

Centrica plc

Scrip Dividend Programme

Terms and Conditions

centrica

The Scrip Dividend Programme as approved by an ordinary resolution of shareholders on 27 April 2015.



This document is important and requires your immediate attention.

When considering what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in Centrica plc please send this document, together with any relevant accompanying documents, to the person you sold or transferred your shares to, or to the bank, stockbroker or other agent who arranged the sale or transfer for you.

Centrica plc (the Company) offers a Scrip Dividend Programme (the Programme). The Programme offers shareholders the opportunity to receive new fully paid ordinary shares in the Company (New Shares) instead of cash dividends.

Please remember that the value of shares and the income from them may fall as well as rise and whether you elect to participate in the Programme is your own decision depending on your individual circumstances. Past performance is no guide to future performance and if you are in any doubt about the action you should take you should contact an independent financial adviser.

These Terms and Conditions should be read in conjunction with the Scrip Dividend Mandate Form which can be obtained from the Company's website, centrica.com/dividends or alternatively, by contacting Equiniti using the details provided.

The operation of the Programme is always subject to the Directors' discretion to make an offer of New Shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to suspend or terminate the Programme generally at any time prior to the allotment of New Shares pursuant to it. If the Directors suspend or terminate the Programme, or decide not to offer New Shares in respect of any particular dividend, shareholders will receive their dividend in cash in full in the usual way on or as soon as reasonably practical after the relevant dividend payment date.

Upon the introduction of the Programme on 27 April 2015, the Company cancelled its Dividend Reinvestment Plan (DRIP). Accordingly, all DRIP mandates have automatically been cancelled and residual cash balances (any cash amount left over that was not sufficient to purchase an ordinary share in relation to past dividends) will be paid to participants in the DRIP.

If you currently receive cash dividends on your ordinary shares and wish to continue to receive cash dividends, you do not need to take any action and may disregard this document.

No prospectus is required in accordance with the Prospectus Directive (Directive 2003/71/EC) in connection with the Programme.

About the Programme

The Programme provides eligible shareholders with an opportunity, if they wish, to receive New Shares instead of a cash dividend in respect of all future dividends for which the Programme is offered.

The operation of the Programme is subject always to the decision of the Company's Directors (Directors) to make the Programme available in respect of a particular dividend. Should the Directors decide not to offer the Programme in respect of a particular dividend, a cash dividend will be paid instead.

Who can join the Programme

The Programme is open to all of the Company's ordinary shareholders, including FlexiShare members and CREST shareholders, subject to certain restrictions for shareholders resident outside the UK, as set out below. The right to join the Programme is not transferable.

Shareholders who are resident outside the UK may treat this as an invitation to participate in the Programme provided that they do not live in, nor are subject to, the jurisdiction of any country where their participation and/or the invitation to participate in the Programme would require the Company to comply with local legal, governmental or regulatory requirements or procedures, or any similar formalities. Shareholders resident outside the UK are responsible for ensuring that they may validly participate in the Programme and for observing all relevant local formalities. If you are resident outside the UK and you are in doubt, you should consult an independent professional adviser. Where local laws or regulations would not allow

you to participate in the Programme, these Terms and Conditions and all other materials issued in connection with the Programme should be treated as having been provided for information purposes only.

Holders of American Depositary Receipts (ADRs) can participate in the Programme through our ADR provider, subject to the Summary of Terms for American Depositary Share (ADS) holders.

The Programme does not apply in respect of employees' entitlements under the Centrica Share Incentive Plan (SIP) or its global equivalents. Employees will continue to be entitled to dividend shares on their holding, subject to the terms of the relevant plan. Such plans operate separately to the Programme and will continue to do so.

How to participate in the Programme

Certificated shareholders and FlexiShare members who wish to participate in the Programme should complete a Scrip Dividend Mandate Form (Mandate Form) (as amended from time to time) and send it to Equiniti at the address provided. The Mandate Form is also available at centrica.com/dividends or from Equiniti using the contact details provided.

Participation in the Programme will be subject to meeting the terms set out on the Mandate Form. The Company and Equiniti reserve the right to treat as invalid any Mandate Form which is incomplete.

Completed Mandate Forms must be received by Equiniti no later than 4:30pm (UK time) on the election date for that dividend which will be a date

before the payment date that will be announced as part of the announcement of the dividend. Elections to participate received after the election date will not apply to that dividend but will apply to dividends paid thereafter.

