nationalgrid

A clean, fair and affordable future

Responsible Business Report 2021/22

PRINCIPAL PARTNER
COP26 PRESIDENCY UK 2022
DELIVERING THE GLASGOW CLIMATE PACT

Purpose, vision and values

We see the future.

It's filled with infinite possibilities. That's why we are...

Doing Right Now

Our vision is to be at the heart of a clean, fair and affordable energy future. Every day we do the right thing, find a better way, and make it happen. We are working right now to deliver net zero and keep the network safe and reliable.

At National Grid, we are committed to being a responsible business in everything that we do. It is enshrined in our purpose – Bring Energy to Life.

We do this by delivering the electricity and gas that our customers and communities rely on for everyday life: for their homes, businesses, schools and hospitals. We will always do this reliably, safely, and in a fair and affordable way for all. Society expects this of us and we know we can make a positive impact in doing so.

We categorise this report into five 'pillars', as per the Responsible Business Charter (RBC). This covers the environment, our people, our communities, the economy and our governance.

This report, our second Responsible Business Report (RBR), provides a summary of our core activities and the outcomes we have delivered across 2021/22. We hope you find the report informative and engaging, and we welcome any feedback on how it could be improved.

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Highlights, awards and ratings

The environment

Decarbonised Great Britain's electricity system by
61%
(over past nine years)

65%
reduction in Scope 1 and 2 emissions
(on our 1990 baseline)

Renewable energy connections
2,498MW
connected to US and UK transmission and distribution grids during 2021/22

CDP Climate Change 'A list'
rating for six consecutive years

Our people

Employee engagement index score
81%

-1.6%
Mean 'base' gender pay gap in the UK 2020/21

Annual average training days per employee
5.4

38.6%
of our workforce are diverse

Our communities

Number of colleague volunteering hours
23,416
This is an increase of 30% on 2020/21

1,167
employees registered as volunteers with Grid for Good, helping 3,972 young people

Combined group-wide contribution of over
£18.3m
to Corporate Responsibility work

£2.8m awarded in grants
to community projects since 2015

The economy

Expecting to invest around
£24bn
in green capex over the five year period to 2025/26

CDP Supplier Engagement Leader
One of eleven energy utility networks globally to receive a place on the leaderboard

Total investment in energy infrastructure
£6.7bn
(continuing operations including WPD)

Through National Grid Partners, in 2021/22, we committed to
£93m
of investment in technology and innovation

Our governance

49.5%
Diversity across Senior Leadership Group

53.8%
Diversity at Board level

95%
of employees completed Code of Ethics training

Supplier of Code of Conduct (SCoC)
integrates human rights into the way we interact with our supply chain

Awards and ratings

Carbon Disclosure Project
Achieved an 'A' grading (the highest) for our response to the Climate Disclosure Project for the sixth consecutive year.

Sustainalytics*
Was assessed by Sustainalytics to be at **Low Risk** of experiencing material financial impacts from ESG factors.

MSCI^
Maintained 'AAA' ESG rating for the fifth consecutive year.

Institutional Shareholder Services
Was assessed by ISS-oekom as a leader in our industry group.

Equileap
Ranked 1st in the UK and 3rd globally for gender equality by Equileap

FTSE4Good
Remained a constituent of the FTSE4Good Index

Bloomberg Gender-Equality Index
Became a constituent of the 2022 Bloomberg Gender-Equality Index

S&P Global Ratings
55/100 S&P ESG evaluation score

* ^ Detail on awards and ratings can be found on page 70

Our business

What we do

National Grid plc is one of the world's largest investor-owned energy utilities, committed to delivering electricity and gas safely, reliably and efficiently to the customers and communities we serve.

Our business units

UK Electricity Transmission
We own and operate the high-voltage electricity transmission (ET) network in England and Wales.

UK Electricity Distribution
We own and operate the electricity distribution networks for the East and West Midlands, the South West and South Wales. The combined network of Western Power Distribution (WPD), which became part of National Grid in June 2021, makes it the largest distribution network operator (DNO) group in the UK. WPD is not included in the data for this reporting period, but a separate data table can be found in the appendix, page 65 and 66.

UK Gas Transmission*
On 27 March 2022, we announced the agreement for sale of a 60% stake in this business, which owns and operates the gas transmission network across Great Britain (including our UK metering business which previously formed part of NGV). The sale is subject to certain conditions.

* Discontinued operations

UK Electricity System Operator
We operate as the electricity system operator (ESO) across Great Britain.

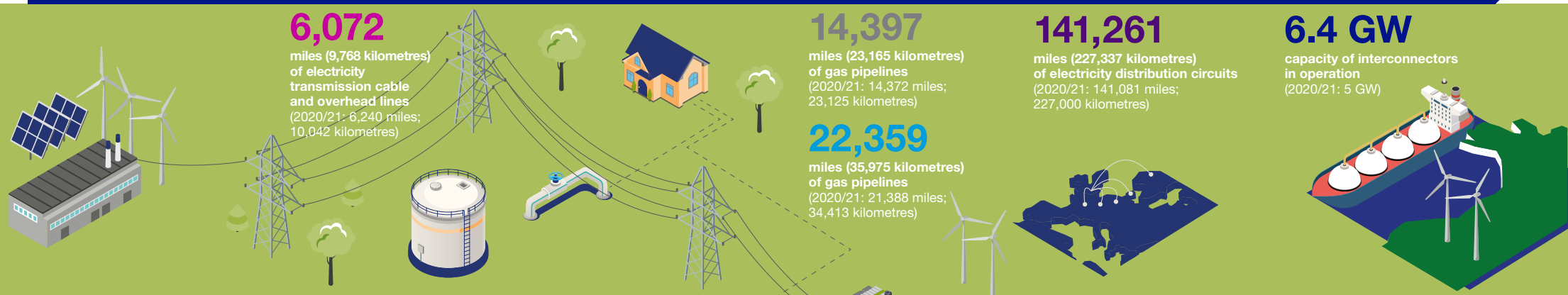
New England
We own and operate electricity transmission facilities and distribution networks across Massachusetts, New Hampshire and Vermont as well as gas distribution networks across Massachusetts. We sold our Rhode Island electricity transmission and gas and electricity distribution business (NECO) to PPL. The NECO Sale is expected to complete by the end of the first quarter of 2022/23.

New York
We own and operate electricity transmission facilities and distribution networks across upstate New York. We own and operate gas distribution networks across upstate New York, in New York City and on Long Island.

National Grid Ventures and other activities
National Grid Ventures (NGV), which operates separately from our core regulated units, is focused on competitive markets across the UK and US. Its portfolio includes electricity interconnectors, liquefied natural gas (LNG) storage and regasification, large-scale renewable generation, conventional generation and competitive transmission.

Other activities primarily relate to National Grid Partners (NGP), the venture investment and innovation arm of National Grid, as well as UK property, insurance and corporate activities.

How we fit in the energy system



6,072
miles (9,768 kilometres) of electricity transmission cable and overhead lines
(2020/21: 6,240 miles; 10,042 kilometres)

14,397
miles (23,165 kilometres) of gas pipelines
(2020/21: 14,372 miles; 23,125 kilometres)

141,261
miles (227,337 kilometres) of electricity distribution circuits
(2020/21: 141,081 miles; 227,000 kilometres)

6.4 GW
capacity of interconnectors in operation
(2020/21: 5 GW)

22,359
miles (35,975 kilometres) of gas pipelines
(2020/21: 21,388 miles; 34,413 kilometres)

2,939
miles (4,729 kilometres) of electricity transmission cable and overhead lines
(2020/21: 2,922 miles; 4,701 kilometres)

6,001
miles (9,655 kilometres) of electricity transmission cable and overhead lines
(2020/21: 6,050 miles; 9,734 kilometres)

4,740*
miles (7,630 kilometres) of high-pressure gas pipe
(2020/21: 4,740 miles; 7,630 kilometres)

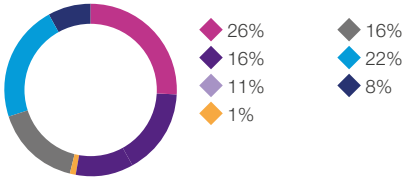
63 ships
unloaded at the Grain LNG terminal
(2020/21: 49 ships)

24,755
miles (39,831 kilometres) of electricity distribution circuits
(2020/21: 24,706 miles; 39,752 kilometres)

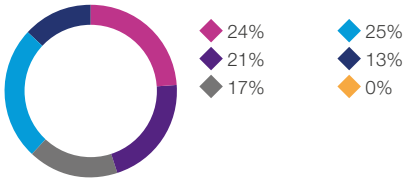
44,536
miles (71,658 kilometres) of electricity distribution circuits
(2020/21: 44,063 miles; 70,897 kilometres)

Our business continued

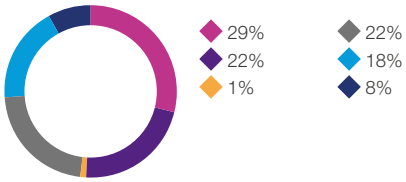
Regulatory asset value (RAV), rate base and other assets (%)



Statutory operating profit (%)*



Underlying operating profit (%)*



- UK Electricity Transmission
- UK Electricity Distribution
- UK Gas Transmission
- UK Electricity System Operator
- New England
- New York
- National Grid Ventures and other activities

* From continuing operations

Generation

Generation is the production of electricity from fossil fuel and nuclear power stations, as well as renewable sources such as wind and solar. In the US, we own and operate electricity generation facilities on Long Island as well as wind and solar generation through our investment in the Emerald Joint Venture.

Electricity System Operator

In the UK, we are responsible for making sure supply and demand of electricity is balanced in real time every day.

In the US, similar services are provided by independent system operators.

Electricity Transmission

We are responsible for ensuring electricity is transported safely and efficiently from where it is produced, to reach homes and businesses reliably. We connect to industrial properties and distribution networks who deliver the electricity on to homes and commercial properties. We also facilitate the connection of generation assets to the transmission system.

We are also competing for large-scale electricity transmission projects across the US and the UK. To find out more, visit our website: nationalgrid.com/national-grid-ventures/what-we-do/competitive-transmission

Electricity Interconnection

Interconnectors are high-voltage cables used to connect the electricity systems of neighbouring countries. They allow us to trade excess power, such as renewable energy created by the sun, wind and water, between different countries. We already have interconnectors linking us to France, Belgium, Norway and the Netherlands, and each year they power five million homes. We're currently working on another interconnector to link us with Denmark.

Electricity Distribution

We own and operate the power lines and infrastructure that connect the transmission network to the properties of individual consumers. Distribution networks convert high-voltage electricity generated by large power stations, and delivered through the transmission network, to lower voltages. This is then delivered safely and reliably into homes and businesses via our networks.

Gas Transmission

We are responsible for making sure Great Britain's gas is transported safely and efficiently from where it is produced, to reach homes and businesses reliably. As the gas system operator, we are also responsible for ensuring supply and demand are balanced in real time every day.

Some of our US businesses are not subject to state or federal ratemaking authority. This includes our interests in the New York Transco and Millennium Pipeline Company.

Gas Distribution

In the US, we deliver gas safely and reliably to millions of consumers connected to our distribution systems. Some of our customers pay us for distribution and gas supply costs. Where they choose to buy gas from third parties, they pay us for distribution only.

Renewable energy

We are working with our partners to accelerate the development of our clean-energy future. In support of this goal, we've made significant investments in the US in large-scale renewable energy projects, including wind, solar and battery storage. Visit our website to find out more information: nationalgrid.com/national-grid-ventures/what-we-do/renewable-energy

Storage

Grain LNG is one of three import terminals in the UK. Our world-class facility delivers the highest standards of performance for our customers. We import LNG from a number of countries and also own storage facilities in the US.

Innovation

We created NGP which is involved in incubating and investing in startups at the intersection of energy and emerging tech, launching new businesses from scratch, business development, and infusing an entrepreneurial culture into National Grid. NGP aims to create a smarter, renewable future.

400kv lattice pylon, UK

Chair's statement

"Our company continues to advocate for a transition that ultimately leads to zero carbon in the energy system, but does so in a way that is affordable for all"

Almost 400 years ago, John Donne wrote that "No man is an island, entire of itself; every man is a piece of the continent, a part of the main." The events of this year are likely to change the backdrop of energy for many years to come. We operate as part of an internationally interconnected energy system. The rise in energy prices globally, but particularly in Europe, linked to the tragic events in Ukraine, have already set in motion initiatives across the continent of Europe and in North America. Governments and energy companies, including National Grid, have turned their focus to the challenges of meeting current energy needs without the reliance on a major global supplier; to accelerating energy efficiency measures to manage customer bills; and to build and connect zero carbon energy that will provide both security and reduce the effects of carbon for the planet.

National Grid's longstanding role in the energy value chain has primarily been to ensure that energy flows without interruption. For many years, fulfilling this role as been a matter of building needed infrastructure and running it at the lowest possible cost. But today, the "trilemma" of sustainability, affordability and equity brings on new challenges. As an organisation whose fate is inextricably intertwined with that of our communities across two nations, we aspire to be viewed as a force for good everywhere we do business. To earn your trust means that as a company we have to do more and be clear about where we can make a difference. In 2020, National Grid set forth some of our ambitions in our Responsible Business Charter. This Responsible Business Report covering our operating year from April 1 2021-March 31 2022 covers our progress to date and the refinement of our ambitions for the years ahead.

At the highest level, National Grid has supported global climate change efforts in our role as a Principal Partner of COP26. Our company continues to advocate for a transition that ultimately leads to zero carbon in the energy system, but does so in a way that is affordable for all. In the UK, we have been actively engaged in the regulatory reform efforts intended to accelerate the program using offshore wind for power generation, to enhance both security and affordability. In the US, we have taken a lead in defining the future of heat, moving off of combustion of natural gas.

At a grassroots level, we are deepening our links with all the communities we serve. As an example, in New York we launched Project C, a wider ranging programme of community support and volunteering to encourage growth and diversity across the communities we serve. This effort supplements programs we have in the UK such as Grid for Good which has us working with our supply-chain partners to provide training and employment opportunities for young people and EmployAbility which supports youth with learning disabilities to achieve paid employment. Further, we maintain a deep network of connections with non-profit organizations in our communities to assure that financial and energy efficiency assistance is available to customers for whom affordability of energy is an issue.

For our stakeholders who are interested in how we are going to achieve reductions in emissions, you will see in this report that our plans are laid out with greater specificity than just a year ago. Our plans are backed up with accreditation from the Science Based Targets initiative (SBTi), and with our new Climate Transition Plan, published as part of this report. Since I became chair of the board of National Grid on 1 June 2021, we established a Safety & Sustainability Committee to oversee progress in meeting our commitments. The Committee, and the board collectively, continues to embed ESG principles in our deliberations.

Thank you for reading this report. We welcome your comments and engagement to make us a responsible and responsive partner in forging a sustainable, secure and affordable energy future.

Paula Rosput Reynolds

Paula Rosput Reynolds
Chair

Chief Executive's review

"Rises in energy prices and the wider cost of living are of great concern for us all"

At National Grid, being a responsible business sits at the very heart of what we do. Our people tell us they are proud of the of responsibility that comes from our central role in everyday lives of the communities we serve. But we find ourselves in an era of great transformation. Increasingly, National Grid's workforce is culturally diverse, digitally-enabled, and values-driven. We hire for talent and train for skills. But the reason that individuals choose to work at National Grid is because of how we the business and how we plan for the future. The heart of National Grid lies in being a responsible business.

To share our ambition, we set out our commitments in 2020 in our Responsible Business Charter to be more specific about our commitments to drive down emissions and support the communities we serve. First, the heart of our work is to decarbonise our economy. We are continuing to build the networks that will support a net zero economy by 2050 and a decarbonised power grid in the 2030s, aligned with ambitions in the US and UK, and the International Energy Agency (IEA) recommendations on pace of carbon reductions in the electricity sector. To help drive the transition, we have an extensive programme of work committed to delivering the connections and network upgrades necessary to help hit the UK Government's revised 50 GW by 2030 offshore wind target. In New York our joint venture with RWE was successful in securing a new Offshore Wind development block and we have launched our Clean Energy vision for our US gas networks. Across the business, from SF_6 to EVs, we are accelerating the pace of delivery to that needed to keep temperature change below 2°C and preferably 1.5°C.

Second is our commitment to community engagement and support. We are achieving this through engagement across the business by our employees. Further, we assigned an extra £5 million in 2021/22 and £10 million for 2022/23 to specifically fund programmes that help support community growth, diversity, opportunity and nature in the communities we serve. We are providing this support through workforce development programmes, grants for neighbourhood improvement, STEM education and Grid for Good funding, and urban greening projects such as community gardens and large-scale tree plantings.

In the UK, we welcomed WPD into the Group during our operating year. The WPD organisation brings a strong culture of commitment and legacy of engagement with customers and communities. We will fully incorporate WPD into our targets for next year's report as we integrate these efforts into the Group.

At present, rises in energy prices and the wider cost of living are a cause of great concern for us all. In the UK we have worked with Ofgem to agree an early adjustment to our interconnector revenues, providing an early return of £200 million to help reduce consumer bills. We have taken initial action to support the important front-line work of Citizens Advice, providing financial support commitment of £1 million to develop the systems and tools to provide advice and guidance to many more people. This sits alongside our existing work with Warm Homes Front and additional funding of £1 million to provide energy bill payment vouchers direct to those most in need. In Massachusetts we've implemented more than $1.3 billion in energy efficiency measures over the last three years.

Turning to climate change, in our role as a Principal Partner for COP26 in Glasgow, we launched a programme of events to raise public awareness of the progress and future change needed to fight climate change. Our message at COP26 was clear: net zero is achievable, affordable and we need to accelerate action to get to zero in line with IEA milestone dates in the 2030s for power grids. This is our challenge and our job.

To help map out the future actions on our emissions we are publishing our first Climate Transition Plan as part of this years' Responsible Business Reporting. In this plan we've set out the concept of 'real-zero' – our aim to achieve zero emissions by 2050, or very close to this, without using offsets to achieve our net zero commitment.

Finally, I would like to thank the communities, civic leaders, elected officials, charities and NGOs that have engaged, challenged and supported all of us at National Grid over the past year. You help shape who we are and are an essential voice to determine who we will become.

John Pettigrew
Chief Executive

Reporting principles

The Directors are responsible for reporting the sustainability data as at 31 March 2022 in accordance with the reporting criteria as set out in the Reporting Methodology document.

In doing so they have:

- designed, implemented and maintained internal controls and processes over information relevant to the measurement and preparation of the sustainability data that is free from material misstatement, whether due to fraud or error;
- established objective reporting criteria for measuring and preparing the sustainability data to meet the needs of National Grid's stakeholders and applied them consistently;
- presented information, including the criteria, in a manner that provides relevant, reliable, comparable and understandable information; and
- measured and reported the sustainability data based on the reporting criteria.

This report has been prepared in accordance with the GRI Standards: Core option. We believe that all the requirements to claim alignment have been met and we will inform the GRI of our use of this wording. Whilst we have used the GRI Standards as our primary resource, we have also developed disclosures in line with the SASB Sustainability Accounting Standards for Electric Utilities and Power Generators (October 2018), and Gas Utilities and Distributors (October 2018), and an additional disclosure to align with the EU Taxonomy Delegated Acts, issued as on the date of publication.

We have published separate documents which map this report to the requirements of the GRI Standards, Sustainable Development Goals (SDGs) and the SASB Standards, and a further document, 'Reporting Methodology', which sets out definitions, scope and other information relating to key metrics. This document includes details of our application of relevant protocols in relation to GHG emission reporting.

This report is aimed at informing, at a minimum, the following stakeholder groups:

- the communities and businesses that we serve and our employees and contractors that enable us to serve them;
- the business partners that enable us to develop and maintain our networks;
- the investors and lenders who provide capital and seek a return;
- the governments of countries and states which host our operations;
- the regulators who monitor our performance; and
- the media and other opinion formers.

The following paragraphs indicate how we have applied the GRI Standards principles relating to report content and quality.

Principles for defining report content

Stakeholder inclusiveness

The RBR sections on stakeholders and materiality, see pages 42 and 49, together with our section 172 statement on pages 56 – 59 of the Annual Report and Accounts (ARA) detail how we have identified and categorised our stakeholders, how we engage with them, how we create value for them, and provides links to the pages covering the key issues that are important to them.

In particular, we cover in detail how engagement with stakeholders directly informs the strategy and business plans relating to our regulated businesses which make up over 90% of our total revenue.

Sustainability context

We discuss our understanding of sustainable development as it applies to our business in each of the 'Addressing our Material Issues' sections of the RBR, but also in our ARA, see page 60.

Materiality

The report section on materiality, on pages 12 – 14, details how we identified the 'universe' of potential, relevant issues and how we prioritised these through the experience and knowledge of our management team, and detailed input from a broad range of external stakeholders and experts.

Completeness

The report covers all operations over which we have financial control for the 2021/22 financial year, except where noted below in relation to newly-acquired businesses. The report covers all of the issues identified in our materiality diagram on page 13 and places the most emphasis on the most material issues.

Our document, 'Reporting Methodology', sets out the scope and boundaries of the key metrics. This is also provided in the GRI Content Index which also covers other indicators or statements made in the RBR.

All metrics include the results of the company and its subsidiaries. We have excluded data for all joint ventures, but for the case of Emerald Energy Joint Venture ("Emerald"), whose data has been included on the basis that we own at least a 50% stake, and we have operational control of the entity, in line with the Greenhouse Gases (GHG) protocol definition.

For newly acquired businesses and new operations, our policy is to include these within the metric reporting of our RBR as soon as practically possible, and ideally, no later than the reporting period after the first full financial year of ownership. Therefore, depending on the timing of acquisition and commencement of operations, this could be up to two years following the event, at the latest.

We have excluded all WPD data from National Grid's RBR metrics, as it was acquired in June 2021. However, for transparency, we have included separate disclosure of selected WPD performance metrics in the appendix of this document. We aim to fully integrate WPD data into our 2022/23 RBR.

Newly sold or disposed operations, will be removed from our reporting from the date at which they leave the Group. This means that data for Narragansett Electricity Company (NECO) and National Grid Gas (NGG), whose sales have been agreed but not finalised and are treated as assets held for sale within our ARA, have been included in the RBR.

Reporting principles continued

Principles for defining report quality

Balance
We aim for our report to provide a balanced picture of our performance and we have covered challenges, such as the factors impacting our ability to meet our net zero GHG reduction commitment (page 17), as well as positive recognition of our progress, such as the various awards listed in the report.

Comparability
We have used recognised methodologies for our greenhouse gas, health and safety and other reporting to enhance comparability, and provide details on the scope and methodology of developing KPIs for the majority of disclosures in our separate 'Reporting Methodology' document.

As this is our second standalone Responsible Business Report, we have ensured that metrics reported on in 2021/22 are clearly reported against like-for-like prior year figures in order to enable effective comparability of performance, and this will continue to improve as our reporting progresses. Where this is not possible, we have clearly stated the reasons for this, for example, in the case where we have an updated calculation methodology but do not have the granularity of data in the prior year to make a reflective adjustment.

There have been no restatements of historic data published in our 2020/21 Annual Report except where stated.

Any changes in the boundaries of our reporting between years will be disclosed alongside the relevant data point on a case-by-case basis.

For some disclosures, data from our US business is reported on a calendar year basis i.e. 2021 in FY22. All UK data is reported on a financial year basis unless otherwise indicated. See our 'Reporting Methodology' document for more information.

Accuracy
We provide information on whether KPIs are based on measurement or estimates, where applicable, in either the body of the report or in the GRI Content Index. To support the accuracy of the data we have reviewed the controls and data reporting relating to certain KPIs, and have commissioned external assurance providers to focus on some of the more important KPIs. KPIs in the RBR which are not included in the data tables pages 62 – 66 have undergone a lighter touch verification process for this first year of reporting.

Timelines
Our RBR has been published alongside our Annual Report, approximately two months after the financial year end. At present, it is our intention to maintain this approach in future years.

Clarity
We have aimed to make our report sufficiently detailed to meet the requirements of the GRI Standards and our stakeholders, but still accessible for a range of readers. We have structured the sections based on our Responsible Business Charter to aid navigation and have provided a glossary to help explain acronyms and technical points.

Reliability
As noted above under 'accuracy', we have deployed both external and internal assurance processes to help ensure the accuracy and reliability of the data. For transparency, our approach to the core KPIs is set out in our Reporting Methodology document.

Assurance
We engaged PricewaterhouseCoopers LLP (PwC) to undertake a limited assurance engagement using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements'.

PwC have provided an unqualified opinion in relation to the KPIs that are identified with the symbol and featured on pages 62 – 66. Prior year data that has been marked with the symbol was also externally assured by PwC and details can be found in our 2020/21 report.

Each year, we reassess our assurance scope to ensure that we continue to ensure that we obtain external assurance for the most material metrics. We intend to evolve our assurance approach in line with market developments, and we will actively explore opportunities to incorporate more rigour into our approach in future years.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in terms of the risk assessment procedures which include an understanding of internal control, as well as the procedures performed in response to the assessed risks. Non-financial performance and, in particular, greenhouse gas quantification is subject to more inherent limitations than financial information. It is important to read the responsible business information in this report in the context of PwC's full limited assurance opinion and National Grid's Reporting Methodology.

The Energy Transition Company

We are The Energy Transition Company and we sit at the heart of the transition to net zero for our customers and the communities we serve. Our clear view is that net zero is achievable and with the right policy, we can ensure it is affordable for all. Over the past year, we have invested £6.7 billion (continuing operations) in the journey to net zero, 73% in green investment, and we expect to spend £30-£35 billion over the five year period from 2021/22 to 2025/26. We will invest in reliable, secure, low carbon energy infrastructure, the costs of which will remain an affordable component of customer bills over the coming years.

Across our business in the UK and US, we play a vital role alongside the communities we serve to set out clear plans to help reduce carbon and our impact on the environment in line with net zero targets in all of the geographies we operate. We have set out the detail of our plans for all of our emissions (Scope 1, 2 and 3) in our Climate Transition Plan. We know we need to move to zero carbon power grids, electrify transport and move heat to fossil-free sources of supply. In the US, we have launched our Fossil Free Vision to set out our vision for how to transition the communities we serve to zero carbon through a combination of energy efficiency, fossil-free gas, hybrid gas-electric systems and full electrification.

In the UK, we sit at the heart of the fastest decarbonising economy in the G20, with stretching targets from the UK government to achieve a 72% reduction by 2034. Our operational region in the Northeastern US has seen the greatest emissions reductions across the US. We welcome the stretching targets set on both sides of the Atlantic, but these targets must be backed by further policy measures if they are to be achieved.

"Our clear view is that net zero is achievable and with the right policy, we can ensure it is affordable for all."

Over the past year, we have connected 2,498 MW of renewable energy to our UK and US transmission and distribution networks, and our interconnectors have capacity of 6.4 GW.

The data presented through this report shows progress, but we know that rapid acceleration is needed this decade to keep emissions as low as possible to limit global average temperature rises to 1.5°C.

Case study: COP26

We are a Principal Partner of COP26, the world's most significant summit on climate change, which was hosted in the UK in November 2021 and gave us the opportunity to engage some of our key UK and US stakeholders, customers, colleagues and partners in this global event, engaging in dialogue, sharing ambition and exchanging plans to get to net zero.

What is COP26?

COP stands for Conference of the Parties – since 1995, the UN has brought together almost every country in the world for an annual climate summit. It's the process by which the world comes together to agree actions to tackle climate change. Last year was the 26th summit and it took place in Glasgow, with the UK as President. It was the first summit of what is seen as the critical decade to take action on climate change.

National Grid booth at COP26 in Glasgow, Scotland, UK

What does being a Principal Partner mean and what have we done?

