

OUR STAKEHOLDERS

Engaging our key stakeholders enables us to create stronger outcomes for people, planet and our business.

Energy is at the heart of how we all live, work and move. That's why we regularly engage key stakeholders to understand their interests and how they may be impacted by our actions, so that we can carefully consider their views and evolve our strategy accordingly. In doing so, we can better harness opportunities and reduce risk as we work to fulfil our Purpose of energising a greener, fairer future, whilst maximising the wider positive contribution we make in society. Engagement is often led by senior leaders who regularly update the Board. This arms the Board with the knowledge to make informed decisions that take into account the long-term consequences of its decisions from the perspective of a diverse range of stakeholders.

SECTION 172(1) COMPANIES ACT 2006 STATEMENT

The Directors consider that they've performed their duty as required under Section 172, by promoting the success of the Company for the benefit of our stakeholders through their decision making.

These pages set out our key stakeholders together with an example of how engagement was vital to navigating the energy crisis, which was one of the most significant issues faced by the Company and our stakeholders in 2023. Further detail on how the Board engaged and balanced the needs of different stakeholders during 2023, together with the principal decisions made as a result, are also disclosed.

OUR KEY STAKEHOLDERS



-  COLLEAGUES
-  CUSTOMERS
-  INVESTORS

-  GOVERNMENT AND REGULATORS
-  SUPPLIERS
-  COMMUNITIES AND NGOs

OUR KEY STAKEHOLDERS



COLLEAGUES

Importance – Our 21,000-strong team are the beating heart of our business. Through engagement, we can help create a culture where everyone can be themselves and thrive. In doing so, we can attract, promote and retain the diverse and talented team we need to succeed.

Main focuses – Health, safety and wellbeing, reward, development, inclusion, engagement and communication.

Engagement – Dialogue occurs through a range of channels including our colleague networks, Shadow Board, townhalls and structured engagement with trade unions. We also track sentiment and gather feedback through our engagement survey. We use these interactions to co-create a fairer, safer and more inclusive culture, underpinned by a competitive package of reward, training and policies, as well as our Diversity, Equity and Inclusion Action Plans.

[READ MORE ON PAGES 38 to 40, 42 to 45 and 70](#)



CUSTOMERS

Importance – Our long-term success is dependent on being able to attract and retain customers. The Directors therefore recognise the need to act on customer feedback, so that we can deliver on their expectations.

Main focuses – Customer service, energy prices and bill support, alongside affordable energy efficient and low carbon services and solutions.

Engagement – We predominantly engage through focus groups, surveys, proposition and usability testing. To meet feedback, we're investing in our customer service systems and customer-facing team, as well as our ability to deliver services and solutions that help customers save time, money and energy. At the same time, we provide dedicated channels to ensure support for those who need extra help with their energy bills.

[READ MORE ON PAGES 6 to 7, 16 to 17 and 43-45](#)



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, alongside Environmental, Social and Governance (ESG) matters which includes our approach to net zero.

Engagement – Investors are predominantly engaged via post-financial result investor roadshows, the Annual General Meeting (AGM) and ad-hoc meetings. We additionally respond to information requests and assessments from ESG ratings agencies. Engagement enables us to consider and reflect the views of different investors when updating on our strategy, to ensure a sustainable return on investment.

[READ MORE ON PAGES 17, 47 and 70](#)



GOVERNMENTS AND REGULATORS

Importance – Policies set by governments and regulators can have a material impact on how we do business. Consequently, we work closely to help create a stable regulatory environment where policy is developed in the interests of consumers, whilst ensuring a sustainable and investable market.

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

Engagement – To exchange expertise, we participate in consultation processes, attend meetings and host technology teach-ins and site visits. This enables us to effectively inform policy development and reforms that deliver on key issues, such as ensuring the UK has a secure and affordable supply of energy and that progress is being made on the energy transition.

[READ MORE ON PAGES 16, 29 and 47](#)



SUPPLIERS

Importance – Our suppliers are vital to securing a reliable supply of services and solutions for customers. To reduce risk across our supply chain, the Directors fully support collaboration to ensure they uphold the same high standards of business conduct as us.

Main focuses – Payment practices together with social and environmental compliance on important issues like human rights.

