nationalgrid

A clean, fair and affordable energy future

Responsible Business Report 2022/23

Contents

What we are doing as a responsible business

2022/23 Performance highlights 02
Joint Chair's and CEO's statement 03

Our approach to responsible business

Our approach to responsible business 05
We partner with stakeholders locally, nationally and internationally 06
Our voice and international engagement 07
Our contribution to the UN SDGs 08
Managing our performance 09

The environment

Overview 10
Enabling the clean energy system 11
Making progress against our GHG emissions targets 14
Impact on our operations 18

Our communities

Overview 21
Service affordability 22
Our service 23
Skills and employability 26
Community engagement 27

Our people

Overview 29
Purpose, values and culture 30
Employee health, safety and wellbeing 31
Fair pay 34
Talent and skills development 35
Diversity, equity and inclusion 36

The economy

Overview 40
Investment and tax 41
Supply chain 42

Our governance

Overview 45
Our Board 46
Business ethics, bribery and corruption 47

Transparent reporting

Reporting principles 49
Materiality 51

Appendix

Our suite of documents 53
Data tables 54
Glossary 58

2022/23 performance highlights

The environment

686 MW
Renewable energy connections in the UK and US

70%
reduction in Scope 1 and 2 emissions (on our 1990/91 baseline*)

5%
electric vehicle (EV) fleet (light-duty only)

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

Our communities

£65m
Energy support fund pledged in the UK and US

£47.7m
Combined Group-wide community investment in 2022/23 (a contibution towards this is from our energy support fund)

60,096 hours
Number of colleague volunteering hours

6,590 people
upskilled this year

Our people

36.1%
of our workforce are diverse

81%
Employee engagement index score

71%
of colleagues believe 'Where I work, it is safe to say what I think'

37.1
training hours per employee

The economy

£7.7bn
Total investment in energy infrastructure

75%
EU Taxonomy aligned Group turnover

£1.1bn
in green bonds

62%
of supplier with carbon reduction targets

Our governance

50%
diversity at Board level

97%
of employees completed Code of Ethics training

98%
of employees completed anti-bribery and corruption training

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

Ratings

CDP (formerly the Carbon Disclosure Project)
Achieved an 'A' grading (the highest) for our response to the Climate Disclosure Project for the seventh consecutive year

S&P Global Ratings
83/100 S&P ESG evaluation score; 61/100 S& P Global CSA score

Social Mobility Index (UK)
Ranked 71 out of the top 75 participating organisations

Sustainalytics§
Awarded score of 22/100 (lower the score, the better) in relation to experiencing material impacts from ESG and a strong score for management of these

MSCI^
Maintained 'AAA' ESG rating for the sixth consecutive year

Institutional Shareholder Services
Assessed by ISS-oekom as a leader in our industry group

Equileap
Ranked 1st in the UK and 8th globally for gender equality by Equileap

FTSE4Good
Remained a constituent of the FTSE4Good Index

Bloomberg Gender-Equality Index
Became a constituent of the 2023 index

Workforce Disclosure Initiative
Awarded a score of 84%, representing the fifth consecutive year of taking part

* This is equivalent to a 50% absolute reduction by 2030 from a FY2016 base-year, aligned to the Science Based Target initiative criteria on having a more recent baseline year.

§^ See ratings footnotes on page 60.

Note: all data methodology and definitions are as per our data book and reporting methodology.

Joint Chair's and CEO's statement

> It is very clear to the Board and the leadership team at National Grid that we must – always – act responsibly.

> Gradual change is possible, but lasting and truly impactful change is something we continue to work hard to deliver.

Above all else, it is our actions which show our commitment to operating as a responsible business.

In the pages of this report, alongside an overview of our governance and our responsible business strategy, you will find an update on how we're performing across a number of key action areas: our environment; our communities; our people and the economy.

It is very clear to the Board and the leadership team at National Grid that we must – always – act responsibly. We serve millions of customers, deploying the efforts of thousands of colleagues to deliver services essential to our communities. Our success relies, in no small part, on the fact we do so responsibly, with integrity, every day.

We are committed to being transparent: to showing you in the pages of this report where we have made good progress, and where we have more to do. As we move energy from where it's generated to where it's needed, we want to do so with as limited impact on the planet as possible. We are making progress here: our environmental data this year shows a 7.5% reduction in our Scope 1 and 2 emissions.

For many organisations, particularly those in this sector, geopolitical events have meant that delivering a year-on-year reduction in emissions has not been easy. For us, this is shown with a 1.4% rise in our Scope 3 emissions. This does not mean collective progress has halted. It means instead that progress is likely to come fastest at the point that the system is ready for a significant switch to electricity. Gradual change is possible, but lasting and truly impactful change is something we continue to work hard to deliver. We have not lost sight of this goal – we will push harder than ever before to innovate, mitigate and think outside the box in order to reduce emissions.

Joint Chair's and CEO's statement continued

We want to make a meaningful contribution to lowering the emissions not just of National Grid as a company, but of the energy sector in the broadest sense. This means delivering the energy transition at pace. To do so, there are barriers we must overcome in both the UK and US. Many of our stakeholders are aligned to a goal of delivering net zero energy systems. But some are nervous about what this means for them and their communities, about how this can be done both at speed and with fairness, and what the lasting impact on biodiversity and landscapes will be.

Our sector is not alone in facing this challenge, but we must be at the very forefront of finding solutions. In doing so, and creating access to renewable energy for communities across the Northeastern US and UK, we will lower bills over the long term, power more green jobs and take important steps in tackling climate change. We are working urgently with regulators and policymakers to progress the transition at pace and deliver a net zero energy future.

And we are helping right now, too. For many of the communities we serve, this past winter has been more difficult than those before it. Global spikes in energy prices have driven bills to unprecedented levels and it's clear that this has had an impact on households in the UK and the US. In November, we announced a £65 million support fund, £50 million in the UK and $17 million in the US, which will, across two years, support organisations on the front line of the energy crisis.

Our people are the lifeblood of our business. The health, safety and wellbeing (HSW) of employees and contractors is our primary concern and a key priority for everyone at National Grid. Sadly, in May 2022 we had a fatality; we lost a colleague in Massachusetts. He was electrocuted while working on live equipment keeping power to a residential building. This loss has had a profound effect on the whole organisation. Since then, we have completed a thorough investigation, shared what happened with colleagues, changed our Group-wide approach to safety through the establishment of a new policy and safety strategy called 'Stand Up For Safety'. A second fatality occurred in September 2022 when a vegetation contractor in our New York business died following an allergic reaction to a bee sting. Everyone should return home safely at the end of their working day and following these tragedies we are redoubling our efforts to ensure this is the case for all who work on our assets.

It matters deeply to us as an organisation that we reflect the communities we serve. Our Senior Leadership Group is now 49.1% diverse, and our Board is 50% diverse. We would like to especially thank the leaders of our Employee Resource Groups (ERGs) for holding the business to account and for pushing us forward. We are making good progress and we remain committed to continuing to improve our diversity at pace.

We remain very proud of the work National Grid does to serve communities, the environment and our people in a responsible way. And we are ambitious as we look ahead. We will continue to report our progress with transparency.

Paula Rosput Reynolds
Chair

John Pettigrew
Chief Executive

Key highlights in 2022/23

£65m
energy support fund in UK and US

7.5%
reduction in Scope 1 and 2 emissions

50%
diversity of our Board

£7.7bn
investment in energy infrastructure, of which 75% is Green Investment

49.1%
diversity of our Senior Leadership Group

> **We are working urgently with regulators and policymakers to progress the transition at pace and deliver a net zero energy future.**

> **Our people are the driving force behind our success. It matters deeply to us as an organisation that we reflect the communities we serve.**

Our approach to responsible business

We are committed to being a responsible business in our operations worldwide

At National Grid responsible business is enshrined in our purpose – to Bring Energy to Life. It is a clear focus of our vision, to be at the heart of a clean, fair and affordable energy future, and it underpins our Group strategy.

We continue to make progress against our Responsible Business Charter commitments. We also recognise that continuous engagement with our stakeholders will help us to take action in the communities we serve and deliver for our customers efficiently, but we recognise that we need to work with government and regulators to advocate for action and broader influence.

Our business has changed shape

In 2021, we acquired Western Power Distribution (now National Grid Electricity Distribution) and announced the sales of our Rhode Island business and a majority stake in our UK Gas Transmission & Metering business, with these sales completed in 2022 and 2023 respectively. Read more about our business units on page 3 and 28 – 32 of the Annual Report and Accounts (ARA).

We recognise that we need to work with government and regulators to advocate for action and broader influence to ensure the continued development of policies and regulation that support enabling the energy transition for all.

Our strategy

Our strategy sets the bounds of our business, guided by four strategic priorities.

Further reading about our stategy can be found in the ARA on **pages 12 and 13**

Enable the energy transition for all

We will increase the positive impact we have on the environment and society by innovating and influencing policy to enable clean electricity and electrified heat and transport to connect to and use our networks.

Deliver for customers efficiently

Our investments in energy system decarbonisation are underpinned by a track record of operational excellence and financial discipline, ensuring the delivery of safe, reliable, resilient and affordable energy for our customers.

Grow our organisational capacity

To deliver our part in a changing energy system, we are transforming our internal processes, strengthening our customer focus and sharpening our commercial edge.

Empower colleagues for great performance

Our colleagues shape the delivery of outcomes that exceed the expectations of all our stakeholders. By attracting diverse talent and developing our people, we will ensure our colleagues are best placed to work towards a clean energy future.

How we do this responsibly

The environment

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, 2 and 3 emissions, and continue to improve the biodiversity of land that we own.

Our communities

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.

The economy

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 governance

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 people

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.

We partner with stakeholders locally, nationally and internationally

We remain fully committed to listening to our stakeholders and acting on the insight they give us

Our stakeholders are important to us and our engagement with them is material to our business. Their input helps us to set the correct responsible business targets and enables us to deliver our environmental and social sustainability commitments. Working with others has arguably never been more important as we build and deliver our plans for creating a clean, fair and affordable energy future.

Our engagement approach continues to be based on the AA1000 Assurance Standard (an outcomes-focused framework based around the principles of inclusivity, materiality and responsiveness). We use this, and our Stakeholder Engagement Business Management System (BMS) Standard, as the foundation for our engagement but are always looking to evolve and improve. For example, UK Electricity Distribution (UK ED) has brought great opportunities for shared learning, particularly when it comes to the ways in which we engage with and support local communities.

We've worked hard to ensure our engagement approach is systematic and coordinated, but also tailored and appropriate. We will deliver the best solutions by working with others.

Our stakeholder base is broad and varied, specifically for our responsible business activities. Each of these groups can bring a different perspective to the topics we deal with and the decisions we need to make as part of our day-to-day activities.

We are engaging with our stakeholders on a fair transition

Last June, we published 'A Fair Transition: Our approach and engagement', our initial understanding of what delivering a fair transition means to National Grid.

Since then, we have continued to engage with a broad range of stakeholders, citizens and colleagues, particularly recognising the need to seek out groups of people who would not usually engage with us, to further develop that understanding.

In the UK we have held a series of stakeholder workshops supported and facilitated by Sustainability First, focusing on specific topic areas of the transition, affordability, community synergy and education, jobs and skills and a separate series of citizens engagement workshops, reaching underrepresented groups and elevating their voices.

In the US we have held Equity in Energy summits in each of our two jurisdictions, New York and Massachusetts, bringing together Environmental Justice advocates, community groups, local government and industry to discuss ways forward and to cocreate solutions to the issues of the transition.

We will publish our summary findings from this engagement and plans for what next in the near future.

Further reading about our stakeholder alignment can be found in the ARA on **pages 36 and 37**

Investors

Colleagues

Customers

Suppliers and contractors

Communities, governments and environment

Regulators

Advocacy/interest groups
(including consumer representatives and environmental groups)

Academia and think tanks

Our industry and non-industry peers

Our voice and international engagement

We are calling for more ambitious action towards a clean, fair and affordable energy future

As well as engaging with stakeholders in the UK and the US, where we operate, we also engage internationally to call for more ambitious action towards a clean, fair and affordable energy future.

Building on our role as a Principal Partner of COP26, we participated in COP27 in November 2022. A small, senior-level delegation attended, partnering with the UK government, We Mean Business Coalition and Climate Action, and connecting with dozens of other organisations.

We hosted and participated in 65 events discussing how to collaborate across the public and private sectors to accelerate the energy transition. The discussions focused on both environmental and social sustainability issues with topics including: how we ensure the economic benefits associated with net zero technologies are evenly spread, how we bring communities with us in the transition to net zero and how business can create a fair transition and boost social value on the journey to limit emissions rises.

The final agreement between countries at COP27 acknowledged that the impacts of climate change will be worse if we lose sight of a 1.5°C warming scenario, but it did not set out more ambitious action to cut emissions, which we know is urgently needed this decade. Global efforts must accelerate towards 1.5°C, and we will do our part by continuing to work towards a clean, fair and affordable energy future.

Green Grids Initiative | One Sun One World One Grid

For us, this means engaging with and working within our own communities in the UK and the US, with programmes such as Grid for Good, but also taking a leading role to enable the global decarbonisation of the energy sector.

We engage with our peers in countries that are looking to develop green grids regionally and nationally. We share learning and experiences to encourage the rapid scale-up of renewable energy and the transition away from coal, with countries including Laos, South Africa and Vietnam, with which we have delivered multiple workshops to share our experience and potential solutions to challenges they face in their transition. We do this not only through bilateral engagement but also through our active participation and support of initiatives such as the Breakthrough Agenda launched at COP26, the Green Grids Initiative and the Energy Transition Council.

Our international engagement gives us a unique opportunity to speak to and hear from a more diverse set of voices, particularly from developing countries and young people, which informs a more diverse and inclusive strategy as a responsible business.

Our contribution to the UN SDGs

Our approach to responsible business is aligned to the United Nations Sustainable Development Goals (UN SDGs)

We support the UN SDGs which are a universal call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity.

We are committed to using them to guide our actions. Our Responsible Business Charter sets out those goals we feel are relevant to our business. There are four SDGs where our activities and programmes specifically make a strong contribution. These actions are detailed in the table here.

We also continue to be signatories to the UN Global Compact showing our commitment to its principles.

SDG description and targets	Our actions and targets	Material topics
Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all • SDG 7.1 • SDG 7.2 • SDG 7.a	• Continue to reinvest in energy infrastructure at approximately £5 billion each year. • 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. • 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. • Continue to invest in developing technologies and innovations that benefit our customers and wider society. • 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. • We will grow our renewables business in the US. • We will connect renewables as quickly and efficiently as possible.	1 8 Enabling a clean energy system; the energy transition 10 13 14 17 Affordability; network reliability; customer satisfaction; connectivity 27 28 Investment (long-term and local); green financing
Climate action Take urgent action to combat climate change and its impacts • SDG best practice benchmark • SDG 13.3	• 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 1990/91 baseline. • Reduce Scope 3 GHG emissions across our entire value chain 37.5% by 2033/34 from a 2018/19 baseline (revised to reflect Scope 3 science-based target). • Reduce SF_6 emissions from our operations 50% by 2030 from a 2019/20 baseline. • From 2020 onwards, we will reduce our annual air miles travelled by at least 50% from a 2019/20 baseline on an enduring basis. • Move to a 100% electric fleet by 2030 for our light-duty vehicles. • Reduce energy consumption in our offices 20% by 2030. Commitment from a 2019/20 baseline. • 75% of National Grid's top 250 suppliers (by category/spend) will have active carbon reduction targets by 2030. • Continue to influence our supply chain to operate as responsible businesses.	1 2 8 Enabling a clean energy system; our own emissions; the energy transition 27 28 30 Investment (long-term and local); green financing; supply chain engagement
Gender equality Achieve gender equality and empower all women and girls • SDG 5.5	• Achieve 50% diversity in our Senior Leadership Group by 2025. • Maintain 50% diversity in all our new talent programmes. • Meet and ultimately exceed the Hampton-Alexander and Parker diversity review standards and achieve 50% diversity in our Board. • Be as transparent as possible internally and externally on gender and ethnicity/race. • 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.	18 19 20 Workforce development; diversity, equity and inclusion; fair pay 31 35 Board representation and role; ethics and human rights
Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all • SDG 8.5 • SDG 8.6	• Achieve 50% diversity in our Senior Leadership Group by 2025. • Maintain 50% diversity in all our new talent programmes. • Meet and ultimately exceed the Hampton-Alexander and Parker diversity review standards and achieve 50% diversity in our Board. • 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. • Develop skills for the future, with a focus on lower-income communities, providing access to skills development for 45,000 people by 2030. • Getting input directly from our people is an important part of tracking progress. The Board hears their views through the employee engagement survey, presentations and discussions at the Board and Committee meetings and Directors visiting our operational sites and offices.	9 12 Social mobility; STEM education 18 19 20 22 23 24 Workforce development; diversity, equity and inclusion; fair pay; employee health and safety; mental health and wellbeing; purpose, values and culture 30 Supply chain engagement 31 35 Board representation and role; ethics and human rights

We are managing our performance in five areas

As per our Responsible Business Charter, our material topics are categorised within five pillars

Throughout this report we set out our performance against our charter commitments, alongside case studies to illustrate the steps we are taking.

The Responsible Business Charter is shaped by the expectations of our stakeholders and the application of a quantitative Total Societal Impact methodology. These factors, in turn, have been shaped by sustainability-related trends, and the risks and opportunities these present as part of a materiality assessment.

Discover more on our **Responsible Business Charter**

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, 2 and 3 emissions, and continue to improve the biodiversity of land that we own.

Our material topics

1. Enabling a clean energy system
2. Our own emissions
3. Air quality
4. Land use
5. Water
6. Circular economy
7. Habitat and biodiversity
8. The energy transition

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 people from some of the more deprived communities where we operate to help us in the clean energy transition.

Our material topics

9. Social mobility
10. Affordability
11. Community engagement
12. STEM education
13. Network reliability
14. Customer satisfaction
15. Cyber security
16. Public safety
17. Connectivity

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 topics

18. Workforce development
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

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 topics

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

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 topics

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

The environment

We have started to deliver a clean energy future

Linked SDGs

Affordable and clean energy

Climate action

Further reading **Climate Transition Plan**

Further reading **Clean Energy Vision**

Our material topics

1. Enabling a clean energy system
2. Our own emissions
3. Air quality
4. Land use
5. Water
6. Circular economy
7. Habitat and biodiversity
8. The energy transition

Target and performance

Scope 1 and 2

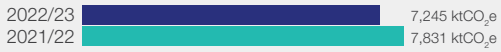
7.5% reduction

7,245 $ktCO_2e$ 2022/23 (7,831 $ktCO_2e$ 2021/22)

Why do we measure this?
Our commitment is to 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 1990/91 baseline.

Performance
We have a 70% reduction in Scope 1 and 2 emissions against the baseline



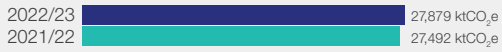
Scope 3

1.4% increase

27,879 $ktCO_2e$ 2022/23 (27,492 $ktCO_2e$ 2021/22)

Why do we measure this?
Our commitment is to reduce Scope 3 GHG emissions across our entire value chain 37.5% by 2033/34 from a 2018/19 baseline.

Performance
We have a 3% reduction in Scope 3 emissions against the baseline



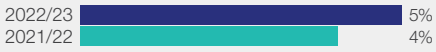
Fleet

1% increase

5% 2022/23 (4% 2021/22)

Why do we measure this?
Move to a 100% electric fleet by 2030 for our light-duty vehicles.

Performance
5% of our fleet are electric vehicles (light-duty)



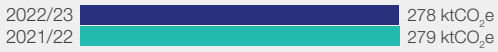
SF_6

0.5% reduction

278 $ktCO_2e$ 2022/23 (279 $ktCO_2e$ 2021/22)

Why do we measure this?
Our commitment is to reduce SF_6 emissions from our operations 50% by 2030 from a 2018/19 baseline.

Performance
We have a 21% reduction in SF_6 emissions against the baseline



Enabling the clean energy system

We are accelerating the development of the clean energy future

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 at the heart of the energy transition.

In our role in enabling the energy transition, we understand the leading role we need to play in enabling and accelerating the move to a cleaner, affordable energy future. We know 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.

There are several pathways to achieving net zero and helping to limit the impact of climate change. 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 are also supporting demand reduction through demand-side management and energy-efficiency programmes in the UK and the US.

Our networks are enabling the energy transition

We are responsible for building the networks that will support a net zero economy by 2050. In 2022/23, we connected 686 MW of renewable capacity to our networks; 132 MW of this was to our UK Electricity Transmission (UK ET) and UK ED networks and 554 MW was to our New York and New England electricity transmission and distribution networks in the US.

Our business is embarking on significant transformation to ensure we are at the heart of the energy transition, accelerating the pace and scale of capital investment delivery. We are connecting increasing volumes of low-carbon-generation customers to the network, and adapting our network and operations to deliver this in a way that is safe, clean, reliable, resilient and affordable. We are influencing a whole system approach, working with developers, suppliers, environmental groups and local communities to find the best solutions for creating the net zero infrastructure of the future. For example, we are moving away from traditional models of investment planning to meet the anticipated scale of electricity transmission network growth required to enable net zero. Future Network Blueprints will allow us to make more efficient and coordinated decisions that will take into account the nuances of different geographical areas' network requirements, through a stakeholder-centric approach to regional network planning.