We have partnered with the UK Government for the two years of its Presidency to support the global effort to tackle climate change. As we're responsible for delivering energy to millions of homes and businesses in the UK and the Northeastern US, we've got a big part to play. Being a COP26 Principal Partner enables us to call for more ambitious action towards a clean, fair and affordable energy future and to demonstrate the actions businesses like ours are taking. Throughout 2021, in the run-up to COP26, we ran a major campaign to help people learn more about the clean energy transition and how they could get involved. We called it the Power of All and it involved a range of exciting initiatives, such as our Green Light Signal and WhenToPlugIn app in the UK, which tell you when the electricity in your home is coming from clean and green energy sources; and our EV Road Trip in the US, a series of online guides to family-friendly destinations in the Northeast, along routes with EV charging infrastructure. Then it was the COP26 summit – 87 of our colleagues went, including our Chief Executive, other Executive Committee members and 18 colleagues who volunteered to help it run smoothly. We hosted 30 events, and colleagues spoke at, or participated in, more than 130 others as well as attending dozens of meetings, discussing how to collaborate to accelerate the energy transition. We took action for colleagues and stakeholders who couldn't be there, livestreaming our events, speaking to media and sharing great content on Twitter, Instagram, Facebook and our internal channels.

The Energy Transition Company continued

Case study: International engagement

COP26 moved the world firmly forward, with global commitments bringing us close to 2°C warming for the first time. But there is much more to do to keep 1.5°C in sight and we must move faster. Businesses like ours will be critical to move from commitments into action and delivery.

For us, this means working within our own communities in the UK and US, but also taking a leading role to enable the global decarbonisation of the electricity sector. We are engaging with our peers in countries that are looking to develop green grids regionally and nationally, sharing learning and experiences to encourage the rapid scale-up of renewable energy. These include countries such as Indonesia, Laos, South Africa, Egypt and Vietnam, where we sit on the Vietnam Energy Partnership Group.

We are part of the secretariat of the Green Grids Initiative that was launched by the UK and Indian governments at COP26. Our role here is to provide strategic direction on how electricity grids can be developed, operated and maintained to facilitate the growth of renewable generation. We provide key insights on where broader factors need considering, such as markets, frameworks, policy, industry structure and the roles of key players. We also support these efforts further through our role on the Energy Transition Council Rapid Response Fund, which is an international initiative that will mobilise fast-acting support to emerging economies for their energy transitions. This work will continue through to 2025.

We are sharing learning from our innovation programmes through our role in Mission Innovation 2.0, where we sit on the Executive Committee and the working groups. We are also supporting the COP Presidency's Glasgow Breakthroughs in the Power, Transport and Hydrogen sectors, using our knowledge to ensure they are impactful, accessible, sustainable and affordable for all at a global level.

Right to Left: National Grid CEO, John Pettigrew, UK Prime Minister, Boris Johnson, Indian Prime Minister, Narendra Modi, and Director General of the International Solar Alliance, Dr Ajay Mathur – at launch of Green Grids Initiative, 'One Sun One World One Grid' at COP26

Net zero is achievable

Our emissions and investment performance and trajectories set out in this report and our Climate Transition Plan demonstrate the part we can play in achieving net zero through the connection of low carbon energy supplies such as wind, solar, green hydrogen and renewable natural gas, and the construction of the networks needed to connect new supply sources and support sharing of supplies of variable renewables. We are also playing our part by working hand in hand with communities on the delivery of energy efficiency, development of EV charging infrastructure and their transition to net zero. And we are developing tools to operate our networks carbon free. The current challenges in international gas markets make the acceleration of this transition even more vital.

Affordable energy

The current challenge of price rises for gas and more widely energy, alongside other rises in the every day costs our customers and communities face, is of real concern. We want to ensure energy is affordable for all and in particular that help is available for those most in need. We partner with a number of organisations in the UK and US, for example the Warm Homes Fund (see page 37), to provide support and advice. We also know that new policy will be needed to ensure that the energy transition remains affordable for all and we are working closely with communities, regulators and governments to propose measures that ensure no one is left behind.

Reliable, secure energy

The current challenges in international gas markets remind us all of the importance of reliable, secure supplies and we play a vital role to ensure our infrastructure delivers reliable energy to our customers every minute of every day. In the Economy and the Communities sections, we set out our reliability performance and our investment in our people, networks, operations, storm response, cyber security and wider analysis that helps meet the levels of reliability our customers expect of us. We are making the investments needed to maintain these standards of reliability through the transition, working with stakeholders across the community and wider economy to improve the power and heat that our consumers need to live their lives and run their business.

Our approach to responsible business

Our overall approach is aimed at supporting the fulfilment of our purpose and can be summarised as:

- identifying our key stakeholders, how they interact with our operations, activities and value chain, and the issues that are relevant to them;
- adopting a logical process for prioritising those issues, to identify the most material matters; and
- responding to the priorities by developing appropriate strategies, policies, programmes and performance indicators, and reporting regularly and transparently on our progress.

As The Energy Transition Company, we are at the heart of a fair transition to a net zero economy.

In 2019, we examined our approach to being a responsible business, looking to create a step change in the level of ambition across our sustainability agenda. This exercise involved substantial stakeholder engagement and culminated in the publication of our Responsible Business Charter (RBC), which summarises our commitments to performance improvements.

In 2021, we reviewed our approach to ensure our material topics were up to date and inclusive of stakeholder opinions. Further details of this process can be found on pages 12 – 13.

Our commitments detailed in our RBC have been developed in line with the UN Sustainable Development Goals (SDGs), with the pillars particularly linking to several of the goals. All RBC commitments are measured and reported on annually through our Responsible Business Report.

UNGC and SDGs

We continue to be signatories to the United Nations' Global Compact (UNGC), showing our commitment to its principles and using the United Nations' Sustainable Development Goals (SDGs) to guide our actions. There are several SDGs where our activities and programmes are most relevant and make a strong contribution towards our responsible business commitments. The UNGC Index can be found in the appendix (page 67).

UN SDGs	Description	RBC commitments	Our action	Pillars
Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Develop skills for the future, with a focus on lower income communities, providing access to skills development for 45,000 people by 2030.	• Investing in our colleagues • Grid for Good	
Gender Equality	Achieve gender equality and empower all women and girls	Achieve 50% diversity in our Senior Leadership Group by 2025. Maintain 50% diversity in all our new talent programmes.	• Women in senior leadership • Women in Engineering – promoting role models • Supply chain diversity	
Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy for all	Report transparently on energy costs throughout the energy transition – on average costs per household for our UK transmission network and for our US electric and gas business.	• Our business purpose – 'Bring Energy to Life' • Fair Transition Statement • Warm Homes Fund and Citizen Advice Partnership	
Decent Work and Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Maintain fairness for pay and make sure our pay practices do not show bias. We will work until pay equity is achieved for our people.	• Grid for Good • Living Wage • Global Supplier Code of Conduct	
Industry, Innovation and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Continue to invest in developing technologies and innovations that benefit our customers and wider society.	• Innovation for network capacity • Charging infrastructure	
Climate Action	Take urgent action to combat climate change and its impacts	We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 80% by 2030, 90% by 2040, and to net zero by 2050 from a 1990 baseline.	• net zero targets • 1.5 degree SBT for 2 business units • CDP A list • CDP Supplier Engagement Leader	

Key

- The environment
- Our people
- Our communities
- The economy
- Our governance

Materiality

We have completed a review of material topics as disclosed in the National Grid Responsible Business Charter, focusing on the topics most material to our organisation to enable strategy development, business growth and market resilience and that supports the creation of long-term value for all stakeholders.

Key findings:

- National Grid's Responsible Business Charter is advanced and progressive;
- the material topics covered by this report are broad and inclusive of multiple stakeholder opinions; and
- National Grid's external stakeholder engagement is reported well across all reports.

The content and emphasis within our RBR this year required some modification to the prioritisation of material issues from the RBC, as it serves a different purpose. The RBC identifies where we need to step up our level of ambition and to make new commitments to stakeholders. However, the document does not reflect, to the same degree, a number of ongoing priority areas, including risk management, stakeholder engagement and our approach to transparency.

These need to be covered in this RBR in order to be transparent and meet the information needs of stakeholders. To reflect this, compliance was added to the prioritisation.

We regularly undertake detailed stakeholder engagement at a business unit level, as part of the process for providing good customer service and the setting and reviewing of regulatory arrangements that set the prices customers pay for our service. These engagements are specific to the needs of customers and communities within each business but include stakeholder and customer groups, community forums, and the consultation and engagement we undertake as part of regulatory and business planning.

Alongside this, we conducted an extensive review of material issues as set out in the RBC. Ernst & Young has reviewed the material issues for this report and made some small recommendations for adjustments to scope as set out below, which have all been incorporated. This review concluded that our material issues continue to be in line with other utilities businesses with similar operations. The top issues continue to be our role in enabling the energy transition, the affordability of our services and the reliability of our networks. We report on the full range of material issues, and our activities to help achieve them, throughout this report.

Materiality matrix

Materiality is the principle that determines which issues are sufficiently important for it to be essential for us to report on them. In this RBR, we include issues that can be considered important for reflecting our economic, environmental and social impacts, or influencing the decisions of our stakeholders.

Through our extensive stakeholder engagement programmes, we have taken into account a broad range of views and opinions on issues relevant to the business, which have shaped both our core business planning and the development of our RBC.

This year Ernst & Young has reviewed our map of material issues, which has been signed off by our Chief Sustainability Officer.

The environment

01. Clean energy system
02. Our own emissions
03. Air quality
04. Land use
05. Water
06. Circular economy
07. Habitat and biodiversity
08. The energy transition

Our communities

09. Affordability
10. Community engagement
11. STEM education
12. Workforce development
13. Network reliability
14. Customer satisfaction
15. Cyber security
16. Public safety
17. Connectivity

Our people

18. Social mobility
19. Diversity, equity and inclusion
20. Fair pay
21. Employee rights
22. Employee health and safety
23. Mental health and wellbeing
24. Purpose, values and culture

The economy

25. Right tax
26. Fair return
27. Investment (long-term and local)
28. Green financing
29. Supplier prompt payment
30. Supply chain engagement

Our governance

31. Board representation and role
32. Stakeholder engagement
33. Emerging risks
34. Skills for the future on the Board
35. Transparency and reporting
36. Culture
37. Ethics and human rights
38. Compliance

Addressing our material issues

Responsible business strategy and implementation

Our responsible business strategy, as embodied in our RBC, is shaped by the expectations of our stakeholders (described above) and the application of a quantitative Total Societal Impact (TSI) methodology. These factors, in turn, have been shaped by sustainability-related trends, and the risks and opportunities these present.

The RBC sets out those areas where we recognised a need to step up, and it sets out our ambitions and the more concrete commitments that will underpin how we will achieve them. It is important to emphasise that some issues have not been allocated 'commitments' in the RBC as they already are, and continue to be, top priorities (e.g. employee and public health and safety). We have grouped issues into five 'pillars', each of which is covered in detail in this report.

To ensure our RBC truly drives progress, our commitments are embedded into the business plans of each business unit through cascaded targets. Progress against these targets is assessed at the highest level through our Monthly Business Review (MBR) process and executives are held to account.

The RBC will be reviewed on a regular basis and refreshed as necessary to ensure we continue to focus, and make progress, on the right areas of the agenda. The next review will take place in 2022.

Five pillars of the Responsible Business Charter

Our material issues are categorised within five 'pillars', as illustrated below, as per our Responsible Business Charter. In each pillar of the report, we set out, or cross-refer to, our management approach, the commitments we have made within the RBC and our performance in the year, together with case studies to illustrate the steps we are taking.

Metrics and assurance

Our performance data is subject to different levels of assurance, including external assurance, and a reporting process and controls review by National Grid's Finance second line risk and controls team. This is indicated in the data tables provided on pages 62 to 64. The methodology for calculation of these metrics is contained in a separate publication, 'Our Reporting Methodology'.

Our performance data associated with each strategic pillar can be found on the dashboard at the beginning of each reporting section, as well as in the data tables in the appendix and the supporting excel download document.

The environment

Our commitments
While continuing to manage our environmental performance responsibly, we have emphasised the need to facilitate the transition to a clean energy system, to achieve net zero by 2050 for our Scope 1 and 2 emissions, dramatically reduce our Scope 3 emissions and continue to improve the biodiversity of land that we own.

Our material issues
- Enabling a clean energy system
- Our own emissions
- Air quality
- Land use
- Water
- Circular economy
- Habitat and biodiversity
- The energy transition

Further reading on pages 15 – 24

Our people

Our commitments
While continuing to ensure our people are kept safe and healthy, and that work conditions meet their expectations, we are stepping up our efforts in relation to diversity and inclusion – focusing on fairness in pay and opportunity, transparency, and training around issues of gender and ethnicity.

Our material issues
- Social mobility
- Diversity, equity and inclusion
- Fair pay
- Employee rights
- Employee health and safety
- Mental health and wellbeing
- Purpose, values and culture

Further reading on pages 25 – 34

Our communities

Our commitments
While continuing to place public safety and network reliability and resilience as top priorities, we are focusing in particular on the affordability and fairness of our service to the community, and developing the skills of young people from some of the more deprived communities where we operate to help us in the clean energy transition.

Our material issues
- Affordability
- Community engagement
- STEM education
- Workforce development
- Network reliability
- Customer satisfaction
- Cyber security
- Public safety
- Connectivity

Further reading on pages 35 – 40

The economy

Our commitments
We are continuing to develop our infrastructure, invest in innovation that benefits our customers and wider society, and pay the right tax, as well as working to influence our supply chain to focus on diversity and responsible behaviour.

Our material issues
- Right tax
- Fair return
- Investment (long-term and local)
- Green financing
- Supplier prompt payment
- Supply chain engagement

Further reading on pages 41 – 46

Our governance

Our commitments
We will hold ourselves accountable on these commitments and ensure that stakeholder voices continue to be heard at the highest level, and that they influence our approach. We will ensure we maintain the highest standards of ethical conduct.

Our material issues
- Board representation and role
- Stakeholder engagement
- Emerging risks
- Skills for the future on the Board
- Transparency and reporting
- Culture
- Ethics and human rights
- Compliance

Further reading on pages 47 – 51

The environment

Highlights

Decarbonised Great Britain's electricity system by
61%
(over past nine years)

65%
reduction in Scope 1 and 2 emissions
(from our 1990 baseline)

Renewable energy connections
2,498 MW
connected to US and UK transmission and distribution grids during 2021/22

CDP Climate Change 'A list'
rating for sixth consecutive year

Our commitments

While continuing to manage our environmental performance responsibly, we have emphasised the need to facilitate the transition to a clean energy system, achieve net zero by 2050 for our Scope 1 and 2 emissions, dramatically reduce our Scope 3 emissions and continue to improve the biodiversity of the land that we own.

Our performance

Scope 1
5,271
$ktCO_2e$

Scope 2
2,194
$ktCO_2e$ (location based)

Scope 3
30,088
$ktCO_2e$
-10% against our 2019 baseline

SF_6
263
$ktCO_2e$
-22% against our 2019 baseline

Total miles air travel
-80%
against our 2019 baseline
4,689,805 miles (2021/22)

Fleet
4%
electric vehicle fleet (light-duty only)

Total energy consumption
3,502
GWh

Interconnector Capacity
6.4
GW

Natural Environment
21.6
hectares of land we have remediated

Linked SDGs

- Affordable and Clean Energy
- Industry, Innovation and Infrastructure
- Climate Action

Our material issues

- Enabling the clean energy system
- Our own emissions
- Air quality
- Land use
- Water
- Circular economy
- Habitat and biodiversity
- The energy transition

The environment continued

Overview

"Our first Climate Transition Plan sets out our action plan to achieve our targets."

Introduction

Our approach to management

We engage extensively in relation to the role we can play in the transition to a clean energy system. This includes broad consultation with other businesses and governments, to determine our priorities and help put in place practical solutions, such as interconnectors, EV charging infrastructure and other zero carbon projects. We participate in various climate change related organisations and were a Principal Partner of COP26 in Glasgow in November 2021.

In addition to direct engagement, we also provide extensive data on our performance through public submissions to the CDP and many other ESG disclosures to investors. These include data on climate change (where our responses have been ranked 'A' grade for quality for the last six years), as well as both water and supply chain management (where our responses have been rated 'A' for the past 4 years).

This year, we have expanded the suite of information we disclose. This report provides an update on progress against our targets and our first Climate Transition Plan sets out our action plan to achieve our targets. Aligning our financial metrics to EU Taxonomy and reporting the proportion of our capital expenditure that is green gives an overview of how our expenditure aligns to these plans. Our Task Force on Climate-related Financial Disclosures (TCFD) report (pages 70 – 83 of the Annual Report and Accounts) discusses our related climate change risks and opportunities, and our Fair Transition Statement sets out what we believe our role can be in ensuring these plans are aligned to a just, fair and equitable transition.

We use ESG benchmarks, such as, Climate Action 100+, and engagement with parties that use these benchmarks, to determine the disclosures and information that are most beneficial for our stakeholders.

Our strategy, in relation to environmental performance, is laid out in our RBC, itself a product of extensive stakeholder engagement and quantitative analysis. This includes a series of commitments and targets, most prominent of which is our commitment to net zero by 2050 and associated interim targets, which will guide and challenge us over both the short and long term. Our targets are regularly reviewed to ensure we are continuing to stretch ourselves and deliver societal value.

Environmental performance against RBC commitments are reported quarterly to the Group Executive Committee and three times a year to the Safety & Sustainability Committee of the Board (page 91 in the Annual Report). Business units have plans to achieve our RBC goals integrated into their business planning processes and these are scrutinised by the CEO and CFO as part of the monthly business review process. Our strategic report (pages 24 – 27 in the Annual Report) contains a number of climate-related KPIs, demonstrating the importance of the energy transition to meeting stakeholder requirements and to our commercial success. Climate change risks are considered as part of our overall enterprise risk management approach. This year, we split our principal climate change risk into discrete transition risk and added physical risk to the significant disruption of energy risk, to ensure a clear focus on the actions needed to mitigate these different risks. The significant disruption of energy risk is considered within the sphere of network reliability and resilience.

We undertake a detailed review of exposure to climate risk and our assessment is set out in our response to the TCFD framework (pages 70 – 83) of the Annual Report. This year, we have fully met the requirements of the TCFD recommendations.

We operate an Environmental Sustainability Policy which establishes environmental compliance and environmental sustainability performance requirements for all operational and non-operational activities. All our operations, other than the National Grid SMART, National Grid Interconnectors, and National Grid Renewables businesses, are certified to the environmental management system standard ISO 14001.

The environment continued

Enabling the clean energy system

Our performance

We have a dual role to play in delivering direct environmental value through our day-to-day activities, and supporting wider societal aims, particularly decarbonisation, through our role as The Energy Transition Company.

Energy transition

In our position as The Energy Transition Company, we understand the leading role we need to play in enabling and accelerating the move to a cleaner future. Our energy systems will all look very different in the coming decades, and we are working with governments and partners around the world to accelerate this transition, while balancing decarbonisation, affordability and reliability of supply.

Renewable energy

There are a number of pathways to achieving net zero. However, in all of these, we expect demand for electricity to rise as the transport and heat sectors become increasingly electrified. To help meet this demand with clean energy, we are connecting renewables as quickly and efficiently as possible, investing in grid modernisation and continuing to build international interconnectors. We not only focus on energy supply, we also make use of demand-side management through our energy efficiency and demand-side response programmes in the US and UK.

Renewable energy connections

2,498 MW

connected to US and UK transmission and distribution grids during 2021/22

We connected 2.5 GW of renewable capacity to our networks in 2021/22. 1.9 GW of this was to our UK Electricity Transmission network and 0.6 GW to our New York and New England electricity transmission and distribution networks in the US.

Interconnectors

Electricity interconnectors are high-voltage cables that connect the electricity systems of neighbouring countries. They enable excess power, such as that generated from wind and solar farms, to be traded and shared between countries. This helps to ensure excess renewable energy isn't wasted and makes for a greener, more efficient power system.

Interconnector capacity

6.4 GW

an increase of 1.4 GW from 2020/21

We are working on a further interconnector to link us to Denmark, called Viking Link, which is expected to be operational in 2024. Once operational, Viking Link will be the world's longest subsea interconnector (760 km) and will provide 1.4 GW of energy capacity.

Transport

In a net zero world, all road transport will be decarbonised by 2050. Our role is to make sure that renewable electricity is linked to the right charging infrastructure to enable the increase in electric vehicles.

In the UK, the Government announced a ban on the sale of petrol and diesel cars from 2030 and we have worked with them to secure £950 million of funding for electricity infrastructure to support this transition over the next five years.

In the US, electrification of transportation is fundamental to achieving our States' ambitious decarbonisation goals, meeting the needs of our customers and communities, and supporting complementary initiatives at the federal, regional and state levels.

National Grid is fully supportive of these goals and is actively engaged in accelerating transformation of the transport sector, which generates the largest share of greenhouse gases emissions in the Northeast and Mid-Atlantic regions. We have supported transportation electrification for over 10 years by installing and managing charging stations, providing guidance and incentives for our customers to enable electric vehicle adoption and charger deployment, supporting our own employees to drive Electric Vehicles (EVs), and leading by example as we electrify our internal light-duty fleet by 2030.

In the three years of offering our EV programmes in New York, Massachusetts and Rhode Island, National Grid has helped our customers to deploy more than 4,000 EV chargers with around 50% located in 'environmental justice' communities.

As we look to accelerate this transition, we are committed to enabling an electrified transport system that benefits all our customers and communities, and ensures access to equitable, reliable, affordable and resilient charging. This will require continued and expanded partnerships and coordination across industries, governments and diverse stakeholders. We continue to engage extensively with the transport industry to enable accurate planning of network capacity and to facilitate the building of electricity network flexibility. We are also supporting other low carbon alternatives, such as hydrogen and synthetic fuels, for heavy transport, maritime and aviation.

In June 2021, we joined the EV100 initiative, a global initiative launched by the Climate Group that brings together companies committed to the transition to electric vehicles. The initiative provides an opportunity for global leaders to share ideas, demonstrate the growing case for going electric, and engage with governments and stakeholders on how we can collaboratively remove remaining barriers.

Our commitment as part of this initiative is to integrate EVs into our fleet and support EV uptake within our workforce by providing charging facilities at our premises. For our fleet, that means electrifying 2,235 vehicles in the UK and 2,656 vehicles in the US. We've also made a commitment for 289 charging sites in the UK.

The environment continued

Enabling the clean energy system continued

Zero fossil future

Arguably, the biggest challenge we face in decarbonising the energy sector is how to achieve zero carbon heat. In the UK and Northeast US, where we operate, most heat requirements are provided by natural gas. There are overlapping factors of affordability, efficiency, comfort and deliverability for each option, but overall, we know it is achievable with the right investment and policy support.

In the UK, National Grid ESO publishes a number of scenarios looking at how the heat sector will transition, as part of its Future Energy Scenarios. For the US, we recently announced our vision to fully eliminate fossil fuels from both our gas and electric systems by 2050, if not sooner – setting clear and measurable milestones along the way. This work aims to assess the trade-offs in investment and affordability needed to achieve net zero for our US gas customers.

Reducing emissions from the buildings sector is one of the most important and challenging problems that must be solved to achieve net zero. Heat is essential to life and keeping it affordable and reliable is critical for economic development and wellbeing. Underscoring our vision for fossil-free heat is a sincere belief that the net zero path we take must leave no customer behind, and that our actions must be bold, smart and practical to build our shared clean energy future.

We set out this plan in detail to help the communities we serve understand our analysis and engage in the challenge to get to zero carbon. Our vision enables customers to have more affordable and more practical choices in how to become fossil free.

We are preparing the path for our fossil-free vision by integrating renewable natural gas (RNG) and hydrogen into our supply, anticipating the future development of supportive regulatory and policy frameworks. Our vision shows how we can achieve a 100% fossil-free gas network by 2050 at the latest, with a proportion of the network transporting 100% green hydrogen and a proportion transporting a blend of green hydrogen and RNG. Combined with energy efficiency and some electrification, we believe that customer heat requirements can be met whilst using existing infrastructure to help keep the transition affordable for the communities we serve in the Northeastern US.

Alongside this strategic work, we have a number of initiatives underway, including:

- Newtown Creek – we've invested in a public-private partnership with New York City (NYC) for a demonstration project at NYC's largest wastewater treatment plant utilising wastewater and food waste to produce RNG.
- HyBlend project – participation in a Department of Energy initiative with 6 national laboratories and more than 20 industry partners to address the technical barriers for hydrogen blending into the gas network.
- Conducting a hydrogen blending study with a local university in Long Island, Stony Brook, with financial support from New York State Energy Research and Development Authority (NYSERDA).
- HyGrid Project, located on Long Island, will aid in decarbonising networks by blending green hydrogen into the existing distribution system and is expected to heat approximately 800 homes and fuel 10 municipal vehicles.

Case study: Our US clean energy vision

To support and engage the communities we serve, we have set out our clean energy vision, with a focus on how we decarbonise heat and the supply of natural gas to homes and businesses.

Our analysis concludes that for the Northeast US the lowest cost path adopts these four steps of; efficiency, fossil free gas, hybrid electric-gas systems and targeted electrification where it is cheaper. This plan delivers a zero carbon system to replace current natural gas by 2050 at the latest. The fossil free gas is achieved by moving to mix of green hydrogen, generated using renewable power, and RNG. This plan delivers the lowest cost fossil free outcome for our customers, achieving a lower level of necessary investment and less infrastructure.

Our full report is available here.

"This plan delivers the lowest cost fossil free outcome for our customers"

Pillar one
Energy efficiency in buildings

We will continue to provide programs for our customers to accelerate energy efficiency improvements to buildings, including deep retrofits and measures that reduce peak gas and electric demand; and support more rigorous building codes for new buildings.

Pillar two
100% fossil-free gas network

We will eliminate fossil fuels from our existing gas network no later than 2050 by delivering renewable natural gas and green hydrogen to our customers.

Pillar three
Hybrid electric-gas heating systems

We will support our customers by providing them strategies and tools to capture and maximize the benefits of pairing electric heat pumps with their gas appliance.

Pillar four
Targeted electrification and networked geothermal

We will support cost-effective targeted electrification on our gas network, including piloting new solutions like networked geothermal. We will support customers who heat with oil and propane with strategies and tools to convert to heat pumps.

The environment continued

Our own emissions and energy consumption

Understanding our GHG emissions

Our GHG emissions arise from a number of different sources. Scope 1 emissions are primarily from Power Generation (Long Island Power Authority), leaks and venting from our gas transmission and distribution systems, SF_6 leaks from our electric equipment, fleet vehicle use, and use of gas-fired compressors on our gas transmission network. Scope 2 emissions are from electricity network losses, energy purchased for use at our facilities and the use of electric drive compressors on our gas transmission network. Scope 3 emissions are primarily from the use of 'sold product' – emissions from our customers' use of the gas and generation of the electricity we purchased on their behalf – and from the goods and services we purchase.

Scope 1 and 2 emissions

In 2012, we developed our environmental sustainability strategy, 'Our Contribution', and set targets to deliver progress through to the end of 2020. This included a target to reduce Scope 1 and 2 emissions by 45%. Our actual performance was nearer to a 70% reduction and so, in November 2019, we published our new net zero target, committing us to a more ambitious and challenging programme.

Our net zero by 2050 commitment is broken down into nearer-term elements to ensure that we not only hit our target, but achieve it sooner if possible. Our first focus is our 80% by 2030 commitment for Scope 1 and 2 emissions, and initiatives are in place to reduce emissions across the business. Current projections are underpinned by considerable assumptions, and careful tracking of these, alongside our internal performance, will be vital to our success. Our interim Scope 1 and 2 carbon reduction targets are verified by the Science Based Target initiative (SBTi), demonstrating a clear, credible commitment to deliver our longer-term net zero strategy in line with a well below 2°C pathway.