Engagement – Suppliers are engaged through multiple methods such as tendering, onboarding surveys, site audits and remote worker surveys. These interactions help us uphold fair payment and enforcement of our Responsible Sourcing Policy, which sets out the standards we expect so that everyone operates in a way that benefits people and planet, including fulfilling obligations under anti-modern slavery laws.

[READ MORE ON PAGES 45 and 50](#)



COMMUNITIES AND NGOs

Importance – Local communities expect companies to champion issues that are important to them. By working in partnership with charities, non-governmental organisations (NGOs) and community groups, we create more inclusive and sustainable communities.

Main focuses – Tackling urgent social and environmental issues like fuel poverty and climate change.

Engagement – Through meetings and research, the Directors understand community issues and how the Company can make the greatest difference – from donating to the British Gas Energy Trust to provide expert advice and grants alongside energy efficiency measures that help reduce energy bills and emissions, to volunteering, fundraising and sponsoring local charities, schools, clubs and more.

[READ MORE ON PAGES 16, 43 and 45](#)

HELPING PEOPLE WITH THEIR ENERGY BILLS IN THE UK

Although 2023 saw lower wholesale energy prices than in 2022, the cost of energy remained high for consumers. Energy bills therefore remained a key concern for many.



In 2023, global supplies continued to be constricted and government support schemes introduced to help consumers at the start of the crisis, had concluded. We see it as our duty to help customers and communities through difficult times, so we maintained close relationships with stakeholders to explore what more we could do. This enabled the Board to take meaningful action.

We more than doubled our energy support fund to £140 million, making it the biggest voluntary support package provided by an energy company in the UK and Ireland. Of this, we have committed £134 million in the UK since 2022. This results in total donations of around £60 million to the British Gas Energy Trust, to predominantly create a dedicated cash support fund for customers and help communities. To further strengthen support at the heart of communities, £2 million was additionally provided to front-line charities like StepChange. The remaining funding, managed directly by British Gas, is helping residential and business customers with a

particular focus on prepayment customers. To ensure support gets to those who need it most, we proactively reached out to customers and ran campaigns encouraging people to come forward. This included targeting older people who we found were reluctant to seek support and volunteering to provide energy advice at over 150 Post Office Pop-Ups at 100 locations.

Having worked so hard to help customers through the crisis, we were deeply saddened about the lack of empathy and respect shown by some contractors employed to install prepayment meters under warrant. We immediately paused installations and whilst our investigation resulted in no systemic issues being identified, we introduced improvements including bringing the installation of prepayment meters in-house. Like other energy suppliers, we will not restart installations until Ofgem have permitted it. The Directors alongside specialists in the Company, have worked constructively with the regulator to ensure customers are protected during this time, and provided related evidence at two Parliamentary Committees.

We also worked with parliamentarians to ensure they were up to date with the wider consumer support available during the energy crisis via information leaflets, meetings and drop-in sessions.

Additionally, we worked together on short and longer-term improvements for a more secure and sustainable energy market. We increased investment in renewable and low carbon energy, worked with US and Norwegian partners to secure gas supplies, and expanded gas storage capacity at our Rough facility whilst progressing our thinking on net zero optionality at the site. Although this will likely see our greenhouse gas emissions rise in the short-term, our action has been vital to future-proof the UK's energy security and reduce costs for consumers. Throughout, we've needed to balance the needs of different stakeholders and the transition to net zero, to ensure we help people today and avoid another energy crisis in the future.

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SECTION 172(1) STATEMENT PRINCIPAL DECISION BY THE BOARD

PRINCIPAL DECISION BY THE BOARD

A refreshed strategy focused on creating value for all our stakeholders through the energy transition.

BOARD CONSIDERATIONS

With the turnaround of Centrica now materially complete and the balance sheet strengthened, the Board carefully considered the refreshed strategy developed by management and how that would impact our stakeholders.

The Board anchored its consideration of the strategy on the expected macro-economic environment over the next decade, noting the widespread view of market experts that a period of material acceleration in the energy transition is anticipated. In that context, the Board considered the future of retail energy and services, the future of optimisation and trading as well as Centrica's People & Planet Plan targets, including the Climate Transition Plan. This was overlaid against a detailed review of Centrica's long-term financial forecasts and the expected financial framework through to 2028. In particular, the Board noted both how some of Centrica's existing assets were approaching end of life but also how, with investment, many of them could play important roles in supporting energy security and the energy transition.