We have a portfolio of projects in development to support decarbonisation of the power sector, both in the UK and the US states where we operate. For example, in December 2022, the UK regulator Ofgem confirmed that UK ET will be responsible for the delivery of 17 major projects to connect low-carbon power to our networks. These projects, known as Accelerated Strategic Transmission Investment (ASTI) projects, will be delivered by our new UK Strategic Infrastructure business unit, within UK ET, and are vital to the government's ambition for 50 GW of offshore wind by 2030. This onshore grid infrastructure will enable the delivery of renewable electricity to homes and businesses across the country, as demand for electricity is forecast to increase with the continued roll-out of electric vehicles (EVs) and the increased electrification of heat. This investment will also bring greater security of supply, as well as improved affordability for customers in the long run.

We are building interconnectors and zero-carbon generation

Our National Grid Ventures (NGV) business unit continues to operate a diverse portfolio of low-carbon and renewable energy businesses across the UK, Europe and the US, including subsea electricity interconnectors, wind and solar power, and energy storage.

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 is not wasted and makes for a greener, more efficient power system. We are constructing an additional interconnector, called Viking Link, to connect Great Britain to Denmark, the global leader in wind energy production. Once operational, it will bring our total interconnection capacity to 7.8 GW, which will prevent 22 million tonnes of carbon emissions over the next 10 years.

Through National Grid Renewables, we are a leading developer and owner of large-scale renewable energy assets, with a portfolio spanning multiple states in the US. We currently own 929 MW of onshore wind and solar generation projects, with a further 823 MW in construction. Together with a pipeline of projects at various stages of development, we deliver sustainable, reliable and affordable energy for our customers.

New York Community Offshore Wind

In May 2021, we formed a partnership with RWE Renewables with a common goal of driving forward the emerging offshore wind industry in the US whilst bringing economic development to communities across the Northeast.

Through this joint venture, Community Offshore Wind, we have been successful in securing a seabed lease for offshore wind in the New York coastal region with the capacity to construct and operate approximately 3 GW of offshore wind capacity and power over 1.1 million homes. In January 2023, we answered New York State's third solicitation for offshore wind by submitting a bid to develop, construct and operate 1.3 GW of offshore wind capacity, enough to power nearly 500,000 US homes. If selected, our proposal will create approximately 4,600 jobs and commit to over $3 billion of combined economic benefit to the state over the next decade.

The project will also play a vital role in reducing New York electricity system-related carbon emissions by about 5% and thereby contribute significantly to the state's target of reaching zero-emission electricity by 2040. Together, we are working to identify further opportunities to create a reliable and sustainable energy future for New York.

COMMUNITY offshore wind
A joint venture of RWE nationalgrid

Interconnector capacity:

IFA availability	IFA2 availability	North Sea Link availability	BritNed availability	NEMO Link availability
51.7%	95.7%	86.7%	99.9%	98.1%

Enabling the clean energy system continued

We are supporting the decarbonisation of transport and adding EVs to our fleet

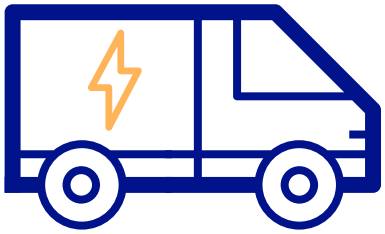
In a net zero world, all transport will need to be decarbonised by 2050. Our role is to make sure new renewable and low-carbon electricity is linked to the right charging infrastructure to enable the increase in EVs and to produce clean fuels, such as hydrogen.

In the UK, the government announced a ban on the sale of petrol and diesel cars from 2030 and is consulting on a sales mandate for zero-emission vehicles by 2035. We are working with government to deploy the rapid charging fund of £950 million for electricity infrastructure to support this transition over the next five years by enabling a network of 6,000 rapid chargers across the country. By 2040, all road transport will need to be zero emission, with multiple projects looking to support the roll-out of the new charging or refuelling infrastructure that will be essential by 2050.

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. We have recently received funding approval for EV infrastructure and network modernisation in New England; listen to our 'Grid Guide to' for more details.

National Grid is fully supportive of these goals and is actively engaged in accelerating transformation of the transport sector. We have supported transportation electrification for over 10 years by installing and managing charging stations, providing guidance and incentives for our customers to enable EV adoption and charger deployment.

We are supporting our own colleagues to drive EVs, with only EVs being available to lease for company car use, and leading by example as we electrify our internal light-duty fleet by 2030. We currently have 312 zero-emission vehicles across our UK and US commercial fleets as we make progress towards our 2030 target. Achieving this target is reliant on market availability of vehicles and the ability of our supply chain to deliver.



5%
electric vehicle fleet (light-duty only)

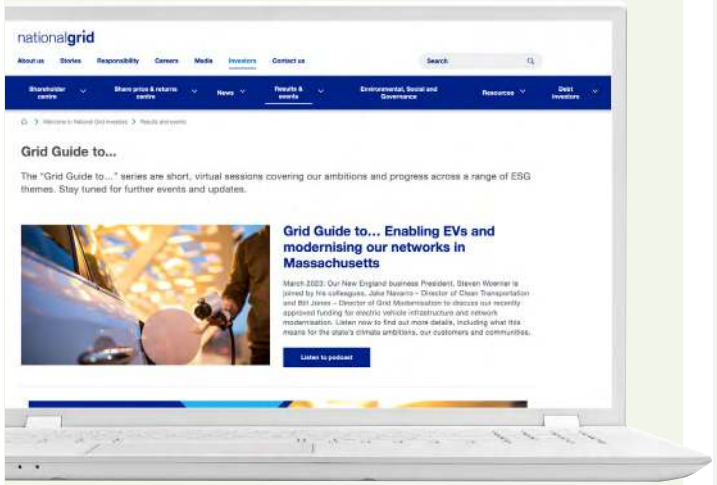
Grid Guide to:

Enabling EVs and modernising our networks in Massachusetts

We have recently had approved funding of $206 million for EV infrastructure and a further $336 million for network modernisation to enable more renewables, become more resilient and be able to adapt to new and emerging technologies.

Our recent 'Grid Guide to' podcast brings together our New England business unit President, Steve Woerner, with colleagues from our transportation team, Jake Navarro, Director of Clean Transportation, and Bill Jones, Director of Grid Modernisation, to discuss.

Listen to the 'Grid Guide to' here



UK ED EV transformation

At the start of our previous UK ED regulatory price control period (known as RIIO-ED1) in April 2015 we had three EVs on our fleet. Move forward to April 2023 and we now have 181 electric vans in our UK ED commercial fleet with another 75 being delivered during 2023. In addition, we have 262 UK ED electric company cars.

With this increasing number of EVs, and more to come, we need to ensure we have enough EV chargers in place. A plan is already in place for us to build one of the UK's largest private EV charging networks between 2023 and 2024, with more EV chargers being installed at our primary electricity substations.

To meet our aim to electrify our van fleet where suitable alternatives exist, we understand that our field staff must be confident that we will ensure chargers are fit for purpose and readily available. At the heart of our plan is the principle that none of our fleet drivers should be more than a 10-mile (16 km) radius from one of our own chargers.

In 2022 we installed chargers at 30 sites in nine months and we have mapped out the charger locations for the period 2023 – 2028, which covers our current regulatory price control period (RIIO-ED2). We believe this provides a blueprint of how to create a private charging network for any business with multiple sites.

Our approach to identifying the location of these chargers ensures regional managers are involved in the decision making, using a radius simulator to ensure each charger is no more than a 10-mile radius from the next and continuing to refine the process by considering site-specific information and security.

Having a charging network we can have confidence in is essential for our business, and also brings other benefits, with charging at a public network potentially costing three times as much as charging on a private network.

Increasing the number of EVs in our fleet and developing the required charging infrastructure in parallel is critical to us delivering our goals to reduce our vehicle emissions.

Enabling the clean energy system continued

We recognise that we need to work with government and regulators to ensure the continued development of policies and regulation

In the US, in April 2022, we announced our **Clean Energy Vision**, which is our plan 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.

Underscoring our vision 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.

Arguably the biggest challenge we face in decarbonising the energy sector is how to achieve zero-carbon heat. Heat is essential to life and keeping it affordable and reliable is critical for economic development and wellbeing. Where we operate, most heat requirements are provided by natural gas. Of the zero-carbon options, there are overlapping factors of affordability, efficiency, comfort and deliverability, but overall, we know it is achievable with the right investment and policy support.

To decarbonise our gas system, our Clean Energy Vision has four pillars: energy efficiency; targeted electrification and networked geothermal; efficient hybrid electric–gas heating systems and a 100% fossil-free gas network that delivers renewable natural gas (RNG) and hydrogen.

Our customer energy-efficiency programmes in Massachusetts and New York are consistently ranked among the highest in the US. The American Council for an Energy-Efficient Economy (ACEEE) 2022 State Energy Efficiency Scorecard ranked Massachusetts No. 2 and New York No. 3. In 2022, we were recognised for the marketing of energy-efficient products to our customers receiving the 2022 ENERGY STAR Partner of the Year Award for Sustained Excellence from the US Environmental Protection Agency (EPA) and the US Department of Energy for the third consecutive year. We also kicked off work focused on underserved communities through our Community First Partnerships programme, which partnered with 22 communities in 2022.

Our Geothermal Program Implementation Plan in Massachusetts was approved by the Department of Public Utilities. This five-year demonstration programme will evaluate the potential for geothermal energy systems to provide highly efficient space heating and cooling to commercial and residential customers, as an alternative to natural gas.

In 2022, National Grid saw significant uptake in our residential programmes, with heat pump installations in over 8,400 homes, a two times growth over 2021 results. By 2050, we anticipate that a large proportion of our customers will heat their homes through a combination of hybrid systems and full electrification. We believe that customer heat requirements can be met while utilising existing infrastructure to help keep the energy transition affordable for the communities we serve in the Northeastern US.

In September 2022, National Grid received an award of $1 million from the US Department of Energy to partially fund a pilot in downstate New York to test gas demand response using hybrid gas–electric heating systems. In addition, National Grid has incentivised a substantial deployment of heat pumps across Massachusetts and New York as well as hybridising gas customers in Massachusetts.

To pave the path for our fossil-free vision, we are preparing to integrate RNG and clean hydrogen into our supply. National Grid issued our first low-carbon fuel request for information in May 2022. While this captured only a snapshot of available or planned projects, the results provided an important proof point that, with the right policy and regulatory support, we could meet our low-carbon fuel goals.

We are developing a clean hydrogen facility that will blend clean hydrogen into the gas distribution system in Hempstead, New York. This project is expected to heat 800 homes, power 10 municipal vehicles, and to be operational in spring 2025.

A combination of decarbonised electricity and gas will deliver a more reliable and cost-effective transition to net zero compared with one that exclusively relies on electrification. National Grid is in active discussion with legislators in Massachusetts and New York about the importance of a portfolio of heat decarbonisation policies, not only enabling a reduction in gas use, but also developing decarbonised fuels and ensuring a reliable and resilient electric network to serve future levels of higher electrification. New regulation and policy across RNG and hydrogen supply, network planning, and buildings and appliances will be crucial for continued modernisation of gas infrastructure and customer decarbonisation.

Discover more on our **Clean Energy Vision**

Networked geothermal pilot

On 19 April, National Grid broke ground on its first geothermal pilot in partnership with the University of Massachusetts Lowell, the City of Lowell and the local community.

This included a demonstration of the borehole drilling technology that will be used in studying the properties of the bedrock in the area and is a milestone of National Grid's geothermal pilot, which is a multi-year initiative to bring clean energy to customers in the Acre neighbourhood in Lowell.

This is the first site selected under National Grid's geothermal pilot, which was approved in 2021 by the Department of Public Utilities. As part of National Grid's efforts to help meet its net zero goals by 2050, the five-year geothermal demonstration programme will evaluate the potential for networked geothermal energy systems that could be installed to serve other communities.

We are making progress against our GHG emissions targets

At our 2021 AGM, shareholders approved a non-binding advisory vote resolution on the Company's climate change-related 'net zero' commitment and associated targets, and in 2022, shareholders approved an advisory vote resolution on the Climate Transition Plan (CTP) which was approved by 98% of shareholders.

Our CTP was published in June 2022. We have committed to updating our current CTP by no later than 2025, and report progress against it annually in our Task Force on Climate-Related Financial Disclosures (TCFD) section of the ARA and in our Responsible Business Report.

Further reading
Climate Transition Plan 2022

We are one of the first FTSE 100 companies to publish a detailed CTP. We believe our CTP sets out a credible pathway to achieving our Science-Based Targets (SBTs), articulating the key actions we will take and the assumptions we have made. Alongside specific actions we are taking to reduce emissions from leak-prone pipe replacement, our vehicle fleet and sulphur hexafluoride (SF_6) leakage, there are key assumptions on regulatory and policy developments that are crucial to us achieving our GHG emissions reduction goals. See the CTP graphic on page 17 for our performance against the emissions reduction trajectory published in the CTP.

We have updated our reporting baselines due to our business changes

For the purposes of this report, our prior year comparatives for GHG emissions metrics have been adjusted to reflect the changes to our Group portfolio, as per page 5. This ensures we are comparing 'like with like' when reporting our performance. We have also updated the global warming potential (GWP) factors that we use to reflect external best practice. This is in line with the GHG Protocol, the externally recognised standard for GHG reporting.

Our own emissions arise from a number of different sources

Scope 1 emissions are primarily from our power generation business on Long Island, leaks and venting from our gas transmission and distribution systems, SF_6 leaks from our electric equipment and fleet vehicle use. Scope 2 emissions are from electricity network losses and energy purchased for use at our facilities. 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, mainly related to infrastructure construction. The smaller elements of our Scope 3 emissions include business travel.

80%
We will reduce Scope 1 and 2 emissions 80% by 2030/31

37.5%
We will reduce Scope 3 emissions 37.5% by 2033/34

Achievement of our emissions targets is reliant on wider decarbonisation

A significant proportion of our emissions are outside of our direct control and linked to the wider decarbonisation of the energy sector and our supply chains.

We are on track to meet our Scope 1 and 2 targets, but reliant on the continued development of supporting policies and regulation. We also know there will be year-on-year volatility in our emissions due to short-term supply and demand impacts – progress to our 2030 and 2050 goals will not be linear, as we have seen in recent years.

A key dependency of us achieving our Scope 1 and 2 emissions reduction target is the rate of decarbonisation of the electricity sector in the UK and the US states where we operate, with supporting policies and the development of associated regulatory allowances and planning systems required to support the delivery of our targets.

Achieving our Scope 3 emissions reduction target is reliant on the rate of decarbonisation of the heat sector in the US states where we operate. We are dependent on supporting policies and regulatory funding consistent with the delivery of our Clean Energy Vision (see page 13).

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 2030/31 commitment for Scope 1 and 2 emissions, and initiatives are in place to reduce emissions across the business, for example replacing leak-prone pipes to reduce methane emissions, adding EVs to our fleet and proactively reducing the leakage of SF_6 from our equipment. 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 Targets initiative (SBTi) demonstrating a clear, credible commitment to deliver our longer-term net zero strategy in line with a well below 2°C pathway.

We are making progress against our GHG emissions targets continued

Our Scope 1 and 2 emissions have reduced

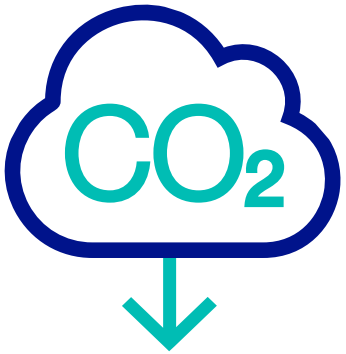
Our Scope 1 and 2 emissions have reduced by 7.5% this year, compared with 2021/22 on a like-for-like basis, due to a reduction in emissions from our Long Island Power Generation business combined with our continued leak-prone pipe replacement programme, focus on SF_6 leakage and EV replacement programme. Scope 1 and 2 emissions are higher than the central case in the CTP, but within the range of emissions we published.

We have trialled alternatives to SF_6 gases

We have reduced SF_6 emissions across our UK and US networks by 21% since 2019, against our target of a 50% reduction by 2030.

SF_6 is an insulating gas commonly used in high-voltage electricity equipment to prevent short circuits and keep networks safe and reliable. Reducing emissions from SF_6 leakage from our networks is achieved through reducing leak rates in the short term and, over the longer term, developing alternative gases to SF_6. Innovation can support both of these approaches.

While SF_6 infrastructure is designed to be effectively sealed, small leaks do occur as equipment ages – and it often requires an outage for the gas to be removed, the repairs to be carried out and the gas refilled. A novel technology developed through an innovation scheme is helping us fix SF_6 leaks while keeping substations safely in service. Engineering technology company Rawwater has worked with us to develop a solution involving the easy application of a mould to leaking pipework, into which a low-melting-point liquid alloy is injected. The seal requires no curing time once solidified, so it can be applied to equipment that is in service, meaning that while leak repairs take place, power can continue flowing to the grid.



0.5%
reduction in SF_6 emissions during 2022/23

National Grid and the University of Manchester are to collaborate on a four-year project designed to test at scale how we can retrofill SF_6 across our network of high-voltage equipment. The £1.9 million project will see experts at Manchester help determine how we can develop a retrofill solution to replace SF_6 with an environmentally friendlier alternative without having to replace or otherwise modify the existing equipment. This solution – to be demonstrated at National Grid's test facility, the Deeside Centre for Innovation – will mean we can potentially avoid the environmental impact and cost of replacing equipment otherwise fit for many more years service.

In a separate pilot project last year, National Grid and Hitachi Energy developed and deployed a world-first solution at Richborough substation in Kent to replace SF_6 with a greener alternative, marking a key step in achieving our 2030 target.

Scope 2 emissions due to network energy losses increased this year

The majority of our Scope 2 emissions are due to energy losses on our network. Electricity network losses occur when transferring energy across our transmission and distribution systems. They are a measure of the difference between the amount of electrical energy entering and leaving a network and occur for several reasons.

The main reason is that energy is used by network equipment, such as transformers, overhead lines and cables, when transporting energy for consumption. Some of these losses are fixed and occur regardless of electricity demand or current, whereas some will be more variable and fluctuate dependent upon these factors. Energy losses from overhead transmission lines can increase as the distance to move energy between supply (generation) and demand (customer use) increases.

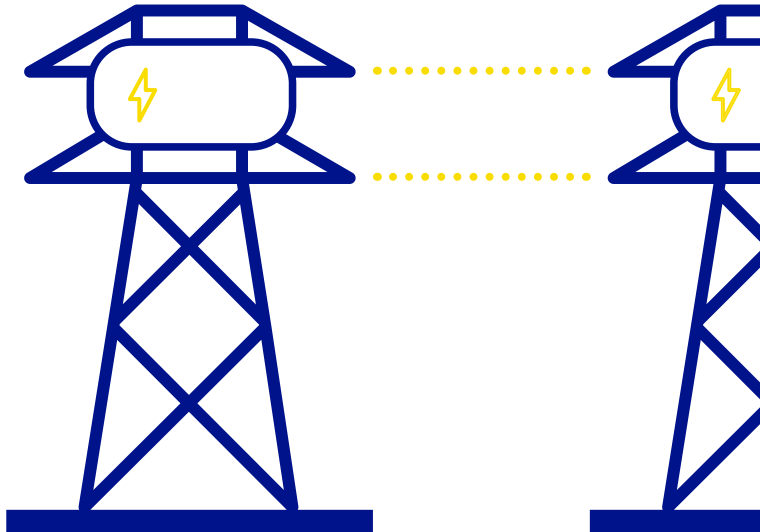
We have seen an increase in UK ET emissions due to a significant increase in energy losses on the network. This is mainly due to an increase in the distance between electricity supply and demand, with an increase in offshore wind generation output contributing to this.

Emissions from electricity line losses are simply calculated as the total energy losses on the network multiplied by the average carbon intensity of the electricity transported across the network. As that average carbon intensity of electricity decreases, so will the emissions associated with energy losses, therefore the increase in offshore wind generation which contributes to the decarbonisation of electricity will, over time, reduce the emissions associated with network losses. However, the current industry standard methodology, which utilises annual UK government published carbon intensity data, means we do not immediately reflect this increase in low-carbon generation in our reported emissions (there is a lag in this being reflected in the UK government reported electricity carbon intensity figure that is used to calculate Scope 2 emissions). We are working on this with the industry as better and more timely data on electricity carbon intensity becomes available, and are looking at how we can reflect this in our reported emissions in future years.

Given these variables we would expect the emissions from line losses to be subject to annual volatility and the trajectory to 2030 is therefore not expected to be linear.

Conversely, these increases in Scope 2 emissions from losses in our UK ET business have been partially offset as energy losses in our UK distribution network have fallen due to lower electricity demand and changing supply patterns.

Our overall Scope 2 emissions are therefore slightly higher than in 2021/22, and higher than our CTP projections due to the increase in emissions in UK ET as summarised above.



We are making progress against our GHG emissions targets continued

Higher energy usage and carbon intensity have increased our Scope 3 emissions

Scope 3 emissions have increased 1.4% in 2022/23 compared with 2021/22 and are higher than the 2% decrease we projected in the CTP due to higher than projected energy usage and electricity carbon intensity in our US regions.

