operated joint venture in 2022.
(5) Comprises UK 725,422tCO_2e and non-UK 1,268,731tCO_2e.
(6) Comprises UK 746,243tCO_2e and non-UK 272,645tCO_2e.
(7) Market-based. Location-based is 16,261tCO_2e. Comprises UK 12,302tCO_2e and non-UK 1,200tCO_2e.
(8) Market-based. Location-based is 19,592tCO_2e. Comprises UK 11,276tCO_2e and non-UK 2,643tCO_2e.
(9) Includes emissions from the following scope 3 categories defined by the Greenhouse Gas Protocol: purchased goods and services, capital goods, fuel and energy-related activities, waste generated in operations, business travel, employee commuting, upstream and downstream transportation and distribution, use of sold product and investments. All emissions are calculated in line with the methodologies set out by the Greenhouse Gas Protocol's technical guidance, apart from working from home emissions which are based on methodology set out in EcoAct's homeworking emissions whitepaper. Other categories spanning upstream leased assets, processing of sold products, end-of-life treatment of sold product, downstream leased assets and franchises, are not included because they are not relevant to our business.
(10) Restated due to availability of improved data.
(11) Carbon intensity of revenue is employed as our intensity measure because it is the most meaningful intensity measure for our diverse business and is the most widely used and understood measure for climate-related stakeholders such as CDP. Based on statutory revenue.
(12) Comprises UK 42tCO_2e/£m and non-UK 203tCO_2e/£m.
(13) Comprises UK 70tCO_2e/£m and non-UK 71tCO_2e/£m.
(14) Comprises UK & Offshore 2,394,832,533kWh and non-UK energy use 6,652,264,514kWh.
(15) Comprises UK & Offshore 2,263,144,251kWh and non-UK energy use 1,297,908,564kWh.

Our Climate Transition Dashboard[1]

Includes our net zero targets, supported by our Climate Transition ambitions

	Target date	2022	2021
Customer GHG emissions – 28% intensity reduction[2] (net zero by 2050)	**2030**	**6% reduction** ○	**17% reduction[3]** ●
Hive Active Heating – 2.5 million customers (units sold to date)	2025	2.0m ●	1.6m ●
Smart meters – 6 million additional installed (from 2020)	2025	2.3m ●	1.5m ●
EV charging points – 100,000 in year (annual units installed)	2025	7.4k ○	2.4k ●
Heat pumps – 20,000 in year (annual units installed)	2025	200 ○	500 ○
Centrica GHG emissions – 40% reduction[2] (net zero by 2045)	**2034**	**6% reduction†** ●	**53% reduction[4]** ●
Low carbon and transition assets – 800MW installed[5] (from 2020)	2025	101MW ●	101MW ●
Fleet – 100% EV roll-out – Vans (total EVs)	2025	23% ○	12% ●
– 100% EV roll-out – Cars (total EVs)		43% ●	9% ●
Property – 50% reduction in UK emissions[6] (from 2019)	2030	63% ●	33% ●

Progress against goals: ● On track ○ Behind

† Included in DNV's independent limited assurance report. See page 258 or centrica.com/assurance for more.
(1) Glidepath trajectory for Climate Transition ambitions is not linear. Demand is expected to gradually grow, resulting in increased delivery against the target as we approach the target date.
(2) Base year 2019. See pages 42 to 43 for key drivers of performance.
(3) Restated due to availability of improved data.
(4) Restated due to LNG shipping and Spirit Energy's remaining assets moving into scope in 2022.
(5) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.
(6) Spans scope 1 and 2 emissions.

+ Read more about our data trends in our Data centre at **centrica.com/datacentre**

Task Force on Climate-related Financial Disclosures

The table below sets out the 11 TCFD recommendations and where the related information can be found.

Recommendation	Recommended disclosure	Pages
Governance	a) Describe the Board's oversight of climate-related risks and opportunities	• Pages 46 to 47 and 56 to 67
	b) Describe management's role in assessing and managing climate-related risks and opportunities	• Pages 46 to 47, 51, 72 to 79 and 82 to 103
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	• Pages 48 to 51, 133 to 136 and 146 to 150
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	• Pages 48 to 51, 133 to 136 and 146 to 150 • CDP 2022 submission centrica.com/CDP22
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Pages 48 to 51
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	• Pages 28 to 29, 47 and 51
	b) Describe the organisation's processes for managing climate-related risks	• Pages 28 to 29, 31, 33, 47 and 51
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	• Pages 28 to 29, 47 and 51
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	• Pages 51 to 53 • Data centre at centrica.com/datacentre
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	• Page 52
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• Pages 42 to 43 and 51 to 53 • Climate Transition Plan at centrica.com/climatetransition

The Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf by:

Raj Roy
Group General Counsel
& Company Secretary
15 February 2023