No acknowledgement of receipt will be made. The ex-dividend date, record date, Scrip reference share price, and election date in respect of any Scrip dividend will be announced and made available on the Company's website at centrica.com/dividends.

Once a shareholder has completed and returned a valid Mandate Form to Equiniti, it will apply for all subsequent dividends where the Programme is offered, unless and until it is revoked by the shareholder.

Shareholders may only elect to participate for the full number of ordinary shares registered in their name(s) on the relevant record date, unless permission is given to allow the shareholder to elect in respect of a lesser number of shares. Please refer to the section entitled 'Partial elections'. To participate in the Programme for a particular dividend, shareholders' holdings must be on the Company's share register on the record date for the payment of that dividend.

Entitlement to New Shares

The number of New Shares that a participant will receive for each Scrip dividend will depend on the number of ordinary shares held at the dividend record date, the amount of the cash dividend to which they are entitled, any residual cash balance brought forward from the last Scrip dividend and the Scrip reference share price to be used in calculating Scrip dividend entitlements.

Scrip reference share price

The Scrip reference share price will be the average of the middle market quotations for Centrica plc ordinary shares on the Daily Official List of the London Stock Exchange on the five consecutive dealing days commencing on (and including) the date on which the ordinary shares are first quoted ex-dividend.

Formula

The formula used for calculating the maximum number of New Shares to be received for each Scrip dividend will be as follows:

$$\frac{\text{Maximum cash available}}{\text{Scrip reference share price}}$$

where the maximum cash available is the number of ordinary shares held at the relevant dividend record date multiplied by the cash dividend per ordinary share plus any residual cash balance brought forward.

Illustrative example of New Share entitlement under the Programme

Number of ordinary shares held: 500

Dividend: 8.4p per ordinary share

Residual cash balance from previous Scrip dividend¹: £0.75

Scrip reference share price: £2.40

Step 1 – maximum cash available

(Cash dividend payable plus residual cash balance)

$(500 \times £0.084) + £0.75 = £42.75$

Step 2 – number of New Shares to be issued

(Maximum cash available divided by the Scrip reference share price)

£42.75	Rounded
..... = 17.8125	down to 17
£2.40	New Shares,
	as no fractions
	of New Shares
	can be issued

Step 3 – residual cash balance

(Maximum cash available less value of New Shares)

$£42.75 - (17 \times £2.40) = £1.95$ residual cash balance²

1. No residual cash balance will be available for inclusion in respect of the first dividend that a shareholder participates in the Programme.
2. Any residual cash balance will be carried forward (without interest) to the next dividend payment and included in the calculation of the next Scrip dividend entitlement.

Listing and ranking of the New Shares

Application will be made for the New Shares to be admitted to the Official List of the UK Listing Authority (UKLA) and to trading on the London Stock Exchange on the dividend payment date. The New Shares will be credited as fully paid and will rank equally in all respects with the existing ordinary shares (including the same voting rights) except for participation in the relevant dividend.

In the unlikely event that the New Shares are not admitted for listing, or if any other condition is not fulfilled, the Company will pay the dividend in cash in the usual way as soon as reasonably practicable.

Statements and share certificates

Once New Shares have been issued, shareholders will receive a statement called a notional tax voucher, showing the number of New Shares issued, the Scrip reference share price, and the total 'cash equivalent' of the New Shares for tax purposes. If the dividend payable, together with any residual cash balance brought forward, is insufficient to acquire at least one New Share, the statement will show the residual cash balance carried forward.

Subject to the New Shares being admitted to the Official List of the UKLA and to trading on the London Stock Exchange, on or about the dividend payment date, the New Shares issued to shareholders participating in the Programme will be registered in their name and certificated shareholders will be sent, at their risk, a share certificate. Dealings in the New Shares are expected to begin on the dividend payment date.

FlexiShare members and CREST shareholders will have their accounts credited directly with New Shares on the dividend payment date or as soon as practicable thereafter and will receive a statement called a notional tax voucher as above.

New Shares issued under the Programme will increase the shareholding on which the next Scrip dividend entitlement can be calculated.