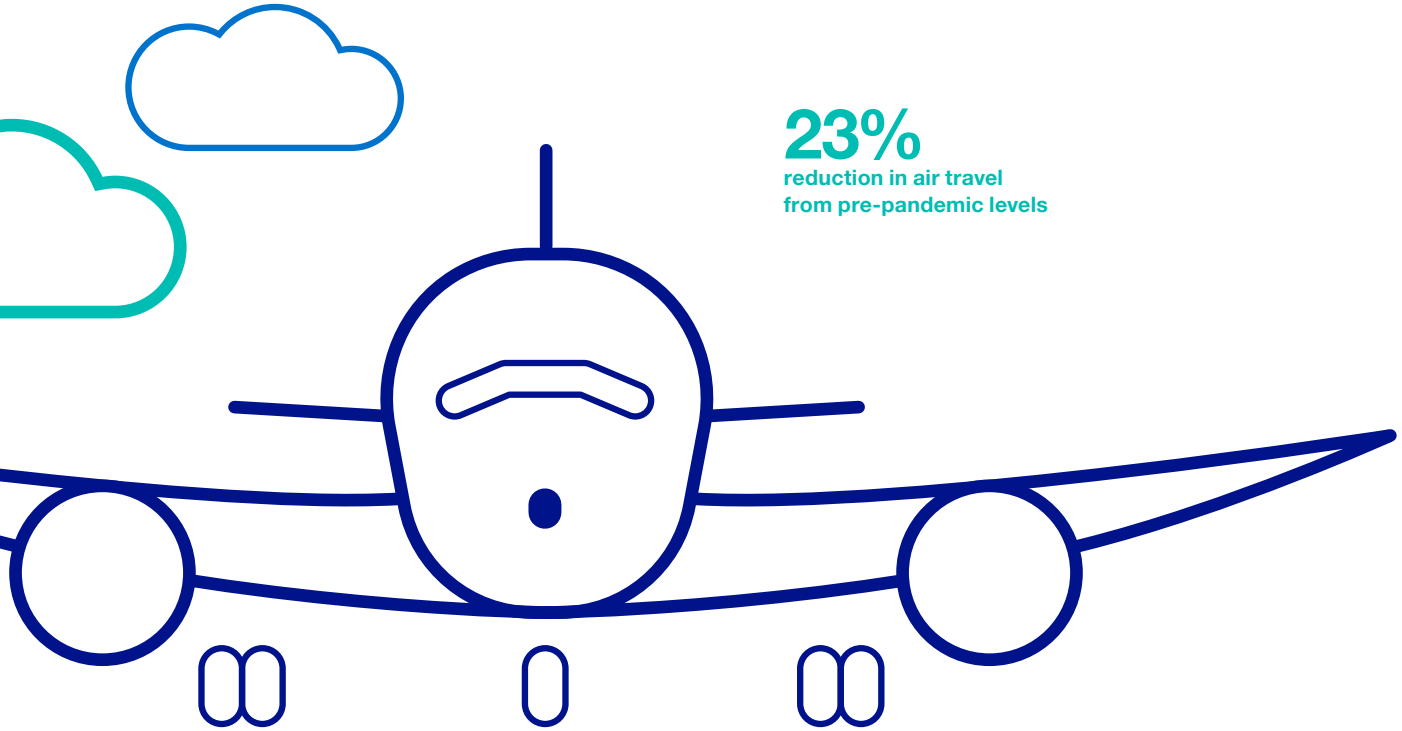
We have set a target of reducing air travel by 50% to contribute to reducing our Scope 3 emissions. We also engage with our supply chain to support a reduction in emissions from goods and services, with the current goal to have 75% with active carbon reduction targets by 2030.

As a transatlantic business we recognise the need for travel

Our air travel has reduced 23% from pre-pandemic levels, which is below the target of 50% we set ourselves. We have seen a significant increase in air travel post pandemic.

We continue to explore how we can further reduce our air travel through virtual meetings, consolidating meetings when travelling and using alternative forms of travel where possible, while recognising the benefit of face-to-face engagement.

Air travel is the only area of our business where we are currently using carbon offsets to mitigate immediate impact and we have responsibly offset all of our emissions from air travel.



23%
reduction in air travel from pre-pandemic levels

We engage with our supply chain on decarbonisation

National Grid is a CDP supply chain member on climate change. We engage 250 suppliers annually on decarbonisation; the current goal is to have 75% with active carbon reduction targets by 2030.

The suppliers we engage with are targeted based on spend and carbon impact relevance. We are evolving this approach, working with the Carbon Trust to quantify those suppliers that are the most carbon intensive. This will be built into future commitments with a focus on suppliers committing to set science-based targets. Longer term improvement in this area will require working across industry.

62%
of our top 250 suppliers have an active carbon reduction target in place

We are making progress against our GHG emissions targets continued

Progress against our Climate Transition Plan

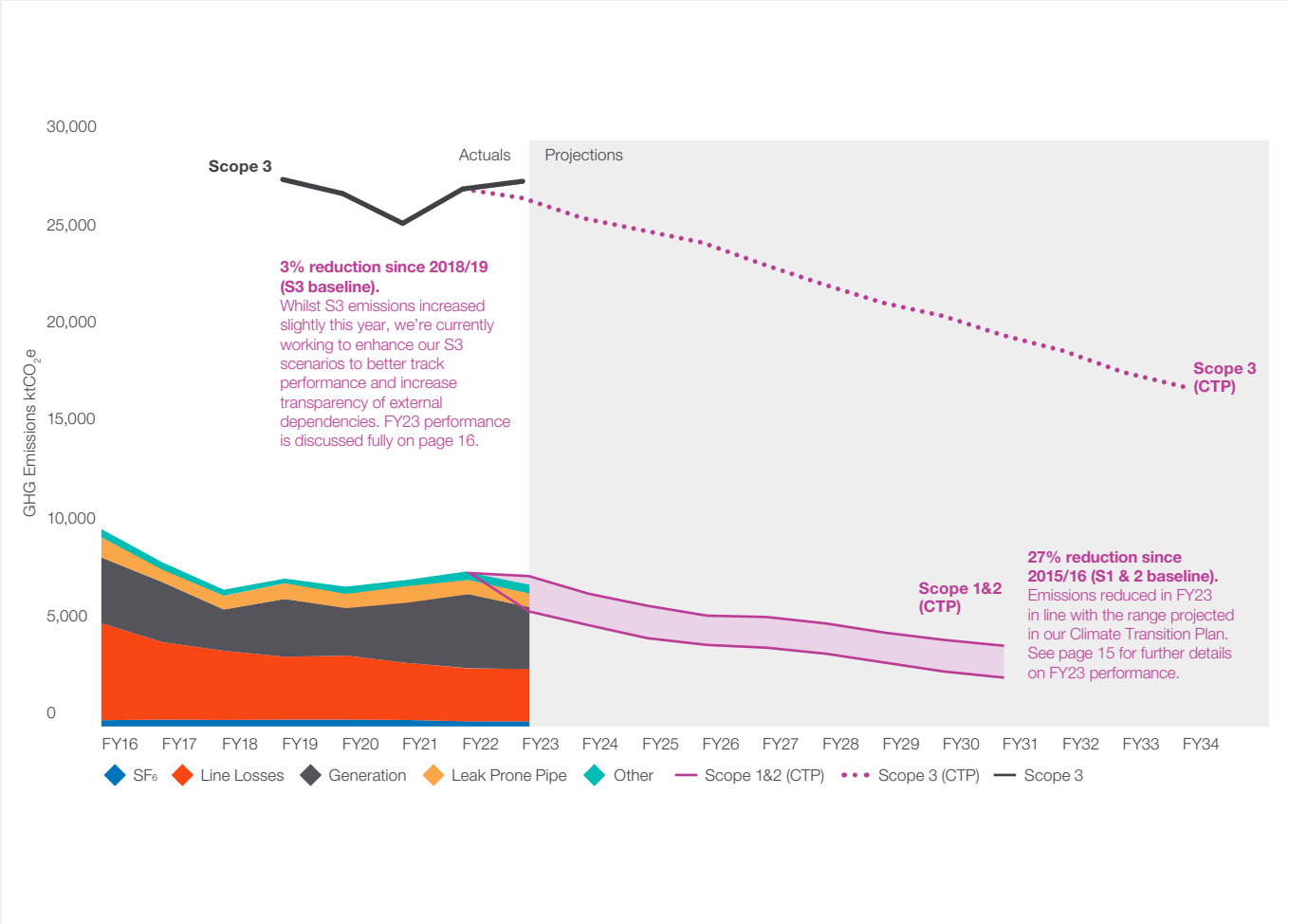
In June 2022, National Grid became one of the first FTSE 100 companies to publish a CTP. This was something we committed to shareholders and followed the Chancellor's announcement at COP26 that the UK will move towards making it mandatory for companies to publish a clear, deliverable plan on how they will decarbonise and transition to net zero.

Over the last year we have:

- put our CTP to an advisory vote at the 2022 AGM, which was approved by 98% of shareholders;
- engaged with investors on our climate strategy and transition plan;
- contributed towards the Transition Plan Taskforce's (TPT) consultation on both their disclosure framework and sector-specific guidance. We also cochair the TPT Electric Utilities and Power Generators working group, supporting the further development of sector-specific guidance; and
- embedded performance management against the CTP throughout our businesses and continued to integrate our climate strategy in our financial planning process.

Our GHG performance and transition pathway has been rebaselined following the sale of our US Rhode Island business and majority stake in UK Gas Transmission & Metering businesses, as well as acquisition of Western Power Distribution (now National Grid Electricity Distribution).

Methodological adjustments have also been made to improve data accuracy, including the transition to new standards and Global Warming Potential (GWP) measurements contained within the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report (AR5).



Impact on our operations

We have amended local site management plans to increase biodiversity and natural capital

Land use, habitat and biodiversity

We believe our most material impacts on biodiversity – and where we can have a positive impact on nature – are on the land we own and when we are delivering new infrastructure projects, both onshore and offshore. 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, and deliver additional societal and community benefits in the areas in which we are operating.

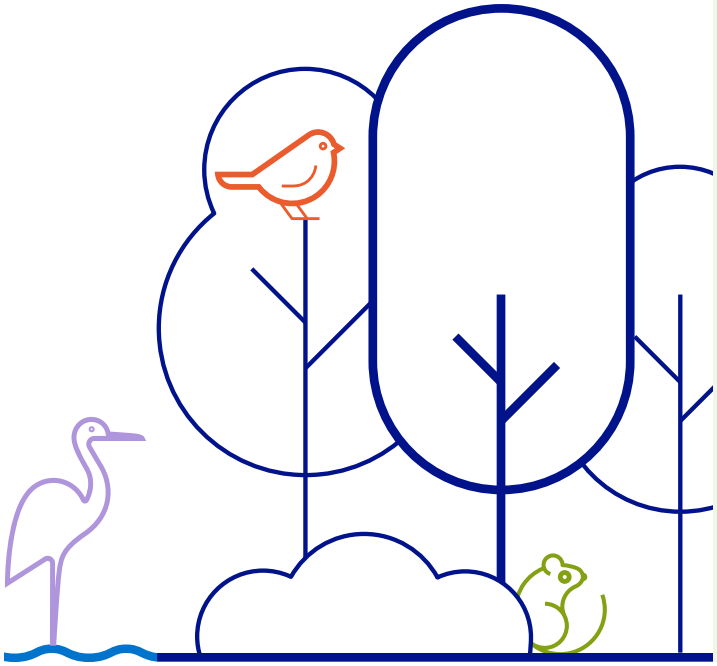
We have committed to improve the environmental value of our non-operational land in our UK ET business unit by at least 10% by 2026, and we have a five-year delivery strategy to reach this. Environmental value is a measure of the condition of, and ecosystem services that flow from our natural assets. 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. To date, we have improved this environmental value by 4.63%, on track against our commitment. Building on land management agreements we put in place last year we have agreed 10-year Enhanced Partnership Agreements with partners at Skelton Grange Environment Centre, West Boldon Lodge and Fleet substation.

We are not only focused on improving the natural environment in our UK business. Our Company-wide nature working group brings together representatives from our UK and US businesses to review biodiversity enhancement projects and develop methodologies which will enable the delivery of our Group-wide 10% improvement target. For example, in the US New England business unit, a 'BioAudit' project began in 2021 and involves regular sampling of 222 belt transects* across c.60 miles (c.96 km) of our land in 15 different areas. We are using this data to measure the biodiversity present on our rights of way and understand the effectiveness of different vegetation management techniques.

Our current commitments focus on enhancing the natural environment on our non-operational land. Beyond that our focus on biodiversity aligns to the legislative requirements for delivering major infrastructure projects in the jurisdictions we operate in. We'll look to evolve our approach to help enhance biodiversity alongside the delivery of infrastructure that will support decarbonisation.

We are also reviewing and expanding our current scope to develop new targets and methodologies relating to nature in the future, which will set us up to respond to the developing legislation we expect to see as a result of the Kunming-Montreal Global Biodiversity Framework committed to at COP15 in December 2022, and the Taskforce on Nature-related Financial Disclosures.

We have also joined the Blue Recovery Leaders Group, which is led by the Wildfowl & Wetlands Trust (WWT) and brings together leading organisations from sectors including housing, water, charity, engineering, banking and landowners. We are working with the Blue Recovery Leaders Group to identify, develop and deliver pioneering projects that will help the WWT reach its Blue Recovery goal of creating 100,000 hectares of new and restored wetlands across the UK to help fight the climate, nature and wellbeing crises.



Sir David Attenborough praises National Grid's environmental achievement

The Peak East Visual Improvement Project is celebrating an achievement of 18% biodiversity net gain – against a target of 10%.

This was achieved through careful management of the environment around the project's sensitive and constrained construction site. Additional habitat for wildlife was created and the extent of permitted tree removal was greatly reduced, with limited material storage and adapted logistics. Tree retention zones were physically demarcated using rope and signs from the initial area and were maintained throughout construction.

Collaborative working with the contractor allowed key habitats to be saved from damage, and the site team also developed positive working relationships with local stakeholders.

One key conservation success involved the rare and endangered willow tit. Two pairs of this International Union for Conservation of Nature (IUCN) red list songbird successfully nested within the development site at Wogden Foot nature reserve in vegetation that could have been removed in other circumstances without the skill and sensitive determination of the project team.

The project team has celebrated scooping top honours at National Grid's 2023 'Living our Values' awards for going above and beyond in its commitment to the environment.

These important achievements have also been recognised by none other than Sir David Attenborough, who sent a handwritten note to the project's Stakeholder Advisory Group Chair Chris Baines, specifically praising National Grid's environmental achievement in protecting and enhancing the willow tit's habitat.

* A belt transect is a small sample area used to estimate the distribution of organisms in relation to a certain area, such as a meadow.

Impact on our operations continued

To adapt to climate change, we are updating our climate vulnerability plans

Alongside our focus on mitigating the impact of climate change through reducing our own GHG emissions, we also have to adapt our networks and equipment to operate in changing weather conditions that are occurring due to climate change.

We have developed an innovative climate risk assessment tool to support this work. Our Climate Change Risk Tool (CCRT) is an innovative geospatial climate assessment tool that combines data on climate hazard projections under a range of climate scenarios, with detailed data on our networks and equipment in the UK and US, to analyse and identify long-term climate hazard risks to our infrastructure.

The CCRT has been recognised externally as an innovative approach to assessing climate risk, and we have been asked to share our approach at international climate change events in the past year including the Electric Power Research Institute (EPRI) Climate READi Member Meeting in Albuquerque, US and the EPRI European Workshop Week in Vienna, Austria.

Utilising our CCRT, our Group-wide Climate Vulnerability Assessment began in December 2022, led by a steering group of senior leaders from each of our businesses and supported by a working group from our engineering, resilience and policy teams. It is a phased programme of activity which will deliver a climate change adaptation plan to address assets with the highest resilience risk. On completion, we will develop a Climate Change Adaptation Plan, outlining solutions for our high-risk assets, and confirm the strategic approach to managing that risk.

In our US business, we are working with leading organisations to develop our approach to climate adaptation. We are an anchor sponsor of the EPRI Climate READi initiative, which brings together over 30 North American utilities with regulators, system operators, standards agencies and resilience experts to develop a consistent industry methodology for Climate Vulnerability Assessments, hardening plans, standards and rate case justifications. We are also working with Massachusetts Institute of Technology (MIT) scientists and other climate experts to better understand extreme wind projections for the northeastern US and the increase of frequency and intensity of hurricanes.

In the UK, phase one of our UK ED Assessment of Climate Change Event Likelihood Embedded in Risk Assessment Targeting Electricity Distribution (ACCELERATED) innovation project which aims to understand the impacts of climate change hazards on asset performance, functionality and embedded generation and consumption patterns in electricity distribution networks. Initial outputs review the correlation between historic weather hazard intensity and faults to establish climate risk assessments for assets which are at high risk of being impacted by extreme weather. The final output is a climate change impact assessment procedure and a record of how new tools should be incorporated into business systems.

UK ET has committed to £3.92 million of investment from 2022 – 2024 to protect 33 sites from surface water flooding risks and increase the resilience of the system.

Our approach to the environment is underpinned by management and compliance

At National Grid, we take our responsibilities for environmental sustainability seriously. We will, as a minimum, meet our legal and customer obligations and aspire to go over and above. To demonstrate our commitment to this, we maintain a Group-level internal BMS Standard for environmental sustainability, as well as our Responsible Business Charter, which includes our strategic targets and ambitions. The BMS Standard describes what our businesses and people must do to build the foundation to deliver those targets and ambitions. Our Environmental Sustainability BMS Standard applies to everyone employed by or carrying out work on behalf of any National Grid business. All our colleagues shall work in accordance with this BMS Standard, and our leaders ensure this is embedded across all levels of the organisation, with our operational businesses having environmental management teams responsible for certified environmental management systems specific for their business.

The BMS Standard is predominantly actioned throughout the business through the implementation and management of International Organization for Standardization (ISO) 14001 certified environmental management systems. These management systems provide us with the framework we need to. confidently manage the environmental impacts of our business operations and meet the requirements of applicable regulations. Within the management systems we maintain a number of standards and procedures. There is an overarching requirement within the management systems to identify the environmental risks of our activities, products and services that we can control and influence, and that have significant positive or negative impacts on the environment.

We monitor and report other emissions from our operations in line with external reporting standards, primarily GRI and SASB

Total energy consumption

Operating our networks and equipment results in energy consumption in addition to that consumed in our offices and facilities.

Our energy consumption consists of both fuel consumed and energy purchased from third parties. Consumption was 2,835 GWh in the last financial year, compared with 2,422 GWh in the previous year. In the data table on page 54, 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 Long Island Power Authority (LIPA), the contracting body, amounting to 15,892 GWh (net of energy required to operate the generation assets), a 19% decrease on the prior year. As a result, we have not subtracted electricity generated from the annual total energy consumption figure. Our energy intensity is 337 GWh/£m revenue, compared with 459 GWh/£m revenue in the previous year. In addition to energy consumed, we calculate that system losses accounted for a further 15,520 GWh, of which 34% occurred in the US. This compares with 14,534 GWh in the previous year.

Pollution and air quality

In addition to GHG emissions, we also generate other emissions from our operations. We are required to monitor and report these to regulatory bodies in both the UK and US. There are three types of emissions we monitor: nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM) which are atmospheric pollutants that impact local air quality and as such can have an impact on human health.

Stationary sources of these emissions include 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 liquefied natural gas (LNG) facility. Other sources may include backup generators, small domestic boilers, vaporisers and process gas boilers on sites, as well as mobile sources (e.g. our vehicle fleet). Air emissions from these potential sources are considered immaterial and are currently not actively monitored.

Impact on our operations continued

Circular economy and waste

National Grid has internally developed waste standards and procedures, which align with relevant laws and regulations.

We generate waste from a range of our activities and sources, including: office and warehouse activities; 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 the data table on page 54. 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 18% of hazardous waste is recycled and 75% is sent to landfill. For non-hazardous waste, approximately 3% is sent to landfill, while the remaining is either reused (4%) or recycled (80%). Other disposal methods include thermal processing and incineration.

Alongside managing our waste responsibly, we also recycle, refurbish and reuse materials at asset recovery facilities in the UK and US.

Our US Investment Recovery and Recycling Services centre provides services that safely and responsibly identify, reuse, redeploy, reprocess, sell and dispose of surplus assets and equipment, including transformers, steel, substation equipment, plastics and electric and gas meters. For example, we typically recycle, sell and/or refurbish over 16,000 electricity distribution transformers per year. From a social responsibility perspective, the centre provides vocational employment to people with learning and physical disabilities.

In the UK, our refurbishment centres repair equipment for our electricity networks to enable them to be reused. This year, we recycled 179 tonnes of aluminium and copper. This is cost effective and reduces emissions associated with the manufacture, transport and installation of new equipment.

Water

National Grid has an internally developed water quality standard, and has received a B- score from our CDP water disclosure.

Water consumption at National Grid relates almost entirely to use for generation cooling purposes, and abstracted water is not altered other than being slightly warmed by the process. This year, 1,341 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. Only 0.1% of the total is discharged to third-party sewers.

Gowanus Canal clean-up

National Grid is working with local, state and federal stakeholders to address environmental and social issues

Constructed in the mid-1800s, the Gowanus Canal is a 1.8-mile (2.9 km), 100-foot (30-metre) wide manmade waterway, used to provide water access and boost existing industries in the inland areas of Brooklyn, New York.

Although the industrial use of the Gowanus Canal has significantly decreased over time, the years of heavy industrial activity have resulted in a legacy of pollution in the canal, and the canal continues to receive ongoing contamination from combined sewer overflow outfalls. The Gowanus Canal had earned a reputation as one of the most polluted waterways in the US.

