



Appointment of Iain Conn as Chief Executive

Interview with Rick Haythornthwaite, Chairman

Q: So congratulations. You've just announced that Iain Conn is set to replace Sam Laidlaw as CEO of Centrica. Why is he the right man for the job?

A: For this job, which is a complex job, you need someone who's got strategic nous. They need to know the markets and customers. They need to be good communicators, and I could go on, but Iain actually is a very good fit for the role.

Q: Given that, isn't Iain's background mainly in upstream, and wouldn't someone with more retail experience be a better fit for Centrica, given the needs of British Gas and its customers?

A: Well, firstly, it's a myth that he's an upstream person. I knew Iain years ago, and he actually started in trading, and he spent most of his career in downstream, marketing, retail, midstream and some of the corporate functions, but actually, he's only spent quite a short period in his career in upstream. But, actually, I'm delighted that he knows upstream.

Now, the question about someone from retail alone is a very valid question, and the Board gave it very serious consideration. But the energy sector is very specific. It has its own dynamics, and we felt that it is important to have someone who knew those dynamics, who is known around the industry and had the relationships required to really drive the strategy forward.

Q: So taking a step back, why did this appointment take so long to come about?

A: Well, first of all, these processes do take a while, if you do them thoroughly, and there's been a lot of speculation. The truth is that we were going through a thorough process and doing it in a very measured fashion. And actually, as you would have read last week in BP's release, Iain's priority was always that he wanted to leave BP in a mutually agreed fashion and a very orderly fashion, so he wasn't actually available until that moment. So I think we're just delighted we were able to pull this together now and we can move forward.

Q: And turning to Sam, why do you think he's actually leaving? How much of it is due to media and political pressure?

A: Well, it's a very easy story to think that's why it is, but I don't think that's the case. This is actually a view that Sam took some time ago, long before I arrived and long before the heat really stepped up as of late. I think Sam felt that, at some stage, it's good for a CEO to retire and move on. Eight years is quite a stint for any CEO, so it's very much his decision, and the Board was very supportive, but the great thing about Sam, that he always took the view; "yes, I'll retire, but I'll only retire when it's the right time for the Company" and when there's a successor that he feels, the Board feels, actually can carry the mantle.

Q: So how would you summarise Sam's tenure and his contribution to Centrica.

A: Well, it's been considerable. You just have to think back where Centrica was eight years ago. He's built over that period a technology-based customer service business in BG with smart, connected homes. He's built a downstream business with the team in the US. There's much more balance to the upstream business, across the Atlantic, in the North Sea and the American basins. The midstream; a very capable midstream, tied in around the world. He's built relationships with major partners around the world. I could go on. His influence on the business has been very profound.

Q: Remuneration is always a hot topic, especially for executive directors. Will you be paying Iain a signing-on fee?

A: The Board actually felt it was important that he came on with some incentivisation, and so we have constructed in the short term a one-year package and a two-year package that have performance criteria in there that benefit Centrica and Centrica shareholders. But, actually, to his credit, he's actually signed on for a package that he doesn't yet know, because we're at the end of our long-term incentive programme. We need to take it to shareholders. It's a good moment to shape that with shareholders and get their approval for a package that makes sense to the Company going forward. It's a good time for Iain to be involved in the shaping of that, but actually, he's stepping into the unknown from that standpoint. So we thought it was important that there was an incentivisation package in the first couple of years.

Q: And as we sit here today, are you able to give us an update on where you are for finding replacements for Nick Luff and Chris Weston?

A: As you can imagine, these are two very important appointments in the Company. Now, we have spent time understanding what the market looks like, but Iain needs to have a say in this, and we've just appointed Iain, so the answer to your question is, no, we can't give you much guidance now, but now that the new CEO, or the successor, has been appointed, we can move forward with this apace.

Q: Iain's not due to join the business until the 1st of January in 2015, so are you confident the management team is going to remain focused for the remainder of this year?

A: I'm 100% confident. Sam is completely on the case. He's completely committed. It's very clear what needs to be done. There's a wide range of projects that are being pursued in terms of our service, both on this side of the Atlantic and the other side. There are clear midstream initiatives. Some of the sales, particularly, of our power stations have already been announced. There's the integration of Hess. There's the integration of Bord Gais. There's the driving forward of the upstream performance. The team is very clear what it needs to achieve, is completely committed to doing it, and I have no real concerns about focus.