As we refine our strategy, we acknowledge that we face a series of challenges, as we try to balance this goal with ensuring we provide a reliable, continuous supply of energy, at the lowest possible cost. Our Climate Transition Plan sets out the actions we're taking to make significant near-term reductions in our GHG emissions and ensure we remain on track to meet our longer-term aim to reach zero emissions by 2050.

Our role in enabling the energy transition will also help us to reduce elements of our own carbon footprint that are reliant on the wider decarbonisation of the energy system. As an organisation, we are proactively working to support the decarbonisation of the wider power sector through investment in new connections, networks, data and modelling, energy efficiency and, through NGV, new US renewable projects, to support wide policy goals to deliver the emissions reductions needed.

This year we saw a year-on-year rise in Scope 1 emissions. The increase resulted mainly from generation emissions exceeding projected levels due to increased Long Island Power Authority operating hours, required to replace shortfalls in off-island generation and transmission.

Scope 1 emissions were 5,271 $ktCO_2e$, a 12% increase on the prior year (4,727 $ktCO_2e$). Of this year's scope 1 emissions, 89% arose in the US and 11% in the UK.

We have a commitment in our RBC to move to a 100% electric fleet by 2030 for our light-duty vehicles. At the year end, the proportion of electric light-duty vehicles stands at 4%, representing a total of 128 vehicles, indicating we have made a start, but we recognise there is a long way to go. As outlined in the transport section above, market developments should enable an acceleration in future years.

Sulphur hexafluoride (SF_6) is categorised under Scope 1 emissions by the GHG Protocol and therefore included in National Grid's Scope 1 figures and Net Zero strategy. We have a specific commitment in the RBC to reduce emissions of SF_6 by 50% by 2030 from a FY19 baseline. SF_6 is widely used in the electricity industry for its insulating properties but it is also one of the most potent greenhouse gases, with a global warming potential 22,800 times that of CO_2, and is highly regulated in both the UK and US. We are required to monitor and report our SF_6 emissions to regulators either annually (UK) or should they exceed a defined threshold (US). Our ambition is to eliminate the use of SF_6 from our operations entirely. Emissions of SF_6 were 263 $ktCO_2e$ (2019/20: 321 $ktCO_2e$), a reduction of 22%.

Scope 2 emissions are reported on a market basis and location basis:

- **Market basis** – 2,244 $ktCO_2e$, a 1% reduction on the prior year.
- **Location basis** – 2,194 $ktCO_2e$, a 1% reduction on the prior year.

Approximately 58% of our Scope 2 emissions (location basis) were generated in the UK, with the remainder through US operations. Reduction in Scope 2 emissions was mainly due to a reduction in emissions from line losses, resulting from a reduction in grid electricity carbon intensity. Combined Scope 1 and Scope 2 emissions are one of our core KPIs (page 26 of the Annual Report) and rose and rose relative to the previous year as the increase in Scope 1 emissions, driven by power generation, outweighed reduction in other Scope 1 and 2 emissions. Our combined Scope 1 and 2 emissions intensity is 411 tCO_2e/£m revenue (2020/21: 470 tCO_2e/£m revenue).

Case study: Renewables in upstate New York

We play a key role in the energy transition by enabling generators to connect renewable energy onto our transmission and distribution networks. New York State has set a goal of achieving 70% renewable electricity by 2030. In National Grid's upstate territory alone, we are enabling the energy deliverability of over 10 GW of new wind and solar renewable energy resources. Our high-voltage rural transmission network will be upgraded to deliver energy from high-potential areas for renewables development in upstate New York to customers across the State. By prioritising 'multi-value' transmission projects that support the delivery of clean energy and also meet safety or resilience needs, we will cost effectively enhance the grid's reliability, at the same time supporting the clean energy transition. We are deploying a range of technologies such as dynamic line ratings to accelerate connection and speed up renewable generation deployment.

In 2021, the New York Power Authority selected National Grid as a partner for the Smart Path Connect Priority Transmission Project. This project is targeted to be in service by 2025 and will unbottle more than 1,000 MW of existing renewable energy, provide $400 million in annual congestion savings, reduce New York state's CO_2 emissions by 1 million tonnes per year and provide benefits to state and local economies by creating hundreds of clean energy construction jobs.

The environment continued

Our own emissions and energy consumption continued

Scope 3 emissions

Our Scope 3 target, verified by SBTi, covers emissions across our entire value chain, with a commitment to reduce these carbon emissions by 37.5% by financial year 2034 (from a financial year 2019 baseline), equating to an absolute average reduction of 2.5% per annum.

In summary, our total Scope 3 emissions increased by 4% on the previous year, driven largely by a rebound in gas demand as pandemic-related restrictions were eased.

Our total Scope 3 emissions are calculated as 30,088 $ktCO_2e$ for the year, indicating their relative significance in comparison to combined Scope 1 and 2 emissions.

We report Scope 3 emissions across six categories as defined in the GHG protocol. Emissions by category are detailed in the Appendix with those from Category 1: Purchased goods and services, Category 3: Fuel & energy related activities and Category 11: Use of sold product, making up over 99% of our Scope 3 emissions. The remaining Scope 3 categories – Waste generated in operations, business travel and employee commuting – therefore accounted for less than 1% of the total. Emissions from air travel increased last year, driven by the easing of travel restrictions. These are still only around 20% of pre-pandemic levels, however, as we minimise business travel, where possible, through virtual working.

Energy use

Our energy consumption consists of both fuel consumed and energy purchased from third parties. Consumption was 3,502 GWh, compared to 3,125 restated in the previous year. 66% of the total energy consumed was in the UK, with the balance consumed in the US. In the table, electricity consumption includes the energy consumed in operating the generation assets in the US. Total energy does not include fuels consumed for power generation on behalf of LIPA, the contracting body, amounting to 19,610 GWh (net of energy required to operate the generation assets), a 21% increase on the prior year. As a result, we have not subtracted electricity generated from the annual total energy consumption figure.

Our energy intensity is 0.19 GWh/£m revenue, compared with 0.21 GWh/£m revenue in the previous year. In addition to energy consumed, we calculate that system losses accounted for a further 11,117 GWh, of which 51% occurred in the US. This compares with 11,154 GWh in the previous year.

Table 1: Breakdown of energy consumption (GWh)

	2021/22	2020/21
Operational consumption	**1,990**	1,748
Transport consumption	**362**	369
Electricity consumption	**987**	852
Heating consumption	**163**	156
Total	**3,502**	**3,125**

Note: 2020/21 data has been re-stated to account for a minor misstatement following data reconciliation.

Case study: Environmental value of our non-operational land

As a major land owner in the UK, we can have a material impact on the natural environment at our sites, and by managing our landholdings differently, we can help to address the depletion of the natural environment and the biodiversity crisis – ensuring that we leave a lasting legacy to society and future generations.

As a result, we have committed to improve the environmental value of our UK non-operational land by at least 10% by 2026, and we have a five-year delivery strategy to reach this. Environmental value is a measure of the condition of, and ecosystem services that flow from, our natural assets. It is a representation of the benefits and services that nature provides to society and businesses, such as climate adaptation, pollution control, improved air quality, pollination and recreational use of land.

Helene Parpworth (centre), National Grid's Land Sustainability Strategy Manager, and members of the Langdyke Countryside Trust board at our Bainton site

In 2021/22, we made great progress and hit our year 1 stretch target of a 1.4% improvement. This has been achieved by introducing 10-year partnership agreements at three of our electricity substation sites – Bainton Heath (Langdyke Countryside Trust), Bishop's Wood Environmental Education Centre (Field Studies Council) and Ninfield (The Conservation Volunteers).

By managing these sites differently, habitats across new conservation areas will be enhanced or created. This includes wildflower meadow creation, an important food source for local pollinators, and woodland restoration and management, which is one of Britain's richest and most diverse habitats, alongside hedgerow and tree planting to increase habitat connectivity.

The partnerships will also enable at least 2,200 people per year from local communities to access nature via our sites as a result of new conservation days, guided walks or increased environmental education visits throughout the duration of the 10-year agreements.

In addition, we have also introduced a 10-year habitat management plan to protect and enhance the precious ancient woodland at our Bramley electricity substation site, and have begun working with the local Basingstoke Beekeepers to increase pollination levels.

By working collaboratively with our partners, we are taking steps to try and restore the abundance of Britain's wildlife, maximising biodiversity and essential ecosystem services that we rely so heavily on.

The environment continued

Climate Transition Plan

Introduction

The science is clear. The coming decade is critical in limiting the impact of global warming. The actions we take now to keep increases close to 1.5°C can substantially reduce projected losses and damage related to climate change

Being at the centre of the UK and US energy transition we understand the leading role we need to play in enabling and accelerating the move to a cleaner future. Our energy systems will all look very different in the coming decades, and we are working with governments and partners around the world to accelerate this transition, while balancing decarbonisation, affordability and reliability.

Our commitments

We're committed to changing the way our organisation operates to ensure our business model is consistent with the objectives of the Paris Agreement. This Climate Transition Plan sets out the targets and actions we're taking to make significant near-term reductions in our GHG emissions and ensure we remain on track to meet our longer-term target to reach zero emissions by 2050.

Our climate strategy is guided by a set of absolute GHG reduction targets covering the entirety of our direct (Scope 1), indirect (Scope 2) and value chain (Scope 3) emissions.

We commit to reduce absolute Scope 1 and 2 GHG emissions:

- **80% by 2030** from a 1990 baseline* (SBTi aligned) – our near-term target
- **90% by 2040** from a 1990 baseline – our medium-term target
- **to net zero by 2050** – our long-term target.

* This is equivalent to a 50% absolute reduction from a FY16 baseline.

We commit to reduce absolute Scope 3 GHG emissions (including sold gas and electricity):

- **37.5% by 2034** from a FY2019 baseline (SBTi aligned)
- **to net zero by 2050**

Our climate change strategy has its foundation in a solid understanding of where our material impacts are, not only within our own operations (Scope 1) emissions and the energy we use (Scope 2) emissions, but also from our wider value chain (Scope 3) emissions.

Considering the entirety of our climate footprint in a combined way allows us to identify which areas of our business and operations have most significance, and to put strategies in place to ensure alignment with our science-based GHG reduction targets.

Our Climate Transition Plan sets out our Group GHG reduction targets, our overall pathway to 2050 and the actions we're taking across each of the material areas of our climate footprint.

Material Scope 1 and 2 emissions

- Power generation
- Natural gas (combustion, fugitive and venting)
- SF_6 leakage (an insulating gas used in electricity networks)
- Electricity line losses

Material Scope 3 emissions

- Gas we sell directly to customers
- Electricity we sell directly to customers
- Goods and services we buy

Actions we are taking over the next decade:

SF_6	We will reduce SF_6 emissions from our global operation 50% by 2030, through leak identification and repair, as well as investment in SF_6 alternatives.
Natural gas	We will invest in network modernisation to reduce fugitive natural gas emissions and increase safety and reliability. We will invest in infrastructure to deliver fossil-free gas and electric solutions, serving 10-20% of gas demand with renewable national gas (RNG) by 2030.
Generation	We will work with Long Island Power Authority (LIPA) during our current generation contract period (due to end in 2028) to responsibly reduce emissions to ensure we're on track for NY state's 2040 decarbonisation path. Our joint venture with RWE Renewables was successful in the NY Bight offshore capacity auction, which has the potential to connect up to 3000 MW of clean renewable energy to NY by the end of the decade. Opportunities to grow our renewable generation business in the US over the coming decade will significantly lower the overall intensity of our generation portfolio.
Line losses	We will efficiently connect renewables and continue to build interconnectors supporting wider decarbonisation of electricity markets.
Transport	We will move to 100% electrical fleet by 2030 for our light-duty vehicles.
Value chain	We will continue innovation in nation-leading energy efficiency programmes for gas and electricity customers. We will continue to integrate carbon as a weighted element within our design and tender decision-making process. We have also identified our material hotspots for construction activities and will continue to work with partners across the industry on lower carbon alternatives. We will convert a majority of customers who heat with oil to electric heat pumps.

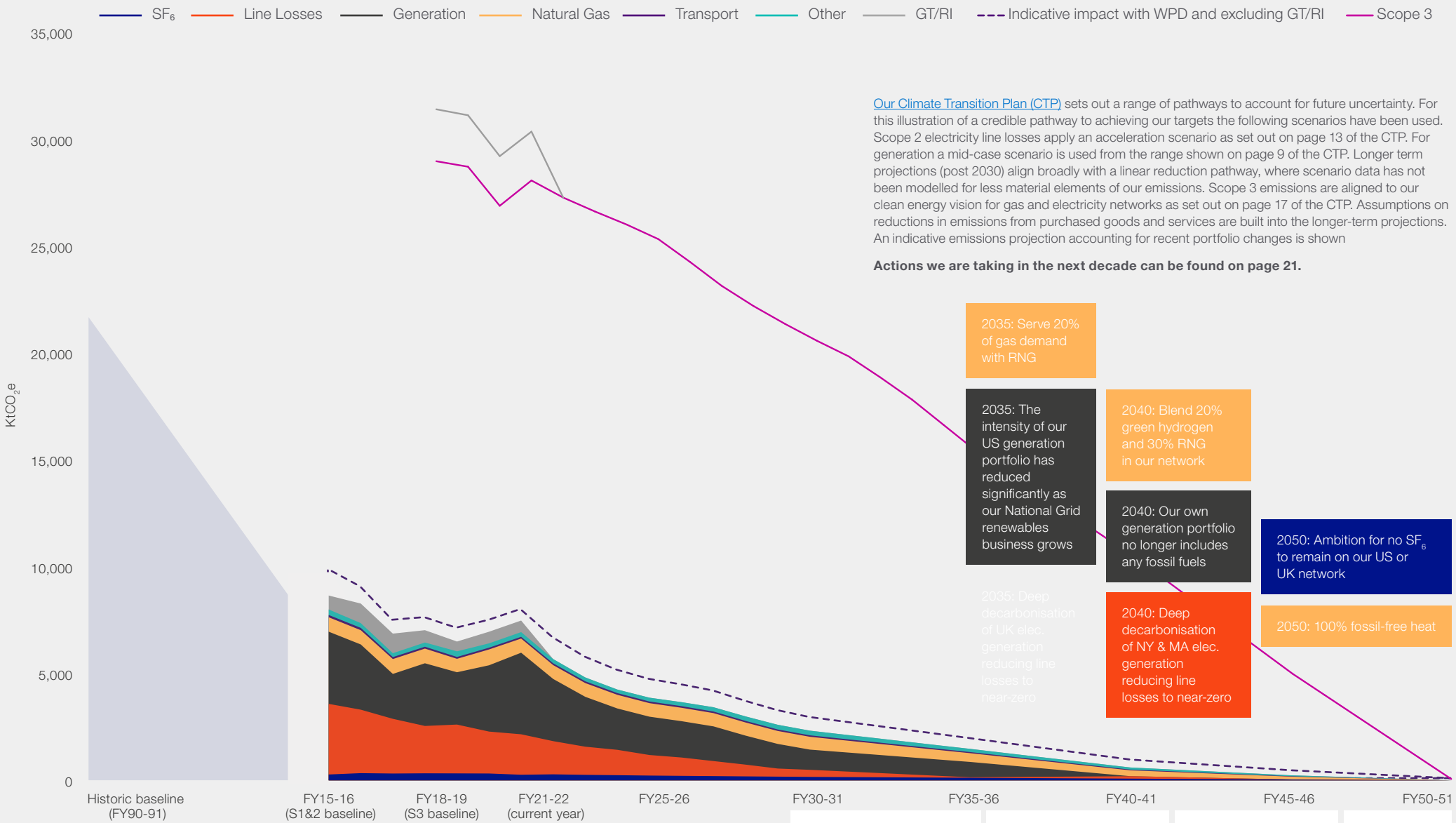
Scenario Analysis

We have developed a set of credible transition scenarios, which we have applied and tested against our emissions projections, to understand the different pathways to achieving zero emissions for our business and guide our strategic and financial planning with respect to climate change.

Further reading
Full Climate Transition Plan on page 59

The environment continued

Our Pathway to Real Zero by 2050



Our Climate Transition Plan (CTP) sets out a range of pathways to account for future uncertainty. For this illustration of a credible pathway to achieving our targets the following scenarios have been used. Scope 2 electricity line losses apply an acceleration scenario as set out on page 13 of the CTP. For generation a mid-case scenario is used from the range shown on page 9 of the CTP. Longer term projections (post 2030) align broadly with a linear reduction pathway, where scenario data has not been modelled for less material elements of our emissions. Scope 3 emissions are aligned to our clean energy vision for gas and electricity networks as set out on page 17 of the CTP. Assumptions on reductions in emissions from purchased goods and services are built into the longer-term projections. An indicative emissions projection accounting for recent portfolio changes is shown

Actions we are taking in the next decade can be found on page 21.

The environment continued

Impact on our operations

Air quality

Emissions from stationary sources

In addition to GHG emissions, we also generate other emissions to air from our operations. We are required to monitor and report these to regulatory bodies in both the UK and US. Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and Particulate Matter (PM) are atmospheric pollutants that impact local air quality and as such can have an impact on human health. Stationary sources of these emissions include gas compressors in the UK, the burning of natural gas and fuel oil in the US (to generate electricity through our Long Island fleet) and submerged combustion vaporisers at our UK Isle of Grain Liquified Natural Gas (LNG) facility.

Other sources may include back-up generators, small domestic boilers, vaporisers and process gas boilers on sites, as well as from mobile sources (e.g. our vehicle fleet). Air emissions from these potential sources are thought to be immaterial and are currently not monitored. Our emissions for the year are indicated below:

Table 2: Air quality – emissions from stationary sources (tonnes)

	2021/22	2020/21
Sulphur oxides (SOx)	**1,107**	129
Nitrogen oxides (NOx)	**3,072**	2,214
Particulate matter (PM)	**391**	231

NOx and SOx emissions increased during 2021/22 due to the longer running time of our generation assets (see Scope 1 commentary above).

Biodiversity

We believe the most material impacts on biodiversity, and where we can have a positive impact, are on the land we own, and when we are delivering new infrastructure projects. Our targets are therefore focused on those areas – increasing the environmental value of our non-operational land and delivering 'net-gain' environmental value when we deliver new projects that enable the energy transition. It is important to us that all our biodiversity-related activities are driven, and informed by local, regional, and national stakeholders.

Our group target is to improve the natural environment by 10%, by 2030, on the land we own. However, our commitments are continually under review to ensure we are evolving and pushing the boundaries of best practice, and we have some exciting projects either delivered or underway, which demonstrate our ambition in this area.

In our US business, we have focused on improvements which increase biodiversity, protect endangered species and/or create habitats. The protection and establishment of pollinators has been a key priority of our programme. These pollinators are the building blocks of a rich and diverse ecosystem. As a specific example in the past year, we have enabled the protection of the monarch butterfly on 17,000 acres of land. We have also created small wildflower meadows, and enabled the keeping of honeybees on our land. Another example of our biodiversity action was to permanently protect around 200 acres of land from development by transferring it to a local conservation trust.

Similarly, in the UK, our Electricity and Gas Transmission businesses have accelerated targets that commit to improve the natural environment by 10%, by 2026, on the land we own and have set a 10% net gain in environmental value target on all construction projects. Both targets are measured using natural capital and net gain principles and tools, as recommended by DEFRA, and are part of our regulatory business plans.

These targets build on the longer-term work we've been doing to manage nature. In 2013, we set a target to embed sustainability action plans at 50 of our own sites by 2020, which we exceeded. These plans focused on managing the land to enhance natural capital such as reinstating and maintaining public walkways, replanting of wildflower meadows and native trees and installing beehives and other habitats – each serving a specific purpose to the chosen site. Partnerships with specialist environmental organisations have helped us to shape new ways of managing our land on this local scale, the benefits of which go beyond ecosystems, positively affecting local communities and our own employees.

We also have a network of four environmental education centres which we have funded and supported for many years; our longest standing centre at Skelton Grange is celebrating its 30th birthday this year. The centres provide educational activities to those who visit and have been developed in collaboration with environmental charities, showing how nature and communities can thrive alongside our critical national infrastructure.

To support in the delivery of the above natural environment targets, we have recently developed an efficient and innovative way of measuring the biodiversity and natural capital value of our land, by investing and working with a satellite company start-up venture AiDash. Using artificial intelligence techniques, the software analyses satellite images and categorises different parcels of land, which gives us SMART baseline data to measure our biodiversity enhancements against.

We acknowledge the move externally to set Science Based Targets for Nature and disclose to the Taskforce for Nature Related Financial Disclosures (TNFD). We are following guidance from both organisations, have signed up to the TNFD Forum and have set up a working group with representatives across the National Grid Group to develop a roadmap of how we will position National Grid to respond to these disclosures in the future.

On our journey to net zero, we are connecting increasing amounts of renewable energy from the North Sea to the UK's East Coast. As part of this project, we are exploring regional opportunities to manage and enhance biodiversity beyond our own land, through collaboration with local partners and communities. We envisage that this approach will be adopted more widely across National Grid as we continue to migrate to a cleaner energy system.

Finally, understanding the risk of physical climate change hazards (e.g. flood risk, increased temperatures) on our networks in the UK and US on a decade-by-decade basis through to the 2070s, under different climate scenarios, is a key part of our climate change strategy. Addressing these risks is directly linked to protecting the natural environment, and we actively seek out opportunities to manage nature to adapt to these hazards, alongside or instead of hard engineering solutions.

Senior leader building a bug hotel

The environment continued

Impact on our operations continued

In addition to committing to enhancing the natural environment on land we own, we are also supporting the remediation of historic pollution of certain sites, some of which we no longer own. At 31 March 2022, the Group has £1,877 million (2020/21: £1,700 million) of environmental provisions, of which 90% are in the US.

These relate to a number of sites owned and managed by subsidiary undertakings, together with certain US sites which are no longer owned. More than half of the US provision relates to three former sites which were identified by the EPA as sites of significant contamination (Superfund sites). Further information is provided on page 205 of the Annual Report. In the UK, we manage and regenerate our brownfield surplus estate, working with communities to return redundant sites back into beneficial use to provide new homes and employment opportunities. In 2021/22, we disposed of 32 sites and exchanged contracts on a further 4 land sales, to facilitate the delivery of thousands of new homes across the UK. In March 2020, we entered into a joint venture with Places for People, one of the largest regeneration, development and property management companies in the UK and a registered provider of affordable housing. As part of the venture, called National Places, we aim to deliver up to 20 sites for much needed housing across the UK, and we have now exchanged on the first land acquisition.

Circular economy and waste management

Waste generated

We generate waste during a range of our activities and sources, including office and warehouse waste, waste from distribution and transmission gas pipe and electricity line laying, repair and maintenance, capital project delivery and power generation. The different categories of waste are summarised in table 3.

Some waste produced is classed as 'hazardous waste'. This arises from the removal of contaminated land during commercial property activity and the disposal of oil and polychlorinated biphenyl (PCB) or lead-contaminated materials. Approximately 70% of hazardous waste is recycled, and 16% is sent to landfill.

For non-hazardous waste, approximately 6% is sent to landfill, whilst the remaining is either reused (28%) or recycled (60%). Other disposal methods include thermal processing and incineration.

We have achieved our goal of 99.7% office waste being diverted from landfill. Most of the waste is either sent for recycling or to 'energy from waste facilities', where it is turned into electricity.

We have also been working on removing single-use plastics from our offices. In the UK, our aim is to eliminate single-use plastics from sale at our offices by engaging with staff to set aside single-use plastics for more sustainable alternatives. We have avoided millions of pieces of single-use plastic since we started this programme, and there are only a few plastic waste streams left in our offices to replace.

No waste is disposed of on site.

Water

Water consumption relates almost entirely to use for cooling purposes, and abstracted water is not altered other than being slightly warmed by the process. During 2021/22, 1,388 million cubic metres were withdrawn. Of this total, over 99% relates to the use of seawater for cooling the generation assets in the US. All of this abstracted water is returned to the sea. Of the remaining water used, none is abstracted from water-stressed areas. Only 0.1% of the total is discharged to third-party sewers.

Compliance with environmental legislation

To our knowledge, we have not received any fines or monetary sanctions in this year* in relation to any breaches of environmental legislations. We have received seven 'notices of violation' for minor issues, which have been rectified.

*A monetary penalty of $1,160 from an incident in 2020 was received in 2021/22.

Table 3: Waste generated (metric tonnes)

	Hazardous	Non-hazardous	Total
Reuse	0	85,537	85,537
Recycled	20,342	186,933	207,275
Landfill	4,675	19,980	24,655
Other disposal methods	4,119	18,601	22,719
Total Generated	**29,136**	**311,050**	**340,186**

Case study: SF_6

A large proportion of SF_6 in the UK is used in gas insulated busbars (GIB) and we are working with equipment manufacturers and researchers to explore the possibility of retro-filling GIB with alternative gases. This is technically challenging, but we have recently commissioned a world-first pilot project at our Richborough 400 kV substation that has removed 755 kg of SF_6 from existing GIB. The SF_6 has been replaced with an alternative gas, delivering approximately 99% reduction in carbon dioxide equivalent. We have identified circa 28 more tonnes of SF_6 within assets of the same design across our UK network and we will be working with all of our key Original Equipment Manufacturers to explore further extension of this approach.

Onsite gas cart used to retrofill existing Gas Insulated Busbar with an alternative low global warming g3 gas designed for high-voltage transmission equipment

Our people

Linked SDGs

Gender Equality

Decent Work and Economic Growth

Highlights

Employee engagement index score
81%

-1.6%
Mean 'base' gender pay gap in the UK

Annual average training days per employee
5.4

38.6%
of our workforce are diverse (a colleague who identifies as female, as person with a disability, as gay, bi-sexual or lesbian or from an under-represented ethnic/racially diverse background

Our material issues

- Social mobility
- Diversity, equity and inclusion (DEI)
- Fair pay
- Employee rights
- Employee health and safety
- Mental health and wellbeing
- Purpose, values and culture

Our commitments

While continuing to ensure our people are kept safe and healthy, and that work conditions meet their expectations, we are stepping up our efforts in relation to diversity and inclusion – focusing on fairness in pay and opportunity, transparency, and training around issues of gender and ethnicity.

Our performance

Diversity of Senior Leadership Group
49.5%

Diversity of workforce
38.6%

Employee engagement
81%

Gender pay gap (UK)
-1.6%
mean 'base' figure
-15.6% mean 'incentive' gender pay gap

Gender pay gap (US)
12.6%
mean 'base' figure
-35.4% mean 'incentive' gender pay gap

Ethnicity pay gap (UK)
3.2%
mean 'base' figure
60.3% mean 'incentive' ethnicity pay gap

Ethnicity pay gap (US)
6.1%
mean 'base' figure
9.4% mean 'incentive' ethnicity pay gap

'Safe to say yes' index
73%
(2021/22), improving from 67% last year

Lost time injury frequency rate
0.13
number of hours worked per 100,000

Our people continued

Overview

Natalie Edwards
Chief Diversity Officer

"Diversity of experience and identity brings fresh thinking, innovation and ideas."

Introduction

Many businesses talk about being responsible. At National Grid, we want to exceed the expectations of our stakeholders. Our workforces, prospective hires, customers, clients and supply chains rightly expect to see action embedded in an organisation's values and at the heart of its vision. A core part of our efforts to exceed these expectations and deliver on our Responsible Business Charter (RBC) is to create a truly diverse, equitable and inclusive environment, where all our colleagues feel that they belong and can achieve their full potential.