National Grid is one of several members involved in the EPA Gowanus Canal Superfund site, supporting the clean-up efforts, which promise to deliver significant social benefits to the local community by revitalising the neighbourhood and providing access to the waterway for recreational activities.

After an accelerated remedial investigation and remedial design, clean-up of the upper third of the canal started in 2020 and has included removing approximately 70,000 cubic yards of contaminated sediment, which has been treated and beneficially used as daily landfill cover. Deeper contaminated sediment has been stabilised in situ to stop further migration of deep contamination into biologically active zones. Over 4,500,000 gallons of canal water were treated and discharged back into the Gowanus Canal.

The clean-up of the upper third is now in its final stage, which involves the installation of a multi-layer cap over the dredged material. The treatment layer prevents the migration of impacts through the cap prior to reaching the surface water. The top layers promote benthic recolonisation and limit interference with the treatment layer.

Over the next decade, the clean-up team will continue to carry out the planned remediation activities downstream. In conjunction with the clean-up efforts, the neighbourhood surrounding the Gowanus Canal is undergoing redevelopment, with new residential buildings being constructed along the canal which will have public access to the waterfront along the entire length of the waterway.

Our communities

We will support a fair and affordable transition for our communities and customers for the future

Linked SDGs

Affordable and clean energy

Decent work and economic growth

Further reading
National Grid Foundation Annual Report

Further reading
National Grid Project C

Our material issues

- 9 Social mobility
- 10 Affordability
- 11 Community engagement
- 12 STEM education
- 13 Network reliability
- 14 Customer satisfaction
- 15 Cyber security
- 16 Public safety
- 17 Connectivity

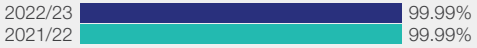
Performance against targets

Total reliability

99.99%

Why do we measure this?
Our commitment is to deliver sustainable energy reliably. We're committed to making sure our systems are resilient and can play a leading role in disaster recovery.

Performance
Consistent reliability figures year-on-year; see data tables on page 56 for breakdown.



Volunteering hours

157% increase

Why do we measure this?
Our commitment is to achieve 500,000 employee volunteering hours by 2030 (from 2020).

Performance
We have delivered 101,562 volunteering hours against our target to date.

A new process to capture volunteering data for each UK business unit was introduced at the start of 2022/23.

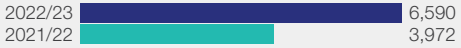
Skills development

66% increase

Why do we measure this?
Our commitment is to 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).

Performance
We have provided skills development access to 11,823 young people against our target to date.

A new process to capture skills data for each UK business unit was introduced at the start of 2022/23.



Public injuries

0

Why do we measure this?
Our commitment is to deliver sustainable energy safely.

Performance
Our performance shows our commitment to delivering sustainable energy safely.

Service affordability

The ongoing rise in energy prices resulting from the war in Ukraine continues to present a major challenge for our communities and customers. These price impacts are primarily driven by gas price rises, but we are determined to continue to play our role in responding to the energy crisis to help our customers and communities however we can.

To support increasing energy costs, we have pledged a £65 million energy support fund in the UK and US

In November 2022, we mobilised a significant energy support fund across our UK and US footprint to help the most vulnerable people in our communities (see case study).

We are supporting the people of Ukraine

We recognise our unique position in being able to help the people of Ukraine following Russia's invasion and direct targeting of the country's energy infrastructure.

This year, our crisis management team has led a task force to align support across our UK and US businesses and provide advisory support. Collectively and with the generous support of our employees, we have donated over £1 million. We will continue to work in close coordination with the UK government to provide additional support heading into next winter.

We are working with regulators to reduce impact on customer bills

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 unchanged in real terms* and shrinking significantly as a component of the bill.

* Real terms means after adjusting for inflation.

Our £65 million energy support fund

In November 2022, we pledged £50 million in the UK and $17 million in the US to provide assistance to some of the hardest-hit households this winter and next.

The main tranche of our funding is for non-profit organisations on the front line of the energy crisis that have been designated as our charity partners. This support fund works with these partners to provide emergency financial relief to households that are using pre-payment energy meters, funding energy efficiency measures to help lower bills over the longer term, providing advisory services for households that need help with energy bills and debts, and more.

Since launching, as of 31 March 2023, households, businesses and families across our UK and US footprint have benefitted from financial assistance and energy-efficiency measures as a direct result of our energy support fund.

UK focus

Our partners in the UK include: Fuel Bank Foundation, which provides emergency financial support and advice to households with a pre-payment meter that are in fuel crisis and at risk of living without heat, light and power; Citizens Advice, which delivers advice across a range of issues including managing energy bills; Affordable Warmth Solutions, which provides new, free home insulation and other energy-efficiency measures to households that do not qualify for government programmes; National Energy Action, which works with communities to ensure people can be warm at home; and National Energy Foundation, which works to help improve the energy efficiency of homes, offers advice and guidance on lowering energy bills and delivers practical solutions to make homes warmer.

As of 31 March 2023, 30,565 households across our UK footprint have benefitted from our energy support fund.

US focus

Several US partnerships have also been created across our operational footprint in New York, such as HeartShare, and in New England where we've partnered with the United Way, Good Neighbor Energy Fund and other local non-profits positioned to deliver support locally.

We supported customers across New York and Massachusetts with grants totalling upwards of $10 million to address rising heating bills, food insecurity and support for small businesses, which will ultimately benefit hundreds of thousands of customers and help address the unprecedented economic challenges this winter.

Our service

We operate an extensive safety approach

Public safety is a key priority for the business, and the relevant risks are considered in detail by the Safety & Sustainability Committee and reviewed by the Board as part of regular risk reviews.

'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 23 of the ARA. 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 31 – 33.

We track and record all injuries to members of the public. During 2022/23, we reported zero injuries to members of the public that were identified as connected with management of our operations and our activities.

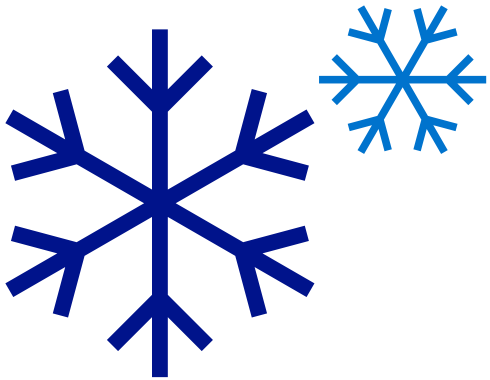
0
injuries to members of the public

We aim to provide a reliable and resilient network throughout storms and weather demands

The reliability of our network requires us to think holistically and strategically about the decisions we make today in order to have the capacity to adapt and meet the demands of the changing environments we will face tomorrow. This 'whole-systems' approach to resilience is embedded into our culture, recognising that all functions across the Group must work together, from operations, security, talent and people, to technology and beyond. Approaching resilience with a shared vision and common goals helps to align our strategy to mitigate risks by anticipating, preparing and adapting disruptive events such as extreme weather or cyber-attacks.

We recognise the important role we play domestically and abroad in helping to shape policies and drive change for greater resilience across industry and around the world. We recognise that we serve a diverse population with critical needs, from cross-sector critical infrastructure to vulnerable populations. The reliability and resilience of our networks is not just a priority for us, but a shared interest for public safety, national security and all facets of the communities we serve. We work closely with the UK and US governments to help inform a shared understanding of risks, appropriate mitigation strategies and the importance of working across critical infrastructure sectors.

We measure reliability for each of our business areas separately across our UK and US networks, and maintain excellent reliability. We have robust crisis management and business continuity programmes with integrated plans that are routinely trained and exercised against. Our shared vision, resilience goals and unique innovative projects are all captured in a forward-thinking resilience strategy that serves as a guide to resilience planning.



Winter Storm Elliott response

The December 2022 North American winter storm referred to as 'Winter Storm Elliott' delivered a punishing combination of heavy snow, extreme winds, blizzard conditions and bitterly cold temperatures over a five-day period to upstate New York.

National Grid began planning activities five days in advance of Winter Storm Elliott, which included monitoring and planning of weather effects, preparation of employees and contractors, securing and staging external resources, materials and equipment, proactive outreach, conducting pre-event community leader conference calls, issuing pre-event press releases and providing customers with detailed information through traditional and social/digital media.

National Grid deployed a field force of more than 3,100 line, service, tree, damage assessment and public safety experts who worked in extremely challenging conditions to restore service to the 110,000 western New York customers impacted by the historic storm.

In total, National Grid replaced 256 broken poles and 102 damaged transformers. Throughout restoration, we utilised resources effectively, including across our US businesses to support restoration activities.

Public safety during an emergency or storm event is our primary concern. Our response involved the dispatch of trained and qualified employees or contractors to investigate reports of downed wires and public hazards to fix, make safe, and/or arrange for standby personnel if needed to protect the public.

Following the storm, we have committed $1 million to support the people of western New York in their recovery from this historic weather event, through regional charitable organisations offering programmes that directly benefitted those impacted by the storm, as well as organisations supporting community resilience for future emergencies. We also provided customer bill credits and expeditiously processed reimbursement applications from customers who experienced extended outages because of the storm.

We greatly appreciate the support from customers, the state, counties and municipalities during the storm restoration.

Our service continued

This winter has been one of our most reliable to date, with over 99.9% reliability

Our continued focus on building resilience and reliability across networks and the business has included the following activities:

- **Network operations:** Over the next seven years, we will invest in 17 new transmission projects in the UK in order to support 50 GW of offshore wind by 2030; see page 11 for more details.
- **Climate:** A comprehensive climate vulnerability assessment was launched to understand the impacts of climate change on our assets and to support decisions around climate adaptation investments; see page 19 for more details.
- **Engagement:** We continue to lead discussions with government and industry peers to help inform new policies and regulations around resilience, such as the UK Resilience Framework.
- **Crisis readiness and response:** Whether responding to historic winter storms at Christmas (see case study on page 23) or navigating an evolving energy crisis following Russia's invasion of Ukraine, our planning and coordination reduced our risks and enabled a proactive response.
- **Talent development:** We have partnered with the Science, Technology, Engineering and Mathematics (STEM) Returners programme and Grid for Good to help STEM professionals return to the sector after a career break (see case study on page 26) and increased our focus on developing and recruiting the top talent to manage a reliable and resilient network and help lead us through the energy transition.

99.9%
total reliability across our network

99.99997%
UK ET network reliability

99.99453%
UK ED network reliability

99.96625%
US ET network reliability

99.94356%
US ED network reliability

We are balancing demand with neighbouring countries

Our interconnectors connect markets and networks with neighbouring countries. They are a key tool to help efficiently reduce both costs and carbon, enabling high levels of variable renewable energy. Read more about our interconnectors on page 11.

Funding granted for net zero innovations

UK ET and UK ED have been granted £896,000 in total to progress eight projects to the first phase of Ofgem's Strategic Innovation Fund (SIF) programme. The projects include investigating technology to increase power flow capability on existing overhead lines, and exploring using EVs to help restore power supplies to vulnerable customers in the event of an outage.

UK ED will also be collaborating on a further four SIF projects, two with Wales and West Utilities and two with the National Grid Electricity System Operator (ESO).

Cyber security is an operational risk

Our priority is to provide 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 22 of our ARA.

Our service continued

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

Our UK ET customers score us 7.2 on customer satisfaction

In the UK, Quality of Connections is the customer satisfaction metric, measuring the experience our electricity transmission provides to businesses connecting to our transmission network.

It incentivises us to improve the experience we provide to our customers, as we ask for feedback from all our customers at specific touchpoints throughout their connections journey. Customers are asked to rate how satisfied they are based on the service provided, related to the particular touchpoint in the connections journey, on a scale of 1 – 10 where 1 is 'very dissatisfied' and 10 is 'very satisfied'.

This enables us to have a greater understanding and build insight into specific areas of the journey, to drive improvements from pre-application through to connection along with ongoing management of connected customers. Our customer satisfaction score for financial year 2022/23 is 7.2 out of 10. This is below the target of 7.7. UK ET's score is a combination of pressures, with our existing Connections Framework seeing a dramatic uplift in volumes of customer applications; interactive issues of market design; and lack of contractual discipline and investment linked to individual customers. We are actively lobbying for changes and working with the ESO to design and implement a much improved connections framework.

Our UK ED customers score us 8.99 on customer satisfaction

Also in the UK, for our Electricity Distribution business and as part of Ofgem's Broad Measure of Customer Service incentive, an independent agency undertakes a monthly satisfaction survey assessing customers' satisfaction for connection quotations, delivery interruptions and general enquiries.

The customer satisfaction score is given out of 10. There were 20,979 customers surveyed in 2022/23 giving an overall score of 8.99 out of 10. Our proactive approach to customer service and continual improvement is evident from our external assessment under the Customer Service Excellence (CSE) Standard and British Standards Institution (BSI) Standard for Inclusive Service Provision (BS 18477). Beyond validating our continued compliance, external accreditations provide independent scrutiny and benchmarking against leading companies across a wide range of sectors. Recommendations from expert assessors are used widely within the business to deliver real improvements for our customers.

UK ED also supports more than 2 million customers on our Priority Services Register (PSR), which enables us to provide tailored support when a customer contacts us or when their supply is interrupted. In 2022/23 we made 4 million proactive contacts with customers on the PSR to provide support and ensure their records are up to date. Through the PSR we are also able to offer support to customers having difficulties with energy affordability, delivering support to customers through our schemes including flagship Power Up and Affordable Warmth schemes. Through these schemes in 2022/23 we have provided 24,463 customers more than £15.2 million in direct financial benefits, with each customer supported receiving on average £621 of benefits 'in the pocket'.

We measure ourselves against our interconnector reliability in NGV

Our NGV business operates a broad range of assets and businesses serving customers across the UK and US. We offer capacity on our subsea electricity interconnectors to enable our customers to transport power between Great Britain and neighbouring markets. Our assets have some of the highest availability scores in the world, including BritNed to the Netherlands (99.9%) and Nemo Link to Belgium (98.9%). Our LNG terminal on the Isle of Grain near London provided its customers with a high level of service through a record year in terms of imports, driven by the need to support the re-stocking of European gas supplies. This is reflected in our customer satisfaction score of 81%.

Our US customers score us 56% on Trust Advice

In the US, Trust Advice is a customer perception metric measuring trust in National Grid to provide advice needed to make good energy decisions. The metric is measured continuously in our online brand image and relationship survey, and is based on a representative sample of residential customers' responses 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 reported score is the percentage of respondents who answer with an 8, 9 or 10 on a 10-point scale where 1 is 'Do not trust advice at all' and 10 is 'Trust advice completely'.

The Trust Advice score for 2022/23 is 56.0%, which is below our target (62.4%). This is due to customers in both Massachusetts and New York facing higher energy prices caused by inflation, global conflict and high demand, which negatively impacts customers' sense of value, a key driver of Trust Advice. To mitigate this impact, we launched the Winter Savings Initiative, which offers products, tips and financial assistance to help customers conserve energy and save on their bill. Through this initiative, we are committed to finding solutions to meet customers' needs.

Skills and employability

We have upskilled 6,590 people this year

By 2030, we are committed to providing skills development opportunities for 45,000 people, and delivering 500,000 employee volunteering hours. Through volunteering, our colleagues will help equip future generations to participate in the energy transition. We will continue to publish our progress on a regular basis.

Across the UK and US, we have continued to develop new and long-standing partnerships with registered charities, not-for-profit organisations, social enterprises, educators and our supply chain.

Between these organisations, we have co-created skills and employability pathways. Our impact has been focused on socio-economically disadvantaged communities, targetting young people aged 16 – 24, with two primary objectives: to provide upskilling where learning is not accessible and to create diverse employment opportunities across our sector, often in unconventional ways.

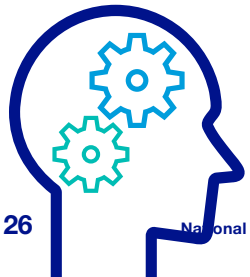
Across our two regions, the total number of our skills and employability community programmes has reached nearly 100 and they have meaningfully supported local communities.

Grid for Good is our National Grid brand name for social mobility initiatives we lead on in our communities for underrepresented groups, including skills and employability programmes, affordability programmes and other local initiatives.

Against our 10-year commitment to develop skills for the future for 45,000 people in our communities, our target in 2022/23 was to upskill 4,976 people. As of 31 March 2023, 6,590 people have been meaningfully upskilled, made up of 2,502 in the UK and 4,088 in the US.

Through our Grid for Good skills and employability programmes, we have positively impacted the lives of 11,823 people, with 124 going on to apply for roles in National Grid and 19 people securing employment, bringing the total since launch to 29.

National Grid has recently been approved as an industry partner for the US **Department of Defense (DOD) SkillBridge** programme, providing internships for service members approaching the end of their military commitment.



6,590
people have been provided access to skills development

Supporting women in the UK to return to STEM careers

Our STEM Returners partnership creates new opportunities for STEM professionals to return to work after a career break. These professionals are often subjected to barriers and unconscious bias when returning to a STEM career after a period of absence. Through this partnership, we have helped to level the playing field and provide opportunities for mid–senior career engineers.

This year, we developed 12-week internships, with extra support for those people coming back into the workplace following an extended period of absence. We also put in place non-traditional approaches to recruit this talent such as advertising on Mumsnet and writing inclusive adverts.

In 2022/23, National Grid hired five new employees through the STEM Returners programme; all five candidates completed the 12-week internship, and all five successfully secured full time positions.

Following the success of this pilot, we will continue with the initiative into next year to help even more people to achieve social mobility, bring in the technical skills we need and contribute towards improving the diversity of our workforce.

STEM RETURNERS

US Northland Workforce Training Center graduate is able to give back to his community

We are a founding partner for the Northland Workforce Training Center, which houses two colocated training facilities in East Buffalo, New York: the Advanced Manufacturing Training Center and the Utility of the Future & Clean Energy Training Center.

The Workforce Training Center helps local people gain skills to secure employment. It is revitalising the community, while also supporting social mobility for residents. Many of the skills gained are related to our work and therefore we have taken on several applicants in operational roles.

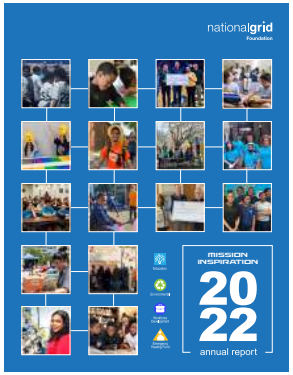
Mekhi Yearwood joined us a year ago as a graduate from the Northland Workforce Training Center. He joined as a cable splicer and was recently promoted to the Street Lighting team.

While in high school Mekhi worked at the Tops on Jefferson Avenue in Buffalo, the site of the tragic 14 May 2022 racially motivated shooting. Mekhi was able to give back to his community where he lives and works following the shooting by handing out gift cards through Project C to his to neighbours.

Community engagement

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. Our attendance at COP27 further highlighted the increasing importance of delivering a fair transition globally, nationally and across communities; further details on this can be found on page 7.



For more details, refer to our **National Grid Foundation Annual Report**

For more details, refer to our **National Grid Project C**

We have contributed £47.7 million in community investment this year

During 2022/23, across National Grid, we have contributed £47.7 million in community investment to support local communities across our energy affordability, skills and employability, environmental and colleague-driven initiatives. A contribution towards this is from our £65 million energy support fund.

In the UK, this year we also enhanced our support for communities in areas close to our major infrastructure projects. This has included the following:

- **Community grant applications:** Grant funding involves inviting 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 2022/23, we approved grants to the value of £870,357, supporting 57 beneficiaries.
- **Infrastructure projects**: Where we are engaged in very large capital programmes, we partner with other organisations to deliver additional community benefits at scale.
- **Environmental education 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 Field Studies Council (FSC) at Bishops Wood and Amersham, The Conservation Volunteers at Skelton Grange and Groundwork at West Boldon Lodge. We also have a number of educational centres at our sites, such as our North Sea Link Energy Education Centre.

With the ASTI projects in the UK approved by Ofgem, over the last few months we have begun to shape initiatives to actively support local communities where we will have a presence before, during and after our construction activities.

In the US this year, more than $22 million in funding was dedicated to community support and covered donations for centrally led programmes in support of organisations such as the Red Cross, City Year, The Possible Zone and Bottom Line, as well as programmes led more locally through management teams in New York and Massachusetts. Additionally, with increasing energy costs, economic challenges brought on by inflation and a major blizzard in New York, the US business significantly enhanced its commitment to assist customers and the communities we serve by providing funding support to offset high energy bills, food insecurity and assist small businesses.

This year, the National Grid Foundation (NGF) continued to serve communities more deeply across New York and Massachusetts. During 2022, NGF funded nearly $1.5 million worth of education and environment programmes, along with increased support of an additional $1 million for heating and emergency assistance, supporting customers during this period of extraordinarily increasing energy costs. For additional detail on the Foundation, please see the **National Grid Foundation Annual Report 2022**.

Proving that community support goes well beyond keeping the lights on and restoring service, National Grid and NGF teamed up and donated a combined gift of $1 million to help provide relief for people in the Buffalo communities who were impacted by Winter Storm Elliott.

