

## CHAIR'S STATEMENT



**Scott Whewey** | Chair

Centrica occupies a unique place in the energy market. It is a place I am very proud that we occupy. We are a lynchpin of stability in a market that for the last few years has been in turmoil.

This instability in energy markets has largely been caused by global conflicts, and these conflicts look set to continue. Whilst we cannot control this, we are acutely aware of the impact that price fluctuations have on all our customers.

While other suppliers in the UK have collapsed due to the volatility and uncertainty in the market, we have not only stepped in to support their customers but actually improved our resilience and business model to ensure we can be there for all of our customers, old and new. You can read more about this in the 'Business Model' section on page 10.

It is this resilience that means we can add value across the entire energy value chain. We are integrated in a way that differentiates us from our competitors. This is important in itself; our business model is built on each part of Centrica supporting the others, but it has also been important for ensuring we can

support those who are struggling most during the crisis. I am very pleased with what we have achieved in 2023.

### OUR PERFORMANCE

When I became Chair of the Board in 2020 the business was in a very different position. Over the last few years, we have been going through a turnaround process and can now say the vast majority of that is complete. We can see the impact of the turnaround in the strong performance of the business.

I believe people have started to appreciate the quality of the Company we have here. We have a resilient balance sheet, good or improving returns across business units, and we have a clear plan for the future. We have shown that the way our business fits together really compounds the overall value of it.

A strong Centrica is vital for the customers who rely on us every day and is good for our

shareholders. Our performance has allowed us to resume and grow our dividend, whilst remaining prudent, and we have also returned capital to shareholders through our share repurchases. These actions reflect the Board's confidence in the strength of Centrica and its ability to deliver.

### OUR SUPPORT FOR CUSTOMERS

Our performance matters to our shareholders – including those thousands of private retail shareholders of whom many were the original 'Sids' who bought shares during the privatisation of British Gas in the 1980s. It also matters to our customers. It is only because we are in such a strong, resilient position that we can go above and beyond for our customers.

In 2023 we brought our total commitment to helping customers since the start of 2022 to £140 million, we hired 700 more UK-based colleagues to support customers over winter and into the future, and net promoter scores in our Retail businesses have been improving.

The way the price cap is structured means that if customers don't pay their bills, costs are added to the bills of all other customers. We will continue to strive to find the right balance between supporting those in difficulty whilst keeping bills as low as possible for all our customers.

This work shows leadership and it is something we can be proud of. Leadership also means responding responsibly when something goes wrong.

Early in 2023 it was brought to our attention that the supplier we worked with to install prepayment meters under warrant had, in some instances, not been showing our customers empathy and respect. This is a complex area, and the business took swift action to investigate and report publicly on the findings.

Our in-depth investigation highlighted some issues in the installation of prepayment meters. However, whilst these were not systemic, we take the view that even one failure, is one too many. Chris O'Shea and his team showed leadership and humility in investigating the issues and putting them right. Centrica takes pride in the fact that we do more to support customers that are in financial difficulties than anyone else in the markets we serve and we will always strive to do the right thing by our customers.

## OUR CONTRIBUTION TO ENERGY SECURITY

Security of supply has climbed in importance over the last two years and is likely to remain important as long as global conflicts continue. Our performance has meant we could take a leading role in this area. I know the team at Centrica are hugely proud of the contribution we've made to energy security in the UK and Ireland.

Over 2023 we've expanded the capacity of the Rough storage field, improving the UK's gas storage levels. However, the capacity of the storage field at Rough is unlikely to be expanded further without the certainty of a regulatory model that would underpin a very significant investment for the future. Our colleagues in Centrica Energy have also played a pivotal role in securing Liquefied Natural Gas (LNG) through multi-billion-dollar deals, including a new deal with Delfin Midstream in the US that will enhance energy security for the customers we serve.

## OUR FUTURE

Alongside our Interim Results in July 2023, Chris and the Centrica Leadership Team presented our new, Green Focused Investment Strategy. We announced that Centrica intends to invest between £600m and £800m a year over the next five years primarily in security of supply and flexibility, renewable generation, and our customers. We also gave guidance on our expected range of annual operating profit in our Retail and Optimisation businesses and provided clarity on a new financial framework, including our progressive dividend policy.

Centrica's direction was already clear to our investors and our wider stakeholders, but the July update provided a clear overview of the approach Centrica will take in the future. I'm glad the update was received positively by the market.

I am excited to see what Centrica can accomplish in the coming years and I want to take this opportunity to assure our shareholders that your Board will be prudent custodians of your money.

## OUR SUPPORT FOR NET ZERO

Our Green Focused Investment Strategy will also mean that Centrica is playing its part to underpin the energy transition.

We are unequivocal in our support for net zero. We believe it is an opportunity for the UK and Ireland and we will continue to feed into live discussions with our valuable experience of energy markets. Gas is likely to continue to be a transition fuel for some time, and your Board is acutely aware that we have a responsibility to ensure that energy is affordable for everyone through the transition.

Last year I said that to meet net zero a combination of technologies will be required, and that these technologies would create opportunities for companies with strong balance sheets, flexible business models and detailed knowledge of markets. This year, it is my belief that we have cemented our position as one of those companies.

We are one of the largest heat pump installers in the UK's emerging heat pump market, we are leading on hydrogen innovation across the UK and Ireland, and our strategy shows the scale of our ambitions in renewables. Our commitment is not merely words, it can be seen in our actions.

## OUR COLLEAGUES

None of this would be possible without the fantastic work of our colleagues. It is a great source of pride for me that Centrica continues to grow and that we continue to show leadership in the areas people care about, such as our Carers Leave Policy.

Over the course of 2023 we have seen the engagement of our colleagues increase, no doubt due to the supportive culture that Chris and Centrica's Leadership Team have nurtured in the business. I was also very happy to see the continuation of our Shadow Board initiative. It is absolutely right that a representative group of our colleagues should have the opportunity to share their views on the management decisions that impact them.

Of course, we have also welcomed new employees to the business this year and I welcome all of them, not least the 700 permanent employees that were hired in time to support our customers over the winter. I am also delighted to welcome Russell O'Brien to Centrica on his appointment as Group Chief Financial Officer and Executive Director in March 2023, and Philippe Boisseau who was appointed to the Board as a Non-Executive Director in September 2023.

Towards the end of the year, we were also very pleased to announce the appointments of Jo Harlow and Sue Whalley as Non-Executive Directors. They bring an exciting mix of experience to our Board, and I know their contribution to the Remuneration Committee and Nominations Committee will be highly valued.

Thank you to all colleagues across Centrica for your contribution in 2023.

## SUMMARY

This year Centrica has taken significant steps forward on performance, on delivering the things that people care about and on showing where our future lies. We are never satisfied and there is still work to do, but I hope our stakeholders across society can see a company that cares about what it does and makes a significant contribution to the UK's energy system.

I am confident that our capabilities, our resilience, and our determination will deliver great things in 2024, and I look forward to reporting on our progress next year.

**Scott Wheway, Chair**

14 February 2024