We're committed to creating a work environment where our people feel respected and are treated fairly, empowered to be themselves and valued for their skills, backgrounds, expertise and insights; we want everybody to thrive at National Grid. We believe that not only is it the right thing to do, it is also critical for enabling us to successfully lead the clean energy transition and help the UK deliver net zero. Diversity of experience and identity brings fresh thinking, innovation and ideas; this is key if we are to maximise our impact in tackling the climate crisis, as our people will reflect the diversity of the communities we serve.

Our RBC, published in October 2020, outlines clear goals against five key areas including increasing the diversity of our workforce at all levels and putting in place metrics that will hold us to account. Our commitments include:

- being as transparent as possible on gender and ethnicity/race;
- maintain 50% diversity in all our new talent programmes by 2025;
- achieve 50% diversity in our Senior Leadership Group by 2025;
- provide access to unconscious bias training to all our people; and
- maintain fairness across the organisation for pay and make sure our pay practices do not show bias.

These targets will be critical to maintaining momentum, monitoring progress and encouraging all colleagues to take responsibility for diversity, equity and inclusion (DEI).

In recent years, we have been taking tangible actions across recruitment, retention and progression, and with the launch of our new Group DEI strategy, we have refocused minds and efforts. I'm proud to have already seen strong buy-in from our senior leaders, perseverance and dedication from our employee resource groups, and positive engagement from our colleagues. As we continue to embed our strategy into all corners of the business, co-ownership and accountability across the entire organisation will be crucial to delivering on our DEI and RBC commitments.

Since launching the RBC, we've seen progress to increase gender diversity across the business at all levels, with 49.5% (provisional) more women in senior leadership roles and some shifts in the right direction in the diversity of those joining our new talent programmes. However, there is much more work to do to improve representation across all other diverse groups which will require intentional focus and long-term commitment to address. With DEI remaining top of our priorities, individuals who are from racially and ethincally diverse backgrounds, members of the LGBTQ+ community, and those who are with disabilities and/or who are neurodiverse must be a key focus for us as we continue to build the best workforce and business positioned to deliver on net zero. We remain committed to creating an organisation that all our colleagues and local communities can feel proud to be part of and represented by.

Our approach to management

We engage extensively with our colleagues through a number of channels and processes. This enables us to understand their needs and requirements, and build a culture that will help to drive our performance and develop a skilled and motivated workforce. This includes an independently managed annual colleague listening process – 'Grid:voice' – to help us identify areas that colleagues believe we need to improve. This year, 73% of colleagues took part in the survey (last year: 81%), 2022 was the first year we removed the paper part of the process and had a fully online survey, and our engagement index score was 81% favourable. There was no change compared to the previous year but this score is positive in a year of change across the organisation and remains 9 points higher than external benchmarks.

The Board receives regular updates on employee matters via meeting papers, and key discussions and decisions are reported in the Annual Report.

We also engage with colleagues through their representatives in various trades unions. In the UK, we have a collective bargaining agreement with four recognised trades unions covering our staff grades, and this is the formal mechanism for consultation and negotiation on a range of matters including pay and terms and conditions of employment. We have an employee relations framework at national level and local level which is used to facilitate collective discussion with the trade unions.

In the US, we commit to collective bargaining with 22 unions, setting out terms and conditions of employment for represented employees. Neither party may deviate from the terms of the collective bargaining agreement, except in extraordinary circumstances.

We encourage positive employee listening, engagement and feedback. There are a number of trade union recognition agreements in place for collective bargaining purposes. In 2021/22, approximately 54% of our global population were covered by these agreements. This includes our staff grades in direct operations in the UK and our union populations in the US but does not include other colleagues who may be involved in collective bargaining, as this data is not currently tracked. Therefore, this percentage is likely to under-report the actual position. None of our colleagues are denied the right to exercise freedom of association or collective bargaining, and all employees have a contract of employment which cannot be changed without prior consultation.

Our people continued

Employee health, safety and wellbeing

Overhead lines (OHL) inspection, from the ground, UK

"The health, safety and wellbeing of employees and contractors is our primary concern and a key priority for everyone at National Grid."

Talent retention

We employ 24,104 people (2020/21: 23,537), located both in the UK (6,772) and the US (17,332), and they are the lifeblood of our business. We are reliant on our colleagues to deliver success for the business and our stakeholders, and we aim to attract and retain the best people by striving to be recognised as an employer of choice. People are attracted to work for businesses which can demonstrate a clear purpose that benefits society. It is important for us to match their aspirations, and we work towards going beyond delivery on the core aspects of the employer/employee relationship, to create a culture focused on the value we can add to society – the subject of this report.

Health, safety and wellbeing (HSW)

We have a fundamental duty of care to ensure our colleagues are kept safe at work and their health is not impacted as a result of their employment. The health, safety and wellbeing of employees and contractors is our primary concern and a key priority for everyone at National Grid.

Any safety incident is one too many and we continually work to improve our performance through effective policies, standards, procedures and training. We liaise regularly with the Health & Safety Executive in the UK and Occupational Safety and Health Administration (OSHA) in the US, along with the relevant state regulators.

We engage extensively with our workforce on HSW topics and conduct annual surveys relating to safety arrangements. HSW matters are fully integrated into a broad range of training and competence assessments, and we work collaboratively with trade unions. In the UK, we hold regular safety forums with union leadership, and hold events where the union safety representatives are invited to engage on a range of relevant topics and provide feedback. In the US, there are Safety Policy Committees (SPCs) where we engage with unions on a range of safety topics. In both cases, we consult on policy introductions or changes with the unions, for example, our drug and alcohol policies, amongst other items. Meetings tend to be held monthly or quarterly dependent on the focus.

Several Business Management System (BMS) Standards, which are described in the following sections, form the direction for an implemented HSW management system, which includes an Incident Management System (IMS) and governance arrangements. The requirements are applied across the business, as applicable, and are relevant to our own employees and contractors. The management system has been developed to meet the regulatory requirements operating in the UK and US, enhanced by best practice arrangements to deliver continual improvement. The overall management system is not certified to a recognised management system standard, although certain local elements are. All relevant activities and operations are covered by an appropriate BMS Standard and all elements are covered by internal audit processes on a rolling basis. No employees or contractors are excluded from coverage.

Our prioritisation of safety is supported by our Occupational Safety BMS Standard and this ensures that no matter where in the world our colleagues or contractors work, they can expect to receive a consistent and high level of protection for their safety. In addition, we operate a Wellbeing and Health BMS Standard which enables our business to proactively manage health risks and controls by fostering a proactive approach to wellbeing that can measure and target areas of greatest impact for the business.

The Process Safety BMS Standard helps to protect people (colleagues and members of the public) and the environment from the risk of major accidents by establishing a safety-focused culture. Process safety is an important commitment and our aim is to be recognised as a high performer in process safety through the demonstration of industry-leading risk controls, performance and cultural maturity across the management of all of National Grid's Major Hazard Assets (MHAs). We have implemented our Process Safety Management System (PSMS) within all our MHA businesses and our performance is audited by internal and external teams periodically.

These Standards are underpinned by Incident Reporting Protocols which set out the criteria and process for the internal reporting of different levels of incident, near miss or good catch. The Protocols are supported by our IMS for incident reporting, tracking and follow-up. We have a STOP campaign, and any worker can stop a job or challenge a colleague if they believe a task is unsafe. We operate an anti-harassment and bullying policy and a confidential 'speak up' hotline (see page 50), and both seek to protect workers against possible reprisals.

Our people continued

Employee health, safety and wellbeing continued

Lost time injurt frequancy rate (LTIFR)

0.13

number of hours lost per 100,000 hours worked

Fatalities

0

Engineer, New England US

A fundamental element of the HSW management system involves hazards and risks being identified within each of the businesses, using our documented hazard and risk procedures. These assessments are used to identify appropriate controls that form part of the overall HSW management system. Higher-level risks are identified within the enterprise risk management system and are assessed via consistent criteria. This approach feeds into the risk registers for business areas and ultimately to Group level.

Each business unit reviews its HSW performance locally and prepares a HSW plan, which sets out key priorities for the year. The plans promote action to improve performance in areas of higher risk or to enhance existing management approaches to introduce best practice. The business plans feed up to a Group plan, with each level undertaking progress monitoring.

HSW teams in our business units report through local line management but also maintain close collaboration and a dotted line of reporting to the Group Director of Safety, Health & Business Resilience. This role is two steps from the Chief Executive. There is close scrutiny of performance through both the Executive Committee and the Safety and Sustainability Committee of the Board. During the year, the Safety and Sustainability Committee was chaired by Earl Shipp, Non-executive Director (NED) who has extensive safety and risk management expertise.

Colleagues have an opportunity to raise safety concerns with the Board directly through the 'Employee Voice' engagement sessions with NEDs. The Safety & Sustainability Committee's main areas of focus in 2021/22 have been:

- employee health and wellbeing;
- safety culture;
- gas safety and reliability;
- SHE risks and mitigation; and
- sustainability and climate change.

More information can be found on page 91 of the Annual Report.

Lost time injury frequency rate

We measure HSW performance through a combination of leading and lagging indicators. Lost time injury frequency rate (LTIFR) is one of the core KPIs of the business (see page 24 of the Annual Report). Our metrics relate both to colleagues and contractors, and we have been increasing our focus on leading indicators as we try to recognise indicators to proactively reduce the risk of incidents occurring. Key metrics are reported bi-monthly to the Executive Committee and quarterly to the Board Safety and Sustainability Committee. To ensure that metrics are aligned with changing circumstances, there is also a 'deep dive' annual review across HSW metrics at both the Board and Executive Committee level.

Lost time injury frequency rate (LTIFR): 0.13 This exceeded our ongoing target (0.10) and represents a reduction in performance across the Group overall. NGV experienced an increase in LTIFR due to changes in portfolio and number of incidents.

Fatalities: We did not have any fatalities during 2021/22.

Injuries to Members of the Public: We reported 1 injury to members of the public in our New England and New York business units.

Comparative data can be found on page 27 of the Annual Report and a definition of LTIFR is in the glossary. The main causes of lost time injuries across the Group continue to be related to musculoskeletal (MSK) or 'soft tissue' injuries. These injuries are generally related to over-extension or poor body positioning, repetitive motion, slips, trips and falls. All SHE teams have qualified health and wellbeing specialists and we operate Employee Assistance Programmes (EAPs) that provide additional health support both occupational and non-occupational. These are regularly reviewed, checked and employee feedback sought. All health and wellbeing services are well publicised internally across the business units.

Our people continued

Fair pay

Fair pay

We maintain fairness across the organisation for pay and make sure our pay practices do not show bias. We will work until pay equity is achieved for our people. We believe that everyone should be appropriately rewarded for their time and effort.

In the UK, we remain an accredited Living Wage Foundation employer. We go above the Living Wage requirements, voluntarily paying our trainees the Living Wage. We undertake a Living Wage review each year to ensure continued alignment.

Our commitment to our direct employees extends to our contractors whom we commit to also pay at least these rates. In addition to fair pay, we provide a range of competitive benefits to our colleagues, including shared parental arrangements in the UK that go beyond statutory minimums. In the US, all colleagues are paid above the statutory minimum in each state. When making remuneration decisions for our Executive Directors and other senior leaders, our Remuneration Committee takes account of the remuneration arrangements and outcomes for the wider workforce.

Our Chief Executive Officer pay median ratio is 105:1 for UK-based colleagues (2020/21: 81:1). Our Group-wide median ratio is 76:1 (2020/21: 54:1).

We review gender and ethnicity pay gaps annually in both the UK and US, and these are reported one year in arrears. As a result of sustained focus over many years, our UK base gender pay gap is very small (<5%), and our incentive pay gap is in favour of women. The strong representation of women (47%) in our senior leadership population drives these figures. We will continue to make progress within our operational teams where women are still a significant minority. Teams that work unsocial hours and attract allowances still tend to be predominantly male.

In the US, our base gender and ethnicity pay gaps have improved since last year. We will continue to focus on ensuring fair pay across all our employees, focusing our efforts on ensuring that we develop a diverse workforce representative of the communities that we serve at every level, and by doing that drive down our pay gaps still further.

"As a result of sustained focus over many years, our UK base gender pay gap is very small (<5%) and our incentive pay gap is in favour of women."

UK mean 'base' Gender pay gap

-1.6%

Table 4: US and UK gender pay gap

	2020/21		2019/20	
Measure	**UK**	**US**	UK	US
Mean gender pay gap	**-1.6%**	**12.6%**	1.5%	13.5%
Mean gender incentive gap	**-15.6%**	**-35.4%**	-25.4%	-23.5%

Table 5: US and UK ethnicity pay gap

	2020/21		2019/20	
Measure	**UK**	**US**	UK	US
Mean ethnicity pay gap	**3.2%**	**6.1%**	2.9%	8.0%
Mean ethnicity incentive gap	**60.3%**	**9.4%**	46.5%	9.9%

Note: negative figures mean the gap is in favour of women i.e. compensation is higher for women.

Left to right, Emma Devlin and Sarah Woolham-Jaffier

Our people continued

Skills development

LinkedIn Learning courses

8,500+

on-demand courses available through the digital-first development platform LinkedIn Learning

Training per employee

5.4 days

equivalent to 951,998 training hours across UK and US colleagues

Investing in our colleagues

The safety and competence of our operational workforce is fundamental to us being able to deliver a safe and reliable service. Having a skilled workforce also ensures we are compliant with our legal obligations. We have one UK and six US training centres with fully equipped gas and electricity training assets, which provide specialist technical, safety, refresher and new starter development programmes. In the UK, there are usually around 230 to 240 New Talent learners on Apprenticeships, Higher Apprenticeships and Graduate development programmes. Similarly, in the US, we offer gas and electric entry level college certificate programmes and partner with the Centre for Energy and Workforce Development.

In the US, we hold quarterly Learning Councils, consisting of leaders from our Global Academy and the line of business as well as the represented workforce, to identify and address skills gaps in the workforce. Significant changes to training that could impact career progression are incorporated into collective bargaining agreements.

We have launched LinkedIn Learning, a digital-first development platform with more than 8,500 on-demand courses available, and with more than 800 of those focused on leadership and management. These are now available to all colleagues across the company. This embodies our culture, as a digital-first and self-service tool, giving access to thousands of resources so colleagues can develop in areas that are most important to them. Leaders are encouraged to take inspiration from their Leadership Index scores to help identify strengths to build on and areas of development.

We have also launched a successful 12-month digital coaching-style development programme to 1,000 leaders across the company. This innovative development experience helps support large-scale organisational change by pairing leaders with a highly skilled, dedicated coach they meet with at times that work for them, along with regular chat interaction and personalised learning content shared through an app.

We have continued our partnership with Mind Gym, an external learning provider which specialises in psychology and behavioural science to transform how people think, feel and behave. Its instructor-led training is designed to engage leaders virtually, providing them with key insights and proven-to-work, actionable solutions. In 2021, we catalogued relevant courses on offer which can help our people demonstrate the National Grid leadership skills.

Dan Marceau, Director of Reliability and Research & Development, shares how Mind Gym has helped him with real challenges: “Recent changes have given me the opportunity to lead a new team, and I saw Mind Gym’s ‘Direct’ course as a timely way to facilitate the development of strategic objectives. The course provided a framework that emphasised the need to be clear about your goals and lay out a path to success that both enables your team and allows a leader to let go (when appropriate). I highly recommend other leaders give Mind Gym a try as I personally walk away from each one with a lesson or two I can put directly to use.”

With the increase in our digital learning content in 2021/22, our UK and US colleagues completed 951,998 training hours. Approximately 5.4 training days per employee. Also, colleague volunteering for 2021/22 is 23,416 hours.

We have launched the first cohort of our new Future Leaders development programme to identify and develop the future senior leaders of the business. The application process was oversubscribed and following a fair and inclusive process, 100 colleagues will be taking part in 12 months of development.

We continue to invest in our early career programmes. We have recruited 70 Apprentices and 57 Graduates, with more than 300 learners within these programmes in the UK. In the US, we have hired 192 Gridterns and have a further 105 Graduate Development Programme acceptances.

All employees have an annual performance and career development review, irrespective of gender and employee category, where performance, development opportunities and job progression are discussed.

“Recent changes have given me the opportunity to lead a new team, and I saw Mind Gym’s direct course as a timely way to facilitate the development of strategic objectives.” Dan Marceau

Our people continued

Inclusion and diversity

Diversity, equity and inclusion (DEI) strategy

We aim for our workforce to reflect the diversity of the communities we serve. We are committed to providing an inclusive, equal and fair working environment by driving inclusion and promoting equal opportunities for all, and ensuring our workforce, whether part-time, full-time or temporary, is treated fairly and with respect. We are working to eliminate discrimination and ensure that selection for employment, promotion, training, development, benefit and reward is equitable and accessible to everyone. We want to create a culture of inclusion where everyone can bring their authentic selves to work, are encouraged to speak up and can freely express any concerns that do not align with our company values.

Our Chief Diversity Officer partners with senior executives across the business to drive progress.

We have 16 Employee Resource Groups (ERG) (11 in the US; 5 in the UK), which are all highly active and visible across the business. They deliver events and awareness-raising campaigns throughout the year, including celebrations of Black History Month, Women in Engineering, Diwali, International Men's Day, Transgender Day of Remembrance, and Purple Light Up.

Our ERGs provide crucial support, opportunities and development for all employees. Thanks to their efforts, we won Outstanding Employer for Race at the UK Ethnicity Awards, were recognised in the top 10 for Company and Diversity Team of the Year at the British Diversity Awards, and moved from 480 to 187 in the *Financial Times* special report on Diversity Leaders. From a gender perspective, we were recently ranked 1st in the UK and 3rd globally in the Equileap gender equality report. In the US, we were recognised as one of the Best Places to Work for LGBTQ Equality (Human Rights Campaign) and One of the Best Employers for Diversity 2020 (Forbes), and the PrideUSA ERG was awarded Top LGBTQ+ Employee Network of the Year (2020) by the national 'Out in STEM' organisation.

In December 2021, we launched our first ever set of Group-wide DEI commitments. To create these, we used feedback from our extensive listening tour, alongside our Grid: voice results, an external independent DEI assessment and a review of industry standards.

These commitments focus us to achieve our aspiration, which is "to one day be among the most diverse, equitable and inclusive companies of the 21st century" – and not just in the energy and utilities industry, and become the pioneering organisation we strive to be, taking us through to 2024 and beyond:

- create DEI impact in our communities: Let our impact be known far and wide;
- speak boldly: Deliver bold actions through communication;
- enhance diversity and equity: Ensure equity is experienced every step of the way;
- model inclusion: Create equity and belonging through inclusive behaviour; and
- elevate our ERGs: Integrate and elevate our employee resource groups.

We know DEI is no longer a 'nice to have'. It is vital in our efforts to build a net zero workforce: we owe it to our customers and stakeholders to be clear on our stance against inequity and ensure that the work that we do does not leave anyone behind, and our investors demand it. The Group Executive are committed to addressing diversity issues and improving inclusion, and are focused on drawing from the global strategy and developing plans that will have an impact on the issues in their business or function.

Case study: Pride

Bringing colleagues together to celebrate important inclusion events is incredibly important to enhance the sense of belonging. An example of this was achieved by our Pride employee resource group last year.

After all the challenges the past two years has brought, bringing the global LGBTQ+ community together at the Birmingham Pride Parade was an incredibly important milestone to us as a business in our ambition to ensure everyone feels comfortable and safe being themselves whoever they are and however they want to show up.

Our presence at Pride Parades is a visible demonstration of inclusion, challenging us to think about our behaviours and how we as individuals create an inclusive environment for our LGBTQ+ colleagues.

After the parades were postponed several times due to the pandemic, in September 2021, the date was set and more than 100 colleagues from National Grid including allies, those who identify as LGBTQ+ and family members joined the celebrations. The number of National Grid colleagues and their families who came to offer support was overwhelming given that in previous years we had seen a far lower number. The parade was supported by senior role models such as Paula Rosput Reynolds, our Chair, David Wright, our Chief Engineer, Nick Ashworth, our Director of Investor Relations, and by our global diversity, equity and inclusion team led by Natalie Edwards, our Chief Diversity Officer. Senior leadership support of this kind truly represents the priority being placed on inclusion by the business.

This is an example of one of the visible steps we have taken as a Company, as we recognise there is more that can be done on our journey to achieve our ambition of being a pioneering DEI organisation and amongst the most equitable and diverse companies of the 21st century.

US National Grid employees at Pride parade

Our people continued

Inclusion and diversity continued

We have been focusing on raising awareness of DEI issues and creating space to talk with our colleagues about events that impact them, their families and their communities. Over recent months, we have held dialogue sessions on topics such as Asian hate crimes, Afghanistan, Haiti, and the escalating situation in Ukraine. These conversations are hugely appreciated by our employees as evidenced by the high participation (more than 1,000) and the positive levels of feedback.

We have continued efforts on DEI education and awareness in both the UK, the US and globally. These not only create safe spaces for people to share experiences, listen and learn, they also explore perceived sensitive topics which give people a voice and allow people to have their voices heard, leading to an increased sense of belonging. Some examples of these sessions include the global listening tour which reached circa 2,500 attendees and 100+ leaders, continued race dialogue sessions, focused sessions on inclusive leadership, as well as sessions tackling banter and microaggressions.

Over the period June 2020 to July 2021, a disproportionate number of racially and ethnically diverse leaders left the organisation, compared to the rest of the population. This retention issue, of an already existing low population of diverse leaders in the organisation, poses many risks related including:

- loss of productivity and resources;
- reputational impact of National Grid being deemed as a non-desirable workplace; and
- damage to overall inclusive culture because the departure of diverse leaders has a negative ripple effect on the existing workforce, including a loss of diverse mentors, a loss of trusting organisation and a decrease in confidence that diverse colleagues can advance and progress.

To mitigate this and understand at a high level why people would leave the organisation and why they would stay, we initiated a retention survey aimed at leaders, which received 435 responses.

Retaining and developing diverse leaders
As a follow-up 182 in-person 'stay' interviews were executed across the organisation. This equated to over 182 hours of listening conducted in a 50:50 split across the UK and US. 56% of the 'stay' interview participants identified as having one or more diverse characteristics and provided powerful feedback against 10 specific questions.

In terms of key insights against the question 'what has caused you to stay at National Grid?', most people cited the 'people and positive company culture', i.e., work-life balance, feeling seen and heard, and feeling valued. Key insights against the question 'what reasons might cause you to leave National Grid?', the top response cited was 'poor company culture' (i.e., poor work-life balance, inability to work remotely) followed closely by blockers related to career (i.e., glass ceiling, lack of development opportunities). This had a notable uptick from ethnically and racially diverse respondents.

Case study: Diverse leaders

Developing and progressing diverse talent pools remains a focus area specifically when it comes to removing barriers and supporting those from underrepresented groups.

We do this in many ways, through reverse mentoring, internal and external mentoring circles, sponsorship, and partnerships with organisations such as Business in the Community and CBI (Change the Race ratio).

We also have dedicated programmes that have been developed for specific populations and tailored to the unique experiences and barriers faced by them, to advise them how they can succeed given that fact.

An example of this is our diverse leaders programme, which is targeted at colleagues from racially and ethnically diverse backgrounds.

Piloted and launched in 2017, the programme runs with a small cohort in the UK and US, and continues to gain strength and receive positive feedback. The programme has helped almost 300 people across the organisation by supporting them with development techniques and career planning to progress their career. Topics addressed during the programme include self-awareness and leadership, communication, networking and relationship building, and commercial awareness.

In a recent analysis, 91% of participants said they had improved in confidence since attending, 94% would recommend the programme to a colleague and 91% have continued their learning since participating, with one saying: "It has made me realise that I can aspire to leadership and has shown me the steps/path that I can follow to achieve this."

Q&A session at Senior Leadership offsite 2022

Our people continued

Inclusion and diversity continued

The commitments set out in the DEI strategy will address a number of these opportunities for diverse leaders as well as continued efforts to build trust, enhance transparency through communications and engage senior leadership to ensure that its actions are aligned to addressing these issues in the financial year 2022/23 action plans.

Creating equity and belonging through inclusive behaviour

Across the Company, 46% of colleagues were recorded as completing unconscious bias training (39% in 2020/21). In our RBC, we committed to provide unconscious bias training to all colleagues during 2020/21, and this year's result is significantly up on last year and reflects a very high degree of participation in the UK, and for those who have reliable access to online learning. We are committed to maintaining and improving completion rates further.

We saw our 'Safe to say yes' index, as measured in Grid:voice, increase again year on year to 73%, improving from 67% last year and 64% in 2019/20. This addresses the survey question, "Where I work, it is safe to say what I think".

We are committed to transparency and reporting annually on our progress on diversity to our Board, Senior Leadership Group, and among new joiners and our workforce as a whole. Across the organisation, we report our diversity metrics (gender, ethnicity and age profile) on a quarterly basis, comparing the data with the communities we serve. Data is shared with Executive Directors, always respecting the privacy of individual colleagues, to enable action planning. We send out regular updates aligned to our five commitments and the practical steps that can be taken to progress DEI action plans.

Executive teams continue to join interactive sessions exploring the role and impact they have in creating an inclusive culture. These sessions go deeper into the organisation to ensure our field-based, operations and union colleagues have the same opportunities to learn and be involved in the DEI agenda. We continue to celebrate Inclusion Week, and for the first time, the celebration was Group-wide and saw inputs from external experts, ERGs and a panel made up of a cross-section of our colleagues. Uptake increased significantly from 2020 (an increase in sign-ups from 1,355 in 2020 to 5,163 in 2021). There has also been a continued uptake in ERG Yammer engagement and we hope to grow this even more in 2022.

Attracting and supporting diverse talent

We remain focused on bringing the best diverse talent into our organisation and supporting them to reach their full potential. We also adopt this approach to our future talent, with our Apprenticeship and Graduate programmes actively encouraging applications from diverse candidates (see table 10).

A total of 20.2% of our workforce (20/21: 19.5%) has self-declared as identifying as racially or ethnically diverse. However, we are aware that 3.7% of total headcount 'declined to state' a response. Whilst this has improved from 4.5% last year, we will work to reduce this further.

We have close partnerships with external best practice organisations and are active members of sector- and industry-wide groups which ensure we are sharing best practice and campaigning at a sector-wide level for greater inclusion for all. This includes, in the UK, the Energy Leaders Coalition, Energy UK, Inclusive Employers, and Business in the Community for Race and Gender. We are also signatories of the Social Mobility Pledge Valuable 500 and Change the Race Ratio in the UK. In the US, our partners include The Partnership, the Boston Chamber of Commerce, CenterState CEO, Gartner, and Affirmity.

Our policy is that people who identify as having a disability should be given fair consideration for all vacancies against the requirements for the role. Where possible, we make reasonable accommodations and provide additional resources for employees who identify as having a disability. We are committed to equal opportunity in recruitment, promotion and career development for all colleagues, including those with disabilities.

Diversity metrics can be found in the data tables on page 63.

The following tables on page 34, show the breakdown in numbers of colleagues by gender and ethnicity at different levels of the organisation, information relating to subsidiary directors, in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

We define 'Senior Leadership' as those managers who are at the same level, or one level below, the Executive Committee. Our definition also includes those who are directors of subsidiaries, or who have responsibility for planning, directing or controlling the activities of the Group, or a strategically significant part of the Group, and are employees of the Group.