In New York, Project C is our 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 colleague volunteering, with more than 2,200 colleagues supporting our second annual Day of Service. We are engaged with over 100 community partners and over 10,000 small businesses to help execute over 100 programmes under our community investment pillars. Additionally, under this initiative, we have planted and donated nearly 1,000 trees.

project c | nationalgrid

Community engagement continued

Our colleagues have volunteered 60,096 hours this year

Colleague volunteering and community interaction help us connect to customers and the communities in a real and meaningful way. We have continued to work with many partner organisations to identify and manage opportunities for colleagues to volunteer their time in local communities.

We have enabled more colleagues across the UK and US to feel directly connected to our communities, giving them an opportunity to make a difference. This year, National Grid colleagues have logged 60,096 volunteering hours, bringing our total to 101,562 volunteering hours.

Across the US, our colleague volunteering has included a beach clean-up event at Save the Harbor/Save the Bay in Quincy, Massachusetts and judging a high school STEM competition at the STEM Hub event during Mass STEM Week were highly successful and rewarding for all involved.

In the UK, our employees donated their time to support one or more of the 92 programmes we have mobilised to benefit local communities. We currently have three employees undertaking 12-month voluntary secondments at Citizens Advice to provide holistic telephone and in-person advice to people struggling with the impacts of the cost of living crisis. Many of our colleagues have also worked with our partners to develop creative educational content such as audiovisual experiences designed to inspire future careers in National Grid and our industry.

Our people

We are supporting our colleagues to play a pivotal role in delivering net zero, while living our values

Linked SDGs

Gender equality

Decent work and economic growth

Our material issues

- 18 Workforce development
- 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

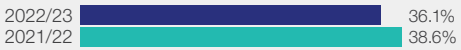
Performance against targets

Diversity of workforce

36.1%

Why do we measure this?
Our commitment is to be as transparent as possible internally and externally on gender and ethnicity/race.

Performance
We continue to monitor and are transparent in disclosing our workforce diversity.

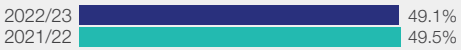


Diversity of Senior Leadership Group

49.1%

Why do we measure this?
Our commitment is to achieve 50% diversity in our Senior Leadership Group by 2025.

Performance
0.9% from 2025 target.

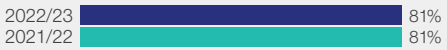


Employee engagement

81%

Why do we measure this?
Our commitment is to get input directly from our people as an important part of tracking progress. The Board hears their views through the employee engagement survey, presentations and discussions at the Board and Committee meetings and from Directors visiting our operational sites and offices.

Performance
Consistent performance over the past two years at 81% employee engagement.

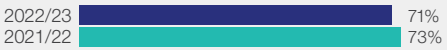


'Safe to Say' in Grid:voice

71%

Why do we measure this?
Our ambition is to eradicate discrimination of any kind and create a culture where our people feel confident to speak out safely.

Performance
Reduction in 'Safe to Say' score by 2% on last year.



Purpose, values and culture

Living our values

Our people are the lifeblood of our organisation; it's our people who will deliver our vision to be at the heart of a clean, fair and affordable energy future.

The safety and wellbeing of our people is a top priority for every one of us at National Grid, as well as creating a truly diverse, equitable and inclusive culture, where all our colleagues feel that they belong and can achieve their full potential.

We see our culture as how we live our values. They underpin everything we do at National Grid – to do the right thing, find a better way and make it happen. These values inform our decisions, how we show up and the way we treat each other. They shape our Company and how our customers and communities experience us. After all, we play a vital role in connecting millions of people to the energy they use.

We regularly check in on these values and how we articulate the behaviours that guide them, and in 2022 we made some changes. By doing so we've increased our focus on:

- **customers** – putting our customers at the heart of what we do;
- **results and progress** – evolving to be smarter and more agile;
- **safety** – ensuring that safety stays core to our values and the way we work; and
- **diversity** – supporting our aim to be one of the most diverse and inclusive companies of the 21st century.

Continuous improvement and adapting, particularly in response to colleague feedback, is critical for our success as a responsible business.

Our colleagues shouldn't just read about National Grid being a responsible business but see it and experience our commitments in action. That's why we aim for our workforce to reflect the diversity of the communities we serve, and why we have a diversity, equity and inclusion (DEI) ambition to be among the most diverse, equitable and inclusive companies of the 21st century.

Our Employee Resource Groups (ERGs) play a key role in helping us to achieve our DEI aspirations whilst providing a sense of community to help everyone feel comfortable to bring their whole selves to work. We recently hit 13,380 members across all our ERGs, including members who are part of more than one ERG – something we're hugely proud of.

Our Responsible Business Charter outlines clear goals against five key areas in relation to our people, including increasing the diversity of our workforce at all levels and putting in place metrics that will hold us to account. This report covers some of our progress to date in achieving our goals.

Grid:voice

Our colleague engagement is 81%

We encourage positive employee listening, engagement and feedback, and engage extensively with our colleagues through a number of channels and processes, including all-hands calls with our Chief Executive, town hall sessions within business units and functions, email, Yammer, focused colleague listening sessions, through our many ERGs and our latest annual employee survey, Grid:voice. 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.

We listen to our colleagues with Grid:voice, our Group-wide engagement survey which takes place every year, with a pulse survey half way through the year. Colleagues share their views on what it's like to work here, so that we can understand, and build on, what we do well while improving in areas where we can do better.

This year, 81% of colleagues took part in the survey (last year: 73%) and our employee engagement index score was 81% favourable. There was no change compared with the previous year, but this score is positive in a year of change across the organisation and remains six points higher than external benchmarks.

The Board and its Committees (as appropriate) receive regular updates on employee matters, and key discussions and decisions are reported in the ARA.

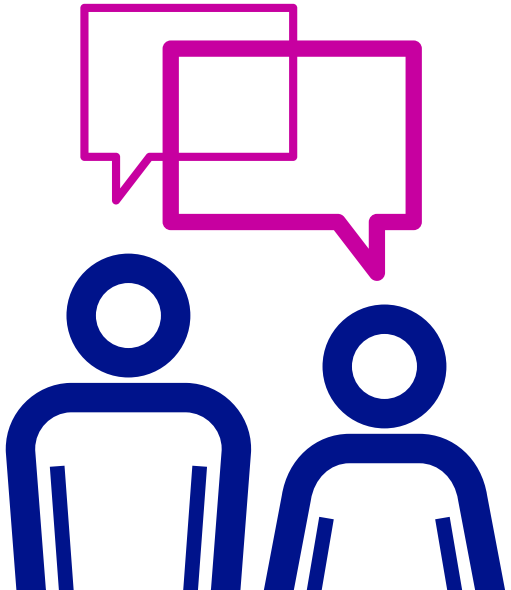
We are committed to employee relations

We also engage with colleagues on employee rights through their representatives in various trade unions. In the UK, we have a collective bargaining agreement with four recognised trade 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 a national and a 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.

There are a number of trade union recognition agreements in place for collective bargaining purposes, and in 2022/23 approximately 46% 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.

None of our colleagues are denied the right to exercise freedom of association or collective bargaining.



Employee health, safety and wellbeing

Our people are the lifeblood of our business

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

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 and Safety Executive in the UK and the Occupational Safety and Health Administration in the US, along with the relevant state regulators.

We engage extensively with our workforce on HSW topics and conduct regular 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.

Recent safety performance trends show we need to take further action. Our Group-wide 'Stand Up For Safety' campaign is a reminder that safety is core to our values and explains our Company-wide safety principles that apply to everyone and help keep us safe; see case study on page 32.

In the UK, we hold regular safety forums with union leadership, as well as 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 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 incident investigation policies, amongst other items. Meetings tend to be held monthly or quarterly depending on the focus.

Additionally, during 2022 we ran our safety survey to canvas views on safety performance from all employees. This confirmed that we continue to improve our HSW culture in providing colleagues with a proactive approach to HSW.

We put safety first

Several BMS Standards, which are described in the following sections, form the direction for an implemented HSW management system including 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 to 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 within each business unit. 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 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 (primarily US based) and our performance is audited by internal and external teams periodically.

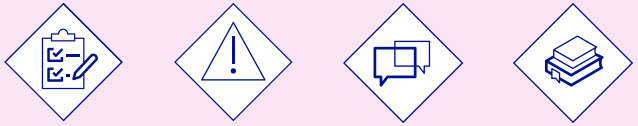
The standards are underpinned by Incident Reporting Protocols which set out the criteria and process for the internal reporting of different levels of incident, near miss or good catch. The Protocols are supported by our IMS for incident reporting, tracking and follow-up.

Employee health, safety and wellbeing continued

‘Stand Up For Safety’ campaign

The ‘Stand Up For Safety’ campaign was undertaken to align everyone behind our new Company-wide ‘Safe to’ principles and the behaviours we want to see in colleagues’ everyday actions, which is a core element of our new safety strategy. We encouraged everyone to think about why they stay safe and to share this across our internal media channels.

This was launched with a video series showcasing how every part of our business is standing up for safety, demonstrating the collective power of nearly 30,000 colleagues uniting behind this important topic. This was followed with weekly campaigns discussing each of our ‘Safe to’ principles:



Safe to Say | **Safe Choices** | **Safe to Stop** | **Safe to Learn**

Across National Grid our highest severity incidents typically occur across six main categories, which have been named as our fatal risk groups:

People and plant interface	**Driving safety**	**Lifting and dropped loads**
Fall from height	**Electric shock**	**Stored energy**

We are focusing on reducing these fatal risks events and eradicating them from our business. This 12-month campaign is owned and led by individual business units and has toolkits released every two months to enable our colleagues to understand these high-severity risks better and highlight the safe choices we must make to prevent them.

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 whistleblowers’ hotline (see page 47) and both seek to protect workers against possible reprisals.

A fundamental element of the HSW management system involves hazards and risks being identified within each of the business units, using our documented hazard and risk procedures.

Each business unit reviews its HSW performance locally and prepares a HSW plan that sets out key priorities for the year. These plans promote action to improve performance in higher areas of risk, or to enhance existing management approaches to introduce best practice.

HSW teams in our business units report through local line management but also maintain close collaboration and a dotted line of reporting to the Chief Engineer and Head of Health, Safety and Wellbeing at a Group level.

There is close scrutiny of performance through both the Group Executive Safety, Health and Sustainability Committee and Safety & Sustainability Committee being chaired by Earl Shipp, a Non-executive Director with extensive safety and risk management expertise (see page 70 of the ARA for his biography).

The Safety & Sustainability Committee’s main areas of focus in 2022/23 have been:

- employee health and wellbeing;
- a Group-wide safety review and refresh of the three-year strategy;
- response to serious injuries and fatalities;
- safety, health and environment (SHE) risks and mitigation; and
- sustainability and climate change.

More information can be found on 69 of the ARA and the committee report can be found on page 88 of the ARA.

Employee health, safety and wellbeing continued

We measure health, safety and wellbeing performance through a combination of leading and lagging indicators: lost time injury frequency rate (LTIFR) and fatalities

Lost time injury frequency rate (LTIFR): 0.11

This year's LTIFR, although higher than the target of 0.10, represents an improvement over the last financial year. The largest proportion of injuries relate to slips, trips and falls and musculoskeletal strains and twists, where lack of concentration and complacency play a part. Unfortunately, this year we suffered two work-related fatalities. To address this, we introduced the 'Stand Up For Safety' and 'Fatal Risk Group' campaigns to encourage safe behaviour in everyday actions and identify hazardous activities that carry the most potential for life changing injuries. These campaigns are part of the newly developed Group Safety Strategy and Safety Policy that will focus on learning and improving safety performance going forward.

This is a combined employee and contractor LTIFR rate, which reflects our continued focus on encouraging good safety behaviours across the entire workforce. This result excludes our former Rhode Island (Narragansett Electric Company) and Gas Transmission & Metering businesses whose sales were completed during the financial year.

Fatalities: 2

Sadly, in May 2022 we had a fatality – we lost a colleague in Massachusetts. He was electrocuted while working on live equipment keeping power to a residential building. This loss has had a profound effect on the whole organisation. Since then, we have completed a thorough investigation and have shared learnings with all of our colleagues.

A second fatality occurred in September 2022 when a vegetation contractor in our New York business died following an allergic reaction to a bee sting.

Everyone should return home safely at the end of their working day and following these tragedies we are redoubling our efforts to ensure this is the case for all who work on our assets. The new Group-wide policy and safety strategy, based on external learnings, uses behavioural safety principles to reduce the risk of these high severity events occurring. Our Stand Up For Safety campaign is being rolled out across the Company over a 12 month period, see page 32 for further details.

We are ensuring that physical safety, mental health and wellbeing stay core to our values and the way we work

We believe that mental and physical wellbeing are vital to both good health and performance at work. We want to ensure that we help drive positive health outcomes for everyone who works for us. At National Grid, we have a health and wellbeing standard that sets out the roles, legal responsibilities and actions required for the effective risk assessment and management of mental and physical health. This standard helps support our organisation, teams and individual colleagues to deal with any pressures and challenges they face. Our metrics relate both to colleagues and contractors and we have been increasing our focus on leading indicators as we try to use indicators to proactively reduce the risk of incidents occurring. Key metrics are reported bi-monthly to the Group Executive Safety, Health and Sustainability Committee and three times a year to the Board Safety & Sustainability Committee. To ensure that metrics are aligned with changing circumstances, there is also a 'deep dive' annual review across health, safety and wellbeing metrics at both the Board and Executive Committee level.

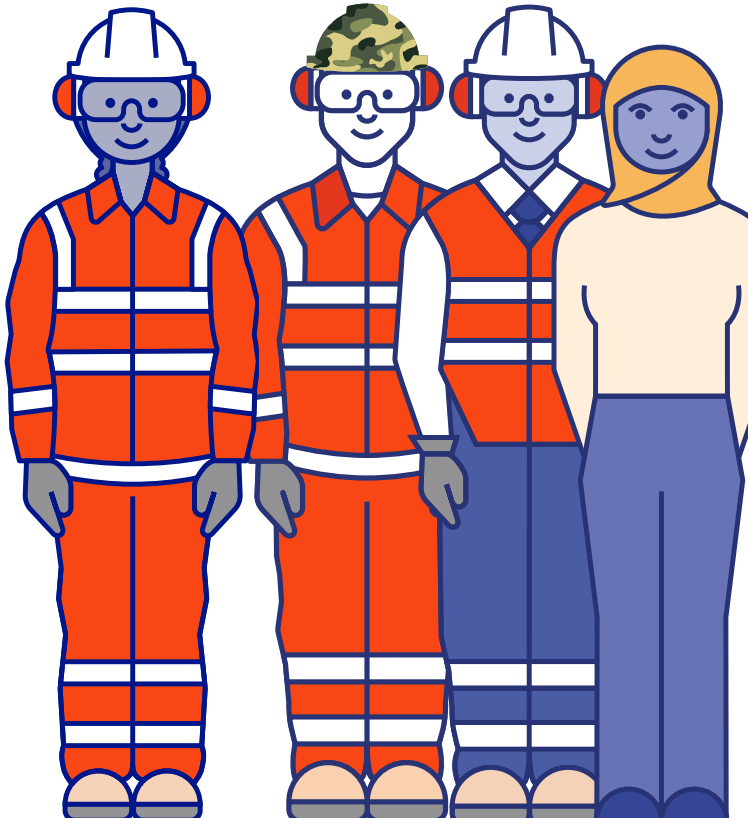
In 2022/23 we reviewed the metrics and introduced one that is specifically focused on reducing high actual and potential severity events (HAPSE), recognising that there is a need to provide a heightened focus on high-hazard activities to further reduce serious injury events.

Comparative data can be found on page 16 of the ARA and the definition of LTIFR is in the glossary. The main causes of lost time injuries across the Group continue to be related to musculoskeletal or 'soft tissue' injuries. These injuries are generally related to over-extension or poor body positioning, repetitive motion and slips, trips, and falls. Our highest number of HAPSE in 2022/23 were related to people and plant interface activities.

During 2022, we refreshed our safety strategy and ran our 'Stand Up For Safety' campaign, focusing individuals on why they stay safe and encompassing the launch of our business-wide behavioural safety principles: Safe to Say, Safe Choices, Safe to Stop and Safe to Learn.

These principles are designed to focus on the behavioural attributes that we believe should underpin world-leading health, safety and wellbeing performance.

During 2022/23, the Group Health & Wellbeing (H&W) team completed a review of the current H&W approach; this confirmed that we provide an industry comparable H&W service for our workforce. We will be launching the H&W strategy Group-wide in 2023/24. This will build upon the current model, where all business unit Safety, Health and Environment teams have occupational health specialists and our Employee Assistance Programmes (EAPs) that provide additional health support, both occupational and non-occupational. These are regularly reviewed and checked, and employee feedback sought. All EAPs and associated services are well publicised internally across the business.



Fair pay

We believe everyone should be appropriately rewarded for their time and effort

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 beyond 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 also 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 pay median ratio is 111:1 for UK-based colleagues (2021/22: 105:1). Our Group-wide median ratio is 76:1 (2021/22: 76:1).

We review gender and ethnicity pay gaps annually in both the UK and US, detailed in tables 1 and 2, and these are reported one year in arrears. As a result of sustained focus over many years, our UK base gender pay gap continues to be minimal, and we have also shown progress with pay and incentive gaps for ethnically diverse employees. The strong representation of women (40.1%) in our senior leadership population drives these figures, meaning that as we have a higher proportion of women in senior leadership roles, the gender pay gap is reduced.

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, as per tables 1 and 2. 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 so, drive down our pay gaps still further.

1.9%
UK mean gender pay gap

-1.9%
UK mean ethnicity pay gap

5.1%
US mean gender pay gap

2.1%
US mean ethnicity pay gap

Table 1: UK and US gender pay gap

	2021/22		2020/21	
Measure	**UK**	**US**	**UK**	**US**
Mean gender pay gap	1.9%	5.1%	-1.6%	12.6%
Mean gender incentive gap	-5.7%	-27.3%	-15.6%	-35.4%

Table 2: UK and US ethnicity pay gap

	2021/22		2020/21	
Measure	**UK**	**US**	**UK**	**US**
Mean ethnicity pay gap	-1.9%	2.1%	3.2%	6.1%
Mean ethnicity incentive gap	59.7%	-2.0%	60.3%	9.4%

Negative figures mean the gap is in favour of women and/or ethnically diverse employees, e.g. compensation is higher for women.

Talent and skills development

We invested in around five training days per employee in 2022/23

We are focused on retaining the best people

We employ 29,440 people (2021/22: 24,104), located in both the UK (12,562) and the US (16,878). We are reliant on our colleagues to deliver success for the business and our stakeholders, and we seek to attract and retain the best people by striving to be recognised as an employer of choice.

We are focused on streamlining our recruitment processes, investing in best-in-class HR technology, implementing a strategic sourcing structure to drive proactive sourcing, creating a best-in-industry candidate experience and creating recruitment practices that drive DEI outcomes that reflect a workforce of our customers.

We invest in training our colleagues

Attracting, developing and retaining a qualified and competent workforce requires training programmes that are robust, comprehensive and in line with local regulations. Our training programmes create a career path that builds on safety and competence. Our programmes are delivered throughout the UK and US, at one of our seven training centres.

1,092,224
total training hours in 2022/23

29,440
National Grid employees

We are committed to providing a wider range of entry points to working in our business

Apprentices

In addition to our technical apprenticeships at the Advanced and Higher levels, we have developed programmes for our finance, people and corporate strategy functions to provide a wider range of options of entry points to our Group function roles and to widen our reach to the communities in which we serve.

In the UK, we have recruited 52 technical apprentices and have an additional 108 apprenticeships in our UK ED business unit.

Graduate Scheme

This is being refreshed ready for our September 2023 intake to include more robust technical and leadership behaviour training, to better support the organisation. The refresh includes a new framework that helps graduates transition to their first role.

We have recruited 61 graduates in the UK, with more than 265 learners currently active on our UK programmes. We have also recruited 70 US graduates to our 12-month development programme.

We offer digital learning and coaching support to our colleagues

With the continued increase in our digital learning and face-to-face learning content in 2022/23, our UK and US colleagues completed 1,092,224 training hours – approximately five training days per employee.

We designed a new method for assessing all colleagues for both selection and development purposes. Our new approach utilises a digitally enabled suite of tools and techniques to provide an engaging and interactive user experience and thorough, scientifically informed results. This method allows us to drive consistency in what and how we measure talent as people progress their careers at National Grid. This innovative approach helps build self-awareness, helps individuals and line managers understand development needs, and provides talent and other organisational insights across business units and functions. In 2022/23, 635 assessments were completed.

To continue investing in our colleagues and empower their growth, we offer digital coaching to support them with intentional behavioural and mindset shifts aligned to their development goals. All colleagues are eligible for six months of unlimited coaching with dedicated, on-demand, certified coaches. This year, 1,070 colleagues have participated in digital coaching.

We continue to offer LinkedIn Learning to all colleagues, a digital-first development platform with now more than 9,300 on-demand courses available in English, and with more than 1,000 of those focused on leadership and management, as well as new career features that empower everyone to develop as career activists. LinkedIn Learning has over 2,000 courses and pathways that deep dive into DEI topics that can help us to upskill in this area. Leaders are encouraged to take inspiration from their results from a suite of leadership questions in the annual Grid:voice survey, to help identify strengths to build on and areas of development.

We actively identify and develop our future senior leaders

In early 2022, we launched the first cohort of our new Future Leaders development programme to identify and develop the future senior leaders of the business. Since then, we have launched two further cohorts across the year. We will be tracking the cohorts to see how they progress through their career and measuring the impact of the development. Judy Tao, Risk and Compliance Manager says: “I highly recommend this unique training programme to anyone who wants to achieve something that they cannot achieve by themselves in their careers, be that saving the world or helping National Grid to achieve net zero. To get there, you need to be a leader, and this programme can certainly help you with that”.

