

## Chair's statement



In the days and years ahead, you will see continued investment, more innovation, and further support for customers through the energy transition.

**Kevin O'Byrne, Chair**



It is a privilege to be writing to you for the first time as Chair of your Company. This is an exciting and demanding time for the sector, and for Centrica specifically, as we look to build on the momentum surrounding the energy transition. Because of our unique position in the sector, and our capabilities, Centrica can play a pivotal role in this transition while creating value for our stakeholders. We believe we have the right strategy to do this. Our integrated model of market-leading businesses in energy retail, optimisation and infrastructure, complement, de-risk, and add value to one another.

The last year has been a year of change across the world. We've seen elections in a number of markets including the UK and Ireland. We look forward to continuing to advocate for the things we know matter to our customers and working with the new governments to achieve these changes.

Sadly, geopolitical tensions remain high. We have stood through these crises, and we have been there for customers.

That will continue, and we will do what we can to provide energy security in our key markets.

While being a stabilising force within a volatile energy landscape we also bring innovation, boldness and a strong desire to improve customer service.

Over the last year we've continued to support our colleagues, customers, and the countries we operate in. I'd like to touch on some of our achievements briefly now.

### **Supporting our customers**

A successful energy company has more capacity to provide additional support for customers. That is one of the reasons why our performance matters; a successful company can be there for customers when it matters most.

Our Centrica Purpose, energising a greener, fairer future, puts customers right at the heart of everything we do. Investing and making operational improvements to improve our customer service is a key focus, and this work is never finished.

While we strive to do more, and be better, for our customers I'm very happy to see our actions and investments have a material impact on customer outcomes.

Over the course of 2024, we've seen further progress in improving customer service in British Gas Services & Solutions – a key focus area. We're also delivering an improved NPS, a key metric of customer satisfaction, in British Gas Energy.

We've voluntarily committed £140m to support customers since the start of the energy crisis. This dedicated support is especially appreciated by those customers who we know are going through economic hardship. This funding has been put to good use, with a number of schemes and initiatives being funded. For example, we donated £20m to the British Gas Energy Trust in January 2024, giving the Trust a very necessary funding boost so that it can support those who need it now, and in the future. The British Gas Energy Trust is an independent charitable body that does fantastic work specialising in the support of vulnerable people. In 2023-24, their

reporting period, they supported 64,500 people in total, through initiatives such as energy advice and grants, and by funding over 40 projects in the heart of communities. According to new analysis by Oxford Economics, the Trust has created £264m in societal impact over the past four years. Our colleagues and the Board are really proud that Centrica has been able to fund this work.

It is clear in 2023 that we got some things wrong and had some difficult lessons to learn around the practice of installing prepayment meters under warrant, a process which remains paused. This is clearly a very complex activity for all energy suppliers to manage and we recognised in 2023, following our own review, that we would need to make improvements. Since then, we've implemented a number of changes to our systems, processes, training oversight arrangements, and we remain committed to supporting our customers, particularly those that are vulnerable. This is important as there remains a material issue with affordability.

In 2024, hundreds of thousands of customers had trouble paying their bill in some way. This is a very serious issue. We have helped where we can. In addition to the support we offer through our charity partners, we launched our innovative and first-of-its-kind 'You Pay: We Pay' scheme. This scheme 100% matches payments that eligible British Gas customers who are struggling make into their account to reduce their debt. However, the sustainable solution to this challenge must involve government, the regulator, energy suppliers and charities. One such solution which we have called for might be a social tariff, underpinned by enhanced data sharing, that supports the most vulnerable in society. We must look at this holistically if we are to find a solution that works for customers.

### Supporting our colleagues

Supporting our colleagues is the cornerstone of our strategy. If our colleagues are happy and engaged, then everything else follows. I'm hugely grateful for everything our colleagues have done over the course of 2024 to keep safe, look after our customers, and keep Centrica on track with our strategy. Thank you.