Residual cash balances

Except in the circumstances set out below, any residual cash balance remaining after the issue of New Shares, or which was insufficient to acquire a whole New Share, will be carried forward (without interest) by the Company and included in the calculation for the next Scrip dividend entitlement under these Terms and Conditions.

In the following cases, any residual cash balance carried forward will be paid (without interest):

- (a) to the shareholder – upon written request being received by Equiniti for such residual cash balance to be returned. Shareholders should note that any written request for the return of a residual cash balance will be treated as a notice of withdrawal from the Programme;
- (b) to the shareholder when:
 - (i) the mandate to participate in the Programme has been revoked by telephone or in writing; or
 - (ii) all of the shareholder's ordinary shares are sold or transferred; or
 - (iii) Equiniti receives proper notice of the shareholder's death (in which case the residual cash balance will be returned to the deceased's estate), bankruptcy or mental incapacity, or, in the case of a corporate shareholder, of such body being placed in liquidation; or
 - (iv) the Company terminates the Programme.

Payments of the residual cash balances to shareholders will be paid by cheque sent, at the shareholder's risk, as soon as reasonably practicable after the relevant event, or by other appropriate payment means.

Multiple shareholdings

If ordinary shares are registered in more than one holding, each holding will require a separate Mandate Form to be completed. Shareholders who would like to consolidate their shareholdings should contact Equiniti.

Joint shareholdings

The Mandate Form(s) must be signed by all joint shareholders to be valid.

Partial elections

The Directors may, at their discretion, permit a shareholder to elect to participate in the Programme in respect of a lesser number of ordinary shares than their full holding.

Applications for partial election must be received by Equiniti no later than 4:30pm (UK time) on the election date for that dividend.

If a shareholder is permitted to participate in the Programme in respect of a lesser number of ordinary shares than their full holding, a cash dividend will be paid on the balance of ordinary shares not included in the Programme.

How to leave the Programme

You may leave the Programme at any time by completing and returning a Scrip Dividend Revocation Form (the Revocation Form) or by telephoning Equiniti using the contact details provided. The Revocation Form is available on centrica.com/dividends or from Equiniti. For a revocation to apply in respect of a particular dividend, instructions must be received by Equiniti no later than 4:30pm (UK time) on the election date for that dividend. A revocation instruction received after the election date will not apply to that dividend but will apply to dividends paid thereafter.

Recent sale or purchase of ordinary shares

If a shareholder has bought any additional ordinary shares and they are registered by the record date for a dividend to which the shareholder is entitled, the additional ordinary shares will be covered by the existing mandate.

The shareholder's mandate will be deemed to be revoked in relation to any ordinary shares that are sold or transferred to another person, but only with effect from the registration of the sale or transfer. If shareholders are unclear as to whether they are entitled to the dividend on recently purchased ordinary shares they are advised to contact their stockbroker or other agent through whom the purchase was made.

Other circumstances in which an election will be deemed to be revoked

A shareholder's election to participate will be deemed to be revoked on receipt by Equiniti of proper notice of the shareholder's death, bankruptcy or mental incapacity or, in the case of a corporate shareholder, of such body being placed in liquidation. However, where the ordinary shares are held jointly with others, participation in the Programme will continue for that shareholding.

CREST shareholders joining and leaving the Programme

CREST shareholders may only join the Programme by submitting an electronic election via CREST no later than 4:30pm (UK time) on the election date for that dividend. By doing so, CREST shareholders confirm their election to participate in the Programme and their acceptance of these Terms and Conditions, as amended from time to time. Other methods of election, including a paper Mandate Form, will not be accepted.

The Company intends that CREST shareholders will be offered the opportunity to make an evergreen election so that their election will apply to all future dividends for which the Programme is offered. CREST shareholders will be able to make the election through CREST and in accordance with the CREST Reference Manual (as amended from time to time).

If a CREST shareholder, acting on behalf of more than one beneficial holder, makes an evergreen election in respect of a specific number of ordinary shares, that number of ordinary shares will be used for future dividends, unless the election is revoked. If the number of ordinary shares held is less than the specified evergreen election, then the record date balance will apply for the election.

CREST shareholders may alternatively make a one-off election via CREST, which will apply in respect of the next dividend only. This election will only be available after an announcement which states that the Programme will be available for that dividend.

