

National Grid 2022 Gender Pay Gap Report - Reporting Methodology

In this document, we provide further details on our response to the UK's statutory requirement to publish National Grid's gender pay gap data. It provides an overview of the metrics, definitions, scope and methodology we have applied, and the National Grid UK legal entities covered within it.

We prepare and report our gender pay gap disclosures in line with the approach defined by the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 ('the legislation') and Acas Managing Gender Pay Reporting Guide 2017 ('Acas guidance').

1 - Metric

Our gender pay gap reporting covers our UK business only. We report our gender pay gap in two ways:

- a) UK **statutory** gender pay gap
- b) UK **total** gender pay gap

National Grid are required to report our UK **statutory** gender pay gap to the UK Government for each UK legal entity with 250 employees or more, in line with the legislation. Reporting our **total** UK gender pay gap in addition, is a voluntary step National Grid has taken and represents our entire UK workforce (i.e. inclusive of all UK legal entities, regardless of headcount).

The metrics disclosed are listed below, as stipulated by the legislation. For the UK **statutory** gender pay gap, each metric is reported individually for each legal entity in scope. For the UK **total** gender pay gap, each metric is reported once to represent the total UK workforce.

- Mean gender pay gap (%)
- Median gender pay gap (%)
- Mean gender bonus gap (%)
- Median gender bonus pay gap (%)
- Proportion of men and women receiving a bonus payment (%)
- Proportion of men and women in each pay quartile of the organisation (%)

2 - Definitions

The gender pay gap is an equality measure that shows the difference in average earnings between women and men. It is different from equal pay .

The definitions for the key terms included as part of our gender pay gap calculations are:

- **Gender:** All our gender pay gap data relies on our employees' classification of their own gender as male or female. This is a mandatory, binary field in our HR system and therefore National Grid has a gender disclosure rate of 100%.
- **Relevant employee:** Those that have a contract of employment with National Grid, employed on the snapshot date 5th April, and were in receipt of at least their full, 'normal' pay during the month of April. Employees paid less than their usual pay as a result of being on leave at 5th April, are not included. We consider an individual's usual pay to be 1/12th of their annual salary as at 5th April.
- **Relevant pay period / bonus pay period:** The month of April is used to calculate hourly pay, which is then used to calculate the pay gap in accordance with the legislation. The relevant pay period for the purpose of calculating bonus pay is 6th April 2021 to 5th April 2022 inclusive.
- **Relevant pay / bonus pay:** An employee's 'normal' monthly salary, including any regular allowances and supplements, paid out in pay period that includes April 5th is considered as relevant or 'normal' pay. Bonus payments made to employees in the form of cash, vouchers or securities in addition to normal pay, for reasons including performance and incentives, in the twelve months prior to and including April 5th of each year.

For more granular definitions of the above terms used in gender pay gap calculations, please refer to the legislation and Acas guidance.

3 - Scope

In terms of the time period in scope, our gender pay gap disclosures are prepared on an annual basis using the snapshot date 5th April each year for base / ordinary pay, and for the twelve months period and that pay period and the eleven pay periods prior to that date for bonus pay.

The scope of National Grid UK legal entities included within each metric are stated in the table below.

National Grid UK Legal Entities	In scope for UK Statutory Reporting (i.e. have 250 or more employees)	In scope for UK Total reporting
National Grid Electricity System Operator Ltd	✓	✓
National Grid Electricity Transmission	✓	✓
National Grid Gas plc	✓	✓
National Grid UK Ltd	✓	✓
National Grid Comm. Holdings		✓
National Grid Grain LNG		✓
National Grid Metering		✓
National Grid PLC		✓
National Grid Property Holdings		✓
National Grid UK Pension Services		✓
National Grid Electricity Distribution East Midlands	✓	✓
National Grid Electricity Distribution West Midlands	✓	✓
National Grid Electricity Distribution South West	✓	✓
National Grid Electricity Distribution South Wales	✓	✓

The above entities are included in the relevant statutory and total gender pay gap calculations for all metrics as stated in section '1 – Metric'. The acquisition of National Grid Electricity Distribution (formally Western Power Distribution) has resulted in an additional 4 statutory entities being included in 2022 reporting. There is only one exclusion to note, bonuses paid from the National Grid Metering entity are not included. National Grid Metering operates independently (they are not governed by Group) and as such National Grid have limited access and oversight of the bonus payments data at Group level. This exclusion will only affect the total UK gender pay gap metric, for mean and median bonus pay gap calculations (all our UK statutory disclosures and our UK total pay gap calculations are not affected).

4 - Calculation methodology

Gender pay gap metrics are calculated in accordance with the methodology set out in the legislation and Acas guidance. Our data is extracted from our source systems (Payroll and HR), before being reconciled and prepared for calculations to ensure that only the relevant employees, wage types and bonus types are included.

Our gender pay gap disclosures are subject to a range of internal reviews before being signed-off by the Chair of the Board and Chief Executive Officer.

For our 2022 gender pay gap reporting, we have engaged PricewaterhouseCoopers LLP to provide independent assurance of our disclosures.