It makes good business sense then for Centrica to invest in its people and improve its leadership capabilities. In 2024 we hired 339 new apprentices, over 100 new interns joined Centrica in the summer of 2024, and 60 graduates came

into the business in October as part of our graduate intake. We also increased hiring in our customer service teams, hiring hundreds of new agents to support our customers and bringing our total Customer Resolution Agents employed to around 3,500. These colleagues will all drive improvements in Centrica's overall customer service. We work hard to ensure all of our colleagues are trained and equipped with what they need in order to do their jobs well.

Our colleagues also give freely to their local communities too, and in total, colleagues have given 10,683 volunteering days to local causes during 2024. This is an increase of 37% compared to the previous year.

All of this is driving change in how satisfied our colleagues are to be working at Centrica. Engagement, a key metric your Board reviews to see how our colleagues are feeling, is at 8.1, compared to 7.7 at the end of 2023. This improvement is a testament to the work teams across Centrica are doing to make this a great place to work.

You will read in the Remuneration Report that the Remuneration Committee has recommended changes to the pay of our Group Chief Executive. This is a result of an extensive review carried out by the Committee, which will see Chris O'Shea's total remuneration package being brought into line with the competitive rates paid to other FTSE 100 chief executives. When Chris O'Shea was appointed Group Chief Executive on 14 April 2020, the Company was ranked 154<sup>th</sup> in the FTSE with a market capitalisation of £1.9bn. Since his appointment, Chris has led the Centrica Leadership Team to materially strengthen Centrica and create substantial value for stakeholders. On 31 December 2024, Centrica was ranked 62<sup>nd</sup> in the FTSE 100 with a market capitalisation of £6.8bn and we have consistently been a constituent of the FTSE 100 Index since 2022. It is important the Committee sets pay at a level that reflects the individual's contribution to the improvement in business performance, the value created for stakeholders, the size and complexity of running a business like Centrica, and the scale and scope of the opportunities ahead of us. Carol Arrowsmith, Chair of Centrica's Remuneration Committee, goes into more detail in her statement in the Remuneration Report.

I believe it is important that we pay all employees in the Company competitively based on their role, skills, experience, and performance. We need to do the same for the Chief Executive so that we can attract and retain high-performing executives with the right skillset to lead an organisation of 21,000 colleagues. I am also very clear that we will only pay for performance, and performance targets set for our management team will be demanding to ensure that is the case.

### Energy security

Energy security continues to be a vital consideration in a number of countries, and Centrica plays a vital role in this space.

Centrica Energy is the conduit for this work, and you can see that in practice in the Liquefied Natural Gas supply deal with Repsol announced in February 2024, and two natural gas sale and purchase agreements with Coterra Energy announced in October 2024. These deals show the breadth of Centrica Energy's capabilities in energy trading.

At the same time as securing this valuable transition fuel, we've made investments in proven renewable generation technology through power purchase agreements for wind farms and long-term solar power agreements. And we've also innovated, investing in new technologies such as the completion of the 20MW hydrogen-ready peaker in Redditch and we've showcased forward-thinking infrastructure investment such as our £70m investment in Highview Power's Liquid Air Energy Storage in June.

As I note below, we believe that our Rough asset can play an important role in increasing the UK's energy and price security.

We know this work is valuable not only for our business, but also on a macro level. Energy security will continue to be a focus area for Centrica in 2025 and beyond.

### Performance

Centrica performed well in 2024. We delivered Adjusted Basic EPS of 19.0p and free cash flow of £989m. We have a strong balance sheet and a robust asset base. Throughout this report you will find a detailed summary of the performance of the business.

We extended the Company's share buyback programme by £200m in July 2024, by a further £300m

in December 2024, and by £500m in February 2025. When this is completed, it will bring our equity repurchased to £2bn since November 2022 (representing approximately 25% of our issued share capital). Our capital allocation framework remains unchanged. While we look to invest shareholder funds in a disciplined way, when we consider we have surplus capital we will decide how best to return that capital to shareholders. Additionally, we returned capital to shareholders in the form of dividends, which came to 4.5p at the end of 2024, inclusive of a 1.5p interim dividend outlined in July.

As laid out in July 2023, Centrica aims to invest £600m-£800m a year in projects across our key priorities up to 2028, and we're making progress against this aim. In 2024 Centrica capital expenditure was £564m (up from £415m in 2023). This target is challenging to meet given our strict investment criteria. The Board works closely with the executive on the investment plans so decisions made result in Centrica being a resilient and more valuable investment for you well into the future.

