For instance:

- our market-leading engineering workforce primarily installs gas heating solutions today, but can be gradually upskilled to deliver new solutions via our centre of excellence training campuses that are located around the UK; and
- we're continuing to enhance our strategic resilience by structurally altering our business model to establish positions in low carbon solutions like heat pumps and hydrogen, which are expected to drive the energy transition forward. This includes launching an internal business unit, New Business and Net Zero, which is dedicated to delivering low carbon solutions to residential customers, alongside Centrica Business Solutions which provides some fossil fuel-based solutions but specialises in helping large scale energy users with the creation of bespoke net zero action plans and the adoption of low carbon energy solutions.

Moreover, most of the modelled opportunities exist in areas where we've a strong market presence and are associated with relatively mature technologies like EVs, electric heat pumps, solar and battery storage. Clean hydrogen for heating is the only high-impact opportunity we've identified that's reliant on more emerging technology, which may therefore be harder to harness. Consequently, we've been proactive in hydrogen research and development opportunities – whether that's the trial of hydrogen production at our Brigg power station with HiiROC, or the exploration of hydrogen fuel switching at our Easington Terminal.

Alongside transitional risks and opportunities, sit our physical risks. During the scenario analysis, we took into account acute physical risks relating to extreme weather such as the risk of increased wave height as well as chronic physical risks which include those associated with longer term shifts in climate patterns that lead to sea level rise or sustained heat waves. Across both, our focus was on our energy assets in Centrica Energy Storage+, Centrica Business Solutions and Spirit Energy, which are typically more vulnerable to these kinds of risks due to the nature of activity undertaken. In 2023, we built on our 2022 assessment by running scenario analysis on new sites. This included our new solar farm in Codford and our distribution centre in Leicester. The analysis re-confirmed that we're generally exposed to physical acute risks that are 'low' in significance in the near and longer term. Our only potential 'medium' risk arose from a physical chronic risk, whereby a rise in mean temperature with an extreme >4°C warming future by 2050, reduces energy demand for heating. This risk, however, would be partially offset by an increase in cooling demand and counters many of the transitional risks, to provide a natural hedge for the Group.

The risk of asset impairment was additionally refreshed in 2023 based on price forecasts aligned with a 1.5°C scenario. This showed that 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 both existing impairment headroom and the fact that the majority of fields are expected to have produced most of their reserves within the next five years. Our investment in nuclear would be further impaired by around £15 million, as baseload power price scenarios are slightly over 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 2023, we shifted our approach to engage suppliers on the potential impact of climate change to their operations, and their subsequent supply of goods and services to us. Through our updated Responsible Procurement Framework, we targeted all 'strategic' and 'critical' suppliers as well as some 'core' suppliers to participate in our assessment(1).

We had a strong supplier response rate of 30%, with around 80% assessing their exposure to risk, 60% using sophisticated scenario analysis and 100% having resilience plans in place – this included the one company who reported a risk of disruption supplying us due to climate-risk. Overall, we concluded that our supply chain risk remained 'low' in significance over the near and longer term. We believe that risk across our supply chain can be effectively managed through our ongoing deepening of dialogue with suppliers, alongside defined hedging strategies and collaboration with counterparties. As with all risks identified, we'll continue to monitor our supply chain risk, so that we can act if the level of potential impact rises.

As the energy transition deepens, all modelled scenarios involve significant disruption to our markets. So we'll need to adapt accordingly. Our assessment of the capital expenditure required to manage potential risks and opportunities, remains in line with our current plans and balance sheet. We've also identified numerous opportunities for capital investment into new and existing assets and technologies through the process. For example, through our green-focused investment strategy, we'll build investment levels to £600-£800 million per year through to 2028, with at least 50% of capital expenditure due to go into green taxonomy eligible projects compared to 5% only two years ago. This will help us meet our targets to achieve net zero and our climate transition ambitions, including our commitment to invest up to £100 million in low carbon and transition assets(2) annually from 2020 to 2025, whilst exploring longer term optionality at assets for hydrogen storage and carbon capture and storage.

Our assessment of how climate-related issues might affect our business, is integrated into our annual strategic and financial planning process at a business unit level as well as a Group level. This includes growth plans for key opportunities identified, with metrics and targets to determine whether performance is on track. All investment proposals are additionally assessed on their anticipated GHG emissions, EU taxonomy eligibility and their role in delivering net zero, the outcome of which informs the final investment decision. This process importantly underpins how we are pivoting our organisation towards a lower carbon future and helps shape our decisions on energy, services and solutions.

READ MORE ABOUT OUR FINANCIAL PLANNING PROCESS IN OUR CDP DISCLOSURE AT CENTRICA.COM/CDP23

**Progressing opportunities for a greener future in 2023:**

**65MW**

Battery storage plant planned in Perthshire to store offshore wind energy – our largest battery storage project to date that'll be capable of powering 130,000 homes and is due to be up and running by 2028

**18MW**

Solar farm built and opened at Codford which can power 5,000 homes – our first Centrica-owned solar farm

(1) Strategic and critical suppliers are long-term providers of essential products and services which can affect our ability to operate. Core suppliers are suppliers who aren't essential but play an important role in the products and services provided and were selected by our Procurement team from a broader group.
(2) A mixed portfolio of solar, battery and gas-fired peaking assets, all enabling the grid to decarbonise.