Our people continued

Our people reporting metrics

Table 6: Temporary employees and agency workers

	UK	US	Total
Regular	6,706	17,267	23,973
Temporary	66	65	131
Total Employees	**6,772**	**17,332**	**24,104**
Agency Workers	822	585	1,407
Grand total	**7,594**	**17,917**	**25,511**

Table 7: Total Headcount (Full-time/Part-time colleagues and gender)

	Full-time		Part-time		Male		Female	
	Number	%	Number	%	Number	%	Number	%
UK	6,475	95.6%	297	4.4%	4,876	72.0%	1,896	28.0%
US	17,222	99.4%	110	0.6%	13,278	76.6%	4,054	23.4%
Total	**23,697**	**98.3%**	**407**	**1.7%**	**18,154**	**75.3%**	**5,950**	**24.7%**

Table 8: Annual Employee Turnover[1] (voluntary and non-voluntary)

	Voluntary[2]	Non-voluntary[3]	Total
UK	7.9%	2.4%	**10.2%**
US	9.6%	1.7%	**11.3%**
Total	9.1%	1.9%	**11.0%**

1 Turnover is defined as employees who have left in the last 12 months as a percentage of headcount last year.
2 Voluntary turnover relates to employees who have left through either resignation or retirement.
3 Non-voluntary turnover includes other reasons, including dismissal, severance, etc.

Table 9: Average training hours per employee

Business Area	Total numbers of training hours provided to employees	Total number of employees	Total number of training hours provided to female employees	Total number of female employees	Total number of training hours provided to male employees	Total number of male employees
UK	304,473	6,772	38,357	1,896	266,117	4,876
US	647,524	17,155	66,731	3,996	580,794	13,159
Total	**951,997**	**23,927**	**105,088**	**5,892**	**846,911**	**18,035**

Table 10: Attracting diverse talent

	2021/22		2020/21	
	UK	US	UK	US
Graduates applicants – % female	**25%**	**29%**	24%	30%
Graduate applicants – % ethnically and racially diverse	**69%**	**51%**	59%	49%
Internship applicants – % female	**16%**	**33%**	22%	36%
Interns attracted – % ethnically and racially diverse	**41%**	**37%**	58%	45%

Table 11: Diversity as at 31 March 2022

	2021/22			2020/21		
	Board[2]	Senior Leadership Group[3]	Workforce	Board	Senior Leadership Group	Workforce
Diverse[1]	**53.8%**	**49.5%**	**38.6%**	46.2%	44.6%	37.9%

1 A diverse employee is defined as a colleague who identifies as female, as a person with a disability, as gay, bi-sexual or lesbian or from an under-represented ethnic/racially diverse background.
2 'Board' refers to members as defined on the Company website.
3 This includes the Executive Committee members and the most senior colleagues in the Company. Please note, this differs from the definition in the Annual Report which refers to 'senior management' and includes both senior colleagues and subsidiary directors.

Table 12: Gender and ethnic diversity in hires, promotions and leavers

	2021/22		2020/21	
	% Female	% Ethnic minority	% Female	% Ethnic minority
External hires	**31.7%**	**31.5%**	27.1%	29.3%
Promotions	**21.6%**	**18.4%**	21.3%	17.9%
Leavers	**32.6%**	**26.8%**	29.4%	21.8%

Our communities

Highlights

Number of colleague volunteering hours
23,416
This is an increase of almost 30% on 2020/21

1,167
employees registered as volunteers with Grid for Good, helping 3,972 young people

Combined Group-wide contribution of over
£18.3 million
to Corporate Responsibility work

£2.8 million awarded in grants
to community projects since 2015

Linked SDGs

Quality Education

Affordable and Clean Energy

Decent Work and Economic Growth

Our material issues

- Affordability
- Community engagement
- STEM education
- Workforce development
- Network reliability
- Customer satisfaction
- Cyber security
- Public safety
- Connectivity

Our commitments

While continuing to place public safety, and network reliability and resilience as top priorities, we are focusing in particular on the affordability and fairness of our service to the community, and developing the skills of young people from some of the more deprived communities where we operate to help us in the clean energy transition.

Our performance

Public injuries
1
member of the public injury as a result of National Grid work

Lost time injury frequency rate (LTIFR)
0.13
lost time incidents per 100,000 hours worked

Affordability
£29.04
Contribution of NG UK's Transmission costs to consumer bills

UK ET – Reliability
99%
UK Electricity Transmission

US ET – Reliability
99%
US Electricity Transmission

US ED – Reliability
99%
US Electricity Distribution

Consumer Trust Survey
62.4%
based on Residential Trust Advice customer perception metric (US only)

Volunteering hours
23,416
number of volunteering hours from National Grid colleagues

Skills development
3,972
young people have been meaningfully impacted

Our communities continued

Overview

Senior Leadership community action day

"We have significantly increased our funding of local community activities, with Grid for Good and Project C."

Introduction

We exist to serve our customers and communities with the energy they need for life. We serve 14 million customers and communities across the UK and US.

Over the past year, we have continued to engage with our communities to ensure we work to meet their needs for energy security, reliability, affordability and a fair transition. Our activities also play an important role in economic growth and development, and we play our part in training and developing the workforce of tomorrow. In our role as a Principal Partner of COP26, we have engaged our communities in the journey to net zero. In the UK, we released the Green Light Signal campaign, to show communities in the UK the reality of bringing regular, reliable, low carbon energy into people's homes. In the US, we engaged communities on the transition to electric vehicles with our EV Road Trip campaign. We invited many local community leaders and representatives to join the action at COP26 in Glasgow, sharing experiences and finding answers to the challenges of affordability, justice and the journey to net zero.

Alongside this work, we have significantly increased our funding of local community activities (see case studies), such as our Group programme, Grid for Good, and Project C in New York. Alongside this, we are developing new partnerships in the UK to address the challenge of the current gas market prices and, separately, for new infrastructure development on the East Coast of England. We have worked with Sustainability First to bring a wider range of voices from across society to create a wider dialogue on the energy transition. This included writers, artists and activists to bring their influence to our activities and to create new debates and solutions to the impacts of the net zero transition in the wider community.

Our management approach

Engagement and strategy

The delivery of our core services to the community is a heavily regulated activity and, as such, involves extensive engagement with the relevant regulatory bodies. As part of the regulatory process, we also engage with customers and the broader community, and must provide evidence that we have done so. You can read more about our customer satisfaction performance below and on page 27 of the Annual Report. Additional detail on our stakeholder engagement can be found throughout this report, together with our section 172 statement on pages 56 - 59 of the Annual Report. This engagement drives our business planning approach, and our strategy and its execution are fully transparent to the regulatory bodies.

Governance

Responsibility for oversight of the delivery of our business plans rests with the Board and further details of this governance is provided from page 86 of the Annual Report. Maintenance of a reliable network is a core KPI and our performance is discussed here and on page 26 of the Annual Report.

Risk management

We monitor our network performance closely, and disruption to supply is categorised as a principal risk to the business. Further information is provided on page 32 of the Annual Report.

We are committed to delivering sustainable energy safely, reliably and affordably, ensuring no one gets left behind. In order to make the transition to net zero fair and affordable, we are working to pursue the following outcomes:

Expand programmes and options for low-income customers to support energy cost management and bill payment

This includes continuing to develop new approaches to income-eligible programme design and implementation, as well as community-focused approaches, to support energy affordability, equity and environmental justice. Further, we continue to consider how to maximise the impact of low-income discount programmes to provide both broader access and the necessary levels of bill support, as well as how to leverage data, analytics and community partnerships to deliver more targeted solutions.

Pursue cost efficiencies and ensure delivery of benefits to all customers

We will continue to support affordability by working to limit cost growth and maximise the value of service that we provide customers. To do so, we will pursue opex and capex efficiency targets while maintaining service quality, safety and reliability. In addition, we will work to promote affordability by supporting the most cost-effective pathways to achieve net zero emissions targets. Finally, we will consider how to expand or tailor network investment strategies to support low- and moderate-income and environmental justice communities and prioritise delivery of benefits to these communities.

Pursue external sources of funding to limit bill impacts of achieving net zero

We recognise that achieving net zero will require a transformational level of investment. To maintain affordability of service, new sources of funding will be needed in order to limit the impact on customer bills. We are committed to pursuing opportunities for project cost-sharing from the recent federal infrastructure legislation, and to supporting the need for expanded funding in support of customer-side investments in technologies that support decarbonisation.

Our communities continued

Service affordability

Our performance

Our primary responsibility to communities has been to safely maintain the affordable and resilient energy systems society expects. In doing this, we work to make sure our economic, social and environmental role in the community has the greatest possible positive impact. This involves developing infrastructure and helping customers use energy more efficiently. However, we also aim to go beyond this delivery of our core responsibility by partnering with charity organisations and encouraging our people to support social, economic and environmental development to help communities thrive.

Public safety

Public safety is a key priority for the business, and the relevant risks are scrutinised at each Board meeting. 'Catastrophic asset failure resulting in a significant safety and/or environmental event' is identified as a 'Principal Risk' of the business and mitigated appropriately, as set out on page 32 of the Annual Report. Potentially hazardous activities include: the generation, transmission and distribution of electricity; and the storage, transmission and distribution of gas. Electricity and gas utilities typically use and generate hazardous and potentially hazardous products and by-products. We operate an extensive process safety approach and carry out risk assessments in relation to all the hazardous operations in our portfolio see pages 27–28. We track and record all injuries to members of the public that may be connected with our operations and activities. During 2021/22, we reported one injury to members of the public.

Reliability and resilience

Reliability and resilience of our networks are part of our regulatory duty, but also our social contract. We plan our capital investments to meet increasingly challenging demand and supply patterns, by designing and building robust networks, and by having risk-based maintenance and replacement programmes. We have detailed and tested incident response plans in response to extreme weather events. We measure network reliability separately for each of our business areas, and both our UK and US networks continued to maintain excellent reliability. You can find reliability performance metrics for our networks and interconnectors on page 64, and on page 26 of the Annual Report. We anticipate increasing frequency of extreme weather events, and more about our storm response can be found in 'Our business units' updates on pages 50-55 of the Annual Report.

Affordability

The recent rise in energy prices, linked to gas markets, presents a major challenge for our communities and customers. These price impacts are primarily driven by gas price rises, but we are determined to play our role in responding to this pressure in order to help our customers. Overall, our regulated businesses form a minority proportion of the bill relative to rising prices for gas and oil. Our charges are agreed with regulatory bodies and we report transparently on the proportion of average cost of energy per household that relates to our costs. We also work with regulators to reduce the impact on our customers of sudden price rises where we can.

At this time of rising bills, driven by rising gas prices, we are working to keep our costs as low as possible. Due to timing of regulatory components we can only estimate our component of utility bills for the coming year but we expect our charges generally to be close to flat in real terms and shrinking significantly as a component of the bill.

Case study: Warm Homes Fund and CA Partnership

In 2017, National Grid provided £150 million to establish the Warm Homes Fund (WHF) to be administered by a Community Interest Company, Affordable Warmth Solutions, designed to work in partnership with local authorities, registered social landlords and other stakeholders to address the issues facing fuel-poor households. Over the lifetime of the fund, it has installed improved heating systems in over 24,000 homes. Of these homes, 46% were social housing and 39% were owner occupied, the remainder going to tenants of private landlords. A key target area is those households with the lowest Energy Performance Certificates (EPC) of E, F and G. Of the 24,084 installs completed to date, 14,559 (60%) had a pre-install EPC of E-G and, of those, 66% saw their EPC rating improve by a minimum of two steps (e.g. E to C). WHF has also provided a funding line of £4m to the Fuel Bank Foundation to provide vouchers to help people unable to top up their pre-payment meters.

Alongside this support, we are working in partnership with Citizens Advice to provide at least £1 million of financial support over 2021/22 and 2022/23 to upgrade and expand its ability to support the rise in need it is seeing as energy prices rise. We have also provided an additional £1 million direct to the Fuel Bank Foundation, adding to that £4 million available through WHF, to help those most in need.

Our communities continued

Service affordability continued

Case study: Green Light Signal and EV Road Trip

As we connect low carbon power to our electricity networks, we are creating the means to decarbonise much of the economy, including power, transport, industry and some heat.

Engaging our customers and communities in the transition to net zero is key to building confidence and understanding of the transition to net zero. As part of our engagement, our customers and communities told us they weren't sure how green their power was today and whether the transition would happen. Awareness of how the energy we use is changing and will take time to grow but will be valuable in helping customers make the most of the transition. So we wanted to show them.

In the UK, we created a smart bulb that turns green when the local power is low carbon. The bulb connects to a data feed from National Grid Electricity System Operator which provides regional information on the make-up of the electricity supply. The bulb changes green when low carbon supplies make up 50% or more of the power supplied.

The Green Light Signal, as we named the bulb, and associated 'WhenToPlugIn' app featured on UK national media and saw thousands of downloads as people across the country sought to understand more about how our energy is changing. The Green Light Signal campaign was selected to light up 10 Downing Street as a visual representation in the build up to COP26, and won a Bronze award at the Eurobest advertising awards in December 2021.

In the US, we created a number of EV Road Trips to demonstrate the useability of electric vehicles (EVs) to a wider audience and address some of the key concerns raised in surveys, such as range anxiety. By mapping summer road trip routes and showing opportunities for stops and EV charging infrastructure, we are helping to build confidence in the transition to EVs as they grow in popularity. Our Chief Executive and US President at the time, Badar Khan, participated in our EV Road Trip and the campaign received over 2 million impressions on social media and positive coverage from a range of stakeholders and media.

Green Light Signal, a smart bulb that glows green when the local power is low carbon.

The US EV Road Trip covered New York, Massachusetts and Rhode Island.

Connectivity

Our networks and interconnectors link markets together to help efficiently reduce costs and reduce carbon. Interconnectors are a key tool in enabling high levels of variable renewable energy to be shared between neighbouring countries and is dependent on factors like the weather that influence renewable supply and local demand for electricity.

Innovation for network capacity

Making the most of our existing infrastructure is vital to quickly delivering new customer connections, keeping bills low and minimising our impact on the environment. In the UK, we are deploying a range of smart control devices onto the transmission network to increase network capacity without any other change to the power lines. In partnership with 'SmartWires' these installations will increase capacity by 1.5 GW, allowing more renewable low carbon energy to flow across the network.

Cyber security

We are committed to providing secure and resilient services and continue to commit significant resources and financial investment to maintain the security of our systems and data, which is why we have defined cyber security as an operational risk. This risk is increasing due to increased threat from global geopolitical tensions.

More detail can be found on page 32 and 34 of our Annual Report.

Residential Trust Advice (US)

Trust Advice is a customer perception metric, measuring our customers' trust in National Grid. The main driver of Trust Advice is feeling valued. The metric is measured continuously in our brand image and relationship survey, an online survey to a representative sample of residential customers across our footprint. The metric is compiled based on our customers' response to the question: "Considering everything you may know about National Grid, how much do you trust National Grid to provide you the advice you need to make good energy decisions?" The customer answers on a 1-10 point scale, where 1 is "Do not trust advice at all" and 10 is "Trust advice completely". The reported score is the percentage of respondents who answer with an eight, nine or 10.

Unfortunately, the 2021/22 Trust Advice score is 62.4, down significantly from a year ago, but above target (61.1%). Improved outage and other communications were offset by high winter prices, rate case filings/agreements, as well as the effects of restarting disconnection activities, which negatively impacted our customers' sense of value, a key driver of Trust Advice.

Our communities continued

Developing STEM skills for the future

Grid for Good

Grid for Good is a Group programme, designed to improve social mobility for disadvantaged youth in the communities we serve across the UK and US. We inspire careers in energy and provide coaching, training and employment opportunities in National Grid and our supply chain. In this way, we aim to address the net zero skills gap across the energy sector and improve the diversity of our workforce, better reflecting our communities.

Our programmes:

for engage ages 3-15 — Our early years Engage programme provides inspiring content introducing children to the world of energy and sustainable futures. Using creative media and teaching aids such as radio shows, audio stories and technology, we are working to inspire the next generation of STEM talent into our industry.

for access ages 16-25 — Our tailored end-to-end skills curriculum helps young people from the most underserved communities with training and mentoring support to develop their employability potential in National Grid and our supply chain.

for excel ages 16-25 — Our STEM-focused pathway helps the brightest diverse young minds from underserved communities into Graduate, Higher Apprenticeship, and early career opportunities with us and our partner organisations.

for accelerate ages 25+ — Our newest programme involves working with people over 25 who already have the core skills we need. We help Accelerate candidates to return to work and provide practical routes from them to upskill on the job.

Grid for Good is partnering with a number of established charities and organisations which align with our clean energy objectives. These partners are both experts and the essential link between ourselves and our target demographic.

This year has been a success on many fronts. As of 31 March 2022, 3,972 young people have been meaningfully impacted by the programme, made up of 2,336 in the UK and 1,636 in the US, with 100 going on to apply for or secure roles in National Grid alone. Since the launch of Grid for Good, we have positively impacted the lives of 5,233 young people.

We have enabled colleagues to feel more directly connected to our communities, giving them a real opportunity to make a difference. In the same reporting period, 1,167 National Grid employees registered to volunteer their time, helping to deliver 422 young people events and logging 9,933 volunteering hours, bringing our total to 1,453 events and 16,140 volunteering hours since launch.

Grid for Good continues to develop partnerships with other organisations across the energy sector. We are focused on creating a collaborative model where partners contribute employee volunteer resources, job opportunities and support towards the successful running of Grid for Good. As at 31 March 2022, 5 young people had been employed through Grid for Good, bringing the total since launch to 10.

Grid for Good Spring Insight Week

Case study: Project C

Partnering with stakeholders to support our communities

Our external engagement takes many different forms, and in the US, we've used it to help shape and deliver Project C, a programme which aims to create a more equitable future for every customer in the communities we serve.

The aim of Project C is to help make sure our economic and social role in the community has the greatest possible impact, and the best way to do this is by working with our stakeholders, firstly to understand how we can best provide support to those who need it most, and then to partner with others to create a positive impact.

In the past year, our engagement has included:

- working with other employers, educational institutions, community and faith-based organisations and state and local governments through the Northland Workforce Training Center, an industry-driven, public-private partnership on the east side of Buffalo, New York, focused on closing the skills gap amongst minorities in the fields of manufacturing and energy. Over 60% of students enrolled at Northland are minorities.
- continuing our dialogue to end racism through the InterFaith Works programme (IFW) of Central New York. In 2021, this once again included playing an active role in the Duck Race to End Racism, a free, family-friendly festival (held virtually in 2021) to celebrate diversity and demonstrate what the world would be like if racism did not exist and Racial Justice Awards.
- partnering with local organisations to identify important environmental justice and social equity issues where we can provide support. In the past year, this led us to work with the community of Red Hook, Brooklyn, which had environmental concerns related to the removal of hundreds of trees in the local area. Partnering with Pioneer Works to support the Community Sensor Lab, we've been able to help the Red Hook community monitor local air quality, providing data related to its concerns and equipping them with new skills.
- listening to extensive stakeholder feedback in New York about the lack of participation of Black and LatinX businesses in energy efficiency. This led to us partner with Ascend LI as part of our commitment to ensure an equitable and inclusive transition to clean energy, working on a training and mentoring programme with the goal of enhancing the capability of businesses to secure contracts from companies across multiple industry sectors, and contributing to neighbourhood revitalisation.

From left to right: Stephen Tucker, President & CEO-Northland, Byron Brown, Mayor-City of Buffalo, Ken Kujawa, Regional Director-National Grid, Peter Cammarata, President-Buffalo Urban Development Corporation

Our communities continued

Community engagement

John Pettigrew and a senior leader on a community action day

In total, during 2021/22, we have contributed £18,336,712 to corporate responsibility work. We are committed to the success of our work and have targeted 'Access to skills development opportunities for 45,000 people by 2030, and 125,000 employee volunteering hours through to 2030'. Through volunteering, our employees will help equip the next and future generations to participate in the clean energy transition. We will continue to publish our progress on a regular basis.

In addition to Grid for Good, in the UK, we are involved in several different programmes providing value to our communities. A number of these are summarised below:

- **Community Grant Applications** – we invite communities affected by our infrastructure projects to apply for grants to support local projects which deliver social, economic or environmental benefits. Where there is a close link to the capital project in question, applicants can request up to £20,000. Where this link is less strong, the maximum amount is £10,000. In 2021/22, we approved grants to the value of £366,298, supporting over 20 beneficiaries.
- **Infrastructure projects** – where we are engaged in very large capital programmes, we partner with other organisations to deliver additional community benefits at scale. Examples include projects such as Hinkley Connection, Bramford-Twinstead and our London Power tunnels projects.
- **Institute of Engineering and Technology Bursaries** – over the course of our involvement, we have supported 31 young people who have had to overcome personal challenges to gain qualifications and pursue careers in engineering disciplines.
- **Environmental centres** – we have provided locations for several environmental organisations on land that we own and continue to support them through contributions to annual running costs. Examples include the Iver Environment Centre, the FSC Field Studies Council at Bishops Wood, The Conservation Volunteers at Skelton Grange and Groundwork at West Boldon Lodge.
- **Employee volunteering** – we work with partner organisations to identify and manage opportunities for colleagues to volunteer their time in local communities. During 2021/22, National Grid colleagues have spent 23,416 hours volunteering.

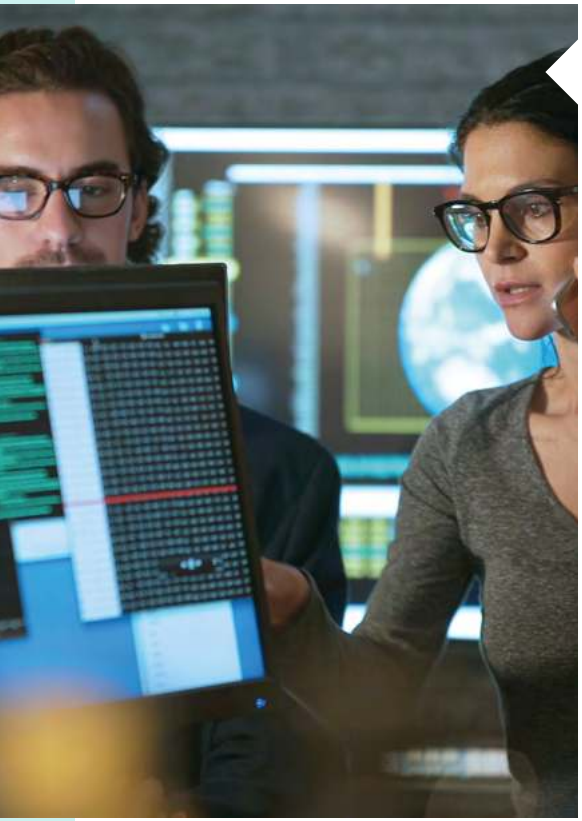
In the US, the business provides funding of approximately $12 million per annum through centrally-led programmes in support of organisations such as the Red Cross, City Year and Girls Inc., and programmes led more locally through management teams in New York, Massachusetts and Rhode Island.

We continue to work closely with the National Grid Foundation to serve the communities more deeply across New York, Massachusetts and Rhode Island. This last year we funded nearly $4 million dollars worth of Education and Environment programmes along with increased support for COVID-19 response, food insecurity and heating assistance. For additional detail please see the National Grid Foundation Annual Report.

In New York, Project C is our New York Community Investment programme which is designed to transcend convention and create a more equitable future for every customer, in every community we serve. The New York Community Investment Strategy, which was launched in September 2021, has galvanised employee volunteering with over 900 employees supporting the Day of Service. We are engaged with over 100 community partners and over 6,000 small businesses to help execute over 100 programmes under our community investment pillars, as detailed in the case study above, and we have planted and donated 1,700 trees. Under Project C, National Grid has also invested and committed $5.5 million to local communities.

Find out more about Project C here.

The economy



Highlights

Expecting to invest around
£24 billion
in green capex over the five year period to 2025/26

CDP Supplier Engagement Leader
One of eleven energy utility networks globally to receive a place on the leadersboard

Total investment in energy infrastructure (continuing operations)
£6.7 billion

Through National Grid Partners, in 2021/22, we committed
£93 million of investment in technology and innovation

Linked SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, Innovation and Infrastructure

Our material issues

- Right tax
- Fair return
- Investment (long-term and local)
- Green financing
- Supplier prompt payment
- Supply chain engagement

Our commitments

We are continuing to develop our infrastructure, invest in innovation that benefits our customers and wider society, and pay the right tax, as well as working to influence our supply chain to focus on diversity and responsible behaviour.

Our performance

Supply chain carbon reduction
54%
an increase from 49% in 2020/21

Investment (NG Partners)
£93m

Investment in energy infrastructure (continuing operations)
£6.7bn

Employment
24,104
jobs (worldwide)
*excluding WPD

EU taxonomy aligned Group turnover
67%
2021/22

Largest green bond
€850m
September 2021, issued by National Grid plc

The economy continued

Overview

"As a responsible, purpose-led business, we go further – as an employer, a tax contributor, a business partner and a community partner."

Introduction

Ensuring energy reaches homes and businesses safely, reliably and efficiently is our primary economic contribution. But as a responsible, purpose-led business, we go further – as an employer, a tax contributor, a business partner and a community partner. This section looks at how we make a broader contribution to society through:

- the distribution of the economic value we generate;
- our continuing investment in vital energy infrastructure;
- how we work with and influence our suppliers; and
- paying the right tax.

Our approach to management

We help national and regional governments formulate and deliver their energy policies and commitments. Our approach to regulatory consultation is to seek a framework that puts consumers at the centre of our price control, while enabling the clean energy transition. Evolving that partnership to help enable the clean energy transition and slow the pace of climate change before it cannot be reversed will also be key in protecting future economic growth, and safety and wellbeing, in society.

The management of our investment process is closely aligned with the business planning process, which is largely governed by UK and US regulation. Our Annual Report discusses these processes in depth, page 33. Other investment-related risks are discussed in note 32 to the financial statements on pages 211-220 of the Annual Report.

Stakeholder engagement

We work closely with our stakeholders across a range of topics, including ongoing engagement with government and regulators in both the UK and US to help shape policy and legislation, local engagement in communities directly impacted by our day-to-day operations or the building of new infrastructure, and our supply chain partners to align on topics such as employee pay and environmental impact.

Case Study: Industry collaboration to drive change

National Grid recognises that companies acting independently will not succeed in eradicating forced labour and exploitation from the supply chains in which we operate. Success will come from the collaboration of an entire industry, both via companies' direct employees and their wider operations to really drive positive change.

In order to use the power and influence of the sector as whole, National Grid has taken a leading role in the Steering Group of Utilities Against Slavery (UAS), an industry initiative facilitated by the Slave Free Alliance, an NGO working towards a slave-free supply chain.

The UAS is a voluntary group of the majority of utility providers in the UK, and was established to raise awareness and build knowledge around modern slavery and to mitigate any potential risks and prevent the exploitation of workers in our supply chains.

The group meets regularly, enabling peers from across the sector to share best practice, problem solve, receive insights from external experts and collaborate to produce a coordinated response to common areas of concern. Using the breadth and strength as leverage has enabled the group to create a strong and coherent message to the supply chain around understanding the potential risk of modern slavery in the sector and driving action to eradicate the issue. To deliver this common messaging as a sector, National Grid played a key role in engaging the Supply Chain Sustainability School to help deliver a series of six training modules under the banner of 'Lunch and Learn' sessions across a range of topics from 'an introduction to modern slavery' through to 'addressing labour exploitation in international supply chains'. These sessions took place over a six-month period and were very well received by the supply chain attendees.

Through this work, the group has been shortlisted for the 2022 Stop Slavery Collaboration Award by the Thomson Reuters Foundation. Launched in 2015, the Award commends the businesses that have set a gold standard in efforts to eradicate forced labour from their supply chains.

This work of the group is ongoing, as we recognise the need to continue to build awareness and knowledge, better understand our supply chains, and identify and address areas of potential risk.