From that foundation, the Board assessed that the green-focused investment strategy was aligned to those key market trends, and therefore carefully reviewed the strategy from the perspectives of stakeholders.

Customers: the Board considered customer perspectives around the cost of the energy transition and the impact on pricing when the cost of living remains high. The Board noted how investment could benefit the customer experience, and the strategy could support customers in the transition to net zero.

Colleagues: The Board considered employee perspectives around developing the skills needed to deliver our net zero plans. Our colleagues are essential in implementing our strategy, and the Board recognises the importance of investing in their skills and in our organisational culture. The capabilities and passion of our colleagues is central to achieving our strategy.

Investors: The Board considered investor perspectives on Centrica's financial sustainability and how the refreshed strategy seeks to underpin Centrica's financial health and earnings potential. Following the announcement of the strategy, investor feedback was presented to the Board. Investors commented that following the

investor presentation, Centrica's strategy was better understood, they had more clarity on Centrica's view of sustainable earnings, and on investment plans and returns.

OUTCOMES

After carefully evaluating the relevant stakeholder perspectives, the Board concluded that the refreshed strategy will successfully deliver for all our stakeholder groups while helping improve the UK's energy security in our core markets and supporting the transition to net zero.

The green-focused growth and investment strategy ensures our customers, colleagues and our communities are at the forefront of the energy transition. It has the potential to bring customers greener energy and at an affordable price, while helping insulate the UK from energy shocks in the future. We are also investing to build a better customer experience, with our strong operational foundations already beginning to drive better levels of customer satisfaction. Additionally, we remain well positioned to help our customers with the changing retail energy trends, rewarding customers for flexing their energy use through PeakSave, helping customers understand and control their energy use through energy insights and optimising customers' energy consumption through Smart Charge.

Our strategy will support Centrica's aim of connecting more closely with customers and provide a number of opportunities for colleagues. In 2023, we hired an additional 700 UK based front line colleagues to support customers, and the skills required for the net zero transition will create opportunities for colleagues far into the future.

Having simplified our portfolio and improved operational performance, our refreshed strategy is aligned to delivering sustainable profitability from our portfolio, and we expect to deliver around £800 million of adjusted operating profit on average each year over the medium term from our Retail and Optimisation activities. Additionally, our Infrastructure assets

in Spirit Energy, Nuclear and Centrica Energy Storage+ will continue to play a vital role in the UK's energy security. Recent life extensions in Spirit Energy and Nuclear and a capacity increase to our Rough gas storage facility mean we expect our existing Infrastructure businesses to continue to contribute material medium-term cash flows.

We will also pursue new opportunities to create value from wider market trends, with investment expected to build to £600-£800 million per year until at least 2028. As part of this, we will invest in flexible and renewable power assets, replacing our existing declining infrastructure, as well as investing in an in-house smart meter asset provider business, supporting the roll-out of innovative tariffs and allowing a more direct relationship with customers. Over time, the residential heating technology mix is expected to transition away from gas boilers towards newer technology such as heat pumps. We are uniquely placed to support this transition with the UK's largest energy services workforce. Overall, across 2023 to 2028, at least 50% of our capital expenditure is expected to go into green taxonomy eligible projects, compared to only 5% in 2019. This will help us meet our targets to achieve net zero by 2045, and help our customers reach net zero by 2050.

Longer term, and subject to the appropriate regulatory frameworks being in place, we also retain net-zero aligned optionality for potential hydrogen and carbon capture investments, through our Rough and Spirit Energy assets, and continue to consider potential investment in nuclear new-build projects.

We will do this while maintaining strong liquidity, balance sheet strength and capital discipline, with the appropriate medium-term leverage for the Group assessed as being up to 1x Net Debt to EBITDA. This provides us with enough headroom to manage volatility in the energy system and to continue to invest for the future. In addition, we remain focused on delivering compelling shareholder returns, including for over 440,000 retail shareholders, with a progressive dividend policy, and an expectation that dividend cover will move to around 2x over the coming years supported by the sustainable earnings of the Retail and Optimisation businesses, whilst returning surplus capital to shareholders where appropriate.

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