“I highly recommend this unique training programme to anyone who wants to achieve something that they cannot achieve by themselves in their careers, be that saving the world or helping National Grid to achieve net zero. To get there, you need to be a leader, and this programme can certainly help you with that.”

Diversity, equity and inclusion

National Grid is named one of The Times Top 50 Employers for Women 2022

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. We are delighted to be named one of The Times Top 50 Employers for Women 2022.

We aspire to being among the most diverse, equitable and inclusive companies of the 21st century

Our Group-wide DEI commitments provide the framework required for us to achieve our aspiration, which is 'to one day be among the most diverse, equitable and inclusive companies of the 21st century' – not just in the energy and utilities industry – and to 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.
- 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. The Board and the Group Executive Committee are committed to addressing diversity issues and improving inclusion, and are focused on drawing from the Group strategy and developing plans that will have an impact on the issues in their business or function.

We ensure we share best practice and campaign at a sector-wide level for greater inclusion for all

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. In the UK, this includes 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, The Valuable 500, Change the Race Ratio and 25x25 in the UK. In the US, our partners include The Partnership, the Boston Chamber of Commerce, CenterState CEO and Work Without Limits. We also work closely with the Center for Disability Inclusion.

We proactively pursue external opportunities to lead the discussion on DEI in the energy industry. In June 2021, we hosted the first Equity in Energy Summit in New York, comprising more than 80 energy leaders, government officials and community influencers all aligned to one united cause – driving for equitable energy practices. This is an important step to ensure we leave no one behind in our local communities. A second summit took place in Massachusetts in March 2023. In the UK, to deliver a 'clean, fair and affordable' energy future, our Sustainability team ensures we include diverse perspectives on fair transition issues through focus groups with internal stakeholders and direct citizen engagement sessions, see further detail on page 6.

We pursue opportunities to raise awareness of DEI issues

Using our platforms and influence, we have been focusing on raising awareness of DEI issues and creating space to talk about events that impact our colleagues, customers and external stakeholders. These conversations are hugely appreciated as evidenced by the participation and the positive feedback. Over recent months, we have held dialogue sessions on topics such as the mass shooting in Buffalo (case study on page 38), a session on dealing with grief and loss triggered by the death of HM Queen Elizabeth II and a forum to reflect on the war in Ukraine.

Our commitment to safety and wellbeing is one of our top priorities and it is important that we continue to develop and foster a culture whereby all colleagues can bring their true self to work and have the confidence to speak up. We saw our 'Safe to Say' index score as measured in Grid:voice increase again year-on-year to 71%, improving from 69%. This addresses the survey statement 'Where I work it is safe to say what I think.'

We are committed to transparency, reporting annually on our progress on diversity. Across the organisation, we share our diversity metrics on a bi-annual basis, comparing the data with the communities we serve. We aim to maximise impact using data insights. This year, we undertook detailed data analysis enabling each business unit and function to uncover 'underrepresentation' hotspots and take deliberate and practical steps.

We continue to celebrate Global Inclusion Week (GIW), a pivotal event in the DEI calendar, allowing us to shine a light on all things DEI. This year, each day of that week was aligned to each of the DEI commitments. We were joined by external experts, and provided training throughout the week focusing on topics such as anti-racism, neurodiversity and trans inclusion. Engagement was positive, with 2,106 sign-ups and 1,254 attendees across 13 events. Grid:home GIW Stories and the landing page generated over 4,903 unique views, and there were 6,865 GIW Yammer views – this is an increase from last year's 1,190 Grid:home GIW views.

During GIW, we took the opportunity to launch our new campaign, 'DEI is everyone's business, but it starts with me'. The campaign highlights that everyone has a part to play in our journey to achieve our global DEI aspiration and the powerful impact the collective effort of nearly 30,000 people taking accountability will make. The first step has been to help colleagues understand how they can personally contribute – encouraging them to set a personal DEI objective, join an ERG and share their diversity data with us.

We continue to drive accountability in other ways to increase DEI ownership by adding DEI metrics into existing performance monitoring, which directly impacts managerial reward.

Diversity, equity and inclusion continued

We are supporting period dignity at work

Over the summer of 2022, reflecting on increasing national reports and available commissioned research on period dignity, the UK Corporate Property team began to research options to create a more inclusive and sustainable workplace solution to this subject.

Sanitary pads and tampons were not offered free at National Grid, and this presented an opportunity to complement the positive steps National Grid has taken over the years in creating a more inclusive work environment.

On average, women experience a monthly cycle for nearly 40 years. Many women and girls experience anxiety and embarrassment when unexpectedly 'caught short' without the necessary products. The situation is particularly difficult in the office as even if prepared, being able to discreetly take sanitary products to the toilets, when in full sight of the office, can also feel stressful.

Aspiring to create a 'period positive workplace', we completed a trial at main office locations providing free sanitary products and received resoundingly positive feedback. We now provide a free range of environmentally friendly tampons and pads, supporting the varying needs of individuals, in the toilets at National Grid House, Faraday House, Ventures House, Didcot, Eakring, Wokingham and the Strand. Plans are also underway to roll this out further across operational sites.

"I love this, great step forward in the period poverty movement. I also love that they are plastic- and chemical-free! Great work team."

"What a great idea, I felt seen and included. Hygiene poverty isn't something we talk about often, but this will surely help those that could need it. Thank you."

We are holding ourselves to account on DEI

To demonstrate our commitment to, and expectations of what it means to be, a truly inclusive organisation, we have combined existing policies to create a unified, simple and cohesive global DEI policy. Working with external expertise to ensure the policy upholds industry best practice while maintaining our Company purpose, the new, accessible policy provides a clear intended purpose strongly linked to our DEI strategy, holding our business and staff accountable and providing clear support and guidance for colleagues.

Developing, progressing and removing barriers for those from underrepresented groups is crucial. 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 Moving Ahead's 'Leaders for Race Equity'. We also have programmes for specific populations tailored to the unique experiences and barriers faced by them. Examples of such programmes are Women Unlimited, Inc. leadership programme and the Partnership and Diverse Leaders Programme for people from an ethnically and racially diverse background. Topics include self-awareness, leadership, communication, networking, relationship building and commercial awareness.

We are working to bring the right colleagues into our business and make sure they stay

We know that in order to achieve our ambition of having a workforce that represents the communities we serve and one that is fit to deliver net zero, we need to attract, hire and retain people from diverse backgrounds and who have different experiences and perspectives. Over the last 12 months, we have used research insights from more than 800 diverse individuals internally and externally across the UK and US to define a compelling Employee Value Proposition (EVP) that answers 'What's in it for me?' for current and future talent. Our EVP amplifies our unique cultural differences and positions National Grid as a top place to work. Using this EVP, we have developed a new employer brand, Superpowered, which will help bring the right colleagues into our business, and make sure they stay.

We have launched a new and more inclusive employer brand

We have created our new employer brand guidelines which have a fresh, new tone of voice using simple, human and inclusive language. The new visual identity uses images of our authentic, diverse people working in their roles and in teams in the National Grid environment. We have brought our new employer brand to life through activations both internally and externally.

We have launched our new people-focused social media channels that showcase our people, life and culture at National Grid. By creating a social media strategy that focuses on the creation of employee spotlights, colleague journeys and ERG memberships, we have been able to test our content series with our audiences. DEI content is consistently a top-performing asset across all our channels and this reinforces our research findings that people are motivated to work at National Grid due to our strong focus on diversity, inclusion and wellbeing.

This year, we have widened our outreach and attraction efforts for our early careers programmes to target more diverse communities. We have trained a diverse network of more than 200 undergraduate ambassadors across the UK, based at over 62 university campuses, who have promoted our graduate opportunities and university careers events. We have also trained a cohort of Apprentice Ambassadors from National Grid, equipping them with the skills to promote the apprentice pathways to school students at careers fairs and school events across the UK. So far, we have attended 10 schools, reaching 1,339 students.

Diversity, equity and inclusion continued

We have launched a DEI curriculum for all people managers

Education on and awareness of DEI remain a priority; they enable a safe space for people to share experiences, listen, learn and explore perceived sensitive topics, leading to an increased sense of belonging. In August, we launched a DEI curriculum for all people managers. With this global initiative, we proactively invite all people managers to participate in monthly DEI educational opportunities. Topics include 'Understanding DEI at National Grid', 'Reasonable accommodations and equity for disability inclusion', 'How to have difficult conversations around DEI at work', 'Speaking inclusively and authentically for LGBTQ+ equity', 'Leading inclusive conversations around race and racial equity' and 'Advancing gender equity to the next level'. So far, 23 sessions have been delivered to almost 600 managers, equating to approximately 1,821 training hours. Overall, feedback has rated the sessions as 4.6 out of 5 with some very heartening comments.

Local educational sessions led by the DEI team in partnership with in-business DEI networks also have a huge impact and are tailored depending on the need and maturity of the specific business or function. In Q4, 121 managers from our Upstate New York Project Management and Construction teams attended a full day on DEI upskilling; while in the UK, three DEI development days were delivered to almost 70 managers from Network Strategy Operations in UK ET, including those who usually work on shift. Using live actors to create maximum impact, the immersive sessions focused on active allyship, inclusive leadership, dignity and respect, and sexual harassment.

We are engaging with our operational teams in a way that works for their day-to-day routines

Our operational and field-based colleagues are the core of our Company; they make a 24/7 commitment to this demanding, essential industry. Unique cultures and historical challenges exist in these areas, which we are prioritising in order to increase diversity levels and improve inclusion. We are committed to engage, upskill and communicate with colleagues who work on site or in operational teams in a way that works for their day-to-day routines, while coaching our operations leaders to role model inclusive leadership.

Our response to external events – Buffalo, New York

In response to the tragic event that occurred in one of our own service territories – the mass shooting in Buffalo, New York – the DEI team, leadership and members of our ERGs hosted a forum enabling open dialogue and critical support for colleagues across the Group. The forum took place on 20 May 2022 and allowed nearly 720 people to be virtually together, listened to and supported.

The participants included colleagues who are based in Buffalo and all our regions, members of, or those who have close ties to, the Black community, members of other communities who continue to experience discrimination and allies. Afterwards, many shared their appreciation, with some saying they felt a sense of relief having been able to share, and many articulating gratitude that the Company is now encouraging conversations of this type. As one participant said, "We are National Grid employees, but we are people first and foremost and allowing us to talk about important things we experience outside of work helps us to be better when we are in work."

Unfortunately, this was not the first forum we've had to organise this year and, devastatingly, it won't be the last (we've also talked about the tragic events happening in Ukraine, Afghanistan, and the prevalence of Asian hate crimes); however, the leadership commitment and speed with which we were able to act show a positive change in focus.

Diversity, equity and inclusion continued

ERG Summit

As part of our DEI aspiration to one day be amongst the most inclusive, diverse and equitable companies in business, we have committed to integrating and elevating our ERGs.

In July 2022, we held our first ever global ERG Summit in London. In attendance were some members of the Board, and the leads and executive sponsors for each of our ERGs from both the UK and the US, who showcased the empowerment they feel to drive DEI every day and model inclusion by creating a safe space for everyone to speak up.

The aim of the summit was to:

- highlight the role our ERGs play in the workplace and help everyone develop a better understanding of the work the 16 ERGs are currently delivering;
- build a wider ERG community, helping to break down silos and creating greater networking opportunities across the organisation; and
- share success stories of how some of our functions and business units are implementing the wider DEI strategy.

One of the most rewarding things about bringing everyone together in one place is building community. Over the course of the few days, there was a fundamental change. Many of our ERG leads and sponsors arrived already passionate about what they do, but they left feeling much more empowered and less alone.

Following the success of the summit, we have seen greater collaboration between our ERGs; further alignment of them within our business strategy; and more opportunities for colleagues to join in order to make a difference in something they are passionate about.

Our ERGs are there for everyone – no matter whether you feel you are a part of a particular community or an ally. These networks provide a great sense of community and are a prime example of how we're all working together to model inclusion and ensure everyone feels comfortable to bring their whole selves to work.

We are delighted to be holding our second summit in the US in June 2023.

We have seen an increase in membership of our ERGs

We have 16 ERGs (eight in the US, four in the UK, four global), which are all highly active and visible across the business. Led by engaged groups of volunteers (ERG members continue to have higher engagement scores on Grid:voice at 85% compared with non-members at 80%), they are important enablers of DEI, providing crucial support, opportunities and development for all our colleagues, as well as delivering events and awareness-raising campaigns throughout the year. These include celebrations of Black History Month, Women in Engineering, Diwali, International Men's Day, Transgender Day of Remembrance, Purple Light Up, PRIDE month, Hispanic Heritage Month and Veteran's Week.

ERG membership now stands at 7,890 unique members and there have been 521 ERG events. A focus area for this year has been on making improvements to ERG governance. This has included a refresh and increase in Senior Leadership Group and Group Executive Committee sponsorships (from 11 sponsors to 37), investment in the technology of the Affirmity platform making it easier for ERGs to manage events and membership, and we have made four ERGs global, improving reach and impact.

We are delighted to have just launched a brand new, global ERG called Inspire.

The Inspire ERG focuses on socio-economic barriers and challenges faced by many that could impact future opportunities and chances of success, such as the 'class ceiling' or their level of education. We are already proud to be amongst the top 75 employers (71st) in the Social Mobility Employer Index (an external index that analyses and celebrates what employers are doing to improve social mobility); however, this is a DEI dimension that we are committed to elevate as an organisation and a dedicated ERG will help elevate issues and opportunities.

16
Employee Resource Groups (ERGs)

7,890
ERG unique members

ERGs drive impact internally and externally, and thanks to our partnership we:

- achieved a place in The Times Top 50 Employers for Women;
- achieved a Top 75 place (71st) in the Social Mobility Employer Index;
- achieved 8th place in the Equileap gender equality index's Top 100 Companies for Gender Equality Globally 2023 and the highest place for a utility;
- ranked 23 in the FTSE 100 Rankings 2022 Women on Boards and in Leadership;
- achieved a top 10 position in the Outstanding Employers for Race at the Ethnicity Awards;
- achieved at the British Diversity Awards:
  - a top 10 position for Community Project of the Year (Hinkley);
  - a top 10 position for Outstanding Employee Network of the Year (Women in National Grid (WiNG)); and
  - a top 10 position for HR Champion of the Year (Hannah Spencer);
- received an honourable mention and highly commended for our UK DEI leader (Lisa Waterhouse);
- shortlisted for LGBTQ+ Trailblazer at the British LGBT awards;
- ranked 375 out of 850 in The Financial Times Diversity Leaders report, which evaluates diversity and inclusion practices;
- recognised in the US as one of the Best Places to Work for LGBTQ Equality (Human Rights Campaign); and
- won 2023 Boston Business Journal's LGBTQ Corporate Ally Award for PRIDE US.

The economy

We endeavour to do the right thing in the wider economy

Linked SDGs

Affordable and clean energy

Climate action

Further reading **EU Taxonomy Report**

Further reading **Green Financing Report**

Our material issues

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

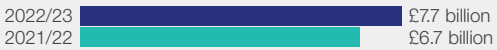
Performance against targets

Investment in energy infrastructure

£7.7 billion

Why do we measure this?
Our commitment is to continue to reinvest in energy infrastructure at approximately £5 billion each year. In addition, we expect to invest up to £40 billion of critical infrastructure over five years between 2022 to 2026.

Performance
Over the past two years we have invested over £6 billion in energy infrastructure each year, over and above our target.

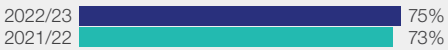


EU Taxonomy aligned Group turnover

75%

Why do we measure this?
Around £29 billion of our up to £40 billion investment programme (over five years) will be invested in the decarbonisation of energy networks aligned to the EU Taxonomy.

Performance
Our Group turnover is 75% EU Taxonomy aligned, an increase of 2% on last year.

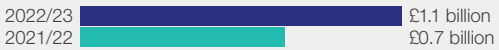


Green bonds

£1.1 billion

Why do we measure this?
National Grid is investing heavily in the decarbonisation of our networks, and the issuance of Green Financing Instruments supports our efforts and reinforces our commitment to the clean energy transition.

Performance
Our total green bonds are at £1.1 billion, an increase of £0.4 billion on last year.

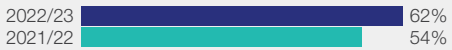


Suppliers with carbon reduction target

62%

Why do we measure this?
Our commitment is for 75% of National Grid's top 250 suppliers (by category/spend) will have active carbon reduction targets by 2030.

Performance
We continue to engage our supply chain with 62% of our top 250 suppliers now having active carbon reduction targets in place, up 8% on last year.



Investment and tax

We have increased our EU Taxonomy aligned green capital expenditure

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. The EU Taxonomy Delegated Acts objectives have been developed to align with the Paris Agreement, consistent with our own net zero by 2050 commitment.

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

- Total Group aligned turnover: 67% (2021/22: 67%).
- Total Group aligned capital expenditure: 75% (2021/22: 73%).
- Total Group aligned operational expenditure: 84% (2021/22: 84%).

The increase in our EU Taxonomy aligned green capex key performance indicator (KPI) to 75% from 73% in the prior year demonstrates the positive impact of our strategic repositioning towards electrification and enabling the energy transition.

For more details, refer to our **EU Taxonomy Report**

We have issued £1.1 billion in green bonds

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.

This year, we have issued two more green bonds to advance our commitment to preparing the electricity grids in the UK and Northeastern US for a decarbonised future, and expand our development of renewable generation in the US. The first green bond of $500 million was issued in September 2022 by Niagara Mohawk Power Corporation (NMPC) and the second was a National Grid plc issuance of €750 million in January 2023.

For more details, refer to our **National Grid Green Financing Report**

Our tax contributions help the sustainable development of the regions we operate in

Our total tax contribution for 2022/23 is £4,060 million (2021/22: £3,719 million).

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

We are committed to a coherent and transparent tax strategy, and recognise our economic role in society in doing this. In our ARA, we publish revenues, taxes, profits and employees for each country of operation. This summary, and further information, are provided on pages 63 – 65 of our ARA.

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 will also continue taking legislative and regulatory requirements into account, as well as their tax consequences, when we consider business developments. Our tax contribution, 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.

Further details on our total tax contribution can be found in our ARA on pages 64 and 65.

Our strong performance delivers value for our shareholders

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.

We have invested £7,740 million in energy infrastructure this year.

The direct, indirect and induced economic impact of our operations and investments in 2022/23 supported 247,000 jobs in our regions.

Spend profile

We work with around 18,165 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 4 on page 44.

Supply chain

We are creating positive impact through our supply chain

Our procurement function has positioned responsible business as one of its three strategic priorities alongside best-in-class value delivery and building supply chain resilience. We recognise that the supply chain is an extension of how we operate as a business and that 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 18,165 suppliers, spending over £9 billion per annum with them. National Grid's operations, payments to suppliers and payments of wages to workers supported £29 billion in gross value added contributions to GDP in the US and the UK in 2022/23.

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 approximately 341 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 99% of our tier 1 suppliers are based in the UK and US. However, we understand the need to manage potential risks beyond tier 1 suppliers and to communicate our expectations and ethical standards through our directly contracted suppliers and further down the supply chain.

We actively engage with our suppliers

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 webpage**, 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.

We work actively with the Supply Chain Sustainability School (SCSS) in the UK and the Sustainable Supply Chain Alliance in the US to build knowledge and capability through the supply chain. We are also involved with a number of collaborative industry initiatives including Utilities Against Slavery and the United Nations Global Compact Modern Slavery Working Group, and have continued to work with the SCSS to deliver business briefings to the supply chain on key topics around modern slavery.

We are signatories to a number of key industry initiatives aimed at driving positive change through our supply chains, including **the People Matter Charter**, which 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, also participating in webinar sessions facilitated through the SCSS.

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 deliver the ambitious infrastructure plans we have as a business and to address potential industry workforce risks, such as an ageing workforce and adjacent sector attraction.

We monitor and mitigate responsible business risks in our supply chain

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). It 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 to 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**.

Increasing certified minority and women-owned business enterprises

National Grid is part of a collaboration of electric and natural gas utilities and energy efficiency service providers in Massachusetts called Mass Save. We empower residents, businesses and communities to make energy-efficient upgrades by offering a wide range of services, rebates, incentives, trainings and information.

Mass Save has committed to holding two annual Supplier Diversity summits to increase the number and participation of certified minority and women-owned business enterprises (MWBE) within our Energy Efficiency programmes (EE).

These summits, in November 2022, provided a process for MWBE suppliers to engage with the Sponsors of Mass Save, and the suppliers gained valuable information and resources on programmes and participation opportunities. In addition, the suppliers received insight on how they can support energy-efficiency work, and how they can identify and bid on available contracts.

Following the summits, 100% of attendees reported they better understood how to access business opportunities within Mass Save and National Grid and all attendees would recommend to a friend.

In 2022, three of the EE Request for Proposal were awarded to Tier 1 diverse suppliers. It is our goal to further develop these approaches and work on ways to expand MWBE participation. We will be leading two additional diversity summits at the end of the year to grow MWBE participation in order to enhance our ethical and resilient supply base.