Once an election is made via CREST it cannot be amended. Therefore, if a CREST shareholder wished to change their election, the previous election would have to be revoked and a new election made. All elections made via the CREST system should be submitted in accordance with the procedures as stated in the CREST Reference Manual (as amended from time to time).

CREST shareholders may revoke an election through the CREST system. For a revocation to apply in respect of a particular dividend, it must be input through CREST no later than 4:30pm (UK time) on the election date for that

dividend. If the election is input after the election date, it will not apply to that dividend but will apply to dividends thereafter.

If a CREST shareholder is acting on behalf of more than one beneficial owner the Directors may, at their discretion, allow that shareholder to elect to participate in the Programme in respect of a lesser number of ordinary shares than their full holding. If a CREST shareholder wishes the Directors to exercise their discretion, their CREST Dividend Election Input Message must state the number of ordinary shares for which the election is being made. If the number is zero, the election will be rejected. A cash dividend will be paid on any balance of ordinary shares not included in the Programme.

Changes to or cancellation of the Programme

The operation of the Programme requires shareholder approval, which, in accordance with Investment Association guidance, will be renewed every three years if the Directors wish to continue the Programme. The Programme was first approved at the Company's 2015 Annual General Meeting. The Programme may be suspended or terminated or (with valid reason) changed at any time at the discretion of the Directors, without notice to individual shareholders. Details of suspension, termination and any amendments to these Terms and Conditions will be made available at centrica.com/dividends as soon as practicable.

If these Terms and Conditions are amended, existing elections to participate in the Programme will (unless otherwise specified by the Directors) be deemed to remain valid unless and until Equiniti receives a Revocation Form, or instruction by telephone; or CREST shareholders revoke that election.

The operation of the Programme is subject always to the Directors' decision to offer the Programme in respect of a particular dividend. The Directors may also, after such an offer is made, withdraw the offer generally at any time prior to the issue of New Shares under the Programme. If the offer is withdrawn in such circumstances, a cash dividend will be paid as soon as practicable on or after the dividend payment date.

Communication

All documents sent by post will be sent at each shareholder's risk and neither the Company nor Equiniti will be liable for any accidental failure to receive any document. All notices and documents will be sent to the first named shareholder at the address on the share register. If the sole or first-named joint holder has given the Company an email address:

- the Company will have a discretion to send any notices or other documents to the shareholder via that email address; and

- by sending to that email address a link to the Company's website, the Company will have a discretion to use that website to provide to the shareholder (together with other participants in the Programme) general information or documents relevant to these Terms and Conditions in the future. For example, the Company may use the website to advise the shareholder of changes or amendments to these Terms and Conditions, rather than having to send an amended Terms and Conditions to the shareholder (and all other participants in the Programme) individually by post or email.

A shareholder who subsequently decides that they do not want the Company to communicate with them by email or using a website should write to Equiniti stating this and it will resume using the last postal address they have for the shareholder.

Governing law

The Programme (including the Mandate Form, Revocation Form and any related documents) is subject to the Company's Articles of Association and these Terms and Conditions, as amended from time to time, and is governed by, and these Terms and Conditions are to be construed in accordance with, English law. By electing to receive New Shares under the Programme, you agree that any proceedings between you and the Company in relation to the Programme will be subject to the jurisdiction of the courts of England and Wales.

Any contract made between you and the Company (or for FlexiShare participants, you and Equiniti Financial Services Limited) pursuant to these Terms and Conditions will be in the English Language and communications from the Company / Equiniti Financial Services Limited will be in English.

Taxation treatment for UK residents

The Company understands that under current UK legislation and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as at 27 April 2015, the taxation consequences for shareholders electing to receive New Shares instead of a cash dividend will broadly be as set out as follows.

Please remember:

- This summary is only an outline of the tax position, not a comprehensive picture – your own tax treatment will depend on your individual circumstances.
- It only covers the position of shareholders resident in the UK for taxation purposes who hold their ordinary shares beneficially as an investment, otherwise than under an individual savings account and who have not (and are not deemed to have) acquired their ordinary shares by reason of any office or employment.
- It does not address the position of certain classes of shareholders such as dealers in securities.
- UK legislation and HM Revenue & Customs practice can change from time to time, possibly with retroactive effect.