Supply Chain Sustainability School training sessions

The economy continued

Investment and tax

Investment

EU Taxonomy

In our commitment to be a trusted, value-driven leader in the energy transition, we have voluntarily elected to publish disclosures based on our eligibility and alignment to the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation. Both objectives have been developed to align with the Paris Agreement, consistent with our own net zero by 2050 commitment.

While most EU companies will be reporting on their eligibility this year while deferring alignment disclosures to the following year, in line with EU requirements, we have taken the bold approach of early alignment reporting in our 2021/22 disclosure. This demonstrates our commitment to creating security for our investors and protecting them from 'greenwashing'.

Following a detailed assessment of our sustainable activities, undertaken together with our external assurance and advisory partners, our taxonomy aligned KPIs are as follows:

- total Group aligned turnover: 67%
- total Group aligned CapEx: 73%
- total Group aligned OpEx: 84%

For more details, refer to our Supplementary EU Taxonomy Disclosure.

Green finance

National Grid published its Green Financing Framework (the 'Framework') in November 2019, under which National Grid plc and its subsidiaries can issue Green Financing Instruments to fund our efforts towards a cleaner energy system.

In September 2021, National Grid plc issued the Group's largest green bond of €850 million to finance our growing renewables generation and wider system efficiency capabilities, as well as the major green capital expenditure associated with our transmission and distribution activities in the US.

For more details, refer to our National Grid Green Financing Disclosure.

Tax

Our approach to tax is part of our commitment to being a responsible business and is guided by our values.

When making decisions on tax matters, we follow the CBI's Statement of Tax Principles. We do not enter into artificial arrangements or structures or conduct operations in tax havens or low-tax jurisdictions, where the sole purpose is to achieve tax savings. We endeavour to manage our tax affairs so that we pay and collect the right amount of tax, at the right time, in accordance with the tax laws in all the territories in which we operate. We'll also continue taking legislative and regulatory requirements into account, as well as their tax consequences, when we consider business developments. Our tax contribution, as well as the employment opportunities and essential services that we provide, support public services and contribute to the sustainable development of the regions in which we operate. Our total tax contribution for 2021/22 is £3,719 million (2020/21: £2,839 million). Further details on our total tax contribution can be found in our Annual Report on pages 48 to 49.

We are committed to a coherent and transparent tax strategy and recognise our economic role in society in doing this. In our Annual Report, we publish revenues, taxes, profits and employees for each country of operation. This summary, as well as further information are provided on pages 47 to 49 of our Annual Report.

Spend profile

We work with around 8,000 suppliers across our global organisation, our spend profile of the top 10 countries, where our tier 1 suppliers are based can be found in table 15 on page 46.

Fair return

Our returns are heavily influenced by the regulatory arrangements in place for each of our regulated businesses. In setting these arrangements, we work with regulators to ensure the strong performance will deliver value for our customers and a fair return on investments we make.

Table 13

Direct economic value generated and distributed (£m)

	2021/22[6]	2020/21[7]
Direct economic value generated[1]	**20,517**	15,391
Economic value distributed		
Operating costs[2]	**10,522**	7,696
Employee wages and benefits[3]	**3,530**	2,915
Payments to providers of capital[4]	**1,994**	2,266
Payments to government[5]	**3,022**	2,276
Community investments	**18**	11
Economic value retained	**1,431**	227

1 Direct economic value generated contains revenue, finance income, National Grid's share of joint ventures & associates post-tax results, profit/(losses) after tax from discontinued operations, £697m (2021: £563m) of taxes collected and paid to the government on behalf of employees and £1,058m (2021: £711m) of sales taxes collected on behalf of the government.

2 Operating costs exclude employee wages and benefits, community investments and taxes borne in the year that are not capured in the corporation tax paid for the year, including an adjustment from corporation tax paid to the corporation tax charge measured under IFRS.

3 Employee wages and benefits include £697m (2021: £563m) of taxes collected and paid to the government on behalf of employees. Pension costs incurred by the company, share based payment expenses, severance costs and other retirement costs are included.

4 Equity dividends, interest expenses and other finance costs are included within payments to providers of capital.

5 Payments to government includes £1,058m (2021: £711m) of taxes collected on behalf of the government, primarily sales taxes. Cash payments in respect of income taxes, property taxes and employment taxes borne by the employer are included in the disclosure.

6 2021/22 figures are inclusive of WPD, which was acquired on 14 June 2021.

7 Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as discontinued operation.

EU Taxonomy aligned Group turnover

67%

EU Taxonomy aligned CapEx (excluding business combinations)

73%

EU Taxonomy aligned OpEx

84%

Total tax contribution

£3,719m

The economy continued

Supply chain

Supply base

8,000+

spending over £6 billion per annum through society.

Working with suppliers

Our Global Procurement function has positioned responsible business as one of its three strategic priorities alongside value creation and supply chain resilience. We recognise that the supply chain is an extension of how we operate as a business and we should use our position of influence to create positive impact on a much wider scale across all pillars of the Responsible Business Charter rather than simply through our direct operations. We work with more than 8,000 suppliers, spending over £6 billion per annum with them, cascading economic benefit through society. The main categories of spend include overhead line services, underground cable services, works and engineering services, transmission services, tunnelling, gas mains pipelaying and HR services. As with many large businesses, our supply chain spend is focused on some key categories, with 80% of our spend with 300 suppliers. The business model is primarily direct contracting and project-based with a level of subcontracting through major tier 1 suppliers. In some instances, our supply chains are complex and have a global reach, but over 95% of our tier 1 suppliers are based in the US and UK. However, we understand the need to manage potential risks beyond first tier suppliers and to communicate our expectations and ethical standards through our directly contracted suppliers and further down the supply chain.

Supplier prompt payment

We are fair to our suppliers and are committed to paying them promptly. In the US, 91% are paid to contractual terms (2020/21: 90%). In the UK, this is 84% (2020/21: 91%).

Supply chain engagement

We work closely with our suppliers and peers to build on our knowledge and promote best practice in the industry. We share guidance on our expectations and approach to sustainability through our suppliers page which includes risk assessment models so contractors, agents and others who are acting on behalf of National Grid can understand and mitigate their potential risk. In the UK, we work actively with the Supply Chain Sustainability School (SCSS) to build knowledge and capability through the supply chain. We are involved with a number of collaborative industry initiatives including Utilities against Slavery and the United Nations Global Compact Modern Slavery Working Group, and have worked with the SCSS to deliver business briefings to the supply chain on key topics around modern slavery.

We are signatories to key industry initiatives aimed at driving positive change through our supply chains, including The People Matter Charter. The People Matter Charter has a holistic approach to address people issues across eight commitments including: diversity, exploitation, wellbeing, employment conditions, and training and skills. These are common challenges faced by organisations and their supply chains, National Grid was a founding signatory and promotes this actively down the supply chain.

In the UK, we are members of the Procurement Skills Accord which is an initiative to promote investment in training and skills development through procurement practices. The aim of the Accord is to create a sustainably skilled sector workforce, by recognising those who invest in skills through procurement processes and rewarding suppliers in doing so. A skilled and sustainable workforce is vital to address industry risks, such as an ageing workforce and adjacent sector attraction, whilst our infrastructure projects are reliant on having the right technical skills at the right time.

Risk assessment

We have developed a sustainability assessment tool, using risk assessment criteria, to embed human rights considerations around decent working practices into our strategic sourcing process alongside other sustainability criteria. In the UK, the tool maps to the relevant Achilles Utilities Vendor Database (UVDB) questions and requires a positive response against the key questions identified. The majority of the questions are mandatory at the pre-qualification stage of our sourcing process. In the US, questions are integrated into the sourcing process and evaluated in the contract award process.

In our UK RIIO-T2 Framework contracts (these are the contracts which will take us through our next regulatory price control period), questions on human rights risk assessment are integrated into the sourcing process and any potential risks identified will be reviewed and managed through the vendor management processes as part of regular review meetings. We require contractors to undertake a risk assessment at the start of any new project to understand the potential exploitation risk areas in relation to low skill/low wage and mitigate these risks through delivery of the project. This is closely aligned to our commitment on the real living wage and ensuring this is applied to all relevant roles.

In the instance where a supplier is either unwilling or unable to provide the relevant evidence, this could result in a formal process to review the contract and influence the allocation of any future project work over the framework period.

We provide all our suppliers with access to the assessment tools we have developed for identifying and combatting exploitation in supply chains. These are made available on our suppliers webpage.

The economy continued

Supply chain continued

Policies, expectations and influence

Our Supplier Code of Conduct (SCoC) is aligned to our Responsible Business Charter pillars and includes specific language on responsible business and sustainability. We embed the document into our strategic sourcing process and require all suppliers to acknowledge our SCoC as a condition of doing business. Through the SCoC, we expect our suppliers to comply with all applicable local, state, federal, national and international laws, and to adhere to the principles outlined. This includes the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977, the Principles of the United Nations Global Compact, the International Labour Organisation (ILO) minimum standards, the Ethical Trading Initiative (ETI) Base Code, and the US Trafficking and Violence Protection Act 2000. We encourage all our suppliers to be compliant with the Modern Slavery Act 2015 and to publish a Statement, regardless of whether this is a legal requirement. Our Modern Slavery Statement is updated and published annually, and this details our areas of potential risk and how we engage with our supply chain to address this.

In the UK, we are an accredited Living Wage Foundation employer and the real living wage is a requirement for all suppliers based in the UK. The rates are communicated annually and application is verified in areas of potential low wage risk, such as security, catering and cleaning contracts.

We aim to leverage our position in the value chain to influence our suppliers to reduce their carbon emissions. We encourage suppliers to respond to the CDP Climate Change Supply Chain programme and 93% of those requested did so in the most recent 2021 CDP cycle. We have also established a commitment that at least 75% of our top 250 suppliers will have active carbon reduction targets by 2030. At the cycle end, 54% of suppliers reported active targets. To support our commitment to net zero by 2050, we are promoting the adoption of Science Based Targets by suppliers that have a significant contribution to our Scope 3 emissions. We understand our supply chain is in different stages on their journey to net zero and we help educate them on areas to focus on to reduce their own emissions.

We have embedded sustainability into the strategic sourcing process. For example, in the UK, for recent tenders supporting our RIIO-T2 business plan, 10% of the supplier score was allocated to sustainability criteria overall. Our aim is to have 100% of sourcing events consider sustainability, including this as a key selection criteria where relevant. In the US, the sustainability assessment tool is used at the event strategy, tender and evaluation stages.

Supplier diversity

We operate a Global Supplier Diversity Policy which outlines our commitments to diversity, equity and inclusion in the supply chain and within all aspects of our business units. We expect our suppliers to extend the same in their own supply chains. We are working to create an inclusive and diverse supply chain by raising awareness of the existence and capabilities of diverse suppliers, and being proactive in identifying sourcing and subcontracting opportunities for diverse suppliers. We track and report spend with diverse suppliers, and invest in mentoring and skills development to help support today's and tomorrow's energy and utility sector.

Expanding the diversity of suppliers in our supply chain is also an important part of our procurement strategy. We understand the value of an inclusive supply chain that is richly diverse with minorities, women, veterans, members of the LGBTQ community, people with disabilities, small and medium enterprises and other businesses reflective of our diverse communities across the globe. In the US, we are active members of the National Minority Supplier Development Council, which helps advance business opportunities for certified minority business enterprises through programmes and other education offerings. As a member of the Edison Electric Institute (EEI) Utility Industry Group, National Grid has an opportunity to share and implement best practices for diverse supplier utilisation and development across the electric and gas industries, and membership in the Sustainable Purchasing Leadership Council supports our efforts to address social, economic and environmental impacts in our supply chain to build healthy communities both locally and globally.

Our mentoring partnerships include the Greater Boston Chamber of Commerce Pacesetters Program, the New York & New Jersey Minority Supplier Development Council, the National Minority Business Council and the National Utility Diversity Council.

We are key partners of the Ascend Long Island Project, which provides specialised programmes in 15 cities nationwide to drive minority business growth and job opportunities for Black and Latino businesses. Suppliers are trained to support clean energy goals by building capability/knowledge to reduce energy consumption. In year 1, 20 suppliers trained on the NY Energy Efficiency residential and commercial projects have helped minority entrepreneurs develop the capacity to win contracts from National Grid directly or as subcontractors. National Grid is creating a pipeline of suppliers in the energy efficiency and weatherisation industry to contract with directly or work as subcontractors for other companies as well.

Training and awareness

We continue to assess the training needs associated with managing supplier engagement around sustainable procurement and decent working practices and training. Procurement personnel are trained regularly on supply chain sustainability topics and we have established sustainability ambassadors in the UK and US, with monthly meetings and a focus on ensuring delivery of the agenda through the procurement category teams. A modern slavery awareness video has been developed, identifying which signs to look out for both in and out of work, and also who to contact if an employee has a concern that somebody may be a victim of modern slavery. We continue to encourage our suppliers to utilise the free training and resources that are available through the Supply Chain Sustainability School.

We have worked with the School in partnership with Slave Free Alliance and Utilities Against Slavery to deliver a number of modern slavery sessions to build awareness and knowledge of the topic.

National Grid engineer working on the fleet transformer move

The economy continued

Supply chain compliance

Table 14

Supply chain metrics

Measure	Reason for measure	2017/18	2018/19	2019/20	2020/21	2021/22
Number of potential human rights issues identified through our supplier screening process	We continually monitor adverse media reports in our supplier population and screening tools are in place to detect these. This provides a route for identifying any concerns issues including those relating to modern slavery enabling actions and controls to be put in place.	0	0	1	1*	**1***
Number of modern slavery issues reported through our confidential helplines	Detail of our confidential helplines are made available to our employees, suppliers and the general public providing an avenue for reporting any ethical related concerns. We monitor all reports continually and use the information to identify potential control weaknesses and improve our processes going forward.	0	0	0	0	**1***
Number of stakeholder organisations we have engaged with	We continue to engage with NGO's, peers and subject matter experts to review our approach and share best practice.	-	15	31	30	**33**
Number of suppliers that have signed up to the initiatives that we are supporting and promoting	Number of our Tier 1 suppliers who have signed up to:					
	Construction Protocol			12	14	**19**
	People Matter Charter			5	8	**10**

* both instances related to the concerns around the industry wide heightened risk of forced labour in the solar panel manufacturing processes.

Table 15

Spend profile table

Country	Percentage of spend
United States	**57.63%**
United Kingdom	**38.71%**
Italy	**1.42%**
Canada	**0.74%**
India	**0.26%**
Netherlands	**0.09%**
Norway	**0.07%**
Belgium	**0.06%**
Ireland	**0.06%**
Switzerland	**0.04%**

Our governance

Highlights

49.5%
Diversity across Senior Leadership Group

53.8%
Diversity at Board level

95%
of employees completed Code of Ethics training

Supplier of Code of Conduct (SCoC)

integrates human rights into the way we interact with our supply chain

Linked SDGs

4 QUALITY EDUCATION — **Quality education**

5 GENDER EQUALITY — **Gender equality**

Our material issues

- Board representation and role
- Stakeholder engagement
- Emerging risks
- Skills for the future on the Board
- Transparency and reporting
- Culture
- Ethics and human rights
- Compliance

Our commitments

We will hold ourselves accountable on these commitments and ensure that stakeholder voices continue to be heard at the highest level, and that they influence our approach. We will ensure we maintain the highest standards of ethical conduct.

Our performance

Ethics training	Anti bribery and corruption training	Diversity of the Board
95%	98%	53.8%

Our governance continued

Overview

"We are committed to the highest standards of corporate governance and making sure we apply best practices."

Introduction

From transparency and culture, to making sure we have a diverse leadership team, we are committed to the highest standards of corporate governance and making sure we apply best practices.

The National Grid Board is collectively responsible for the effective oversight of the Company and its businesses. It determines the Company's strategic direction and objectives, business plan, dividend policy, viability and governance structure to help achieve long-term success and deliver sustainable shareholder value.

In order to be effective, we believe our Board needs to hear the voices of our stakeholders and to have the diversity of ethnicity, gender and experience to make the decisions which will enable us to fulfil our purpose and deliver our strategy and, in doing so, ensure that Directors comply with their duty under section 172 of the Companies Act 2006.

In this section, we look at our stakeholder-focused business approach, the diversity of our Board and our approach to managing business ethics, including anti-bribery and anti-corruption, and our compliance performance.

Our approach to management

Our stakeholder engagement processes are set out in detail on page 49 of this document and our section 172 Companies Act 2006 disclosure is set out on pages 56 – 59 of our Annual Report.

Our approach to corporate governance is set out in detail in the Annual Report on pages 86 – 131 and this includes the role of the Board and its Committees.

Board of Directors

To operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates authority to its Board Committees. Each Committee Chair reports to the Board on their Committee's activities after each meeting.

Key matters considered by the Board include:

- establishing the organisation's vision, mission and purpose;
- the Company's strategy and long-term strategic objectives;
- risk appetite and determination of Group Principal Risks;
- overall corporate governance arrangements;
- systems of internal control and risk management;
- ensuring legal compliance and ethical integrity;
- annual business plan and budget;
- significant changes in capital structure;
- ensuring the Company has adequate resources and that resources are managed responsibly;
- succession planning for Board and senior management;
- half-year and full-year results statements, Annual Report and Accounts and other statutory announcements;
- oversight of the Company's response to major crises and other significant challenges;
- oversight of material ESG issues;
- recruiting new Board members and assessing Board performance;
- enhancing the organisation's public standing and;
- determination of the framework or policy for the remuneration of the Chair, Chief Executive, Executive Directors, Group General Counsel & Company Secretary, and direct reports to the Chief Executive, following recommendation from the Remuneration Committee.

Audit & Risk Committee

- Financial reporting.
- Internal controls, risk management and external compliance.
- Corporate audit.
- External audit and assurance.
- ESG and climate change related disclosures.

People & Governance Committee

- Board and Committee composition.
- Succession planning.
- Board appointments.
- Workforce engagement.

Remuneration Committee

- Consideration and implementation of Remuneration Policy.
- Consideration and exercise of discretion.
- Incentive design and setting of targets.

Finance Committee

- Financing policies and decisions.
- Credit exposure.
- Hedging.
- Foreign exchange transactions.
- Tax strategy and policy.
- Guarantees and indemnities.

Safety & Sustainability Committee

- Safety, health and sustainability strategy and policies.
- Performance targets.
- ESG and climate change- related targets, disclosures and action plans.

Group Executive Committee

- Oversees the safety, operational and financial performance of the Company. It is responsible for making the day-to-day management and operational decisions it considers necessary to safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board.
- Delegates authority to a number of sub-committees.
- Members have a broad range of skills and expertise that are updated through training and development. Some also hold external non-executive directorships, giving them valuable board experience. Those members of the Committee who are not directors regularly attend Board and Committee meetings for specific agenda items.

Sub-committees and other management committees

Safety, Health & Sustainability Executive Sub-Committee; Ethics, Risk & Compliance Executive Sub-Committee; Reputation & Stakeholder Executive Sub-Committee; Policy & Regulation Executive Sub-Committee; Investment Committee; Disclosure Committee; Employee Share Schemes Sub-Committee.

Our governance continued

The Board and Engagement

Diversity of the Board

Diversity is core to our business at every level of operation. In 2021, our Board diversity was 46.2%. The Hampton-Alexander and Parker diversity review set five key recommendations aimed at increasing the number of women in leadership positions of FTSE 350 companies, including a target of 33% by the end of 2020. With recent changes to the Board make-up, our diversity is now 53.8%.

Stakeholder engagement

External engagement is an integral part of the way we do business. We use the insight it gives us to develop strategy and build business plans which deliver stakeholder requirements. It helps shape our critical role in the energy transition, and it's a vital part of the work we do to support the communities we impact in our day-to-day operations.

We are fully committed, from our Board downwards, to following a stakeholder-focused approach across our organisation. This means we align our strategic priorities with what stakeholders need from us; we engage on the right topics, at the right time and with the right people; we use what we learn to make better decisions ourselves and to support other decision makers; and we continuously improve and expand our engagement approach.

We continue to use the AA1000 Stakeholder Engagement Standard (an outcomes-focused standard based around the principles of inclusivity, materiality and responsiveness) as the framework upon which we base our engagement approach. Our Stakeholder Engagement 'BMS' Standard, refreshed in early 2022 to underpin a more systematic Group-wide approach to engagement, closely follows the AA1000 framework and allows us to assess maturity across our business.

In the past year, we have also instigated a UK and US programme focused on the enablers of external engagement – looking at internal systems, processes, capabilities and governance, and making changes to improve coordination and consistency and, consequently, the effectiveness of our engagement. In the UK, we've welcomed WPD to the National Grid group, bringing further opportunities for shared learning.

Further information is provided on page 56 to 59 of the Annual Report.

Emerging risks

Please see page 29 of our Annual Report.

Skills for the future on the Board

When making appointments at Board level, consideration is given to the composition of the Board around diversity of skills and experience. The Board assesses its skills on an annual basis. This is then used to identify areas of strengths as well as any areas of opportunity that should be considered for future appointments to the Board. The People and Governance Committee regularly reviews the composition of the Board and Committees to ensure that there is an appropriate spread across the Board as a whole and across each Committee. Where it would be beneficial to strengthen certain skills, the People and Governance Committee will recommend to the Board additional appointments or revision of Committee membership.

Transparency and reporting

We reviewed our governance framework during the year to more closely align with National Grid's purpose, vision and values following the strategic repositioning of the Company's portfolio and the continued refreshment of the Board, and to better facilitate us to progress our sustainability and climate change agenda. Executive and Senior Leadership pay is now linked to our Responsible Business commitments, across a number of metrics, to strengthen alignment of performance and our Responsible Business actitvities.

More details are in our Corporate Governance Report on page 85 of our Annual Report.

Culture

Our culture determines how we behave, how we make decisions and our attitude towards risk and how it aligns with the Group's purpose, vision and values. The Board plays a significant role in monitoring and assessing both the culture of the Group and its alignment with the Company's purpose, values and strategy. Over the last few years we have been on a journey to create the right culture throughout the Company, to ensure our workforce is embracing positive and inclusive behaviours and values in everything we do.

Case Study: Continuing our investor engagement

With investors demanding more from companies when it comes to sustainability performance and disclosure, our engagement programme this year focused on the pivotal role we play at the heart of the energy transition and how this will continue to drive sustainable value.

This included the repositioning of our strategic portfolio and the acquisition of Western Power Distribution (WPD), followed by an update to our investor proposition at the annual results announcement in May 2021. More than 400 investors joined the online presentations and interactive Q&A sessions, which focused on the new longer-term asset and earnings growth expectations for the Group.

In October 2021, we held our 'Doing Right Now' investor day, which gave investors the chance to hear from leaders and experts from across our businesses on the innovative projects we're leading to decarbonise energy. The day was attended by more than 500 investors, analysts, ESG experts, regulators and industry bodies, and scored 87% in our post-event survey for overall event value. The average score achieved for overall ESG strategy and progress was 78%, which re-emphasised the importance of us continuing to engage on this topic.

This year also saw the continuation of our 'Grid Guide To…' series of events, which aims to provide a deeper understanding of the ESG-themed projects we are working on. Following feedback from investors on the themes they are most interested in, this year saw the release of our New York: Future of Heat, Diversity and Inclusion, and Sustainable Supply Chain podcasts, as well as our Decarbonisation of Transport presentation, all of which were well received by investors.

National Grid Investor Day 2021

Our governance continued

Business ethics, bribery and corruption

Ethical conduct

- **Do the right thing**
- **Find a better way**
- **Make it happen**

Our values – Do the right thing, Find a better way, and Make it happen – underpin everything that we do. To help our colleagues to always 'Do the right thing', we have developed frameworks, policies, processes and reporting under effective governance structures that set and monitor our approach to ensuring we behave ethically and in compliance with laws and regulations. This includes our approach to the prevention and detection of fraud, bribery and corruption, and other financial crimes, and how we address the human rights of our stakeholders in their interactions with our operations and activities.

Code of Ethics

A foundational component of our approach is our Code of Ethics, a copy of which can be downloaded here. The Code applies to all employees, directly employed contractors and Board members. The Code covers:

- acting responsibly: safety, environmental protection, insider threats, physical security, community volunteering, investment and sponsorship, and human rights;
- people and behaviours: drugs and alcohol, discrimination, harassment and bullying, workplace violence;
- conflicts of interest: conflicts of interest, relationships with third parties, price-sensitive information, insider trading and material non-public information;
- anti-corruption and transparency: fraud, bribery and corruption, gifts and hospitality, business travel and expenses, use of company resources, political interactions and lobbying, competition; and
- information and communication: data privacy, electronic communications, information security, managing records, social media.

Our Code is issued to all colleagues and provides guidance on how to assess if an action is 'right' and how to raise concerns that arise properly and safely. The Code is supported by a global communication and training programme to promote a strong ethical culture.

Our global training strategy includes e-learning for all management colleagues on the Code of Ethics so they can understand and apply the Code, including the Company's zero tolerance approach to fraud, bribery and corruption of any kind. We also have an e-learning course for all management employees on conflicts of interest and how to identify and mitigate them. During the year, 95% of colleagues completed training on the Code, which requires them to affirm that they have read and understood the Code.

The Code is supported by an Ethics Business Management System ('the BMS') which provides a clear set of minimum standards that each business area must adhere to. The BMS requires that our employees comply with the Code, that our senior leaders ensure appropriate training is completed in their business area and that they promote an environment where everyone can do the right thing and feel comfortable raising any ethical concerns without fear of retaliation, and that leaders appoint an Ethics Champion for their business area.

Each of our business areas is required to consider its specific risks and maintain a control framework, setting out the controls it has in place to manage its risks, including controls in relation to the risk of fraud and bribery. The business self-assesses the effectiveness of its controls and provides evidence that supports its compliance. Each year, all function heads are asked to certify the compliance in their area, and to provide details of any exceptions. This culminates in the presentation of a Certificate of Assurance from the Chief Executive to the Board (following consideration by the Audit and Risk Committee). You can read more about the Audit and Risk Committee's role on pages 101 to 105 in the Annual Report.

To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we undertake a fraud and bribery risk assessment across the Company on an annual basis to identify higher-risk areas (such as system access controls, supplier fraud and potential conflicts of interest) and make sure adequate policies – such as our Anti-Financial Crimes policy, which applies to all colleagues and those working on our behalf – and procedures are in place to address them.

We have a confidential internal helpline and regularly communicate the contact information to our colleagues through the Code of Ethics, our intranet, case studies and a variety of business communications. We also have an external 'Speak-up' helpline that is available at all times in all the regions where we operate and we publish contact information through the same internal channels as well as on our external website. Our policies make it clear that we will protect anonymity, support and protect whistle-blowers, and any form of retaliation will not be tolerated.

During 2021/22, we received 344 reports of breaches of our Code of Ethics. These reports are received through various reporting channels, including our internal and external helplines. For the reports that were closed during the year, 46% were substantiated following investigation and resulted in various disciplinary actions. We categorise reports against our Code of Ethics; the main themes relate to People and Behaviour, and Information and Communication categories.

In New York, we were the victim of criminal activity where former employees circumvented controls to commit fraud in the procurement of downstate New York Facilities work. We engaged professional consultants to perform a comprehensive review of our control framework. Whilst our procurement controls were found to be effective, we are implementing recommendations to make improvements to our control framework and Ethics and Business Conduct Programme.

"Our values – Do the right thing, Find a better way, and Make it happen – underpin everything that we do."

Our governance continued

Business ethics, bribery and corruption continued

Our executive Ethics, Risk and Compliance committee (ERC) provides governance over the application of our Code of Ethics and associated programmes. The ERC incorporates regular discussion of ethics and business conduct, as do the business unit and function committees, which combine to form an affective governance structure across the business.