Supply chain continued

We are working to influence our supply chain to focus on responsible behaviour

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 Organization (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 UK 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 our 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 87% of those requested did so in the most recent 2022 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, 62% of suppliers reported active targets. To support our commitment to net zero by 2050, we are promoting the adoption of SBTs by suppliers that have a significant contribution to our Scope 3 emissions. We understand members of our supply chain are 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 continue to embed sustainability criteria into all elements of our strategic sourcing process.

We are committed to paying suppliers promptly

We are fair to our suppliers and are committed to paying them promptly. In the US, 90.5% are paid to contractual terms (2021/22: 91%). In the UK, this is 92% (2021/22: 84%).

A supplier may not be paid to the terms of the contract if the invoice is in dispute or charges are unclear, vendor remittance details do not match National Grid records and/or approval of the invoice is not timely.

We are working to create an inclusive and diverse supply chain

We operate a Global Supplier Diversity Policy which outlines our commitments to DEI 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 small and diverse suppliers, and being proactive in identifying sourcing and subcontracting opportunities for these suppliers. We track and report spend with small and diverse suppliers.

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. Membership of 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 Utilities 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 and knowledge to reduce energy consumption. In April, 2023 we launched a new programme – The Grid Collective – growing New York's green businesses and jobs.

This programme is focused on serving local communities, specifically historically underserved (environmentally, economically and socially) communities and population groups (ethnic/racial women and other underrepresented ethnic/racial groups).

National Grid is creating a pipeline of suppliers in the energy efficiency and weatherisation industries to contract with directly or work as subcontractors for other companies as well.

Sustainability and responsible business are a core element of our procurement training

We continue to assess the training needs associated with managing supplier engagement around sustainable procurement and decent working practices. Procurement personnel are trained on supply chain sustainability topics, and we have included sustainability and responsible business as a core element of the Employee Promise within Procurement.

A modern slavery awareness video has been developed, identifying which signs to look out for both in and out of work, and 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 SCSS.

We have worked with the SCSS 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.

Supply chain continued

Table 3: Supply chain metrics

Measure	Reason for measure	2018/19	2019/20	2020/21	2021/22	**2022/23**
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 or issues relating to modern slavery enabling actions and controls to be put in place.	0	1	1*	1*	**0**
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	**0**
Number of stakeholder organisations we have engaged with	We continue to engage with NGOs, peers and subject matter experts to review our approach and share best practice.	15	31	30	30	**37**
Percentage of our top 25 Supplier organisations (based on spend) that have a publicly available Modern Slavery Statement or equivalent policy in place	This provides an additional monitor to see what actions our suppliers are taking to address the risks of Modern Slavery in their supply chains.	-	-	-	-	**48%**

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

Table 4: Spend profile table

Country	Percentage of spend
US	**53.37%**
UK	**29.47%**
Italy	**1.11%**
Germany	**0.46%**
Denmark	**0.36%**
Canada	**0.21%**
Norway	**0.20%**
Ireland	**0.15%**
Belgium	**0.10%**

Our governance

We have put the governance in place to hold ourselves to account

Linked SDGs

5 GENDER EQUALITY — Gender equality

8 DECENT WORK AND ECONOMIC GROWTH — Decent work and economic growth

Further reading **Our Code of Ethics**

Further reading **Modern Slavery Statement**

Our material issues

- 31 Board representation and role
- 32 Emerging risks
- 33 Skills for the future on the Board
- 34 Transparency and reporting
- 35 Ethics and human rights
- 36 Compliance

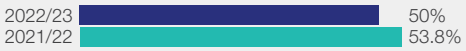
Performance against targets

Diversity of the Board

50%

Why do we measure this?
Our ambition is to meet and ultimately exceed the Hampton-Alexander and Parker diversity review standards and achieve 50% diversity in our Board.

Performance
We are achieving our target of 50% diversity in our Board

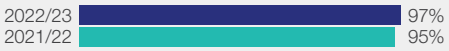


Ethics training

97%

Why do we measure this?
We report our completion rate of training over the year to promote a strong ethical culture.

Performance
Our completion rate of training for ethics has increased by 2% this year

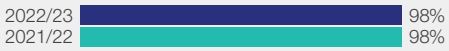


Anti-bribery and corruption training

98%

Why do we measure this?
We report our completion rate of training over the year to promote our zero-tolerance approach to fraud, bribery and corruption of any kind.

Performance
Our completion rate of training for anti-bribery and corruption has continued at 98% this year



Our Board

From the top down, we are committed to being a responsible business

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 plc 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, viability and governance structure to help achieve long-term success and deliver sustainable shareholder value.

We believe in having a diverse Board in order to make the best decisions

In order to be effective, we believe our Board needs 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.

We are cognisant of having a Board that remains balanced in experience, skills, diversity, independence and tenure. We view diversity through a broader lens than just gender, race and ethnicity and believe our strength comes from a diversity in skills and ability, including educational, professional and socio-economic backgrounds alongside cognitive and personal strengths.

We currently have 50% diversity on the Board, which is defined in this context as female and individuals from a minority ethnic background.

We identify areas of opportunity that should be considered for future appointments to the Board

When making appointments at Board level, consideration is given to the composition of the Board around diversity of skills and experience. The People & Governance Committee keeps this under review, with Board refreshment and succession being a priority.

In January 2023, we refreshed our Board skills matrix as part of ensuring it continues to reflect the skills required from the Board as a whole to support the business in line with its strategy and to meet future challenges. We sought to simplify and focus these to the top 10 key skills set out in our Corporate Governance Report in the ARA from page 66.

We actively manage our risks

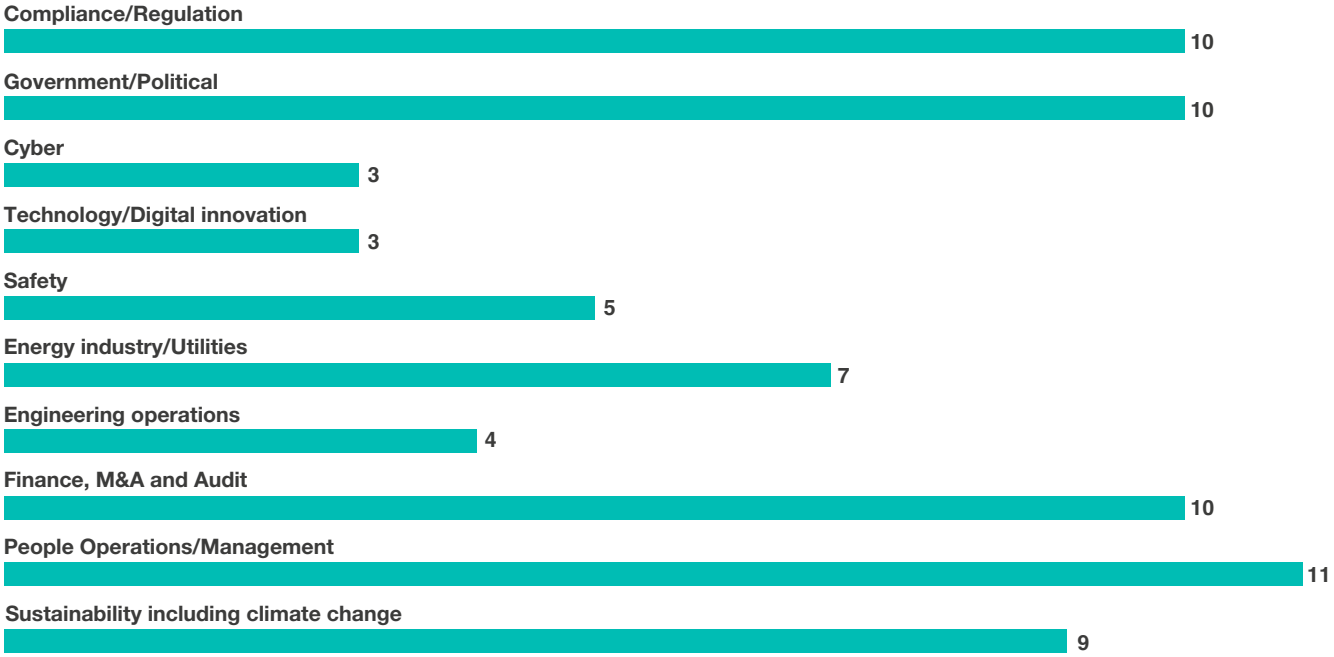
Please see page 20 – 24 of our ARA for our principal risks and how they are managed.

Our reporting is transparent

Our governance framework is aligned with our purpose, vision and values. 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 activities.

More details are in our Corporate Governance Report in the ARA from page 66.

Board skills and experience



Business ethics, bribery and corruption

We have a zero-tolerance approach to fraud, bribery and corruption of any kind

A foundational component of our approach is our Code of Ethics. 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 and 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 and competition.

Information and communication: Data privacy, electronic communications, information security, managing records and 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. For example we provide 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.

For more details, refer to our **Our Code of Ethics**

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, 97% 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 BMS Standard, which provides a clear set of minimum standards that each business area must adhere to. The BMS Standard 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 are 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 & Risk Committee). You can read more about the Audit & Risk Committee's role on page 69 of the ARA, and the committee report on page 83 – 87 of the ARA.

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. All business areas have self-assessed and been reviewed, with no significant risks identified relating to corruption. There have been no confirmed incidents or public legal cases in the reporting period.

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 whistleblowers and that any form of retaliation will not be tolerated.

97%
of colleagues completed Code of Ethics training

42% of reported Code of Ethics breaches were substantiated and resulted in various disciplinary actions

During 2022/23, we received 363 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, 42% were substantiated following investigation and resulted in various disciplinary actions. We categorise reports against our Code of Ethics: the main themes relate to the People and Behaviour, and Information and Communication categories.

In 2021, 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 have implemented improvements to our control framework and Ethics and Business Conduct Programme, including the recruitment of dedicated investigations teams in both the UK and the US.

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

Ethics and Business Conduct reports are discussed quarterly at the ERCC and twice a year at the Audit & 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, the Group General Counsel & Company Secretary, the Audit & 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. This ensures those charged with governance can satisfy themselves that cases are investigated promptly and acted upon where appropriate, 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.

Business ethics, bribery and corruption continued

We maintain a high standard of corporate political engagement worldwide

We are committed to maintaining a high standard of corporate political engagement worldwide.

We do this by assessing and making our policies, procedures and practices visible on our website, 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, as detailed in our guidelines.

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 237 of the ARA. 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 New York and federal Political Action Committees (PACs) made political donations in the US totalling $54,550 during the year.

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

Human rights are integral to our Code of Ethics

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 policies and procedures relating to issues such as diversity, anti-discrimination, privacy and equal opportunity, etc. and our SCoC integrates human rights into the way we interact with our supply chain (page 43). We also publish an annual Modern Slavery Statement.

For more details, refer to our **Supplier Code of Conduct**

For more details, refer to our **Modern Slavery Statement**

We have stringent internal incident categories to ensure we drive the right behaviour and learning

National Grid is committed to maintaining high standards of compliance. Our Group Compliance Procedure requires each business area to fully report any non-compliance incidents so that common themes and trends can be identified and monitored. Regular reports on compliance are provided to our ERCC.

We also set internal standards within our Environmental Management System, reporting environmental incidents internally to drive the right behaviour and identify learning opportunities. The incident categories we use are for internal use and are more stringent than external regulatory categorisations. Using common definitions of severity, our internal Category 1 incidents identify the highest potential for harm.

In 2022/23, Ofgem concluded an investigation into Western Power Distribution's (WPD) compliance with licence conditions relating to the Priority Services Register. The investigation had been ongoing since 2020 before National Grid's acquisition of WPD. National Grid Electricity Distribution (formerly known as WPD) agreed to make a voluntary payment of £14.9 million to Ofgem's redress fund after accepting its failure to meet its obligations to provide information, advice and services to customers on its Priority Services Register.

During the year, seven internal Category 1 environmental incidents were reported, none of which have resulted in fines. Two of these incidents related to oil leaks from fluid filled cables (FFC) in our Electricity Distribution business. We manage FFC in line with the Energy Networks Association (ENA) Code of Conduct – drawn up between the Environment Agency (EA) and the ENA Member Companies to provide cooperation between the EA and network companies in dealing with incidents with the potential for polluting the water environment. As part of our current business plan we have committed to reduce the volume of oil leaked from FFCs by 50% by 2028 and replace 90 km of the worst-leaking circuits with non-oil alternatives.

Given the extensive nature of our US regulatory compliance obligations, in 2020 we created and continue to utilise a US compliance function led by a US Chief Compliance Officer (CCO), responsible for establishing regulatory compliance policies, frameworks and processes to monitor our compliance obligations. The CCO function also provides assurance that these compliance obligations are being met.

We are transparent in our reporting approach

Reporting principles

Directors' responsibilities

The Directors are responsible for reporting the sustainability data as at 31 March 2023 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.

Reporting standards

In addition to reporting KPIs to measure our progress against our Responsible Business Charter targets, we have also produced reporting to align with a number of established sustainability reporting standards frameworks. Details of these have been described below:

Global Reporting Initiative (GRI)

This report has been prepared in accordance with the GRI Standards. We believe that all the requirements to claim alignment have been met. Further details on the requirements and our disclosures can be found in our **GRI index**.

Other reporting disclosures

While we have used the GRI Standards as our primary resource in developing our Responsible Business Report, we have also prepared separate sustainability reporting disclosures described below:

- Task Force on Climate-related Financial Disclosures (TCFD) – We have prepared our sixth consecutive TCFD report in full compliance with FCA listing rule (LR) 9.8.6R(b), which describes our climate change related governance, strategy, risk management and metrics and targets, including details of our short, medium and long-term risks and opportunities. This disclosure can be found in our **Annual Report & Accounts**.
- EU Taxonomy – We have published our second EU Taxonomy disclosure in accordance with EU-developed classification system which establishes the percentage of Group turnover, operating expenditure and capital expenditure that can be defined as green in relation to climate change mitigation and adaptation aligned activities. See our **EU Taxonomy report** for more information.
- Sustainability Accounting Standards Board (SASB) – We have prepared separate disclosures in accordance with SASB utilities sub-sector standards for Electric Utilities and Power Generators (October 2018), and Gas Utilities and Distributors (October 2018). Further details on the requirements and our disclosures can be found in our **SASB report**.

Reporting principles for content and quality

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

Principles for defining reporting content

Stakeholder inclusiveness

The Responsible Business Report sections on stakeholders (page 6) and materiality (pages 51 and 52), together with our section 172 statement on page 36 of the 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. 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, non-governmental organisations (NGOs) and opinion formers.

Sustainability context

We discuss our understanding of sustainable development as it applies to our business in each of the 'Materiality' section of the Responsible Business Report.

Materiality

The report section on materiality, on pages 51 and 52, 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 (scope of reporting)

Our Responsible Business Report covers all parts of our business operations globally including UK ED which was acquired during the previous period. As our UK business reports in line with a financial year (1 April – 31 March) and US business on a calendar year basis (1 January – 31 December), our environmental metrics have been calculated on this basis, unless stated otherwise. All metrics include the results of the Company and its subsidiaries. We have excluded data for all joint ventures, but for the following exceptions:

- Emerald Energy Joint Venture ('Emerald') 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 our interpretation of the Greenhouse Gases (GHG) protocol definition.
- Joint venture interconnectors data has been included in the 'Interconnector Reliability – % availability' metrics. This is because the data is readily available, and reliability is such a significant priority for measuring our role in the transition towards higher intermittency through renewables integration.

Where specific sites, operations or subsidiaries have been excluded from the scope of certain metrics, a clear statement and justification has been made within the relevant metric section of this document.

For newly acquired businesses and new operations, our policy is to include these within the metric reporting of our Responsible Business Report 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. As a result, we have consolidated UK ED, which was acquired in June 2021, into our Group numbers in this reporting period.

Transparent reporting continued

Newly sold or disposed operations will be removed from our reporting from the start of the reporting year that they leave the Group. This is because post National Grid ownership ceasing, we may not have access to an entity's data for reporting, control and assurance purposes. As a result, data for The Narragansett Electricity Company (NECO) and National Grid Gas plc (NGG), whose sales have been finalised in the 2022/23 reporting year, have been excluded in this reporting period. Given the Group has owned NGG for 10 months in the reporting year and continues to own 40% of the entity as at the reporting date, we will disclose NGG emissions data separately as a footnote to Group emissions for transparency.

The main changes to our global operations within the last two years are:

- the acquisition of WPD, now UK ED, in the UK in June 2021. We have fully consolidated UK ED data into our metrics 2022/23, unless otherwise stated, in line with our policy;
- the sale of our Rhode Island electricity and gas business was finalised in May 2022. In line with our policy, data for our Rhode Island business has not been included in our 2022/23 Responsible Business Report metrics;
- the sale of majority interest (60%) in our UK Gas Transmission and Metering business was finalised in January 2023. In line with our policy, data for the UK Gas Transmission business has not been included in our 2022/23 Responsible Business Report metrics. However, as the Group has owned the UK Gas Transmission business for 10 months in the reporting year and continues to own 40% of the entity as at the reporting date, we will disclose their material emissions data separately as a footnote to Group emissions for transparency; and
- North Sea Link (NSL), our subsea interconnector linking the electricity systems of the UK and Norway, became operational in October 2021. However, the maintenance contract sat with Hitachi for one year since operations began, and was handed over to National Grid in October 2022. In line with our policy, we have excluded NSL data in this year's Responsible Business Report as we gained operational control in October 2022, but will aim to include its complete contributions in all our key performance metrics within our 2023/24 Responsible Business Report.

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 14), 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 GHG, 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 Reporting Methodology** document.

We have ensured that metrics reported on in 2022/23 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. Due to the level of their materiality, and our commitment to align with the GHG Protocol, we have adjusted prior year comparatives for all GHG emissions metrics to reflect the changes to our global operations, as described in the 'Completeness' section above. Prior year comparatives have not been adjusted for any other metrics.

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. 2022 in 2022/23. All UK data is reported on a financial year basis unless otherwise indicated. See **Our Reporting Methodology** 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 Index**. In our third year reporting non-financial data, we have enhanced our controls environment across most pillars and have started to report the most material information internally on at least a quarterly basis to improve performance and accountability. As we acquired UK ED in the previous period, we have undertaken a significant project during the year to ensure that it can produce the level of non-financial information we historically have at National Grid, so that its data could be consolidated into this year's sustainability reporting.

To support the accuracy of the data we have commissioned PricewaterhouseCoopers LLP (PwC) as our independent external assurance provider for a third year, to perform limited assurance over the majority of our non-financial KPIs, and reviewed the controls and data reporting relating to the remaining less material KPIs – see 'Assurance' section below for more details.

Timelines

Our Responsible Business Report has been published alongside our ARA, 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 the pillars of our Responsible Business Charter to aid navigation and have provided a glossary to help explain acronyms and technical points.

Reliability

As noted, 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 an independent 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'.

The Board of Directors of National Grid plc has reviewed and approved the National Grid Responsible Business Report 2023 for the 12-month reporting period ended as at 31 March 2023. We confirm that the information and data provided is accurate and in line with mandatory requirements and has been independently assured by PwC and you can find their limited assurance opinion **here**.

PwC has provided an unqualified opinion in relation to the KPIs that are identified with the symbol ✓ and in relation to prior year data that we have restated ✓*, both featured on pages 54 – 57. Prior year data that has been marked with the symbol ✓† was also externally assured by PwC and details can be found in our 2021/22 report. Each year we reassess our assurance scope to ensure that we obtain external assurance for the most material metrics, and this year, we have once again increased our external assurance scope. 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, GHG 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 **Our Reporting Methodology**.

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.
- National Grid's external stakeholder engagement is reported well across all reports.

The content and emphasis within our Responsible Business Report this year required some modification to the prioritisation of material issues from the Responsible Business Charter, as it serves a different purpose. The Responsible Business Charter 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 Responsible Business Report 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 unit but include stakeholder and customer groups, community forums, and the consultation and engagement we undertake as part of regulatory and business planning.

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 Responsible Business Report, 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 Responsible Business Charter.