- Shareholders who may be subject to taxation in a jurisdiction other than the UK should seek their own professional advice.
- If you are in any doubt as to your tax position, you should consult your solicitor, accountant or other professional adviser before taking any action.

UK resident individual shareholders

Income tax

An individual shareholder who is a UK resident and elects to receive New Shares will have the same liability to income tax as the shareholder would have had on the receipt of a cash dividend of an amount equal to the 'cash equivalent' of the New Shares. The 'cash equivalent' of the New Shares will be the amount of the cash dividend which the shareholder would have received in the absence of an election to take New Shares, unless the difference between, on the one hand, the amount of the cash dividend which the shareholder would have received had the shareholder not so elected and, on the other hand, the market value of the New Shares on the first day when dealing in the New Shares begins on the London Stock Exchange, is 15% or more of that market value in which case the market value of the New Shares on that day will be treated as the 'cash equivalent' of the New Shares for taxation purposes.

Where an individual shareholder elects to receive New Shares instead of a cash dividend, they will be treated as having received gross income of an amount which, when reduced by income tax at the rate of 10%, is equal to the 'cash equivalent' of the New Shares. Income tax at the rate of 10% is treated as having been paid on this gross income.

An individual shareholder who currently pays income tax at the basic rate will have no further liability to income tax in respect of the New Shares received. If, and to the extent that, the gross income treated as having been received by an individual shareholder falls above the threshold for the higher rate of income tax and below the threshold for the additional rate of income tax, the individual shareholder will, to that extent, be liable to pay income tax at the dividend upper rate (currently 32.5%) on the gross income which they are treated as having received. The 10% income tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 22.5% of the amount of the gross income treated as having been received (which is equal to 25% of the 'cash equivalent' of the New Shares).

If, and to the extent that, the gross income treated as having been received by an individual shareholder falls above the threshold for the additional rate of income tax, the individual shareholder will, to that extent, be liable to pay income tax at the dividend additional rate (currently 37.5%) on the gross income which they are treated as having received. The 10% income tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 27.5% of the amount of the gross income treated as

having been received (which is equal to approximately 30.6% of the 'cash equivalent' of the New Shares).

Subject to what is said above in relation to the determination of the 'cash equivalent' of the New Shares, this treatment is the same as that for cash dividends. No tax repayment claim may be made on either a cash dividend or in respect of New Shares taken by non-taxpaying individuals.

Capital Gains Tax

For Capital Gains Tax purposes, the New Shares received by an individual shareholder instead of the cash dividend will generally be treated as forming a single asset (a 'share pool') with all the ordinary shares in the Company held by the individual shareholder, regardless of when they were originally acquired. The 'cash equivalent' of the New Shares will be allowable expenditure in respect of such a share pool.

UK resident trustees

A trustee of a UK resident trust which is normally liable to pay income tax at the currently applicable rate of 45% will be liable to pay tax on the dividend income at the currently applicable rate (37.5%) on the gross income treated as having being received, although the 10% credit continues to apply in the same way as outlined above.

UK resident companies

A corporate shareholder is not generally liable to corporation tax on cash dividends and will not generally be charged corporation tax on New Shares received instead of a cash dividend.

These New Shares will be added to the corporate shareholder's existing holding of ordinary shares in the Company and treated as having been acquired when the existing holding was acquired. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the New Shares; so there will be no increase in base cost.

UK pension funds

When pension funds elect to receive New Shares, no tax credit will attach to the New Shares and no tax repayment claim can be made in respect of them; nor could such a claim be made in respect of the cash dividend.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of New Shares.

Contact Equiniti by:



Web

shareview.co.uk



Post

Equiniti
Aspect House,
Spencer Road,
Lancing,
West Sussex
BN99 6DA.



Telephone

0800 032 0876* from the
UK or +44 (0) 121 415
0887** from overseas

* Calls to this number are free from most landlines. Mobiles charges may vary.

** Call costs may vary. Please check with your service provider.

Lines open (UK time) **5.30pm to 8:00pm**, Monday to Friday, **9:00am to 4:00pm** Saturdays,
and **10:00am to 4:00pm** on England and Wales bank holiday Monday 25 May.
Lines close on 4 June 2015.

Alternative formats

These Terms and Conditions are available in Braille, large print or on audio CD;
please contact Equiniti on the details above. A textphone service is also available
on 0845 607 6838.