Formal Ethics and Business Conduct reports are discussed twice a year at the ERC and Audit and Risk Committee of the board. Details of material cases are provided along with coverage of broad themes, 'speak up' trends benchmark comparisons and increasingly, we are including additional metrics on the number and types of cases arising.

Serious issues that meet our escalation criteria are reported in line with our escalation process through the Global Chief Risk Officer (CRO), Group General Counsel & Company Secretary, Audit and Risk Committee, and the Board as appropriate. Such cases would include for example, fraud and bribery, ethics and business conduct matters involving executives and particularly egregious people and behaviour matters, among others. This ensures those charged with governance can satisfy themselves that cases are investigated promptly and where appropriate, acted upon, including ensuring any lessons learnt are communicated across the business. We investigate all allegations of ethical misconduct thoroughly and where appropriate, we take corrective action and share learnings to prevent future recurrence.

Political donations and lobbying

We're committed to maintaining a high standard of corporate political engagement worldwide. We do this by assessing and making our policies, procedures and practices visible, with reference to Transparency International Guidance. We have Global Corporate Policies on Political Contributions, on Responsible Lobbying, and on Employment of Former Public Officials and Secondment of Employees into Public Bodies. As well as clear guiding principles, we have developed an integrated management approach and Board accountability and oversight.

At this year's AGM, the Directors will again seek authority from shareholders, on a precautionary basis, for National Grid and its subsidiaries to make donations to registered political parties and other political organisations and/or incur political expenditure, as such terms are defined in the Companies Act 2006. In each case, donations will be in amounts not exceeding £125,000 in aggregate. More details on the rationale for this are set out on page 264 of the Annual Report.

National Grid made no political donations during the year, as such terms are defined for the purposes of the Companies Act 2006 and the Political Parties, Elections and Referendums Act 2000. National Grid USA's two affiliated Political Action Committees (PAC) for New York and federal elections made political donations in the US totalling $79,375 during the year.

National Grid USA's affiliated New York Political Action Committee (NYPAC) was funded partly by contributions from National Grid USA and certain of its subsidiaries, and partly by voluntary employee contributions. National Grid USA's affiliated Federal Political Action Committee (PAC) was funded wholly by voluntary employee contributions. The NYPAC did not receive any corporate contribution during the past fiscal year.

Human rights – modern slavery/ anti-corruption

Respect for human rights is incorporated into our employment practices and our values, which are integral to our Code of Ethics. This is vital in maintaining our reputation as an ethical company that our stakeholders want to do business with, and that our employees want to work for. Although we do not have a separate human rights or modern slavery and human trafficking policy, we cover these issues through related policies and procedures relating to diversity, anti-discrimination, privacy and equal opportunity, etc. and our Global Supplier Code of Conduct (GSCoC) integrates human rights into the way we interact with our supply chain (page 44-45). We also publish a Modern Slavery Statement.

Compliance

All business areas are required to fully report any non-compliance incidents.

In the year 2021/22, National Grid Electricity Transmission (NGET) and Scottish Power Transmission (SPT) paid a £158 million penalty (£15 million to Ofgem's redress fund and £143 million returned to consumers) for the two-year delay to the 'Western Link' subsea cable and NGESO paid £1.5 million in voluntary redress following an Ofgem investigation into demand forecasting.

Environment-related incidents are reported internally on the basis of common definitions of severity, with category incidents having the highest potential for harm. These are reported immediately to the highest level of management and are reported to the Board. During the year, four Category 1 incidents were reported, none of which have resulted in fines.

Given the extensive nature of our regulatory compliance obligations in the US, during the year, we created a US Compliance function led by a US Chief Compliance Officer (CCO), who is responsible for establishing our regulatory compliance policies, frameworks and processes to monitor our compliance obligations. The Chief Compliance Officer (CCO) function also provides assurance that these compliance obligations are being met.

Detailed reporting statements

EU Taxonomy Voluntary Disclosure 53
National Grid Green Financing Report 55

Further details

In these detailed reporting statements you will find further information on EU taxonomy and green financing

Detailed reporting statements

EU Taxonomy

Overview

The EU Taxonomy explained

The EU taxonomy is a classification system, establishing a standardised list of sustainable economic activities. The system is intended to create a common language and clear definition of what is 'sustainable.' As a result, it is designed to create security for investors by protecting them from greenwashing, help companies become more climate-friendly, mitigate market fragmentation, and help shift investments where they are most needed.

The Taxonomy Regulation establishes six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Technical screening criteria to identify activities aligned to the first of those two objectives were adopted before 31 March 2022, and are the only objectives considered in our reporting for 2021/22.

EU Taxonomy reporting includes a hierarchy of two levels of reporting, one a subset of the other:

- **Eligible activities:** These are economic activities identified by the legislation as having the potential to substantially contribute to one of the six objectives
- **Aligned activities:** Eligible activities that meet the following conditions:
  - meet the minimum safeguards required by the EU Taxonomy;
  - fulfil the technical screening criteria (TSC) laid out by the Delegated Acts of the EU Taxonomy;
  - do no significant harm to any other objectives of the EU Taxonomy;

Our view

We support the objectives of the EU Taxonomy in bringing standardisation and comparability to defining and measuring a business's sustainable activities. At the time of reporting, we also consider the EU Taxonomy to be the most advanced, credible and, soon to be, most widely adopted system of this kind. We have therefore elected to voluntarily disclose KPIs aligned to our interpretation of the EU Taxonomy, in order to provide our stakeholders with a transparent view of our alignment to the objectives adopted at the reporting date: climate change mitigation and climate change adaptation.

We elected to publish disclosures based on our eligibility and alignment to the first two environmental objectives of the taxonomy because the climate change objectives are highly material to our business. In particular, the objective of climate change mitigation, which is aligned to the Paris goals and consistent with our own net zero by 2050 commitment. In applying the guidance available at the reporting date, we did identify areas where judgement was required due to subjectivity and lack of precedent available in the EU Taxonomy. In such instances, we have sought to disclose all such judgements made to support the understandability of our KPIs, maximise transparency and allow users of our reports to interpret the impact of alternative judgements.

We expect to be one of the very first companies in the world to publicly report EU Taxonomy aligned KPIs and disclosures, which we believe demonstrates our commitment to creating security for our investors and protecting our stakeholders from "greenwashing." With that in mind, we have made every effort to adhere to the requirements of the EU Taxonomy Delegated Acts and corresponding guidance within a short timeframe, and in consultation with third party advisory partners and industry peers. We understand that the EU may issue new amendments or clarifications subsequent to our disclosure this year, which could inform or alter our approach in future years.

Process

Process for analysing business activities

Eligibility	Alignment			KPIs
	Substantial contribution	Do no significant harm[1]	Minimum safeguards	
Group-wide assessment of eligibility in line with the relevant Delegated Act to ensure completion. Group definition of eligibility in line with relevant Delegated Act agreed. List of eligible activities identified. Eligibility KPIs calculated.	Establishment of group-wide policy and assumptions in compliance with the definitions within the relevant Annexes, to the best of our ability. Consulted with ESG assurance partner and EU Taxonomy advisory working groups on approach. Data collection to assess the impact of material activities.	Evaluation of the DNSH criteria with key internal stakeholders for all environmental objectives. Establishment of group-wide policy and integration into future decision-making to ensure improved future alignment. Continued refinement, iteration and review processes to ensure we do no significant harm to objectives over time.	Group wide assessment mapping policies, procedures and practices to the EU Taxonomy's principles. Review of cases of non-compliance and claims brought against the company to ensure no breaches of minimum safeguards. Continued refinement, iteration and review processes to ensure minimum safeguards are maintained	Based on the eligibility and alignment assessments performed, final KPIs calculated at a defined activity level. Reconciliation of revenue and capex denominators to audited financial statements.
Ongoing consultation with third party assurance and advisory partners, and industry peers.				

[1] The DNSH assessment in the Delegated Acts describes compliance with specified EU Directives across each of the environmental objectives. As a non-EU based company, we have elected not to extend our assessment beyond the UK and US standards against which we are mandated to comply for this year, as we believe UK and US laws in relation to the environmental objectives are broadly in line with those in the EU. We intend to perform a comprehensive exercise to map our activities and the UK and US standards we comply with to the relevant EU directives for next year's disclosure, to confirm this assessment.

Detailed reporting statements continued

EU Taxonomy continued

Results

Eligibility

In accordance with the EU Taxonomy Regulation, we consider eligible activities as those described in the climate delegated acts, but not considering the technical screening criteria or do no significant harm considerations of those delegated acts.

On this basis, we have developed our own definition of an activity that applied directly to our business, but also corresponds with the EU Taxonomy guidelines:

An eligible economic activity is defined as a single system which is capable of operating, and delivering its objectives, independently from other activities, and meets the eligibility criteria defined by the EU Taxonomy Delegated Acts. All non-direct costs which are not directly essential to the running of these activities are excluded in accordance with the Disclosure Delegated Act.

As a result, we have summarised our Group's eligible activities as follows:

EU Taxonomy Defined Economic Activity	Description of National Grid Activities included	Number of eligible National Grid economic activities assessed
4.9 Transmission and distribution of electricity	Electricity transmission and distribution network operations (including the UK ESO, interconnectors and electricity smart meter projects)	24
4.14 Transmission and distribution networks for renewable and low-carbon gases	US gas distribution methane leak mitigation, reduction and repair investment	5
4.1 Electricity generation using solar photovoltaic technology	US solar photovoltaic (PV) electricity generation development projects	1
4.3 Electricity generation from wind power	US wind electricity generation development projects	1
4.29 Electricity generation from fossil gaseous fuels	US natural gas-powered electricity generation plant	1
Total		**32**

A detailed listing with individual descriptions of our 32 eligible activities can be found in our EU Taxonomy, GRI and SASB: Our Disclosure Document.

Alignment

Minimum safeguards

The EU Taxonomy mandates an assessment against its minimum safeguards, a set of defined UN, EU and other international human rights and code of ethics guidelines, in order to confirm alignment of their economic activities.

Across the Group, no instances have been identified where the principles of the EU Taxonomy defined minimum safeguards have not been met.

Technical screening criteria (TSC)

We have assessed each of our 32 economic activities individually against the respective climate change mitigation TSC to ensure alignment. We have also separated out any individual capital expenditure which meets the substantial contribution criteria for climate change adaptation. In the case of National Grid, all aligned climate change adaptation expenditure in the year related to building our resilience to storms and assessing flood defence needs.

The following eligible activities and components of eligible activities have been excluded, in order to meet the climate change mitigation TSC:

- gas powered generation, as it does not meet the thresholds set in Annex 1 of the EU Taxonomy Complementary Delegated Act.
- transmission networks which had no new connections in the past five years.
- activities related to direct, dedicated connections between electricity transmission & distribution networks and fossil fuel powered electricity generation facilities.

Do no significant harm

We have identified that activities containing PCBs within the electricity transmission and distribution activities should be excluded, in accordance with activity 4.9 of the climate change mitigation delegated act. We have applied conservative assumptions and apportioned these across our assets contaminated with PCBs.

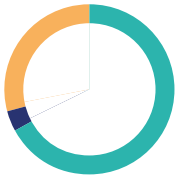
More detail on our eligibility and alignment assessment is provided in our EU Taxonomy, GRI and SASB: Our Disclosure Document, and the detailed KPI tables are available in the Excel Data Book.

Highlights - year to 31 March '22

Group aligned turnover

67%

(£12.4 bn)

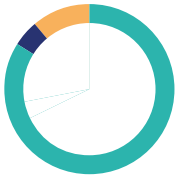


67% 4% 29%

Group aligned opex

84%

(£5.3 bn)

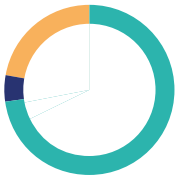


84% 5% 11%

Group aligned capex[1]

73%

(£4.5 bn)



73% 5% 22%

- Taxonomy aligned activities
- Taxonomy eligible but not aligned activities
- Taxonomy non-eligible activities

[1] We have reported the Group aligned capex excluding business combinations. The figure including business combinations is reported in the EU Taxonomy, GRI and SASB: Disclosure Document.

Detailed reporting statements continued

National Grid Green Financing Report

Introduction

The following pages report on the allocation of proceeds and environmental impact of National Grid plc's inaugural green bond, issued in September 2021 for €850 million. The bond was issued in accordance with National Grid's Green Financing Framework ("The Framework") which was last updated in July 2021. The Framework is aligned with the ICMA Green Bond Principles published in June 2021, the LMA Green Loan Principles published in February 2021 and the use of proceeds categories have been mapped to the eligibility activities defined by the EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation. The Framework and corresponding Second Party Opinion (SPO) issued by ISS-ESG are available on our website.

PriceWaterhouseCoopers LLP ("PwC") have provided limited assurance over selected information identified with the symbol ⌀ within this Green Financing Report. PwC's limited assurance report is available on our website.

Final terms of National Grid plc's green bond:

Issuer	National Grid plc (NG)
Rating at issuance (Moody's / S&P / Fitch)	Baa2 / BBB / BBB
Documentation	Senior unsecured, Reg S
Currency	EUR
Size (m)	850m
GBP equivalent (m)	727.6m
Trade date	25 August 2021
Settlement date	1 September 2021
Maturity	1 September 2028
Coupon	0.25%
Denomination	EUR 100,000 + EUR 1,000
Primary listing	London
ISIN	XS2381853279

Allocation Report

Information on allocation principles and eligible categories can be found in The Framework published on our website. The allocation period for this bond is 1 April 2018 to 31 March 2021.

Eligible Green Maintenance and Projects		
EU Taxonomy and ICMA / LMA Category of Eligible Green Projects	Eligible proceeds [b, d, e, f] (£ in millions)	Share of Total Eligible Green Projects (%)
4.1 Electricity generation using solar PV technology and 4.3 Electricity generation from wind power[d]	282.9 ⌀	
4.9 Transmission and distribution of electricity	466.5 ⌀	
Renewable Energy[c, d]	**749.4** ⌀	98%
4.9 Transmission and distribution of electricity	14.2 ⌀	
Energy Efficiency	**14.2** ⌀	2%
Eligible Green Projects[f]	**763.6** ⌀	

Green Funding Allocation	
Green Financing Instrument	Amount issued (£ in millions)
XS2381853279	727.6
Total allocated proceeds	**727.6**
Total unallocated proceeds	**0**
Total Green Funding	**727.6**

The report includes capital expenditure and eligible investment expenditure (see note d), that occurred between 1 April 2018 and 31 March 2021 and was invested by the New England and National Grid Ventures business units of the Group. Spend after 31 March 2021, including forecast spend, is not included. See table below for a summary of allocation to this bond.

Allocation summary	
Percentage of Green Financing proceeds allocated to Eligible Green Maintenance and Projects	100%
Percentage of Eligible Green Maintenance and Projects allocated to Green Bond	95.3%
Percentage of Eligible Green Maintenance and Projects not yet allocated [b,f]	4.7%

Detailed reporting statements continued

National Grid Green Financing Report continued

Notes to the Allocation Report

a. Information on our compliance with the EU Taxonomy alignment technical screening, do no significant harm and minimum safeguards criteria can be found on page 54. Note: PwC provided limited assurance over our allocated proceeds mapping to the EU Taxonomy eligible criteria, but their assurance did not extend to assessing alignment with the EU Taxonomy alignment criteria.
b. Any capital or investment expenditure after 31 March 2021, including forecast spend, has not been included.
c. For transmission and distribution projects, the Renewable Energy category includes a percentage of our capital expenditure that is deemed to contribute to maintaining, integrating and enhancing the capacity of renewable energy in our transmission and distribution networks ("The Green Ratio"). £362m of The Green Ratio spend is included within the Renewable Energy category above and relates to expenditure in two of our US operating companies, Massachusetts Electric Company (MECO) and New England Power Company (NEP). For both companies we applied the March 2022 Green Ratio of 35% retrospectively to the maintenance capex in the allocation period.
d. On 11 July 2019, National Grid Ventures acquired 100% of the share capital of National Grid Renewables (formerly known as Geronimo Energy LLC) and 51% of Emerald Energy Venture LLC (Emerald), which is jointly controlled by National Grid and Washington State Investment Board (WSIB). National Grid Renewables Development LLC is a leading developer of wind and solar generation based in Minneapolis in the US, and the acquisition was a significant step in National Grid's commitment to the decarbonisation agenda by developing and growing a large-scale renewable generation business in the US and delivering sustainable and reliable renewable energy. Whilst National Grid Renewables develops the assets, Emerald JV has a right of first refusal to buy, build and operate those assets. Therefore, the total initial consideration, as well as subsequent capital contributions into the JV between 1 April 2018 and 31 March 2021 have been included as eligible allocated expenditure in the Renewable Energy category. Thus, our solar PV and wind power allocation have been combined to reflect total eligible generation of renewable energy.
e. For our electricity transmission maintenance expenditure, we have removed an estimate of expenditure related to SF_6 gas, which is a highly effective insulator used in our circuit breakers and is necessary for the efficient functioning of our transmission networks, in particular. SF_6 is a greenhouse gas that is 22,800 times more potent than CO_2. While SF_6-free alternative technologies and solutions are not yet available for most of our assets, we decided to exclude such expenditure by removing the estimated purchase and installation costs of circuit breakers from the eligible transmission projects. In the case of capital expenditure where our Green Ratio is applied, we removed the estimated expenditure related to SF_6 gas before applying The Green Ratio.
f. There is additional eligible green capital expenditure, particularly in the period 1 April 2019 to 31 March 2021, which may be allocated to future green bonds.
g. We have also excluded projects that are specifically financed from customer contributions, from other borrowing sources, and spend recoverable in the short-term, through our regulatory mechanisms.

A full listing of Eligible Green Projects is included on page 57.

Detailed reporting statements continued

National Grid Green Financing Report continued

Impact Report

The following metrics are calculated to measure the environmental benefits related to Eligible Green Projects funded by the green bond. The reporting period is 1 April 2018 to 31 March 2021, which is aligned with the allocation period described above. Impact calculations are based on the allocated period for each project to measure the impact attributable to the bond on a pro-rata basis.

Impact reporting is aligned with the portfolio approach to impact reporting described in the "Handbook - Harmonized Framework for Impact Reporting" published by the International Capital Markets Association (ICMA) in June 2021[1].

For more details, please refer to Our Reporting Methodology.

[1] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-220520.pdf

ICMA/LMA Green Eligible Category	Invested amount (£ in millions)[1]	Eligible amount (£ in millions)	Allocated amount (£ in millions)	Share of total allocated portfolio financing (%)	Eligibility for Green Financing Instruments (%)	Impact analysis As of 31 March 2021: Additional capacity of renewable energy connected to the systems[2] (MW)	Estimated energy savings (MWh)	Estimated tCO_2 emissions avoided[2, 3] (tCO_2e)	Contribution to specific UN SDGs
Renewable Energy	1,434.9	749.4	727.6	98	100	2,437		16,264,282	UN SDG 7, 13
Energy Efficiency	14.2	14.2		2	100		8,800		UN SDG 7, 13
Total	**1,449.1**	**763.6**	**727.6**	**100**		**2,437**	**8,800**	**16,264,282**	

[1] The invested amount described the total invested amount prior to the green ratio of 34.6% being applied to electricity transmission and distribution capital expenditure (see note C above).
[2] In line with our wider RBR methodology and definition of operational control, 100% of Emerald joint venture impact data has been included and 100% of NEMO transmission interconnector (between UK and Belgium) impact data has been excluded.
[3] We recognise that the estimated tCO_2e emissions avoided reflects the result of actions undertaken not just by National Grid, but by other stakeholders in the energy industry, including energy producers and consumers. However, as the renewable installed capacity is enabled by our Eligible Green Projects, we claim 100% of the impact attributable to our green bond.

List of Eligible Green Projects

In addition to Eligible Maintenance Capex, the following Eligible Green Projects were included in the Allocation Report.

Business unit	Project name	Eligible Category
New England	Solar Phase III • An advanced renewable energy project in Massachusetts, focused on maximising the benefits of distributed generation by using smart technologies and state-of-the-art integration strategies.	Renewable Energy
National Grid Ventures	National Grid Renewables • A newly acquired company whose sole purpose is to develop renewable wind and solar photovoltaic (PV) projects.	Renewable Energy
National Grid Ventures	Emerald Joint Venture (JV)[1] • National Grid has a 51% membership interest in the Emerald JV, whose sole purpose is to build renewable wind and solar PV projects, developed by National Grid Renewables.	Renewable Energy
National Grid Ventures	Nemo Interconnector • Nemo Link is a sub-marine power cable between the United Kingdom and Belgium, that promotes system flexibility in a future of significant variable renewable energy power.	Renewable Energy
National Grid Ventures	IFA Interconnector • Our electricity interconnector, linking the UK and France, that supports a low carbon, high renewable power generation system of the future.	Renewable Energy
National Grid Ventures	Smart • Electricity smart meter upgrades that contribute to increased energy efficiency.	Energy Efficiency

[1] For clarity, we have not included joint venture expenditure in our EU Taxonomy Disclosure, in line with the relevant legislation. Refer to our EU Taxonomy Disclosure Document for more details.

Linked SDGs

Affordable and Clean Energy

Climate Action

Supplementary documents

Climate Transition Plan 59
Fair Transition Statement 60

Supporting Details

Here you will find details of our supplementary documents.

Supplementary documents

Climate Transition Plan

We're committed to changing the way our organisation operates to ensure our business model is consistent with the objectives of the Paris Agreement and Glasgow Climate Pact.

This climate transition plan sets out our Science-Based Targets, but more importantly the actions we're taking to make significant near-term reductions in our GHG emissions and ensure we remain on track to meet our longer-term ambition to reach zero emissions by 2050. We're committed to changing the way our organisation operates to ensure our business model is consistent with the objectives of the Paris Agreement.

Our climate strategy is guided by a set of absolute GHG reduction targets covering the entirety of our direct (Scope 1), indirect (Scope 2) and value chain (Scope 3) emissions.

Our climate transition plan sets out our group GHG reduction targets, our overall pathway to 2050 and the actions we're taking across each of the material areas of our climate footprint.

Through the actions outlined within this climate transition plan we're striving to halve emissions across the group by 2030 (from FY2016) and reduce them to zero by 2050, limiting our use of external offsets to get there. This means that we are striving for our operational emissions to reach zero in absolute terms, with a potentially only a very small amount of residual emissions remaining . These would likely be in our upstream supply chain and within hard to abate areas where UK and US National Plans still have emissions in 2050, such as air travel. These activities are examples of areas where achieving zero emissions quickly is very difficult, but where offsets delivered responsibly, can play a supporting role when combined with absolute emissions reductions.We will only use offsets if we believe they can play a small tactical role in accelerating emissions reductions in the short-term and importantly they must accelerate real cuts to emissions.

Further reading
Full Climate Transition Plan

Supplementary documents continued

A Fair Transition: Our Approach and Engagement

This year we've published our first Fair Transition: our approach and engagement . Here we set out the structure and intention of the statement.

Leading a fair transition

This document sets out what a fair transition means to us, how and where we can lead on and influence delivery of a fair transition, and the feedback we've already heard from our stakeholders on this subject. Most importantly this document 'A Fair Transition: Our Approach and Engagement' launches our programme of engagement, because we want to test our thinking with you.

What do we mean by a fair transition

For us, a fair transition means that no one is left behind as the world transitions to a clean energy future. No matter who or where you are, your income or background, everyone should share in the benefits of the clean energy future: access to clean energy, health, job opportunities and economic development.

Our focus areas for a fair transition

From this feedback and our understanding of global movements on a fair transition we outline the five focus areas around which we intend to fully develop our strategy:

- Affordability
- Education, jobs and skills
- Community
- Nature and resilience
- Accessibility

We have specifically highlighted the work we are already undertaking on affordability in recognition of the recent growth in cost-of-living issues.

Challenges and opportunities

For each of the key areas of a fair transition we explain what we think that means, where we can have a direct role in enabling the transition and how we can influence others to deliver a fair transition more broadly.

Continuing the conversation

We set out questions at the end of the document, as well as the process we intend to follow to continue to engage on this issue. We want to ensure everyone has the opportunity to shape our actions to deliver a fair transition.

Further reading
Full Fair Transition: our approach and engagement

Appendix

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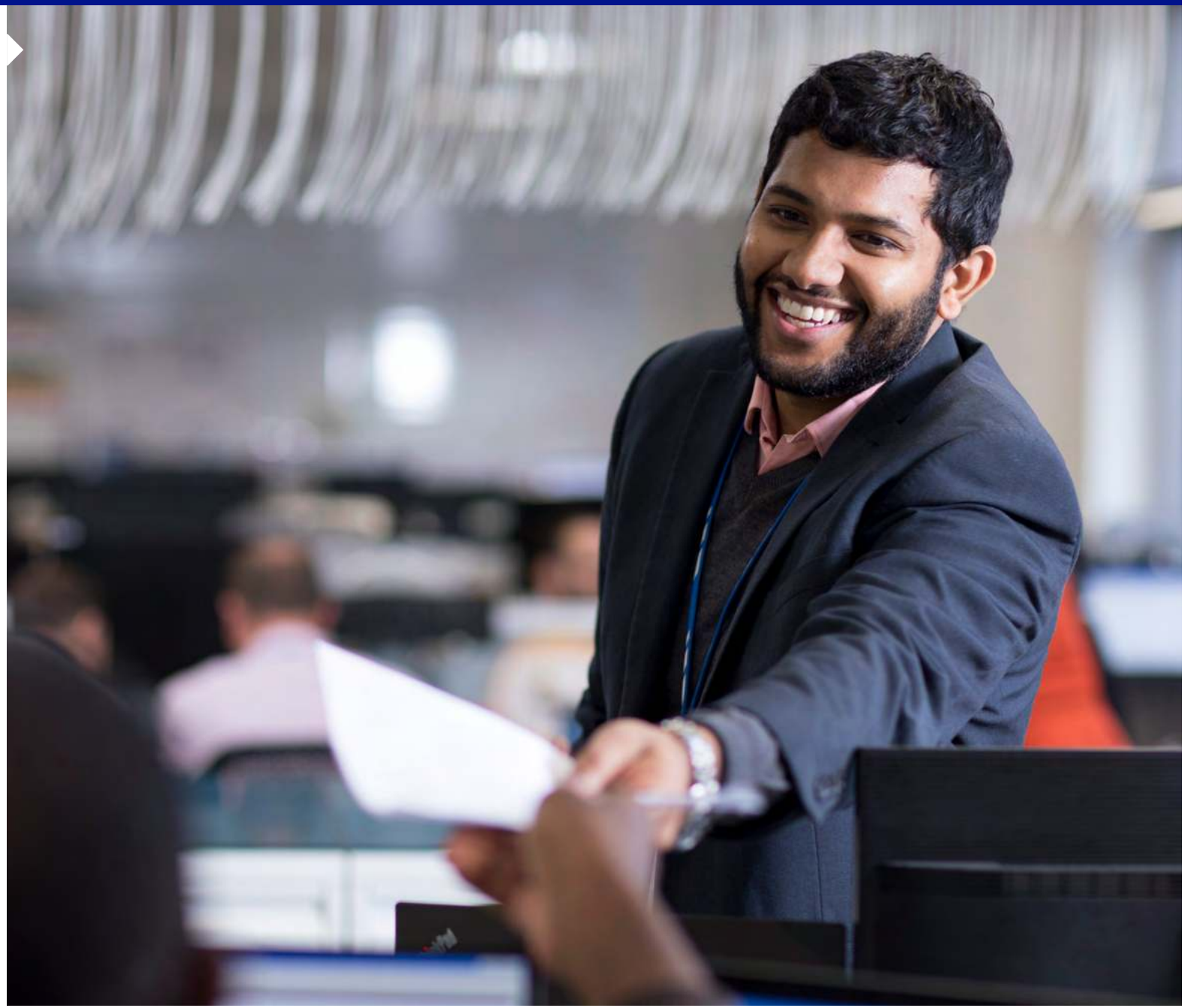

More Information

Here you will find our supporting data tables, UN Global Compact index and links to our data book and methodology documents

Appendix

National Grid data tables

Data externally assured by PwC – see page 8 for further details. All 2021/22 data in these tables that has not been assured by PwC has been subject to a reporting process and controls review by National Grid's Finance second line risk and controls team.