The environment

1. Enabling a clean energy system
2. Our own emissions
3. Air quality
4. Land use
5. Water
6. Circular economy
7. Habitat and biodiversity
8. The energy transition

Our communities

9. Social mobility
10. Affordability
11. Community engagement
12. STEM education
13. Network reliability
14. Customer satisfaction
15. Cyber security
16. Public safety
17. Connectivity

Our people

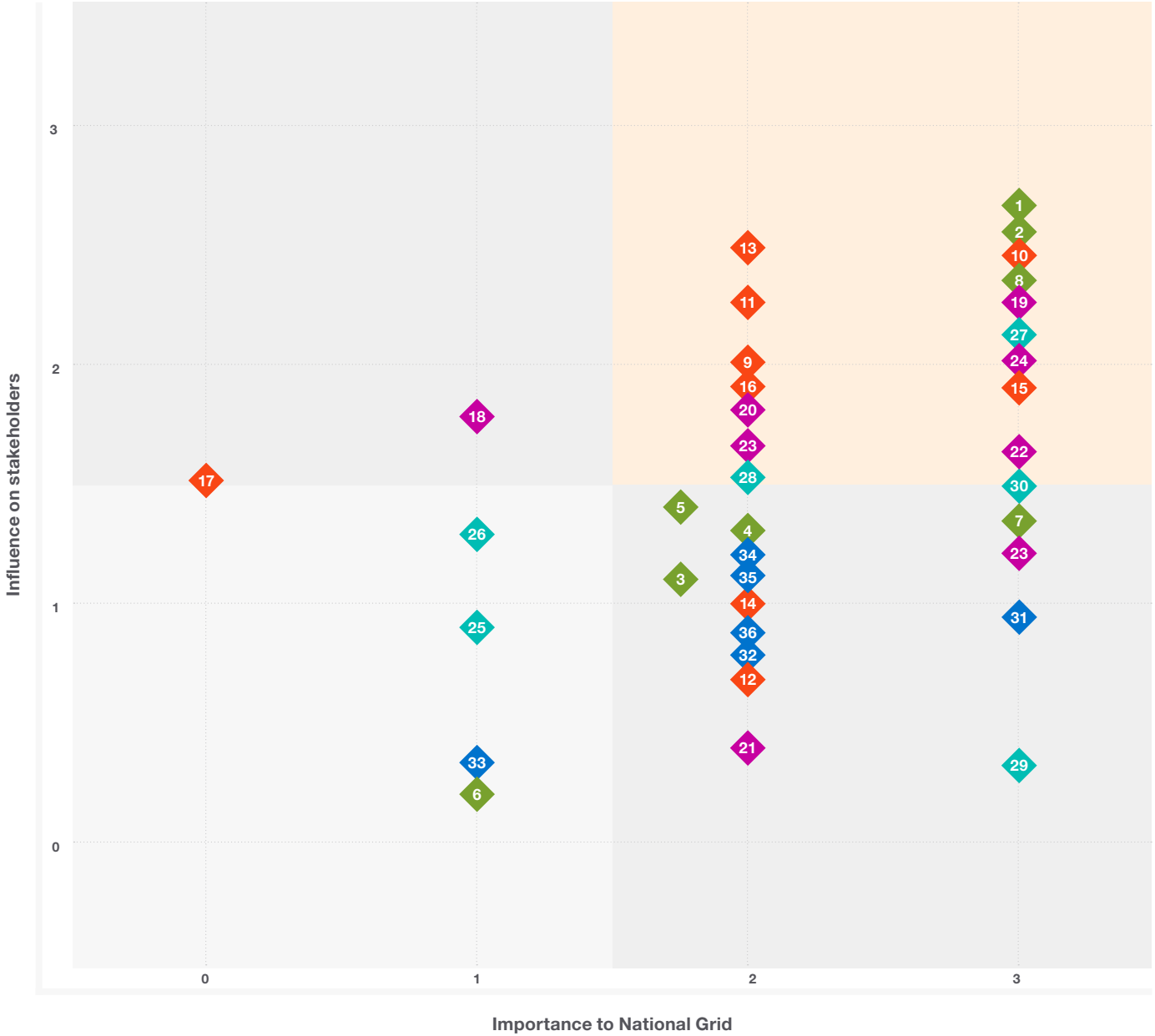
18. Workforce development
19. Diversity, equity and inclusion
20. Fair pay
21. Employee rights
22. Employee health and safety
23. Mental health and wellbeing
24. Purpose, values and culture

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. Emerging risks
33. Skills for the future on the Board
34. Transparency and reporting
35. Ethics and human rights
36. Compliance



Our suite of documents

Excel Data Book 2022/23
An excel workbook listing the metrics reported in our data tables on pages 54 to 57 as well as our voluntary reporting aligned to the EU Taxonomy, GRI and SASB disclosure frameworks.

Our Reporting Methodology
This document accompanies the Responsible Business Report (RBR) and details the basis of preparation and calculation methodology for each data point disclosed.

GRI Index
The GRI standards help organisations understand and communicate their environmental, social and economic impacts to all stakeholder groups on material sustainability issues. Our GRI index helps stakeholders navigate the information we have reported and confirms our adherence with the standards.

SASB Report
This year will be our third year of reporting financially material sustainability information in accordance with SASB's sector-specific standards for 'Electric Utilities and Power Generators' and 'Gas Utilities and Distributors' respectively.

EU Taxonomy Report
Our EU Taxonomy disclosure presents the Group's green turnover, operating expenditure and capital expenditure in relation to the frameworks' climate change mitigation and adaptation environmental objectives.

Green Finance Report
Our Green Financing Report provides information for our debt investors on the allocation of proceeds and environmental impact of green bonds issued during the year (NG plc: €750 million and NMPC: $500 million).

Data tables

Data externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

Data previously externally assured by PwC – see www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap-2022 for further details.

All 2022/23 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 data for previous year was also externally assured by PwC as detailed in the 2021/22 report – see www.nationalgrid.com/responsibility/responsible-business-report

* FY22 data restated and externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

The environment

Metric	Target	2022/23	2021/22	Performance against baseline
Greenhouse gas (GHG) emissions (kilotonnes CO_2e)				
Scope 1 and 2 greenhouse gas (GHG) emissions (Scope 2 location based)[1]	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 1990/91 baseline[1].	**7,245**	7,831*	-70%
Scope 1 GHG emissions[2]		**4,369**	5,034*	
Fossil fuel generation		**3,094**	3,799	
Natural gas emissions from fugitives and venting		**714**	720	
Scope 2 GHG emissions – market based		**2,901**	2,816*	
Scope 2 GHG emissions – location based[2]		**2,876**	2,797*	
Electricity line losses emissions		**2,748**	2,679	
Scope 3 GHG emissions[1]	Reduce Scope 3 GHG emissions across our entire value chain 37.5% by 2033/34, from a 2018/19 baseline.	**27,879**	27,492*	-3%
Scope 3 GHG emissions – US Cat 3 (Fuel & Energy Related Activities)		**3,510**	3,449*	
Scope 3 GHG emissions – US Cat 11 (Use of Sold Products)		**17,973**	17,617*	
Scope 3 GHG emissions – UK & US Cat 1 (Purchased Goods and Services)		**6,291**	6,404*	
Scope 3 GHG emissions – UK & US Cat 7 (Employee Commuting)		**21**	4	
Scope 3 GHG emissions – UK & US Cat 6 (Business Travel)		**38**	11	
Scope 3 GHG emissions – UK & US Cat 5 (Waste Generated in Operations)		**46**	7	
SF_6 emissions[1]	Reduce SF_6 emissions from our operations 50% by 2030, from a 2019/20 baseline[1].	**278**	279*	-21%
Air travel[1]				
GHG emissions from air travel ($ktCO_2e$)	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 2019/20 baseline on an enduring basis[1].	**7**	0.79	-37%
Total miles from air travel		**22,348,935**	3,962,359	-23%
Air quality (tonnes)				
Air quality – Emissions from stationary sources (NOx)	We will reduce NOx and SOx emissions by improving the efficiency of our plant and equipment.	**2,346**	3,072†	
Air quality – Emissions from stationary sources (SOx)		**1,175**	1,107†	
Air quality – Emissions from stationary sources (PM)		**342**	391†	
Fleet (%)				
Electric Vehicle Fleet % (Light-duty only)	Move to a 100% electric fleet by 2030 for our light-duty vehicles.	**5%**	4%	

The environment

Metric	Target	2022/23	2021/22	Performance against baseline
Waste (Tonnes/%)				
Total waste generated (tonnes)		**855,546**	340,186	
Reuse (Hazardous)		**–**	–	
Reuse (Non-Hazardous)		**33,842**	85,537	
Recycled (Hazardous)		**7,460**	20,342	
Recycled (Non-Hazardous)		**652,014**	186,933	
Landfill (Hazardous)		**31,139**	4,675	
Landfill (Non-Hazardous)		**25,895**	19,980	
Other Disposal Methods (Hazardous)		**2,670**	4,118	
Other Disposal Methods (Non-Hazardous)		**102,526**	18,601	
Total UK office waste (tonnes)		**724**	1,488	
% UK office waste diverted from landfill	We are committed to sending zero waste to landfill, where possible, in our main offices.	**95.0%**	100%	
Our energy consumption				
Total energy consumption (GWh)[1]		**2,835**	2,422*	
Total electricity consumption (GWh)[1]		**891**	893*	
Total operational consumption (GWh)[1]		**1,374**	939*	
Total heating consumption (GWh)[1]		**169**	188*	
Total transport consumption (GWh)[1]		**401**	402*	
Total fuel consumption from non-renewable sources (GWh)[1]		**2,759**	2,341*	
Total fuel consumption from renewable sources (GWh)[1]		**76**	81*	
Total energy consumed – US Generation data (GWh)[1]		**15,892**	19,610*	
Office energy consumption (GWh)	Reduce energy consumption in our offices 20% by 2030. Commitment from a 2020 baseline.	**61**	63	
UK		**28**	25	
US		**33**	38	
% Renewable energy purchased		**13%**	n/a	
UK		**16%**	0%	
US		**2.4%**	5.8%	
Enabling clean energy (MW)				
Renewable energy connected to US Distribution grid	We will connect renewables as quickly and efficiently as possible.	**454**	531	
Renewable energy connected to US Transmission grid		**100**	98	
Renewable energy connected to UK Distribution grid		**132**	n/a	
Renewable energy connected to UK Transmission grid		**0**	1,869	
Interconnector capacity (GW)		**6.4**	6.4	
Renewables enabled by direct investment via National Grid Renewables	We will grow our renewables business in the US.	**546**	674	

Data tables continued

Data externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

Data previously externally assured by PwC – see www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap-2022 for further details.

All 2022/23 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 data for previous year was also externally assured by PwC as detailed in the 2021/22 report – see www.nationalgrid.com/responsibility/responsible-business-report

* FY22 data restated and externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

The environment

Metric	Target	2022/23	2021/22
Energy intensity			
Total global Scope 1 & 2 emissions in tCO_2e per million £ of revenue (tCO_2e/£M)[1,3]		**337**	459*
Carbon intensity of our generation metric – CDP (tCO_2e/GWh)		**448**	486
Water			
Total water consumption (Megalitres)		**0.44**	
Total water abstracted i.e withdrawal (MCM)		**1,341**	1,388
Total water discharged (MCM)		**1,340**	1,388

Our people

Metric	Target	2022/23	2021/22
Inclusiveness & Diversity (%)			
Diversity % of Senior Leadership Group[4]	Achieve 50% diversity in our Senior Leadership Group by 2025.	**49.1%**	49.5%†
Diversity % of hires in new talent programmes[4]	Maintain 50% diversity in all our new talent programmes.	**49.4%**	55.6%†
UK: Graduate Applicants % female		**33.9%**	25.0%
UK: Graduate Applicants % ethnically and racially diverse		**48.4%**	69.0%
UK: Apprenticeship Applicants % female		**14.4%**	n/a
UK: Apprenticeship Applicants % ethically and racially diverse		**10.1%**	n/a
US: Graduate Applicants % female		**40.0%**	29.0%
US: Graduate Applicants % ethnically and racially diverse		**29.2%**	51.0%
US: Internship Applicants % female		**44.4%**	33.0%
US: Internship Applicants % ethnically and racially diverse		**30.8%**	37.0%
Diversity % of the workforce[4]	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.	**36.1%**	38.6%†
External hires % female		**30.2%**	31.7%†
External hires % ethnic minority		**29.0%**	31.5%†
Promotions % female		**25.6%**	21.6%†
Promotions % ethnic minority		**17.9%**	18.4%†
Leavers % female		**28.9%**	32.6%†
Leavers % ethnic minority		**25.0%**	26.8%†
Recruitment rates by Region			
US		**54.8%**	72.6%
UK		**45.2%**	27.4%

Our people

Metric	Target	2022/23	2021/22
Total Employee Headcount Split			
UK: Full Time		**12,071**	6,486
UK: Part Time		**491**	297
UK: Female		**2,868**	1,902
UK: Male		**9,694**	4,881
US: Full Time		**16,811**	17,222
US: Part Time		**67**	110
US: Female		**4,065**	4,881
US: Male		**12,813**	13,278
Regular Employees, Temporary Employees and Agency workers			
UK: Regular Employees		**12,562**	6,570
UK: Temporary Employees[5]		**122**	853
UK: Agency Employees		**693**	776
US: Regular Employees		**16,878**	17,332
US: Temporary Employees[5]		**52**	608
US: Agency Employees		**661**	547
Leaver Rates by Region			
US		**8.60**	11.00
UK		**7.80**	10.20
Annual Employee Turnover by type			
Voluntary		**7.0**	9.0
Involuntary		**1.2**	1.8
Age of workforce in bands for current workforce			
<25		**6.1%**	6.4%†
26-40		**43.3%**	41.2%†
41-55		**33.1%**	33.4%†
>55+		**17.5%**	19.0%†
Age of workforce in bands for current starters			
<25		**22.4%**	28.3%†
26-40		**53.0%**	47.2%†
41-55		**20.5%**	19.7%†
>55+		**4.1%**	4.8%†
Age of workforce in bands for current leavers			
<25		**7.4%**	13.6%†
26-40		**34.4%**	32.6%†
41-55		**20.8%**	21.5%†
>55+		**37.4%**	32.3%†

Data tables continued

Data externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

Data previously externally assured by PwC – see www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap-2022 for further details.

All 2022/23 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 data for previous year was also externally assured by PwC as detailed in the 2021/22 report – see www.nationalgrid.com/responsibility/responsible-business-report

* FY22 data restated and externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

Our people

Metric	Target	2022/23	2021/22
Employee engagement (%)			
Employee Engagement Score (from Grid:voice)	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' score 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.	**71**	73
Wellbeing (%)			
Wellbeing index (employees)		**75**	77
Fairness in pay (%)			
Living wage paid (UK only) *NGED excluded	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.	**75**	100

Metric	Target	2021/22	2020/21
UK gender pay gap[6]	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.	**1.9%** ◆	(1.6)% ††
– mean 'base' gender pay gap		**(5.7)%** ◆	(15.6)% ††
– mean 'incentive' gender pay gap			
UK ethnicity pay gap[6]			
– mean 'base' ethnicity pay gap		**(1.9)%**	3.2% ††
– mean 'incentive' ethnicity pay gap		**59.7%**	60.3% ††
US gender pay gap[6]			
– mean 'base' gender pay gap		**5.1%**	12.6% ††
– mean 'incentive' gender pay gap		**(27.3)%**	(35.4)% ††
US ethnicity pay gap[6]			
– mean 'base' ethnicity pay gap		**2.1%**	6.1% ††
– mean 'incentive' ethnicity pay gap		**(2.0)%**	9.4% ††

Metric	Target	2022/23	2021/22
Employee Training and Development			
Average hours of training per employee		**37.10**	39.96
US		**38.59**	37.74
UK		**59.63**	44.96

Our communities

Metric	Target	2022/23	2021/22
Safety			
Fatalities	We will deliver sustainable energy safely.	**2**	0
Lost time injury frequency rate (LTIFR) (lost time incidents per 100,000 hours worked)		**0.11**	0.13 †
Member of the public injuries/fatalities as a result of National Grid work		**0**	1
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[7]		**99.99997%**	99.99993%
UK ED[7]		**99.99453%**	99.99469%
US ET		**99.96625%**	99.96204%[8]
US ED		**99.94356%**	99.94136%[8]
Interconnector reliability – % Availability			
IFA Interconnector		**51.73452%**	61.33852%
IFA 2 Interconnector		**95.67553%**	90.35921%
NSL Interconnector		**86.67371%**	63.29874%
BritNed Interconnector		**99.99155%**	80.36864%
NEMO Link Interconnector		**98.08790%**	99.00400%
Affordability (£/$)			
Contribution 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.	**£131.49**	£98.85 †
Contribution of NG UK's distribution costs to consumer bills		**£22.22**	£29.04 †
Contribution of NG UK's transmission costs to consumer bills			
Average energy bill charged to US households			
Electric: Average Customer Bill Jurisdictions Combined (Low Income Customers Excluded)		**$1,774.03**	$1,613.35 †
Gas: Average Customer Bill Jurisdictions Combined (Low Income Customers Excluded)		**$1,482.81**	$1,314.24 †
Electric: Average Low Income (only) Customer Bill		**$1,256.62**	$1,107.07 †
Gas: Average Low Income (only) Customer Bill		**$1,023.71**	$904.72 †
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.	**56.0%**	62.4%
Volunteering			
Number of 'qualifying' volunteering hours[9]	Achieve 500,000 employee volunteering hours by 2030 (from 2020).	**60,096 (Cumulatively 101,562)**	23,416 (Cumulatively 41,466)
Skills development			
Number 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).	**6,590 (Cumulatively 11,823)**	3,972 (Cumulatively 5,233)

Data tables continued

Data externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

Data previously externally assured by PwC – see www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap-2022 for further details.

All 2022/23 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 data for previous year was also externally assured by PwC as detailed in the 2021/22 report – see www.nationalgrid.com/responsibility/responsible-business-report

* FY22 data restated and externally assured by PwC – see page 50 of the Responsible Business Report 2022/23 for further details.

The economy

Metric	Target	2022/23	2021/22
Economic value			
Direct Economic Value Generated Group:[10]		**£29,219**	**20,517**
Economic Value Retained		**£8,510**	**1,431**
Economic Value Distributed		**£20,709**	**19,086**
Operating Costs		**£10,242**	**10,522**
employee wages and benefits		**£3,994**	**3,530**
payments to providers of capital		**£3,205**	**1,994**
payments to government		**£3,268**	**3,022**
Community Investments		**£48**	**18**
Supply Chain (%)			
% of top 250 suppliers with active carbon reduction targets	75% of National Grid's top 250 suppliers (by category/spend) will have active carbon reduction targets by 2030.	**62.0**	54.0 †
% of supplier payments paid to contractual term (UK)	We are fair to our suppliers and committed to paying them promptly.	**92.0**	84.0
% of supplier payments paid to contractual term (US)		**90.5**	91.0
Innovation (£m)			
Investment by NG Partners	Continue to invest in developing technologies and innovations that benefit our customers and wider society.	**£59.23**	£93.00
Investment (£m)[10]			
Investment in energy infrastructure (Group – continuing)	Continue to reinvest in energy infrastructure at approximately £5 billion each year.	**£7,740**	£6,739
EU Taxonomy aligned green capex as a percentage of total capex		**75%**	73%
Employment (number)			
Jobs (worldwide)		**29,440**	24,104

Our governance

Metric	Target	2022/23	2021/22
Company culture (%)			
% employees that have undertaken relevant ethics training		**97%**	95%
% employees that have undertaken relevant Anti Bribery and Corruption training[11]		**98%**	98%
Leadership diversity (%)			
Diversity % of the Board[12]	Meet and ultimately exceed the Hampton-Alexander and Parker diversity review standards and achieve 50% diversity in our Board.	**50.0%**	53.8% †

1 Baselines and 2021/22 data have been adjusted for these KPI's in line with the disposal of UK Gas Transmission and Rhode Island (US) and acquisition of UK ED (previously WPD).
2 For transparency purposes, UK Gas Transmission data for the 10 months (excluded in 2022/23 reporting period) prior to its disposal, is as follow: Scope 1: 306.4 $ktCO_2e$ Scope 2 Location Based: 31.7 $ktCO_2e$
3 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 £21,476m 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 £21,659m (per ARA Note 3), less revenue from our Rhode Island business which was sold on 25 May 2022 of £183m.
4 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.
5 Methodology change for the classification of temporary employees. Please refer to 'Our Reporting Methodology' document.
6 Pay gap data reported one year in arrears in accordance with timelines for UK statutory reporting requirements.
7 Current year data performance is provisional subject to Ofgem review and approval as part of the Annual Iteration Process (AIP) which is expected by October 2023.
8 2021/22 Comparatives have been revised to ensure data is in line with financial year.
9 Refer to reporting methodology document for definition of qualifying volunteering hours.
10 Data is from our audited 2022/23 and 2021/22 Group consolidated financial statements.
11 The current performance against this training remains at 98% as per 2021/22, given it relates to the same training module. A new module was released and refreshed in 2022/2023 with data due date of 1 May 2023. Data is currently being monitored and will be fully reported in the next reporting period.
12 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

Glossary

AGM
Annual General Meeting.

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 high-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.

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 1–12 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.

Diversity
A diverse employee is defined as a colleague who identifies as female, as a person with a disability, as gay, bisexual 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 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.

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.

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 one billion watts (10^9 watts).

GWh
Gigawatt hours, an amount of energy equivalent to delivering one billion watts (10^8 watts) of power for a period of one hour.

KPI
Key performance indicator.

LIPA
The Long Island Power Authority.

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

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.

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

MW
Megawatt, an amount of power equal to one million watts (106 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, fossil fuel-powered generation, 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.

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 five-year 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 1,000 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.

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 (SF_6) 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 23,900 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-related assets 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 (tCO_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 Electricity Distribution (UK ED)

National Grid's UK electricity distribution business, formerly known as WPD, comprising Western Power Distribution Holding Company Limited and its subsidiaries. The group is the UK's largest electricity distribution business and includes four distribution network operators.

UK Electricity Transmission (UK ET)

National Grid's UK electricity transmission business.

UK regulatory bodies

Environment Agency (EA), Scottish Environmental Protection Agency (SEPA), Natural Resources Wales (NRW).

US regulatory bodies

Environmental Protection Agency (EPA), Massachusetts Department of Environmental Protection (Mass DEP) and state regulators.

Footnotes from page 2

§ Copyright ©2021 Sustainalytics. All rights reserved. This publication/ article/ section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at sustainalytics.com/legal-disclaimers.

^ The use by National Grid of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of National Grid by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

nationalgrid

National Grid plc
1–3 Strand
London
WC2N 5EH
United Kingdom
Registered in England and Wales

No. 4031152

nationalgrid.com