

BUSINESS MODEL

Our strategy is driven by our Purpose of energising a greener, fairer future for colleagues, customers and communities.

In July 2023, we introduced our refreshed strategy, which is focused on creating value through the energy transition. Since 2020, Centrica has been on a journey to simplify and de-risk our business, strengthening our balance sheet and delivering material performance improvements along the way. While we remain focused on continuous improvement, we are also underpinning our future by delivering sustainable earnings from our core businesses, investing for longer-term value and growth, and delivering attractive shareholder returns.

OUR STRATEGIC FRAMEWORK

Centrica is a uniquely integrated energy company comprising a balanced portfolio of market leading businesses that complement, de-risk and add value to one another. Together, we are greater than the sum of our parts.



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.

Centrica Energy Storage+
(formerly Centrica Storage Limited)
Storing and withdrawing gas to manage seasonal demand and energy security

Centrica Business Solutions⁽¹⁾
Low carbon solutions for businesses, building and operating a portfolio of flexible assets

Bord Gáis⁽¹⁾
Power generation, asset management and low carbon solutions for businesses, building and operating a portfolio of energy assets focused on decarbonisation

Centrica Nuclear
Minority stake in the UK's portfolio of operating nuclear power stations

Spirit Energy
Oil and gas production in existing UK assets

RETAIL

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

British Gas Energy
Energy supply for residential and small business customers in England, Scotland and Wales

British Gas Services & Solutions
Services & solutions for residential customers in England, Scotland, and Wales

Bord Gáis⁽¹⁾
Energy supply, services and solutions for business and residential customers in the Republic of Ireland

Centrica Business Solutions⁽¹⁾
Energy supply for large business customers in England, Scotland and Wales

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.

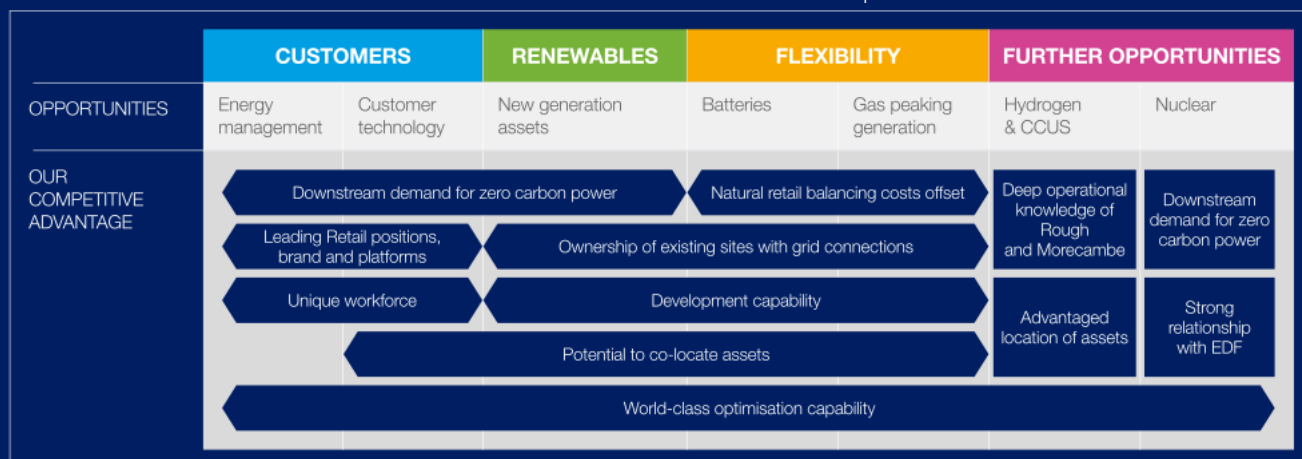
Centrica Energy
(formerly Centrica Energy Marketing & Trading) Trading and optimisation of energy globally, managing energy procurement and risk

(1) Note within the Group Chief Financial Officer's Report, Centrica Business Solutions is included within Optimisation, and Bord Gáis is included within Retail.

GREEN-FOCUSED GROWTH AND INVESTMENT STRATEGY

Our business model is well positioned to benefit from the energy transition, regardless of how fast it materialises. Our balance sheet strength, investment grade credit ratings and strong existing capabilities give us the building blocks to begin a material green-focused investment programme.

Achieving net zero will provide opportunities for us to grow and create value for our shareholders. It's good for the planet and for our Company. In line with the targets published in our Climate Transition Plan in 2021, more than 50% of our capital is expected to go into green taxonomy eligible projects, such as solar and batteries between 2024 and 2028. That's up from less than 5% in 2019.



We see a myriad of attractive investment opportunities across our value chain, which are aligned to our net zero ambitions. We expect to deliver average post-tax unlevered returns of at least 7-10% at the asset level with additional upside expected from being part of Centrica's portfolio. Our investment programme will also allow us to maintain balance in the portfolio as existing infrastructure assets naturally decline, helping underpin future sustainable profits that will enable further investments, future growth and a progressive dividend.

To give a flavour of the kinds of investments we anticipate:

Renewable generation: This could be in our own projects or ones where we invest with

partners. We can add value to these projects through using our route-to-market capabilities in Centrica Energy and selling the zero carbon power to our Retail customer base.

Security of supply: We have existing capability and are already invested in battery storage and gas peaking generation, as well as owning a range of sites with valuable grid connections.

We know how to develop energy assets and can also look to co-locate complementary technologies.

Customers: We will invest in capabilities that will reinforce our leading market positions and unique workforce. We launched our

own Smart Meter Asset company in 2023 and will consider further opportunities designed to unlock the adoption of 'big ticket' household energy technologies, such as financing or leasing heating systems to households.

Any large-scale investments, such as expanding gas storage capacity and converting to hydrogen storage at Rough or carbon capture utilisation and storage (CCUS) at Morecambe, would be additional to the options outlined above.

Our disciplined approach to capital allocation: In our Interim Results announcement in July 2023, we laid out our disciplined capital allocation framework, which comprises five key elements:



Sustainable earnings:

We expect to deliver around £800m of operating profit from our Retail and Optimisation businesses by 2026, with material cash generation expected from our Infrastructure businesses over the medium-term.



Maintaining a strong balance sheet:

We aim to maintain a Net Debt/EBITDA ratio of <1, which provides enough of a buffer to ride out any energy market volatility and provides flexibility to invest in the future and maintain and grow our shareholder distributions.



Progressive dividends:

We maintain a progressive dividend policy and expect dividend cover from earnings to move to 2x coverage over time.



Investing for value:

We aim to deploy £600-800m per year to 2028, focusing on assets that generate attractive returns, complement our existing capabilities, provide balance to the portfolio, and align to the needs of the energy transition.



Returning surplus capital:

In July 2023, we increased our share buyback programme to £1bn since November 2022. Any future distributions will be reviewed against our revised capital framework and future outlooks.