Data previously externally assured by PwC – see www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap-2021 for further details

The data for previous year was also externally assured by PwC as detailed in the 2020/21 report – see www.nationalgrid.com/responsibility/responsible-business-report

The environment

Metric	Target	2021/22	2020/21	Performance against baseline
Greenhouse gas (GHG) emissions (kilotonnes $C0_2e$)				
Scope 1 and 2 GHG emissions (Scope 2 location based)	Achieve net zero by 2050. We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 80% by 2030, 90% by 2040, and to net zero by 2050 from a 1990 baseline.	**7,465**	6,943 †	-65%
Scope 1 GHG emissions		**5,271**	4,727 †	
Scope 2 GHG emissions – market based		**2,244**	2,264 †	
Scope 2 GHG emissions – location based		**2,194**	2,216 †	
Scope 3 GHG emissions – total Scope 3 emissions	Reduce Scope 3 GHG emissions across our entire value chain 37.5% by FY2034, from a FY2019 baseline (revised to reflect Scope 3 SBT).	**30,088**	28,948 †	-10%
Scope 3 GHG emissions – US Cat 3 (Fuel & Energy Related Activities)		**4,371**	4,126 †	
Scope 3 GHG emissions – US Cat 11 (Use of Sold Products)		**18,947**	18,235 †	
Scope 3 GHG emissions – UK & US Cat 1 (Purchased Goods and Services)		**6,747**	6,570 †	
Scope 3 GHG emissions – UK & US Cat 7 (Employee Commuting)		**5**	5	
Scope 3 GHG emissions – UK & US Cat 6 (Business Travel)		**11**	6	
Scope 3 GHG emissions – UK & US Cat 5 (Waste Generated in Operations)		**7**	6	
SF_6 GHG emissions ($ktCO_2e$)	Reduce SF_6 emissions from our operations 50% by 2030, from a 2019 baseline.	**263**	321 †	-22%
Total electricity consumption (GWh)		**987**	852	
Total operational consumption (GWh)		**1,990**	1,748	
Total heating consumption (GWh)		**163**	156	
Total transport consumption (GWh)		**362**	369	
Total fuel consumption from non-renewable sources (GWh)		**3,463**	3,097	
Total fuel consumption from renewable sources (GWh)		**39**	29	
Total energy consumed – US Generation data (GWh)		**19,610**	16,155	
GHG emissions and total miles from air travel	Achieve zero carbon emissions from business air travel. From 2020 onwards, we will reduce our annual air miles travelled by at least 50% from a 2019 baseline on an enduring basis.			
GHG emissions from air travel ($ktCO_2e$)		**0.99**	0.32 †	-90%
Total miles from air travel		**4,689,805**	657,998 †	-80%
Air quality (Tonnes)				
Emissions from stationary sources (NOx)	We will reduce NOx and SOx emissions by improving the efficiency of our plant and equipment.	**3,072**	2,214 †	
Emissions from stationary sources (SOx)		**1,107**	129 †	
Emissions from stationary sources (PM)		**391**	231 †	
Fleet (%)				
Electric Vehicle Fleet % (Light-duty only)	Move to a 100% electric fleet by 2030 for our light-duty vehicles.	**4%**	2%	

The environment

Metric	Target	2021/22	2020/21	Performance against baseline
Waste (Tonnes/%)				
Total office waste (tonnes)		**1,488**	1,884	
% office waste diverted from landfill	We are committed to sending zero waste to landfill, where possible, in our main offices.	**99.7%**	100%	
US		**97.9%**	100%	
UK		**100%**	100%	
Our energy consumption				
Total energy consumption (GWh)		**3,502**	3,125[8]	
Office energy consumption (GWh)	Reduce energy consumption in our offices 20% by 2030. Commitment from a 2020 baseline.	**63**	222	-72%
UK		**25**	26	
US		**38**	196	
% Renewable energy purchased				
UK		**0%**	0%	
US		**5.80%**	4.6%	
Enabling clean energy (MW)				
Renewable energy connected to US Distribution grid	We will connect renewables as quickly and efficiently as possible.	**531**	464	
Renewable energy connected to US Transmission grid		**98**	126	
Renewable energy connected to UK Transmission grid		**1,869**	360	
Interconnector capacity (GW)		**6.4**	5	
Renewables enabled by direct investment via National Grid Renewables	We will grow our renewables business in the US.	**1,308**	634	
Energy intensity				
Total global Scope 1 & 2 emissions in tCO_2e per million £ of revenue (tCO_2e/£M)[1]		**411**	470	
Carbon intensity of our generation metric – CDP (tCO_2e/GWh)		**486**	436	
Water				
Total water abstracted i.e withdrawal (MCM)		**1,388**	1,444	
Total water discharged (MCM)		**1,388**	1,444	
Natural environment				
Number of hectares of land we have remediated		**21.6**	24.8	

[1] The inputs of this calculation include Scope 1 and 2 emissions, as assured by PwC, see table above, and external revenue from our audited consolidated financial statements. The external revenue figure of £18,154m is calculated in line with our policy for sustainability reporting for acquisitions, mergers and disposals i.e. Group revenue from continuing operations before exceptional items and remeasurements of £18,260m (per ARA Note 3), plus revenue from discontinued operations (UK Gas Transmission) of £1,362m (Note 10), less revenue from new acquisitions (UK Electricity Distribution (WPD)) of £1,468m (per ARA Note 2).

Appendix continued

National Grid data tables continued

Our people

Metric	Target	2021/22	2020/21
Inclusiveness & Diversity (%)			
Diversity % of Senior Leadership Group[2]	Achieve 50% diversity in our Senior Leadership Group by 2025.	**49.5%**	44.6%†
Diversity % of hires in new talent programmes[2]	Maintain 50% diversity in all our new talent programmes.	**55.6%**	54.6%†
Diversity % of the workforce[2]	Be as transparent as possible internally and externally on gender and ethnicity/race.	**38.6%**	37.9%†
Gender and ethnicity % of joiners	Be as transparent as possible internally and externally on gender and ethnicity/race. This will include reporting on recruitment, promotion, progression and leaver rates by diverse groups. We will use this to spot trends and react accordingly.		
Recruitment rates by gender		**31.7%**	27.1%†
Recruitment rates by ethnicity		**31.5%**	29.3%†
Gender and ethnicity % of promotions			
Promotion rates by gender		**21.6%**	21.3%†
Promotion rates by ethnicity		**18.4%**	17.9%†
Gender and ethnicity % of leavers			
Leaver rates by gender		**32.6%**	29.4%†
Leaver rates by ethnicity		**26.8%**	21.8%†
Age of workforce in bands for current workforce			
<25		**6.4%**	6.5%
26-40		**41.2%**	40.5%
41-55		**33.4%**	32.6%
>55+		**19.0%**	20.4%
Age of workforce in bands for current starters			
<25		**28.3%**	31.6%
26-40		**47.2%**	43.0%
41-55		**19.7%**	21.0%
>55+		**4.8%**	4.4%
Age of workforce in bands for current leavers			
<25		**13.6%**	16.9%
26-40		**32.6%**	28.9%
41-55		**21.5%**	14.8%
>55+		**32.3%**	39.4%
% of colleagues completed unconscious bias training	Provide unconscious bias training to all our people over the next year.	**46%**	39%

Our people

Metric	Target	2021/22	2020/21
Employee engagement (%)			
Employee engagement score (from Grid:voice is the title of our annual employee survey)	Getting input directly from our people is an important part of tracking progress. The Board hears their views through the employee engagement survey, employee participation in Board events and through internal communication channels.	**81%**	81%
Confidence to speak out (%)			
'Safe to say yes' index in Grid:voice % (Grid:voice is the title of our annual employee survey)	Eradicate discrimination of any kind, and create a culture where our people feel confident to speak out safely.	**73%**	67%
Wellbeing (%)			
Wellbeing index (employees)		**77%**	76%
Fairness in pay (%)			
Living wage paid (UK only)	Maintain fairness across the organisation for pay and make sure our pay practices do not show bias. We will work until pay equity is achieved for our people.	**100%**	**100%**
		2020/21	2019/20
UK gender pay gap[3]	Maintain fairness across the organisation for pay and make sure our pay practices do not show bias. We will work until pay equity is achieved for our people.		
"UK gender pay gap: – mean 'base' gender pay gap"		**-1.6%** ◆	1.5%†
"UK gender pay gap: – mean 'incentive' gender pay gap"		**-15.6%** ◆	-25.4%†
UK ethnicity pay gap[3]			
"UK ethnicity pay gap: – mean 'base' ethnicity pay gap"		**3.2%**	2.9%†
"UK ethnicity pay gap: – mean 'incentive' ethnicity pay gap"		**60.3%**	46.5%†
US gender pay gap[3]			
"US gender pay gap: – mean 'base' gender pay gap"		**12.6%**	13.5%†
"US gender pay gap: – mean 'incentive' gender pay gap"		**-35.4%**	-23.5%†
US ethnicity pay gap[3]			
"US ethnicity pay gap: – mean 'base' ethnicity pay gap"		**6.1%**	8.0%†
"US ethnicity pay gap: – mean 'incentive' ethnicity pay gap"		**9.4%**	9.9%†

[2] A diverse employee is defined as a colleague who identifies as female, as a person with a disability, as gay, bi-sexual or lesbian or from an underrepresented ethnic/racially diverse background.
[3] Pay gap data reported one year in arrears in accordance with timelines for UK statutory reporting requirements.

Appendix continued

National Grid data tables continued

Our communities

Metric	Target	2021/22	2020/21
Safety			
Fatalities		**0**	1
Lost time injury frequency rate (LTIFR) – Group **(lost time incidents per 100,000 hours worked)**	We will deliver sustainable energy safely.	**0.13**	0.1
Member of the public injuries/fatalities as a result of National Grid work		**1**	5
Reliability (%)			
Network reliability – % Availability	We will deliver sustainable energy reliably. We're committed to making sure our systems are resilient and can play a leading role in disaster recovery.		
UK ET		**99.99993%**	99.99997%
UK GT		**100.00000%**	100.00000%
US ET		**99.95894%**	99.95429%
US ED		**99.93472%**	99.91977%
Interconnector reliability – % Availability			
IFA Interconnector		**61.33852%**	95.40326%
IFA 2 Interconnector		**90.35921%**	96.54764%
NSL Interconnector		**63.29874%**	n/a
BritNed Interconnector		**80.36864%**	75.11293%
NEMO Interconnector		**99.00400%**	99.22374%
Affordability(£/$)			
Contribution of NG UK's transmission costs to consumer bills	Report transparently on energy costs throughout the energy transition – on average costs per household for our UK transmission network and for our US electric and gas business.	**£29.04**	£29.52 †
Average energy bill charged to US households			
Electric: Average Customer Bill Jurisdictions Combined (Low Income Customers Excluded)		**$1,613.35**	$1,563.14 †
Gas: Average Customer Bill Jurisdictions Combined (Low Income Customers Excluded)		**$1,314.24**	$1,156.45 †
Electric: Average Low Income (only) Customer Bill		**$1,107.07**	$1,026.82 †
Gas: Average Low Income (only) Customer Bill		**$904.72**	$771.56 †
Consumer trust (%)			
Consumer Trust Survey (US)	We will continue to engage widely with the communities and customers we serve, responding to their needs, minimising disruption from our operations, and providing a service that satisfies them.	**62.4%**	66.2%
Volunteering			
Number of 'qualifying' volunteering hours[4]	Achieve 500,000 employee volunteering hours by 2030 (from 2020).	**23,416 (cumulatively 41,466)**	18,050
Skills development			
# of young people provided access to skills development	Develop skills for the future, with a focus on lower income communities, providing access to skills development for 45,000 people by 2030 (from 2020).	**3,972 (cumulatively 5,233)**	1,261

The economy

Metric	Target	2021/22	2020/21
Supply Chain (%)			
% of supplier payments paid to contractual term (UK)	We are fair to our suppliers and committed to paying them promptly.	**84%**	91%
% of supplier payments paid to contractual term (US)		**91%**	90%
% of suppliers with carbon reduction target	75% of National Grid's top 250 suppliers (by category/ spend) will have active carbon reduction targets by 2030.	**54%**	49%
Innovation (£m)			
Investment by NG Partners	Continue to invest in developing technologies and innovations that benefit our customers and wider society.	**£93m[5]**	£38m[5]
Investment (£m)			
Investment in energy infrastructure (Group – continuing and discontinued)	Continue to reinvest in energy infrastructure at approximately £5 billion each year.	**£7,000m[5]**	£5,047m[5]
Investment in energy infrastructure (continuing)		**£6,739m[9]**	£4,843m[9]
Investment in energy infrastructure (continuing excluding WPD)		**£5,840m**	£4,843m
Employment (number)			
Jobs (worldwide)		**24,104**	23,537

Our governance

Metric	Target	2021/22	2020/21
Company culture (%)			
% employees that have undertaken relevant ethics training		**95%[6]**	98%[6]
% employees that have undertaken relevant Anti Bribery and Corruption training		**98%[6]**	98%[6]
Leadership diversity (%)			
Diversity % of the Board[7]	Meet and ultimately exceed the Hampton-Alexander and Parker diversity review standards and achieve 50% diversity in our Board.	**53.80%**	46.20% †

4 Refer to reporting methodology document for definition of qualifying volunteering hours.
5 Data is from our audited FY22 and FY21 Group consolidated financial statements.
6 A new ethics course was released in November 2021, which reflects the 95% performance in 2021/22. In relation to Anti Bribery & Corruption training, this is not due to be refreshed until 2022/23. The performance is monitored up to the 95% target completion. The current performance against this training remains at 98% as per 2021/22.
7 The Hampton-Alexander and Parker diversity review set five key recommendations aimed at increasing the number of women in leadership positions of FTSE 350 companies including a target of 33% by the end of 2020. https://ftsewomenleaders.com/wp-content/uploads/2019/11/HA-ReviewReport-2019.pdf
8 Comparative has been revised to reflect the adoption of an updated methodology. Please refer to 'Our Reporting Methodology' document.
9 Amounts have been re-presented to reflect the classification of the UK Gas Transmission business as discontinued operation.

Appendix continued

WPD data tables

Included within the scope of PwC's assurance – see page 8 for further details

All 2021/22 data in these tables that has not been assured by PwC has been subject to a reporting process and controls review by National Grid's Finance second line risk and controls team.

The environment

Metric	2021/22	2020/21
Greenhouse gas emissions ($ktC0_2e$)		
Scope 1 and 2 greenhouse gas (GHG) emissions (Scope 2 location based)	**836**	981
Scope 1 GHG emissions	**31**	30
Scope 2 GHG emissions – location based	**805**	951
Scope 3 GHG emissions – total Scope 3 emissions	**466**	431
Scope 3 GHG emissions – UK Cat 3 (Fuel & Energy Related Activities)	**10**	9
Scope 3 GHG emissions – UK Cat 1 (Purchased Goods and Services)	**454**	421
Scope 3 GHG emissions – UK Cat 6 (Business Travel)	**2**	2
SF_6 emissions ($ktCO_2e$)	**9**	9
Total electricity consumption (GWh)	**3,789**	4,080
Total heating consumption (GWh)	**1**	1
GHG emissions and total miles from air travel		
GHG emissions from air travel ($ktCO_2e$)	**0.003**	0.006
Total miles from air travel	**10,414**	17,008
Fleet (%)		
Electic Vehicle Fleet % (Light-duty only)[1]	**4%**	N/A
Waste (Tonnes/%)		
Total office waste (tonnes)	**5,102**	4,885
% office waste diverted from landfill	**93%**	91%
Our energy consumption		
Total energy consumption (GWh)	**3,790**	4,081
Office energy consumption (GWh)	**22**	24
% Renewable energy purchased (%)	**100**	100

Our people

Metric	2021/22	2020/21
Inclusiveness & Diversity (%)		
% of Senior Leadership Group by gender (female)	**9.8%**	9.2%
% of hires in new talent programmes by gender (female)	**10.3%**	8.3%
% of the workforce by gender (female)	**17.5%**	17.3%
Recruitment rates by gender (female)	**26.2%**	25.0%
Leaver rates by gender (female)	**21.9%**	16.9%
Fairness in pay (%)		
National Living wage paid[2]	**100%**	100%

	2020/21	2019/20
UK gender pay gap[3]		
mean 'base' gender pay gap	**8.3%**	9.10%
mean 'incentive' gender pay gap	**51.5%**	20.60%

1 Data not available for 2020/21.
2 In compliance with statutory obligation with reference to National Living Wage.
3 Pay gap data reported one year in arrears in accordance with timelines for UK statutory reporting requirements.

Appendix continued

WPD data tables continued

Our communities

Metric	2021/22	2020/21
Safety		
Fatalities	**0**	0
Lost time injury frequency rate (LTIFR) **(lost time incidents per 100,000 hours worked)**	**0.056**	0.042
Member of the public injuries/fatalities as a result of WPD work	**9**	12
Reliability (%)		
Network reliability – % Availability UKED	**99.99469%**	99.99455%
Affordability (£)		
Contribution of distribution costs to consumer bills	**£98.85**	£95.81

The economy

Metric	2021/22	2020/21
Supply Chain (%)		
% of supplier payments paid to contractual term (UK)	**91%**	87%
Investment (£m)		
Investment in energy infrastructure	**£899m**	£798m
Employment (number)		
Jobs (worldwide)	**6,652**	6,598

Further reading
WPD's full community report can be found here

Appendix continued

United Nations Global Compact index

We continue our support for the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption. Within this report we express our continued intent to advance the fundamental responsibilities of business within our own organisation and those within our sphere of influence.

Disclosure	UN Global Compact criteria	Report section or other reference
Human rights	**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights.	Governance – Human rights Economy – Supply chain engagement
	Principle 2 Businesses should make sure that they are not complicit in human rights abuses.	Governance – Human rights Economy – Supply chain engagement
Labour	**Principle 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	People – Overview
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	Economy – Supply chain
	Principle 5 Businesses should uphold the effective abolition of child labour.	Economy – Supply chain
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	People – Inclusion and diversity Governance – Human rights
Environment	**Principle 7** Businesses should support a precautionary approach to environmental challenges.	Environment – Enabling the clean energy system Environment – Our own emissions and energy consumption Environment – Climate Transition Plan Environment – Impact on our operations
	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.	Environment – Enabling the clean energy system Environment – Our own emissions and energy consumption Environment – Climate Transition Plan Environment – Impact on our operations
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	Environment – Enabling the clean energy system Environment – Our own emissions and energy consumption Environment – Climate Transition Plan Environment – Impact on our operations Communities – Overview
Anti-corruption	**Principle 10** Businesses should work against corruption in all its forms, including extortion and bribery.	Economy – Supply chain Governance – Business ethics, bribery and corruption

Excel Data Book
An excel workbook listing the metrics reported in our data tables on pages 62 to 66 as well as our voluntary reporting aligned to the EU Taxonomy, GRI and SASB disclosure frameworks.

Further reading

EU Taxonomy, GRI and SASB: Our Disclosure Document
Detailed disclosures as required by the EU Taxonomy Regulations and our disclosure maps detailing our compliance with the GRI and SASB disclosure frameworks.

Further reading

Our Reporting Methodology
Detailed definitions, scope and methodologies for each of the metrics we have reported in the data tables on pages 62 to 66, in the Green Financing Report on pages 55 to 57, or in our SASB disclosure reported in Our Disclosure Document.

Further reading

Appendix continued

Glossary

Board
The Board of Directors of the Company

Business Management System (BMS)
Our Business Management System consists of a suite of standards which define the minimum requirements for the high value and risk activities most important to our business and deliver benefit by mitigating risk, enhancing best practice sharing, standardising processes and simplifying our approach to doing business.

CBI
Confederation of British Industry.

The Company, the Group, National Grid, we, our or us
We use these terms to refer to either National Grid plc itself or to National Grid plc and/or all or certain of its subsidiaries, depending on context.

COP26
The 26th UN Climate Change Conference of the Parties which the UK hosted at the Scottish Event Campus in Glasgow from 1 to 12 November 2021. The climate talks brought together heads of state, climate experts and campaigners to agree coordinated action to tackle climate change. The Company was a principal partner of COP26.

COVID-19
COVID-19 or coronavirus 2019 disease is an infectious disease caused by severe acute respiratory syndrome.

DEFRA
UK Department for Environment, Food & Rural Affairs.

Diversity
A diverse employee is defined as a colleague who identifies as female, as a person with a disability, as gay, bi-sexual or lesbian or from an under-represented ethnic/racially diverse background.

Diversity, Equity and Inclusion (DEI)
National Grid is committed to creating a work environment where people are treated fairly and where everyone feels respected, valued and empowered to reach their full potential. Our mission is to build a business that represents, reflects and celebrates the cultures and communities we serve.

Electricity Distribution
National Grid owns and operate the UK electricity distribution networks for the East and West, the South West and South Wales. The combined network of Western Power Distribution (WPD), which became part of National Grid in June 2021, makes it the largest distribution network operator (DNO) group in the UK.

Electricity System Operator (ESO)
The party responsible for the long-term strategy, planning and real-time operation (balancing supply and demand) of the electricity system in Great Britain.

Electricity Transmission (ET)
National Grid's UK electricity transmission business.

Employee engagement
A key performance indicator (KPI), based on the percentage of favourable responses to certain indicator questions repeated in each employee survey. It is used to measure how employees think, feel and act in relation to National Grid. Research shows that a highly engaged workforce leads to increased productivity and employee retention. We use employee engagement as a measure of organisational health in relation to business performance.

Employee resource group (ERG)
A group of employees who join together in their workplace based on shared characteristics or life experiences.

Financial year (FY)
For National Grid this is an accounting year ending on 31 March. Also known as a fiscal year.

Gas Transmission (GT)
National Grid's UK gas transmission business.

Global Reporting Initiative (GRI)
The Global Reporting Initiative uses an independent multi-stakeholder process to develop the world's most widely used sustainability reporting standards.

GW
Gigawatt, an amount of power equal to 1 billion watts (10^9 Watts).

GWh
Gigawatt hours, an amount of energy equivalent to delivering 1 billion watts 10^9 of power for a period of one hour.

IFRS
International Financial Reporting Standards.

KPI
Key performance indicator.

LIPA
The Long Island Power Authority.

Lost time injury (LTI)
An incident arising out of National Grid's operations that leads to an injury where the employee or contractor normally has time off for the following day or shift following the incident. It relates to one specific (acute) identifiable incident which arises as a result of National Grid's premises, plant or activities, and was reported to the supervisor at the time and was subject to appropriate investigation.

Lost time injury frequency rate (LTIFR)
The number of lost time injuries (LTIs) per 100,000 hours worked in a 12-month period.

MW
Megawatt, an amount of power equal to 1 million watts (10^6 Watts).

National Grid Partners (NGP)
The Company's venture investment and innovation business established in November 2018.

National Grid Renewables (NGR)
This business, which includes the renewables development company formerly known as Geronimo, is a leading developer of wind and solar generation based in Minneapolis in the US. National Grid acquired Geronimo in July 2019.

National Grid Ventures (NGV)
The Company's division that operates outside its core UK and US regulated businesses, comprising a broad range of activities in the UK and US, including National Grid Renewables, electricity interconnectors, the Grain LNG terminal and energy metering, as well as being tasked with investment in adjacent businesses and distributed energy opportunities.

Net zero
Net zero means that a person, legal entity (such as a company), country or other body's own emissions of greenhouse gases are either zero or that its remaining greenhouse gas emissions are balanced by schemes to offset, through the removal of an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage.

NOx
Nitrogen Oxides

Ofgem
The UK Office of Gas and Electricity Markets is part of the UK Gas and Electricity Markets Authority (GEMA), which regulates the energy markets in the UK.

Appendix continued

Glossary continued

Paris Agreement
The agreement, also known as the Paris Climate Accord, within the United Nations Framework Convention on Climate Change dealing with greenhouse gas emissions mitigation, adaptation and finance starting in the year 2020, and adopted by consensus on 12 December 2015.

The People Matter Charter
The Charter was developed by the UK-based Supply Chain Sustainability School to help organisations in the supply chain to develop better workforce strategies. The Charter has eight commitments and relates to topics from poor diversity practice, to avoiding exploitation, and skills development.

RIIO
Revenue = Incentives + Innovation + Outputs, the regulatory framework for energy networks issued by Ofgem.

RIIO-T2
The regulatory framework for transmission networks issued by Ofgem which started on 1 April 2021.

Sustainability Accounting Standards Board (SASB)
SASB develops sustainability reporting standards which are designed for communication by companies to investors about how sustainability issues drive long-term enterprise value.

Science-based Targets (SBTs)
Science-based targets provide companies with a clearly-defined path to reduce greenhouse gas emissions in line with the Paris Agreement goals. More than a thousand businesses around the world are already working with the Science Based Targets initiative (SBTi).

Scope 1 greenhouse gas emissions
Scope 1 emissions are direct greenhouse gas emissions that occur from sources that are owned or controlled by the Company. Examples include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.

Scope 2 greenhouse gas emissions
Scope 2 emissions are greenhouse gas emissions from the generation of purchased electricity consumed by the Company. Purchased electricity is defined as electricity, heat, steam or cooling that is purchased or otherwise brought into the organisational boundary of the Company. Scope 2 emissions physically occur at the facility where electricity is generated.

Location-based accounting methodology
Reflects the average emissions intensity of electricity grids on which energy consumption occurs (using mostly grid-average emission factor data).

Market-based accounting methodology
Reflects emissions from electricity that companies have purposefully chosen and may reflect emission factors from contractual instruments.

Scope 3 greenhouse gas emissions
Scope 3 emissions are indirect greenhouse gas emissions as a consequence of the operations of the Company, but are not owned or controlled by the Company, such as emissions from third-party logistics providers, waste management suppliers, travel suppliers, employee commuting, and combustion of sold gas by customers.

SF_6
Sulphur hexafluoride is an inorganic, colourless, odourless and non-flammable greenhouse gas. SF_6 is used in the electricity industry as a gaseous dielectric medium for high-voltage circuit breakers, switchgear and other electrical equipment. The Kyoto Protocol estimated that the global warming potential over 100 years of SF_6 is 22,800 times more potent than that of CO_2.

SOx
Sulphur Oxides.

STEM
Science, technology, engineering and mathematics.

Task Force on Climate-related Financial Disclosures (TCFD)
A body, established in 2015 comprising 31 members from across the G20, whose role is to develop recommendations for more informed investment and enable stakeholders to better understand the concentrations of carbon-relatedassets in the financial sector and the financial system's exposures to climate-related risk.

Tonne
A unit of mass equal to 1,000 kilogrammes, equivalent to approximately 2,205 pounds.

Tonnes carbon dioxide equivalent (CO_2e)
A measure of greenhouse gas emissions in terms of the equivalent amount of carbon dioxide.

Total Societal Impact (TSI)
TSI is a methodology that attempts to calculate the total benefit to society from a company's products, services, operations, core capabilities, and activities.

UK Regulatory Bodies
Environment Agency (EA), Scottish Environmental Protection Agency (SEPA), Natival Resources Wales (NRW).

US Regulatory Bodies
Enviornmental Protection Agency (EPA), Massachusettes Department of Environmental Protection (Mass DEP) and state regulators.

Footnotes from page 2
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