Taken together with the underlying performance of the business, I believe the investment case for Centrica is compelling.

We also make material tax contributions in the countries in which we operate in. In total, including the Electricity Generator Levy, National Insurance and other similar contributions, we paid £1bn to governments during 2024.

### Delivering net zero

We have a strong commitment to net zero which we make clear in our Purpose: energising a greener, fairer future. Your Board is intimately involved in ensuring we make meaningful progress and as part of this, they have been fully involved in developing and approving our updated Climate Transition Plan launched in January 2025.

This builds on our People & Planet Plan launched in 2021, which includes five Group-wide goals that accelerate action on achieving net zero and building a more inclusive future. It outlines the team we need to build in order to get to net zero, the targets we want to meet, and how we could make a difference in our local communities on this journey. With the progress we've made and the insights and experience we've gained since then, we have a better understanding of the

risks and opportunities as well as the dependencies relating to net zero. This has enabled us to strengthen our commitments in our updated Climate Transition Plan and provide greater transparency around the dependencies and challenges, and exactly how Centrica will drive forward the energy transition.

We are committed to holding ourselves to account through a new suite of improved climate ambitions. For example, all Centrica customers in the UK and Ireland will be supplied by renewable or zero carbon power by 2030, and we will significantly expand our Hive platform to help customers save money and carbon. We have also set bold ambitions to decarbonise our key operations within the 2030s through our green-focused investment programme, such as our plan to transform depleted gas reservoirs in Spirit Energy's Morecambe site into one of the UK's biggest carbon storage hubs.

I am mindful that we need to balance many dependencies here; energy security, employment, pricing for customers, returns for investors, and, of course, the environment. There are few easy answers to this, but the Board and management team are committed to the goals and will endeavour to make the best decisions out of the options available to us.

### Future plans

At Centrica we have a strong governance framework and a strategic focus on key issues.

I want to offer you my assurance as your new Chair that Centrica remains committed to disciplined decision-making. Our stewardship of your investment is paramount, and Centrica's investment committee is focused on getting shareholders a suitable return. While we are confident in the investments we've made in 2024, we've also turned down many opportunities. We will not invest unless the relevant criteria are met.

We'll also continue to make the case for projects that could benefit all stakeholders – such as the redevelopment and expansion of the Rough gas storage facility. We expect Rough to make a loss of between £50m and £100m in 2025. We have completed all of the preparatory work to enable a £2bn investment to be taken to redevelop Rough for gas and hydrogen storage over the next 45 years, but without a regulatory model to underpin

the investment, we cannot make this investment. While the site plays an important role in the UK's energy and price security, and can be a crucial part of the future hydrogen economy, making material losses is not sustainable on an open-ended basis and we will update on the future of Rough in the coming months.

### Board

My transition from Senior Independent Director to Chair has been straightforward.

I want to thank Scott Wheway for his tenure at Centrica and personal guidance. It was a privilege to work closely with Scott since I joined the Board. I hope you will all join me in thanking Scott for his very valuable contribution to Centrica at a critical time in the Company's history.

I am delighted that Jo Harlow has agreed to become Senior Independent Director. Jo has extensive board and executive experience which the Board and I will benefit from.

I am committed to leading an effective Board that works in a constructive way with the executive to build a stronger Centrica that creates value for our stakeholders.

This year we performed an independent external review of the Board's effectiveness. I'm pleased that the review concluded that the Board is operating effectively. There were a number of potential actions identified that would help to further strengthen the Board's effectiveness, which we intend to progress in 2025.

### Closing

Finally, I want to say thank you to Centrica's customers, colleagues, and stakeholders for their continued support and trust. I will work tirelessly to ensure that support and trust is well placed.

In the days and years ahead, you will see continued investment, more innovation, and further support for customers through the energy transition. While challenges remain, Centrica's capabilities, infrastructure, and dedicated team position it well for continued growth and success.

**Kevin O'Byrne, Chair**

19 February 2025